

KLA TENCOR CORP  
Form 424B3  
June 07, 2018  
Table of Contents

As filed pursuant to Rule 424(b)(3)  
Registration No. 333-224982

June 7, 2018

## MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Orbotech Ltd. shareholder:

You are cordially invited to attend the extraordinary general meeting of shareholders of Orbotech Ltd. ( Orbotech or we ) to be held at 10:00 a.m., Israel time, on Thursday, July 12, 2018, at Orbotech s offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel.

As previously announced, on March 18, 2018, Orbotech entered into an agreement and plan of merger, as amended (the Merger Agreement ), with KLA-Tencor Corporation ( KLA-Tencor ) and Tiburon Merger Sub Technologies Ltd. ( Merger Sub ) under which Orbotech would be acquired by KLA-Tencor (the Merger ). Pursuant to the terms of the Merger Agreement, each ordinary share of Orbotech that is issued and outstanding (other than certain Excluded Shares) will be canceled and converted into the right to receive \$38.86 in cash and 0.25 of a share of KLA-Tencor common stock. You will be asked at the meeting to consider and vote on the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement (the Merger Proposal ). We encourage you to read the Merger Agreement, a copy of which is attached to this proxy statement/prospectus as Annex A, in its entirety.

The Orbotech Board of Directors has (i) determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, and assuming, among other things, the accuracy of the representations and warranties of the other parties in the Merger Agreement, no reasonable concern exists that the surviving company, as a result of the Merger, will be unable to fulfill the obligations of Orbotech to its creditors; (ii) approved the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger; and (iii) resolved to direct that the Merger Agreement and the transactions contemplated by the Merger Agreement be submitted to the shareholders of Orbotech for approval and adoption and recommended that the shareholders of Orbotech vote in favor of the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement. **Accordingly, the Orbotech Board of Directors unanimously recommends that you vote FOR the Merger Proposal.**

**We urge you to read the accompanying proxy statement/prospectus, including the Annexes and the documents incorporated by reference, carefully and in its entirety. In particular, we urge you to read carefully the section entitled Risk Factors .**

We look forward to greeting personally those Orbotech shareholders who are able to be present at the meeting. If you do plan to attend, to gain access to the meeting we ask that you bring with you some form of personal identification and verification of your status as a shareholder as of the close of trading on June 6, 2018, the record date for the meeting. However, whether or not you will be with us at the meeting, it is important that your shares be represented. Accordingly, you are requested to complete, date, sign and mail the enclosed proxy in the envelope provided at your earliest convenience and in any event so as to be received in a timely manner as discussed in the enclosed proxy statement/prospectus. Your shares can be voted at the meeting only if you are present or represented by a valid proxy.

Thank you for your cooperation.

Very truly yours,

ASHER LEVY

*Chief Executive Officer, Orbotech Ltd.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This proxy statement/prospectus is dated June 7, 2018 and is first being made available to Orbotech shareholders on or about June 7, 2018.

**Table of Contents**

**ORBOTECH LTD.**

**7 Sanhedrin Boulevard**

**North Industrial Zone**

**P.O. Box 215**

**Yavne 8110101, Israel**

**PROXY STATEMENT**

**EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

This proxy statement/prospectus is being furnished to the holders of ordinary shares, New Israeli Shekels ( NIS ) 0.14 nominal (par) value per share ( Orbotech shares ), of Orbotech Ltd. ( Orbotech ) in connection with the solicitation by the Board of Directors of Orbotech (the Orbotech Board ) of proxies for use at Orbotech 's extraordinary general meeting of shareholders (the meeting ) or at any adjournment thereof.

The meeting will be held on Thursday, July 12, 2018 at 10:00 a.m., Israel time, at Orbotech 's principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel, to consider and vote on the following matter in connection with the acquisition of Orbotech by KLA-Tencor Corporation, a Delaware corporation ( KLA-Tencor ):

To approve and adopt (i) the agreement and plan of merger dated March 18, 2018, as amended (the Merger Agreement ), among KLA-Tencor, Tiburon Merger Sub Technologies Ltd., a company organized under the laws of the State of Israel and a wholly owned subsidiary of KLA-Tencor ( Merger Sub ) and Orbotech; (ii) the merger of Merger Sub with and into Orbotech (the Merger ) on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the Companies Law 1999 of the State of Israel (together with the rules and regulations promulgated thereunder, the ICL ), following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement (the Merger Proposal ).

*Voting procedures.* A form of proxy for use at the meeting and a return envelope for the proxy are enclosed. No postage is required if mailed in the United States. Shareholders may revoke the authority granted by their execution of a proxy at any time before the effective exercise thereof by filing with Orbotech a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting. *In order for a proxy to be counted, it must be duly executed and received prior to the meeting. This will be deemed to have occurred only if such proxy is received either by Orbotech at its principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel, at any time prior to the commencement of the meeting, or by American Stock Transfer & Trust Company, LLC, Orbotech 's transfer agent, in New York City, New York, by no later than 11:59 p.m., New York City time, on July 11, 2018, the last business day immediately preceding the date of the meeting (and, in each case, not revoked prior to such time). Orbotech shares represented by any proxy received after the time specified above will not be counted as present at the meeting and will not be voted.*

If a shareholder properly executes and returns the form of proxy to Orbotech prior to the meeting (as specified above) without indicating how the shareholder intends to vote with respect to the Merger Proposal, the Orbotech shares

represented by the proxy will be counted as being present for quorum purposes, but will not be treated as having been voted in respect of the Merger Proposal and will have no effect on the voting with respect to the Merger Proposal.

Joint holders of Orbotech shares should take note that, pursuant to Article 62 of the Articles of Association of Orbotech, the vote of the senior holder of joint holders of any Orbotech share who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) of such Orbotech

---

**Table of Contents**

share, and for this purpose seniority will be determined by the order in which the names stand in Orbotech's share register.

**Record date.** Proxies for use at the meeting are being solicited by the Orbotech Board. Only shareholders with Orbotech shares registered in his, her, its or their name or names, at the close of trading on June 6, 2018, the record date (Orbotech shareholders of record), will be entitled to vote at the meeting or at any adjournment thereof. Proxies are expected to be mailed to Orbotech shareholders of record on or about June 15, 2018, and their return will be solicited chiefly by mail; however, certain officers, directors, employees and agents of Orbotech, none of whom will receive additional compensation therefor, as well as Okapi Partners LLC, the proxy solicitor for Orbotech, may solicit proxies by telephone, facsimile transmission, electronic mail or other personal contact. Orbotech will bear the costs of the solicitation of proxies, including postage, printing and handling, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of Orbotech shares.

**Quorum.** At the close of trading on June 6, 2018, the record date, 48,569,735 Orbotech shares were outstanding<sup>1</sup>, each of which is entitled to one vote upon each of the matters to be presented at the meeting. No less than two Orbotech shareholders of record present in person or by proxy, and holding or representing between them Orbotech shares conferring in the aggregate more than 50% of the voting rights of Orbotech, shall constitute a quorum at the meeting. If within one-half hour from the time appointed for the holding of the meeting a quorum is not present, the meeting shall be adjourned to July 23, 2018, at the same time and place. At any such adjourned meeting, if a quorum is not present within one-half hour from the specified time, any shareholders present in person or by proxy shall constitute a quorum even if they hold or represent Orbotech shares conferring 50% or less of the voting rights of Orbotech.

In determining whether there is a quorum for the meeting and whether the required number of votes for the Merger Proposal has been cast, Orbotech shares subject to abstentions or to broker non-votes are counted for purposes of determining whether there is a quorum for the meeting but, with regard to the Merger Proposal, are not counted as having been voted in respect thereof. Broker non-votes are votes that brokers holding Orbotech shares of record for their clients are, pursuant to applicable stock exchange or other rules, precluded from casting in respect of certain non-routine proposals because such brokers have not received specific instructions from their clients as to the manner in which such Orbotech shares should be voted on those proposals and as to which the brokers have advised Orbotech that, accordingly, they lack voting authority.

**Required vote.** The affirmative vote of a simple majority of the voting rights of Orbotech shares represented and voting thereon at the meeting is necessary for the approval of the Merger Proposal, provided that such majority includes at least a majority of the votes cast by Orbotech shareholders that are not KLA-Tencor, Merger Sub or a KLA Related Person (as defined below), who are present and voting (abstentions are disregarded) (the Merger Majority).

Pursuant to the ICL, each Orbotech shareholder voting on the Merger Proposal is required to inform Orbotech as detailed below prior to voting at the meeting if the shareholder is any of KLA-Tencor, Merger Sub, or a KLA Related Person and to indicate such matter in the appropriate place in the enclosed proxy, as further detailed below. A KLA Related Person is (a) a person holding, directly or indirectly, either (i) 25% or more of the voting rights of KLA-Tencor or Merger Sub, or (ii) the right to appoint 25% or more of the directors of KLA-Tencor or Merger Sub, or (b) one of such person's spouse, siblings, parents, grandparents, descendants, spouse's descendants, siblings or parents or the spouse of any such person, or a corporation controlled by any one or more of such persons or by KLA-Tencor or Merger Sub.

## Edgar Filing: KLA TENCOR CORP - Form 424B3

Does not include, as at that date: (i) a total of 4,401,303 Orbotech shares that were either subject to outstanding equity awards granted pursuant to equity remuneration plans of Orbotech or were available for grant pursuant to such plans and (ii) a total of 5,410,773 Orbotech shares held as treasury shares, including (A) 37,022 Orbotech shares held on behalf of Orbotech by the Section 102 Trustee and (B) 3,416,855 Orbotech shares held by direct or indirect wholly owned subsidiaries of Orbotech, all as described in further detail under the section entitled Security Ownership of Certain Beneficial Owners and Management of Orbotech .

## II

---

**Table of Contents**

*Special voting instructions under the ICL.* In order to provide for proper counting of your shareholder vote, in the enclosed proxy you are required to indicate whether or not you are KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal. If you have not marked **NO** on the proxy (or in your electronic submission), thereby confirming that you are not any of KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal, your vote will not be counted for purposes of the Merger Majority with respect to the Merger Proposal, and your signature on the enclosed proxy (or the submission of an electronic vote) will constitute a certification that you are either KLA-Tencor, Merger Sub or a KLA Related Person.

Based on information provided by KLA-Tencor and Merger Sub to Orbotech, as of the date of this proxy statement/prospectus, Orbotech is not aware of any holdings of Orbotech shares by KLA-Tencor, Merger Sub or any KLA Related Persons, and therefore believes that all of its shareholders should mark **NO** in the appropriate place on the enclosed proxy (or in their electronic submission).

Abstentions and broker non-votes will be counted for purposes of determining whether there is a quorum for the meeting but will not be treated as having been voted in respect of the Merger Proposal. Consequently, assuming a quorum is present at the meeting, broker non-votes and abstentions will have no effect on the voting with respect to the Merger Proposal.

Orbotech is unaware at this time of any other matters that will come before the meeting. If any other matters properly come before the meeting, it is the intention of the persons designated as proxies to vote in accordance with their judgment on such matters. Orbotech shares represented by executed and unrevoked proxies will be voted in accordance with such judgment.

**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about KLA-Tencor and Orbotech from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into the proxy statement/prospectus free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**KLA-Tencor Corporation**

One Technology Drive

Milpitas, CA 95035

(408) 875-3000

Attention: Investor Relations

**Orbotech Ltd.**

P. O. Box 215

Yavne 8110101, Israel

972-8-9423622

Attention: Michael Havin, Corporate Secretary

Investors may also consult KLA-Tencor's or Orbotech's website for more information concerning the Merger described in this proxy statement/prospectus. KLA-Tencor's website is [www.kla-tencor.com](http://www.kla-tencor.com). Orbotech's website is [www.orbotech.com](http://www.orbotech.com). Information included on these websites is not incorporated by reference into this proxy statement/prospectus.

In addition, if you have questions about the Merger, the merger consideration or related matters or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, please contact Okapi Partners LLC, the proxy solicitor for Orbotech, toll-free at +1 (855) 305-0857 or collect at +1 (212) 297-0720. You will not be charged for any of these documents that you request. If you have any questions about the merger consideration or related matters, you may also contact D.F. King & Co., Inc., the information agent for the Merger, by phone at +1 (800) 628-8538 (toll-free for stockholders) or +1 (212) 269-5550 (banks and brokers) or by email at orbotech@dfking.com.

**If you would like to request any documents, please do so by July 5, 2018 in order to receive them before the extraordinary general meeting of Orbotech shareholders.**

For a more detailed description of the information incorporated by reference into this proxy statement/prospectus and how you may obtain it, see the section entitled Where You Can Find More Information .

III

Table of Contents

**ABOUT THIS PROXY STATEMENT/PROSPECTUS**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (the "SEC") by KLA-Tencor, constitutes a prospectus of KLA-Tencor under Section 5 of the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of KLA-Tencor common stock to be issued to Orbotech shareholders pursuant to the Merger Agreement. This proxy statement/prospectus also constitutes a notification with respect to the extraordinary general meeting of Orbotech shareholders.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated June 7, 2018. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any other date. You should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our making available this proxy statement/prospectus to Orbotech shareholders nor the issuance by KLA-Tencor of shares of common stock pursuant to the Merger Agreement will create any implication to the contrary.

**This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this proxy statement/prospectus regarding KLA-Tencor has been provided by KLA-Tencor and information contained in this proxy statement/prospectus regarding Orbotech has been provided by Orbotech.**

All references in this proxy statement/prospectus to "KLA-Tencor" refer to KLA-Tencor Corporation, a Delaware corporation; all references in this proxy statement/prospectus to "Orbotech" refer to Orbotech Ltd., a company organized under the laws of the State of Israel; all references to "Merger Sub" refer to Tiburon Merger Sub Technologies Ltd., a company organized under the laws of the State of Israel and a wholly owned subsidiary of KLA-Tencor formed for the sole purpose of effecting the Merger, or its permitted assignees; unless otherwise indicated or as the context requires, all references in this proxy statement/prospectus to "we," "our" and "us" refer to KLA-Tencor and Orbotech collectively; unless otherwise indicated or as the context requires, all references to the "combined company" refer to KLA-Tencor, Orbotech and their subsidiaries, collectively, following the consummation of the Merger; unless otherwise indicated or as the context requires, all references to the "Merger Agreement" refer to the agreement and plan of merger, dated as of March 18, 2018, as amended, among KLA-Tencor, Merger Sub and Orbotech, a copy of which is attached to this proxy statement/prospectus as Annex A; all references to the "Merger" refer to the merger of Merger Sub with and into Orbotech, with Orbotech as the surviving company.

Table of Contents

## TABLE OF CONTENTS

	<b>Page</b>
<u>QUESTIONS AND ANSWERS</u>	i
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>The Merger</u>	2
<u>Summary Consolidated Financial Data</u>	15
<u>Summary Unaudited Pro Forma Condensed Combined Financial Information</u>	19
<u>Unaudited Comparative Per Share Data</u>	20
<u>Unaudited Comparative Market Value and Dividend Information</u>	21
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	22
<u>RISK FACTORS</u>	23
<u>Risk Factors Relating to the Merger</u>	23
<u>Risk Factors Relating to the Combined Company Following the Merger</u>	29
<u>Other Risk Factors of KLA-Tencor and Orbotech</u>	32
<u>THE COMPANIES</u>	33
<u>KLA-Tencor Corporation</u>	33
<u>Orbotech Ltd.</u>	33
<u>Tiburon Merger Sub Technologies Ltd.</u>	33
<u>THE ORBOTECH EXTRAORDINARY GENERAL MEETING</u>	34
<u>Day, Time and Place</u>	34
<u>Purpose of the Meeting</u>	34
<u>Recommendation of the Orbotech Board</u>	34
<u>Record Date and Orbotech Shareholders Entitled to Vote</u>	35
<u>Quorum</u>	35
<u>Vote Required at the Meeting</u>	35
<u>Voting Procedures</u>	36
<u>How Proxies are Voted</u>	36
<u>Revocation of Proxies</u>	37
<u>Voting in Person</u>	37
<u>Appraisal Rights</u>	37
<u>Solicitation of Proxies</u>	37
<u>Adjournments and Postponements</u>	38
<u>Orbotech Shares Held by Orbotech Directors and Executive Officers</u>	38
<u>Assistance</u>	38
<u>THE ORBOTECH PROPOSAL</u>	39
<u>THE MERGER</u>	40
<u>Effects of the Merger</u>	40
<u>Background of the Merger</u>	40
<u>Orbotech's Reasons for the Merger: Recommendation of the Orbotech Board</u>	45
<u>Opinion of Orbotech's Financial Advisor</u>	49
<u>Certain Projections of Orbotech</u>	58
<u>Interests of Orbotech Directors and Executive Officers in the Merger</u>	61
<u>Competition Clearances Required for the Merger</u>	69
<u>Procedures for Surrendering Orbotech Shares in the Merger</u>	69

<u>Dividend Policy</u>	70
<u>Listing of Additional Shares of KLA-Tencor Common Stock</u>	70
<u>De-Listing and Deregistration of Orbotech Shares</u>	70
<u>Appraisal Rights</u>	70
<u>Litigation Related to the Merger</u>	70
<u>THE MERGER AGREEMENT</u>	71
<u>The Merger</u>	71
<u>Structure of the Merger</u>	71
<u>Merger Consideration</u>	72

**Table of Contents**

<u>Closing and Effective Time</u>	72
<u>Exchange Agent: Letter of Transmittal</u>	73
<u>Withholding</u>	74
<u>Dividends and Distributions</u>	75
<u>Representations and Warranties</u>	75
<u>Material Adverse Effect</u>	77
<u>Restrictions on Orbotech's Business Pending the Closing</u>	78
<u>Restrictions on KLA-Tencor's Business Pending the Closing</u>	81
<u>No Solicitation of Alternative Proposals</u>	82
<u>Orbotech's Agreement Not to Change the Orbotech Board Recommendation</u>	84
<u>Preparation of the Form S-4 and the Proxy Statement/Prospectus; Orbotech Special Meeting</u>	85
<u>Reasonable Best Efforts</u>	85
<u>Access</u>	87
<u>Notification</u>	87
<u>Certain Litigation</u>	87
<u>Financing Cooperation</u>	88
<u>Confidentiality</u>	88
<u>Public Disclosure</u>	88
<u>Treatment of Orbotech Equity Awards</u>	89
<u>Section 16 Matters</u>	90
<u>Operations in Israel: Employee Matters</u>	90
<u>Directors and Officers Indemnification and Insurance</u>	91
<u>Obligations of KLA-Tencor and Merger Sub</u>	92
<u>Israeli Tax Rulings</u>	92
<u>Stock Exchange Listing</u>	92
<u>Conditions to Completion of the Merger</u>	92
<u>Termination of the Merger Agreement</u>	95
<u>Termination Fees</u>	97
<u>Amendments, Extensions and Waivers</u>	97
<u>No Third Party Beneficiaries</u>	97
<u>Specific Performance</u>	98
<u>Governing Law</u>	98
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	99
<u>MATERIAL ISRAELI TAX CONSEQUENCES</u>	102
<u>ACCOUNTING TREATMENT</u>	106
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	106
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF ORBOTECH</u>	124
<u>COMPARATIVE STOCK PRICE AND DIVIDENDS</u>	126
<u>Historical Market Price Information</u>	126
<u>Recent Closing Prices and Comparative Market Price Information</u>	127
<u>Dividend Policy</u>	127
<u>DESCRIPTION OF KLA-TENCOR CAPITAL STOCK</u>	128
<u>Common Stock</u>	128
<u>Preferred Stock</u>	128
<u>Anti-Takeover Effects</u>	129
<u>Director Nominations and Stockholder Proposals</u>	129
<u>Exchange Listing</u>	129

<u>DESCRIPTION OF ORBOTECH SHARES</u>	130
<u>Orbotech Shares</u>	130
<u>Orbotech Board of Directors</u>	130
<u>Dividends</u>	131
<u>Transfer of Shares</u>	131
<u>Orbotech Shareholder Meetings</u>	131

**Table of Contents**

<u>Changes in Control</u>	133
<u>COMPARISON OF RIGHTS OF ORBOTECH SHAREHOLDERS AND KLA-TENCOR STOCKHOLDERS</u>	135
<u>APPRAISAL RIGHTS</u>	146
<u>OTHER MATTERS</u>	146
<u>LEGAL MATTERS</u>	146
<u>EXPERTS</u>	146
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	146

**Annex A Merger Agreement and Amendment No. 1 thereto**

**Annex B Opinion of Barclays Capital Inc.**

**Annex C Proxy Card**

---

Table of Contents

**QUESTIONS AND ANSWERS**

*The following are some questions that you, as a shareholder of Orbotech, may have regarding the Merger Proposal being considered at the extraordinary general meeting of Orbotech shareholders (the meeting ) and the answers to those questions. KLA-Tencor and Orbotech urge you to carefully read the remainder of this proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the Merger Proposal being considered at the meeting. Additional important information is also contained in the Annexes to, and the documents incorporated by reference into, this proxy statement/prospectus. For more information, see the section entitled Where You Can Find More Information .*

**Q: Why am I receiving this proxy statement/prospectus?**

A: KLA-Tencor and Orbotech have agreed to an acquisition of Orbotech by KLA-Tencor under the terms of the Merger Agreement that is described in this proxy statement/prospectus. A copy of the Merger Agreement is attached to this proxy statement/prospectus as Annex A. The Merger Agreement is the legal document governing the Merger.

In order to consummate the Merger, Orbotech shareholders must vote to approve and adopt the Merger Proposal described in this proxy statement/prospectus, and all other conditions to the Merger must be satisfied or waived.

**Orbotech will hold the meeting to obtain this approval for the Merger Proposal. This proxy statement/prospectus contains important information about the Merger, the Merger Proposal and the meeting, and you should read it carefully. The enclosed proxy materials allow you to vote your shares without attending the meeting.**

Your vote is important. We encourage you to vote as soon as possible. For more information on how to vote your shares, see the section entitled The Orbotech Extraordinary General Meeting Voting Procedures .

This proxy statement/prospectus is for the extraordinary general meeting of the shareholders of Orbotech to consider the Merger Proposal and does not relate to the 2018 annual general meeting of Orbotech shareholders (the 2018 Orbotech Annual Meeting ) scheduled to be held on June 21, 2018 . **To vote on the Merger Proposal, you must follow the procedures in this proxy statement/prospectus. Completing the proxy for or voting at the 2018 Orbotech Annual Meeting is not a vote on the Merger Proposal.** This proxy statement/prospectus is not soliciting votes for the 2018 Orbotech Annual Meeting and a separate proxy statement relating to the 2018 Orbotech Annual Meeting was made available to Orbotech shareholders on or about May 17, 2018. See the section entitled Where You Can Find More Information .

**Q: What is a proxy?**

A: A proxy is another person you authorize to vote on your behalf. Orbotech is asking its shareholders to vote, or to instruct their proxy how to vote, their Orbotech ordinary shares (the Orbotech shares ) so that all Orbotech shares may be voted at the meeting even if the holders do not attend the meeting.

**Q: When were the enclosed solicitation materials first made available to shareholders?**

A: The enclosed solicitation materials were first made available to Orbotech shareholders on or about June 7, 2018 and are expected to be mailed to Orbotech shareholders on or about June 15, 2018.

**Q: What do I need to do now?**

A: After you have carefully read and considered the information contained in or incorporated by reference into this proxy statement/prospectus, please either join us at the meeting to vote in person or vote by submitting

**Table of Contents**

your proxy card by following the instructions set forth below in the sections entitled The Orbotech Extraordinary General Meeting Vote Required at the Meeting, and The Orbotech Extraordinary General Meeting Voting Procedures .

**Questions and Answers about the Merger Proposal and Extraordinary General Meeting**

**Q: When and where is the meeting?**

A: The meeting will be held on Thursday, July 12, 2018 at 10:00 a.m., Israel time, at Orbotech's principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel.

**Q: Who is entitled to vote at the meeting?**

A: Only Orbotech shareholders with Orbotech shares registered in his, her, its or their name or names as of the close of trading on June 6, 2018, the record date ( Orbotech shareholders of record ), will be entitled to vote at the meeting or at any adjournment thereof. As of the close of trading on June 6, 2018, the record date, 48,569,735 Orbotech shares were outstanding<sup>2</sup>, each of which is entitled to one vote upon the matter presented at the meeting.

**Q: What proposal will be considered at the meeting?**

A: At the meeting, you will be asked to consider and vote on the following item:

To approve and adopt (i) the Merger Agreement; (ii) the Merger on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the ICL, following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement (the Merger Proposal ).

**Q: What constitutes a quorum?**

A: No less than two Orbotech shareholders of record present in person or by proxy, and holding or representing between them Orbotech shares conferring in the aggregate more than 50% of the voting rights of Orbotech, shall constitute a quorum at the meeting. If within one-half hour from the time appointed for the holding of the meeting a quorum is not present, the meeting shall be adjourned to July 23, 2018, at the same time and place. At any such adjourned meeting, if a quorum is not present within one-half hour from the specified time, any shareholders present in person or by proxy shall constitute a quorum even if they hold or represent Orbotech shares conferring 50% or less of the voting rights of Orbotech.

In determining whether there is a quorum for the meeting and whether the required number of votes for the Merger Proposal has been cast, Orbotech shares subject to abstentions or to broker non-votes are counted for purposes of determining whether there is a quorum for the meeting but, with regard to the Merger Proposal, are not counted as having been voted in respect thereof. Broker non-votes are votes that brokers holding Orbotech shares of record for their clients are, pursuant to applicable stock exchange or other rules, precluded from casting in respect of certain non-routine proposals because such brokers have not received specific instructions from their clients as to the manner in which such Orbotech shares should be voted on

<sup>2</sup> Does not include, as at that date: (i) a total of 4,401,303 Orbotech shares that were either subject to outstanding equity awards granted pursuant to equity remuneration plans of Orbotech or were available for grant pursuant to such plans and (ii) a total of 5,410,773 Orbotech shares held as treasury shares, including (A) 37,022 Orbotech shares held on behalf of Orbotech by the Section 102 Trustee and (B) 3,416,855 Orbotech shares held by direct or indirect wholly owned subsidiaries of Orbotech, all as described in further detail in the section entitled Security Ownership of Certain Beneficial Owners and Management of Orbotech .

**Table of Contents**

those proposals and as to which the brokers have advised Orbotech that, accordingly, they lack voting authority.

**Q: What vote of Orbotech shareholders is required to approve the Merger Proposal?**

A: The affirmative vote of a simple majority of the voting rights of Orbotech represented and voting thereon at the meeting is necessary for the approval of the Merger Proposal, provided that such majority includes at least a majority of the votes cast by Orbotech shareholders that are not KLA-Tencor, Merger Sub or a KLA Related Person, who are present and voting (abstentions are disregarded) (the Merger Majority ).

**Q: How does the Orbotech Board recommend that I vote?**

A: The Board of Directors of Orbotech (the Orbotech Board ) unanimously recommends a vote FOR the Merger Proposal.

For a discussion of the factors that the Orbotech Board considered in determining to recommend the approval and adoption of the Merger Agreement, the Merger and all other transactions contemplated by thereby, see the section entitled The Merger Orbotech s Reasons for the Merger; Recommendation of the Orbotech Board .

**Q: Do any of Orbotech s directors or executive officers have any interests in the Merger that may be different from, or in addition to, my interests as an Orbotech shareholder?**

A: In considering the proposal to be voted on at the meeting, you should be aware that Orbotech s directors and executive officers have interests that may be different from, or in addition to, the interests of the Orbotech shareholders generally. For more information, see the section entitled The Merger Interests of Orbotech Directors and Executive Officers in the Merger .

**Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this proxy statement/prospectus, including the Annexes and the other documents incorporated by reference in this proxy statement/prospectus, please ensure your Orbotech shares are voted at the meeting by completing, dating, signing and mailing the enclosed proxy in the envelope provided at your earliest convenience and in any event so as to be received in a timely manner as discussed in this proxy statement/prospectus.

Your shares can be voted at the meeting only if you are present or represented by a valid proxy. In order to provide for proper counting of your shareholder vote, in the enclosed proxy you are required to indicate whether or not you are KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal. If you have not marked NO on the proxy (or in your electronic submission), thereby confirming that you are not any of KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal, your vote will not be counted for purposes of the Merger Majority with respect to the Merger Proposal, and your signature on the enclosed proxy (or the submission of

an electronic vote) will constitute a certification that you are either KLA-Tencor, Merger Sub or a KLA Related Person.

**Q: What happens if I sell my Orbotech shares before the meeting?**

A: The record date for the meeting is earlier than the date of the meeting. If you own Orbotech shares on the record date and transfer your Orbotech shares after the record date but before the time of the meeting, you will retain your right to vote such Orbotech shares at the meeting, but the right to receive the Merger Consideration will pass to the person to whom you transferred your Orbotech shares. In order to receive the Merger Consideration, you must hold your Orbotech shares through the completion of the Merger.

**Table of Contents**

**Q: How do I cast my vote if I am an Orbotech shareholder of record?**

A: If you are an Orbotech shareholder of record, you may vote in person at the meeting or by submitting a proxy for the meeting. In order for a proxy to be counted, it must be a duly executed proxy and received prior to the meeting. This will be deemed to have occurred only if such proxy is received either by Orbotech at its principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel, at any time prior to the commencement of the meeting, or by American Stock Transfer & Trust Company, LLC, Orbotech's transfer agent, in New York, New York, by no later than 11:59 p.m., New York City time, on July 11, 2018, the last business day immediately preceding the date of the meeting (and, in each case, not revoked prior to such time). Orbotech shares represented by any proxy received after the time specified above will not be counted as present at the meeting and will not be voted. For more detailed instructions on how to vote, see the sections entitled "The Orbotech Extraordinary General Meeting Vote Required at the Meeting" and "The Orbotech Extraordinary General Meeting Voting Procedures".

Joint holders of Orbotech shares should take note that, pursuant to Article 62 of the Articles of Association of Orbotech, the vote of the senior holder of joint holders of any Orbotech share who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) of the Orbotech share, and for this purpose seniority will be determined by the order in which the names stand in Orbotech's share register.

If you are an Orbotech shareholder of record who properly executes and returns the form of proxy to Orbotech prior to the meeting (as specified above) without indicating how you intend to vote with respect to the Merger Proposal, the Orbotech shares represented by the proxy will be counted as being present for quorum purposes, but will not be treated as having been voted in respect of the Merger Proposal and will have no effect on the voting with respect to the Merger Proposal.

**Q: How do I cast my vote if my Orbotech shares are held in street name by my broker?**

A: If you are an Orbotech shareholder with Orbotech shares held in street name, which means your Orbotech shares are held in an account at a broker, bank or other nominee, you must follow the instructions from your broker, bank or other nominee in order to vote. Without following those instructions, your Orbotech shares will not be voted.

**Q: What will happen if I abstain from voting on the Merger Proposal?**

A: Abstentions and broker non-votes will be counted for purposes of determining whether there is a quorum for the meeting but will not be treated as having been voted in respect of the Merger Proposal. Consequently, assuming a quorum is present at the meeting, broker non-votes and abstentions will have no effect on the voting with respect to the Merger Proposal.

**Q: Can I change my vote after I have delivered my proxy?**

A: Yes. If you are an Orbotech shareholder of record, once you have given your proxy votes for the matters before our Orbotech shareholders as described in this proxy statement/prospectus, you may revoke such vote at any time prior to the time it is voted, (1) by filing with Orbotech an instrument revoking such proxy, (2) by completing, signing, dating and returning a new proxy bearing a later date by mail to Orbotech or (3) by attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke a proxy. Please note that if you want to revoke your proxy by sending a new proxy or an instrument revoking such proxy to Orbotech, you should ensure that you send your new proxy or instrument revoking such proxy in sufficient time for it to be received by Orbotech prior to the meeting. Only your last-dated proxy will count. If you are an Orbotech shareholder of record, you may obtain a new legal proxy by contacting Okapi Partners LLC, Orbotech's proxy solicitor, at 1212 Avenue of the Americas, 24th Floor, New York, NY 10036 or by telephone at +1 (212) 297-0720.

**Table of Contents**

If you are an Orbotech shareholder with Orbotech shares held in street name, you should follow the instructions of your broker regarding the revocation of proxies. If your broker allows you to submit a proxy via the internet or by telephone, you may be able to change your vote by submitting a new proxy via the internet or by telephone or by mail. Please note that if your Orbotech shares are held in the name of a broker, you must obtain and bring to the meeting a proxy issued in your name from the broker to be able to vote at the meeting.

**Q: If I hold my Orbotech shares in certificated form, should I send in my share certificates now?**

A: No. You should not send in your share certificate(s) with your proxy. A letter of transmittal with instructions for the surrender of your certificates representing any Orbotech shares will be mailed to Orbotech shareholders if the Merger is completed.

Promptly after the Effective Time (as defined below in the answer to the question *When do you expect the Merger to be completed?* ), each holder of record of a certificate representing any Orbotech share (each a *certificate* ) or uncertificated Orbotech shares, in each case that have been converted into the right to receive the Merger Consideration (as defined in the section entitled *The Merger Effects of the Merger* ), will be sent a letter of transmittal describing the procedure for surrendering such certificate or acknowledging the conversion of such uncertificated shares into the right to receive the Merger Consideration. Upon delivery to the exchange agent of the letter of transmittal and a declaration for tax withholding purposes or a valid tax certificate and, if applicable, surrender of the certificates for cancellation to the exchange agent, the holders of such certificates or uncertificated shares, as applicable, will be entitled to receive in exchange therefor the Merger Consideration. Payments and deliveries will be made to such addresses or bank accounts as set forth in the letter of transmittal. For more information, see the sections entitled *The Merger Procedures for Surrendering Orbotech Shares in the Merger* and *The Merger Agreement Exchange Agent; Letter of Transmittal* .

**Q: Am I entitled to exercise dissenters' rights or appraisal rights instead of receiving the Merger Consideration for my Orbotech shares?**

A: No. Under Israeli law, holders of Orbotech shares are not entitled to statutory appraisal rights in connection with the Merger.

**Questions and Answers about the Merger**

**Q: What will happen in the Merger?**

A: Under the terms of the Merger Agreement, Merger Sub will merge with and into Orbotech, with Orbotech continuing as the surviving company and as a wholly owned subsidiary of KLA-Tencor. After the Merger, Orbotech will no longer be a publicly held corporation.

**Q: What is required to complete the Merger?**

A: Each of KLA-Tencor's and Orbotech's obligation to consummate the Merger is subject, as relevant, to a number of conditions specified in the Merger Agreement, including the following:

approval of the Merger Agreement, the Merger and the other transactions contemplated thereby by Orbotech shareholders as described in this proxy statement/prospectus;

the termination or expiration of any applicable waiting period, or the exemption or approval of applicable government entities, under certain antitrust laws;

the absence of (i) any law, order, judgment, injunction or other ruling instituted by a governmental entity with competent jurisdiction, that is in effect and has the effect of making the Merger illegal or of prohibiting or otherwise preventing the consummation of the Merger in any jurisdiction or (ii) any

**Table of Contents**

legal proceeding seeking to enjoin, restrain or prohibit the Merger pursuant to any applicable antitrust laws or seeking to impose certain burdensome conditions on the consummation of the Merger;

approval for listing on the NASDAQ Global Select Market ( NASDAQ ) of the shares of KLA-Tencor common stock to be issued in the Merger, subject to official notice of issuance;

that this registration statement on Form S-4 has been declared by the SEC to be effective under the Securities Act and is not the subject of any stop order or proceedings seeking a stop order;

certain customary Israeli conditions relating to the compliance of KLA-Tencor and Orbotech with applicable Israeli laws;

subject to certain materiality standards contained in the Merger Agreement, the accuracy of representations and warranties of Orbotech and KLA-Tencor, respectively, and material performance by Orbotech and KLA-Tencor of their respective covenants contained in the Merger Agreement; and

the absence of a material adverse effect with respect to the other party.

The consummation of the Merger is not subject to a financing condition. For more information, see the section entitled "The Merger Agreement Conditions to Completion of the Merger" as well as the copy of the Merger Agreement attached to this proxy statement/prospectus as Annex A and incorporated herein by reference.

**Q: Is the consummation of the Merger conditioned on the approval of the Merger Agreement by KLA-Tencor's stockholders?**

A: No. The consummation of the Merger is not conditioned on the approval of the Merger Agreement by KLA-Tencor's stockholders.

**Q: When do you expect the Merger to be completed?**

A: KLA-Tencor and Orbotech expect the closing of the Merger (the Closing ) to occur in the fourth quarter of calendar year 2018 (such date that the Closing occurs, the Closing Date ). However, the Merger is subject to various regulatory approvals and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of KLA-Tencor and Orbotech could result in the Merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the date on which the meeting is held and the date of the completion of the Merger. The Merger will become effective following the satisfaction or waiver of the conditions to Closing upon the issuance by the Companies Registrar of the State of Israel (the Registrar ) of a certificate of merger (the Effective Time ).

**Q: In the Merger, what will Orbotech shareholders receive for their shares?**

**A:** If the Merger is consummated, each Orbotech share that is issued and outstanding immediately prior to the Closing, other than certain Excluded Shares (as defined in the section entitled "The Merger Agreement - Merger Consideration") will be converted into the right to receive (1) cash, without interest, in an amount equal to \$38.86 (the "Cash Consideration"), and (2) 0.25 of a share of KLA-Tencor common stock (the "Stock Consideration" and, together with the Cash Consideration, the "Merger Consideration"), in each case subject to the terms and conditions set forth in the Merger Agreement. Orbotech shareholders will not receive any fractional shares of KLA-Tencor common stock and will instead receive cash in lieu of any such fractional shares of KLA-Tencor common stock. For more information, see the section entitled "The Merger Agreement - Merger Consideration".

**Q: What is the value of the Merger Consideration per share?**

**A:** The exact value of the Merger Consideration will depend on the price per share at which KLA-Tencor common stock trades at the Effective Time. Such price will not be known at the time of the meeting and may be less than the current price of the KLA-Tencor common stock or its price at the time of the meeting. Based on the closing stock price of KLA-Tencor common stock on March 16, 2018, the last trading day

**Table of Contents**

before public announcement of the Merger, of \$120.62, and assuming that the price of KLA-Tencor common stock at the Effective Time of the Merger is the same as it was on March 16, 2018, the value of the Merger Consideration per share would be \$69.02 for each Orbotech share. The market prices of shares of KLA-Tencor common stock and Orbotech shares are subject to fluctuation, and the price of KLA-Tencor's common stock at the Effective Time may be higher or lower than it was on March 16, 2018, on the date of this proxy statement/prospectus or on the date of the meeting. We urge you to obtain current market quotations of KLA-Tencor common stock and Orbotech shares. For more information, see the sections entitled "Where You Can Find More Information" and "Summary Unaudited Comparative Per Share Market Value and Dividend Information".

**Q: After the Merger, how much of KLA-Tencor will Orbotech shareholders own?**

**A:** Based on the number of Orbotech shares issued and outstanding as of June 4, 2018, the number of shares of KLA-Tencor common stock issued and outstanding as of June 4, 2018, the number of vested Orbotech Equity Awards outstanding as of June 4, 2018, and assuming a KLA-Tencor Average Closing Price (as defined in the section entitled "The Merger Agreement Merger Consideration") of \$113.77 (calculated based on the ten trading days ended June 4, 2018, the most recent practicable range of trading days prior to the date of this proxy statement/prospectus), it is expected that, immediately after completion of the Merger, former Orbotech shareholders will receive shares of KLA-Tencor common stock in the Merger representing approximately 7.3% of the outstanding shares of KLA-Tencor common stock immediately following the Effective Time, assuming the Effective Time is on June 5, 2018.

**Q: Will Orbotech shareholders be able to trade the shares of KLA-Tencor common stock that they receive in the transaction?**

**A:** Yes. Shares of KLA-Tencor common stock are listed on NASDAQ under the symbol "KLAC". Shares of KLA-Tencor common stock received in exchange for Orbotech shares in the Merger will be freely transferable under U.S. federal securities laws.

**Q: What will happen to my outstanding Orbotech equity compensation awards in the Merger?**

**A:** For information regarding the treatment of Orbotech's Equity Awards, see the section entitled "The Merger Agreement Treatment of Orbotech Equity Awards".

**Q: How will I receive the Merger Consideration to which I am entitled?**

**A:** After receiving the proper documentation from holders of Orbotech shares, subject to the terms and conditions set forth in the Merger Agreement, the exchange agent in the transaction will transfer to such holders the cash and the shares of KLA-Tencor common stock to which such holders are entitled. Orbotech shareholders will not receive any fractional shares of KLA-Tencor common stock and will instead receive cash in lieu of any such fractional shares.

Holders of Orbotech Equity Awards granted under Section 102 of the Israeli Income Tax Ordinance [New Version], 1961 (the ITO and, such Orbotech Equity Awards, the 102 Compensatory Awards ), that are not being assumed by KLA-Tencor will receive the Merger Consideration to which such holders are entitled through the 102 Trustee (as described in the section entitled The Merger Agreement Merger Consideration ), in accordance with the terms and conditions of Section 102 of the ITO and the Tax Rulings (as defined below in the answer to the question What are the Israeli tax consequences of the exchange of Orbotech shares for the Merger Consideration? ).

Holders of Orbotech Equity Awards (other than 102 Compensatory Awards) that are not being assumed by KLA-Tencor will receive the Merger Consideration to which such holders are entitled from Orbotech or, if applicable, a relevant engaging subsidiary, through its payroll system, subject to applicable withholdings.

More information on the documentation required to be delivered to the exchange agent may be found under the section entitled Material Israeli Tax Consequences .

**Table of Contents**

**Q: Do I need to do anything with my certificates representing Orbotech shares now?**

A: No. After the Merger is consummated, if you held certificates representing Orbotech shares prior to the Merger, the exchange agent will send you instructions for exchanging your Orbotech shares for the Merger Consideration.

**Q: What happens if the Merger is not completed?**

A: If the Merger Proposal is not approved by Orbotech shareholders or if the Merger is not completed for any other reason, Orbotech shareholders will not receive the Merger Consideration in exchange for their Orbotech shares. Instead, Orbotech will remain a stand-alone public company and Orbotech shares will continue to be listed and traded. Under specified circumstances, Orbotech may be required to pay KLA-Tencor a termination fee, as described in the section entitled [The Merger Agreement Termination Fees](#) . See also the section entitled [Where You Can Find More Information](#) .

**Q: Are Orbotech shareholders entitled to appraisal or dissenters' rights?**

A: No. Under Israeli law, Orbotech shareholders are not entitled to statutory appraisal or dissenters' rights in connection with the Merger.

**Q: What are the U.S. federal income tax consequences of the exchange of Orbotech shares for the Merger Consideration?**

A: If you are a U.S. Holder (as defined in the section entitled [Material U.S. Federal Income Tax Consequences of the Merger](#) ), the exchange of your Orbotech shares for cash and shares of KLA-Tencor common stock in the Merger will be a taxable transaction for U.S. federal income tax purposes, which generally will require you to recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the sum of the amount of cash and the fair market value of the shares of KLA-Tencor common stock you receive in the Merger and your tax basis in the Orbotech shares exchanged in the Merger.

Because particular circumstances may differ, we recommend that you consult your own tax advisor to determine the U.S. federal income tax consequences to you relating to the Merger in light of your own particular circumstances and the consequences to you arising under U.S. federal non-income tax laws or the laws of any state, local or non-U.S. taxing jurisdiction. A more complete description of material U.S. federal income tax consequences of the Merger is provided in the section entitled [Material U.S. Federal Income Tax Consequences of the Merger](#) .

**Q: What are the Israeli tax consequences of the exchange of Orbotech shares for the Merger Consideration?**

A: The following statements are only a summary of certain material Israeli tax consequences of the Merger.

As a consequence of the Merger, holders of Orbotech shares will be treated as having sold their Orbotech shares in the Merger. When an Israeli company is sold, regardless of whether the consideration in the sale is cash or stock, its shareholders are generally subject to Israeli taxation.

The ITO distinguishes between Real Capital Gain and Inflationary Surplus. The Inflationary Surplus is the portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli CPI or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus.

The capital gains tax rate applicable to the Real Capital Gain is 25% for individuals (and if such individual is holding or is entitled to purchase, directly or indirectly, alone or together with such person's relative or

---

**Table of Contents**

another person who collaborates with such person on a permanent basis, one of the following: (i) at least 10% of the issued and outstanding Orbotech shares, (ii) at least 10% of the voting rights of Orbotech, (iii) the right to receive at least 10% of Orbotech's profits or its assets upon liquidation, (iv) the right to appoint a manager/director, or (v) the right to instruct any other person to do any of the foregoing (a Major Stockholder ) on the date of sale or on any date falling within the 12-month period preceding that date of sale, such Major Stockholder would be subject to Israeli taxation at the rate of 30% and 23% for corporations. An additional tax at a rate of three percent on the Real Capital Gain may be imposed upon individual shareholders whose annual income from all sources that is taxable in Israel exceeds a certain amount. The Inflationary Surplus is generally exempt from tax, provided that the shares being sold were acquired after December 31, 1993.

Shareholders of a company, such as Orbotech, whose shares are traded on an authorized stock exchange outside Israel, or on a regulated market outside of Israel, who are non-Israeli residents, would generally be exempt from Israeli capital gains tax, provided that certain conditions are met (e.g., including that the capital gain is not made through a permanent establishment that the non-Israeli resident shareholder maintains in Israel). In addition, such sale may be exempt from Israeli capital gain tax (or be subject to a reduced tax rate) under the provisions of an applicable tax treaty between Israel and the seller's country of residence (subject to the receipt of a valid certificate from the Israel Tax Authority allowing for an exemption or a reduced tax rate).

Orbotech has filed requests for tax rulings from the Israel Tax Authority with respect to (i) exemption from withholding of Israeli tax on payments of Merger Consideration paid to Orbotech shareholders who are non-Israeli residents and meet certain conditions, (ii) deferral of the obligation of Israeli tax resident holders of Orbotech shares, to pay Israeli tax on the exchange of the Orbotech shares for KLA-Tencor common stock in accordance with the provisions of Section 104H of the ITO and (iii) the application of Israeli tax withholding and other Israeli tax treatment applicable to holders of Orbotech options, RSUs and shares issued to certain directors and employees under Section 102 of the ITO and to certain directors and others under Section 3(i) of the ITO (collectively, the Tax Rulings ). If and when the tax rulings are finalized, Orbotech will issue a press release and furnish a Form 6-K or other document with the SEC describing the scope of the exemptions provided by the rulings. There can be no assurance that such rulings will be granted before the Closing or at all or that, if obtained, such rulings will be granted under the conditions requested by Orbotech.

Whether or not a particular Orbotech shareholder is actually subject to Israeli capital gains tax in connection with the Merger, absent receipt by Orbotech of a tax ruling from the Israel Tax Authority prior to Closing, all Orbotech shareholders will be subject to Israeli tax withholding at the rate of 25% (for individuals) and 23% (for corporations) on the gross Merger Consideration (unless the shareholder requests and obtains an individual certificate of exemption or a reduced tax rate from the Israel Tax Authority, as described below), and KLA-Tencor or the exchange agent will withhold and deduct from the Cash Consideration an amount equal to 25%, 23% or such other reduced tax rate as stipulated in the certificate obtained, as applicable, of the gross Merger Consideration received by such shareholder and, if the Cash Consideration is lower than the required amount to be withheld, no KLA-Tencor common stock will be issued to such shareholder of Orbotech, until such shareholder remits sufficient cash to cover the required amount to be withheld.

Regardless of whether Orbotech obtains the requested tax rulings from the Israel Tax Authority, any holder of Orbotech shares who believes that it is entitled to such an exemption (or reduced tax rate) may separately apply to the Israel Tax Authority to obtain a certificate of exemption from withholding or an individual tax ruling providing for no withholding or withholding at a reduced rate, and submit such certificate of exemption or ruling to the exchange agent at least five business days prior to the date that is 180 days following the Closing Date. If KLA-Tencor or the exchange agent receive a valid exemption certificate or tax ruling (as determined in KLA-Tencor's or the exchange agent's discretion) at least five business days prior to the date that is 180 days following the Closing Date, then the

withholding (if any) of any amounts under the ITO, from the Merger Consideration payable shall be made only in accordance with the provisions of such Israeli tax certificate or tax ruling.

**Table of Contents**

**You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the Merger to you, including the consequences under any applicable, state, local, foreign or other tax laws.**

For a more detailed description of the material Israeli tax consequences of the Merger, see the section entitled **Material Israeli Tax Consequences** .

**Q: Who can help answer my questions?**

A: If you have questions about the Merger or the other matters to be voted on at the meeting or desire additional copies of this proxy statement/prospectus or additional proxy cards, you should contact Okapi Partners LLC, the proxy solicitor for Orbotech, toll free at +1 (855) 305-0857 or collect at +1 (212) 297-0720. You will not be charged for any of those documents that you request.

x

**Table of Contents**

**SUMMARY**

*This summary highlights selected information contained elsewhere in this proxy statement/prospectus and may not contain all the information that is important to you with respect to the Merger Proposal to be considered at the meeting. KLA-Tencor and Orbotech urge you to read the remainder of this proxy statement/prospectus carefully, including the attached Annexes, and the other documents to which we have referred you. See also the section entitled *Where You Can Find More Information*. We have included references in this summary to direct you to more complete descriptions of the topics presented below.*

**The Companies**

**KLA-Tencor Corporation**

KLA-Tencor is a leading supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries. KLA-Tencor's broad portfolio of defect inspection and metrology products, and related service, software and other offerings primarily supports integrated circuit, which is referred to as an IC or chip, manufacturers throughout the entire semiconductor fabrication process, from research and development to final volume production. KLA-Tencor provides leading-edge equipment, software and support that enable IC manufacturers to identify, resolve and manage significant advanced technology manufacturing process challenges and obtain higher finished product yields at lower overall cost. In addition to serving the semiconductor industry, KLA-Tencor also provides a range of technology solutions to a number of other high technology industries, including the LED and data storage industries, as well as general materials research.

KLA-Tencor's common stock is traded on NASDAQ under the symbol KLAC.

The principal executive offices of KLA-Tencor are located at One Technology Drive, Milpitas, California, 95035, and its telephone number is (408) 875-3000.

**Orbotech Ltd.**

Orbotech is a global innovator and supplier of enabling solutions used to manufacture the world's most sophisticated consumer and industrial electronic products and is part of a select group of companies whose technology is literally driving the future of electronics. Orbotech's core business lies in enabling electronic device manufacturers to inspect, test and measure printed circuit boards (PCBs) and flat panel displays (FPDs) to verify their quality (reading); pattern the desired electronic circuitry on the relevant substrate and perform three-dimensional shaping of metalized circuits on multiple surfaces (writing); and utilize advanced vacuum deposition and etching processes in semiconductor device (SD) and semiconductor manufacturing and to perform laser drilling of electronic substrates (connecting). Orbotech refers to this reading, writing and connecting as enabling the Language of Electronics.

Orbotech ordinary shares, New Israeli Shekels (NIS) 0.14 nominal (par) value per share (the Orbotech shares), are traded on NASDAQ under the symbol ORBK.

The principal executive offices of Orbotech are located at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne 8110101 Israel, and its telephone number is +972-8-9423533.

**Tiburón Merger Sub Technologies Ltd.**

Edgar Filing: KLA TENCOR CORP - Form 424B3

Merger Sub, a wholly-owned subsidiary of KLA-Tencor, is a company organized under the laws of the State of Israel that was formed on March 15, 2018 for the sole purpose of effecting the Merger. In the Merger, Merger

## **Table of Contents**

Sub will be merged with and into Orbotech, with Orbotech surviving as a wholly owned subsidiary of KLA-Tencor.

### **The Merger**

A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. KLA-Tencor and Orbotech encourage you to read the entire Merger Agreement carefully, because it is the principal document governing the Merger. For more information on the Merger Agreement, see the section entitled "The Merger Agreement".

### **Structure of the Merger**

The Merger Agreement provides for the Merger, in which Merger Sub will be merged with and into Orbotech, with Orbotech surviving the Merger as a wholly owned subsidiary of KLA-Tencor.

After the completion of the Merger, Orbotech's memorandum of association ( "Orbotech's Memorandum" ) and Orbotech's articles of association ( "Orbotech's Articles" ) and, together with Orbotech's Memorandum, "Orbotech's Charter Documents" ) in effect immediately prior to completion of the Merger will be the memorandum of association and articles of association, respectively, of Orbotech as the surviving company of the Merger, the directors of Merger Sub immediately prior to the completion of the Merger will be the directors of Orbotech as the surviving company of the Merger and the officers of Orbotech immediately prior to the completion of the Merger will be the officers of Orbotech as the surviving company of the Merger.

### **Merger Consideration**

Each of the KLA-Tencor Board and the Orbotech Board has approved the Merger Agreement, which provides for the merger of Merger Sub with and into Orbotech. Upon the closing of the Merger (the "Closing" ), Orbotech will be the surviving company and will become a wholly owned subsidiary of KLA-Tencor. Each Orbotech share that is issued and outstanding immediately prior to the Closing, other than any Excluded Shares (as defined in the section entitled "The Merger Agreement Merger Consideration" ), will be converted into the right to receive (1) cash, without interest, in an amount equal to \$38.86, and (2) 0.25 of a share of KLA-Tencor common stock, in each case subject to the terms and conditions set forth in the Merger Agreement.

In lieu of any fractional share of KLA-Tencor common stock that otherwise would be issuable pursuant to the Merger, each holder of Orbotech shares who otherwise would be entitled to receive a fraction of a share of KLA-Tencor common stock pursuant to the Merger will be paid an amount in cash (without interest) equal to (i) the fraction of a share of KLA-Tencor common stock to which such holder would otherwise be entitled multiplied by (ii) the KLA-Tencor Average Closing Price (as defined in the section entitled "The Merger Agreement Merger Consideration" ).

### **Material U.S. Federal Income Tax Consequences of the Merger**

For U.S. federal income tax purposes, the receipt of cash and KLA-Tencor common stock by a U.S. Holder (as defined under the section entitled "Material U.S. Federal Income Tax Consequences of the Merger" ) in exchange for such U.S. Holder's Orbotech shares in the Merger generally will result in the recognition of gain or loss in an amount equal to the difference, if any, between (1) the amount of cash and the fair market value, at the time of the Merger, of the KLA-Tencor common stock received in the Merger and (2) the U.S. Holder's adjusted tax basis in the Orbotech shares surrendered pursuant to the Merger.



---

**Table of Contents**

For more information, see the section entitled **Material U.S. Federal Income Tax Consequences of the Merger**. **Orbotech shareholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the Merger in light of their particular circumstances and any consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

**Material Israeli Tax Consequences of the Merger**

The following statements are only a summary of certain material Israeli tax consequences of the Merger.

As a consequence of the Merger, holders of Orbotech shares will be treated as having sold their Orbotech shares in the Merger. When an Israeli company is sold, regardless of whether the consideration in the sale is cash or stock, its shareholders are generally subject to Israeli taxation.

The Israeli Income Tax Ordinance [New Version], 1961 (the **ITO**) distinguishes between **Real Capital Gain** and **Inflationary Surplus**. The **Inflationary Surplus** is the portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli CPI or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The **Real Capital Gain** is the excess of the total capital gain over the **Inflationary Surplus**.

The capital gains tax rate applicable to the **Real Capital Gain** is 25% for individuals (and if such individual is a Major Stockholder on the date of sale or on any date falling within the 12-month period preceding that date of sale, such Major Stockholder would be subject to Israeli taxation at the rate of 30%) and 23% for corporations. An additional tax at a rate of three percent on the **Real Capital Gain** may be imposed upon individual shareholders whose annual income from all sources that is taxable in Israel exceeds a certain amount. The **Inflationary Surplus** is generally exempt from tax, provided that the shares being sold were acquired after December 31, 1993.

Shareholders of a company, such as Orbotech, whose shares are traded on an authorized stock exchange outside Israel, or on a regulated market outside of Israel, who are non-Israeli residents, would generally be exempt from Israeli capital gains tax, provided that certain conditions are met (e.g., including that the capital gain is not made through a permanent establishment that the non-Israeli resident shareholder maintains in Israel). In addition, such sale may be exempt from Israeli capital gain tax (or be subject to a reduced tax rate) under the provisions of an applicable tax treaty between Israel and the seller's country of residence (subject to the receipt of a valid certificate from the Israel Tax Authority allowing for an exemption or a reduced tax rate).

Orbotech has filed requests for tax rulings from the Israel Tax Authority with respect to (i) exemption from withholding of Israeli tax on payments of Merger Consideration paid to Orbotech shareholders who are non-Israeli residents and meet certain conditions, (ii) deferral of the obligation of Israeli tax resident holders of Orbotech shares, to pay Israeli tax on the exchange of the Orbotech shares for KLA-Tencor common stock in accordance with the provisions of Section 104H of the ITO and (iii) the application of Israeli tax withholding and other Israeli tax treatment applicable to holders of Orbotech Options, RSUs and shares issued to certain directors and employees under Section 102 of the ITO and to certain directors and others under Section 3(i) of the ITO. If and when the tax rulings are finalized, Orbotech will issue a press release and furnish a Form 6-K or other document with the SEC describing the scope of the exemptions provided by the rulings. There can be no assurance that such rulings will be granted before the Closing or at all or that, if obtained, such rulings will be granted under the conditions requested by Orbotech.

Whether or not a particular shareholder is actually subject to Israeli capital gains tax in connection with the Merger, absent receipt by Orbotech of a tax ruling from the Israel Tax Authority prior to Closing, all Orbotech shareholders

will be subject to Israeli tax withholding at the rate of 25% (for individuals) and 23% (for corporations) on the gross Merger Consideration (unless the shareholder requests and obtains an individual

## **Table of Contents**

certificate of exemption or a reduced tax rate from the Israel Tax Authority, as described below), and KLA-Tencor or the exchange agent will withhold and deduct from the Cash Consideration an amount equal to 25%, 23% or such other reduced tax rate as stipulated in the certificate obtained, as applicable, of the gross Merger Consideration received by such shareholder and, if the Cash Consideration is lower than the required amount to be withheld, no KLA-Tencor common stock will be issued to such shareholder of Orbotech, until such shareholder remits sufficient cash to cover the required amount to be withheld.

Regardless of whether Orbotech obtains the requested tax rulings from the Israel Tax Authority, any holder of Orbotech shares who believes that it is entitled to such an exemption (or reduced tax rate) may separately apply to the Israel Tax Authority to obtain a certificate of exemption from withholding or an individual tax ruling providing for no withholding or withholding at a reduced rate, and submit such certificate of exemption or ruling to the exchange agent at least five business days prior to the date that is 180 days following the Closing Date. If KLA-Tencor or the exchange agent receive a valid exemption certificate or tax ruling (as determined in KLA-Tencor's or the exchange agent's discretion) at least five business days prior to the date that is 180 days following the Closing Date, then the withholding (if any) of any amounts under the ITO, from the Merger Consideration payable shall be made only in accordance with the provisions of such Israeli tax certificate or tax ruling.

**You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the Merger to you, including the consequences under any applicable, state, local, foreign or other tax laws.**

**For a more detailed description of the material Israeli tax consequences of the Merger, see the section entitled Material Israeli Tax Consequences .**

## **Recommendation of the Orbotech Board**

The Board of Directors of Orbotech (the Orbotech Board ) unanimously recommends a vote FOR the Merger Proposal. For a discussion of the factors that the Orbotech Board considered in determining to recommend the approval and adoption of the Merger Agreement, the Merger and all other transactions contemplated by the Merger Agreement, see the section entitled The Merger Orbotech's Reasons for the Merger; Recommendation of the Orbotech Board . In addition, in considering the recommendation of the Board with respect to the Merger Agreement, the Merger, and the other transactions contemplated by the Merger Agreement, you should be aware that Orbotech's directors and executive officers have interests that may be different from, or in addition to, the interests of the Orbotech shareholders generally. For more information, see the section entitled The Merger Interests of Orbotech Directors and Executive Officers in the Merger .

## **Opinion of Orbotech's Financial Advisor**

Orbotech engaged Barclays Capital Inc., which we refer to as Barclays , to act as its financial advisor in connection with the Merger and the other transactions contemplated by the Merger Agreement (the proposed transaction ). On March 18, 2018, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to the Orbotech Board that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the consideration to be offered to the holders of Orbotech shares, other than the holders of any Excluded Shares, in the proposed transaction was fair, from a financial point of view, to such holders.

**The full text of Barclays' written opinion, dated as of March 18, 2018, is attached as Annex B to this proxy statement/prospectus. Barclays' written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in**



**Table of Contents**

rendering its opinion. You are encouraged to read the opinion carefully in its entirety. This summary is qualified in its entirety by reference to the full text of the opinion. Barclays' opinion is addressed to the Orbotech Board and addresses only the fairness, from a financial point of view, of the consideration to be offered to the holders of Orbotech shares (other than the holders of the Excluded Shares) in the proposed transaction and does not constitute a recommendation to any holder of Orbotech shares as to how such holder should vote with respect to the proposed transaction or any other matter. For a description of the opinion that Orbotech received from Barclays, see the section entitled "The Merger Opinion of Orbotech's Financial Advisor."

**Interests of Orbotech Directors and Executive Officers in the Merger**

The directors and executive officers of Orbotech have interests in the Merger that may be different from, or in addition to, those of the Orbotech shareholders generally. The Orbotech Board was aware of and considered these anticipated interests, among other things, in evaluating the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and in recommending that Orbotech shareholders approve the Merger Proposal. These interests include the treatment of equity awards granted under Orbotech's equity-based incentive plans (which we refer to as "Orbotech Equity Awards") in connection with the Merger (including potential accelerated vesting and payout or settlement of Orbotech Equity Awards held by directors and executive officers in connection with the Closing of the Merger or upon certain qualifying terminations of employment, as applicable), potential cash severance payments and other benefits payable to certain executive officers and the Active Chairman of the Orbotech Board pursuant to their employment agreements and as otherwise agreed by KLA-Tencor in the event of a resignation or termination of employment following the approval of the Merger by Orbotech's shareholders, extension of eligibility of executive officers to continue to receive severance benefits triggered by the approval of the Merger by Orbotech's shareholders so long as such executive officer is employed by Orbotech, cash-based and equity-based retention awards that may be granted to the employees and executive officers of Orbotech in connection with the Merger, proposed new post-Closing compensation arrangements for the Active Chairman of the Orbotech Board, the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, certain other retention arrangements for the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, KLA-Tencor's undertakings with respect to continuing director and officer indemnity arrangements and the purchase of a seven year tail policy on directors' and officers' insurance.

In general, references in this proxy statement/prospectus to executive officers refers to "Office Holders" as defined under applicable Israeli law, other than directors.

**Treatment of Orbotech Equity Awards**

In accordance with the terms of the Merger Agreement, Orbotech Equity Awards will be treated in the following manner upon the completion of the Merger.

*Orbotech Restricted Share Units.* Outstanding and unvested Orbotech restricted share units will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such restricted share units at the Effective Time (as defined below in the section entitled "Expected Timing of the Merger") (except for any performance-based vesting conditions). We refer to such assumed restricted share units as "Assumed Orbotech RSUs". The number of shares of KLA-Tencor common stock that will be subject to each Assumed Orbotech RSU will be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech RSU as of immediately prior to the Effective Time (assuming, in the case of an Assumed Orbotech RSU that is subject to performance-based vesting conditions, that any applicable

performance goals have been attained at maximum levels) by the Exchange Ratio (as defined in the section entitled "The Merger Agreement - Treatment of Orbotech Equity Awards"), rounded to the nearest whole number of shares. At the

**Table of Contents**

Effective Time, outstanding Orbotech restricted share units that are not Assumed Orbotech RSUs, will be cancelled and converted into the right to receive the Merger Consideration for each Orbotech share subject to such award, plus any accrued but unpaid dividends in respect of such award. We refer to such cancelled Orbotech restricted share unit awards as *Cancelled Orbotech RSUs* .

*Orbotech Restricted Share Awards.* Outstanding and unvested awards of Orbotech restricted shares will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such awards at the Effective Time. We refer to such assumed restricted share awards as *Assumed Orbotech RSAs* . The number of shares of KLA-Tencor common stock that are subject to each Assumed Orbotech RSA will be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech RSA as of immediately prior to the Effective Time by the Exchange Ratio, rounded to the nearest whole number of shares. Outstanding Orbotech restricted share awards that are not Assumed Orbotech RSAs will be cancelled and converted into the right to receive the Merger Consideration for each Orbotech share subject to such award, plus any accrued but unpaid dividends in respect of such award. We refer to such cancelled Orbotech restricted share awards as *Cancelled Orbotech RSAs* .

*Orbotech Options.* Outstanding and unvested options to purchase Orbotech shares will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such options immediately prior to the Effective Time (except for any performance-based vesting conditions). We refer to such assumed option awards as *Assumed Orbotech Options* . The number of shares of KLA-Tencor common stock that are subject to each Assumed Orbotech Option will be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech Option as of immediately prior to the Effective Time (assuming, in the case of an Assumed Orbotech Option that is subject to performance-based vesting conditions, that any applicable performance goals have been attained at maximum levels) by the Exchange Ratio, rounded down to the nearest whole number of shares. The per share exercise price of each Assumed Orbotech Option will be determined by dividing the applicable exercise price of such Assumed Orbotech Option by the Exchange Ratio, rounded up to the nearest whole cent. Outstanding vested options to purchase Orbotech shares, including any options that vest as a result of the consummation of the Merger, will be cancelled and converted into the right to receive the Merger Consideration for each net share (as defined in the section entitled *The Merger Agreement Treatment of Orbotech Equity Awards* ) subject to such award. We refer to such cancelled Orbotech options as *Cancelled Orbotech Options* .

In addition, certain Assumed Orbotech Options, Assumed Orbotech RSUs and Assumed Orbotech RSAs may be subject to potential accelerated vesting and payout or settlement upon certain terminations of employment following the Merger. For more information, see the section entitled *The Merger Interests of Orbotech Directors and Executive Officers in the Merger Treatment of Orbotech Equity Awards Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment* .

For a more detailed description of the treatment of Orbotech Equity Awards, see the section entitled *The Merger Agreement Treatment of Orbotech Equity Awards* .

**Competition Clearances Required for the Merger**

KLA-Tencor and Orbotech are required to submit notifications to various competition authorities prior to completing the Merger. With respect to the United States, the 30-day waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act* ), related to the Merger has expired. In addition, the Israel Antitrust Authority has granted KLA-Tencor's request for an exemption from any premerger notification requirement

in Israel related to the Merger and the German Federal Cartel Office, the Austrian Federal Competition Authority and the Taiwanese Fair Trade Commission have respectively cleared or waived

## **Table of Contents**

jurisdiction over the Merger. The Closing remains subject to the exemption or approval of applicable government entities under the antitrust laws of China, Korea and Japan.

Although KLA-Tencor and Orbotech expect to obtain all required regulatory clearances, KLA-Tencor and Orbotech cannot assure you that the antitrust regulators or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the Merger before or after it is completed. Any such challenge to the Merger could result in an administrative or court order enjoining the Merger or in restrictions or conditions that would have a material adverse effect on the combined company if the Merger is completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses, the required licensing of intellectual property rights, or limitations on the ability of the combined company to operate its business as it sees fit. Neither KLA-Tencor nor Orbotech can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Merger.

## **Expected Timing of the Merger**

KLA-Tencor and Orbotech expect the Closing to occur in the fourth quarter of calendar year 2018 (such date that the Closing occurs, the Closing Date ). However, the Merger is subject to various regulatory approvals and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of KLA-Tencor and Orbotech could result in the Merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the date on which the meeting is held and the date of the completion of the Merger. The Merger will become effective following the satisfaction or waiver of the conditions to Closing upon the issuance by the Companies Registrar of the State of Israel (the Registrar ) of a certificate of merger (the Effective Time ).

## **Conditions to Completion of the Merger**

Under the Merger Agreement, each party's obligation to effect the Merger is subject to satisfaction or, to the extent permitted where permissible under applicable law, mutual waiver at the Effective Time of each of the following conditions:

The approval of Orbotech's shareholders shall have been obtained.

All (i) applicable waiting periods (and extensions thereof) applicable to the transactions contemplated by the Merger Agreement (including the Merger) under the HSR Act shall have expired or been terminated and (ii) any affirmative exemption or approval of a governmental entity required under any antitrust law set forth on the Orbotech disclosure letter provided to KLA-Tencor on March 18, 2018 in connection with and pursuant to the Merger Agreement (the Orbotech Disclosure Letter ) shall have been obtained and any mandatory waiting periods related thereto (including any extension thereof) shall have expired (collectively, the Regulatory Approvals ).

No governmental entity of competent jurisdiction shall have (i) enacted, issued, promulgated, entered, enforced or deemed applicable to the Merger any applicable law that is in effect and has the effect of making the Merger illegal in any jurisdiction or which has the effect of prohibiting or otherwise preventing the consummation of the Merger in any jurisdiction; or (ii) issued or granted any order (whether temporary, preliminary or permanent) that has the effect of making the Merger illegal in any jurisdiction or which has

the effect of prohibiting or otherwise preventing the consummation of the Merger in any jurisdiction.

The shares of KLA-Tencor common stock issuable as Stock Consideration pursuant to the Merger Agreement shall have been approved for listing on NASDAQ, subject to official notice of issuance.

50 days shall have elapsed after the filing of the Merger Proposal with the Registrar and 30 days shall have elapsed after the approval of the Merger by Orbotech shareholders and the sole shareholder of Merger Sub.

---

**Table of Contents**

This Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

KLA-Tencor shall have obtained the ISA Offering No-Action (as defined in the Merger Agreement) or shall have published the Israeli Prospectus (as defined in the Merger Agreement), as applicable, in accordance with the Israeli Securities Law, 1968.

Orbotech shall have submitted the written notice to the Israeli National Authority for Technological Innovation (the OCS ) regarding the change in ownership of Orbotech effected as a result of the Merger and KLA-Tencor shall have submitted its written undertaking to be bound by and to comply with the provisions of the Israeli Encouragement of Research, Development and Technological Innovation in the Industry Law 1984 (the Innovation Law ) that KLA-Tencor is required to execute and deliver to the OCS in connection with the Merger (collectively, the OCS Notices ).

Orbotech shall have obtained approval from the Israeli Investment Center of the Israeli Ministry of Economy (the Investment Center ) of the change in ownership of Orbotech to be effected by the Merger (the Investment Center Condition ).

As of the date of this proxy statement/prospectus, (1) the 30-day waiting period under the HSR Act related to the Merger has expired; (2) the Israel Antitrust Authority has granted KLA-Tencor's request for an exemption from any premerger notification requirement in Israel related to the Merger and the German Federal Cartel Office, the Austrian Federal Competition Authority and the Taiwanese Fair Trade Commission have respectively cleared or waived jurisdiction over the Merger; (3) KLA-Tencor has obtained the ISA Offering No-Action; (4) the OCS has confirmed that Orbotech and KLA-Tencor have respectively submitted the required OCS Notices; and (5) the Investment Center has confirmed that its approval is not required with respect to the change in ownership of Orbotech to be effected by the Merger, and KLA-Tencor and Orbotech have acknowledged that this confirmation satisfies the Investment Center Condition, unless such confirmation is revoked, withdrawn or amended by the Investment Center prior to Closing.

KLA-Tencor's and Merger Sub's obligation to effect the Merger is further subject to the satisfaction by Orbotech or waiver by KLA-Tencor and Merger Sub of the following conditions:

Accuracy of representations and warranties of Orbotech:

Each of the representations and warranties of Orbotech set forth in the Merger Agreement (other than certain provisions of the representations and warranties of Orbotech related to capitalization and the representations set forth in the immediately following bullet point) shall have been true and correct in all respects as of the date of the Merger Agreement and shall be true and correct in all respects on and as of the Closing Date with the same force and effect as if made on and as of such date, except for any failure to be so true and correct that has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined in the section entitled Merger Agreement Material Adverse Effect ) on Orbotech.

Edgar Filing: KLA TENCOR CORP - Form 424B3

Each of the representations and warranties of Orbotech set forth in the Merger Agreement relating to Organization and Standing, Subsidiaries, Authorization, Capitalization (only in subsection (c) thereof), Brokers; Fees and Expenses, Opinion of Financial Advisor and Takeover Statutes; No Rights Plan shall have been true and correct in all material respects as of the date of the Merger Agreement and shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of such date;

Each of the representations and warranties of Orbotech set forth in the Merger Agreement relating to Capitalization (other than subsections (b) and (c) thereof) shall have been true and correct in all respects as of the date of the merger Agreement and shall be true and correct in all respects as of the Closing Date with the same force and effect as if made on and as of such date, except for any failure to be so true and correct in any immaterial amount or as a result of any action following the

**Table of Contents**

date hereof and not prohibited, permitted or otherwise consented to by KLA-Tencor pursuant to the Merger Agreement;

In the case of each of the foregoing bullets, (1) except for those representations and warranties which address matters only as of a particular date (the accuracy of which shall be determined as of such particular date) and (2) without giving effect to any Material Adverse Effect or similar materiality qualifications in the relevant representations and warranties.

Orbotech shall have complied with or performed in all material respects each of its covenants or obligations under the Merger Agreement required to be complied with or performed at or prior to the Closing Date.

No Material Adverse Effect on Orbotech shall have occurred following the execution and delivery of the Merger Agreement.

KLA-Tencor shall have received a certificate signed on behalf of Orbotech by its chief executive officer and its chief financial officer to the effect that the conditions related to Orbotech's representations, warranties and covenants described above have been satisfied.

There shall not be pending any Legal Proceeding by a Governmental Entity (i) seeking to enjoin, restrain or prohibit the consummation of the Merger pursuant to any applicable Antitrust Laws (as defined in the Merger Agreement), or (ii) seeking to impose any Antitrust Restraint (as defined in the section entitled "The Merger Agreement Reasonable Best Efforts").

Orbotech's obligation to effect the Merger is further subject to the satisfaction by KLA-Tencor and Merger Sub or waiver by Orbotech of the following conditions:

Accuracy of representations and warranties of KLA-Tencor and Merger Sub:

Each of the representations and warranties of KLA-Tencor and Merger Sub set forth in the Merger Agreement (other than the representations in the bullet point immediately following and certain provisions of the representations and warranties of KLA-Tencor related to capitalization) shall have been true and correct in all respects as of the date of the Merger Agreement and shall be true and correct in all respects on and as of the Closing Date with the same force and effect as if made on and as of such date, except for any failure to be so true and correct that has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on KLA-Tencor.

Each of the representations and warranties of KLA-Tencor and Merger Sub set forth in the Merger Agreement relating to Organization, Authorization, Capitalization (only in subsection (c) thereof) and Brokers; Fees and Expenses shall have been true and correct in all material respects as of the date of the Merger Agreement and shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of such date.

Each of the representations and warranties of KLA-Tencor and Merger Sub set forth in Merger Agreement relating to Capitalization (other than subsections (b) and (c) thereof) shall have been true and correct in all respects as of the date of the Merger Agreement and shall be true and correct in all respects as of the Closing Date with the same force and effect as if made on and as of such date, except for any failure to be so true and correct in any immaterial amount or as a result of any action following the date of the Merger Agreement and not prohibited, permitted or otherwise consented to by Orbotech pursuant to the Merger Agreement;

In the case of each of the foregoing bullets, (1) except for those representations and warranties which address matters only as of a particular date (the accuracy of which shall be determined as of such

**Table of Contents**

particular date) and (2) without giving effect to any Material Adverse Effect or similar materiality qualifications in the relevant representations and warranties.

Each of KLA-Tencor and Merger Sub shall have performed in all material respects each of their respective obligations under the Merger Agreement required to be performed at or prior to the Closing Date and complied in all material respects with each covenant or other agreement of KLA-Tencor and Merger Sub required to be performed or complied with by it under the Agreement.

Orbotech shall have received a certificate signed on behalf of KLA-Tencor and Merger Sub by a duly authorized officer of each of KLA-Tencor and Merger Sub to the effect that the conditions related to KLA-Tencor's representations, warranties and covenants described above have been satisfied.

No Material Adverse Effect on KLA-Tencor shall have occurred following the execution and delivery of the Merger Agreement.

For additional information, see the section entitled The Merger Agreement Conditions to Completion of the Merger .

**No Solicitation of Alternative Proposals**

Orbotech has agreed that it will not, directly or indirectly:

solicit, initiate, knowingly encourage, facilitate or induce the making, submission or announcement of an acquisition proposal or the making of any inquiry, offer or proposal that constitutes or would reasonably be expected to lead to any Acquisition Proposal (as defined below);

in connection with or in response to any Acquisition Proposal or any inquiry, offer or proposal that would reasonably be expected to lead to an Acquisition Proposal, furnish to any third party any non-public information relating to Orbotech or any of its subsidiaries, or afford access to the business, properties, assets, books or records of Orbotech or any of its subsidiaries to any third party, or take any other action intended to assist or facilitate the making of any Acquisition Proposal or any inquiry, offer or proposal that would reasonably be expected to lead to an Acquisition Proposal;

participate or engage in negotiations regarding an Acquisition Proposal or knowingly engage in discussions with any third party that is seeking to make or has made an Acquisition Proposal;

approve, endorse or recommend an Acquisition Proposal;

execute or enter into any letter of intent, memorandum of understanding or contract contemplating or otherwise relating to an Acquisition Transaction (as defined below); or

except to the extent that Orbotech Board determines that the failure to do so would be reasonably likely to be inconsistent with its fiduciary duties under applicable law, terminate, amend, modify, waive or fail to enforce any rights under any standstill or other similar agreement between Orbotech or any of its subsidiaries and any third party.

Orbotech also agreed to immediately cease and cause to be terminated any and all activities, discussions or negotiations with any third party concerning any Acquisition Proposal existing as of the date of the Merger Agreement.

However, until Orbotech shareholders approve the Merger, if Orbotech receives a bona fide written Acquisition Proposal from any person that did not result from a material breach of its non-solicitation obligations that the Orbotech Board concludes in good faith is or is reasonably likely to lead to a Superior Proposal (as defined below), Orbotech may, directly or indirectly:

engage or participate in discussions or negotiations with such third party; or

---

**Table of Contents**

furnish to such third party any non-public information relating to Orbotech or any of its subsidiaries pursuant to a confidentiality agreement no less favorable to Orbotech (other than with respect to any standstill or similar terms) than that between Orbotech and KLA-Tencor.

Any action taken pursuant to the foregoing paragraph may be taken only if (1) at least 24 hours prior to engaging or participating in any such discussions or negotiations with, or furnishing any non-public information to, such third party, Orbotech gives KLA-Tencor written notice of the identity of such third party and all of the terms and conditions of such Acquisition Proposal (and if such Acquisition Proposal is in written form, Orbotech gives KLA-Tencor a copy thereof) and of Orbotech's intention to engage or participate in discussions or negotiations with, or furnish non-public information to, such third party; and (2) contemporaneously with furnishing any non-public information to such third party, Orbotech furnishes such non-public information to KLA-Tencor (to the extent that such information has not been previously furnished by Orbotech to KLA-Tencor).

Orbotech must promptly, and in all cases within 36 hours of its receipt, advise KLA-Tencor orally and in writing of any (i) Acquisition Proposal; (ii) request for information that would reasonably be expected to lead to an Acquisition Proposal; or (iii) inquiry with respect to, or that would reasonably be expected to lead to, any Acquisition Proposal, the terms and conditions of such Acquisition Proposal, request or inquiry, and the identity of the Person or group making any such Acquisition Proposal, request or inquiry.

Orbotech must keep KLA-Tencor reasonably informed of the status of discussions relating to, and material terms and conditions (including all amendments or proposed amendments to such material terms and conditions) of, any Acquisition Proposal and must promptly (and in no event later than 36 hours thereafter) upon receipt or delivery of any of the following provide KLA-Tencor with copies of all documents and written (including electronic) communications relating to any Acquisition Proposal (including the financing thereof), request or inquiry exchanged between Orbotech, its subsidiaries or any of their respective representatives, on the one hand, and the third party making such Acquisition Proposal, request or inquiry (or such third party's affiliates or representatives), on the other hand. In addition to the foregoing, Orbotech must provide KLA-Tencor with at least 72 hours (or such shorter period of notice as is given to each of the members of the Orbotech Board or the relevant committee thereof, as applicable) prior written notice of a meeting of Orbotech Board (or any committee thereof) at which the Orbotech Board (or any committee thereof) is reasonably expected to consider an Acquisition Proposal, an inquiry relating to a potential Acquisition Proposal, or a request to provide non-public information to any Person.

The Merger Agreement provides that the term "Acquisition Proposal" means offer, proposal, inquiry or indication of interest from any third party relating to any Acquisition Transaction.

The Merger Agreement provides that the term "Acquisition Transaction" means any transaction or series of related transactions (other than the transactions contemplated by the Merger Agreement) involving: (i) any acquisition by any third party, directly or indirectly, of 15% or more of the outstanding Orbotech shares, or any tender offer (including a self-tender) or exchange offer that, if consummated, would result in any third party beneficially owning (as defined under Section 13(d) of the Exchange Act) 15% or more of the Orbotech shares; or (ii) any acquisition by any third party, directly or indirectly, of 15% or more of the assets (including equity securities of Orbotech's subsidiaries) of Orbotech (on a consolidated basis with its subsidiaries), measured at the fair market value thereof as of the last day of Orbotech's last fiscal year, in the case of each of clause (i) and (ii), whether pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of assets, tender offer or exchange offer or otherwise, including any single or multi-step transaction or series of related transactions.

The Merger Agreement provides that the term "Superior Proposal" means any bona fide, written Acquisition Proposal (with references to 15% in the definition thereof being deemed to be replaced with references to 50%),



## **Table of Contents**

with respect to which the Orbotech Board shall have determined in good faith (after consultation with its financial advisor and its outside legal counsel, and after taking into account the financial, legal, regulatory and other aspects of such Acquisition Proposal and all of the terms and conditions of such Acquisition Proposal (including any termination or break-up fees, expense reimbursement provisions and any conditions, potential time delays or other risks to consummation), as well as any counter-offer or proposal made by KLA-Tencor pursuant the Merger Agreement) that the proposed Acquisition Transaction is (a) more favorable to Orbotech and Orbotech's shareholders, from a financial point of view, than the transactions contemplated by the Merger Agreement, including the Merger (or any counter-offer or proposal made by KLA-Tencor or any of its affiliates pursuant to the Merger Agreement), and (b) reasonably capable of being completed, in the case of each of clause (a) and (b), taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the identity and financial capability of the third party making such Acquisition Proposal.

## **Termination of the Merger Agreement**

The Merger Agreement may be terminated at any time prior to the Effective Time by mutual written agreement of KLA-Tencor and Orbotech. In addition, either party may terminate the Merger Agreement in the following circumstances:

If the meeting shall have been held and the approval of the Orbotech shareholders for the Merger Proposal shall not have been obtained thereat or at any adjournment or postponement thereof, in each case at which a vote on such approval was taken; provided, however, that this right to terminate shall not be available to any party whose action or failure to fulfill any obligation under the Merger Agreement has been the principal cause of or resulted in the failure of the Orbotech shareholder approval to be obtained.

If any governmental entity of competent jurisdiction shall have (i) enacted, issued, promulgated, entered or enforced a final and nonappealable law which has the effect of prohibiting, making illegal or otherwise preventing the consummation of the Merger; or (ii) issued or granted any final and nonappealable order that has the effect of prohibiting, making illegal or otherwise preventing the consummation of the Merger; provided, however, that this right to terminate shall not be available to any party whose action or failure to fulfill any obligation under the Merger Agreement has been the principal cause of or resulted in the enactment, issuance, promulgation or entry of such final and nonappealable law or order.

If the Effective Time shall not have occurred on or prior to March 18, 2019 (as it may be extended pursuant to the Merger Agreement, the Termination Date), provided, however, that if, as of March 18, 2019, any of the Regulatory Approvals shall not have been obtained but all other conditions to Closing set forth in the Merger Agreement shall have been satisfied or waived or by their terms cannot be satisfied until immediately prior to the Closing (but which conditions would be satisfied if the Closing Date were March 18, 2019), the Termination Date shall be extended to June 18, 2019; provided, further, that this right to terminate the Merger Agreement shall not be available to any Party whose action or failure to fulfill any obligation under the Merger Agreement has been the principal cause of or resulted in the failure of the Effective Time to have occurred on or prior to the Termination Date.

Orbotech may also terminate the Merger Agreement at any time prior to the Effective Time as follows:

In the event of a breach of any representation, warranty, covenant or agreement on the part of KLA-Tencor or Merger Sub set forth in the Merger Agreement such that the conditions to Orbotech's obligations to close the Merger based on the accuracy of the representation and warranties of KLA-Tencor and Merger Sub or their material performance of covenants would not be satisfied as of the Closing Date as a result of such breach, subject to customary cure periods (if curable).

## **Table of Contents**

Prior to the receipt of the approval of the Merger by Orbotech's shareholders in order to accept a Superior Proposal in accordance with the Merger Agreement; provided that Orbotech pays KLA-Tencor, or causes KLA-Tencor to be paid, \$125.0 million substantially concurrently with the termination.

KLA-Tencor may also terminate the Merger Agreement at any time prior to the Effective Time as follows:

In the event of a breach of any representation, warranty, covenant or agreement on the part of Orbotech set forth in the Merger Agreement such that the conditions to KLA-Tencor's obligations to close the Merger based on the accuracy of Orbotech's representations and warranties or its material performance of covenants would not be satisfied as of the Closing Date as a result of such breach, subject to customary cure periods (if curable).

Prior to the receipt of the approval of the Merger by Orbotech's shareholders in the event that a Triggering Event (as defined in The Merger Agreement Termination of the Merger Agreement ) shall have occurred.

### **Expenses and Termination Fees**

Orbotech will be required to pay to KLA-Tencor a termination fee of \$125.0 million by wire transfer of immediately available funds to an account or accounts designated in writing by KLA-Tencor if the Merger Agreement is terminated as follows:

by Orbotech in order to accept a Superior Proposal pursuant to the Merger Agreement;

by KLA-Tencor as a result of a Triggering Event; or

by (1) either party for a failure to obtain Orbotech shareholder approval or (2) KLA-Tencor for a breach of Orbotech's representations and warranties or covenants, but only if:

following the execution and delivery of the Merger Agreement and (x) prior to the date of the meeting, or (y) prior to the breach or inaccuracy that forms the basis for the termination of the Merger Agreement, an Acquisition Proposal shall have been publicly announced or shall have become publicly known, or shall have been communicated or otherwise made known to Orbotech; and

within 12 months following the termination of the Merger Agreement, either (x) an Acquisition Transaction is consummated or (y) Orbotech enters into a contract providing for an Acquisition Transaction and such Acquisition Transaction is consummated (whether or not within the 12-month period), however, for purposes of this provision, all references to 15% in the definition of Acquisition Transaction shall be deemed to be references to 50% .

### **Accounting Treatment**

KLA-Tencor prepares its financial statements under existing U.S. generally accepted accounting principles, which are referred to as GAAP standards, which are subject to change and interpretation. The Merger will be accounted for using the acquisition method of accounting with KLA-Tencor being considered the acquiror of Orbotech for accounting purposes.

**Appraisal Rights**

Under Israeli law, holders of Orbotech shares are not entitled to statutory appraisal rights in connection with the Merger.

## **Table of Contents**

### **Comparison of Rights of Orbotech Shareholders and KLA-Tencor Stockholders**

Orbotech shareholders receiving KLA-Tencor common stock as part of their Merger Consideration will have different rights once they become stockholders of KLA-Tencor due to differences between the governing laws and corporate documents of Orbotech and the governing laws and corporate documents of KLA-Tencor. Certain principal differences are described under the section entitled **Comparison of Rights of Orbotech Shareholders and KLA-Tencor Stockholders**.

### **Listing of Additional Shares of KLA-Tencor Common Stock**

KLA-Tencor will use its reasonable best efforts to cause the shares of KLA-Tencor common stock to be issued in the Merger to be approved for listing on NASDAQ, subject to official notice of issuance, prior to the Effective Time.

### **De-Listing and Deregistration of Orbotech Shares**

If the Merger is completed, the Orbotech shares will be delisted from NASDAQ and deregistered under the Exchange Act, and Orbotech shares will no longer be publicly traded.

### **The Orbotech Extraordinary General Meeting**

The meeting will be held on Thursday, July 12, 2018, at 10:00 a.m., Israel time, at Orbotech's principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel.

The meeting is being held to consider and vote the following item:

To approve and adopt (i) the Merger Agreement; (ii) the Merger on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the ICL, following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement (the **Merger Proposal**).

### **Required Vote**

The affirmative vote of a simple majority of the voting rights of Orbotech shares represented and voting thereon at the meeting is necessary for the approval of the Merger Proposal, provided that such majority includes at least a majority of the votes cast by Orbotech shareholders that are not KLA-Tencor, Merger Sub or a KLA Related Person (as defined below), who are present and voting (abstentions are disregarded) (the **Merger Majority**).

Pursuant to the ICL, each Orbotech shareholder voting on the Merger Proposal is required to inform Orbotech prior to voting at the meeting if the shareholder is any of KLA-Tencor, Merger Sub, or a KLA Related Person and to indicate such matter in the appropriate place in the enclosed proxy. A **KLA Related Person** is (a) a person holding, directly or indirectly, either (i) 25% or more of the voting rights of KLA-Tencor or Merger Sub, or (ii) the right to appoint 25% or more of the directors of KLA-Tencor or Merger Sub, or (b) one of such person's spouse, siblings, parents, grandparents, descendants, spouse's descendants, siblings or parents or the spouse of any such person, or a corporation controlled by any one or more of such persons or by KLA-Tencor or Merger Sub. For more information, see the section entitled **The Orbotech Extraordinary General Meeting Vote Required at the Meeting**.



---

**Table of Contents****How Proxies are Counted; Abstentions and Broker Non-Votes**

If you properly execute and return the form of proxy to Orbotech prior to the meeting, each person named as proxy will follow your instructions. If you properly execute and return the form of proxy to Orbotech prior to the meeting without indicating how you intend to vote with respect to the Merger Proposal, the Orbotech shares represented by the proxy will be counted as being present for quorum purposes, but not be treated as having been voted in respect of the Merger Proposal and will have no effect on the voting with respect to the Merger Proposal.

In determining whether there is a quorum for the meeting and whether the required number of votes for the approval of the Merger Proposal has been cast, Orbotech shares subject to abstentions or to broker non-votes are counted for purposes of determining whether there is a quorum for the meeting but, with regard to the Merger Proposal, are not counted as having been voted in respect thereof. Broker non-votes are votes that brokers holding Orbotech shares of record for their clients are, pursuant to applicable stock exchange or other rules, precluded from casting in respect of certain non-routine proposals because such brokers have not received specific instructions from their clients as to the manner in which such Orbotech shares should be voted on those proposals and as to which the brokers have advised Orbotech that, accordingly, they lack voting authority.

**Summary Consolidated Historical Financial Data****Summary Consolidated Historical Financial Data of KLA-Tencor**

The following tables present selected consolidated summary financial data for KLA-Tencor, as of and for each of the fiscal years of KLA-Tencor ended June 30, 2017, 2016, 2015, 2014 and 2013 and as of and for the nine months ended March 31, 2018 and 2017. The historical consolidated statement of operations data set forth with respect to the fiscal years ended June 30, 2017, 2016 and 2015, and the consolidated balance sheet data as of June 30, 2017 and 2016, have been derived from the audited consolidated financial statements included in KLA-Tencor's Annual Report on Form 10-K for the year ended June 30, 2017, which is incorporated by reference into this proxy statement/prospectus, and have been prepared in accordance with generally accepted accounting principles (as applied in the United States, GAAP). The consolidated statement of operations data set forth in this section with respect to the fiscal years ended June 30, 2014 and 2013, and the consolidated balance sheet data as of June 30, 2015, 2014 and 2013, have been derived from consolidated financial statements for such years, which are not incorporated by reference into this proxy statement/prospectus, and have also been prepared in accordance with GAAP. The consolidated statements of operations data for the nine months ended March 31, 2018 and 2017 and the consolidated balance sheet data as of March 31, 2018 have been derived from KLA-Tencor's unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018, which is incorporated by reference into this proxy statement/prospectus. The consolidated balance sheet data as of March 31, 2017 have been derived from KLA-Tencor's unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, which is not incorporated by reference into this proxy statement/prospectus. The unaudited interim financial statements have been prepared on a basis consistent with KLA-Tencor's audited financial statements and, in the opinion of KLA-Tencor's management, include all adjustments that KLA-Tencor's management considers necessary for the fair statement of the information for the unaudited periods.

**Table of Contents**

The information set forth below is not necessarily indicative of future results and should be read together with the other information contained in Item 8, Financial Statements and Supplementary Data, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in KLA-Tencor's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 and quarterly report on Form 10-Q for the nine months ended March 31, 2018, together with the other information contained therein. See the section entitled "Where You Can Find More Information" in this proxy statement/prospectus.

(In thousands, except per share amounts)	Nine Months Ended March 31,		Year Ended June 30,				
	2018	2017	2017	2016	2015	2014	2013
<b>Consolidated Statements of Operations:</b>							
Total revenues	\$ 2,966,697	\$ 2,541,367	\$ 3,480,014	\$ 2,984,493	\$ 2,814,049	\$ 2,929,408	\$ 2,842,781
Net income <sup>(1)</sup>	\$ 453,498	\$ 669,914	\$ 926,076	\$ 704,422	\$ 366,518	\$ 582,755	\$ 543,149
Cash dividends declared per share (including a special cash dividend of \$16.50 per share declared during the three months ended December 31, 2014)	\$ 1.77	\$ 1.60	\$ 2.14	\$ 2.08	\$ 18.50	\$ 1.80	\$ 1.60
<b>Net income per share:</b>							
Basic	\$ 2.90	\$ 4.28	\$ 5.92	\$ 4.52	\$ 2.26	\$ 3.51	\$ 3.27
Diluted	\$ 2.88	\$ 4.26	\$ 5.88	\$ 4.49	\$ 2.24	\$ 3.47	\$ 3.21

(In thousands)	As of March 31,		As of June 30,				
	2018	2017	2017	2016	2015	2014	2013
<b>Consolidated Balance Sheets:</b>							
Cash, cash equivalents and marketable securities	\$ 2,889,982	\$ 2,703,514	\$ 3,016,740	\$ 2,491,294	\$ 2,387,111	\$ 3,152,637	\$ 2,918,881
Working capital <sup>(2)</sup>	\$ 3,340,079	\$ 3,004,144	\$ 3,098,904	\$ 2,865,609	\$ 2,902,813	\$ 3,690,484	\$ 3,489,236
Total assets	\$ 5,598,184	\$ 5,324,445	\$ 5,532,173	\$ 4,962,432	\$ 4,826,012	\$ 5,535,846	\$ 5,283,804
Long-term debt <sup>(3)</sup>	\$ 2,461,914	\$ 2,704,856	\$ 2,680,474	\$ 3,057,936	\$ 3,173,435	\$ 745,101	\$ 743,823
Total stockholders equity <sup>(3)</sup>	\$ 1,370,143	\$ 1,147,312	\$ 1,326,417	\$ 689,114	\$ 421,439	\$ 3,669,346	\$ 3,482,152

(1) KLA-Tencor's net income decreased to \$366.5 million in the fiscal year ended June 30, 2015, primarily as a result of the impact of the pre-tax net loss of \$131.7 million for the loss on extinguishment of debt and certain one-time expenses of \$2.5 million associated with the leveraged recapitalization that was completed during the three months ended December 31, 2014.

(2) KLA-Tencor adopted the accounting standards update regarding classification of deferred taxes on a prospective basis at the beginning of the fourth quarter of fiscal year ended June 30, 2016. Upon adoption, approximately \$218.0 million in net current deferred tax assets were reclassified to noncurrent. No prior periods were

retrospectively adjusted. Working capital is defined as current assets less current liabilities.

- (3) KLA-Tencor's long-term debt increased to \$3.17 billion at the end of fiscal year ended June 30, 2015, because, as part of the leveraged recapitalization plan, KLA-Tencor issued \$2.50 billion aggregate principal amount of senior, unsecured long-term notes (collectively referred to as Senior Notes), entered into \$750.0 million of five-year senior unsecured prepayable term loans and a \$500.0 million unfunded revolving credit facility and redeemed its \$750.0 million aggregate principal amount of 6.900% Senior Notes due in 2018 (the 2018 Notes). KLA-Tencor's total stockholders' equity decreased to \$421.4 million at the end of fiscal year ended June 30, 2015, because, as part of its leveraged recapitalization plan, it declared a special cash dividend of approximately \$2.76 billion.

#### **Summary Consolidated Historical Financial Data of Orbotech**

The following tables present selected consolidated summary financial data for Orbotech, as of and for each of the fiscal years of Orbotech ended December 31, 2017, 2016, 2015, 2014, and 2013 and as of and for the three months ended March 31, 2018 and 2017. The selected historical consolidated statement of operations data set forth with respect to the fiscal years ended December 31, 2017, 2016 and 2015, and the consolidated balance sheet data as

**Table of Contents**

of December 31, 2017 and 2016, have been derived from the audited financial statements included in Orbotech's Annual Report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this proxy statement/prospectus, and have been prepared in accordance with GAAP. The consolidated statement of operations data set forth in this section with respect to the fiscal years ended December 31, 2014 and 2013, and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013, have been derived from audited consolidated financial statements for such years, which are not incorporated by reference into this proxy statement/prospectus, and have also been prepared in accordance with GAAP. The financial data for the three months ended March 31, 2018 and 2017 and as of March 31, 2018 have been derived from Orbotech's unaudited condensed consolidated financial information consisting of a balance sheet, statement of operations, and statement of cash flows included as Exhibit 99.2 to its Report on Form 6-K furnished with the SEC on May 9, 2018, which financial information is incorporated by reference into this proxy statement/prospectus. The unaudited balance sheet data as of March 31, 2017 have been derived from unaudited financial information that is not incorporated into this proxy statement/prospectus. The unaudited interim financial information have been prepared on a basis consistent with Orbotech's audited financial statements and, in the opinion of Orbotech's management, include all adjustments that Orbotech's management considers necessary for the fair statement of the information for the unaudited periods.

The information set forth below is not necessarily indicative of future results and should be read together with the other information contained in Orbotech's Annual Report on Form 20-F for the year ended December 31, 2017 filed with the SEC. See the section entitled "Where You Can Find More Information" in this proxy statement/prospectus.

(In thousands, except per share amounts)	Three Months Ended March 31,		Year Ended December 31,				
	2018	2017	2017	2016	2015	2014 <sup>(1)</sup>	2013
<b>Statement of Operations Data:</b>							
Revenues	\$ 250,551	\$ 187,649	\$ 900,856	\$ 806,402	\$ 752,517	\$ 582,746	\$ 439,995
Net income	29,899	14,780	130,887	78,995	56,716	35,264	39,161
Loss attributable to non-controlling interests	(368)	(140)	(1,498)	(443)	(55)	(116)	(840)
Net income attributable to Orbotech Ltd.	\$ 30,267	\$ 14,920	\$ 132,385	\$ 79,438	\$ 56,771	\$ 35,380	\$ 40,001
Earnings per share:							
basic	\$ 0.62	\$ 0.31	\$ 2.76	\$ 1.74	\$ 1.34	\$ 0.85	\$ 0.94
diluted	\$ 0.61	\$ 0.31	\$ 2.71	\$ 1.71	\$ 1.31	\$ 0.83	\$ 0.92
Weighted average number of shares used in computation of earnings per share:							
basic <sup>(2)</sup>	48,437	47,839	47,989	45,534	42,412	41,703	42,571
diluted	49,331	48,768	48,850	46,461	43,322	42,757	43,253

<b>(In thousands)</b> <b>Balance Sheet Data:</b>	<b>At March 31,</b>		<b>At December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 290,056	\$ 201,378	\$ 315,803	\$ 216,292	\$ 162,102	\$ 136,367	\$ 161,155
Working capital <sup>(3)</sup>	\$ 685,716	\$ 530,790	\$ 647,872	\$ 503,887	\$ 455,840	\$ 421,683	\$ 412,852
Long-term loans, net <sup>(4)</sup>	\$ 56,232	\$ 72,134	\$ 56,117	\$ 72,002	\$ 218,372	\$ 286,381	
Total assets	\$ 1,326,967	\$ 1,116,561	\$ 1,303,904	\$ 1,102,903	\$ 1,041,878	\$ 1,026,502	\$ 636,582
Capital stock	\$ 440,041	\$ 425,451	\$ 436,326	\$ 422,566	\$ 308,821	\$ 295,219	\$ 283,283
Equity <sup>(5)</sup>	\$ 945,296	\$ 778,360	\$ 911,868	\$ 752,781	\$ 567,756	\$ 496,881	\$ 467,154

(1) In respect of the year ended December 31, 2014, includes the financial information of SPTS Technologies Group Limited and its consolidated subsidiaries ( SPTS ) from the closing date of the SPTS Acquisition (as defined below) SPTS Closing Date (August 7, 2014) (the SPTS Closing Date ).

**Table of Contents**

- (2) The actual number of Orbotech shares outstanding at December 31, 2016 was 47,808,453.
  - (3) Under the applicable accounting standard, as implemented by Orbotech, all deferred tax assets and liabilities have been classified as non-current on the balance sheet as of and from December 31, 2015, without retrospective adjustment for dates prior to December 31, 2015.
  - (4) Net of current maturities and deferred financing costs.
  - (5) Comprising Orbotech equity and non-controlling interests.
- Orbotech has not paid any cash dividends in the last five years.

**Table of Contents****Summary Unaudited Pro Forma Condensed Combined Financial Information**

The following tables set forth selected unaudited pro forma condensed combined financial information giving effect to the planned Merger of KLA-Tencor and Orbotech. The unaudited pro forma condensed combined statements of operations for the nine months ended March 31, 2018, and the fiscal year ended June 30, 2017, give effect to the Merger as if it had been consummated on July 1, 2016, the beginning of KLA-Tencor's most recently completed fiscal year. The unaudited pro forma condensed combined balance sheet as of March 31, 2018 gives effect to the Merger as if it had been consummated on March 31, 2018.

The summary unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or consolidated financial condition of the combined company would have been had the Merger actually occurred on the dates indicated, nor do they purport to project the future consolidated results of operations or consolidated financial condition of the combined company for any future period or as of any future date.

The summary unaudited pro forma condensed combined financial data as of and for the nine months ended March 31, 2018 and for the year ended June 30, 2017 are derived from the unaudited pro forma condensed combined financial information included under the section entitled "Unaudited Pro Forma Condensed Consolidated Financial Statements" and should be read in conjunction with that information. The unaudited pro forma adjustments are based upon available information and certain assumptions that KLA-Tencor believes are reasonable under the circumstances. The unaudited pro forma condensed combined financial information also gives effect to the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements included in this proxy statement/prospectus. For more information, please see the section titled "Unaudited Pro Forma Condensed Combined Financial Statements" in this proxy statement/prospectus.

<b>(In millions, except for per share data)</b>	<b>Nine Months Ended March 31, 2018</b>	<b>Year Ended June 30, 2017</b>
<b>Condensed Combined Statements of Operations Data:</b>		
Revenues	\$ 3,680	\$ 4,298
Net income	483	840
Net income per share from continuing operations:		
Basic	\$ 2.86	\$ 5.01
Diluted	\$ 2.83	\$ 4.95

<b>(In millions)</b>	<b>As of March 31, 2018</b>
<b>Condensed Combined Balance Sheet Data:</b>	
Cash, cash equivalents, and marketable securities	\$ 1,165
Total assets	7,426
Long term debt	2,462
Total stockholders' equity	2,611



**Table of Contents****Unaudited Comparative Per Share Data**

Presented below are KLA-Tencor's historical per share data for the nine months ended March 31, 2018 and the fiscal year ended June 30, 2017, Orbotech's historical per share data for the nine months ended December 31, 2017 and the twelve months ended June 30, 2017, unaudited pro forma combined per share data for the nine months ended March 31, 2018 and the fiscal year ended June 30, 2017, and unaudited pro forma equivalent data for the nine months ended March 31, 2018 and the year ended June 30, 2017. This information should be read together with the consolidated financial statements and related notes of KLA-Tencor and Orbotech that are incorporated by reference into this proxy statement/prospectus and with the unaudited pro forma condensed combined financial data included under the section entitled "Unaudited Pro Forma Condensed Combined Financial Information." The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the Merger had been completed as of the beginning of the periods presented or on the dates presented, nor is it necessarily indicative of the future operating results or financial position of the combined company. The historical book value per share is computed by dividing total stockholders' equity by the number of shares outstanding at the end of the relevant period. The pro forma net income per share of the combined company is computed by dividing the pro forma net income by the pro forma weighted average number of diluted shares outstanding. The pro forma book value per share of the combined company is computed by dividing total pro forma stockholders' equity by the pro forma number of shares outstanding at the end of the period.

	<b>Nine Months Ended March 31, 2018</b>	<b>Year Ended June 30, 2017</b>
<b>KLA-TENCOR HISTORICAL DATA</b>		
Historical per share of common stock		
Basic net income per share	\$ 2.90	\$ 5.92
Diluted net income per share	\$ 2.88	\$ 5.88
Book value per share (at period end)	\$ 8.79	\$ 8.46
	<b>Nine Months Ended December 31, 2017</b>	<b>Twelve Months Ended June 30, 2017</b>
<b>ORBOTECH HISTORICAL DATA</b>		
Historical per ordinary share		
Basic net income per share	\$ 2.45	\$ 1.88
Diluted net income per share	\$ 2.40	\$ 1.86
Book value per share (at period end)	\$ 18.63	\$ 16.64
	<b>Nine Months Ended March 31, 2018</b>	<b>Year Ended June 30, 2017</b>
<b>KLA-TENCOR PRO FORMA COMBINED DATA</b>		
Unaudited pro forma per share of common stock		
Basic net income per share	\$ 2.86	\$ 5.01
Diluted net income per share	\$ 2.83	\$ 4.95
Book value per share (at period end)	\$ 15.54	\$ 15.63
<b>ORBOTECH PRO FORMA EQUIVALENT DATA<sup>(1)</sup></b>		
Unaudited pro forma per ordinary share		

Edgar Filing: KLA TENCOR CORP - Form 424B3

Basic net income per share	\$	0.72	\$	1.25
Diluted net income per share	\$	0.71	\$	1.24
Book value per share (at period end)	\$	3.88	\$	3.91

- (1) The pro forma equivalent Orbotech share amounts were calculated by multiplying the pro forma combined amounts by the Exchange Ratio of 0.25. The Exchange Ratio does not include the \$38.86 per share that is the Cash Consideration portion of the Merger Consideration.

**Table of Contents****Unaudited Comparative Market Value and Dividend Information**

The following table presents trading information for Orbotech shares and KLA-Tencor common stock on NASDAQ on March 16, 2018, the last trading day before announcement of the Merger, and June 4, 2018, the most recent practicable trading day before the date of this proxy statement/prospectus. For illustrative purposes, the following table also provides the equivalent per share value of the Merger Consideration, which is equal to (1) 0.25 of a share of KLA-Tencor common stock plus (2) \$38.86 in cash for each Orbotech share outstanding as of such dates.

Date	Orbotech Shares			KLA-Tencor Common Stock			Equivalent Per-Share Value		
	High	Low	Close	High	Low	Close	High	Low	Close
March 16, 2018	\$ 60.01	\$ 59.03	\$ 59.90	\$ 121.62	\$ 120.15	\$ 120.62	\$ 69.27	\$ 68.90	\$ 69.02
June 4, 2018	\$ 64.79	\$ 64.11	\$ 64.76	\$ 117.12	\$ 115.17	\$ 116.24	\$ 68.14	\$ 67.65	\$ 67.92

The market prices of Orbotech shares and shares of KLA-Tencor common stock fluctuate, and the value of the Merger Consideration will fluctuate with the market price of the Orbotech shares. As a result, we urge you to obtain current market quotations of the Orbotech shares and the KLA-Tencor common stock.

Orbotech does not currently pay dividends on its shares. Under the terms of the Merger Agreement, during the period before the Effective Time, Orbotech is not permitted to declare, authorize, set aside or pay any dividend or other distribution without the prior consent of KLA-Tencor. On May 3, 2018, KLA-Tencor announced that its board of directors declared a dividend of \$0.75 per share of the KLA-Tencor common stock payable on June 1, 2018 to stockholders of record on May 15, 2018. This dividend was paid on June 1, 2018.

The table below sets forth in comparative columnar form, the cash dividends declared for the most recent fiscal year and interim period for KLA-Tencor on a historical and pro forma per share basis and for Orbotech on a historical and equivalent pro forma per share basis.

	Nine Months Ended March 31, 2018	Twelve Months Ended June 30, 2017
<b>Cash dividends per share</b>		
KLA-Tencor Historical	\$ 1.77	\$ 2.14
Orbotech Historical		
KLA-Tencor Pro Forma Combined	\$ 1.77	\$ 2.14
Orbotech Pro Forma Equivalent	\$ 0.44	\$ 0.54

**Table of Contents****SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus and the documents incorporated by reference into this proxy statement/prospectus contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect KLA-Tencor's and Orbotech's current beliefs, expectations or intentions regarding future events. Words such as may, will, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pursue, target, continue, and similar are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the manner in which the parties plan to effect the proposed Merger, including the share repurchase program; the ability to raise additional capital necessary to complete the repurchase program within the time frame expected; the expected benefits, synergies and costs of the proposed Merger; management plans relating to the proposed Merger; the expected timing of the completion of the proposed Merger; the parties' ability to complete the proposed Merger considering the various closing conditions, including conditions related to regulatory and Orbotech shareholder approvals; the plans, strategies and objectives of management for future operations; product development, product extensions, product integration, complementary product offerings and growth opportunities in certain business areas; the potential future financial impact of the proposed Merger; and any assumptions underlying any of the foregoing. Without limiting the generality of the preceding sentence, certain statements contained in the sections entitled "The Merger Background of the Merger," "The Merger Orbotech's Reasons for the Merger; Recommendation of the Orbotech Board," "The Merger Certain Projections of Orbotech" contain forward-looking statements.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of KLA-Tencor and Orbotech and are difficult to predict. In addition to the risks and uncertainties described in the section entitled "Risk Factors" and those described in any documents that are incorporated by reference into this proxy statement/prospectus, such risks and uncertainties include, among others: (1) the risk that the conditions to the Closing are not satisfied, including the risk that required approvals for the Merger from governmental authorities or the shareholders of Orbotech are not obtained; (2) the risk that the value of the Stock Consideration will fluctuate over time; (3) litigation relating to the Merger, if any; (4) uncertainties as to the timing of the consummation of the Merger and the ability of each party to consummate the Merger; (5) risks that the proposed Merger disrupts the current plans and operations of Orbotech or KLA-Tencor; (6) the ability of Orbotech and KLA-Tencor to retain and hire key personnel; (7) competitive responses to the proposed Merger and the impact of competitive products; (8) unexpected costs, charges or expenses resulting from the Merger; (9) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the Merger, including related to Frontline (as defined below); (10) the combined company's ability to achieve the financial and operating results, growth prospects and synergies expected from the Merger, as well as delays, challenges and expenses associated with integrating the existing businesses of KLA-Tencor and Orbotech; (11) the combined company's ability to maintain and improve relationships with customers, suppliers and other third parties following the Merger; (12) the terms and availability of the indebtedness that may be incurred in connection with the Merger; and (13) legislative, regulatory and economic developments, including changing business conditions in the industries in which KLA-Tencor and Orbotech operate, including the semiconductor industry, and overall economy as well as the financial performance and expectations of KLA-Tencor's and Orbotech's existing and prospective customers.

KLA-Tencor and Orbotech caution that the foregoing list of factors is not exclusive and that you should not place undue reliance on any forward-looking statement. All subsequent written and oral forward-looking statements concerning KLA-Tencor, Orbotech, the proposed Merger or other matters and attributable to KLA-Tencor or Orbotech or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. All forward-looking statements contained in this proxy statement/prospectus and the documents incorporated by reference herein are made only as of the date of the document in which they are contained and, except as required

by law, neither KLA-Tencor nor Orbotech undertakes any obligation to update publicly any of these forward-looking statements to reflect events or circumstances that may arise after the date hereof.

---

**Table of Contents****RISK FACTORS**

*In addition to the other information included and incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section entitled **Special Note Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the Merger Proposal. In addition, you should read and consider the risks associated with each of the businesses of KLA-Tencor and Orbotech because these risks will also affect the combined company. The risks associated with KLA-Tencor's business can be found in KLA-Tencor's Annual Report on Form 10-K for the fiscal year ended June 30, 2017, and any amendments thereto, as such risks may be updated or supplemented in KLA-Tencor's subsequently filed Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. The risks associated with Orbotech's business can be found in Orbotech's Annual Report on Form 20-F for the fiscal year ended December 31, 2017 and any amendments thereto, as such risks may be updated or supplemented in Orbotech's Annual Reports on Form 20-F or subsequently filed or furnished Reports on Form 6-K. Such filings by KLA-Tencor and Orbotech will be incorporated by reference into this proxy statement/prospectus to the extent described in the section entitled **Where You Can Find More Information**. You should also read and consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. For more information, see the section entitled **Where You Can Find More Information**.*

**Risk Factors Relating to the Merger**

***The value of the stock portion of the Merger Consideration that Orbotech shareholders will receive in the Merger will fluctuate over time.***

At the time that the Merger is consummated, each issued and outstanding ordinary share of Orbotech (except for Excluded Shares) will be converted into the right to receive, without interest and less any applicable withholding taxes, (a) \$38.86 in cash and (b) 0.25 of a share of KLA-Tencor common stock, in each case, subject to the terms and conditions set forth in the Merger Agreement. Orbotech shareholders will not receive any fractional shares of KLA-Tencor common stock and will instead receive cash in lieu of any such fractional shares.

Time will elapse between each of the date of this proxy statement/prospectus, the date on which Orbotech shareholders vote to approve and adopt the Merger Proposal at the meeting and the date on which Orbotech shareholders are entitled to receive the Stock Consideration in the form of KLA-Tencor common stock and the Cash Consideration in the form of cash from KLA-Tencor. The respective market value of KLA-Tencor's common stock and Orbotech's ordinary shares may fluctuate during any or all of these periods as a result of a variety of factors, including general market and economic conditions, changes in KLA-Tencor's or Orbotech's businesses, operations and prospects, catastrophic events, both natural and man-made, and regulatory considerations. Many of these factors are outside the control of Orbotech and KLA-Tencor. There will be no adjustment to the exchange ratio of the Stock Consideration (except for adjustments to reflect the effect of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares or other like changes with respect to the KLA-Tencor common stock) and the parties do not have a right to terminate the Merger Agreement based upon changes in the market price of the KLA-Tencor common stock. Consequently, at the time that Orbotech shareholders must decide whether to approve and adopt the Merger Proposal, they will not know the market price of the KLA-Tencor common stock they will receive and the market price of the Orbotech shares that they will surrender when the Merger is actually consummated. The value of the KLA-Tencor common stock received by Orbotech shareholders upon consummation of the Merger will depend on the market price of the KLA-Tencor common stock at that time, and the value of the Orbotech shares surrendered by Orbotech shareholders will depend on the market price of the Orbotech shares at that time.



**Table of Contents**

*The Merger is subject to a number of conditions, some of which are outside of the parties' control, and, if these conditions are not satisfied, the Merger Agreement may be terminated and the Merger may not be completed.*

The Merger Agreement contains a number of conditions that must be fulfilled to complete the Merger. These conditions include:

approval of the Merger Agreement and the transactions contemplated thereby by Orbotech shareholders as described in this proxy statement/prospectus;

the termination or expiration of any applicable waiting period, or the exemption or approval of applicable government entities, under certain other antitrust laws;

absence of (i) any law, order, judgment or injunction or other ruling, instituted by a governmental entity of competent jurisdiction, that is in effect and has the effect of making the Merger illegal or of prohibiting or otherwise preventing the consummation of the Merger in any jurisdiction or (ii) any legal proceeding seeking to enjoin, restrain or prohibit the Merger pursuant to any applicable antitrust laws or seeking to impose certain burdensome conditions on the consummation of the Merger;

approval for listing of the shares of KLA-Tencor common stock to be issued in the Merger on NASDAQ, subject to official notice of issuance;

that this registration statement on Form S-4 has been declared by the SEC to be effective under the Securities Act and is not the subject of any stop order or proceedings seeking a stop order;

certain customary Israeli conditions relating to the compliance of KLA-Tencor and Orbotech with applicable Israeli laws;

subject to certain materiality standards contained in the Merger Agreement, the accuracy of representations and warranties of Orbotech and KLA-Tencor, respectively, and material performance by Orbotech and KLA-Tencor of their respective covenants contained in the Merger Agreement; and

the absence of a material adverse effect with respect to the other party.

The required satisfaction of the foregoing conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring. Any delay in completing the Merger could cause KLA-Tencor not to realize some or all of the benefits that the parties expect KLA-Tencor to achieve following the Merger. Further, there can be no assurance that the conditions to the Closing will be satisfied or waived or that the Merger will be completed.

In addition, if the Merger is not completed by March 18, 2019 (subject to a potential extension to June 18, 2019), either KLA-Tencor or Orbotech may choose to terminate the Merger Agreement. KLA-Tencor or Orbotech may also

elect to terminate the Merger Agreement in certain other circumstances, and the parties may mutually decide to terminate the Merger Agreement at any time prior to the Closing Date, before or after Orbotech shareholder approval is received, as applicable. For more information, see the section entitled "The Merger Agreement - Termination of the Merger Agreement".

***Failure to complete the Merger could negatively affect the share prices and the future business and financial results of either or both of KLA-Tencor and Orbotech.***

If the Merger is not completed, the ongoing businesses of either or both of KLA-Tencor and Orbotech may be adversely affected. Additionally, if the Merger is not completed and the Merger Agreement is terminated, in certain circumstances Orbotech may be required to pay KLA-Tencor a termination fee of \$125.0 million. For more information, see the sections entitled "The Merger Agreement - Termination of the Merger Agreement" and "The Merger Agreement - Termination Fees". In addition, KLA-Tencor and Orbotech have incurred and will continue to incur significant transaction expenses in connection with the Merger regardless of whether the

---

**Table of Contents**

Merger is completed. Furthermore, either or both of KLA-Tencor or Orbotech may experience negative reactions from the financial markets, including negative impacts on their stock prices, or negative reactions from their customers, suppliers or other business partners, should the Merger not be completed.

The foregoing risks, or other risks arising in connection with the failure to consummate the Merger, including the diversion of management attention from conducting the businesses of the respective companies and pursuing other opportunities during the pendency of the Merger, may have a material adverse effect on the businesses, operations, financial results and stock prices of either or both of KLA-Tencor and Orbotech. Either or both of KLA-Tencor or Orbotech could also be subject to litigation related to any failure to consummate the Merger or any related action that could be brought to enforce a party's obligations under the Merger Agreement.

***Litigation against KLA-Tencor and Orbotech, or the members of the Orbotech Board, could prevent or delay the completion of the Merger or result in the payment of damages following completion of the Merger.***

Claims may be asserted by purported shareholder plaintiffs related to the Merger. The results of any such potential legal proceedings are difficult to predict and could delay or prevent the Merger from becoming effective in a timely manner. The existence of litigation related to the Merger could affect the likelihood of obtaining the required approval from Orbotech shareholders. Moreover, any litigation could be time consuming and expensive, could divert KLA-Tencor's and Orbotech's management's attention away from their respective regular businesses and, if any lawsuit is adversely resolved against any of KLA-Tencor, Orbotech or the members of the Orbotech Board, could have a material adverse effect on KLA-Tencor's or Orbotech's financial condition. For more information, see the section entitled "The Merger - Litigation Related to the Merger".

One of the conditions to the Closing is the absence of any law, order, judgment, injunction or other ruling, instituted by a governmental entity with competent jurisdiction, that is in effect and has the effect of making the Merger illegal, or prohibiting or otherwise preventing the consummation of the Merger in any jurisdiction. Consequently, if a settlement or other resolution is not reached in any lawsuit that is filed and a claimant secures injunctive or other relief prohibiting, delaying or otherwise adversely affecting KLA-Tencor's and/or Orbotech's ability to complete the Merger on the terms contemplated by the Merger Agreement, then such injunctive or other relief may prevent the Merger from becoming effective in a timely manner or at all.

***The Merger Agreement contains provisions that limit Orbotech's ability to pursue alternatives to the Merger, could discourage a potential competing acquiror of Orbotech from making an alternative transaction proposal and, in specified circumstances, could require Orbotech to pay a termination fee to KLA-Tencor.***

The Merger Agreement prohibits Orbotech and its representatives from soliciting, participating in negotiations with respect to or approving or recommending any third-party proposal for an alternative transaction, subject to exceptions set forth in the Merger Agreement relating to the receipt of certain unsolicited offers. If the Merger Agreement is terminated by either party after the Orbotech Board has changed its recommendation regarding the Merger or due to Orbotech's material breach of its non-solicitation obligations, then Orbotech may be required to pay a termination fee of \$125.0 million to KLA-Tencor. For more information, see the sections entitled "The Merger Agreement - Termination of the Merger Agreement" and "The Merger Agreement - Termination Fees".

These provisions could discourage a potential third-party acquiror or merger partner that might have an interest in acquiring all or a significant portion of Orbotech or pursuing an alternative transaction from considering or proposing such a transaction, even if it were prepared to pay consideration with a higher per share cash or market value than the consideration to be paid in the Merger, or might result in a potential third-party acquiror or merger partner proposing to pay a lower price to Orbotech shareholders than it might otherwise have proposed to pay because of the added

expense of the termination fee that may become payable in certain circumstances.

If the Merger Agreement is terminated and Orbotech determines to seek another business combination, Orbotech may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

---

**Table of Contents**

***The Merger is subject to the expiration of applicable waiting periods under and the receipt of approvals, consents or clearances from foreign antitrust regulatory authorities that may impose conditions that could have an adverse effect on KLA-Tencor or Orbotech or, if not obtained, could prevent completion of the Merger.***

The Closing remains subject to the exemption or approval of applicable government entities under the antitrust laws of China, Korea and Japan. In deciding whether to grant the required regulatory approvals, consents or clearances, the relevant governmental entities will consider the effect of the Merger on competition within their relevant jurisdiction. The terms and conditions of the approvals, consents and clearances that are granted may impose requirements, limitations or costs or place restrictions on the conduct of KLA-Tencor's business and which may adversely affect the financial position and prospects of KLA-Tencor and its ability to achieve the cost savings and other synergies projected to result from the Merger.

Under the Merger Agreement, KLA-Tencor and Orbotech have agreed to use their reasonable best efforts to obtain any consents, clearances or approvals (provided that such actions do not reduce the reasonably anticipated benefits to KLA-Tencor of the Merger in an amount that is financially material relative to the value of Orbotech and its subsidiaries, as a whole) and therefore may be required to comply with conditions or limitations imposed by governmental antitrust authorities. However, there can be no assurance that antitrust regulators will not impose unanticipated conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of KLA-Tencor following the completion of the Merger and which may adversely affect the financial position and prospects of KLA-Tencor and its ability to achieve the cost savings and other synergies projected to result from the Merger. In addition, one of the conditions to the obligation of KLA-Tencor to close the Merger consists of the absence of any legal proceeding seeking to enjoin, restrain or prohibit the Merger pursuant to any applicable antitrust laws or seeking to impose certain burdensome conditions on the Merger. As a result, neither KLA-Tencor nor Orbotech can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Merger. For a more detailed description of the regulatory review process, see the section entitled "The Merger – Competition Clearances Required for the Merger" .

***Until the completion of the Merger or the termination of the Merger Agreement in accordance with its terms, in consideration of the agreements made by the parties in the Merger Agreement, Orbotech is prohibited from entering into certain transactions and taking certain actions that might otherwise be beneficial to Orbotech and its shareholders.***

Until the Merger is completed, the Merger Agreement restricts Orbotech from taking specified actions without the consent of KLA-Tencor, and requires Orbotech to operate in the ordinary course of business consistent with past practices. These restrictions may prevent Orbotech from making appropriate changes to its businesses, retaining its workforce, paying dividends or pursuing attractive business opportunities that may arise prior to the completion of the Merger. For more information, see the section entitled "The Merger Agreement – Restrictions on Orbotech's Business Pending the Closing" .

***The opinion of Orbotech's financial advisor does not reflect changes in circumstances that may occur between the original signing of the Merger Agreement and the completion of the Merger.***

Consistent with market practices, the Orbotech Board has not obtained an updated opinion from its financial advisor as of the date of this proxy statement/prospectus and does not expect to receive an updated, revised or reaffirmed opinion prior to the completion of the Merger. Changes in the operations and prospects of Orbotech, general market and economic conditions and other factors that may be beyond the control of Orbotech, and on which Orbotech's financial advisor's opinion was based, may significantly alter the value of Orbotech or the price of Orbotech shares by

the time the Merger is completed. The opinion does not speak as of the time the Merger will be completed or as of any date other than the date of such opinion. Because Orbotech's financial

**Table of Contents**

advisor will not be updating its opinion, the opinion will not address the fairness of the Merger Consideration from a financial point of view at the time the Merger is completed. For a description of the opinion that the Orbotech Board received from its financial advisor, see the section entitled "The Merger – Opinion of Orbotech's Financial Advisor."

***After the Merger, Orbotech shareholders will have a significantly lower ownership and voting interest in KLA-Tencor than they currently have in Orbotech, and will exercise less influence over management.***

Based on the number of Orbotech shares issued and outstanding as of June 4, 2018, the number of shares of KLA-Tencor common stock issued and outstanding as of June 4, 2018, the number of vested Orbotech Equity Awards outstanding as of June 4, 2018, and assuming a KLA-Tencor Average Closing Price (as defined in the section entitled "The Merger Agreement – Merger Consideration") of \$113.77 (calculated based on the ten trading days ended June 4, 2018, the most recent practicable range of trading days prior to the date of this proxy statement/prospectus), it is expected that, immediately after completion of the Merger, former Orbotech shareholders will receive shares of KLA-Tencor common stock in the Merger representing approximately 7.3% of the outstanding shares of KLA-Tencor common stock, immediately following the Effective Time, assuming the Effective Time is on June 5, 2018. Consequently, Orbotech shareholders will have substantially less influence over the management and policies of KLA-Tencor than they currently have over Orbotech.

***The executive officers and directors of Orbotech have interests in the Merger that are different from, or in addition to, those of the other Orbotech shareholders. Therefore, the executive officers and directors of Orbotech may have a conflict of interest in recommending the Merger Proposal being voted on at the meeting.***

The directors and executive officers of Orbotech have interests in the Merger that may be different from, or in addition to, those of the Orbotech shareholders generally. These interests include the treatment of Orbotech Equity Awards in connection with the Merger (including potential accelerated vesting and payout or settlement of Orbotech Equity Awards held by directors and executive officers in connection with the Closing of the Merger or upon certain qualifying terminations of employment, as applicable), potential cash severance payments and other benefits payable to certain executive officers and the Active Chairman of the Orbotech Board pursuant to their employment agreements and as otherwise agreed by KLA-Tencor in the event of a resignation or termination of employment following the approval of the Merger by Orbotech's shareholders, extension of eligibility of executive officers to continue to receive severance benefits triggered by the approval of the Merger by Orbotech's shareholders for so long as such executive officer is employed by Orbotech, cash-based and equity-based retention awards that may be granted in some instances to employees and executive officers of Orbotech in connection with the Merger, proposed new post-Closing compensation arrangements for the Active Chairman of the Orbotech Board, the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, certain other retention arrangements for the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, KLA-Tencor's undertakings with respect to continuing director and officer indemnity arrangements and the purchase of a seven year "tail" policy on directors' and officers' insurance. These interests may influence the directors and executive officers of Orbotech to support or approve the Merger Proposal to be presented at the meeting.

For more information, see the section entitled "The Merger – Interests of Orbotech's Directors and Executive Officers in the Merger."

***The shares of KLA-Tencor common stock to be received by Orbotech shareholders as a result of the Merger will have different rights from the Orbotech shares.***

Upon completion of the Merger, Orbotech shareholders will become stockholders of KLA-Tencor and their rights as stockholders will be governed by the KLA-Tencor Charter and the KLA-Tencor amended and restated bylaws. The

rights associated with Orbotech shares are different from the rights associated with shares of KLA-Tencor common stock. For more information, see the section entitled Comparison of Rights of Orbotech Shareholders and KLA-Tencor Stockholders .

---

**Table of Contents**

***Orbotech shareholders may be subject to Israeli capital gains tax in connection with the Merger and absent receipt of a ruling or exemption, will generally be subject to Israeli tax withholding on the gross Merger Consideration.***

As a consequence of the Merger, holders of Orbotech shares will be treated as having sold their Orbotech shares in the Merger.

When an Israeli company is sold, regardless of whether the consideration in the sale is cash or stock, its shareholders are generally subject to Israeli taxation. The Israeli Income Tax Ordinance [New Version], 1961 (the ITO ) distinguishes between Real Capital Gain and Inflationary Surplus . The Inflationary Surplus is the portion of the total capital gain which is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli CPI or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus.

The capital gains tax rate applicable to the Real Capital Gain is 25% for individuals, 30% for individuals who are Major Stockholders on the date of sale or on any date falling within the 12-month period preceding that date of sale and 23% for corporations. An additional tax at a rate of three percent on the Real Capital Gain may be imposed upon individual shareholders whose annual income from all sources that is taxable in Israel exceeds a certain amount. The Inflationary Surplus is generally exempt from tax, provided that the shares being sold were acquired after December 31, 1993.

Shareholders of a company, such as Orbotech, whose shares are traded on an authorized stock exchange outside Israel, or on a regulated market outside of Israel, who are non-Israeli residents, would generally be exempt from Israeli capital gains tax, provided that certain conditions are met (e.g., including that the capital gain is not made through a permanent establishment that the non-Israeli resident shareholder maintains in Israel). In addition, such sale may be exempt from Israeli capital gain tax (or be subject to a reduced tax rate) under the provisions of an applicable tax treaty between Israel and the seller's country of residence (subject to the receipt of a valid certificate from the Israel Tax Authority allowing for an exemption or a reduced tax rate).

Orbotech has filed requests for tax rulings from the Israel Tax Authority with respect to (i) exemption from withholding of Israeli tax on payments of Merger Consideration paid to Orbotech shareholders who are non-Israeli residents and meet certain conditions, (ii) deferral of the obligation of Israeli tax resident holders of Orbotech shares to pay Israeli tax on the exchange of the Orbotech shares for KLA-Tencor common stock in accordance with the provisions of Section 104H of the ITO and (iii) the application of Israeli tax withholding and other Israeli tax treatment applicable to holders of Orbotech options, RSUs and shares issued to certain directors and employees under Section 102 of the ITO and to certain directors and others under Section 3(i) of the ITO. If and when the tax rulings are finalized, Orbotech will issue a press release and furnish a Form 6-K or other document with the SEC describing the scope of the exemptions provided by the rulings. There can be no assurance that such rulings will be granted before the Closing or at all or that, if obtained, such rulings will be granted under the conditions requested by Orbotech.

Whether or not a particular shareholder is actually subject to Israeli capital gains tax in connection with the Merger, absent receipt by Orbotech of a tax ruling from the Israel Tax Authority prior to Closing, all Orbotech shareholders will be subject to Israeli tax withholding at the rate of 25% (for individuals) and 23% (for corporations) on the gross Merger Consideration (unless the shareholder requests and obtains an individual certificate of exemption or a reduced tax rate from the Israel Tax Authority, as described below), and KLA-Tencor or the exchange agent will withhold and deduct from the Cash Consideration an amount equal to 25%, 23% or such other reduced tax rate as stipulated in the certificate obtained, as applicable, of the gross Merger Consideration received by such shareholder and, if the Cash Consideration is lower than the required amount to be withheld, no KLA-Tencor common stock will be issued to such

shareholder of Orbotech, until such recipient remits sufficient cash to cover the required amount to be withheld.

---

**Table of Contents**

The Israeli tax withholding consequences of the Merger to Orbotech shareholders and holders of certain Orbotech Options, RSUs and shares issued subject to Section 102 of the ITO may vary depending upon the particular circumstances of each shareholder or holder of Orbotech options, RSUs or ordinary shares issued subject to Section 102 of the ITO, as applicable, and the final tax rulings issued by the Israel Tax Authority. To the extent that tax is withheld on payments to U.S. taxpayers, it is possible that such withheld taxes may not be able to be credited against such taxpayers' U.S. income tax liability.

You are urged to consult with your own tax advisor for a full understanding of the tax consequences of the Merger to you, including the consequences under any applicable, state, local, foreign or other tax laws or tax treaties.

For a more detailed description of the material Israeli tax consequences of the Merger, see the section entitled "Material Israeli Tax Consequences".

***Orbotech may be required to perform certain obligations with respect to Orbotech's ownership interest in Frontline even if the Merger does not close.***

In 1998, Orbotech entered into an agreement (the "JV Agreement") with Mentor Graphics Development Services (Israel) Ltd. (the "JV Partner") (then called Valor Computerized Systems Ltd.), an Israeli corporation, for the formation of Frontline P.C.B. Solutions Limited Partnership ("Frontline"), a joint venture with respect to computer-aided manufacturing ("CAM") software for printed circuit board fabrication applications owned equally by Orbotech and the JV Partner and which combines their respective former CAM operations. Under the JV Agreement, the approval of the Merger by the Orbotech shareholders constitutes a change in control of Orbotech, which gives the JV Partner, based on procedures set forth in the JV Agreement, the right to exercise certain sell-buy rights that may require Orbotech to either purchase all outstanding shares in Frontline held by the JV Partner or to sell to the JV Partner all of its interest in Frontline, as the case may be, based on procedures set forth in the JV Agreement. Failure to consummate the Merger after receiving shareholder approval will not negate Orbotech's obligations to perform its commitments under the JV Agreement. Accordingly, Orbotech may not continue to own any of its interest in, or may be required to acquire all of the JV Partner's interest in, Frontline. For the year ended December 31, 2017, equity in earnings of Frontline were \$4.5 million. Orbotech cannot presently predict the effects, if any, in the event Orbotech is obligated to consummate the sell-buy process with the JV Partner notwithstanding the failure of the Merger to close, but expects any effects would be material.

For more information about Frontline's contribution to Orbotech's financial results, see Note 2 of Orbotech's audited financial statements for the year ended December 31, 2017 in its Annual Report on Form 20-F, incorporated by reference herein.

### **Risk Factors Relating to the Combined Company Following the Merger**

***There is the possibility that KLA-Tencor, following the Merger, may be unable to successfully integrate the business of Orbotech to realize the anticipated benefits of the Merger or to do so within the intended timeframe. KLA-Tencor may overestimate the synergies that will result from the Merger or underestimate the cost of implementing such synergies.***

KLA-Tencor will be required to devote significant management attention and resources to integrating the businesses and operations of Orbotech with KLA-Tencor. Due to legal restrictions, KLA-Tencor and Orbotech have only been able to conduct limited planning regarding the integration of Orbotech into KLA-Tencor after completion of the Merger and KLA-Tencor has not yet determined the exact nature of how the businesses and operations of Orbotech will be run following the Merger. Potential difficulties KLA-Tencor may encounter as part of the integration process

include the following:

the costs of integration and compliance and the possibility that the full benefits anticipated to result from the Merger will not be realized;

difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining the two businesses;

any delay in the integration of management teams, strategies, operations, products and services;

**Table of Contents**

diversion of the attention of each company's management as a result of the Merger;

differences in business backgrounds, corporate cultures and management philosophies that may delay successful integration;

the ability to create and enforce uniform standards, controls, procedures, policies and information systems;

the challenge of integrating complex systems, technology, networks and other assets of Orbotech into those of KLA-Tencor in a manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;

potential unknown liabilities and unforeseen increased expenses or delays associated with the Merger, including costs to integrate Orbotech; and

the disruption of, or the loss of momentum in, each company's ongoing businesses.

Any of these factors could adversely affect the ability of KLA-Tencor following the Merger to maintain relationships with customers, suppliers, employees and other constituencies or its ability to achieve the anticipated benefits of the Merger or could reduce the earnings or otherwise adversely affect the business and financial results of KLA-Tencor after the Merger. In addition, many of these factors will be outside of KLA-Tencor's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. As such, KLA-Tencor may not realize the full benefits of the Merger (within the anticipated timeframe, or at all), including the expected combined annual cost run rate synergies of approximately \$50 million within 24 months following the Closing. Even if the operations of KLA-Tencor's and Orbotech's businesses are integrated successfully, KLA-Tencor may not realize some or all of the anticipated benefits of the Merger.

***The Merger may not be accretive and may cause dilution to KLA-Tencor's earnings per share, which may harm the market price of KLA-Tencor common stock following the Merger.***

There can be no assurance with respect to the timing and scope of the accretive effect of the Merger on KLA-Tencor's future earnings per share or whether it will be accretive at all. KLA-Tencor following the Merger could encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits anticipated in the Merger or a downturn in its business. All of these factors could cause dilution to KLA-Tencor's earnings per share following the Merger or decrease the expected accretive effect of the Merger and cause a decrease in the price of shares of KLA-Tencor common stock following the Merger.

***After paying the Cash Consideration to the former Orbotech shareholders upon the Closing, KLA-Tencor will have a substantially lower balance of cash, cash equivalents and short-term investments and may have increased borrowings under its credit agreement.***

At March 31, 2018, KLA-Tencor's balance of cash, cash equivalents and marketable securities was \$2.89 billion. KLA-Tencor currently expects to finance the cash portion of the purchase price of the Merger using its cash, cash equivalents, and short-term investments. However, if it deems it prudent at the time of the Closing, KLA-Tencor may

finance a portion of the cash purchase price with proceeds available to it under its revolving line of credit.

***KLA-Tencor following the Merger will incur significant transaction and integration related costs in connection with the Merger.***

KLA-Tencor expects to incur costs associated with integrating the operations of Orbotech following the Closing. The amount of these costs could be material to the financial position and results of operations of KLA-Tencor following the Merger. A substantial amount of such expenses will be comprised of transaction costs related to the Merger, facilities and systems consolidation costs, and employee-related costs. KLA-Tencor will also incur fees and costs related to formulating integration plans and performing integration activities. Additional unanticipated costs may be incurred in the integration of the two companies' businesses. The elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may not offset incremental transaction and other integration related costs in the near term.

---

**Table of Contents**

***Orbotech's counterparties may acquire certain rights upon the Merger, which could negatively affect KLA-Tencor following the Merger.***

Orbotech is party to numerous contracts, agreements, licenses, permits, authorizations and other arrangements that contain provisions giving counterparties certain rights (including, in some cases, termination rights) in the event of an assignment of the agreement or a change in control of Orbotech or its subsidiaries. The definitions of assignment and change in control vary from contract to contract and, in some cases, the assignment or change in control provisions may be implicated by the Merger. If an assignment or change in control occurs, a counterparty may be permitted to terminate its contract with Orbotech.

Whether a counterparty would have cancellation rights in connection with the Merger depends upon the language and governing law of its agreement with Orbotech. Whether a counterparty exercises any cancellation rights it has would depend on, among other factors, such counterparty's views with respect to the financial strength and business reputation of KLA-Tencor following the Merger and prevailing market conditions. Orbotech cannot presently predict the effects, if any, if the Merger is deemed to constitute a change in control under certain of its contracts and other arrangements, including the extent to which cancellation rights would be exercised, if at all, or the effect on KLA-Tencor's financial condition, results of operations or cash flows following the Merger, but such effect could be material.

***Uncertainties associated with the Merger may cause a loss of employees, including senior management and key employees and may otherwise materially adversely affect the future business and operations of KLA-Tencor following the Merger.***

KLA-Tencor's success following the Merger will depend upon the ability of KLA-Tencor to retain senior management and key employees of KLA-Tencor and Orbotech following the Merger. In some of the fields in which KLA-Tencor and Orbotech operate, there are only a limited number of people in the job market who possess the requisite skills, and it may be difficult for KLA-Tencor following the Merger to hire qualified personnel over time. KLA-Tencor following the Merger will operate in many geographic locations, where the labor markets, especially for engineers, are particularly competitive. Furthermore, certain unvested stock awards and benefits held by Orbotech employees may vest in connection with the Merger, and KLA-Tencor following the Merger may need to offer new awards and benefits to increase retention.

Current and prospective employees of KLA-Tencor and Orbotech may experience uncertainty about their roles with KLA-Tencor following the Merger. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with KLA-Tencor following the Merger. The loss of services of certain senior management or key employees of Orbotech or the inability to hire new personnel with the requisite skills could restrict the ability of KLA-Tencor following the Merger to develop new products or enhance existing products in a timely manner, to sell products to customers or to manage the business of KLA-Tencor effectively. Also, the business, financial condition and results of operations of KLA-Tencor following the Merger could be materially adversely affected by the loss of any of its key employees, by the failure of any key employee to perform in his or her current position, or by KLA-Tencor's inability to attract and retain skilled employees, particularly engineers.

***KLA-Tencor following the Merger will have a more complex organizational structure, which could result in unfavorable tax or other consequences and could have an adverse effect on its net income and financial condition.***

KLA-Tencor following the Merger will operate legal entities in many countries around the world where it will conduct manufacturing, design and sales operations. In some countries, it will maintain multiple entities for tax or

other purposes. Changes in tax laws, regulations, and related interpretations in the countries in which it operates may adversely affect its results of operations. KLA-Tencor following the Merger will have many entities globally and may have unsettled intercompany balances between some of these entities that could result, if changes in law, regulations or related interpretations occur, in adverse tax or other consequences affecting its capital structure, intercompany interest rates and legal structure.

**Table of Contents**

***Future results of KLA-Tencor following the Merger may differ materially from the unaudited pro forma financial information and from the Orbotech Management Projections included in this proxy statement/prospectus.***

The future results of KLA-Tencor following the Merger may be materially different from those shown in the unaudited pro forma financial information presented in this proxy statement/prospectus that shows only a combination of KLA-Tencor's and Orbotech's historical results. Furthermore, no assurances can be made regarding future events or that the assumptions made in preparing the Orbotech Management Projections (as defined in the section entitled "The Merger - Certain Projections of Orbotech") will accurately reflect future conditions or that the projected results set forth in the Orbotech Management Projections will be realized, and actual results will likely differ, and may differ materially, from such projections, which could result in a material adverse effect on the business, financial condition, results of operations and prospects of KLA-Tencor following the Merger. In addition, KLA-Tencor expects to incur significant costs associated with completing the Merger and integrating the operations of Orbotech, and the exact magnitude of these costs is not yet known. Furthermore, these costs may decrease the amount of capital that could be used by KLA-Tencor for other purposes.

***The business and operating results of KLA-Tencor following the Merger could be harmed by the highly cyclical nature of the semiconductor industry.***

Orbotech and KLA-Tencor operate in the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of diminished product demand. Significant downturns in the semiconductor industry are often experienced in connection with, or in anticipation of, excess manufacturing capacity worldwide, maturing product cycles and declines in general economic conditions. Even if demand for the products and solutions of KLA-Tencor following the Merger remains constant after the completion of the Merger, a slowdown in the semiconductor industry may create competitive pressures that can degrade pricing levels and reduce revenues of KLA-Tencor following the Merger. Any failure to expand in cycle upturns to meet customer demand and delivery requirements or contract in cycle downturns at a pace consistent with cycles in the industry could have an adverse effect on the business of KLA-Tencor following the Merger.

### **Other Risk Factors of KLA-Tencor and Orbotech**

KLA-Tencor's and Orbotech's businesses are, and will continue to be, subject to the risks described above. In addition, KLA-Tencor is, and will continue to be, subject to the risks described in KLA-Tencor's Annual Report on Form 10-K for the fiscal year ended June 30, 2017, as may be amended and updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed or furnished with the SEC and incorporated by reference into this proxy statement/prospectus to the extent described in the section entitled "Where You Can Find More Information". Orbotech is, and will continue to be, subject to the risks described in Orbotech's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, as may be amended and updated by subsequent Reports on Form 6-K, all of which are filed or furnished with the SEC and incorporated by reference into this proxy statement/prospectus to the extent described in the section entitled "Where You Can Find More Information". For more information, see the section entitled "Where You Can Find More Information".

**Table of Contents**

**THE COMPANIES**

**KLA-Tencor Corporation**

KLA-Tencor is a leading supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries. KLA-Tencor's broad portfolio of defect inspection and metrology products, and related service, software and other offerings primarily supports chip manufacturers throughout the entire semiconductor fabrication process, from research and development to final volume production. KLA-Tencor provides leading-edge equipment, software and support that enable IC manufacturers to identify, resolve and manage significant advanced technology manufacturing process challenges and obtain higher finished product yields at lower overall cost. In addition to serving the semiconductor industry, KLA-Tencor also provides a range of technology solutions to a number of other high technology industries, including the LED and data storage industries, as well as general materials research.

KLA-Tencor's common stock is traded on NASDAQ under the symbol **KLAC**.

The principal executive offices of KLA-Tencor are located at One Technology Drive, Milpitas, California, 95035, and its telephone number is (408) 875-3000.

**Orbotech Ltd.**

Orbotech is a global innovator and supplier of enabling solutions used to manufacture the world's most sophisticated consumer and industrial electronic products and is part of a select group of companies whose technology is literally driving the future of electronics. Orbotech's core business lies in enabling electronic device manufacturers to inspect, test and measure printed circuit boards (PCBs) and flat panel displays (FPDs) to verify their quality (reading); pattern the desired electronic circuitry on the relevant substrate and perform three-dimensional shaping of metalized circuits on multiple surfaces (writing); and utilize advanced vacuum deposition and etching processes in semiconductor devices (SD) and semiconductor manufacturing and to perform laser drilling of electronic substrates (connecting). Orbotech refers to this reading, writing and connecting as enabling the Language of Electronics.

Orbotech shares are traded on NASDAQ under the symbol **ORBK**.

The principal executive offices of Orbotech are located at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne 8110101 Israel, and its telephone number is +972-8-9423533.

**Tiburon Merger Sub Technologies Ltd.**

Merger Sub, a wholly-owned subsidiary of KLA-Tencor, is a company organized under the laws of the State of Israel that was formed on March 15, 2018 for the sole purpose of effecting the Merger. In the Merger, Merger Sub will be merged with and into Orbotech, with Orbotech surviving as a wholly owned subsidiary of KLA-Tencor.

**Table of Contents**

**THE ORBOTECH EXTRAORDINARY GENERAL MEETING**

*This proxy statement/prospectus is being made available to the Orbotech shareholders as part of a solicitation of proxies by the Orbotech Board for use at the meeting to be held at the time and place specified below, and at any properly convened meeting following any adjournment or postponement thereof. This proxy statement/prospectus provides Orbotech shareholders with the information they need to know to be able to vote or instruct their vote to be cast at the meeting.*

**Date, Time and Place**

The meeting will be held on Thursday, July 12, 2018 at 10:00 a.m., Israel time, at Orbotech's principal executive offices at 7 Sanhedrin Boulevard, North Industrial Zone, Yavne, Israel.

Attendance at the meeting is limited to holders of record of Orbotech shares and holders of valid proxies. If you plan to attend the meeting, to gain access to the meeting we ask that you bring with you some form of personal identification and verification of your status as a shareholder as of the close of trading on June 6, 2018, the record date for the meeting. If you are a representative of an institutional investor, please bring evidence demonstrating your representative capacity for such entity to be verified against our list of shareholders as of the close of trading on the record date for the meeting. In addition, if your Orbotech shares are held in the name of a broker, bank or other nominee, you will need a valid legal proxy from such entity evidencing your authority to vote Orbotech shares that the institution or other nominee held for your account as of the close of trading on the record date for the meeting. You must contact your broker, bank or other nominee directly in advance of the meeting to obtain a legal proxy.

**Purpose of the Meeting**

The meeting is being held to consider and vote the following item:

To approve and adopt (i) the agreement and plan of merger dated March 18, 2018, as amended (the Merger Agreement), among KLA-Tencor, Merger Sub and Orbotech; (ii) the Merger on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the Companies Law 1999 of the State of Israel (together with the rules and regulations promulgated thereunder, the ICL), following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement (the Merger Proposal).

A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference. The text of the proposed resolution to approve the Merger Proposal is set out below (see the section entitled The Orbotech Proposal Approval and Adoption of the Merger Proposal).

**Recommendation of the Orbotech Board**

After careful consideration, the Orbotech Board has (i) determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, and assuming, among other things, the accuracy of the representations and warranties of KLA-Tencor and Merger Sub in the Merger Agreement, no reasonable concern exists that the surviving company, as a result of the Merger, will be unable to fulfill the obligations of Orbotech to its creditors; (ii) approved the Merger Agreement and the transactions

contemplated by the Merger Agreement, including the Merger; and (iii) resolved to direct that the Merger Agreement be submitted to the shareholders of Orbotech for approval and adoption and recommend that the shareholders of Orbotech vote in favor of the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, all upon the terms and

## **Table of Contents**

subject to the conditions set forth in the Merger Agreement. Accordingly, the Orbotech Board unanimously recommends that Orbotech shareholders vote FOR the Merger Proposal. For a discussion of the factors that the Orbotech Board considered in determining to recommend the approval and adoption of the Merger Proposal, see the section entitled The Merger Orbotech s Reasons for the Merger; Recommendation of the Orbotech Board .

### **Record Date and Orbotech Shareholders Entitled to Vote**

Only Orbotech shareholders with Orbotech shares registered in his, her, its or their name or names as of the close of trading on June 6, 2018, the record date for the meeting ( Orbotech shareholders of record ), are entitled to vote the Orbotech shares they held on the record date at the meeting. As of the close of trading on the record date, 48,569,735 Orbotech shares were outstanding, each of which is entitled to one vote upon each of the matters presented at the meeting.

### **Quorum**

No less than two Orbotech shareholders of record present in person or by proxy, and holding or representing between them Orbotech shares conferring in the aggregate more than 50% of the voting rights of Orbotech, shall constitute a quorum at the meeting. If within one-half hour from the time appointed for the holding of the meeting a quorum is not present, the meeting shall be adjourned to July 23, 2018 at the same time and place. At any such adjourned meeting, if a quorum is not present within one-half hour from the specified time, any Orbotech shareholders of record present in person or by proxy shall constitute a quorum even if they hold or represent Orbotech shares conferring 50% or less of the voting rights of Orbotech.

In determining whether there is a quorum for the meeting and whether the required number of votes for the approval of the Merger Proposal has been cast, Orbotech shares subject to broker non-votes and abstentions are counted for purposes of determining whether there is a quorum for the meeting but, with regard to the Merger Proposal, are not counted as having been voted in respect thereof. Broker non-votes are votes that brokers holding Orbotech shares of record for their clients are, pursuant to applicable stock exchange or other rules, precluded from casting in respect of certain non-routine proposals because such brokers have not received specific instructions from their clients as to the manner in which such Orbotech shares should be voted on those proposals and as to which the brokers have advised Orbotech that, accordingly, they lack voting authority.

### **Vote Required at the Meeting**

The affirmative vote of a simple majority of the voting rights of Orbotech represented and voting thereon at the meeting is necessary for the approval of the Merger Proposal, provided that such majority includes at least a majority of the votes cast by Orbotech shareholders that are not KLA-Tencor, Merger Sub or a KLA Related Person (as defined below), who are present and voting (abstentions are disregarded) (the Merger Majority ).

Pursuant to the ICL, each Orbotech shareholder voting on the Merger Proposal is required to inform Orbotech as detailed below prior to voting at the meeting if the shareholder is any of KLA-Tencor, Merger Sub, or a KLA Related Person and to indicate such matter in the appropriate place in the enclosed proxy, as further detailed below. A KLA Related Person is (a) a person holding, directly or indirectly, either (i) 25% or more of the voting rights of KLA-Tencor or Merger Sub, or (ii) the right to appoint 25% or more of the directors of KLA-Tencor or Merger Sub, or (b) one of such person s spouse, siblings, parents, grandparents, descendants, spouse s descendants, siblings or parents or the spouse of any such person, or a corporation controlled by any one or more of such persons or by KLA-Tencor or Merger Sub.

*Special voting instructions under the ICL.* In order to provide for proper counting of your shareholder vote, in the enclosed proxy you are required to indicate whether or not you are:

KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal. If you have not marked **NO** on the proxy (or in your electronic submission), thereby confirming that you are not

## **Table of Contents**

any of KLA-Tencor, Merger Sub, or a KLA Related Person with respect to the Merger Proposal, your vote will not be counted for purposes of the Merger Majority with respect to the Merger Proposal, and your signature on the enclosed proxy (or the submission of an electronic vote) will constitute a certification that you are either KLA-Tencor, Merger Sub or a KLA Related Person.

Based on information provided by KLA-Tencor and Merger Sub to Orbotech, as of the date of this proxy statement/prospectus, Orbotech is not aware of any holdings of Orbotech shares by KLA-Tencor, Merger Sub or any KLA Related Persons, and therefore believes that all of its shareholders should mark **NO** in the appropriate place on the enclosed proxy (or in their electronic submission).

Abstentions and broker non-votes will not be treated as having been voted in respect of the Merger Proposal. Consequently, assuming a quorum is present at the meeting, broker non-votes and abstentions will have no effect on the voting with respect to the Merger Proposal.

Orbotech is unaware at this time of any other matters that will come before the meeting. If any other matters properly come before the meeting, it is the intention of the persons designated as proxies to vote in accordance with their judgment on such matters. Orbotech shares represented by executed and unrevoked proxies will be voted in accordance with such judgment.

## **Voting Procedures**

Whether or not you plan to attend the meeting and regardless of the number of Orbotech shares you own, your careful consideration of, and vote on, the Merger Proposal is important and we encourage you to vote promptly.

To ensure that your Orbotech shares are voted at the meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the meeting in person, by marking, dating and signing the proxy and returning it by mail in the enclosed postage-paid envelope. If you are mailing your proxy to an address outside your country of residence, you should add any necessary postage to the enclosed envelope to ensure delivery. In order to ensure that your vote is received on or prior to the date of the meeting, we recommend that your proxy be returned to us by overnight mail.

**If you are an Orbotech shareholder with Orbotech shares held in [street name], which means your Orbotech shares are held in an account at a broker, bank or other nominee, you must follow the instructions from your broker, bank or other nominee in order to vote. Without following those instructions, your Orbotech shares will not be voted.**

**YOU SHOULD NOT SEND IN YOUR SHARE CERTIFICATE(S) WITH YOUR PROXY.** A letter of transmittal with instructions for the surrender of your certificates representing any Orbotech shares will be mailed to Orbotech shareholders if the Merger is completed.

For additional questions about the Merger, assistance in submitting proxies or voting Orbotech shares, or to request additional copies of this proxy statement/prospectus or the enclosed proxy, please contact Okapi Partners LLC, which is acting as Orbotech's proxy solicitor in connection with the Merger, toll free at +1 (855) 305-0857. Brokers, banks and other nominees may call collect at +1 (212) 297-0720.

## **How Proxies Are Voted**

If you properly execute, date and return the form of proxy to Orbotech prior to the meeting, each person named as proxy will follow your instructions. If you properly execute and return the form of proxy to Orbotech prior to the

meeting without indicating how you intend to vote with respect to the Merger Proposal, the Orbotech shares represented by the proxy will be counted as being present for quorum purposes, but not be treated as having been voted in respect of the Merger Proposal and will have no effect on the voting with respect to the Merger Proposal.

## **Table of Contents**

### **Revocation of Proxies**

If you are an Orbotech shareholder of record, once you have given your proxy votes for the matters before our Orbotech shareholders as described in this proxy statement/prospectus, you may revoke such vote with respect to the meeting at any time prior to the time it is voted, (1) by filing with Orbotech an instrument revoking such proxy; (2) by completing, signing, dating and returning a new proxy bearing a later date by mail to Orbotech; or (3) by attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke a proxy. Please note that if you want to revoke your proxies by sending a new proxy or an instrument revoking such proxy to Orbotech, you should ensure that you send your new proxy or instrument revoking such proxy in sufficient time for it to be received by Orbotech prior to the meeting. Please note, however, that only your last-dated proxy will count. If you are an Orbotech shareholder of record, you may obtain a new proxy by contacting Okapi Partners LLC at 1212 Avenue of the Americas, 24th Floor, New York, NY, 10036, or by telephone at +1 (212) 297-0720.

If you are an Orbotech shareholder with Orbotech shares held in street name, you should follow the instructions of your broker regarding the revocation of proxies. If your broker allows you to submit a proxy via the internet or by telephone, you may be able to change your vote by submitting a new proxy via the internet or by telephone or by mail. Please note that if your Orbotech shares are held in the name of a broker, you must obtain and bring to the meeting a proxy issued in your name from the broker to be able to vote at the meeting.

### **Voting in Person**

Attendance at the meeting is limited to Orbotech shareholders of record and holders of valid proxies. If you plan to attend the meeting, to gain access to the meeting we ask that you bring with you some form of personal identification and verification of your status as a shareholder as of the close of trading on June 6, 2018, the record date for the meeting. If you are a representative of an institutional investor, please bring evidence demonstrating your representative capacity for such entity to be verified against our list of shareholders as of the close of trading on the record date for the meeting. In addition, if your Orbotech shares are held in the name of a broker, bank or other nominee, you will need a valid legal proxy from such entity evidencing your authority to vote Orbotech shares that the institution or other nominee held for your account as of the close of trading on the record date for the meeting. You must contact your broker, bank or other nominee directly in advance of the meeting to obtain a valid legal proxy.

Even if you plan to attend the meeting in person, we encourage you to vote your Orbotech shares by proxy so that your vote will be counted if you later decide not to attend the meeting.

### **Appraisal Rights**

Under Israeli law, holders of Orbotech shares are not entitled to statutory appraisal rights in connection with the Merger.

### **Solicitation of Proxies**

Proxies for use at the meeting are being solicited by the Orbotech Board. Only Orbotech shareholders of record at the close of trading on June 6, 2018, the record date, will be entitled to vote at the meeting or at any adjournment thereof. Proxies are expected to be mailed to shareholders on or about June 15, 2018, and their return will be solicited chiefly by mail; however, certain officers, directors, employees and agents of Orbotech, none of whom will receive additional compensation therefor, may solicit proxies by telephone, facsimile transmission, electronic mail or other personal

contact. In addition, Orbotech has retained Okapi Partners LLC to solicit Orbotech shareholder proxies at a total cost to Orbotech of approximately \$25,000, plus reimbursement of reasonable out-of-pocket expenses and indemnification of losses in certain circumstances.

**Table of Contents**

**Adjournments and Postponements**

If within one-half hour from the time appointed for the holding of the meeting a quorum is not present, the meeting shall be adjourned to July 23, 2018, at the same time and place. At any such adjourned meeting, if a quorum is not present within one-half hour from the specified time, any shareholders present in person or by proxy shall constitute a quorum even if they hold or represent Orbotech shares conferring 50% or less of the voting rights of Orbotech.

**Orbotech Shares Held by Orbotech Directors and Executive Officers**

As of the close of business on June 6, 2018, the record date for the meeting, Orbotech's directors and executive officers beneficially owned, in the aggregate, 4,252,546 Orbotech shares, or collectively approximately 8.74% of the outstanding Orbotech shares. For more information, see the section entitled "Security Ownership of Certain Beneficial Owners and Management of Orbotech". Orbotech's directors and executive officers have interests in the Merger that may be different from, or in addition to, the interests of the Orbotech shareholders generally. For more information, please see the section entitled "The Merger - Interests of the Orbotech Directors and Executive Officers in the Merger".

**Assistance**

If you need assistance in completing your proxy or have questions regarding the meeting, please contact Okapi Partners LLC, which is acting as Orbotech's proxy solicitor in connection with the Merger, toll free at +1 (855) 305-0857 or via email at [info@okapipartners.com](mailto:info@okapipartners.com). Brokers, banks and other nominees may call collect at +1 (212) 297-0720.

Table of Contents

**THE ORBOTECH PROPOSAL**

**APPROVAL AND ADOPTION OF THE MERGER PROPOSAL**

As discussed elsewhere in this proxy statement/prospectus, Orbotech shareholders will consider and vote on the Merger Proposal, which consists of a proposal for Orbotech shareholders to approve and adopt (i) the Merger Agreement; (ii) the Merger on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the ICL, following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement.

You are urged to carefully read this proxy statement/prospectus in its entirety for more detailed information concerning the Merger and the Merger Agreement, including the information set forth under the sections entitled **The Merger** and **The Merger Agreement**. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and incorporated by reference herein. You are urged to read the Merger Agreement carefully and in its entirety.

It is proposed that at the meeting the following resolution is adopted to approve the Merger Proposal:

RESOLVED, that (i) the agreement and plan of merger dated March 18, 2018, as amended, among KLA-Tencor, Merger Sub and Orbotech; (ii) the merger of Merger Sub with and into Orbotech on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the provisions of Sections 314-327 of the ICL, following which Merger Sub will cease to exist, and Orbotech will become a wholly owned subsidiary of KLA-Tencor; and (iii) all other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement be, and each hereby is, approved and adopted in all respects.

**The Orbotech Board unanimously recommends a vote FOR the Merger Proposal and the above resolution by the Orbotech shareholders.**

---

**Table of Contents**

**THE MERGER**

*The following is a discussion of the Merger and the material terms of the Merger Agreement between KLA-Tencor and Orbotech. You are urged to read the Merger Agreement carefully and in its entirety, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated by reference herein.*

**Effects of the Merger**

Subject to the terms and conditions of the Merger Agreement and the applicable provisions of Sections 314-327 of the ICL, at the Effective Time (as defined in the section entitled "The Merger Agreement Closing and Effective Time"), Merger Sub will be merged with and into Orbotech, with (a) Orbotech surviving the Merger as a wholly owned subsidiary of KLA-Tencor; (b) all the properties, rights, privileges, powers and franchises of Orbotech and Merger Sub shall vest in Orbotech (as the surviving company); (c) all debts, liabilities and duties of Orbotech and Merger Sub shall become the debts, liabilities and duties of the Orbotech (as the surviving company); and (d) all the rights, privileges, immunities, powers and franchises of Orbotech (as the surviving company) shall continue unaffected by the Merger in accordance with the ICL.

At the Effective Time, by virtue of the Merger, each Orbotech share issued and outstanding immediately prior to the Effective Time, other than the Excluded Shares, will be cancelled and converted into the right to receive (1) cash, without interest, in an amount equal to \$38.86, and (2) 0.25 of a share of KLA-Tencor common stock, subject to the conditions and restrictions set forth in the Merger Agreement.

**Background of the Merger**

Orbotech's management and the Orbotech Board have consistently reviewed growth options available to Orbotech and challenges related thereto, including organic growth of Orbotech's core businesses through product and customer initiatives, and growth through acquisitions and joint ventures in particular geographies. In addition, from time to time, Orbotech has received oral indications of interest from third parties that never progressed past an initial discussion. One of those parties was KLA-Tencor. In the Spring of 2017, KLA-Tencor approached Orbotech about a potential acquisition, but Orbotech's management believed that it was premature to engage in any such discussions in view of Orbotech's share price, which Orbotech's Active Chairman and senior management believed undervalued Orbotech in light of the positive business outlook at that time. A potential purchase price was not discussed at that time. In August of 2017, Orbotech and KLA-Tencor agreed to discuss some matters related to their respective customer service businesses and entered into a mutual non-disclosure agreement on September 11, 2017 to cover such discussions, which then occurred later in the same month. An acquisition transaction was not discussed during these conversations.

On November 6, 2017, Amichai Steimberg, the President and Chief Operating Officer of Orbotech, was approached by Bren Higgins, the Chief Financial Officer of KLA-Tencor, regarding KLA-Tencor's potential interest in pursuing a strategic transaction. In the absence of a formal proposal from KLA-Tencor, Orbotech's management sought to better assess the legitimacy of KLA-Tencor's interest before informing the Board of such inquiry. In November and early December of 2017, representatives of Orbotech and KLA-Tencor negotiated a new mutual confidentiality agreement in order to facilitate the exchange of certain non-public and confidential information between the parties and, on December 14, 2017, Orbotech and KLA-Tencor executed a new mutual confidentiality agreement.

On December 14, 2017, at a previously scheduled meeting of the audit committee of the Orbotech Board, the committee discussed the exchange of non-public information with KLA-Tencor for purposes of evaluating a potential strategic transaction and the process by which Orbotech would continue discussions with KLA-Tencor. Orbotech's

management stated that a proposed purchase price had not been discussed and that KLA-Tencor had requested an initial in-person due diligence meeting to cover fundamental business topics to determine whether there was a mutual basis to continue discussions, including on terms such as price, structure and timing.

---

**Table of Contents**

The initial in-person due diligence session was held on January 17 and 18, 2018 in New York City. Mr. Steimberg, Alon Rozner, Chief Financial Officer of Orbotech, and Lior Maayan, Corporate Vice President, Business Development and Chief Marketing Officer of Orbotech, attended from Orbotech. Mr. Higgins, David Fisher, Senior Vice President of Corporate Business Development, and Michael Kirk, Executive Vice President, attended from KLA-Tencor. These representatives presented reciprocal information regarding their respective businesses for preliminary due diligence purposes and discussed certain high level terms of a potential merger other than price.

On February 8, 2018, KLA-Tencor delivered a letter to Orbotech containing a non-binding proposal for a transaction in which each Orbotech share would be exchanged for \$36.00 in cash and 0.244 shares of KLA-Tencor common stock, representing, based on market closing prices as of February 8, 2018, a nominal purchase price of approximately \$60 per Orbotech share, a 1-day implied premium of 29% and an implied premium of 15% to the 30-day average closing price. The proposal also indicated that, in connection with the announcement of any transaction, KLA-Tencor would announce \$50 million of run-rate synergies, as well as a \$2 billion buyback of KLA-Tencor common stock following the closing of the transaction. The proposal was subject to the completion of confirmatory due diligence and negotiation of definitive agreements. In addition, considering the significant resources KLA-Tencor was prepared to invest in expediently conducting due diligence, KLA-Tencor requested that Orbotech sign an exclusivity agreement as a condition to proceeding with discussions. The proposal was scheduled to expire at 5 p.m., Pacific time, on Friday, February 16, 2018.

On February 14, 2018, at a regularly scheduled meeting, the Orbotech Board considered the legal and financial aspects of KLA-Tencor's proposal and evaluated proposed responses. At this meeting, Cravath, Swaine & Moore LLP ( Cravath ), Orbotech's U.S. legal advisors, and Tulchinsky, Stern, Marciano, Cohen, Levitski & Co. ( Tulchinsky ), Orbotech's Israeli legal advisors, advised the members of the Orbotech Board as to their legal duties in connection with KLA-Tencor's proposal. Representatives of Barclays Capital Inc. ( Barclays ) then reviewed its preliminary financial analysis of KLA-Tencor's proposal and discussed certain considerations relating to potential responses. Orbotech and its advisors also discussed the possible benefits and strategic fit of a combination with KLA-Tencor, as well as KLA-Tencor's stated intention to maintain Orbotech's operations in the State of Israel and KLA-Tencor's own long-standing presence and infrastructure in Israel. At the meeting, Orbotech's senior management, including Yochai Richter, Active Chairman of the Orbotech Board, presented certain long-term risks to Orbotech, particularly with regard to China, and discussed the importance of scale to compete effectively.

With the assistance of representatives of Barclays and input from management on overlap and strategic fit, the Orbotech Board also discussed a list of other potential strategic partners for Orbotech. Based on a variety of factors, including size, potential strategic fit and capacity to complete a transaction, the Orbotech Board identified three primary companies other than KLA-Tencor, as well as several additional entities based in China, that it believed would potentially have some interest in a strategic transaction with Orbotech. However, due to a number of factors, including strategic fit and regulatory uncertainty with respect to such parties' ability to consummate a potential transaction, the Orbotech Board determined that those companies were either unlikely to have any serious interest in an acquisition of Orbotech at that time or otherwise would pose a greater risk of completion than a potential transaction with KLA-Tencor. Following this discussion, the Orbotech Board determined that it would be willing to proceed with exclusive negotiations with KLA-Tencor if KLA-Tencor were to first agree to an increased purchase price per share, either based on an all cash or a mixed cash and stock offer. At the meeting, the Orbotech Board also authorized management to negotiate and enter into an engagement letter with Barclays, and Orbotech and Barclays subsequently executed such engagement letter on February 22, 2018.

Also at the February 14, 2018 meeting, in view of the Orbotech Board's desire to announce the transaction by the end of March, the Orbotech Board formed a transaction committee consisting of Mr. Richter, Michael Anghel, Dan Falk, Joseph Tenne and Arie Weisberg to provide real-time guidance to management in negotiating the proposed

transaction. On February 15, 2018, the transaction committee met to review Orbotech's response to KLA-Tencor.

**Table of Contents**

On February 16, 2018, based on the authorization of the Orbotech Board, Mr. Richter and Mr. Steimberg called Rick Wallace, Chief Executive Officer of KLA-Tencor, and Mr. Higgins to indicate that, while Orbotech would be prepared to proceed with negotiation of a strategic transaction, it would only be prepared to do so at a price of \$68.75 per Orbotech share, which could be delivered as either an all cash or a mixed cash and stock offer, at KLA-Tencor's discretion. Messrs. Richter and Steimberg indicated that Orbotech would be able to move quickly to announce the transaction prior to the Passover holiday, which began on March 30, 2018, if the parties could reach an agreed price.

On February 18, 2018, KLA-Tencor delivered an updated offer letter containing a revised non-binding proposal to acquire Orbotech for an implied purchase price of \$63.50 per Orbotech share, with \$38.10 (60% of the proposed consideration) in cash and the remainder in shares of KLA-Tencor common stock, representing, based on market closing prices as of February 18, 2018, a 1-day implied premium of 19% and an implied premium of 23% to the 30-day average closing price. At the time, KLA-Tencor indicated that this was their best offer and that, if it was not acceptable, the parties could cease their discussions until a later date.

On February 20, 2018, Orbotech's transaction committee convened to discuss the revised offer from KLA-Tencor and possible responses. Representatives of Barclays reviewed its preliminary financial analysis of KLA-Tencor's revised proposal and discussed certain considerations relating to potential responses. Following discussion, the transaction committee instructed management to continue negotiations with KLA-Tencor to determine whether additional value for Orbotech's shareholders was available from KLA-Tencor.

Later on February 20, 2018, Mr. Steimberg called Mr. Higgins to discuss KLA-Tencor's latest proposal. In the course of that discussion, Messrs. Steimberg and Higgins reached a preliminary, non-binding understanding that, subject to confirmatory due diligence, each of them would be willing to recommend to their respective senior management and board that the parties move forward in negotiating a transaction in which each Orbotech share would be exchanged for \$38.86 in cash and 0.25 of a share of KLA-Tencor common stock, which at the time, based on market closing prices as of February 20, 2018, provided an implied value of approximately \$66.50 per Orbotech share and represented a 1-day implied premium of 23% and an implied premium of 29% to the 30-day average closing price. Later on February 20, 2018, KLA-Tencor reaffirmed this understanding in an updated non-binding proposal letter delivered to the Orbotech Board reflecting this consideration and indicating that KLA-Tencor would be prepared to move forward quickly to announce a transaction by March 26, 2018, subject to prompt agreement on terms of an exclusivity agreement with Orbotech.

On February 21, 2018, the Orbotech Board met to consider KLA-Tencor's latest proposal with the assistance of Barclays, Cravath and Tulchinsky. At this meeting, representatives of Barclays reviewed its preliminary financial analysis of KLA-Tencor's latest revised proposal and each of Cravath and Tulchinsky reminded the Orbotech Board of their legal duties in evaluating the proposed transaction with KLA-Tencor. Following this discussion, the Orbotech Board authorized management to proceed with due diligence and to enter into exclusive negotiations with KLA-Tencor until March 26, 2018, on the basis of the consideration proposed in KLA-Tencor's February 20, 2018 offer.

On February 22, 2018, Messrs. Levy, Steimberg, Rozner and Maayan from Orbotech's management team and Messrs. Higgins and Fisher and Ms. Teri Little, Chief Legal Officer of KLA-Tencor, from KLA-Tencor's management team met via video conference to discuss the timeline for a potential transaction and process to announcing a deal, which included promptly commencing in-person due diligence, together with concurrent meetings between the legal advisors to discuss draft definitive transaction agreements.

On February 24, 2018, Orbotech and KLA-Tencor signed an exclusivity agreement effective until March 26, 2018.

Shortly thereafter, Orbotech and KLA-Tencor exchanged initial due diligence request lists for various information and documents with respect to each party, and the parties opened their respective due diligence data

**Table of Contents**

rooms on February 26, 2018 and March 1, 2018, respectively. From such time until the execution of the Merger Agreement, Orbotech, KLA-Tencor and certain of their respective advisors and other representatives conducted due diligence with respect to each other.

On March 2, 2018, KLA-Tencor's legal advisors delivered an initial draft of the Merger Agreement to Orbotech and its legal advisors. Beginning on March 4, 2018 and continuing through March 7, 2018, representatives of each of Orbotech's senior management and certain of its advisors commenced reciprocal in-person due diligence meetings with representatives of each of KLA-Tencor's senior management and certain of its advisors, including Wilson Sonsini Goodrich & Rosati, Professional Corporation (WSGR), its legal advisor, in Palo Alto, California. The due diligence meetings with respect to Orbotech focused on Orbotech's operating plans and strategy, product development efforts, employee compensation and benefits, financial position and liabilities and certain legal diligence matters. The due diligence meetings with respect to KLA-Tencor focused on KLA-Tencor's operating plans and strategy, technology, financial recordkeeping and accounting practices and certain legal diligence matters.

On March 6, 2018, Mr. Richter met Mr. Wallace separately in Palo Alto, California to further discuss the transaction. Also on March 6, 2018, Orbotech's management team met with Orbotech's transaction committee via telephone conference to discuss the current status of negotiations and due diligence.

On March 7, 2018, representatives from Orbotech, KLA-Tencor, Cravath and WSGR met to discuss Orbotech's initial feedback in its mark-up of the draft of the Merger Agreement provided to KLA-Tencor and WSGR on March 6, 2018. In these discussions, representatives of each of Orbotech and KLA-Tencor indicated certain key issues for each party. For Orbotech, these related to KLA-Tencor's commitment to maintain Orbotech's operations in the State of Israel and to the exclusion of certain publicly disclosed matters from consideration of a material adverse effect. For KLA-Tencor, these related to the treatment of outstanding Orbotech equity awards and certain retention, interim period and post-closing employee compensation and benefits matters and to the obligations that may be imposed on KLA-Tencor to seek and obtain regulatory approval for the transaction. Representatives of each party's management then left and the parties' legal advisors and members of KLA-Tencor's internal legal team continued to discuss various additional issues on the draft Merger Agreement, including certain deal protection provisions, issues related to closing conditions and termination rights and the general scope of the Merger Agreement's representations and covenants.

From March 7 to 9, 2018, the parties met to discuss the various open issues in the draft of the Merger Agreement.

On March 7 and 8, 2018, representatives of Orbotech and KLA-Tencor also discussed a substantially inaccurate speculative news article that was published in Israel on March 8, 2018 relating to a potential change of control of Orbotech. Following such article, on March 8, 2018, Orbotech shares closed at a price of \$58.83 per share, which represented a five percent increase from the prior's day close of \$56.25 per share. Although Orbotech did not comment on the article, the parties agreed to proceed expediently to finalizing their negotiations if the remaining open issues could be addressed. Considering the limited amount of remaining open issues, representatives of Orbotech and KLA-Tencor also agreed to target March 18, 2018 for the execution of the Merger Agreement with the goal of announcing the transaction before market open in New York on March 19, 2018. In addition, representatives of Orbotech agreed to expediently prepare Orbotech's confidential disclosure letter with respect to the Merger Agreement.

On March 9, 2018, representatives of Cravath held a conference call with representatives of WSGR to discuss various open issues related to the Merger Agreement based on a revised mark-up of the Merger Agreement delivered by WSGR on March 8, 2018. Also on March 9, 2018, Mr. Steimberg and representatives of Cravath met with Mr. Higgins, Ms. Little, Mr. Fisher, Jeffrey Cannon, Associate General Counsel, and representatives of WSGR to address the remaining open issues. The parties also reiterated a mutual desire to announce the transaction on

March 19, 2018. On March 11, 2018, Cravath delivered a revised mark-up of the Merger Agreement to KLA-Tencor and WSGR.

---

**Table of Contents**

On March 13, 2018, Orbotech's transaction committee met and reviewed the status of the negotiations with KLA-Tencor with representatives of each of Orbotech's management, Cravath, Tulchinsky and Barclays. Representatives of each of Cravath and Tulchinsky reviewed the principal terms of and open issues in the draft Merger Agreement, with a particular focus on KLA-Tencor's proposals for its efforts obligations and closing conditions relating to antitrust approval, the proposed approach on the definition of "material adverse effect" and related closing conditions and certain deal protection matters, as well as the then-current proposals relating to employee retention and interim period equity awards and compensation. Following such discussion, the transaction committee authorized management to proceed with its final proposals to KLA-Tencor on the key remaining open issues. At such time, the transaction committee also authorized the engagement of Goldman Sachs Israel LLC ( "Goldman Sachs" ) to provide its views to the transaction committee with respect to the proposed transaction.

Following such transaction committee meeting, on March 14, 2018, representatives of WSGR delivered a revised draft of the Merger Agreement to the legal representatives of Orbotech, reflecting KLA-Tencor's final proposals on certain outstanding open issues, including a further limitation to the exclusion of certain publicly disclosed matters from the "material adverse effect" definition under discussion between the parties. From March 14 to 18, 2018, representatives of each of the parties' legal and financial advisors extensively discussed this proposed limitation, together with other open issues on the draft Merger Agreement, with revised drafts of the Merger Agreement exchanged on March 16 and 18, 2018.

On March 17, 2018, representatives of Goldman Sachs delivered to Orbotech's transaction committee, at an in-person meeting in Tel Aviv also attended by representatives of Cravath and Tulchinsky, its assessment of the proposed transaction, including a further assessment of other potential strategic partners. Following such discussion, the transaction committee again concluded that the proposed transaction with KLA-Tencor represented the best strategic option for Orbotech and directed Orbotech's management to proceed with a meeting of the full Orbotech Board scheduled for March 18, 2018.

On March 18, 2018, the Orbotech Board met to review the potential transaction, which, based on market closing prices as of March 16, 2018, provided an implied value of approximately \$69.02 per Orbotech share and represented a 1-day implied premium of 15% and an implied premium of 23% to the 30-day average closing price. At such meeting, the Orbotech Board reviewed the potential personal interests of Orbotech's directors and executive officers in the Merger and the transactions contemplated thereby and representatives of Cravath and Tulchinsky reviewed the terms of the Merger Agreement and updated the Orbotech Board regarding the changes from the terms discussed at the prior meetings of the Orbotech Board and the transaction committee. Further, the representatives of each of Cravath and Tulchinsky reviewed the Orbotech Board's legal duties in evaluating the proposed transaction with the Orbotech Board, including with respect to potential personal interests of directors and executive officers in the Merger and the transactions contemplated thereby as a result of proposed retention arrangements and other post-closing compensation and benefits matters. In particular, the Orbotech Board considered that there were no retention arrangements then in place for Orbotech's senior management and in light of, among other things, the severance and additional benefits that would become available to such officers pursuant to their existing arrangements following a successful shareholder meeting to approve the Merger, considered that retention arrangements for such individuals would need to be determined by KLA-Tencor and Orbotech and entered into in advance of such shareholder meeting. At the request of the Orbotech Board, representatives of Barclays then reviewed its financial analyses of the proposed transaction. Following such review, representatives of Barclays delivered its oral opinion (which was subsequently confirmed in writing as of March 18, 2018) that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the consideration to be offered to the holders of Orbotech shares (other than holders of the Excluded Shares (as defined in "The Merger" Merger Consideration )) in the proposed transaction was fair, from a financial point of view, to such holders. The full text of Barclay's written opinion dated March 18, 2018, which sets forth, among other things, the assumptions made, procedures followed, factors considered and the limitations on the

review undertaken by Barclays in rendering its opinion, is attached to this proxy statement/prospectus as Annex B. Representatives of Orbotech's management then discussed the due

---

**Table of Contents**

diligence conducted with respect to KLA-Tencor. Finally, representatives of Kesselman & Kesselman, Certified Public Accountants (Israel), an independent registered public accounting firm and a member firm of PricewaterhouseCoopers International Limited ( Kesselman ), Orbotech's auditor, presented certain accounting analyses related to the transaction.

Following the presentations by Cravath, Tulchinsky, Barclays, Orbotech's management and Kesselman, the Orbotech Board discussed the proposed transaction in more detail. In considering the Merger Agreement and the advisability of the Merger and the other transactions, the Orbotech Board considered a number of factors as described under "The Merger" Orbotech's Reasons for the Merger.

Taking into account these considerations, including the advice received from its management and financial and legal advisors and after further concerted deliberation, the Orbotech Board unanimously (1) determined that the Merger Agreement and the proposed transactions, including the Merger, are advisable, that the Merger Agreement and the proposed transactions, including the Merger, are fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, no reasonable concern exists that the merged company will be unable to fulfill the obligations of Orbotech to its creditors, (2) approved the Merger Agreement and the proposed transactions, including the Merger, and (3) resolved to recommend that Orbotech's shareholders approve the Merger Agreement, the Merger and the other proposed transactions, all upon the terms and subject to the conditions set forth in the Merger Agreement. At sessions immediately preceding the final deliberations of the Orbotech Board, the audit committee and remuneration committee of the Orbotech Board each similarly reviewed all relevant information about the proposed transactions, including the anticipated personal interests of Orbotech's directors and executive officers therein, and each unanimously approved the Merger Agreement and the proposed transactions, including the Merger, on the terms described above and recommended to the Orbotech Board to do the same.

On March 18, 2018, following receipt of the approval of the Orbotech Board, representatives of KLA-Tencor and Orbotech and their respective legal advisors finalized the Merger Agreement and related confidential disclosure letters. Orbotech and KLA-Tencor thereafter executed the Merger Agreement and, prior to market open on the morning of March 19, 2018, KLA-Tencor and Orbotech issued a joint press release announcing the transaction and the execution of the Merger Agreement.

**Orbotech's Reasons for the Merger; Recommendation of the Orbotech Board**

At its meeting on March 18, 2018, the Orbotech Board (i) determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, and assuming, among other things, the accuracy of the representations and warranties of KLA-Tencor and Merger Sub in the Merger Agreement, no reasonable concern exists that the surviving company, as a result of the Merger, will be unable to fulfill the obligations of Orbotech to its creditors; (ii) approved the Merger Agreement and transactions contemplated by the Merger Agreement, including the Merger; and (iii) resolved to direct that the Merger Agreement be submitted to the shareholders of Orbotech for approval and adoption and recommend that the shareholders of Orbotech vote in favor of the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement. **The Orbotech Board unanimously recommends that you vote FOR the Merger Proposal.**

The Orbotech Board considered many factors in making its determination that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, and assuming,

among other things, the accuracy of the representations and warranties of KLA-Tencor and Merger Sub in the Merger Agreement, no reasonable concern exists that the surviving company, as a result of the Merger, will be unable to fulfill the obligations of Orbotech to its creditors. In arriving at its determination, the

**Table of Contents**

Orbotech Board consulted with and received the advice of its outside financial and legal advisors, discussed certain issues with Orbotech's management and considered a variety of factors weighing positively in favor of the Merger, including the following:

**Prospects of Orbotech.**

The Orbotech Board considered that the proposed transaction will allow Orbotech to fully embrace the megatrend opportunities associated with China's Made in China 2025 strategic plan while mitigating the risks of cyclicity.

The Orbotech Board considered that combining with KLA-Tencor will enable Orbotech to better take advantage of increased available opportunities in the competitive marketplace.

The Orbotech Board considered that the Merger with KLA-Tencor offers a unique opportunity to accelerate Orbotech's growth, as KLA-Tencor has a complementary business with no competitive overlap and significant resources and is very highly regarded in the industry by both Orbotech's and KLA-Tencor's customers.

The Orbotech Board considered that significant elements of Orbotech's business and operating strategy will benefit from partnership with KLA-Tencor.

The Orbotech Board considered that Orbotech's strategic objectives, which include expanding its customer base, expanding and enhancing its product offerings, expanding its global distribution and support capabilities and extending its technological leadership, would be furthered by the Merger and, as a result, Orbotech would be better positioned to reach these objectives than it would as a stand-alone company.

**Merger Consideration.**

The Orbotech Board considered that the consideration per Orbotech share of (i) cash, without interest, in an amount equal to \$38.86; and (ii) 0.25 of a share of the common stock of KLA-Tencor represents an attractive valuation for Orbotech.

The Orbotech Board considered that the implied price per share represents a premium of approximately 30.7% over the volume-weighted average share price of Orbotech's shares during the three-month period prior to the date of the Merger Agreement and is higher than the price at which Orbotech shares have traded since the beginning of calendar year 2001.

The Orbotech Board considered that a portion of the consideration to be paid in the transaction is cash, which provides certainty of value and immediate liquidity to Orbotech's shareholders, especially when viewed against the risks and uncertainties inherent in Orbotech's business.

The Orbotech Board considered that a portion of the consideration to be paid in the transaction is shares of KLA-Tencor common stock, which provides Orbotech's shareholders with the opportunity to participate in any increase in value of KLA-Tencor or of the combined company, whether during the pre-Closing period or following the Closing.

**Opinion of Barclays.** The Orbotech Board considered the financial analyses reviewed and discussed with the Orbotech Board by representatives of Barclays, Orbotech's financial advisor, as well as the oral opinion of Barclays (which was subsequently confirmed in writing as of March 18, 2018) that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the Merger Consideration to be offered to the holders of Orbotech shares (other than holders of the Excluded Shares) in the proposed transaction was fair, from a financial point of view, to such holders, as more fully described in the section entitled "Opinion of Orbotech's Financial Advisor".

#### **Likelihood of Consummation.**

The Orbotech Board considered the nature of the closing conditions included in the Merger Agreement, including the absence of any financing conditions or related contingencies with

## **Table of Contents**

respect to the Merger Consideration, as well as the need to receive specified regulatory approvals, including with respect to China.

The Orbotech Board considered the identity of KLA-Tencor, which is a reputable company with a strong business model.

### **Terms of the Merger Agreement.**

The Orbotech Board considered the terms of the Merger Agreement, including the parties' respective representations, warranties and covenants, the conditions to their respective obligations to complete the Merger and the ability of the respective parties to terminate the Merger Agreement. The Orbotech Board noted that the termination or breakup fee provisions of the Merger Agreement could have the effect of discouraging competing proposals for a business combination between Orbotech and a third party, but that such provisions are customary for transactions of this size and type. The Orbotech Board considered that the amount of the termination fee, which amount is equal to \$125.0 million, or approximately 3.6% of the transaction value, was within a reasonable range.

The Orbotech Board considered that the Merger Agreement permits Orbotech and the Orbotech Board to respond to a competing proposal that the Orbotech Board determines is a superior proposal, subject to certain restrictions imposed by the Merger Agreement and the requirement that Orbotech pay the termination fee in the event that Orbotech terminates the Merger Agreement to accept a superior proposal, and also permits the Orbotech Board to change its recommendation in favor of the Merger in response to certain unforeseen or unforeseeable intervening events.

**Participation in Future Growth.** The Orbotech Board considered the fact that, because Orbotech's shareholders will be receiving shares of KLA-Tencor's common stock for their shares, they will participate in any increase in value of KLA-Tencor or the combined company, whether during the limited pre-Closing period or following the Closing.

**No Financing Condition; Ability to Finance.** The Orbotech Board considered that the Merger is not subject to a financing condition and, in particular, that KLA-Tencor represented that, at the Effective Time, it will have the funds necessary to pay the Cash Consideration and the other cash payments contemplated by the Merger Agreement.

### **Structure; Orbotech Shareholder Approval.**

The Orbotech Board considered that the transaction will result in detailed public disclosure and a substantial period of time prior to the convening of the shareholder meeting to consider the approval and adoption of the Merger Proposal during which a competing proposal could be brought forth.

The Orbotech Board also considered that the affirmative vote of a simple majority of the voting rights of Orbotech represented and voting thereon at the meeting, including the Merger Majority, is necessary for the approval of the Merger.

**Potentially Interested Parties.**

The Orbotech Board considered that Orbotech had not received any written proposals from any other potentially interested parties as of the date of the Merger Agreement.

The Orbotech Board considered the identification by Barclays of only three primary other potential strategic parties, as well as several additional entities based in China, based on a variety of factors, including size, potential strategic fit and capacity to complete a transaction, that, due to a number of factors, including strategic fit and regulatory uncertainty with respect to such parties' ability to consummate a potential transaction, were either unlikely to have any serious interest in an acquisition of Orbotech at that time or otherwise would pose a greater risk of completion than a potential transaction with KLA-Tencor, as well as the Orbotech Board's conclusion that those

**Table of Contents**

companies were either unlikely to have any serious interest in an acquisition of Orbotech at that time or otherwise would pose a greater risk of completion than a potential transaction with KLA-Tencor. The Orbotech Board also identified and considered a number of other matters, some of which are countervailing factors and risks to Orbotech and its shareholders, relating to the Merger and the Merger Agreement, including the following:

the possibility that the Merger may not be completed and the potential adverse consequences to Orbotech if the Merger is not completed, including the potential (i) loss of customers, suppliers and employees; (ii) reduction in the perceived value of Orbotech; and (iii) erosion of customer and employee confidence in Orbotech;

the limitations imposed in the Merger Agreement on the conduct of Orbotech's business during the pre-Closing period, its ability to solicit and respond to competing proposals and the ability of the Orbotech Board to change or withdraw its recommendation of the Merger;

the possibilities that certain provisions of the Merger Agreement, including the non-solicitation and other protective provisions such as the \$125.0 million termination fee payable if the Merger Agreement is terminated under certain circumstances, might have the effect of deterring other potential acquirors from making competing proposals that could be more advantageous to Orbotech's shareholders;

the potential conflicts of interest of Orbotech's directors and executive officers, including with respect to the treatment (including acceleration) of equity awards, enhanced severance benefits, transaction and retention bonuses and indemnification, exculpation and insurance provisions, as well as with respect to potential retention arrangements and post-Closing benefits for Orbotech's senior management that were anticipated to be determined by KLA-Tencor and Orbotech following the execution of the Merger Agreement and prior to the Orbotech shareholder meeting to consider the approval of the Merger, in each case, as described more fully in the section entitled "Interests of Orbotech Directors and Executive Officers in the Merger";

the risk that the parties may incur significant costs and delays related to the Merger, including resulting from seeking governmental consents and regulatory approvals necessary for completion of the Merger; and

the risks of the type and nature described under "Risk Factors" and the matters described under "Special Note Regarding Forward-Looking Statements."

The foregoing discussion of the factors considered by the Orbotech Board is not intended to be exhaustive, but rather includes the material factors considered by the Orbotech Board. The Orbotech Board collectively (i) determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of Orbotech and its shareholders and that, considering the financial position of the merging companies, and assuming, among other things, the accuracy of the representations and warranties of KLA-Tencor and Merger Sub in the Merger Agreement, no reasonable concern exists that the surviving company, as a result of the Merger, will be unable to fulfill the obligations of Orbotech to its creditors; (ii) approved the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger; and (iii) resolved to

direct that the Merger Agreement be submitted to the shareholders of Orbotech for approval and adoption and recommend that the shareholders of Orbotech vote in favor of the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, all upon the terms and subject to the conditions set forth in the Merger Agreement. In view of the wide variety of factors considered by the Orbotech Board in connection with its evaluation of the Merger and the complexity of these matters, the Orbotech Board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative or specific weights or values to any of the factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate

## Table of Contents

determination of the Orbotech Board. Rather, the Orbotech Board considered all of these factors as a whole and made its recommendation based on the totality of the information available to the Orbotech Board, including discussions with, and questioning of, Orbotech's management and its legal and financial advisors. In considering the factors discussed above, individual members of the Orbotech Board may have given different weights to different factors and the factors are not presented in any order of priority.

This explanation of the Orbotech Board's reasons to recommend that Orbotech's shareholders vote in favor of the Merger Proposal presented in this section is forward-looking in nature and, therefore, should be read in light of the factors described in the section entitled "Special Note Regarding Forward-Looking Statements".

### **Opinion of Orbotech's Financial Advisor**

Orbotech engaged Barclays to act as its financial advisor in connection with a possible sale of Orbotech. On March 18, 2018, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to the Orbotech Board that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the consideration to be offered to the holders of Orbotech shares (other than the holders of the Excluded Shares) in the proposed transaction was fair, from a financial point of view, to such holders.

**The full text of Barclays' written opinion, dated as of March 18, 2018, is attached as Annex B to this proxy statement/prospectus. Barclays' written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays' opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.**

Barclays' opinion, the issuance of which was approved by Barclays' Fairness Opinion Committee, is addressed to the Orbotech Board, addresses only the fairness, from a financial point of view, of the consideration to be offered to the holders of Orbotech shares (other than the holders of the Excluded Shares) in the proposed transaction and does not constitute a recommendation to any holder of Orbotech shares as to how such holder should vote with respect to the proposed transaction or any other matter. The terms of the proposed transaction were determined through arm's-length negotiations between Orbotech and KLA-Tencor and were unanimously approved by the Orbotech Board. Barclays did not recommend any specific form of consideration to Orbotech or that any specific form of consideration constituted the only appropriate consideration for the proposed transaction. Barclays was not requested to address, and its opinion does not in any manner address, Orbotech's underlying business decision to proceed with or effect the proposed transaction, the likelihood of the consummation of the proposed transaction, or the relative merits of the proposed transaction as compared to any other transaction or business strategy in which Orbotech may engage. In addition, Barclays expressed no opinion on, and its opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the consideration to be offered to the holders of Orbotech shares in the proposed transaction. No limitations were imposed by the Orbotech Board upon Barclays with respect to the investigations made or procedures followed by it in rendering its opinion.

In arriving at its opinion, Barclays, among other things:

reviewed and analyzed the Merger Agreement and the specific terms of the proposed transaction;

reviewed and analyzed publicly available information concerning Orbotech that Barclays believed to be relevant to its analysis, including Orbotech's Annual Report on Form 20-F for the fiscal years ended December 31, 2016 and December 31, 2017 filed with the SEC and Current Reports on Form 6-K furnished with the SEC on January 17, 2018 and February 14, 2018;

**Table of Contents**

reviewed and analyzed publicly available information concerning KLA-Tencor that Barclays believed to be relevant to its analysis, including KLA-Tencor's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 and Quarterly Reports on Form 10-Q for the fiscal quarters ended September 30, 2017 and December 31, 2017;

reviewed and analyzed financial and operating information with respect to the business, operations and prospects of Orbotech furnished to Barclays by Orbotech, including the Orbotech Management Projections (as defined below);

reviewed and analyzed the pro forma impact of the proposed transaction on the future financial performance of the combined company, including cost synergies and other strategic benefits expected by management of KLA-Tencor;

reviewed and analyzed a trading history of the Orbotech shares from March 16, 2013 until March 16, 2018 and a trading history of KLA-Tencor common stock from March 16, 2013 until March 16, 2018;

reviewed and analyzed a comparison of trading price as a multiple of certain financial metrics for calendar years 2018 and 2019 of Orbotech and KLA-Tencor and certain other companies that Barclays deemed relevant;

reviewed and analyzed a comparison of the financial terms of the proposed transaction with the financial terms of certain other transactions that Barclays deemed relevant;

reviewed and analyzed published estimates of independent research analysts with respect to the future financial performance and price targets of Orbotech (the Orbotech Published Estimates );

reviewed and analyzed published estimates of independent research analysts with respect to the future financial performance and price targets of KLA-Tencor, including published estimates of publicly available Wall Street research brokers for KLA-Tencor's fiscal years ending on June 30, 2018, June 30, 2019 and June 30, 2020 (the KLA-Tencor Published Estimates );

had discussions with the management of Orbotech concerning its business, operations, assets, liabilities, financial condition and prospects;

had discussions with the management of Orbotech and KLA-Tencor concerning KLA-Tencor's business, operations, assets, liabilities, financial condition and prospects; and

undertook such other studies, analyses and investigations as Barclays deemed appropriate.

In arriving at its opinion, Barclays assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays without any independent verification of such information (and did not assume responsibility or liability for any independent verification of such information). Barclays also relied upon the assurances of management of Orbotech that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the Orbotech Management Projections, upon the advice of Orbotech, Barclays assumed that the Orbotech Management Projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Orbotech as to Orbotech's future financial performance. Furthermore, upon the advice of Orbotech, Barclays assumed that the amounts and timing of the expected synergies were reasonable and that the expected synergies would be realized in accordance with such estimates. Barclays was not provided with, and did not have any access to, financial projections of KLA-Tencor prepared by management of Orbotech or management of KLA-Tencor. Accordingly, upon the advice of Orbotech, Barclays assumed that the KLA-Tencor Published Estimates were a reasonable basis upon which to evaluate the future financial performance of KLA-Tencor and that KLA-Tencor would perform substantially in accordance with such KLA-Tencor Published Estimates. In arriving at its opinion, Barclays assumed no responsibility for and expressed no view as to any such projections or estimates or the assumptions on which they were based. In arriving at its opinion, Barclays did not conduct a physical inspection of the properties and facilities of Orbotech or KLA-Tencor and did not make or obtain any evaluations or

## **Table of Contents**

appraisals of the assets or liabilities of Orbotech or KLA-Tencor. In addition, Barclays was not authorized by Orbotech to solicit, and did not solicit, any indications of interest from any third party with respect to the purchase of all or a part of Orbotech's business. Barclays' opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, March 18, 2018. Barclays assumed no responsibility for updating or revising its opinion based on events or circumstances that may have occurred after March 18, 2018.

Barclays assumed the accuracy of the representations and warranties contained in the Merger Agreement and all the agreements related thereto. Barclays also assumed, upon the advice of Orbotech, that all material governmental, regulatory and third party approvals, consents and releases for the proposed transaction would be obtained within the constraints contemplated by the Merger Agreement and that the proposed transaction will be consummated in accordance with the terms of the Merger Agreement, without waiver, modification or amendment of any material term, condition or agreement thereof. Barclays did not express any opinion as to any tax or other consequences that might result from the proposed transaction, nor did Barclays' opinion address any legal, tax, regulatory or accounting matters, as to which Barclays understood Orbotech had obtained such advice as it deemed necessary from qualified professionals.

In connection with rendering its opinion, Barclays performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Barclays did not ascribe a specific range of values to the Orbotech shares but rather made its determination as to fairness, from a financial point of view, to holders of Orbotech shares of the consideration to be offered to such holders in the proposed transaction on the basis of various financial and comparative analyses. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the proposed transaction. Accordingly, Barclays believes that its analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion.

## **Summary of Material Financial Analyses**

The following is a summary of the material financial analyses used by Barclays in preparing its opinion to the Orbotech Board. The summary of Barclays' analyses and reviews provided below is not a complete description of the analyses and reviews underlying Barclays' opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description.

For the purposes of its analyses and reviews, Barclays made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Orbotech or any other parties to the proposed transaction. No company, business or transaction considered in Barclays' analyses and reviews is identical to Orbotech, KLA-Tencor, Merger Sub or the proposed transaction, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies,

businesses or transactions considered in Barclays' analyses and reviews. None of Orbotech, KLA-Tencor, Merger Sub, Barclays or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses and reviews and the ranges

## **Table of Contents**

of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of companies, businesses or securities do not purport to be appraisals or reflect the prices at which the companies, businesses or securities may actually be sold. Accordingly, the estimates used in, and the results derived from, Barclays' analyses and reviews are inherently subject to substantial uncertainty.

The summaries of the financial analyses and reviews identified below include information presented in tabular format. In order to fully understand the financial analyses and reviews used by Barclays, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses and reviews. Considering the data in the tables below without considering the full description of the analyses and reviews, including the methodologies and assumptions underlying the analyses and reviews, could create a misleading or incomplete view of Barclays' analyses and reviews.

### ***Selected Comparable Company Analysis for Orbotech***

In order to assess how the public market values shares of publicly traded companies similar to Orbotech and to provide a range of relative implied equity values per Orbotech share by reference to those companies, Barclays reviewed and compared specific financial and operating data relating to Orbotech with that of selected companies that Barclays deemed comparable to Orbotech.

The selected comparable companies were:

Applied Materials, Inc.

ASM International N.V. ADR

BE Semiconductor Industries N.V. ADR

Camtek Ltd.

KLA-Tencor Corporation

Lam Research Corporation

Nanometrics Incorporated

Rudolph Technologies, Inc.

Tokyo Electron Ltd.

Veeco Instruments Inc.

Barclays calculated and compared various financial multiples and ratios of Orbotech and the selected comparable companies. As part of its selected comparable company analysis, Barclays calculated and analyzed each company's enterprise value, or EV, as a multiple of (i) its calendar year 2018 and 2019 estimated revenue and (ii) its calendar year 2018 and 2019 estimated earnings before interest, taxes, depreciation, amortization and stock-based compensation, or adjusted EBITDA. Barclays also calculated and analyzed each company's ratio of its current stock price to its projected non-GAAP earnings per share, or EPS, as adjusted for non-recurring items, amortization of

intangibles and stock-based compensation, or non-GAAP EPS, for each company's calendar year 2018 and 2019. The EV of each company was obtained by adding its short and long-term debt to the sum of the market value of its fully diluted equity value, using the treasury stock method, based on closing stock prices on March 16, 2018, the value of any preferred stock (at liquidation value), the value of any pension liabilities and the book value of any minority interest, and subtracting its cash equivalents and short and long-term liquid investments. All of these calculations for the comparable companies were performed, and based, on generally available financial data and closing prices, as of March 16, 2018, the last trading date prior to the delivery of Barclays' opinion. All of these calculations for KLA-Tencor were performed, and based, on the KLA-Tencor Published Estimates. All of these calculations for Orbotech were performed, and based, on the Orbotech Management Projections and the Orbotech Published Estimates.

Barclays selected the comparable companies listed above because of similarities in one or more business or operating characteristics with Orbotech. However, because no selected comparable company is exactly the same

**Table of Contents**

as Orbotech, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Barclays also made qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of Orbotech and the selected comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Orbotech and the companies included in the selected company analysis. Based upon these judgments, Barclays selected a range of multiples for Orbotech and applied such range to the Orbotech Management Projections to calculate a range of implied values per Orbotech share. The following summarizes the result of these calculations:

	Selected Multiple Range		Implied Value per Orbotech Share	
EV/CY 2018E Revenue	2.35x	3.15x	\$ 54.88	\$71.79
EV/CY 2019E Revenue	2.05x	2.85x	\$ 52.06	\$70.34
EV/CY 2018E ADJUSTED EBITDA	9.5x	11.5x	\$ 52.12	\$62.00
EV/CY 2019E ADJUSTED EBITDA	9.0x	11.0x	\$ 57.94	\$69.66
P/CY 2018E non-GAAP EPS	13.5x	17.5x	\$ 50.04	\$64.87
P/CY 2019E non-GAAP EPS	12.5x	15.5x	\$ 56.24	\$69.74

For purposes of its opinion, Barclays calculated the implied value, as of March 16, 2018, of the Merger Consideration per Orbotech share to be \$69.02, which was determined by adding the cash portion of the Merger Consideration of \$38.86 per Orbotech share to \$30.16, the implied value of the stock portion of the Merger Consideration per Orbotech share that was derived by multiplying the closing price of \$120.62 per share of KLA-Tencor common stock on March 16, 2018, the last trading day prior to the announcement of the proposed transaction, by the exchange ratio of 0.25 of a share of KLA-Tencor common stock per Orbotech share.

Barclays noted that on the basis of the selected comparable company analysis with respect to Orbotech, the implied value of the Merger Consideration of \$69.02 per share was (i) above the range of implied values per Orbotech share calculated using estimated calendar year 2018 adjusted EBITDA and estimated calendar year 2018 non-GAAP EPS, and (ii) within the range of implied values per Orbotech share calculated using estimated calendar year 2018 and 2019 revenue, estimated calendar year 2019 adjusted EBITDA and estimated calendar year 2019 non-GAAP EPS.

***Selected Comparable Company Analysis for KLA-Tencor***

In order to assess how the public market values shares of similar publicly traded companies and to provide a range of relative implied equity values per share of KLA-Tencor by reference to those companies, Barclays reviewed and compared specific financial and operating data relating to KLA-Tencor with selected companies that Barclays deemed comparable to KLA-Tencor.

The selected comparable companies were:

Applied Materials, Inc.

ASM International N.V. ADR

ASML Holding NV

Lam Research Corporation

Orbotech Ltd.

Tokyo Electron Ltd.

Barclays calculated and compared various financial multiples and ratios of KLA-Tencor and the selected comparable companies. As part of its selected comparable company analysis, Barclays calculated and analyzed

**Table of Contents**

each company's EV (calculated as described above), as a multiple of (i) its calendar year 2018 and 2019 estimated revenue and (ii) its calendar year 2018 and 2019 estimated adjusted EBITDA. Barclays also calculated and analyzed each company's ratio of its current stock price to its projected non-GAAP EPS. All of these calculations for the comparable companies were performed, and based, on generally available financial data and closing prices, as of March 16, 2018. All of these calculations for Orbotech were performed, and based, on the Orbotech Management Projections. All of these calculations for KLA-Tencor were performed, and based, on the KLA-Tencor Published Estimates.

Barclays selected the comparable companies listed above because of similarities in one or more business or operating characteristics with KLA-Tencor. However, because no selected comparable company is exactly the same as KLA-Tencor, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Barclays also made qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of KLA-Tencor and the selected comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between KLA-Tencor and the companies included in the selected company analysis. Based upon these judgments, Barclays selected a range of multiples for KLA-Tencor and applied such range to the KLA-Tencor Published Estimates to calculate a range of implied values per share of KLA-Tencor common stock. The following summarizes the result of these calculations:

	Selected Multiple Range		Implied Value per Share of KLA-Tencor common stock	
EV/CY 2018E Revenue	3.35x	4.35x	\$	89.25 \$115.41
EV/CY 2019E Revenue	2.85x	3.85x	\$	80.32 \$107.92
EV/CY 2018E ADJUSTED EBITDA	9.5x	11.5x	\$	104.85 \$126.57
EV/CY 2019E ADJUSTED EBITDA	8.5x	10.5x	\$	100.27 \$123.48
P/CY 2018E non-GAAP EPS	12.5x	15.5x	\$	105.89 \$131.30
P/CY 2019E non-GAAP EPS	11.5x	14.5x	\$	104.28 \$131.48

Barclays noted that on the basis of the selected comparable company analysis with respect to KLA-Tencor, the closing price of \$120.62 per share of KLA-Tencor common stock on March 16, 2018, the last trading day prior to the announcement of the proposed transaction, was (i) above the range of implied values per share of KLA-Tencor common stock calculated using estimated calendar year 2018 and 2019 revenue and (ii) within the range of implied values per share of KLA-Tencor common stock calculated using estimated calendar year 2018 and 2019 adjusted EBITDA and estimated calendar year 2018 and 2019 non-GAAP EPS.

***Selected Precedent Transaction Analysis***

Barclays reviewed and compared the purchase prices and financial multiples paid in selected other transactions that Barclays, based on its experience with merger and acquisition transactions, deemed relevant. Barclays chose such transactions based on, among other things, the similarity of the applicable target companies in the transactions to Orbotech with respect to the size, mix, margins and other characteristics of their businesses.



**Table of Contents**

As part of its precedent transactions analysis, for each of the selected transactions, based on information Barclays obtained from publicly available information, Barclays analyzed the EV to last-12-months , or LTM, and forward-12-months , or FTM, revenue and to LTM and FTM adjusted EBITDA. The results of this precedent transaction analysis are summarized below:

Date Announced	Acquiror	Target	EV/Revenue		EV/ADJ. EBITDA	
			LTM	FTM	LTM	FTM
4/26/2017	Kohlberg Kravis Roberts & Co. LP	Hitachi Kokusai Electric, Inc. <sup>(1)</sup>	1.62x	1.42x	15.2x	10.3x
2/2/2017	Veeco Instruments, Inc.	Ultratech, Inc.	2.79x	2.53x	18.6x	16.5x
6/15/2016	ASML Holding NV	Hermes Microvision, Inc.	NM <sup>(2)</sup>	9.33x	NM <sup>(2)</sup>	22.2x
3/16/2016	Coherent, Inc.	Rofin-Sinar Technologies, Inc.	1.57x	1.56x	10.3x	10.4x
2/23/2016	MKS Instruments, Inc.	Newport Corp.	1.65x	1.59x	10.4x	9.0x
2/4/2016	FormFactor, Inc.	Cascade Microtech, Inc.	2.24x	2.17x	12.2x	11.5x
12/1/2015	Beijing E-town	Mattson Technology, Inc.	1.34x	1.96x	12.2x	NM <sup>(2)</sup>
10/21/2015	Lam Research Corp. <sup>(3)</sup>	KLA-Tencor Corp.	4.08x	3.91x	13.0x	11.6x
12/4/2014	Veeco Instruments, Inc.	Solid State Equipment LLC	NA <sup>(4)</sup>	2.31x	NA <sup>(4)</sup>	10.3x
7/7/2014	Orbotech Ltd.	SPTS Technologies Ltd.	2.37x	1.91x	10.3x	7.6x
4/11/2014	AMETEK, Inc.	Zygo Corp.	1.80x	NA	12.3x	NA
2/4/2014	Entegris, Inc.	ATMI, Inc.	2.83x	2.67x	13.4x	11.4x
9/24/2013	Applied Materials, Inc. <sup>(3)</sup>	Tokyo Electron Ltd.	1.71x	1.23x	NM <sup>(2)</sup>	11.1x
10/17/2012	ASML Holding NV	Cymer, Inc.	4.24x	3.37x	22.4x	17.6x
8/13/2012	Tokyo Electron Ltd.	FSI International, Inc.	1.51x	1.26x	13.0x	7.5x
3/16/2012	Tokyo Electron Ltd.	NEXX Systems, Inc.	2.69x	2.42x	21.2x	15.4x
12/14/2011	Lam Research Corp.	Novellus Systems, Inc.	2.26x	2.67x	8.5x	12.6x
5/4/2011	Applied Materials, Inc.	Varian Semiconductor Equipment Assoc.	3.92x	3.27x	13.8x	11.5x
12/6/2010	Advantest Corp.	Verigy Ltd.	1.11x	0.98x	9.8x	9.8x
		<b>1<sup>st</sup> Quartile</b>	1.62x	1.57x	10.4x	10.3x
		<b>Median</b>	2.24x	2.24x	12.6x	11.4x
		<b>Mean</b>	2.34x	2.59x	13.5x	12.1x
		<b>3<sup>rd</sup> Quartile</b>	2.79x	2.67x	14.1x	12.6x

(1) Equity value is based on the revised offer price on November 24, 2017 converted at the applicable spot exchange rate.

(2) Multiples are considered non-meaningful (NM) where EV / Revenue is above 10.0x or EV / adj. EBITDA is above 30.0x.

(3) Transactions were abandoned prior to consummation.

(4) NA stands for not available.

The reasons for and the circumstances surrounding each of the selected precedent transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of each of Orbotech and KLA-Tencor and the companies included in the selected precedent transaction analysis. Accordingly, Barclays believed that a purely quantitative selected precedent transaction analysis would not be particularly meaningful in the context of considering the proposed transaction. Barclays therefore made qualitative judgments concerning differences between the characteristics of the selected precedent transactions and the proposed transaction that would affect the acquisition values of the selected target companies and Orbotech. Based upon these judgments, Barclays selected ranges of multiples for Orbotech and applied such

**Table of Contents**

ranges to the Orbotech Management Projections to calculate ranges of implied value per Orbotech share. The following table sets forth the results of such analysis:

	Selected		Implied Value	
	Multiple Range		per	
			Orbotech	
			Share	
EV/LTM Revenue	2.50x	3.25x	\$ 50.36	\$63.91
EV/FTM Revenue	2.40x	3.10x	\$ 55.93	\$70.73
EV/LTM ADJUSTED EBITDA	12.5x	15.0x	\$ 52.94	\$62.48
EV/FTM ADJUSTED EBITDA	11.0x	13.0x	\$ 59.53	\$69.41

Barclays noted that on the basis of the selected precedent transaction analysis, the implied value of the Merger Consideration of \$69.02 per Orbotech share was (i) above the range of implied values per Orbotech share calculated using LTM revenue and LTM adjusted EBITDA, and (ii) within the range of implied values per Orbotech share calculated using FTM revenue and FTM adjusted EBITDA.

***Discounted Cash Flow Analysis***

In order to estimate the present value of Orbotech shares, Barclays performed a discounted cash flow analysis of Orbotech. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

To calculate the estimated EV of Orbotech using the discounted cash flow method, Barclays added (i) Orbotech's projected after-tax unlevered free cash flows (calculated as described below) for calendar years 2018 through 2021 based on the Orbotech Management Projections to (ii) the terminal value of Orbotech as of the end of calendar year 2021 and discounted such amount to its present value (as of March 16, 2018) using a range of selected discount rates. Barclays used the mid-year convention in its discounted cash flow analysis to more accurately reflect the present value of future cash flows because cash flows are actually earned throughout the year rather than at the end of the year. The after-tax unlevered free cash flows were calculated by taking the after tax non-GAAP operating income of Orbotech, adding depreciation and amortization, subtracting capital expenditures and adjusting for changes in net working capital. The residual value of Orbotech at the end of calendar year 2021, or terminal value, was estimated by selecting a range of estimated FTM adjusted EBITDA exit multiples. Barclays assumed a range of FTM adjusted EBITDA exit multiples of 8.0x to 10.0x, which was derived by Barclays utilizing its professional judgment and experience, taking into account the financial forecasts and market expectations and applying such ranges to the Orbotech Management Projections. The range of after-tax discount rates of 10% to 12% was selected based on an analysis of the weighted average cost of capital of Orbotech and the selected comparable companies used in the Selected Comparable Company Analysis for Orbotech described above. Barclays then calculated a range of implied values per Orbotech share by subtracting net debt as of December 31, 2017 from the estimated EV using the discounted cash flow method and dividing such amount by the fully diluted number of Orbotech shares, calculated using the treasury stock method, and using the number of Orbotech shares, options to purchase Orbotech shares and Orbotech restricted share units outstanding as of March 5, 2018. This analysis implied a range of values per Orbotech share of \$61.81 to \$77.37 based on the range of FTM adjusted EBITDA exit multiples.

Barclays also performed a similar analysis using the same methodology described above, other than that the terminal value was estimated by selecting a range of perpetuity growth rates. Barclays assumed a range of perpetuity growth rates of 3.0% to 4.5%, which was derived by Barclays utilizing its professional judgment and experience, taking into account the financial forecasts and market expectations and applying such ranges to the Orbotech Management Projections. This analysis implied a range of values per Orbotech share of \$52.82 to \$81.04 based on the range of perpetuity growth rates.

---

**Table of Contents**

Barclays noted that on the basis of the discounted cash flow analyses performed, the implied value of the Merger Consideration of \$69.02 per Orbotech share was within the range of implied values per Orbotech share calculated using the Orbotech Management Projections, FTM adjusted EBITDA exit multiples and perpetuity growth rates.

**Other Factors**

Barclays also noted the following additional factors that were not considered part of its financial analyses with respect to its fairness determination, but were referenced for informational purposes:

***Research Analysts Price Targets Analysis for Orbotech and KLA-Tencor***

Barclays reviewed publicly available research on per share price targets for Orbotech shares and the KLA-Tencor common stock obtained from brokers. The equity research analysts' per share price targets ranged from \$58.00 to \$65.00 for Orbotech and ranged from \$110.00 to \$153.00 for KLA-Tencor. The publicly available per share price targets published by equity research firms do not necessarily reflect the current market trading price of the Orbotech shares or the KLA-Tencor common stock, respectively, and these estimates are subject to uncertainties, including the future financial performance of Orbotech and KLA-Tencor as well as future market conditions.

***Historical Share Price Analysis of Orbotech and KLA-Tencor***

To illustrate the trend in the historical trading prices of the Orbotech shares, Barclays considered historical data with regard to the trading prices of the Orbotech shares over the 52-week period prior to the announcement of the proposed transaction. During such period, the closing price of Orbotech shares ranged from \$30.59 to \$59.90 per share.

To illustrate the trend in the historical trading prices of the KLA-Tencor common stock, Barclays considered historical data with regard to the trading prices of the KLA-Tencor common stock over the 52-week period prior to the announcement of the proposed transaction. During such period, the closing price of KLA-Tencor common stock ranged from \$88.14 to \$122.39 per share.

***Premiums Paid Analysis***

In order to assess the premium offered to the holders of Orbotech shares in the proposed transaction relative to the premiums offered to stockholders in other transactions, Barclays reviewed the premiums paid in all electronics mergers and acquisitions transactions valued between \$1.0 billion and \$5.0 billion from January 1, 2010 to March 16, 2018, of which there were 42. For each transaction, Barclays calculated the implied value per share paid by the acquiror by comparing the announced transaction value per share to the target company's: (i) closing price on the last trading day prior to announcement of the transaction or first reference in the public news media about the transaction, and (ii) average closing price for the 30 calendar days prior to announcement of the transaction or first reference in the public news media about the transaction.

The reasons for and the circumstances surrounding each of the transactions analyzed in the transaction premium analysis were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Orbotech, KLA-Tencor and the companies included in the transaction premium analysis. Accordingly, Barclays believed that a purely quantitative transaction premium analysis would not be particularly meaningful in the context of considering the proposed transaction. Barclays therefore made qualitative judgments concerning the differences between the characteristics of the selected transactions and the proposed transaction that would affect the acquisition values of the target companies and Orbotech. Based upon these judgments, Barclays selected a range of premiums to (i) the closing price of the Orbotech shares on March 7, 2018 (the last unaffected trading day prior to the first

reference to a potential sale of Orbotech in the public news media) and

**Table of Contents**

(ii) the 30-day average of the closing prices of the Orbotech shares ended on March 7, 2018, to calculate a range of implied values per Orbotech share. The following summarizes the result of these calculations:

	Selected Premium Range		Implied Value per Orbotech Share	
1-Day Unaffected Price	16%	45%	\$65.25	\$81.56
30-Day Average Unaffected Price	20%	47%	\$63.14	\$77.35

Barclays noted that on the basis of the transaction premium analysis, the implied Merger Consideration of \$69.02 per Orbotech share was within the range of implied values per Orbotech share calculated using (i) the closing price of the Orbotech shares on March 7, 2018 and (ii) the 30-day average of the closing price of the Orbotech shares ending on March 7, 2018.

**General**

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The Orbotech Board selected Barclays because of its familiarity with Orbotech and its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the proposed transaction.

Barclays is acting as financial advisor to Orbotech in connection with the proposed transaction. As compensation for its services in connection with the proposed transaction, Orbotech will pay Barclays a fee for its services, \$1.0 million of which was paid upon the delivery of Barclays' opinion. The remaining amount of the fee due to Barclays, which remaining amount is currently estimated at approximately \$24.5 million, will be payable by Orbotech on completion of the proposed transaction. In addition, Orbotech has agreed to reimburse Barclays for up to a specified amount of its reasonable expenses incurred in connection with the proposed transaction and to indemnify Barclays for certain liabilities that may arise out of its engagement by Orbotech and the rendering of Barclays' opinion. Barclays has performed various investment banking and financial services for Orbotech and KLA-Tencor in the past, and expects to perform such services in the future, and has received, and expects to receive, customary investment banking fees for such services. Specifically, in the past two years, Barclays has performed the following investment banking services: (i) acted as sole bookrunner on Orbotech's \$102 million registered equity block trade offering in June 2016 and (ii) acted as a lender under an existing credit facility for, and provided corporate banking services to, one of Orbotech's subsidiaries.

Barclays, its subsidiaries and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of Orbotech and KLA-Tencor for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

**Certain Projections of Orbotech**

Orbotech historically has publicly made available a multiyear plan. In addition to the multiyear plan, Orbotech has typically provided public guidance for one to two future fiscal quarters, but has been wary of making forecasts or projections for longer periods due to the unpredictability of the underlying assumptions and estimates and lack of long-term visibility. For example, Orbotech provided guidance for revenue growth in 2018 in November of 2017, and revised it substantially in January of 2018. The financial information concerning Orbotech's forecast set forth below is included in this proxy statement/prospectus only because it was made available by Orbotech's management to the Orbotech Board, to Barclays in connection with rendering its fairness

---

**Table of Contents**

opinion and related financial analysis to the Orbotech Board, and to KLA-Tencor and its advisors in connection with their due diligence review of Orbotech. Orbotech's management prepared and delivered to Barclays and KLA-Tencor the following projections regarding Orbotech's future operations for the calendar years 2018 through 2021 (the "Orbotech Management Projections"). Orbotech has included below a summary of these forecasts for the purpose of providing shareholders and investors access to certain non-public information that was furnished to third parties and such information may not be appropriate for other purposes. These forecasts were also considered by the Orbotech Board for the purpose of evaluating the Merger.

At the time of preparation, the Orbotech Management Projections were preliminary estimates and did not reflect any of Orbotech's normal quarterly or annual review procedures. In addition, the Orbotech Management Projections were based on Orbotech's then-current multiyear plan and did not take into account fluctuations in Orbotech's product mix or the cyclical nature of the industries in which Orbotech operates. This meant that there was not any assurance (and there remains no assurance) that the final results of the relevant periods would not differ from the estimates of the Orbotech Management Projections, and any such differences could be material. While presented with numeric specificity, the Orbotech Management Projections reflect numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to Orbotech's business, all of which are inherently subjective, uncertain and difficult to predict and many of which are beyond Orbotech's control. The Orbotech Management Projections are susceptible to multiple interpretations and periodic reevaluations based on actual experience and business developments. As such, the Orbotech Management Projections constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted, including risks and uncertainties relating to Orbotech's business (including its ability to achieve strategic goals, objectives and targets over applicable periods), industry performance (including the cyclical nature of the industries in which Orbotech operates), general business and economic conditions and other factors described in this proxy statement/prospectus and in Orbotech's periodic reports incorporated by reference to this proxy statement/prospectus. Please see the sections entitled "Special Note Regarding Forward-Looking Statements" and "Where You Can Find More Information". The Orbotech Management Projections also reflect numerous variables, expectations and assumptions available at the time that they were prepared as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in the Orbotech Management Projections.

There can be no assurance that the projected results will be realized or that actual results will not be significantly different than projected. Orbotech's ability to accurately forecast its results has been limited and historically Orbotech has had to revise its public guidance from time to time. Accordingly, the inclusion of a summary of the Orbotech Management Projections in this proxy statement/prospectus should not be regarded as an indication that any of Orbotech, KLA-Tencor or their respective affiliates, advisors or representatives considered the Orbotech Management Projections to be achievable or predictive of any future events, and the Orbotech Management Projections should not be relied upon as such nor should the information contained in the Orbotech Management Projections be considered appropriate for other purposes. None of Orbotech, KLA-Tencor or their respective affiliates, advisors or representatives can give you any assurance that actual results will not differ materially from the Orbotech Management Projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the Orbotech Management Projections to reflect circumstances existing after the date the Orbotech Management Projections were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying these forecasts are shown to be in error. Since the forecasts cover multiple years, such information by its nature becomes less meaningful and predictive with each successive year. None of Orbotech or its affiliates, advisors, officers, directors or representatives has made or makes any representation to any shareholder or other person regarding Orbotech's ultimate performance compared to the information contained in the Orbotech Management Projections or that the forecasted results will be achieved. Orbotech has made no representation to KLA-Tencor, in the Merger Agreement or otherwise, concerning the Orbotech Management Projections.



**Table of Contents**

The Orbotech Management Projections do not take into account any circumstances or events occurring after the date they were prepared, including the announcement of the Merger. The Orbotech Management Projections do not take into account the effect of any failure to occur of the Merger and should not be viewed as accurate or continuing in that context.

The Orbotech Management Projections were not prepared with a view toward public disclosure or toward complying with generally accepted accounting principles, the published guidelines of the SEC regarding forecasts or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information but, in the view of Orbotech's management, were prepared on a reasonable basis. The Orbotech Management Projections were prepared by, and are the responsibility of, Orbotech's management. Neither Orbotech's independent registered public accounting firm, nor any other independent accountants, have audited, reviewed, examined, compiled or applied agreed upon procedures with respect to the following Orbotech Management Projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the Orbotech Management Projections. This information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this document are urged not to place undue reliance on the prospective financial information set forth below. The report of Kesselman incorporated by reference in this proxy statement/prospectus relates to Orbotech's previously issued financial statements. It does not extend to the Orbotech Management Projections and should not be read to do so. Orbotech urges all shareholders to review Orbotech's most recent filings with the SEC for a description of Orbotech's reported financial results. Please see the section entitled [Where You Can Find Additional Information](#).

The inclusion of the Orbotech Management Projections is not deemed an admission or representation by Orbotech that the Orbotech Management Projections are viewed by Orbotech as material information of Orbotech or the surviving company. The Orbotech Management Projections are not included in this proxy statement/prospectus in order to induce any holder of Orbotech shares to approve the Merger Proposal. **ORBOTECH DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ORBOTECH MANAGEMENT PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING SINCE THEIR PREPARATION OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE UNDERLYING ASSUMPTIONS ARE SHOWN TO BE IN ERROR, OR TO REFLECT CHANGES IN GENERAL ECONOMIC OR INDUSTRY CONDITIONS.**

Subject to the foregoing qualifications, the following is a summary of the Orbotech Management Projections:

<b>ORBOTECH MANAGEMENT PROJECTIONS</b>				
<i>In millions, except per share</i>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenues	\$ 1,054	\$ 1,140	\$ 1,250	\$ 1,394
Non-GAAP Operating Income <sup>(1)</sup>	\$ 226	\$ 271	\$ 331	\$ 369
Adjusted EBITDA <sup>(1)</sup>	\$ 246	\$ 292	\$ 353	\$ 392
Non-GAAP Net Income <sup>(1)</sup>	\$ 185	\$ 225	\$ 276	\$ 310
Non-GAAP EPS <sup>(1)</sup>	\$ 3.71	\$ 4.50	\$ 5.51	\$ 6.19
Unlevered Free Cash Flow <sup>(2)</sup>	\$ 124	\$ 166	\$ 213	\$ 239

- (1) Non-GAAP Operating Income, Adjusted EBITDA, Non-GAAP Net Income and Non-GAAP EPS are each defined in Orbotech's filings with the SEC. Please see the items incorporated by reference to this proxy statement/prospectus referred to in the section entitled [Where You Can Find More Information](#).

- (2) Unlevered Free Cash Flow is defined as Orbotech's after tax Non-GAAP Operating Income, adding depreciation and amortization, subtracting capital expenditures and adjusting for changes in net working capital.

---

**Table of Contents**

**Interests of Orbotech Directors and Executive Officers in the Merger**

The directors and executive officers of Orbotech may have interests in the transactions contemplated by the Merger Agreement that may be different from, or in addition to, those of the Orbotech shareholders generally. The Orbotech Board was aware of and considered these anticipated interests, among other things, in evaluating the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, and in recommending that Orbotech shareholders approve the Merger Proposal. These interests include:

treatment of Orbotech Equity Awards held by Orbotech directors and executive officers in connection with the Merger, including potential accelerated vesting and payout or settlement of Orbotech Equity Awards in connection with the Closing of the Merger or upon certain qualifying terminations of employment, as applicable (as described below under Treatment of Orbotech Equity Awards in the Merger );

potential cash severance payments and other benefits payable to executive officers and the Active Chairman of the Orbotech Board pursuant to their employment agreements and as otherwise agreed by KLA-Tencor in the event of a resignation or termination of employment following the approval of the Merger by Orbotech s shareholders (as described below under Potential Severance Payments );

extension of eligibility of executive officers to continue to receive severance benefits triggered by the approval of the Merger by Orbotech s shareholders for so long as such executive officer is employed by Orbotech (as described below under Potential Severance Payments );

eligibility of certain executive officers, other than the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, to receive equity-based retention awards, vesting over the two-year period following the Closing, or cash-based retention awards, payable upon the Closing, in each case, subject to the executive officer s continued employment through the applicable payment or vesting date (as described below under Cash-Based and Equity-Based Retention Awards );

post-Closing employment and compensation arrangements for the Active Chairman of the Orbotech Board, the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech in connection with the Merger, and certain other retention arrangements for the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech (as described below under New Chairman, CEO and COO Employment Compensation Arrangements ); and

KLA-Tencor s undertakings with respect to continuing director and officer indemnity arrangements and the purchase of a seven year tail policy on directors and officers insurance (as described below under Indemnification ).

**Orbotech Shareholdings**

As of the close of business on June 6, 2018, the record date for the meeting, directors and officers of Orbotech beneficially owned approximately 8.74% of the issued and outstanding Orbotech shares. For more information, see

the section entitled Security Ownership of Certain Beneficial Owners and Management of Orbotech . Based on a per share value of \$63.69, which equals the average closing price of an Orbotech share over the first five business days immediately following the announcement of the Merger, the aggregate value of such shares held by directors and executive officers of Orbotech (other than Orbotech Equity Awards, described below) is approximately \$266,127,900.

---

**Table of Contents****Treatment of Orbotech Equity Awards**

Each director and executive officer of Orbotech holds outstanding Orbotech Equity Awards that will, in accordance with the Merger Agreement, be treated in the manner described below. For further information with respect to the treatment of Orbotech Equity Awards, see the section entitled "The Merger Agreement Treatment of Orbotech Equity Awards".

*Orbotech Restricted Share Unit Awards.* Assumed Orbotech RSUs will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such Assumed Orbotech RSUs at the Effective Time (except for any performance-based vesting conditions). The number of shares of KLA-Tencor common stock that are subject to each Assumed Orbotech RSU will be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech RSU as of immediately prior to the Effective Time (assuming, in the case of an Assumed Orbotech RSU that is subject to performance-based vesting conditions, that any applicable performance goals have been attained at maximum levels) by the Exchange Ratio (as defined in "The Merger Agreement Treatment of the Orbotech Equity Awards"), rounded to the nearest whole number of shares. At the Effective Time, Cancelled Orbotech RSUs will be cancelled and converted into the right to receive the Merger Consideration for each Orbotech share subject to such Cancelled Orbotech RSUs, plus any accrued but unpaid dividends in respect of such Cancelled Orbotech RSUs.

*Orbotech Restricted Share Awards.* Assumed Orbotech RSAs will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such awards at the Effective Time. The number of shares of KLA-Tencor common stock that are subject to each Assumed Orbotech RSA shall be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech RSA as of immediately prior to the Effective Time by the Exchange Ratio, rounded to the nearest whole number of shares. Cancelled Orbotech RSAs will be cancelled and converted into the right to receive the Merger Consideration for each Orbotech share subject to such Cancelled Orbotech RSAs, plus any accrued but unpaid dividends in respect of such Cancelled Orbotech RSAs.

*Orbotech Options.* Assumed Orbotech Options will be assumed by KLA-Tencor and subject to substantially the same terms and conditions as were applicable to such Assumed Orbotech Options immediately prior to the Effective Time (except for any performance-based vesting conditions). The number of shares of KLA-Tencor common stock that are subject to each Assumed Orbotech Option will be determined by multiplying the number of Orbotech shares subject to such Assumed Orbotech Option as of immediately prior to the Effective Time (assuming, in the case of an Assumed Orbotech Option that is subject to performance-based vesting conditions, that any applicable performance goals have been attained at maximum levels) by the Exchange Ratio, rounded down to the nearest whole share. The per share exercise price of each Assumed Orbotech Option will be determined by dividing the applicable exercise price of such Assumed Orbotech Option by the Exchange Ratio, rounded up to the nearest whole cent. Cancelled Orbotech Options will be cancelled and converted into the right to receive the Merger Consideration for each net share (as defined in "The Merger Agreement Treatment of Orbotech Equity Awards") subject to such Cancelled Orbotech Options determined using the KLA-Tencor Average Closing Price (as defined below).

***Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment***

In the event of a termination of employment without Cause or for Good Reason (each, as defined below) of certain Orbotech employees (including certain of Orbotech's executive officers) during the six months following the Closing, subject to a customary release of claims becoming effective, any then-unvested portion of such employee's Assumed Orbotech RSUs, Assumed Orbotech RSAs and Assumed Orbotech Options, other than any equity-based retention awards, will immediately vest and be exchanged for the right to receive an amount in cash equal to the unvested value of such awards as of the date of such employee's termination. Cause generally means (i) the individual's conviction of, or plea of *nolo contendere* to, a felony; (ii) the

**Table of Contents**

individual's gross misconduct; (iii) any material act of personal dishonesty taken by the individual in connection with his or her responsibilities as an employee or service provider of the Orbotech or its subsidiaries; or (iv) the individual's willful and continued failure to perform the duties and responsibilities of his or her position after there has been delivered to the individual a written demand for performance from Orbotech or the applicable subsidiary which describes the basis for the belief that the individual has not substantially performed his or her duties and provides the individual with 30 days to take corrective action.

Good Reason generally means, subject to customary notice and cure provisions, a requirement, without the individual's consent, that the individual move his or her primary place of employment or service to a location that is more than 50 kilometers from the location of his or her primary place of employment or service.

In addition, certain executive officers of Orbotech, including the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, are party to equity acceleration agreements or employment agreements that provide for the accelerated vesting of all outstanding Orbotech Equity Awards held by such executive officer in connection with (i) a termination of employment by Orbotech (or any successor company) or by any subsidiary or related company, (ii) a resignation due to an adverse change in the executive officer's position or in circumstances that would result in such resignation being a deemed termination by Orbotech (or any successor company) or any subsidiary or related company pursuant to Section 11(a) of the Israeli Severance Pay Law, 1963), in each case, within 12 months following the approval of the Merger by Orbotech's shareholders or (iii) continued employment as of the 24-month anniversary of the approval of the Merger by Orbotech's shareholders. After the Merger Agreement was signed, in order to achieve its retention objectives, KLA-Tencor has agreed that the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech and, with respect to equity awards granted prior to the date hereof, the other such executive officers will be entitled to the benefits described in clause (i) and (ii) upon a termination of employment or resignation for any reason or at any time following the Closing.

Based on the value of an Orbotech share of \$63.69, which equals the average closing price of an Orbotech share over the first five business days immediately following the announcement of the Merger, and assuming that each of the executive officers experienced a qualifying termination of employment (as described above) as of the Effective Time, which, for purposes of this disclosure is assumed to be December 31, 2018, the estimated aggregate value of unvested equity awards held by the executive officers that will vest in connection with a qualifying termination of employment, assuming that no additional Orbotech Equity Awards will be granted between the date of this proxy statement/prospectus and such date, is \$7,900,000.

***Director Equity Awards***

Under the terms of the Merger Agreement, immediately prior to the Effective Time, Orbotech may accelerate the vesting of any Orbotech Equity Awards granted to Orbotech's directors in accordance with the Directors Annual Equity Award Plan in connection with the annual general meeting of shareholders that precedes the Closing. The Orbotech Board has approved and is seeking Orbotech shareholder approval for such accelerated vesting at Orbotech's 2018 annual general meeting of shareholders (the 2018 Orbotech Annual Meeting), which is scheduled to be held on June 21, 2018. Subject to such shareholder approval and assuming that (i) the annual equity awards granted to each of the Orbotech directors in connection with the 2018 Orbotech Annual Meeting in accordance with Orbotech's Directors Annual Equity Award Plan remain outstanding as of the Effective Time and (ii) the value of an Orbotech share on the date such awards are granted is the same as the value of an Orbotech share as of immediately prior to the Effective Time, the estimated aggregate value of unvested Orbotech Equity Awards held by the Orbotech directors that may accelerate vesting as of immediately prior to the Effective Time is \$675,000.

**Potential Severance Payments**

Certain of Orbotech's executive officers, including the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, have entered into employment agreements with Orbotech that provide for cash severance payments and benefits in connection with a resignation or termination of employment without cause (as defined in the applicable employment agreement) during the 12-month period following

**Table of Contents**

shareholder approval of certain change in control transactions (including approval of the Merger by Orbotech's shareholders). Such payments may include an advance notice payment in lieu of notice of up to six months of salary and certain benefits, an adaptation payment of up to six months of base salary and a severance payment equal to an amount ranging between 100% and 200% (based on length of service with Orbotech) of such executive officer's monthly salary and certain benefits multiplied by the number of years such executive officer had been employed by Orbotech prior to such termination. After the Merger Agreement was signed, in order to achieve its retention objectives, KLA-Tencor has agreed that each executive officer will be entitled to an adaptation payment equal to six months of base salary and a severance payment equal to the product of 200% of such executive officer's monthly salary and certain benefits multiplied by the number of years such executive officer had been employed by Orbotech prior to such termination. Such benefits will be payable to each executive officer with respect to the period prior to the Closing upon a termination of employment with Orbotech for any reason (including a resignation by such executive officer), and with respect to the period following the Closing, upon a termination of employment by Orbotech without Cause (as defined in Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment) or a resignation by such executive officer. KLA-Tencor has also agreed that each executive officer will be entitled to the benefits described in this paragraph without giving effect to the 12-month limitation and such benefits will be available as long as the executive officer remains employed by Orbotech.

In addition, the Active Chairman of the Orbotech Board is party to an employment agreement with Orbotech, which provides that upon a termination of employment at any time, Mr. Richter is entitled to receive a lump sum payment equal to 12 months of salary plus certain benefits in effect at the time of termination, as well as a severance payment equal to (i) in the event of his resignation from employment, 150% of his monthly salary and certain benefits multiplied by the number of years he was employed by Orbotech (commencing with his employment by Orbot Systems Ltd. in 1982) or (ii) in the event of a termination of his employment agreement by Orbotech (other than for cause), as defined in his employment agreement), 200% of his monthly salary and certain benefits multiplied by the number of years he was employed by Orbotech (commencing with his employment by Orbot Systems Ltd. in 1982).

Assuming that each of the executive officers, including the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, and the Active Chairman of the Orbotech Board experienced a qualifying termination of employment (as described above) as of the Effective Time, which, for purposes of this disclosure is assumed to be December 31, 2018, the estimated aggregate potential cash severance payments that such executive officers and the Active Chairman of the Orbotech Board may be entitled to receive is approximately \$17,600,000.

**Cash-Based and Equity-Based Retention Awards**

KLA-Tencor has agreed that certain retention awards may be granted in connection with the Closing of the Merger and that, with respect to the equity portion of such awards, KLA-Tencor will be responsible for granting such awards after the Closing. The cash-based and equity-based retention awards to be granted to employees, other than senior management, have a value of \$24,000,000 in the aggregate, and the cash-based and equity-based retention awards to be granted to certain senior management employees, including Orbotech's executive officers (other than the Active Chairman of the Orbotech Board, the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech), have an aggregate value of \$6,000,000. For information about the cash-based and equity-based retention awards to the Active Chairman of the Orbotech Board, the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech, see the section entitled New CEO, President and COO and Active Chairman Employment Agreements.

Equity-based retention awards that will be granted to senior management will fully vest on or before the second anniversary of the grant date, subject to the executive officer's continued employment through the applicable vesting date, and will not be subject to accelerated vesting as discussed above in Treatment of Orbotech Equity Awards

Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards

---

**Table of Contents**

Upon Certain Terminations of Employment . Cash-based retention awards will be paid upon the Closing, subject to the executive officer s continued employment through such date.

Any such retention awards will be granted by Orbotech in its sole discretion. As of the date hereof, none of the Orbotech executive officers have been granted any such cash-based or equity-based retention award.

**New CEO, President and COO and Active Chairman Employment and Compensation Arrangements*****New Levy Employment Agreement***

In order to ensure the continued retention of Asher Levy, the Chief Executive Officer of Orbotech, and in view of the importance of Mr. Levy s role at Orbotech and to the broader business of KLA-Tencor following the Closing, KLA-Tencor and Orbotech have agreed that, immediately following the Closing, KLA-Tencor will cause Orbotech to, and Orbotech will, enter into a new employment agreement with Mr. Levy (the New Levy Employment Agreement ). Pursuant to the New Levy Employment Agreement, following the Closing, Mr. Levy will continue to be employed on a full-time basis as the Chief Executive Officer of Orbotech. On the earlier of six months following the Closing Date and July 1, 2019 (such date, the Levy Transition Date ), Mr. Levy s employment will transition to part-time status as a Senior Advisor of Orbotech. On and following the Levy Transition Date, Mr. Levy will be permitted to engage in full-time employment with another person, firm or company, provided it is not a Competitor (as such term is defined in the New Levy Employment Agreement). Mr. Levy s employment with Orbotech will terminate on December 31, 2019, unless Mr. Levy and Orbotech agree otherwise in writing.

Prior to the Levy Transition Date, Orbotech will continue to pay Mr. Levy a monthly base salary that is the same as Mr. Levy s monthly base salary immediately prior to the Closing Date. Following the Levy Transition Date, Orbotech will pay Mr. Levy a monthly base salary of \$15,000, payable in New Israeli Shekels, with the applicable exchange rate determined as provided in the New Levy Employment Agreement. In calendar year 2019, Mr. Levy s bonus opportunity will be equal to 100% of his annual base salary as in effect prior to the Levy Transition Date. In the event Closing has not occurred as of December 31, 2018, Mr. Levy will be entitled to a bonus payment in accordance with the terms of his current employment arrangement with Orbotech for the period beginning on January 1, 2019 and ending on the Closing Date (payable following preparation of unaudited financial statements with respect to the applicable financial quarters). Such bonus payment will reduce the amount of any additional bonus payment Mr. Levy may become entitled to with respect to calendar year 2019 under the New Levy Employment Agreement for the period following the Closing Date. Additionally, not later than 10 business days following the Closing Date, Orbotech will pay Mr. Levy a cash bonus in the amount of \$2,000,000, which will be increased if the Closing Date does not occur by December 31, 2018 (with a corresponding decrease in the value of the Levy Performance-Based RSUs and the Levy Time-Based RSUs (in each case, as defined below)). Mr. Levy will also be permitted to participate in the employee benefit arrangements that Orbotech makes available to its senior executives and receive certain other benefits consistent with Mr. Levy s current employment agreement with Orbotech. On the Closing Date, Mr. Levy will be granted (i) an award of performance-based restricted stock units settled in shares of KLA-Tencor common stock with a target value of \$3,000,000 on the date of grant (the Levy Performance-Based RSUs ), and (ii) an award of time-based restricted stock units settled in shares of KLA-Tencor common stock with a value of \$2,000,000 on the date of grant (the Levy Time-Based RSUs ). The Levy Performance-Based RSUs will vest at up to a maximum amount of 200% of target on the earlier of (1) 12 months following the Closing Date, or (2) December 31, 2019, subject to Mr. Levy s continuing employment or service (including as a Senior Advisor) through such date based on the level of Orbotech s achievement of certain performance objectives as specified in the New Levy Employment Agreement. 50% of the Levy Time-Based RSUs will vest on the Levy Transition Date, and the remaining 50% of the Levy Time-Based RSUs will vest on the earlier of (X) 12 months following the Closing Date, or (Y) December 31, 2019, in each instance subject to Mr. Levy s continuing employment or service (including as a Senior Advisor) through such date

(except as otherwise provided in the New Levy Employment Agreement). If Mr. Levy is terminated by the Company without Cause (as defined in Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment ), and

---

**Table of Contents**

Mr. Levy executes and delivers a release agreement, any outstanding Levy Performance-Based RSUs and Levy Time-Based RSUs will be cancelled and Orbotech will pay Mr. Levy an amount in cash equal to the target value of any unvested Levy Performance-Based RSUs and Levy Time-Based RSUs, payable in New Israeli Shekels with the applicable exchange rate determined as provided in the New Levy Employment Agreement.

The term of Mr. Levy's employment will begin on the Closing Date and will continue until December 31, 2019 unless either Mr. Levy or Orbotech provides the other party with six months' prior written notice. Orbotech may also terminate Mr. Levy's employment prior to the end of such notice period by providing an advance notice payment, in lieu of notice, of six months of base salary and benefits (the Levy Advanced Notice Payment). Orbotech may terminate Mr. Levy's employment at any time without having to provide the Levy Advanced Notice Payment if Mr. Levy is terminated for Cause.

In the event of a termination of employment with Orbotech for any reason (including a resignation by Mr. Levy), Mr. Levy will be entitled to (i) a lump sum payment equal to the product of 200% of his monthly salary in effect prior to the Levy Transition Date multiplied by the number of years of Mr. Levy's service with Orbotech until the Closing Date and (ii) an adaptation payment equal to six months of base salary in effect prior to the Levy Transition Date. In addition, in the event of a termination of employment by Orbotech without Cause (as defined in the New Levy Employment Agreement) or a resignation by Mr. Levy for any reason, Mr. Levy will additionally be entitled to the product of 200% of his monthly salary in effect prior to the Levy Transition Date multiplied by the number of years following the Closing Date until the date of such termination. Mr. Levy will additionally be entitled to the equity acceleration termination benefits with respect to his outstanding equity-based awards, other than the Levy Performance-Based RSUs and the Levy Time-Based RSUs, as described in the section entitled Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment, upon (i) a termination of employment by Orbotech or a resignation at any time prior to the expiration of the term of Mr. Levy's employment or (ii) Mr. Levy's continued employment with Orbotech (including as Senior Advisor) as of the 24-month anniversary of the approval of the Merger by Orbotech's shareholders. Further, if Mr. Levy remains in continuous employment with Orbotech through December 31, 2019, Mr. Levy will be eligible to receive the separation benefits described in this paragraph, as well as the Levy Advanced Notice Payment on any subsequent termination of employment. The severance payments and benefits described in this paragraph will additionally be paid on any termination of employment as a result of death or disability.

***New Steimberg Employment Agreement***

In order to ensure the continued retention of Amichai Steimberg, the President and Chief Operating Officer of Orbotech, and in view of the importance of Mr. Steimberg's role at Orbotech and to the broader business of KLA-Tencor following the Closing, KLA-Tencor and Orbotech have agreed that, immediately following the Closing, KLA-Tencor will cause Orbotech to, and Orbotech will, enter into a new employment agreement with Mr. Steimberg (the New Steimberg Employment Agreement). Pursuant to the New Steimberg Employment Agreement, following the Closing, Mr. Steimberg will continue to be employed on a full-time basis as the President and Chief Operating Officer of Orbotech, except that, as of the Levy Transition Date, Mr. Steimberg's title will change to Chief Executive Officer of Orbotech. On the earlier of 18 months following the Closing Date and July 1, 2020 (the Steimberg Transition Date), Mr. Steimberg's employment will transition to part-time status as a Senior Advisor of Orbotech. Mr. Steimberg's employment with Orbotech will terminate on December 31, 2020, unless Mr. Steimberg and Orbotech agree otherwise in writing.

Prior to the Steimberg Transition Date, Orbotech will continue to pay Mr. Steimberg a monthly base salary that is the same as Mr. Steimberg's monthly base salary immediately prior to the Closing Date. Following the Steimberg Transition Date, Orbotech will pay Mr. Steimberg a monthly base salary of \$15,000, payable in New Israeli Shekels,

with the applicable exchange rate determined as provided in the New Steimberg Employment Agreement. In calendar years 2019 and 2020, Mr. Steimberg's bonus opportunity will be equal to 100% of his annual base salary as in effect prior to the Steimberg Transition Date. With respect to calendar year 2019, in the

---

**Table of Contents**

event Closing has not occurred as of December 31, 2018, Mr. Steimberg will be entitled to a bonus payment in accordance with the terms of his current employment arrangement with Orbotech for the period beginning on January 1, 2019 and ending on the Closing Date (payable following preparation of unaudited financial statements with respect to the applicable financial quarters). Such bonus payment will reduce the amount of any additional bonus payment Mr. Steimberg may become entitled to with respect to calendar year 2019 under the New Steimberg Employment Agreement for the period following the Closing Date. Additionally, no later than ten business days following the Closing Date, Orbotech will pay Mr. Steimberg a cash bonus in the amount of \$1,500,000, which will be increased if the Closing Date does not occur by December 31, 2018 (with a corresponding decrease in the value of the Steimberg Performance-Based RSUs and the Steimberg Time-Based RSUs (in each case, as defined below)). Mr. Steimberg will also be permitted to participate in the employee benefit arrangements that Orbotech makes available to its senior executives and receive certain other benefits consistent with Mr. Steimberg's current employment agreement with Orbotech.

On the Closing Date Mr. Steimberg will be granted (i) an award of performance-based restricted stock units settled in shares of KLA-Tencor common stock with a target value of \$3,600,000 on the date of grant (the Steimberg Performance-Based RSUs), and (ii) an award of time-based restricted stock units settled in shares of KLA-Tencor common stock with a value of \$2,400,000 on the date of grant (the Steimberg Time-Based RSUs). One half of the Steimberg Performance-Based RSUs will vest at up to a maximum amount of 200% of target on the earlier of (1) 12 months following the Closing Date, or (2) December 31, 2019, and one half of the Steimberg Performance-Based RSUs will vest at up to a maximum amount of 200% of target on the earlier of (a) 24 months following the Closing Date, or (b) December 31, 2020, in each case, based on the level of Orbotech's achievement of certain performance objectives as specified in the New Steimberg Employment Agreement and subject in each instance to Mr. Steimberg's continuing employment or service (including as a Senior Advisor) through such date. 50% of the Steimberg Time-Based RSUs will vest on the earlier of (I) 12 months following the Closing Date, or (II) December 31, 2019, and the remaining 50% of the Steimberg Time-Based RSUs will vest on the earlier of (X) 24 months following the Closing Date or (Y) December 31, 2020, in each instance subject to Mr. Steimberg's continuing employment or service (including as a Senior Advisor) through such date (except as otherwise provided in the New Steimberg Employment Agreement). If Mr. Steimberg is terminated by the Company without Cause (as defined in Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment), and Mr. Steimberg executes and delivers a release agreement, any outstanding Steimberg Performance-Based RSUs and Steimberg Time-Based RSUs will be cancelled and Orbotech will pay Mr. Steimberg an amount in cash equal to the target value of any unvested Steimberg Performance-Based RSUs and Steimberg Time-Based RSUs, payable in New Israeli Shekels with the applicable exchange rate determined as provided in the New Steimberg Employment Agreement.

The term of Mr. Steimberg's employment will begin on the Closing Date and will continue until December 31, 2020 unless either Mr. Steimberg or Orbotech provides the other party with six months' prior written notice. Orbotech may also terminate Mr. Steimberg's employment prior to the end of such notice period by providing an advance notice payment, in lieu of notice, of six months of base salary and benefits (the Steimberg Advanced Notice Payment). In addition, Orbotech may terminate Mr. Steimberg's employment at any time without having to provide the Steimberg Advanced Notice Payment if Mr. Steimberg is terminated for Cause.

In the event of a termination of employment with Orbotech for any reason (including a resignation by Mr. Steimberg), Mr. Steimberg will be entitled to (i) a lump sum payment equal to the product of 200% of his monthly salary in effect prior to the Steimberg Transition Date multiplied by the number of years of Mr. Steimberg's service with Orbotech until the Closing Date and (ii) an adaptation payment equal to six months of base salary in effect prior to the Steimberg Transition Date. In addition, in the event of a termination of employment by Orbotech without Cause (as defined in the New Steimberg Employment Agreement) or a resignation by Mr. Steimberg for any reason,

Mr. Steimberg will additionally be entitled to the product of 200% of his monthly salary in effect prior to the Steimberg Transition Date multiplied by the number of years following the Closing Date until the date of such termination. Mr. Steimberg will additionally be entitled to the

**Table of Contents**

equity acceleration termination benefits with respect to his outstanding equity-based awards, other than the Steimberg Performance-Based RSUs and the Steimberg Time-Based RSUs, as described in the section entitled Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment, upon (i) a termination of employment by Orbotech or a resignation at any time prior to the expiration of the term of Mr. Steimberg's employment, or (ii) Mr. Steimberg's continued employment with Orbotech (including as Senior Advisor) as of the 24-month anniversary of the approval of the Merger by Orbotech's shareholders. Further, if Mr. Steimberg remains in continuous employment with Orbotech through December 31, 2020, Mr. Steimberg will be eligible to receive the separation benefits described in this paragraph, as well as the Steimberg Advanced Notice Payment, on any subsequent termination of employment. The severance payments and benefits described in this paragraph will additionally be paid on any termination of employment as a result of death or disability.

***New Richter Employment Agreement***

In order to ensure the continued retention of Yochai Richter, the Active Chairman of the Orbotech Board of Directors, KLA-Tencor and Orbotech have agreed that, immediately following the Closing, KLA-Tencor will cause Orbotech to, and Orbotech will, enter into a new employment agreement with Mr. Richter (the New Richter Employment Agreement). Pursuant to the New Richter Employment Agreement, following the Closing, Mr. Richter will continue to be employed on a part-time basis by Orbotech in the position of Senior Advisor. Mr. Richter's employment with Orbotech will terminate on December 31, 2020, unless Mr. Richter and Orbotech agree otherwise in writing.

During the term of the New Richter Employment Agreement, Orbotech will pay Mr. Richter a monthly base salary of \$33,000, payable in New Israeli Shekels, with the applicable exchange rate determined as provided in the New Richter Employment Agreement. In addition, in the event Closing has not occurred as of December 31, 2018, Mr. Richter will be entitled to a bonus payment in accordance the terms of his current employment arrangement with Orbotech for the period beginning on January 1, 2019 and ending on the Closing Date (payable following preparation of unaudited financial statements with respect to the applicable financial quarters). Mr. Richter will also be permitted to participate in the employee benefit arrangements that Orbotech makes available to its senior executives and receive certain other benefits consistent with Mr. Richter's current employment agreement with Orbotech.

The term of Mr. Richter's employment will begin on the Closing Date and will continue until December 31, 2020, unless either Mr. Richter or Orbotech provides the other party with 60 days' prior written notice. Orbotech may also terminate Mr. Richter's employment prior to the end of such notice period by providing an advance notice payment, in lieu of notice, of 60 days of base salary and benefits (the Richter Advanced Notice Payment). In addition, Orbotech may terminate Mr. Richter's employment at any time without having to provide the Richter Advanced Notice Payment if Mr. Richter is terminated for Cause (as defined in Potential Accelerated Vesting and/or Payout of Assumed Orbotech Equity Awards Upon Certain Terminations of Employment).

In the event of a termination of employment by Orbotech, or Mr. Richter's resignation, in each case, for any reason, Mr. Richter will be entitled to (i) a lump sum payment equal to the product of 200% of his monthly salary in effect prior to the Closing Date multiplied by the number of years of Mr. Richter's service with Orbotech until the Closing Date and (ii) an adaptation payment equal to 12 months base salary and certain benefits. In addition, in the event of (1) a termination of employment by Orbotech without Cause (as defined in the New Richter Employment Agreement), Mr. Richter will additionally be entitled to a lump sum payment equal to the product of 200% of his monthly salary in effect prior to the Closing Date multiplied by the number of years following the Closing Date until the date of such termination or (2) in the event of a resignation by Mr. Richter, Mr. Richter will additionally be entitled to a lump sum payment equal to the product of 150% of his monthly salary in effect prior to the Closing Date multiplied by the number of years following the Closing Date until the date of such termination. Further, if Mr. Richter remains in continuous employment with Orbotech through December 31, 2020, Mr. Richter will be eligible to receive the

separation benefits described in this paragraph, as well as the

## **Table of Contents**

Richter Advanced Notice Payment, on any subsequent termination of employment. The severance payments and benefits described in this paragraph will additionally be paid on any termination of employment as a result of death or disability.

The descriptions of the New Levy Employment Agreement, the New Steimberg Employment Agreement and the New Richter Employment Agreement above are summaries of the principal economic terms of such agreements and are not intended to be a complete description of the agreements.

In addition, pursuant to the approval of the Orbotech Board, at the 2018 Orbotech Annual Meeting scheduled to be held on June 21, 2018, Orbotech is seeking shareholder approval of certain retention arrangements for each of the Chief Executive Officer of Orbotech and the President and Chief Operating Officer of Orbotech to be granted in the event the Merger Agreement terminates prior to the Closing. This proxy statement/prospectus is not soliciting votes for the 2018 Orbotech Annual Meeting and a separate proxy statement relating to the 2018 Orbotech Annual Meeting was made available to Orbotech shareholders on or about May 17, 2018. See the section entitled [Where You Can Find More Information](#) .

## **Indemnification**

Directors and executive officers of Orbotech also have rights to indemnification and directors and officers liability insurance that will survive completion of the Merger. See the section entitled [The Merger Agreement Directors and Officers Indemnification and Insurance](#) .

## **KLA-Tencor Board of Directors Following the Merger**

There will be no change to the KLA-Tencor board of directors following the Merger.

## **Competition Clearances Required for the Merger**

KLA-Tencor and Orbotech are required to submit notifications to various competition authorities prior to completing the Merger. With respect to the United States, the 30-day waiting period under the HSR Act, related to the Merger has expired. In addition, the Israel Antitrust Authority has granted KLA-Tencor's request for an exemption from any premerger notification requirement in Israel related to the Merger and the German Federal Cartel Office, the Austrian Federal Competition Authority and the Taiwanese Fair Trade Commission have respectively cleared or waived jurisdiction over the Merger. The Closing remains subject to the exemption or approval of applicable government entities under the antitrust laws of China, Korea and Japan.

While KLA-Tencor and Orbotech expect to obtain all required regulatory clearances, KLA-Tencor and Orbotech cannot assure you that the antitrust regulators or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the Merger before or after it is completed. Any such challenge to the Merger could result in an administrative or court order enjoining the Merger or in restrictions or conditions that would have a material adverse effect on the combined company if the Merger is completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses, the required licensing of intellectual property rights, or limitations on the ability of the combined company to operate its business as it sees fit. Neither KLA-Tencor nor Orbotech can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Merger.

## **Procedures for Surrendering Orbotech Shares in the Merger**

Following the Effective Time, American Stock Transfer & Trust Company, LLC, the exchange agent, will mail to each Orbotech shareholder, other than holders of Orbotech 102 Shares, certain instructions regarding surrendering the Orbotech shares whether they are certificated or not and making required certifications of the applicability of tax withholding. Orbotech Equity Awards that are being cancelled and converted into Merger Consideration will be processed through payroll. Orbotech 102 Shares and 102 Compensatory Awards or other equity held by the 102 Trustee will receive instructions from the 102 Trustee.

## **Table of Contents**

If you are an Orbotech shareholder with Orbotech shares held in street name, which means your Orbotech shares are held in an account at a broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee.

For further information, see Merger Agreement Exchange Agent; Letter of Transmittal.

### **Dividend Policy**

The Merger Agreement provides that no dividends or other distributions with a record date after the Effective Time with respect to KLA-Tencor common stock will be paid to the holder of any Orbotech shares until such holder properly surrenders its shares in accordance with the procedures described in section entitled Exchange Agent; Letter of Transmittal. After proper surrender, KLA-Tencor will cause such holder to be paid, without interest, (1) at the time of the proper surrender the amount of dividends or other distributions with a record date after the Effective Time and theretofore paid with respect to such shares of KLA-Tencor common stock to which such holder is entitled pursuant to the Merger Agreement and (2) at the appropriate payment date, the amount of dividends or other distributions (a) with a record date after the Effective Time but prior to such surrender and (b) with a payment date subsequent to such surrender payable with respect to such shares of KLA-Tencor common stock.

### **Listing of Additional Shares of KLA-Tencor Common Stock**

KLA-Tencor shall use its reasonable best efforts to cause the shares of KLA-Tencor common stock to be issued in the Merger to be approved for listing on NASDAQ, subject to official notice of issuance, prior to the Effective Time.

### **De-Listing and Deregistration of Orbotech Shares**

If the Merger is completed, the Orbotech shares will be delisted from NASDAQ and deregistered under the Exchange Act, and Orbotech shares will no longer be publicly traded.

### **Appraisal Rights**

Under Israeli law, holders of Orbotech shares are not entitled to statutory appraisal rights in connection with the Merger.

### **Litigation Related to the Merger**

On June 4, 2018, Orbotech, KLA-Tencor, Merger Sub and each of the members of the Orbotech Board were named as defendants in an action in the United States District Court for the District of Delaware (the Franchi Action). The Franchi Action was brought on behalf of a putative class of Orbotech shareholders, alleges certain violations of the Securities Exchange Act of 1934 and seeks, among other things, attorneys' fees and injunctive relief to prevent the Merger from being consummated or, in the event that the Merger is consummated, rescissory damages. Each of Orbotech, KLA-Tencor and Merger Sub believes that the Franchi Action lacks merit and intends to defend against it vigorously.

**Table of Contents****THE MERGER AGREEMENT**

*The following discussion summarizes material provisions of the Merger Agreement entered into by KLA-Tencor, Merger Sub and Orbotech. This summary does not propose to be complete and is qualified in its entirety by reference to the Merger Agreement, which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the Merger Agreement and not by this summary. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information provided elsewhere in this proxy statement/prospectus, including the annexes and the documents incorporated by reference into this proxy statement/prospectus, before making any decisions regarding the Merger.*

*The Merger Agreement is described in this proxy statement/prospectus only to provide you with information regarding its terms and conditions and is not intended to provide any factual information about KLA-Tencor, Orbotech or their respective businesses. The representations, warranties and covenants contained in the Merger Agreement have been made solely for the benefit of the parties to the Merger Agreement. In addition, such representations, warranties and covenants: (1) have been made only for purposes of the Merger Agreement; (2) have been qualified by certain disclosures made by the parties to one another not reflected in the text of the Merger Agreement; (3) may be subject to materiality qualifications contained in the Merger Agreement which may differ from what may be viewed as material by you; (4) were made only as of March 18, 2018 or dates specified in the Merger Agreement; and (5) have been included in the Merger Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Accordingly, the summary of the Merger Agreement is included in this proxy statement/prospectus only to provide you with information regarding the terms of the Merger and not to provide you with any other factual information regarding KLA-Tencor, Orbotech or their respective businesses. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after March 18, 2018, which subsequent information may or may not be fully reflected in KLA-Tencor's or Orbotech's public disclosures.*

**The Merger**

On March 18, 2018, KLA-Tencor, Orbotech and Merger Sub ( Merger Sub ) entered into the Merger Agreement, pursuant to which KLA-Tencor agreed to acquire Orbotech by way of a merger of Merger Sub with and into Orbotech, with Orbotech surviving the Merger as a wholly owned subsidiary of KLA-Tencor (the Surviving Company ). The Surviving Company shall (i) be governed by the Laws of the State of Israel; (ii) maintain a registered office in the State of Israel; and (iii) succeed to and assume all of the rights, properties and obligations of Merger Sub and Orbotech in accordance with the provisions of Sections 314-327 of the ICL.

On May 11, 2018, KLA-Tencor, Orbotech and Merger Sub entered into an amendment (the Amendment ) to the Merger Agreement. The Amendment: (i) clarified that the Excluded Shares (as defined below) would remain outstanding through the Effective Time of the Merger, (ii) provided that Merger Sub (and, as a result of the Merger, the Surviving Company) may be a wholly owned direct or indirect subsidiary of KLA-Tencor, and (iii) contained an acknowledgment that the confirmation received from the Israeli Investment Center of the Israeli Ministry of Economy (the Investment Center ) that the approval of the Investment Center is not required with respect to the change in ownership of the Company to be effected by the Merger was sufficient to satisfy the closing condition relating to Investment Center approval, unless such confirmation is revoked, withdrawn, or amended by the Investment Center prior to Closing.

**Structure of the Merger**

The Merger Agreement provides for the Merger, in which Merger Sub will be merged with and into Orbotech, with Orbotech surviving the Merger as a wholly owned subsidiary of KLA-Tencor.

## **Table of Contents**

After the completion of the Merger, Orbotech's Charter Documents in effect immediately prior to completion of the Merger will be the memorandum of association and articles of association, respectively, of Orbotech as the surviving corporation of the Merger, and the directors and officers of Merger Sub immediately prior to the completion of the Merger will be the directors and officers, respectively, of Orbotech as the surviving corporation in the Merger.

### **Merger Consideration**

Each ordinary share, New Israeli Shekels (NIS) 0.14 nominal (par) value per share, of Orbotech (an Orbotech share) issued and outstanding immediately prior to the consummation of the Merger (except for Orbotech shares held in the treasury of Orbotech, reserved for future grants under Orbotech's employee and director equity compensation plans, owned on behalf of Orbotech by the trustee appointed by Orbotech from time to time in accordance with the provisions of the ITO (the 102 Trustee) or held by KLA-Tencor or any direct or indirect wholly-owned subsidiary of Orbotech or KLA-Tencor (collectively, the Excluded Shares)) will be converted into the right to receive, without interest and less any applicable withholding taxes, (a) \$38.86 in cash (the Cash Consideration) plus (b) 0.25 of a share of KLA-Tencor common stock (the Stock Consideration, and, together with the Cash Consideration, the Merger Consideration) in each case upon the terms and subject to the conditions and restrictions set forth in the Merger Agreement.

In lieu of any fractional share of KLA-Tencor common stock that otherwise would be issuable pursuant to the Merger, each holder of Orbotech shares who otherwise would be entitled to receive a fraction of a share of KLA-Tencor common stock pursuant to the Merger will be paid an amount in cash (without interest) equal to (i) the fraction of a share of KLA-Tencor common stock to which such holder would otherwise be entitled multiplied by (ii) KLA-Tencor Average Closing Price.

In the Merger Agreement, the KLA-Tencor Average Closing Price is defined as the volume-weighted average of the trading prices on NASDAQ of shares of KLA-Tencor common stock (as reported by Bloomberg L.P. or, if not reported by Bloomberg L.P., in another authoritative source mutually selected by the parties) for the ten most recent days ending on (and including) the last trading day immediately prior to the date on which the Effective Time occurs.

### **Closing and Effective Time**

Unless the Merger Agreement is terminated, the consummation of the Merger shall take place on a date to be agreed upon by KLA-Tencor, Merger Sub and Orbotech, which shall be no later than the second business day following the satisfaction or waiver (to the extent permitted in the Merger Agreement) of the last to be satisfied or waived of the conditions to Closing (other than those conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or waiver (to the extent permitted in the Merger Agreement), of those conditions), or on such other date as KLA-Tencor, Merger Sub and Orbotech may mutually agree in writing.

As soon as practicable after the determination of the date on which Closing is to take place in accordance with the Merger Agreement, each of Orbotech and Merger Sub shall, in coordination with each other, deliver to the Companies Registrar of the State of Israel (the Registrar) a notice of the contemplated Merger and the proposed date of the Closing, in which the parties shall request that the Registrar issue a certificate evidencing the Merger in accordance with Section 323(5) of the ICL (the Certificate of Merger) on the date that the parties shall provide notice to the Registrar that the Closing has occurred, and the parties shall deliver such notice to the Registrar on the Closing Date. The Merger shall become effective upon the issuance by the Registrar of the Certificate of Merger in accordance with Section 323(5) of the ICL.



---

**Table of Contents****Exchange Agent; Letter of Transmittal**

Prior to the Effective Time, KLA-Tencor shall (i) designate a bank or trust company reasonably acceptable to Orbotech to act as the payment agent for the Merger (the **Paying Agent**); (ii) enter into and deliver to Orbotech an agreement with the Paying Agent in a form to be agreed by Orbotech and KLA-Tencor ( **Paying Agent Agreement** ); and (iii) at the request of Orbotech, engage an information and paying agent reasonably acceptable to Orbotech and KLA-Tencor (the **Information Agent** ) to assist in obtaining any requisite residency certificate or other declaration for Israeli Tax withholding purposes and, in connection therewith, shall enter into an agreement with the Information Agent in a form reasonably satisfactory to the Orbotech.

On the Closing Date, KLA-Tencor shall deposit (or cause to be deposited) with the Paying Agent, the Information Agent, or if KLA-Tencor so elects, the 102 Trustee or another entity reasonably acceptable to Orbotech (any, or any combination, of the foregoing, the **Exchange Fund Agent** ) for payment to (i) the holders of Orbotech shares pursuant to the provisions of the Merger Agreement (excluding Orbotech shares issued upon the exercise or settlement of Orbotech Equity Award granted under Section 102 of the ITO ( **Orbotech 102 Shares** ) and excluding any Orbotech shares otherwise held by the 102 Trustee); (ii) the holders of Orbotech 102 Shares and 102 Compensatory Awards (other than 102 Compensatory Awards which are Assumed Orbotech Options, Assumed Orbotech RSUs or Assumed Orbotech RSAs) and the holders of Orbotech shares and Orbotech Equity Awards otherwise held by the 102 Trustee, in each case in respect of which KLA-Tencor shall cause payment to be made by the Exchange Fund Agent to the 102 Trustee; and (iii) the holders of Orbotech Equity Awards (other than 102 Compensatory Awards, Orbotech Equity Awards otherwise held by the 102 Trustee, the Assumed Orbotech Options, the Assumed Orbotech RSA and the Assumed Orbotech RSUs), in respect of which KLA-Tencor shall cause payment to be made by the Exchange Fund Agent to Orbotech pursuant to the Merger Agreement, (A) evidence of KLA-Tencor common stock issuable pursuant to the Merger in book-entry form sufficient to pay the aggregate Stock Consideration, (B) by transfer of immediately available funds, an amount of cash sufficient to pay the aggregate Cash Consideration, and (C) by transfer of immediately available funds, an amount of cash sufficient to pay any fractional cash amounts due to the holders of Orbotech shares under the Merger Agreement (such amount referenced in clauses (B) and (C) together with the evidence of book-entry shares of KLA-Tencor common stock, the **Exchange Fund** ).

KLA-Tencor shall be responsible for all fees and expenses of the Exchange Fund Agent. The Exchange Fund, once deposited with the Exchange Fund Agent, shall, pending its disbursement to the holders of Orbotech shares (other than the Orbotech 102 Shares), Orbotech (for the benefit of holders of Orbotech Equity Awards (other than the 102 Compensatory Awards)) and the 102 Trustee (for the benefit of holders of Orbotech 102 Shares and 102 Compensatory Awards and of any Orbotech shares and Orbotech Equity Awards otherwise held by the 102 Trustee), be held in trust for the benefit of such holders and shall not be used for any other purpose.

Promptly following the Effective Time, KLA-Tencor and the Surviving Company shall cause the Exchange Fund Agent to mail to each holder, as of immediately prior to the Effective Time, of (x) a certificate or certificates (the **Certificates** ) that immediately prior to the Effective Time represented outstanding Orbotech shares and (y) uncertificated Orbotech shares (the **Uncertificated Shares** ), in each case whose shares were converted into the right to receive the Merger Consideration pursuant to the Merger Agreement other than Orbotech 102 Shares (A) a letter of transmittal in customary form (which shall be approved by Orbotech and shall specify that delivery shall be effected, and risk of loss and title to such Orbotech shares shall pass, only upon delivery of (1) the Certificates (or affidavits of loss in lieu thereof) or (2) an acknowledgment of the conversion of such holder's Uncertificated Shares into the right to receive the Merger Consideration, as the case may be, to the Exchange Fund Agent) (the **Letter of Transmittal** ); (B) a declaration in which the beneficial owner of Orbotech shares provides certain information necessary for KLA-Tencor to determine whether any amounts need to be withheld from the Merger Consideration payable to such beneficial owner pursuant to the terms of the ITO (in each case, subject to the provisions of the Merger Agreement), the Code, or

any applicable provision of state, local, Israeli, U.S. or other Law, and (C) instructions for use in effecting the surrender of the Certificates or acknowledging the conversion of the Uncertificated Shares into the right to receive the Merger

**Table of Contents**

Consideration payable in respect thereof pursuant to the provisions of the Merger Agreement including, in the case of the Uncertificated Shares, instructions for identifying the deposit account through which such Uncertificated Shares are held. Upon delivery to the Exchange Fund Agent of the Letter of Transmittal and the declaration for Tax withholding purposes or a Valid Tax Certificate, duly completed and validly executed in accordance with the instructions thereto, and, if applicable, surrender of Certificates (or affidavit of loss in lieu thereof) for cancellation to the Exchange Fund Agent, the holders of such Certificates or Uncertificated Shares, as applicable, shall be entitled to receive in exchange therefor an amount in cash equal to the Cash Consideration to which the holder thereof is entitled pursuant to the Merger Agreement (less any applicable withholding taxes payable in respect thereof subject to the provisions of the Merger Agreement), that number of whole shares of KLA-Tencor common stock representing the Stock Consideration to which the holder thereof is entitled pursuant to the Merger Agreement, cash in lieu of any fractional shares of KLA-Tencor common stock to which the holder thereof is entitled to receive pursuant to the Merger Agreement, and an amount in cash sufficient to pay any dividends or other distributions to which the holder thereof is entitled pursuant to the Merger Agreement. KLA-Tencor shall cause the Exchange Fund Agent to accept such Certificates or acknowledgments of the conversion of the Uncertificated Shares upon compliance with the foregoing exchange procedures.

Any Merger Consideration payable in respect of Orbotech 102 Shares shall be transferred by KLA-Tencor to the Exchange Fund Agent and KLA-Tencor shall cause the Exchange Fund Agent on the Closing Date to make payment of such Merger Consideration to the 102 Trustee for the benefit of the beneficial owners thereof, and such Merger Consideration shall be released by the 102 Trustee to the beneficial holders of such Orbotech 102 Shares, in accordance with the requirements of Section 102 of the ITO and the Option Tax Ruling (as defined in the section entitled *Material Israeli Tax Consequences* ), if obtained.

Promptly following the Effective Time, KLA-Tencor shall cause the Exchange Fund Agent to transfer the aggregate Merger Consideration payable with respect to Orbotech shares covered by Orbotech Equity Awards granted under Section 102 of the ITO (collectively, the *102 Compensatory Awards* ) and with respect to other Orbotech Equity Awards that are otherwise held by the 102 Trustee, in each case, that are not Assumed Orbotech RSUs, Assumed Orbotech RSAs, or Assumed Orbotech Options and pursuant to the Merger Agreement, to the 102 Trustee, on behalf of holders of 102 Compensatory Awards, in accordance with Section 102 of the ITO and the Option Tax Ruling, if obtained (the *102 Amounts* ), and holders of other Orbotech Equity Awards otherwise held by the 102 Trustee. The 102 Amounts shall be held in trust by the 102 Trustee pursuant to the applicable provisions of Section 102 of the ITO and the Option Tax Ruling, if obtained, and shall be released by the 102 Trustee, together with any interest earned thereon by virtue of the investment of such amounts by the 102 Trustee, in accordance with the terms and conditions of Section 102 of the ITO and the Option Tax Ruling, if obtained.

**Withholding**

KLA-Tencor, its subsidiaries, Orbotech, its subsidiaries, the Surviving Company, the 102 Trustee and the Exchange Fund Agent (each a *Payor* ) shall be entitled to deduct and withhold from any payment or consideration made pursuant to the Merger Agreement the amounts as may be required to be deducted and withheld with respect to the making of such payment under any applicable tax law (including U.S. federal, state, local, Israeli or other tax law). If a Payor deducts and withholds any such amounts, such amounts shall be timely remitted to the appropriate taxing authority and will be treated for all purposes of the Merger Agreement as having been paid to the persons from whom they were withheld. For more information, please see the section entitled *Tax Rulings* .

**Table of Contents**

**Dividends and Distributions**

The Merger Agreement provides that no dividends or other distributions with a record date after the Effective Time with respect to KLA-Tencor common stock will be paid to the holder of any Orbotech shares until such holder properly surrenders its shares in accordance with the procedures described in the section entitled Exchange Agent; Letter of Transmittal . After proper surrender, KLA-Tencor will cause such holder to be paid, without interest, (1) at the time of the proper surrender, the amount of dividends or other distributions with a record date after the Effective Time and theretofore paid with respect to such shares of KLA-Tencor common stock to which such holder is entitled pursuant to the Merger Agreement and (2) at the appropriate payment date, the amount of dividends or other distributions (a) with a record date after the Effective Time but prior to such surrender and (b) with a payment date subsequent to such surrender, payable with respect to such shares of KLA-Tencor common stock.

**Representations and Warranties**

The Merger Agreement contains representations and warranties made by KLA-Tencor, Merger Sub and Orbotech to, and solely for the benefit of, each other. You should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts about KLA-Tencor or Orbotech and should see the section entitled Where You Can Find More Information for the location of documents that are incorporated by reference into this proxy statement/prospectus for information regarding KLA-Tencor and Orbotech and their respective businesses.

The Merger Agreement contains customary representations and warranties made by Orbotech relating to its business regarding, among other things:

corporate matters, including organization, power to conduct its business and qualification and good standing;

Orbotech's subsidiaries;

authority to execute and deliver the Merger Agreement and to consummate the transactions contemplated by, and to perform its obligations pursuant to, the Merger Agreement;

Orbotech's capital structure;

no conflicts with organizational documents as a result of the Merger and consents from governmental entities required to be obtained in connection with the Merger;

the accuracy of Orbotech's filings with the SEC;

Orbotech's SEC reports and financial statements;

maintenance of disclosure controls and procedures and internal control over financial reporting;

the absence of undisclosed liabilities;

the absence of certain changes since December 31, 2017 through March 18, 2018 with respect to the business of Orbotech and its subsidiaries, including no Material Adverse Effect (as defined in the section entitled "Material Adverse Effect") on Orbotech in that period;

Orbotech's material contracts and its compliance with such contracts;

compliance with applicable laws and government regulations;

compliance with all material permits required to conduct Orbotech's business as currently conducted;

the absence of certain legal proceedings, orders, claims and actions;

no material disputes with Orbotech's largest customers and suppliers;

**Table of Contents**

the timely filing of taxes and the accuracy and completeness of certain tax matters;

compliance with applicable environmental laws;

Orbotech's employee benefit plans and compliance with applicable laws related to employee benefits and the Employment Retirement Income Security Act of 1974, as amended;

certain other employment and labor matters, including compliance with applicable laws related thereto;

ownership and leasehold rights to real property;

sufficiency and adequacy of, and valid title or right to use of, assets material to Orbotech's business;

ownership of or right to intellectual property and absence of infringement;

858,349	\$ 201,801	\$ 656,548		
GAAP-based Customer Support Gross Margin %	89.1 %		87.5%	88.0%
% Customer Support Revenues by Geography:				
Americas	57.2 %		59.4%	57.5%
EMEA	34.4 %		32.7%	34.9%
Asia Pacific	8.4 %		7.9%	7.6%

#### Fiscal 2018 Compared to Fiscal 2017

Customer support revenues increased by \$251.4 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately \$37.1 million. Geographically, the overall increase was attributable to an increase in Americas of \$122.9 million, an increase in EMEA of \$103.1 million and an increase in Asia Pacific of \$25.4 million.

Cost of Customer support revenues increased by \$11.3 million during Fiscal 2018 as compared to the prior fiscal year, due to (i) an increase in labour-related costs of approximately \$10.4 million, which was partially due to recent acquisitions, (ii) an increase in the installed base of third party products of approximately \$0.6 million, and (iii) an increase in other miscellaneous costs of \$0.3 million. Overall, the gross margin percentage on Customer support revenues increased to approximately 89% from approximately 88%.

#### Fiscal 2017 Compared to Fiscal 2016

Customer support revenues increased by \$234.7 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately \$12.4 million. Geographically, the overall increase was attributable to an increase in Americas of \$153.5 million, an increase in EMEA of \$60.5 million and an increase in Asia Pacific of \$20.7 million.

Cost of Customer support revenues increased by \$32.9 million during Fiscal 2017 as compared to the prior fiscal year, due to (i) an increase in labour-related costs of approximately \$27.1 million, which was predominantly due to recent acquisitions, (ii) an increase in the installed base of third party products of approximately \$5.7 million, and (iii) an increase in other miscellaneous costs of \$0.1 million. The increase in the installed base of third party products was

primarily the result of products we have inherited from our recent acquisitions. Overall, the gross margin percentage on Customer support revenues remained stable at approximately 88%.

4) Professional Service and Other:

Professional service and other revenues consist of revenues from consulting contracts and contracts to provide implementation, training and integration services (professional services). Other revenues consist of hardware revenues. These revenues are grouped within the “Professional service and other” category because they are relatively immaterial to our service revenues. Professional services are typically performed after the purchase of new software licenses. Cost of professional service and other revenues consists primarily of the costs of providing integration, configuration and training with respect to our various software products. The most significant components of these costs are personnel-related expenses, travel costs and third party subcontracting.

(In thousands)	Year Ended June 30,		Change		Change	
	2018	Change increase (decrease)	2017	increase (decrease)	2016	increase (decrease)
<b>Professional Service and Other Revenues:</b>						
Americas	\$151,471	\$39,872	\$111,599	\$21,758	\$89,841	
EMEA	131,843	29,601	102,242	15,133	87,109	
Asia Pacific	32,943	11,468	21,475	5,334	16,141	
Total Professional Service and Other Revenues	316,257	80,941	235,316	42,225	193,091	
Cost of Professional Service and Other Revenues	253,670	58,475	195,195	39,611	155,584	
GAAP-based Professional Service and Other Gross Profit	\$62,587	\$22,466	\$40,121	\$2,614	\$37,507	
GAAP-based Professional Service and Other Gross Margin %	19.8	%	17.0	%	19.4	%
<b>% Professional Service and Other Revenues by Geography:</b>						
Americas	47.9	%	47.4	%	46.5	%
EMEA	41.7	%	43.4	%	45.1	%
Asia Pacific	10.4	%	9.2	%	8.4	%

#### Fiscal 2018 Compared to Fiscal 2017

Professional service and other revenues increased by \$80.9 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately \$11.2 million. Geographically, the overall increase was attributable to an increase in Americas of \$39.9 million, an increase in EMEA of \$29.6 million and an increase in Asia Pacific of \$11.5 million.

Cost of Professional service and other revenues increased by \$58.5 million during Fiscal 2018 as compared to the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately \$53.8 million, which was partially due to recent acquisitions, and an increase in other miscellaneous costs of \$4.7 million. However, the gross margin percentage on Professional service and other revenues increased to approximately 20% from approximately 17%.

#### Fiscal 2017 Compared to Fiscal 2016

Professional service and other revenues increased by \$42.2 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately \$4.1 million. Geographically, the overall increase was attributable to an increase in Americas of \$21.8 million, an increase in EMEA of \$15.1 million and an increase in Asia Pacific of \$5.3 million.

Cost of Professional service and other revenues increased by \$39.6 million during Fiscal 2017 as compared to the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately \$40.8 million, which was predominantly due to recent acquisitions. Approximately \$1.1 million of the increase in labour-related costs was associated with one-time charges incurred earlier this fiscal year from reorganizing our professional services organization. These increases were partially offset by a reduction in other miscellaneous costs of \$1.2 million. Overall, the gross margin percentage on Professional service and other revenues decreased to approximately 17% from approximately 19%.

#### Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Year Ended June 30,		Change		Change	
	2018	Change increase (decrease)	2017	increase (decrease)	2016	increase (decrease)
Amortization of acquired technology-based intangible assets	\$185,868	\$55,312	\$130,556	\$56,318	\$74,238	

#### Fiscal 2018 Compared to Fiscal 2017

Amortization of acquired technology-based intangible assets increased during Fiscal 2018 by \$55.3 million as compared to the prior fiscal year. This was due to an increase in amortization of \$62.0 million, relating to newly acquired technology-based intangible assets from our acquisitions of Hightail, Guidance and Covisint, as well as the full year impact of amortization from our acquisitions of certain assets and liabilities of the enterprise content division of EMC Corporation (ECD Business), certain customer communication management software assets and liabilities from HP Inc. (CCM Business), and Recommind

Inc. (Recommind) which were acquired in the prior fiscal year. The increase in amortization was partially offset by a reduction of \$6.7 million, relating to intangible assets pertaining to certain previous acquisitions becoming fully amortized.

Fiscal 2017 Compared to Fiscal 2016

Amortization of acquired technology-based intangible assets increased during Fiscal 2017 by \$56.3 million as compared to the prior fiscal year. This was due to an increase in amortization of \$66.8 million relating to newly acquired technology-based intangible assets from our acquisitions of ECD Business, CCM Business, Recommind, certain customer experience software and services assets and liabilities from HP Inc. (CEM Business), ANXe Business Corporation (ANX) and Daegis Inc. (Daegis). The increase in amortization was partially offset by a reduction of \$10.5 million relating to certain intangible assets pertaining to previous acquisitions becoming fully amortized.

Operating Expenses

Year Ended June 30,

(In thousands)	2018		2017		2016	
		Change increase (decrease)		Change increase (decrease)		Change increase (decrease)
Research and development	\$323,461	\$41,781	\$281,680	\$87,623	\$194,057	
Sales and marketing	529,381	84,543	444,838	100,603	344,235	
General and administrative	205,313	34,875	170,438	30,041	140,397	
Depreciation	86,943	22,625	64,318	9,389	54,929	
Amortization of acquired customer-based intangible assets	184,118	33,276	150,842	37,641	113,201	
Special charges (recoveries)	29,211	(34,407)	63,618	28,772	34,846	
Total operating expenses	\$1,358,427	\$182,693	\$1,175,734	\$294,069	\$881,665	

% of Total Revenues:

Research and development	11.5	%	12.3	%	10.6	%
Sales and marketing	18.8	%	19.4	%	18.9	%
General and administrative	7.3	%	7.4	%	7.7	%
Depreciation	3.1	%	2.8	%	3.0	%
Amortization of acquired customer-based intangible assets	6.5	%	6.6	%	6.2	%
Special charges (recoveries)	1.0	%	2.8	%	1.9	%

Research and development expenses consist primarily of payroll and payroll-related benefits expenses, contracted research and development expenses, and facility costs. Research and development assists with organic growth and improves product stability and functionality, and accordingly, we dedicate extensive efforts to update and upgrade our product offerings. The primary driver is typically budgeted software upgrades and software development.

(In thousands)	Change between Fiscal	
	2018 and 2017	2017 and 2016
Payroll and payroll-related benefits	\$39,206	\$58,437
Contract labour and consulting	(3,899)	9,535
Share-based compensation	(1,490)	4,333
Travel and communication	(343)	549
Facilities	7,834	12,203
Other miscellaneous	473	2,566
Total year-over-year change in research and development expenses	\$41,781	\$87,623

Fiscal 2018 Compared to Fiscal 2017

Research and development expenses increased by \$41.8 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$39.2 million and an increase in the use of facility and related resources of \$7.8 million, which were partly the result of recent acquisitions. These were partially offset by a decrease in contract labour and consulting of \$3.9 million and a decrease in share-based compensation expense of \$1.5 million. Overall, our research and development expenses, as a percentage of total revenues, remained stable at approximately 12%.

Our research and development labour resources increased by 627 employees, from 2,704 employees at June 30, 2017 to 3,331 employees at June 30, 2018, primarily as a result of our recent acquisitions.

Fiscal 2017 Compared to Fiscal 2016

Research and development expenses increased by \$87.6 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$58.4 million and an increase in the use of facility and related resources of \$12.2 million, which were predominantly the result of recent acquisitions. Additionally, contract labour and consulting increased by \$9.5 million, and share-based compensation increased by \$4.3 million. Overall, our research and development expenses, as a percentage of total revenues, increased to approximately 12% from approximately 11%.

Our research and development labour resources increased by 536 employees, from 2,168 employees at June 30, 2016 to 2,704 employees at June 30, 2017, primarily as a result of our recent acquisitions.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising, marketing and trade shows.

(In thousands)	Change between Fiscal	
	2018 and	2017 and
	2017	2016
Payroll and payroll-related benefits	\$48,573	\$63,973
Commissions	16,993	22,762
Contract labour and consulting	609	1,623
Share-based compensation	(454 )	(2,273 )
Travel and communication	271	4,628
Marketing expenses	3,880	4,717
Facilities	8,373	5,988
Bad Debt expense	4,013	21
Other miscellaneous	2,285	(836 )
Total year-over-year change in sales and marketing expenses	\$84,543	\$100,603

Fiscal 2018 Compared to Fiscal 2017

Sales and marketing expenses increased by \$84.5 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$48.6 million and an increase in facility and related resources of \$8.4 million, both of which were partly the result of recent acquisitions. Additionally, commissions expense increased by \$17.0 million in conjunction with higher revenues. Overall, our sales and marketing expenses, as a percentage of total revenues, remained stable at approximately 19%.

Our sales and marketing labour resources increased by 142 employees, from 1,806 employees at June 30, 2017 to 1,948 employees at June 30, 2018, primarily as a result of our recent acquisitions.

Fiscal 2017 Compared to Fiscal 2016

Sales and marketing expenses increased by \$100.6 million during Fiscal 2017 as compared to the prior fiscal year.

This was primarily due to an increase in payroll and payroll-related benefits of \$64.0 million and an increase in facility and related resources of \$6.0 million, both of which were predominantly the result of recent acquisitions. Additionally, commissions expense increased by \$22.8 million in conjunction with higher revenues. The remainder of the change was primarily attributable to normal growth in our business operations. Overall, our sales and marketing expenses, as a percentage of total revenues, remained stable at approximately 19%.

Our sales and marketing labour resources increased by 364 employees, from 1,442 employees at June 30, 2016 to 1,806 employees at June 30, 2017, primarily as a result of our recent acquisitions.

General and administrative expenses consist primarily of payroll and payroll related benefits expenses, related overhead, audit fees, other professional fees, contract labour and consulting expenses and public company costs.

(In thousands)	Change between Fiscal	
	2018 and 2017	2017 and 2016
Payroll and payroll-related benefits	\$22,909	\$17,923
Contract labour and consulting	(1,054)	4,879
Share-based compensation	(1,709)	2,188
Travel and communication	80	454
Facilities	5,777	1,333
Other miscellaneous	8,872	3,264
Total year-over-year change in general and administrative expenses	\$34,875	\$30,041

## Fiscal 2018 Compared to Fiscal 2017

General and administrative expenses increased by \$34.9 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$22.9 million and an increase in facility and related resources of \$5.8 million, which were partly the result of recent acquisitions, and an increase in other miscellaneous expenses of \$8.9 million, which includes professional fees such as legal, audit and tax related expenses. These increases were partially offset by a \$1.7 million reduction in share-based compensation and a \$1.1 million reduction in contract labour and consulting. Overall, general and administrative expenses, as a percentage of total revenue, remained stable at approximately 7%.

Our general and administrative labour resources increased by 116 employees, from 1,385 employees at June 30, 2017 to 1,501 employees at June 30, 2018, primarily as a result of our recent acquisitions.

## Fiscal 2017 Compared to Fiscal 2016

General and administrative expenses increased by \$30.0 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$17.9 million, which was predominantly the result of recent acquisitions. The remainder of the change was attributable to normal growth in our business operations. Overall, general and administrative expenses as a percentage of total revenue decreased slightly to approximately 7% from approximately 8%.

Our general and administrative labour resources increased by 283 employees, from 1,102 employees at June 30, 2016 to 1,385 employees at June 30, 2017, primarily as a result of our recent acquisitions.

## Depreciation expenses:

## Year Ended June 30,

(In thousands)	2018	Change		2017	Change	
		increase (decrease)	2016		increase (decrease)	2016
Depreciation	86,943	22,625	64,318	9,389	54,929	

## Fiscal 2018 Compared to Fiscal 2017

Depreciation expenses increased by \$22.6 million during Fiscal 2018 as compared to the prior fiscal year, primarily in accordance with increased capital asset expenditures. Depreciation expense remained relatively stable as a percentage of total revenue, at approximately 3%.

## Fiscal 2017 Compared to Fiscal 2016

Depreciation expenses increased by \$9.4 million during Fiscal 2017 as compared to the prior fiscal year, but remained relatively stable as a percentage of total revenue, at approximately 3%.

## Amortization of acquired customer-based intangible assets:

## Year Ended June 30,

(In thousands)	2018	Change		2017	Change	
		increase (decrease)	2016		increase (decrease)	2016
Amortization of acquired customer-based intangible assets	\$184,118	\$33,276	\$150,842	\$37,641	\$113,201	



Fiscal 2018 Compared to Fiscal 2017

Acquired customer-based intangible assets amortization expense increased by \$33.3 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in amortization of \$39.2 million relating to newly acquired customer-based intangible assets from our acquisitions of Hightail, Guidance and Covisint, as well as the full year impact of amortization from our acquisitions of ECD Business, CCM Business, and Recommind, which were acquired in the prior fiscal year. This increase in amortization was partially offset by a reduction of \$5.9 million, relating to certain customer-based intangible assets pertaining to previous acquisitions becoming fully amortized.

Fiscal 2017 Compared to Fiscal 2016

Acquired customer-based intangible assets amortization expense increased by \$37.6 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in amortization of \$44.3 million relating to newly acquired customer-based intangible assets from our acquisitions of ECD Business, CCM Business, Recommind, CEM Business, ANX and Daegis. This increase in amortization was partially offset by a reduction of \$6.6 million relating to certain customer-based intangible assets pertaining to previous acquisitions becoming fully amortized.

Special charges (recoveries):

Special charges typically relate to amounts that we expect to pay in connection with restructuring plans relating to employee workforce reduction and abandonment of excess facilities, acquisition-related costs and other similar charges and recoveries. Generally, we implement such plans in the context of integrating acquired entities with existing OpenText operations. Actions related to such restructuring plans are typically completed within a period of one year. In certain limited situations, if the planned activity does not need to be implemented, or an expense lower than anticipated is paid out, we record a recovery of the originally recorded expense to Special charges.

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Special charges (recoveries)	\$29,211	\$(34,407)	\$63,618	\$28,772	\$34,846

Fiscal 2018 Compared to Fiscal 2017

Special charges decreased by \$34.4 million during Fiscal 2018 as compared to the prior fiscal year. The decrease was primarily due to (i) a \$15.8 million reduction in restructuring activities, (ii) a reduction in acquisition related costs of \$11.1 million, (iii) a reduction in expense of \$7.5 million relating to an ERP implementation project that was completed in early July 2017, and (iv) a reduction in expense of \$6.5 million relating to commitment fees incurred during Fiscal 2017 that did not reoccur in Fiscal 2018. These decreases were partially offset by (i) an increase of \$2.9 million relating to system implementation costs, (ii) \$1.2 million relating to a lower net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred, as compared to the prior fiscal year. The remainder of the change is due to miscellaneous items.

Fiscal 2017 Compared to Fiscal 2016

Special charges increased by \$28.8 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to (i) an increase in restructuring charges of \$14.8 million, (ii) an increase in acquisition related costs of \$8.2 million, (iii) a net increase of \$6.5 million relating to commitments fees, (iv) an increase of \$2.5 million relating to an ERP implementation project we were involved in, and (v) an increase of \$0.4 million relating to a lower net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred. These increases were partially offset by a decrease of \$3.5 million relating to a reduction in post-acquisition integration costs necessary to streamline acquired companies into our operations. The remainder of the change is due to miscellaneous items.

For more details on Special charges (recoveries), see note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements.

Other Income (Expense), Net

Other income (expense), net relates to certain non-operational charges primarily consisting of income or losses in our share of marketable equity securities accounted for under the equity method and of transactional foreign exchange gains (losses). The income (expense) from foreign exchange is dependent upon the change in foreign currency

exchange rates vis-à-vis the functional currency of the legal entity.

(In thousands)	Year Ended June 30,				
	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Foreign exchange gains (losses)	\$4,805	\$ 1,736	\$3,069	\$ 4,968	\$(1,899)
OpenText share in net income (loss) of equity investees	6,005	45	5,960	5,960	—
Income from long-term other receivable	1,327	(5,099 )	6,426	6,426	—
Gain on shares held in Guidance <sup>(1)</sup>	841	841	—	—	—
Gain from contractual settlement <sup>(2)</sup>	5,000	5,000	—	—	—
Other miscellaneous income (expense)	(5 )	(293 )	288	(188 )	476
Total other income (expense), net	\$17,973	\$ 2,230	\$15,743	\$17,166	\$(1,423)

<sup>(1)</sup> Represents the release to income from other comprehensive income relating to the mark to market on shares we held in Guidance prior to our acquisition in the first quarter of Fiscal 2018.

<sup>(2)</sup> Represents a gain recognized in connection with the settlement of a certain breach of contractual arrangement in the second quarter of Fiscal 2018.

#### Interest and Other Related Expense, Net

Interest and other related expense, net is primarily comprised of interest paid and accrued on our debt facilities, offset by interest income earned on our cash and cash equivalents.

(In thousands)	Year Ended June 30,				
	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Interest and other related expense, net	\$137,250	\$ 18,126	\$119,124	\$ 42,761	\$76,363

#### Fiscal 2018 Compared to Fiscal 2017

Interest and other related expense, net increased by \$18.1 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to additional interest of \$6.4 million incurred relating to a higher outstanding balance on the Revolver (as defined herein) and additional interest incurred of \$3.1 million relating to Term Loan B (as defined herein). Also, during Fiscal 2018, we incurred additional interest expense of \$6.8 million relating to the full year impact of interest owing on the reopening of Senior Notes 2026 (as defined herein), which were issued in December 2016.

#### Fiscal 2017 Compared to Fiscal 2016

Interest and other related expense, net increased during Fiscal 2017 by \$42.8 million, as compared to the prior fiscal year. This was primarily due to additional interest expense incurred relating to Senior Notes 2026 (as defined herein), issued in May 2016 and December 2016 of approximately \$40.2 million and additional interest incurred relating to outstanding balances on the Revolver (as defined herein) during Fiscal 2017 of \$2.6 million.

For more details see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

#### Provision for (Recovery of) Income Taxes

We operate in several tax jurisdictions and are exposed to various foreign tax rates. We also note that we are subject to tax rate discrepancies between our domestic tax rate and foreign tax rates that are significant and these discrepancies are primarily related to earnings in the United States.

Please also see Part I, Item 1A "Risk Factors" elsewhere in this Annual Report on Form 10-K.

(In thousands)	Year Ended June 30,				
	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Provision for (recovery of) income taxes	\$143,826	\$ 920,190	\$(776,364)	\$(782,646)	\$6,282

### Fiscal 2018 Compared to Fiscal 2017

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our IP in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. We believe our reorganization also reduces our exposure to global political and tax uncertainties, particularly in Europe. We believe that further consolidating our IP in Canada will continue to ensure appropriate legal protections for our consolidated IP, simplify legal, accounting and tax compliance, and improve our global cash management. A significant tax benefit of \$876.1 million, associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was recognized in the first quarter of Fiscal 2017. We believe it is more likely than not that the deferred tax asset will be realized and therefore no valuation allowance was required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText. This significant tax benefit is specifically tied to the reorganization and applied to the first quarter of Fiscal 2017 only and as a result, has not and will not continue in future periods.

The effective tax rate increased to a provision of 37.2% for the year ended June 30, 2018, compared to a recovery of 311.1% for the year ended June 30, 2017. The increase in tax expense of \$920.2 million was primarily due to (i) a significant tax benefit of \$876.1 million resulting from the Fiscal 2017 internal reorganization as described above which did not reoccur in Fiscal 2018, (ii) the impact of changes in US tax legislation in Fiscal 2018 resulting in a provisional charge of \$19.0 million (see below), and (iii) an increase of \$29.9 million on account of the Company having higher income before taxes, including the impact of foreign tax rates and (iv) an increase of \$9.2 million relating to differences in tax filings from provisions, offset by (i) a decrease of \$8.9 million resulting from the net impact of reversals and accruals of reserves, and (ii) a decrease of \$2.1 million relating to a decrease in amortization of deferred charges. The remainder of the difference was due to normal course movements and non-material items. On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system. As a result of the enactment of the legislation, the Company incurred a provisional one-time tax expense of \$19.0 million for the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. The portion of this anticipated increase to tax expense attributable to the transition tax is payable over a period of up to eight years. The impact of the \$19.0 million adjustment resulting from the US legislation on the effective tax rate is an increase of 4.9% for the year ended June 30, 2018.

The \$19.0 million is a provisional amount in respect of Alternative Minimum Tax (AMT), and transition tax on accumulated foreign earnings in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). The finalization of the provisional one-time amount is pending finalization of considerations related to undistributed foreign earnings and evaluating whether any portion of our existing AMT credit carryforwards are not expected to be refundable as a result of the repeal of corporate AMT, which may result in changes to the provisional amount during the SAB 118 measurement period.

The Company continues to assess the impact of the new law on its consolidated financial statements and anticipates finalizing the determination on or before December 22, 2018 in accordance with SAB 118.

### Fiscal 2017 Compared to Fiscal 2016

The effective tax rate decreased to a recovery of 311.1% for Fiscal 2017, compared to a provision of 2.2% for Fiscal 2016. The decrease in tax expense of \$782.6 million was primarily due to (i) a significant tax benefit of \$876.1 million resulting from an internal reorganization as described above, (ii) a decrease of \$16.8 million relating to differences in tax filings from provisions, (iii) a decrease of \$10.9 million on account of the Company having lower income before taxes, (iv) a decrease of \$7.0 million resulting from the effects of permanent differences and (v) a decrease of \$5.0 million relating to a decrease in amortization of deferred charges. These decreases were partially offset by (i) an increase of \$80.1 million resulting from the impact of foreign tax rates as it relates to changes in the proportion of

income earned in domestic jurisdictions compared to foreign jurisdictions with different statutory rates, (ii) an increase of \$35.5 million relating to the release of a valuation allowance that occurred in Fiscal 2016 but did not reoccur in Fiscal 2017, and (iii) an increase of \$14.7 million primarily related to the reversal of reserves in Fiscal 2016 that did not reoccur in Fiscal 2017. The remainder of the difference was due to normal course movements and non-material items.

For information with regards to certain potential tax contingencies, see note 13 "Guarantees and Contingencies" to our Consolidated Financial Statements.

### Use of Non-GAAP Financial Measures

In addition to reporting financial results in accordance with U.S. GAAP, the Company provides certain financial measures that are not in accordance with U.S. GAAP (Non-GAAP). These Non-GAAP financial measures have certain limitations in that they do not have a standardized meaning and thus the Company's definition may be different from similar Non-GAAP financial measures used by other companies and/or analysts and may differ from period to period. Thus it may be more difficult to compare the Company's financial performance to that of other companies. However, the Company's management compensates for these limitations by providing the relevant disclosure of the items excluded in the calculation of these Non-GAAP financial measures both in its reconciliation to the U.S. GAAP financial measures and its Consolidated Financial Statements, all of which should be considered when evaluating the Company's results.

The Company uses these Non-GAAP financial measures to supplement the information provided in its Consolidated Financial Statements, which are presented in accordance with U.S. GAAP. The presentation of Non-GAAP financial measures are not meant to be a substitute for financial measures presented in accordance with U.S. GAAP, but rather should be evaluated in conjunction with and as a supplement to such U.S. GAAP measures. OpenText strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure. The Company therefore believes that despite these limitations, it is appropriate to supplement the disclosure of the U.S. GAAP measures with certain Non-GAAP measures defined below.

Non-GAAP-based net income and Non-GAAP-based EPS, attributable to OpenText, are calculated as GAAP-based net income or earnings per share, attributable to OpenText, on a diluted basis, after giving effect to the amortization of acquired intangible assets, other income (expense), share-based compensation, and Special charges (recoveries), all net of tax and any tax benefits/expense items unrelated to current period income, as further described in the tables below. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets and share-based compensation within cost of sales. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of total revenue.

Non-GAAP-based income from operations is calculated as GAAP-based income from operations, excluding the amortization of acquired intangible assets, Special charges (recoveries), and share-based compensation expense.

Non-GAAP-based operating margin is calculated as Non-GAAP-based income from operations expressed as a percentage of total revenue.

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (Adjusted EBITDA) is calculated as GAAP-based net income, attributable to OpenText excluding interest income (expense), provision for income taxes, depreciation and amortization of acquired intangible assets, other income (expense), share-based compensation and Special charges (recoveries).

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management. These items are excluded based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports and are not excluded in the sense that they may be used under U.S. GAAP.

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which in certain cases adjust for the impact of amortization of intangible assets and the related tax effects that are primarily related to acquisitions, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends. Additionally, the Company has engaged in various restructuring activities over the past several years that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company's "Special Charges (recoveries)" caption on the Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

In summary, the Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses, and is therefore a useful indication of OpenText's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented:

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2018  
(in thousands except for per share data)

Year Ended June 30, 2018

	GAAP-based Measures		Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
	Measures	% of Total Revenue				
Cost of revenues						
Cloud services and subscriptions	\$364,091		\$ (1,429 )	(1)	\$ 362,662	
Customer support	134,089		(1,233 )	(1)	132,856	
Professional service and other	253,670		(1,838 )	(1)	251,832	
Amortization of acquired technology-based intangible assets	185,868		(185,868 )	(2)	—	
GAAP-based gross profit and gross margin (%) /	1,863,830	66.2%	190,368	(3)	2,054,198	73.0%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	323,461		(5,659 )	(1)	317,802	
Sales and marketing	529,381		(9,231 )	(1)	520,150	
General and administrative	205,313		(8,204 )	(1)	197,109	
Amortization of acquired customer-based intangible assets	184,118		(184,118 )	(2)	—	
Special charges (recoveries)	29,211		(29,211 )	(4)	—	
GAAP-based income from operations and operating margin (%) /	505,403	18.0%	426,791	(5)	932,194	33.1%
Non-GAAP-based income from operations and operating margin (%)						
Other income (expense), net	17,973		(17,973 )	(6)	—	
Provision for (recovery of) income taxes	143,826		(32,534 )	(7)	111,292	
GAAP-based net income /						
Non-GAAP-based net income, attributable to OpenText	242,224		441,352	(8)	683,576	
GAAP-based earnings per share /						
Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$0.91		\$ 1.65	(8)	\$ 2.56	

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain

(5) charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total revenue.

Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable

- (6) securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

Adjustment relates to differences between the GAAP-based tax provision rate of approximately 37% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net.

- (7) Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense. We also took into consideration changes in US tax reform legislation that was enacted on December 22, 2017 through the Tax Cuts and Jobs Act.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2018	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$242,224	\$0.91
Add:		
Amortization	369,986	1.38
Share-based compensation	27,594	0.10
Special charges (recoveries)	29,211	0.11
Other (income) expense, net	(17,973 )	(0.07 )
GAAP-based provision for (recovery of) income taxes	143,826	0.54
Non-GAAP-based provision for income taxes	(111,292 )	(0.41 )
Non-GAAP-based net income, attributable to OpenText	\$683,576	\$2.56
Reconciliation of Adjusted EBITDA		

	Year Ended June 30, 2018	
GAAP-based net income, attributable to OpenText	\$242,224	
Add:		
Provision for (recovery of) income taxes	143,826	
Interest and other related expense, net	137,250	
Amortization of acquired technology-based intangible assets	185,868	
Amortization of acquired customer-based intangible assets	184,118	
Depreciation	86,943	
Share-based compensation	27,594	
Special charges (recoveries)	29,211	
Other (income) expense, net	(17,973 )	
Adjusted EBITDA	\$1,019,061	

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2017  
(in thousands except for per share data)

	GAAP-based		Adjustments		Non-GAAP-based	
	Measures	% of Total	Note	Measures	% of Total	Revenue
	Measures	Revenue		Measures	Revenue	
Year Ended June 30, 2017						
Cost of revenues						
Cloud services and subscriptions	\$ 300,255		\$ (1,229 )	(1)	\$ 299,026	
Customer support	122,753		(1,079 )	(1)	121,674	
Professional service and other	195,195		(1,451 )	(1)	193,744	
Amortization of acquired technology-based intangible assets	130,556		(130,556 )	(2)	—	
GAAP-based gross profit and gross margin (%) /	1,528,666	66.7%	134,315	(3)	1,662,981	72.6%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	281,680		(7,149 )	(1)	274,531	
Sales and marketing	444,838		(9,680 )	(1)	435,158	
General and administrative	170,438		(9,919 )	(1)	160,519	
Amortization of acquired customer-based intangible assets	150,842		(150,842 )	(2)	—	
Special charges (recoveries)	63,618		(63,618 )	(4)	—	
GAAP-based income from operations and operating margin (%) /	352,932	15.4%	375,523	(5)	728,455	31.8%
Non-GAAP-based income from operations and operating margin (%)						
Other income (expense), net	15,743		(15,743 )	(6)	—	
Provision for (recovery of) income taxes	(776,364 )		867,764	(7)	91,400	
GAAP-based net income /						
Non-GAAP-based net income, attributable to OpenText	1,025,659		(507,984 )	(8)	517,675	
GAAP-based earnings per share /						
Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$ 4.01		\$ (1.99 )	(8)	\$ 2.02	

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial

Statements for more details.

- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total revenue.

Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

- (6) Adjustment relates to differences between the GAAP-based tax recovery rate of approximately 311% and a Non-GAAP-based tax rate of approximately 15%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net.

- (7) Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 15%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2017	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$ 1,025,659	\$ 4.01
Add:		
Amortization	281,398	1.10
Share-based compensation	30,507	0.12
Special charges (recoveries)	63,618	0.25
Other (income) expense, net	(15,743)	(0.06)
GAAP-based provision for (recovery of) income taxes	(776,364)	(3.03)
Non-GAAP-based provision for income taxes	(91,400)	(0.37)
Non-GAAP-based net income, attributable to OpenText	\$ 517,675	\$ 2.02

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2017
GAAP-based net income, attributable to OpenText	\$ 1,025,659
Add:	
Provision for (recovery of) income taxes	(776,364)
Interest and other related expense, net	119,124
Amortization of acquired technology-based intangible assets	130,556
Amortization of acquired customer-based intangible assets	150,842
Depreciation	64,318
Share-based compensation	30,507
Special charges (recoveries)	63,618
Other (income) expense, net	(15,743)
Adjusted EBITDA	\$ 792,517

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2016  
(in thousands except for per share data)

Year Ended June 30, 2016

	GAAP-based Measures Measures % of Total Revenue	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$244,021		\$ (953 )	(1)	\$ 243,068	
Customer support	89,861		(900 )	(1)	88,961	
Professional service and other	155,584		(1,626 )	(1)	153,958	
Amortization of acquired technology-based intangible assets	74,238		(74,238 )	(2)	—	
GAAP-based gross profit and gross margin (%) /	1,250,228 68.5%		77,717	(3)	1,327,945	72.8%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	194,057		(2,824 )	(1)	191,233	
Sales and marketing	344,235		(12,069 )	(1)	332,166	
General and administrative	140,397		(7,606 )	(1)	132,791	
Amortization of acquired customer-based intangible assets	113,201		(113,201 )	(2)	—	
Special charges (recoveries)	34,846		(34,846 )	(4)	—	
GAAP-based income from operations and operating margin (%) /	368,563 20.2%		248,263	(5)	616,826	33.8%
Non-GAAP-based income from operations and operating margin (%)						
Other income (expense), net	(1,423 )		1,423	(6)	—	
Provision for (recovery of) income taxes	6,282		101,793	(7)	108,075	
GAAP-based net income /						
Non-GAAP-based net income, attributable to OpenText	284,477		147,893	(8)	432,370	
GAAP-based earnings per share /						
Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$ 1.17		\$ 0.60	(8)	\$ 1.77	

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain

(5) charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars and operating margin stated as a percentage of total revenue.

Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as

- (6) Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results.

Adjustment relates to differences between the GAAP-based tax provision rate of approximately 2% and a Non-GAAP-based tax rate of 20%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include

- (7) amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. In arriving at our Non-GAAP-based tax rate of 20%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2016	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$284,477	\$ 1.17
Add:		
Amortization	187,439	0.77
Share-based compensation	25,978	0.10
Special charges (recoveries)	34,846	0.14
Other (income) expense, net	1,423	0.01
GAAP-based provision for (recovery of ) income taxes	6,282	0.03
Non-GAAP-based provision for income taxes	(108,075 )	(0.45 )
Non-GAAP-based net income, attributable to OpenText	\$432,370	\$ 1.77

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2016
GAAP-based net income, attributable to OpenText	\$284,477
Add:	
Provision for (recovery of) income taxes	6,282
Interest and other related expense, net	76,363
Amortization of acquired technology-based intangible assets	74,238
Amortization of acquired customer-based intangible assets	113,201
Depreciation	54,929
Share-based compensation	25,978
Special charges (recoveries)	34,846
Other (income) expense, net	1,423
Adjusted EBITDA	\$671,737

## LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth changes in cash flows from operating, investing and financing activities for the periods indicated:

(In thousands)	As of June 30, 2018	Change increase (decrease)	As of June 30, 2017	Change increase (decrease)	As of June 30, 2016
Cash and cash equivalents	\$682,942	\$ 239,585	\$443,357	\$(840,400)	\$1,283,757
Short-term investments	\$—	\$—	\$—	\$(11,839)	\$11,839

  

(In thousands)	Year Ended June 30,		2017		2016
	2018	Change	2017	Change	2016
Cash provided by operating activities	\$709,885	\$270,632	\$439,253	\$(86,469)	\$525,722
Cash used in investing activities	\$(444,441)	\$1,746,523	\$(2,190,964)	\$(1,829,788)	\$(361,176)
Cash provided by (used in) financing activities	\$(23,673)	\$(933,217)	\$909,544	\$479,380	\$430,164

Cash and cash equivalents primarily consist of balances with banks as well as deposits with original maturities of 90 days or less.

We continue to anticipate that our cash and cash equivalents, as well as available credit facilities, will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments, capital expenditures, dividends and operating needs for the next twelve months. Any further material or acquisition-related activities may require additional sources of financing and would be subject to the financial covenants established under our credit facilities.

For more details, see "Long-term Debt and Credit Facilities" below.

As of June 30, 2018, we have provided \$28.5 million (June 30, 2017—\$22.1 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution.

## Cash flows provided by operating activities

## Fiscal 2018 Compared to Fiscal 2017

Cash flows from operating activities increased by \$270.6 million due to an increase in net income before the impact of non-cash items of \$283.4 million, partially offset by a decrease in changes from working capital of \$12.8 million. The decrease in operating cash flow from changes in working capital was primarily due to the net impact of the following decreases: (i) \$145.1 million relating to a lower accounts payable and accrued liabilities balance and (ii) \$29.6 million relating to income taxes payable and deferred charges and credits. These decreases were partially offset by increases of (i) \$104.2 million relating to accounts receivable, (ii) \$32.1 million relating to deferred revenues, (iv) \$25.1 million relating to other assets and (v) \$0.5 million relating to prepaid and other current assets.

During the fourth quarter of Fiscal 2018 our days sales outstanding (DSO) was 58 days, compared to a DSO of 60 days during the fourth quarter of Fiscal 2017 and the per day impact of our DSO in the fourth quarters of Fiscal 2018 and Fiscal 2017 on our cash flows was \$8.4 million and \$7.4 million, respectively.

## Fiscal 2017 Compared to Fiscal 2016

Cash flows from operating activities decreased by \$86.5 million due to a decrease in changes from working capital of \$109.4 million, partially offset by an increase in net income before the impact of non-cash items of \$22.9 million. The decrease in operating cash flow from changes in working capital was primarily due to the net impact of the following decreases: (i) \$135.8 million relating to a higher accounts receivable balance, which is primarily due to increased billings associated with more revenue recognized during Fiscal 2017 as compared to the prior fiscal year, (ii) \$25.0 million relating to other assets, of which approximately \$6.5 million is attributable to more security deposits made to landlords in accordance with facility lease agreements, approximately \$6.3 million is attributable to more direct and relevant costs recorded on implementation of long-term contracts, \$6.4 million is on account of the recognition of a long-term other receivable, and the remainder is due to an increase in investment and other miscellaneous activities, (iii) \$8.1 million relating to prepaid and other current assets, and (iv) \$8.0 million relating to income taxes payable and deferred charges and credits. These decreases were partially offset by an increase in operating cash flows of (i) \$59.2 million relating to a higher accounts payable and accrued liabilities balance which



is primarily due to an increase in accrued salaries and commissions of \$50.2 million, and (ii) \$8.3 million relating to deferred revenues.

During the fourth quarter of Fiscal 2017 our DSO was 60 days compared to a DSO of 53 days during the fourth quarter of Fiscal 2016. The per day impact of our DSO in the fourth quarters of Fiscal 2017 and Fiscal 2016 on our cash flows was \$7.4 million and \$5.4 million, respectively. During Fiscal 2017, our operating cash flows were negatively impacted by the DSO of recent acquisitions, such as Reconnind, which historically offered longer payment terms than OpenText.

#### Cash flows used in investing activities

Our cash flows used in investing activities is primarily on account of acquisitions and additions of property and equipment.

#### Fiscal 2018 Compared to Fiscal 2017

Cash flows used in investing activities decreased by \$1.7 billion, primarily due to a decrease in consideration paid for acquisitions during Fiscal 2018 as compared to Fiscal 2017. During Fiscal 2017 we closed one material acquisition, namely ECD, for \$1.6 billion.

#### Fiscal 2017 Compared to Fiscal 2016

Cash flows used in investing activities increased by \$1.8 billion, primarily due to an increase in consideration paid for acquisitions during Fiscal 2017, which includes the acquisition of ECD Business for approximately \$1.6 billion.

#### Cash flows provided by (used in) financing activities

Our cash flows from financing activities generally consist of long-term debt financing and amounts received from stock options exercised by our employees. These inflows are typically offset by scheduled and non-scheduled repayments of our long-term debt financing and, when applicable, the payment of dividends and/or the repurchases of our Common Shares.

#### Fiscal 2018 Compared to Fiscal 2017

Cash flows used in financing activities increased by \$933.2 million. During Fiscal 2017 we received net proceeds from our public offering of Common Shares of approximately \$584.6 million. During Fiscal 2018 we focused on repaying our long-term debt obligations and made additional payments of approximately \$373.6 million, net of proceeds, as compared to Fiscal 2017. This increase in cash outflow used in financing activities was offset by an inflow of approximately \$40.3 million relating to cash collected from the issuance of Common Shares for the exercise of options and the OpenText Employee Share Purchase Plan (ESPP). The remainder of the change was due to miscellaneous items.

#### Fiscal 2017 Compared to Fiscal 2016

Cash flows provided by financing activities increased by \$479.4 million. This was primarily due to (i) net proceeds from our public offering of Common Shares during the second quarter of Fiscal 2017 which resulted in cash inflow of approximately \$584.6 million, (ii) the issuance of an additional \$250 million in aggregate principal amount of Senior Notes 2026 at an issue price of 102.75%, which resulted in a gross cash inflow of approximately \$256.9 million, (iii) proceeds from drawings on the Revolver of \$225.0 million, (iv) savings of \$65.5 million relating to Common Shares repurchased under our Share Repurchase Plan (as defined herein) during Fiscal 2016, for which no similar purchases were made during Fiscal 2017, (v) an increase of \$15.5 million relating to cash collected from the issuance of Common Shares for the exercise of options and the OpenText Employee Share Purchase Plan (ESPP), and (vi) an increase of \$2.4 million relating to savings from fewer Common Shares repurchased for potential reissuance under our Long Term Incentive Plans (LTIP) or other plans during Fiscal 2017 as compared to Fiscal 2016. These cash inflows were partially offset by (i) repayments on the Revolver of \$50.0 million and (ii) an increase in dividend payments made to our shareholders of \$21.3 million. The remainder of the change was due to miscellaneous items.

#### Cash Dividends

During the year ended June 30, 2018, we declared and paid cash dividends of \$0.5478 per Common Share, respectively, that totaled \$145.6 million. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of the Board. See Item 5 "Dividend Policy" in this Annual Report on Form 10-K for more information.

In Fiscal 2017, we declared and paid cash dividends of \$0.4770 per Common Share that totaled \$120.6 million.

In Fiscal 2016, we declared and paid cash dividends of \$0.4150 per Common Share that totaled \$99.3 million.



Long-term Debt and Credit Facilities  
Senior Unsecured Fixed Rate Notes  
Senior Notes 2026

On May 31, 2016 we issued \$600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional \$250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes have identical terms, are fungible with and are a part of a single series with the previously issued \$600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is \$850 million.

We may redeem all or a portion of the Senior Notes 2026 at any time prior to June 1, 2021 at a redemption price equal to 100% of the principal amount of Senior Notes 2026 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may also redeem up to 40% of the aggregate principal amount of Senior Notes 2026, on one or more occasions, prior to June 1, 2019, using the net proceeds from certain qualified equity offerings at a redemption price of 105.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem Senior Notes 2026, in whole or in part, at any time on and after June 1, 2021 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2026, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2026 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the 2026 Indenture, we will be required to make an offer to repurchase Senior Notes 2026 at a price equal to 101% of the principal amount of Senior Notes 2026, plus accrued and unpaid interest, if any, to the date of purchase.

The 2026 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of the notes; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2026 Indenture. The 2026 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately.

Senior Notes 2026 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2026 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsecured debt and will rank senior in right of payment to all of our and our guarantors' future subordinated debt. Senior Notes 2026 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2026 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2026 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on May 31, 2016.

Senior Notes 2023

On January 15, 2015, we issued \$800 million in aggregate principal amount of our 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15,

Edgar Filing: KLA TENCOR CORP - Form 424B3

commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed in accordance with their terms, or repurchased.

We may, on one or more occasion, redeem Senior Notes 2023, in whole or in part, at any time on and after January 15, 2018 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2023, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank

N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (the 2023 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the 2023 Indenture, we will be required to make an offer to repurchase Senior Notes 2023 at a price equal to 101% of the principal amount of Senior Notes 2023, plus accrued and unpaid interest, if any, to the date of purchase.

The 2023 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the subsidiary guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2023; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2023 Indenture. The 2023 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately. Senior Notes 2023 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2023 and the guarantees rank equally in right of payment with all of our and our subsidiary guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our subsidiary guarantors' future subordinated debt. Senior Notes 2023 and the guarantees will be effectively subordinated to all of ours and our guarantors' existing and future secured debt, including the obligations under the Revolver and Term Loan B (as defined herein), to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2023 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2023 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on January 15, 2015.

#### Term Loan B

On May 30, 2018, we entered into a credit facility, which provides for a \$1 billion term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets as lead arrangers and joint bookrunners (Term Loan B) and borrowed the full amount on May 30, 2018 to, among other things, repay in full the loans under our prior \$800 million term loan credit facility originally entered into on January 16, 2014. Repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver. Term Loan B has a seven year term.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate. The applicable margin for borrowings under Term Loan B is 1.75%, with respect to LIBOR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus LIBOR (subject to a 0.00% floor). As of June 30, 2018, the outstanding balance on the Term Loan B bears an interest rate of approximately 3.73%.

Term Loan B has incremental facility capacity of (i) \$250 million plus (ii) additional amounts, subject to meeting a "consolidated senior secured net leverage" ratio not exceeding 2.75:1.00, in each case subject to certain conditions. Consolidated senior secured net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by our or any of our subsidiaries' assets, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

As of June 30, 2018, our consolidated net leverage ratio was 1.9:1.



Revolver

We currently have a \$450 million committed revolving credit facility (the Revolver) which matures on May 5, 2022. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

During the year ended June 30, 2018, we drew down \$200 million, from the Revolver partially to finance acquisitions (year ended June 30, 2017 and 2016—\$225 million and nil, respectively).

During the year ended June 30, 2018, we repaid \$375 million (year ended June 30, 2017 and 2016—\$50 million and nil, respectively). As of June 30, 2018 we have no outstanding balance on the Revolver.

For the year ended June 30, 2018, we recorded interest expense of \$9.0 million, relating to amounts drawn on the Revolver (year ended June 30, 2017 and 2016—\$2.6 million and nil, respectively).

For further details relating to our debt, please see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Shelf Registration Statement

On August 30, 2017, we filed a universal shelf registration statement on Form S-3 with the SEC, which became effective automatically (the Shelf Registration Statement). The Shelf Registration Statement allows for primary and secondary offerings from time to time of equity, debt and other securities, including Common Shares, Preference Shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts. A base shelf short-form prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on August 30, 2017. The type of securities and the specific terms thereof will be determined at the time of any offering and will be described in the applicable prospectus supplement to be filed separately with the SEC and Canadian securities regulators.

Pensions

As of June 30, 2018, our total unfunded pension plan obligations were \$68.0 million, of which \$2.3 million is payable within the next twelve months. We expect to be able to make the long-term and short-term payments related to these obligations in the normal course of operations.

Our anticipated payments under our most significant plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2019	\$655	\$1,027	\$138
2020	700	1,032	104
2021	800	1,061	144
2022	890	1,068	330
2023	999	1,071	198
2024 to 2028	6,008	5,506	1,913
Total	\$10,052	\$10,765	\$2,827

For a detailed discussion on pensions, see note 11 "Pension Plans and Other Post Retirement Benefits" to our Consolidated Financial Statements.

## Commitments and Contractual Obligations

As of June 30, 2018, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Total	Payments due between			
		July 1, 2018— June 30, 2019	July 1, 2019— June 30, 2021	July 1, 2021— June 30, 2023	July 1, 2023 and beyond
Long-term debt obligations <sup>(1)</sup>	\$3,524,567	\$ 142,626	\$ 284,013	\$ 282,398	\$2,815,530
Operating lease obligations <sup>(2)</sup>	394,907	72,224	127,878	85,943	108,862
Purchase obligations	16,108	9,577	6,354	177	—
	\$3,935,582	\$ 224,427	\$ 418,245	\$ 368,518	\$2,924,392

<sup>(1)</sup> Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.

<sup>(2)</sup> Net of \$7.6 million of sublease income to be received from properties which we have subleased to third parties.

## Guarantees and Indemnifications

We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our

## Consolidated Financial Statements.

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business.

Such agreements have not had a material effect on our results of operations, financial position or cash flows.

## Litigation

We are currently involved in various claims and legal proceedings.

Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, the aggregate of such estimated losses was not material to our consolidated financial position or result of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.

## Contingencies

## IRS Matter

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately \$280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010, plus penalties and interest, and that we expected to receive an additional NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by

proposed penalties and interest. We also previously

disclosed that the draft NOPA could be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment by assigning a higher value to our intellectual property. On July 11, 2018, we received from the IRS a revised draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2010 (the 2010 NOPA) and a draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), respectively. A NOPA is an IRS position and does not impose an obligation to pay tax. After evaluation of these NOPAs, we continue to strongly disagree with the IRS' positions and intend to vigorously contest the proposed adjustments to our taxable income.

We currently estimate our potential aggregate liability, as of June 30, 2018, in connection with these ongoing matters with the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately \$725 million, comprised of approximately \$455 million in U.S. federal and state taxes, approximately \$105 million of penalties, and approximately \$165 million of interest, further described below. Our previously disclosed estimated potential aggregate liability, as of March 31, 2018, was approximately \$605 million.

The 2010 NOPA received from the IRS on July 11, 2018 increases the one-time proposed adjustment to our U.S. federal income taxes for Fiscal 2010 by approximately \$55 million, from, as previously disclosed, approximately \$280 million to approximately \$335 million. Such increase is based on the IRS' assertion that certain of our intangible property involved in our internal reorganization had a greater value than was assigned to it in the original draft NOPA.

As contemplated by the original draft NOPA, the 2010 NOPA asserts penalties equal to 20% of the additional proposed taxes for Fiscal 2010, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial).

On July 11, 2018, we also received, consistent with previously disclosed expectations, the 2012 NOPA proposing an approximately \$80 million adjustment to our U.S. federal taxes for Fiscal 2012, which was previously included in our estimated potential aggregate liability of approximately \$605 million. The 2012 NOPA also asserts, however, that the penalty rate should be 40% of the additional proposed taxes for Fiscal 2012.

The \$120 million increase from the previously estimated potential aggregate liability of approximately \$605 million, as of March 31, 2018, is attributable to (i) approximately \$95 million of increased proposed U.S. federal and state taxes and associated penalties and interest related to the IRS asserting a higher valuation of our intangible property in the 2010 NOPA, (ii) approximately \$20 million related to the additional 20% penalties and associated interest asserted by the IRS in the 2012 NOPA, and (iii) approximately \$5 million related to an estimate of additional interest that has continued to accrue since March 31, 2018.

Based on our discussions with the IRS and the fact that the adjustments proposed in these NOPAs reflect the IRS' own asserted valuations of our intangible property, we do not expect the IRS to further revise the NOPAs to increase any of their proposed adjustments to our U.S. federal income taxes (subject to the continued accrual of interest, as noted above).

As previously disclosed and noted above, we strongly disagree with the IRS' position and intend to vigorously contest the proposed adjustments to our taxable income. We are examining various alternatives available to taxpayers to contest the proposed adjustments. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Annual Report on Form 10-K, we have not recorded any material accruals in respect of these examinations in our Consolidated Financial Statements. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

#### CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012 and Fiscal 2013. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2018, in connection with the CRA's reassessments for Fiscal 2012 and Fiscal 2013 to be limited to penalties and interest that may be due of approximately \$23 million.

The notices of reassessment for Fiscal 2012 and Fiscal 2013 would, as drafted, increase our taxable income by approximately \$90 million for each of those years, as well as, in the case of Fiscal 2012, impose a 10% penalty on the proposed adjustment to income, with a similar penalty expected to be imposed for Fiscal 2013.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012 and Fiscal 2013 (including any penalties) are without merit. We have filed a notice of objection for Fiscal 2012, will be filing an objection for Fiscal 2013, and we are currently seeking competent authority consideration under applicable international treaties in respect of these reassessments.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012 and Fiscal 2013, or potential reassessments that may be proposed for subsequent years currently under audit, we have elective

deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above. We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments. As of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments in our Consolidated Financial Statements. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability in respect of our international transactions, including the transfer pricing methodology applied to them. The CRA is currently auditing Fiscal 2014 and Fiscal 2015. We are engaged in ongoing discussions with the CRA and continue to vigorously contest the CRA's audit positions.

#### GXS Brazil Matter

As part of our acquisition of GXS, we inherited a tax dispute in Brazil between the Company's subsidiary, GXS Tecnologia da Informação (Brasil) Ltda. (GXS Brazil), and the municipality of São Paulo, in connection with GXS Brazil's judicial appeal of a tax claim. During the first quarter of Fiscal 2018 the courts ruled in favour of the municipality of São Paulo. The Company decided not to pursue further appeal. On October 1, 2017, the Company reached a settlement with the municipality and paid \$1.4 million.

Historically, prior to our acquisition of GXS, GXS would charge certain costs to its subsidiaries, including GXS Brazil, primarily based on historical transfer pricing studies that were intended to reflect the costs incurred by subsidiaries in relation to services provided by the parent company to the subject subsidiary. GXS recorded taxes on amounts billed, that were considered to be due based on the intercompany charges. GXS subsequently re-evaluated its intercompany charges to GXS Brazil and related taxes and, upon taking into consideration the current environment and judicial proceedings in Brazil, concluded that it was probable that certain indirect taxes would be assessable and payable based upon the accrual of such intercompany charges and has approximately \$1.6 million accrued for the probable amount of a settlement related to the indirect taxes, interest and penalties.

#### GXS India Matter

Our Indian subsidiary, GXS India Technology Centre Private Limited (GXS India), is subject to potential assessments by Indian tax authorities in the city of Bangalore. GXS India has received assessment orders from the Indian tax authorities alleging that the transfer price applied to intercompany transactions was not appropriate. Based on advice from our tax advisors, we believe that the facts that the Indian tax authorities are using to support their assessment are incorrect. We have filed appeals and anticipate an eventual settlement with the Indian tax authorities. We have accrued \$1.3 million to cover our anticipated financial exposure in this matter.

Please also see Part I, Item 1A "Risk Factors" in this Annual Report on Form 10-K.

#### Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice, except for guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business, and the use of operating leases for office space, computer equipment, and vehicles. None of the operating leases described in the previous sentence has, and we currently do not believe that they potentially may have, a material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources. In accordance with U.S. GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to market risks associated with fluctuations in interest rates on our term loans, revolving loans and foreign currency exchange rates.

##### Interest rate risk

Our exposure to interest rate fluctuations relate primarily to our Term Loan B and the Revolver. As of June 30, 2018, we had an outstanding balance of \$997.5 million on Term Loan B. Term Loan B bears a floating interest rate of 1.75% plus LIBOR. As of June 30, 2018, an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately \$10.0 million, assuming that the loan balance as of June 30, 2018 is outstanding for the entire period (June 30, 2017—\$7.7 million).

As of June 30, 2018, we had no outstanding balance on the Revolver. Borrowings under the Revolver would bear interest per annum at a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage

ratio ranging from

66

---

1.25% to 1.75%. As of June 30, 2018, an adverse change of one percent on the interest rate would have no effect on our annual interest payment on the Revolver, as there was no balance outstanding, and assuming that the loan balance of nil remained for the entire year (June 30, 2017—\$1.8 million).

Foreign currency risk

Foreign currency transaction risk

We transact business in various foreign currencies. Our foreign currency exposures typically arise from intercompany fees, intercompany loans and other intercompany transactions that are expected to be cash settled in the near term. We expect that we will continue to realize gains or losses with respect to our foreign currency exposures. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates. Additionally, we have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada.

Based on the foreign exchange forward contracts outstanding as of June 30, 2018, a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of approximately \$0.5 million in the mark to market on our existing foreign exchange forward contracts (June 30, 2017—\$0.4 million).

Foreign currency translation risk

Our reporting currency is the U.S. dollar. Fluctuations in foreign currencies impact the amount of total assets and liabilities that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. In particular, the amount of cash and cash equivalents that we report in U.S. dollars for a significant portion of the cash held by these subsidiaries is subject to translation variance caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is recorded to accumulated other comprehensive income on our Consolidated Balance Sheets).

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of June 30, 2018 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at June 30, 2018	U.S. Dollar Equivalent at June 30, 2017
Euro	\$ 120,346	\$ 121,621
British Pound	31,211	30,425
Canadian Dollar	24,590	29,131
Swiss Franc	52,652	41,925
Other foreign currencies	117,459	87,144
Total cash and cash equivalents denominated in foreign currencies	346,258	310,246
U.S. dollar	336,684	133,111
Total cash and cash equivalents	\$ 682,942	\$ 443,357

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by approximately \$34.6 million (June 30, 2017—\$31.0 million), assuming we have not entered into any derivatives discussed above under "Foreign Currency Transaction Risk".

Item 8. Financial Statements and Supplementary Data

The response to this Item 8 is submitted as a separate section of this Annual Report on Form 10-K. See Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure  
None.

Item 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2018, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(B) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as such term is defined in Exchange Act Rule 13a-15(f). ICFR is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Our management assessed our ICFR as of June 30, 2018, the end of our most recent fiscal year. In making our assessment, our management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the results of our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our ICFR was effective as of June 30, 2018.

The results of our management's assessment was reviewed with our Audit Committee and the conclusion that our ICFR was effective as of June 30, 2018 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report which is included in Part IV, Item 15 of this Annual Report. Our management, including the Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our ICFR will prevent or detect all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any evaluation of prospective control effectiveness, with respect to future periods, is subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(C) Attestation Report of the Independent Registered Public Accounting Firm

KPMG LLP, our independent registered public accounting firm, has issued a report under Public Company Accounting Oversight Board Auditing Standard No. 5 on the effectiveness of our ICFR. See Part IV, Item 15 of this Annual Report on Form 10-K.

(D) Changes in Internal Control over Financial Reporting (ICFR)

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Matters

As of June 30, 2018, in anticipation of our adoption of Topic 606, Revenue from Contracts with Customers, we were in the process of finalizing certain changes to our policies, procedures, information systems and the related control activities, to monitor and maintain appropriate internal controls over financial reporting. These changes in policies and procedures, information systems and the related control activities were effective in July 2018.

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information as to our directors and executive officers as of July 25, 2018.

Name	Age	Office and Position Currently Held With Company
Mark J. Barrenechea	53	Vice Chairman, Chief Executive Officer and Chief Technology Officer, Director
Madhu Ranganathan	54	Executive Vice President and Chief Financial Officer
Gordon A. Davies	56	Executive Vice President, Chief Legal Officer and Corporate Development
Prentiss Donohue	48	Senior Vice President, Professional Services
Paul Duggan	43	Senior Vice President, Worldwide Operations
Simon Harrison	48	Senior Vice President, Worldwide Sales
Kasey Holman	51	Senior Vice President, Communications & Brand
David Jamieson	53	Chief Information Officer
Aditya Maheshwari	44	Senior Vice President and Chief Accounting Officer
Muhi Majzoub	58	Executive Vice President, Engineering and Cloud Services
James McGourlay	49	Senior Vice President, Worldwide Support
Patricia Nagle	53	Senior Vice President, Chief Marketing Officer
Leslie Sarauer	56	Senior Vice President, Human Resources
P. Thomas Jenkins	58	Chairman of the Board
Randy Fowlie (2)(3)	58	Director
Gail E. Hamilton (2)	68	Director
Brian J. Jackman (1)	77	Director
Stephen J. Sadler	67	Director
Michael Slaunwhite (1)(3)	57	Director
Katharine B. Stevenson (2)	56	Director
Carl Jürgen Tinggren (2)	60	Director
Deborah Weinstein (1)(3)	58	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Corporate Governance and Nominating Committee.

Mark J. Barrenechea

Mr. Barrenechea joined OpenText in January 2012 as the President and Chief Executive Officer. In January 2016, Mr. Barrenechea stepped down as President and assumed the role of Chief Technology Officer, while remaining the Company's Chief Executive Officer. In September 2017, Mr. Barrenechea was appointed Vice Chair, in addition to remaining the Chief Executive Officer and Chief Technology Officer. Before joining OpenText, Mr. Barrenechea was President and Chief Executive Officer of Silicon Graphics International Corporation (SGI), where he also served as a member of the Board. During Mr. Barrenechea's tenure at SGI, he led strategy and execution, which included transformative acquisition of assets, as well as penetrating diverse new markets and geographic regions. Mr. Barrenechea also served as a director of SGI from 2006 to 2012. Prior to SGI, Mr. Barrenechea served as Executive Vice President and CTO for CA, Inc. (CA) (formerly Computer Associates International, Inc.) from 2003 to 2006 and was a member of the executive management team. Before going to CA, Mr. Barrenechea was the Senior Vice President of Applications Development at Oracle Corporation from 1997 to 2003, managing a multi-thousand person global team while serving as a member of the executive management team. From 1994 to 1997, Mr.

Barrenechea served as Vice President of Development at Scopus, a software applications company. Prior to Scopus, Mr. Barrenechea was the Vice President of Development at Tesseract, where he was responsible for reshaping the company's line of human capital management software. Mr. Barrenechea serves as a member of the Board and Audit Committee of Dick's Sporting Goods and also serves as a board member of Hamilton Insurance Group. Mr. Barrenechea holds a Bachelor of Science degree in computer science from Saint Michael's College. Mr. Barrenechea has authored several books including *The Golden Age of Innovation*, *On Digital*, *Digital: Disrupt or Die*, *eGovernment or Out of Government*, *Enterprise Information Management: The Next Generation of Enterprise Software*, *Software Rules and e-Business or out of Business*.

Madhu Ranganathan

Ms. Ranganathan joined OpenText as Executive Vice President, Chief Financial Officer in April 2018. With more than 25 years of financial leadership experience, Ms. Ranganathan most recently served as the Chief Financial Officer for [24]7.ai from June 2008 to March 2018. Ms. Ranganathan also held senior financial roles at Rackable Systems from December 2005 to May 2008, Redback Networks from August 2002 to November 2005, and Backweb Technologies from December 1996 to January 2000. She also has public accounting experience with PriceWaterhouseCoopers LLC. Ms. Ranganathan currently serves as Board Member and Audit Committee Chair for ServiceSource and previously served as a Board Member of Watermark, a Bay Area organization focused on professional development for women. Ms. Ranganathan holds an MBA in Finance from the University of Massachusetts, is a Certified Public Accountant in California and a Chartered Accountant (India).

Gordon A. Davies

Mr. Davies joined OpenText as Chief Legal Officer in September 2009. Mr. Davies also serves as the Company's Corporate Secretary and Chief Compliance Officer, and has responsibility for Corporate Development and the Program Management Office. Prior to joining OpenText, Mr. Davies was the Chief Legal Officer and Corporate Secretary of Nortel Networks Corporation. During his sixteen years at Nortel, Mr. Davies acted as Deputy General Counsel and Corporate Secretary during 2008, and as interim Chief Legal Officer and Corporate Secretary in 2005 and again in 2007. He led the Corporate Securities legal team as General Counsel-Corporate from 2003, with responsibility for providing legal support on all corporate and securities law matters, and spent five years in Europe supporting all aspects of the Europe, Middle East and Africa (EMEA) business, ultimately as General Counsel, EMEA. Prior to joining Nortel, Mr. Davies practiced securities law at a major Toronto law firm. Mr. Davies holds an LL.B and an MBA from the University of Ottawa, and a B.A. from the University of British Columbia. He is a member of the Law Society of Upper Canada, the Canadian Bar Association, the Association of Canadian General Counsel and the Society of Corporate Secretaries and Governance Professionals.

Prentiss Donohue

Mr. Donohue joined OpenText as Senior Vice President of Professional Services in April 2016. He brings over 20 years of experience in support and services management. Prior to joining OpenText, Mr. Donohue served as Group Vice President and General Manager of Advanced Customer Services for Oracle Corporation from January 2010 to March 2016, where he was responsible for driving Oracle's innovative software, systems and cloud services. From April 1998 to December 2010, Mr. Donohue worked at Sun Microsystems in various leadership roles, including in Managed Services Management and Corporate Marketing. Mr. Donohue served on the board of directors of Summit Charter School until May 2016. Mr. Donohue holds a BA from the University of Colorado and has completed executive leadership programs at the University of Michigan's Ross School of Business and the University of Hong Kong.

Paul Duggan

Mr. Duggan joined OpenText as Senior Vice President of Worldwide Operations in January 2017. He is responsible for operations across sales, professional services, business networks, and customer support. Prior to joining OpenText, Mr. Duggan held various roles at Oracle Corporation, including Group Vice President of Support Renewal Sales, North America from December 1999 to January 2017. Previously, Mr. Duggan served on the advisory board for the Technology Services Industry Association from 2016 to 2017. He has completed executive leadership programs at the University of Michigan Ross School of Business and IESE Business School in Barcelona, Spain.

Simon Harrison

Mr. Harrison has served as the Company's Executive Vice President of Worldwide Sales since October 2017. Prior to this, Mr. Harrison, who joined the Company through its acquisition of IXOS AG, has held a number of senior leadership roles, including serving as its Senior Vice President of Enterprise Sales from 2015 to 2017, Senior Vice President of Fast Growth Markets from 2014 to 2015 and as the Company's Senior Vice President of Sales for the EMEA region from 2012 to 2014. Mr. Harrison holds an honors degree in Computer Science from Leeds University.

Kasey Holman

Ms. Holman has served as the Company's Senior Vice President, Communications & Brand since February 2018 and is responsible for global communications (corporate and employee), public relations, brand and creative, industry analyst relations, social media, corporate social responsibility, web and digital customer experience as well as customer marketing. Previously, Ms. Holman was the Company's Vice President of Corporate & Brand Marketing from 2013 to 2018. Prior to joining OpenText, Ms. Holman served as the Vice President of Global Communications for BMC Software. Ms. Holman has also held senior corporate marketing and communications roles at Silicon Image and Sun Microsystems. Ms. Holman holds a BA in Mass Communications/Journalism from the California State University.

David Jamieson

Mr. Jamieson joined OpenText as the Chief Information Officer in November 2014. He brings over 25 years of experience in leading Information Technology organizations through the ever-changing technology landscape. Prior to joining OpenText, Mr. Jamieson worked at Barrick Gold Corporation, where he served as Director of Information Technology for four years before being appointed as the Vice President of Information Management and Technology in 2005. Mr. Jamieson has held senior positions with companies, such as Universal Studios Canada from 1999 to 2001, EDS/SHL Systemhouse from 1996 to 1999, and Canadian Pacific Railway from 1988 to 1996. Mr. Jamieson holds a Bachelor of Applied Science, Mechanical Engineering from the University of Toronto and received his Professional Engineer designation in 1990.

Aditya Maheshwari

Mr. Maheshwari joined OpenText as Senior Vice President and Chief Accounting Officer in February 2016. Prior to joining OpenText, Mr. Maheshwari was an Audit Partner in the Technology, Media and Telecoms practice at KPMG LLP, Canada until February 5, 2016. With 15 years of experience at KPMG including international postings in the UK and India, Mr. Maheshwari has the experience of working with several large multinational companies under U.S. GAAP and International Financial Reporting Standards. Mr. Maheshwari represented Canada on KPMG's global think-tank for the Technology sector and is the co-author of 11 technical and thought-leadership publications, published by KPMG, on revenue recognition for the Technology, Media and Telecoms sector. During his tenure in the UK, Mr. Maheshwari worked in KPMG's technical accounting group, International Standards Group, specializing in revenue recognition. Mr. Maheshwari is a Chartered Professional Accountant (Ontario), Certified Public Accountant (Colorado) and Chartered Accountant (India).

Muhi Majzoub

Mr. Majzoub has served as Executive Vice President, Engineering since January 2016. Prior to that he served as Senior Vice President, Engineering from June 2012 to January 2016. Mr. Majzoub is responsible for managing product development cycles, global development organization and driving internal operations and development processes. Mr. Majzoub is a seasoned enterprise software technology executive having recently served as Head of Products for NorthgateArinso, a private company that provides global Human Resources software and services. Prior to this, Mr. Majzoub was Senior Vice President of Product Development for CA, Technologies from June 2004 to July 2010. Mr. Majzoub also worked for several years as Vice President for Product Development at Oracle Corporation from January 1989 to June 2004. Mr. Majzoub attended San Francisco State University.

James McGourlay

Mr. McGourlay has served as Executive Vice President, Worldwide Support since October 2017. Prior to this, Mr. McGourlay was the Company's Senior Vice President of Global Technical Services from May 2015 to October 2017 and Senior Vice President of Worldwide Customer Service from February 2012 to May 2015. Mr. McGourlay joined OpenText in 1997 and held progressive positions in information technology, technical support, product support and special projects, including, Director, Customer Service and Vice President, Customer Service.

Patricia Nagle

Ms. Nagle has served as Senior Vice President, Chief Marketing Officer since February 2018 and is responsible for all marketing and demand generation initiatives, including field marketing, programs, events, product marketing, industry marketing, demonstrations, partners and alliances as well as inside sales. Prior to this role, Ms. Nagle held various positions within the Company since joining OpenText in 2007, including Vice President of Global Partners and Strategic Alliances, from January 2007 to February 2018. Prior to joining OpenText, Ms. Nagle was SVP of World

Wide Sales, Services and Marketing at Percussion Software, where she was responsible for direct and indirect sales and all customer facing, external media communications, client satisfaction and demand generation activities globally.  
Ms. Nagle holds a BA in Business

Administration, a BA in Economics and a concentration in Marketing from the University of New Hampshire as well as an MBA in Business Administration & Management from Harvard University.

Leslie Sarauer

Ms. Sarauer joined OpenText as Senior Vice President of Human Resources in April 2016. She brings with her over 25 years of diverse experience as a Human Resource leader in both the corporate and professional services settings. Prior to joining OpenText, Ms. Sarauer held various senior leadership roles at Agrium Inc., including Senior Director, Corporate HR & Organizational Development from July 2012 to August 2014; Senior Director, Wholesales Human Resources from September 2006 to June 2012; and Senior Director, Total Compensation from January 2003 to August 2006. Ms. Sarauer also held various roles at Mercer Human Resources Consulting, including Principle Consultant, Executive Compensation from April 1997 to August 2002. Ms. Sarauer holds a Bachelor of Arts in Economics and a Bachelor of Laws from Queen's University. She also attended the Advanced HR Executive Program at the Ross School of Business of the University of Michigan.

P. Thomas Jenkins

Mr. Jenkins is Chair of the Board of OpenText. From 1994 to 2005, Mr. Jenkins was President, then Chief Executive Officer and then from 2005 to 2013, Chief Strategy Officer of OpenText. Mr. Jenkins has served as a Director of OpenText since 1994 and as its Chairman since 1998. In addition to his OpenText responsibilities, Mr. Jenkins was the tenth Chancellor of the University of Waterloo and Chair of the Ontario Global 100 (OG100). Currently, Mr. Jenkins is a board member of Manulife Financial Corporation. In the past five years, Mr. Jenkins also served as a board member of Thomson Reuters Inc. and TransAlta Corporation. He is the Chair of the National Research Council of Canada (NRC) and Canadian Chair of the Atlantik Bruecke. Mr. Jenkins received an M.B.A. from Schulich School of Business at York University, an M.A.Sc. from the University of Toronto and a B.Eng. & Mgt. from McMaster University. Mr. Jenkins received honorary doctorates from six universities. He is a Companion of the Canadian Business Hall of Fame and recipient of the Ontario Entrepreneur of the Year award, the McMaster Engineering L.W. Shemilt Distinguished Alumni Award and the Schulich School of Business Outstanding Executive Leadership award. He is a Fellow of the Canadian Academy of Engineering (FCAE). Mr. Jenkins was awarded the Canadian Forces Decoration (CD) and the Queen's Diamond Jubilee Medal (QJDM). Mr. Jenkins is an Officer of the Order of Canada (OC).

Randy Fowlie

Mr. Fowlie has served as a director of OpenText since March 1998. From March 2011 to April 2017, Mr. Fowlie was the President and CEO of RDM Corporation, a leading provider of specialized hardware and software solutions in the electronic payment industry. Mr. Fowlie operated a consulting practice from July 2006 to December 2010. From January 2005 until July 2006, Mr. Fowlie held the position of Vice President and General Manager, Digital Media, of Harris Corporation, formerly Leitch Technology Corporation (Leitch), a company that was engaged in the design, development, and distribution of audio and video infrastructure to the professional video industry. Leitch was acquired in August 2005 by Harris Corporation. From June 1999 to January 2005, Mr. Fowlie held the position of Chief Operating Officer and Chief Financial Officer of Insciber Technology Corporation (Insciber), a computer software company and from February 1998 to June 1999 Mr. Fowlie was the Chief Financial Officer of Insciber. Insciber was acquired by Leitch in January 2005. Prior to working at Insciber Mr. Fowlie was a partner with KPMG LLP, Chartered Accountants, where he worked from 1984 to February 1998. Mr. Fowlie received a B.B.A. (Honours) from Wilfrid Laurier University and is a Chartered Professional Accountant. Currently, Mr. Fowlie is also a director of InvestorCom Inc. In the last five years, Mr. Fowlie also served as a director of RDM Corporation.

Gail E. Hamilton

Ms. Hamilton has served as a director of OpenText since December 2006. For the five years prior thereto, Ms. Hamilton led a team of over 2,000 employees worldwide as Executive Vice President at Symantec Corp (Symantec), an infrastructure software company, and most recently had "P&L" responsibility for their global services and support business. During her five years at Symantec, Ms. Hamilton helped steer the company through an aggressive acquisition strategy. In 2003, Information Security magazine recognized Ms. Hamilton as one of the "20 Women Luminaries" shaping the security industry. Ms. Hamilton has over 20 years of experience growing leading technology and services businesses in the enterprise market. She has extensive management experience at Compaq and Hewlett Packard, as well as Microtec Research. Ms. Hamilton received both a BSEE from the University of Colorado and an

MSEE from Stanford University. Currently, Ms. Hamilton is also a director of the following public companies: Westmoreland Coal Company and Arrow Electronics, Inc. In the past five years Ms. Hamilton also served as a director of Ixia.

Brian J. Jackman

Mr. Jackman has served as a director of OpenText since December 2002. Mr. Jackman is the President of the Jackman Group Inc., a private consulting firm he founded in 2005. From 1982 until his retirement in September 2001, Mr. Jackman held various positions with Tellabs Inc., a U.S. based manufacturer of telecommunications equipment, most recently as Executive Vice President of the company, and President, Global Systems and Technologies division, and as a member of the board of directors of the company. Prior to joining Tellabs Inc., Mr. Jackman worked for IBM Corporation from 1965 to 1982, in a variety of systems, sales and marketing positions. Mr. Jackman also serves as a director of PC-TEL, Incorporated. Mr. Jackman received a B.A from Gannon University and an M.B.A from The

Pennsylvania State University.

Stephen J. Sadler

Mr. Sadler has served as a director of OpenText since September 1997. From April 2000 to present, Mr. Sadler has served as the Chairman and CEO of Enghouse Systems Limited, a publicly traded software engineering company that develops geographic information systems as well as contact center systems. Mr. Sadler was previously Chief Financial Officer, President and Chief Executive Officer of GEAC Computer Corporation Ltd. (GEAC). Prior to Mr. Sadler's involvement with GEAC, he held executive positions with Phillips Electronics Limited and Loblaw's Companies Limited, and was Chairman of Helix Investments (Canada) Inc. Currently, Mr. Sadler is a director of Enghouse Systems Limited. Mr. Sadler holds a B.A. Sc. (Honours) in Industrial Engineering and an M.B.A. (Dean's List) and he is a Chartered Professional Accountant.

Michael Slaunwhite

Mr. Slaunwhite has served as a director of OpenText since March 1998. Mr. Slaunwhite has also been Director and Chairman of Vector Talent Holdings, L.P., the parent holding company of Saba Software, since 2017. Prior to his appointment at Vector Talent Holdings, Mr. Slaunwhite served as CEO and Chairman of Halogen Software Inc. from 2000 to August 2006, as President and Chairman from 1995 to 2000, and as a Director and Chairman from 1995 up to its acquisition by Vector Talent Holdings in 2017. From 1994 to 1995, Mr. Slaunwhite was an independent consultant to a number of companies, assisting them with strategic and financing plans. Mr. Slaunwhite was the Chief Financial Officer of Corel Corporation from 1988 to 1993. Mr. Slaunwhite holds a B.A. Commerce (Honours) from Carleton

University.

Katharine B. Stevenson

Ms. Stevenson has served as a director of OpenText since December of 2008. She is a corporate director who has served on a variety of public and Not-for-Profit boards in Canada and the United States. Ms. Stevenson is director of the Canadian Imperial Bank of Commerce (CIBC) where she chairs its Corporate Governance Committee. Ms.

Stevenson is also a director of CAE Inc. and Capital Power Corporation. CIBC, CAE Inc., and Capital Power Corporation are all publicly listed companies. She also serves on the St. Michael's Hospital Foundation Board. She was formerly a senior finance executive of Nortel Networks Corporation from 1995 to 2007, serving as global treasurer. Previously, she held a variety of positions in investment and corporate banking at JP Morgan Chase & Co.

Ms. Stevenson holds a B.A. (Magna Cum Laude) from Harvard University. She is certified with the professional designation ICD.D. granted by the Institute of Corporate Directors (ICD). Previously, Ms. Stevenson also served as a director of Valeant Pharmaceuticals International Inc. and OSI Pharmaceuticals Inc.

Carl Jürgen Tinggren

Mr. Tinggren has served as a director of OpenText since February 2017. Mr. Tinggren is the former Chief Executive Officer of Schindler Group, a European based global industrial corporation, and has over 30 years of international business experience. Previous to Schindler Group, Mr. Tinggren gained extensive management experience at Sika AG, a public specialty chemicals company, based out of Switzerland, Sweden and North America, as well as at Booz Allen & Hamilton. Mr. Tinggren is currently a non-executive member of the board of directors of Johnson Controls International, where he also serves as lead director and as chair of the audit committee. He is also a director at the Conference Board. Previously, Mr. Tinggren also served as a director of Schindler Group and Sika AG. Mr. Tinggren received an M.B.A. from Stockholm School of Economics and New York University Business School.

Deborah Weinstein

Ms. Weinstein has served as a director of OpenText since December 2009. Ms. Weinstein is a co-founder and partner of LaBarge Weinstein LLP, a business law firm based in Ottawa, Ontario, since 1997. Ms. Weinstein's legal practice specializes in corporate finance, securities law, mergers and acquisitions and business law representation of public and private companies, primarily in knowledge-based growth industries. Prior to founding LaBarge Weinstein LLP, Ms. Weinstein was a partner of the law firm Blake, Cassels & Graydon LLP, where she practiced from 1990 to 1997 in Ottawa, and in Toronto from 1985 to 1987. Ms. Weinstein also serves as a director of Dynex Power Inc., a manufacturer of power semiconductors, and on a number of not-

for-profit boards. Ms. Weinstein holds an LL.B. from Osgoode Hall Law School of York University. In the last five years, Ms. Weinstein also served as a director of LW Capital Pool Inc. and Standard Innovation Corporation, a private company.

#### Involvement in Certain Legal Proceedings

Ms. Stevenson served as the Treasurer of Nortel Networks Corporation (Nortel) from 2000 to August 2007.

Mr. Davies served as the Chief Legal Officer and Corporate Secretary of Nortel during 2007 and from January to September 2009. In January 2009, Nortel filed petitions under applicable bankruptcy and insolvency laws of the United States, Canada and the United Kingdom.

Ms. Stevenson served as a director of Valeant Pharmaceuticals International, Inc. (Valeant) from 2010 to March 2016.

During her tenure, Valeant was, and continues to be, the subject of certain putative securities class action claims in Canada and the United States. These claims allege, among other things, misrepresentations by Valeant in certain of its public disclosure documents.

Mr. Fowlie was a director of Meikle Group Inc. (Meikle Group), a private company, from June 2009 to April 2010.

Subsequent to Mr. Fowlie's resignation, as part of a restructuring, creditors appointed a receiver to sell the business assets and transfer employees of Meikle Group, as a going concern, to a newly financed company.

Mr. Sadler was a director of Frontline Technologies Inc. (formerly Belzberg Technologies Inc.) from October 1997 to April 2012. Subsequent to Mr. Sadler's resignation, Frontline Technologies Inc. filed an assignment into bankruptcy under applicable bankruptcy and insolvency laws of Canada.

#### Audit Committee

The Audit Committee currently consists of four directors, Mr. Fowlie (Chair), Mr. Tinggren, and Mses. Hamilton and Stevenson, all of whom have been determined by the Board of Directors to be independent as that term is defined in NASDAQ Rule 5605(a)(2) and in Rule 10A-3 promulgated by the SEC under the Exchange Act, and within the meaning of our director independence standards and those of any exchange, quotation system or market upon which our securities are traded.

The responsibilities, mandate and operation of the Audit Committee are set out in the Audit Committee Charter, a copy of which is available on the Company's website, [investors.opentext.com](http://investors.opentext.com) under the Corporate Governance section.

The Board of Directors has determined that Mr. Fowlie qualifies as an "audit committee financial expert" as such term is defined in SEC Regulation S-K, Item 407(d)(5)(ii).

#### Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the Ethics Code) that applies to all of our directors, officers and employees. The Ethics Code incorporates our guidelines designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and compliance with all applicable laws and regulations. The Ethics Code also incorporates our expectations of our employees that enable us to provide full, fair, accurate, timely and understandable disclosure in our filings with the SEC and other public communications.

The full text of the Ethics Code is published on our web site at [investors.opentext.com](http://investors.opentext.com) under the Corporate Governance section.

If we make any substantive amendments to the Ethics Code or grant any waiver, including any implicit waiver, from a provision of the Ethics Code to our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, we will disclose the nature of the amendment or waiver on our website at [investors.opentext.com](http://investors.opentext.com) or on a Current Report on Form 8-K.

#### Board Diversity and Term Limits

The Company, including the Corporate Governance and Nominating Committee, views diversity in a broad context and considers a variety of factors when assessing nominees for the Board. The Company has established a Board Diversity Policy recognizing that a Board made up of highly qualified directors from diverse backgrounds, including diversity of gender, age, race, sexual orientation, religion, ethnicity and geographic representation, is important. The Company has not established a specific target number or date by which to achieve a specific number of women on the Board, as we consider a multitude of factors, including skills, experience, expertise and character, in determining the best nominee at the time and consider the Company's objectives and challenges at such time. There are currently three

women on the Board which represents approximately 30% of the current Board and of the director nominees, and 38% of the current independent Board members.

The Company has not set term limits for independent directors because it values the cumulative experience and comprehensive knowledge of the Company that long serving directors possess. The Company does not have a director

retirement policy, however the Corporate Governance and Nominating Committee considers the results of its director assessment process in determining the nominees to be put forward. In conducting director evaluations and nominations, the Corporate Governance and Nominating Committee considers the composition of the Board and whether there is a need to include nominees with different skills, experiences and perspectives on the Board. This flexible approach allows the Company to consider each director individually as well as the Board composition generally to determine if the appropriate balance is being achieved.

#### Diversity in Executive Officer Positions

The Company is committed to a diverse and inclusive workplace, including advancing women to executive officer positions. The Company has not adopted specific objectives or targets regarding women at the executive officer level; however, the Company has adopted a formal written Global Diversity and Inclusion Policy which expresses its commitment to fostering a diverse and inclusive workplace for all employees. The Company currently has four women (33%) on the executive leadership team (ELT), while approximately 23% of existing positions on the senior leadership team (SLT), exclusive of our ELT, are held by women. A principal objective of our Global Diversity and Inclusion Policy is to support and monitor the identification, development and retention of diverse employees, including gender diversity at executive and leadership positions. We will continue to develop a sustainable culture of diversity and inclusion that provides all employees an opportunity to excel.

#### Item 11. Executive Compensation

##### COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed with our management the following Compensation Discussion and Analysis (CD&A). Based on this review and discussion, our Compensation Committee has recommended to the Board that the following CD&A be included in our Annual Report on Form 10-K for Fiscal 2018.

This report is provided by the following independent directors, who comprise our Compensation Committee:

Michael Slaunwhite (Chair), Brian J. Jackman, Deborah Weinstein.

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (Exchange Act), this “Compensation Committee Report” shall not be deemed “soliciting materials”, unless specifically otherwise provided in any such filing.

##### COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of the following individuals for the fiscal year which ended on June 30, 2018 (Fiscal 2018), should be read together with the compensation tables and related disclosures set forth below: (i) our principal executive officer, (ii) our principal financial officer, (iii) our three most highly compensated executive officers, other than our principal executive officer and principal financial officer, and (iv) one additional individual who previously served as our principal financial officer during part of Fiscal 2018 (collectively, the Named Executive Officers). This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and projections regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the various planned programs summarized in this discussion.

Payments in Canadian dollars and British pounds sterling included herein, unless otherwise specified, are converted to U.S. dollars using an average annual exchange rate of 0.786589 and 1.342283, respectively.

##### Overview of Compensation Program

The compensation of our Named Executive Officers is the responsibility of the Compensation Committee of OpenText's board of directors (the Compensation Committee or the Committee), either alone or in certain circumstances, in consultation with the Board. The Compensation Committee ensures compensation decisions are in line with our goal to provide total compensation to our Named Executive Officers that (i) is fair, reasonable and consistent with our compensation philosophy to achieve our short-term and long-term business goals, and (ii) provides market competitive compensation. The Named Executive Officers who are the subject of this CD&A are:

♣Mark J. Barrenechea - Vice Chair, Chief Executive Officer and Chief Technology Officer (CEO)

♣Madhu Ranganathan - Executive Vice President and Chief Financial Officer (CFO)



John M. Doolittle - Former Executive Vice President and Chief Financial Officer (Former CFO)  
Simon Harrison - Executive Vice President, Worldwide Sales  
Muhi Majzoub - Executive Vice President, Engineering  
Gordon A. Davies - Executive Vice President, Chief Legal Officer and Corporate Development

During Fiscal 2018, Mr. Doolittle served as our Executive Vice President and Chief Financial Officer until his departure from such office, effective April 2, 2018. Mr. Doolittle will remain with the Company until September 2018 for transition purposes.

Compensation Oversight Process  
Role of Compensation Committee

The Compensation Committee has responsibility for the oversight of executive compensation within the terms and conditions of our various compensation plans. The Compensation Committee approves the compensation of our executive officers, with the exception of our CEO. In making compensation decisions relating to, among other things, performance targets, base salary, bonuses, short-term incentives and long-term incentives, the Compensation Committee considers the input of the CEO. With respect to the compensation of our CEO, the Compensation Committee makes recommendations to the Board (excluding the CEO) for approval. The Compensation Committee reviews and approves all equity awards related to executive compensation prior to final approval and granting by the Board.

The Board, the Compensation Committee, and our management have instituted a set of detailed policies and procedures to evaluate the performance of each of our Named Executive Officers which help determine the amount of the short-term incentives and long-term incentives to award to each Named Executive Officer. The Compensation Committee considers previous compensation awards, the impact of tax, accounting treatments and applicable regulatory requirements when approving compensation programs.

During Fiscal 2018, the Committee's work included the following:

Executive Compensation Review - The Compensation Committee continually reviews compensation practices and policies with respect to our senior management team against similar-sized global technology companies, in order to allow us to place our compensation practices for these positions in a market context. This benchmarking may include a review of base salary, total cash compensation and total direct compensation.

Long-Term Incentive Plan - The Compensation Committee reviewed semi-annual analysis provided by Mercer Canada Limited (Mercer) related to performance under all outstanding Performance Share Unit Programs (for details on the programs, refer to the section titled "Long Term Incentives").

In reaching its decisions, the Compensation Committee may consider input from management, analysis provided from the compensation consultant, as well as other factors that the Committee considers appropriate. Decisions made by the Compensation Committee are the responsibility of the Committee and may reflect factors and considerations other than the information and/or recommendations provided by management and the compensation consultants.

Compensation Consultant

NASDAQ standards require compensation committees to have certain responsibilities and authority regarding the retention, oversight and funding of committees' advisors and perform an evaluation of each advisor's independence, taking into consideration all factors relevant to that person's independence from management. NASDAQ standards also require that such rights and responsibilities be enumerated in the compensation committee's charter. While, as a foreign private issuer under the U.S. federal securities laws, we are exempt from these rules, nonetheless, our Compensation Committee has the sole authority to retain and terminate outside consultants. From time to time, the Compensation Committee seeks the advice of an outside compensation consultant to provide assistance and guidance on compensation issues. The consultant may provide the Compensation Committee with relevant information pertaining to market compensation levels, alternative compensation plan designs, market trends and best practices and may assist the Compensation Committee with respect to determining the appropriate benchmarks for each Named Executive Officer's compensation.

In Fiscal 2018, the Compensation Committee retained Hugessen Consulting Inc. (Hugessen), an independent consulting firm specializing in executive compensation consulting. Hugessen did not attend any Compensation Committee meetings; however, representatives of Hugessen were made available from time to time to consult with



Committee. Hugessen did not provide any other services to the Company during Fiscal 2018, outside of its capacity as compensation consultants.

The Compensation Committee met four times during Fiscal 2018. Management assisted in the coordination and preparation of the meeting agenda and materials for each meeting. The agenda is reviewed and approved by the Chairman of the Compensation Committee. The meeting materials are generally posted and made available to the other Committee members and invitees, if any, for review approximately one week in advance of each meeting.

#### Compensation Philosophy

We believe that compensation plays an important role in achieving short and long-term business objectives that ultimately drives business success in alignment with long-term shareholder value creation.

Our compensation philosophy is based on three fundamental principles:

**Strong link to business strategy** - Our short and long-term goals are reflected in our overall compensation program.

**Pay for performance** - We aim to reward sustained company performance and individual achievements by aligning a significant portion of total compensation to our financial results and strategic objectives. We believe compensation should fluctuate with financial performance and accordingly, we structure total compensation to be at or above our peer group median when our financial performance exceeds our target performance and likewise, we structure total compensation to be below our peer group median if our financial performance falls below our targets.

**Market relevant** - Our compensation program provides market competitive pay in terms of value and structure in order to retain talent who are performing according to their objectives and to attract new talent of the highest caliber. We aim to position our executive officers' compensation targets at the median in relation to our peer group, however, actual pay depends on performance of the executive officers and the Company.

Our reward package is based primarily on results achieved by the Company as a whole. The Compensation Committee has the flexibility to exercise discretion to ensure total compensation appropriately reflects performance.

The Compensation Committee rarely exercises said discretion.

#### Compensation Objectives

The objectives of our compensation program are to:

- Attract and retain highly qualified executive officers who have a history of proven success;
- Align the interests of executive officers with our shareholders' interests and with the execution of our business strategy;
- Motivate and reward our high caliber executive team through competitive pay practices and an appropriate mix of short and long-term incentives;
- Evaluate executive performance on the basis of key financial metrics which we believe closely correlate to long-term shareholder value; and
- Tie compensation awards directly to key financial metrics with evaluations based on achieving and overachieving predetermined objectives.

#### Competitive Compensation

Aggregate compensation for each Named Executive Officer is designed to be market competitive. The Compensation Committee researches and refers to the compensation practices of similarly situated companies in determining our compensation policy. Although the Compensation Committee reviews each element of compensation for market competitiveness, and may weigh a particular element more heavily than another based on our Named Executive Officer's role within the Company, the focus remains on being competitive in the market with respect to total compensation.

The Compensation Committee periodically reviews data related to compensation levels and programs of a peer group of comparable organizations. Our last peer group analysis was prepared for management by Radford, an AON Hewitt Company (Radford), in November 2016 using the criteria described in the table below, and was presented to and approved by the Compensation Committee at that time. Our peer group consists of 17 companies that include 16 US-based companies and one Israel-based company. No additional comparable companies were added to our peer group in Fiscal 2018.

General Description	Criteria Considered	Peer Group List
<p>Global software and service providers that are similar in size, business complexity, and scope of operations to us.</p>	<p>Key metrics considered include revenue, market capitalization, number of employees, and net income. Generally, organizations within our peer group are in a similar software/technology industry with similar revenues, market size and number of employees.</p>	<p>Akamai Technologies, Inc. Autodesk, Inc. Broadridge Financial Solutions, Inc. Brocade Communications Systems, Inc. CA Technologies Cadence Design Systems, Inc. Check Point Software Technologies Ltd. Citrix Systems, Inc. Global Payments Inc. Nuance Communications, Inc. Pitney Bowes Inc. Red Hat, Inc. Sabre Corporation Symantec Corporation Synopsys, Inc. Teradata Corporation The Dun &amp; Bradstreet Corporation</p>
<p>Taking into account the benchmarking review performed in Fiscal 2017, further efforts were made to align our Named Executive Officers' compensation packages more closely with our stated compensation objectives. Accordingly, Messrs. Doolittle, Davies, Majzoub and Harrison received an adjustment to their respective total cash compensation effective at the commencement of Fiscal 2018. The results of the benchmarking review, in consultation with the Compensation Committee, were also taken into consideration when offering employment to Ms. Ranganathan, who joined the Company in April 2018 as Executive Vice President and CFO. Also see " Long-Term Incentives - Other</p>	<p>Long-Term Equity Grants" below.</p>	
	<p>Aligning Officers' Interests with Shareholders' Interests</p>	
<p>We believe that transparent, objective and easily verified corporate goals play an important role in creating and maintaining an effective compensation strategy for our Named Executive Officers. Our objective is to facilitate an increase in shareholder value, over the longer term, through the achievement of these corporate goals under the leadership of our Named Executive Officers working in conjunction with all of our valued employees.</p>	<p>We use a combination of fixed and variable compensation to motivate our executive officers to achieve our corporate goals. For Fiscal 2018, the basic components of our executive officer compensation program were:</p>	
	<p>Fixed pay; Short-term incentives; and Long-term incentives.</p>	
<p>To ensure alignment of the interests of our executive officers with the interests of our shareholders, our executive officers have a significant proportion of compensation "at risk". Compensation that is "at risk" means compensation that may or may not be paid to an executive officer depending on whether the Company and such executive officer is able to meet or exceed applicable performance targets. Short-term incentives and long-term incentives meet this definition of compensation which is at risk, and long-term incentives are an additional incentive used to promote the creation of longer-term shareholder value. In general, the greater the executive officer's influence upon our financial or operational results, the higher is the "at risk" portion of the executive officer's compensation.</p>		

The Compensation Committee annually considers the percentage of each Named Executive Officer's total compensation that is “at risk” depending on the Named Executive Officer's responsibilities and objectives.

The chart below provides the approximate percentage of target total compensation provided to each Named Executive Officer that was either fixed pay or “at risk” for Fiscal 2018:

Named Executive Officer	Fixed Pay Percentage (“Not At Risk”)	Short-Term Incentive Percentage (at 100% target) (“At Risk”)	Long-Term Incentive Percentage (at 100% target) (“At Risk”)
Mark J. Barrenechea	12%	18%	70%
Madhu Ranganathan <sup>(1)</sup>	32%	32%	36%
John M. Doolittle	23%	23%	54%
Simon Harrison	34%	34%	32%
Muhi Majzoub	21%	21%	58%
Gordon A. Davies	21%	21%	58%

<sup>(1)</sup> The “at risk” portion of Ms. Ranganathan's total compensation set forth in this table is lower than what the Compensation Committee would normally target for her respective position. This is the mathematical result of her long-term incentive grants being awarded at a prorated value based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

Fixed Pay  
Fixed pay includes:

- Base salary;
- Perquisites; and
- Other benefits.

Base Salary

The base salary review for each Named Executive Officer takes into consideration factors such as current competitive market conditions and particular skills (such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance) of the particular individual. The Compensation Committee obtains information regarding competitive market conditions through the assistance of management and our compensation consultants.

The performance of each of our Named Executive Officers, other than our CEO, is assessed by our CEO in his capacity as the direct supervisor of the other Named Executive Officers. The performance of our CEO is assessed by the Board (excluding the CEO). The Board conducts the initial discussions and makes the initial decisions with respect to the performance of our CEO in a special session from which management is absent.

For details on our benchmarking process, see “Competitive Compensation” above.

Perquisites

Our Named Executive Officers receive a minimal amount of non-cash compensation in the form of executive perquisites. In order to remain competitive in the market place, our Named Executive Officers are entitled to some limited benefits that are not otherwise available to all of our employees, including:

- An annual executive medical physical examination;
- A base allowance to cover expenses such as financial planning or health club memberships.

Other Benefits

We provide various employee benefit programs on the same terms to all employees, including our Named Executive Officers, such as, but not limited to:

- Medical health insurance;
- Dental insurance;
- Life insurance; and
- Tax based retirement savings plans matching contributions.

## Short-Term Incentives

In Fiscal 2018, all of our Named Executive Officers participated in our short-term incentive plan, which is designed to motivate achievement of our short-term corporate goals. These short-term corporate goals are typically derived from our annual business plan which is prepared by management and approved by the Board. Awards made under the short-term incentive plan are made by way of cash payments only.

The amount of the short-term incentive payable to each Named Executive Officer, in general, is based on the ability of each Named Executive Officer to meet pre-established, qualitative and quantitative corporate objectives related to improving shareholder and company value, as applicable, which are reviewed and approved by the Compensation Committee and the Board. For all Named Executive Officers these objectives consist of worldwide revenues and worldwide adjusted operating income with the exception of Mr. Harrison. Due to his specific responsibilities relating to sales, Mr. Harrison's objectives consist of worldwide license and cloud revenues and worldwide adjusted operating income.

Worldwide revenues are derived from the "Total Revenues" line of our audited income statement with certain adjustments relating to the aging of accounts receivable. Worldwide revenues are an important variable that helps us to assess our Named Executive Officers' performance in helping us to grow and manage our business.

Worldwide license and cloud revenues are derived from sum of the "License" and "Cloud services and subscriptions" lines of our audited income statement.

Worldwide adjusted operating income, which is intended to reflect the operational effectiveness of our leadership, is calculated as total revenues less the total cost of revenues and operating expenses excluding amortization of intangible assets, special charges and stock-based compensation expense. Worldwide adjusted operating income is also adjusted to remove the impact of foreign exchange.

For Fiscal 2018, the following table illustrates the total short-term target awards for each Named Executive Officer, along with the associated weighting of the related performance measures.

Named Executive Officer	Total Target Award	Worldwide Revenues	Worldwide Adjusted Operating Income	Worldwide License and Cloud Revenues
Mark J. Barrenechea	\$ 1,425,000	50%	50%	N/A
Madhu Ranganathan <sup>(1)</sup>	\$ 125,000	50%	50%	N/A
John M. Doolittle	\$ 498,172	50%	50%	N/A
Simon Harrison <sup>(2)</sup>	\$ 300,000	N/A	50%	50%
Muhi Majzoub	\$ 400,000	50%	50%	N/A
Gordon A. Davies	\$ 367,076	50%	50%	N/A

(1) The target amount was prorated based on the number of months Ms. Ranganathan was employed with us during Fiscal 2018.

(2) The target amount was prorated based on the number of months Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018 and does not include short-term target awards prior to his promotion.

For the short-term incentive award amounts that would be earned at each of threshold, target and maximum levels of performance, for applicable objectives, see "Grants of Plan-Based Awards for Fiscal 2018" below.

For each performance measure noted above, the Compensation Committee approves the total target award, and the Board applies a threshold and target level of performance. Where applicable, the Board also applies an objective formula for determining the percentage payout under awards for levels of performance above and below threshold and target. To the extent target performance is exceeded, the award will be proportionately greater. The threshold and target levels and payout formula are set forth below as well as actual performance and payout percentages achieved in Fiscal 2018. The Board has discretion to make positive or negative adjustments if it considers them to be reasonably appropriate. The Board did not make any discretionary adjustments for Fiscal 2018 awards.

Objectives (in millions)	Threshold	Target	Target	Fiscal 2018 Actual <sup>(1)</sup>	% Target Achieved	% of Payment per Fiscal 2018

					Payout Table	
Worldwide Revenues	\$ 2,472	\$2,747	\$ 2,713	98.8	% 85	%
Worldwide Adjusted Operating Income	\$ 813	\$903	\$ 889	98.4	% 85	%
Worldwide License and Cloud Revenues	\$ 1,140	\$1,267	\$ 1,230	97.1	% 70	%

(1) Adjusted to remove the impact of foreign exchange and, in some cases, reflect certain adjustments relating to the aging of accounts receivable.

The table below illustrates the percentage of the target awards that are paid to our Named Executives Officers, with the exception of Mr. Harrison, in accordance with our actual results achieved during Fiscal 2018.

Worldwide Revenues and Worldwide Adjusted Operating Income - Attainment and Corresponding Payment			
% Attainment	% Payment	% Attainment	% Payment
0 - 89%	—%	100.0%	100%
90 - 91%	15%	100.5%	125%
92 - 93%	40%	101.0%	150%
94 - 95%	55%	101.5%	175%
96 - 97%	70%	102% and above	200%
98 - 99%	85%		

Formula:  
 Actual / Budget = % of Attainment  
 Linear x25 for every 0.5% over 100%

Example: an attainment of 101% results in a payment of 150%

In Fiscal 2018, rounded up, we achieved 99% of our worldwide revenue target and 98% of our worldwide adjusted operating income target. The “Worldwide Revenues and Worldwide Adjusted Operating Income Calculations” table above illustrates under the “% Attainment” column that an achievement of 99% of target for the worldwide revenue performance criteria results in an award payment of 85% of the target award amount and an achievement of 98% of target for the worldwide adjusted operating income performance criterion results in an award payment of 85% of the target award amount.

The table below illustrates the percentage of the target awards that are paid to Mr. Harrison, as a result of more direct responsibilities relating to sales, in accordance with our actual results achieved during Fiscal 2018.

Worldwide License and Cloud Revenues and Worldwide Adjusted Operating Income - Attainment and Corresponding Payment			
% Attainment	% Payment	% Attainment	% Payment
0 - 89%	—%	102%	150%
90 - 91%	15%	103%	175%
92 - 93%	40%	104%	200%
94 - 95%	55%	105%	225%
96 - 97%	70%	106%	250%
98 - 99%	85%	107%	275%
100%	100%	108% and above	300% cap
101%	125%		

Formula:  
 Actual / Budget = % of Attainment  
 Linear x25 for every 0.5% over 100%

Example: an attainment of 101% results in a payment of 150%

In Fiscal 2018, Mr. Harrison achieved 97% of his worldwide license and cloud revenue target and 98% of his worldwide adjusted operating income target. The “Worldwide License and Cloud Revenue and Worldwide Adjusted Operating Income Calculation” table above illustrates under the “% Attainment” column that an achievement of 97% of target for the worldwide license and cloud revenue performance criteria results in an award payment of 70% of the target award amount and an achievement of 98% of target for the worldwide adjusted operating income performance criterion results in an award payment of 85% of the target award amount.

The actual short-term incentive award earned by each Named Executive Officer for Fiscal 2018 was determined in accordance with the formulas described above. We have set forth below for each Named Executive Officer the award amount actually paid for Fiscal 2018, and the percentage of target award amount represented by the actual award paid broken out by performance measure as follows:

## Mark J. Barrenechea

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$712,500	\$106,875	\$605,625	85 %
Worldwide Adjusted Operating Income	\$712,500	\$106,875	\$605,625	85 %
Total	\$1,425,000	\$213,750	\$1,211,250	85 %

## Madhu Ranganathan

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$62,500	\$9,375	\$53,125	85 %
Worldwide Adjusted Operating Income	\$62,500	\$9,375	\$53,125	85 %
Total	\$125,000	\$18,750	\$106,250	85 %

The target amount and resulting amount payable was prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

## John M. Doolittle

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$249,086	\$37,363	\$211,725	85 %
Worldwide Adjusted Operating Income	\$249,086	\$37,363	\$211,725	85 %
Total	\$498,172	\$74,726	\$423,450	85 %

## Simon Harrison

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide License and Cloud Revenues	\$150,000	\$22,500	\$105,000	70 %
Worldwide Adjusted Operating Income	\$150,000	\$22,500	\$127,500	85 %
Total	\$300,000	\$45,000	\$232,500	78 %

The target amount and resulting amount payable was prorated based on the number of months Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018 and does not include payments made to Mr. Harrison earned prior to his promotion.

## Muhi Majzoub

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$200,000	\$30,000	\$170,000	85 %
Worldwide Adjusted Operating Income	\$200,000	\$30,000	\$170,000	85 %
Total	\$400,000	\$60,000	\$340,000	85 %

## Gordon A. Davies

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$ 183,538	\$ 27,531	\$ 156,00785	%
Worldwide Adjusted Operating Income	\$ 183,538	\$ 27,531	\$ 156,00885	%
Total	\$ 367,076	\$ 55,062	\$ 312,01585	%

## Long-Term Incentives

As with many North American technology companies, we have a general practice of granting variable long-term incentives to executive officers. Our long-term incentives represent a significant proportion of our executive officers' total compensation, and its purpose is two-fold: (i) as a component of a competitive compensation package; and (ii) to align the interests of our executive officers with the interests of our shareholders. Grants are consistent with competitive market practice, and vesting occurs over time, to ensure alignment with our performance over the longer term. Usually a very high percentage of the long-term incentive is "at risk" indicating we will not provide any compensation to the executive unless shareholders have received a positive return.

## Long-Term Incentive Plans (LTIP) - General

We incentivize our executive officers, in part, with long-term compensation pursuant to our LTIP. For each LTIP grant, a target value is established by the Compensation Committee for each Named Executive Officer, except for the CEO, whose target value is established by the Board, based on competitive market practice and by the respective Named Executive Officer's ability to influence financial or operational performance. Grants are generally made annually and are comprised of the components outlined in the table below.

The target value of the LTIP is split into three components, with 50% represented by Performance Share Units (PSUs), 25% represented by Restricted Share Units (RSUs) and 25% represented by stock options. PSUs and RSUs are based on a rolling three-year program, which means that assessment of a Named Executive Officer's performance under each grant is made continuously over the period, but payments on that grant may only be made at the end of the applicable three year term in either cash or Common Shares, at the discretion of the Board. Options granted under the LTIP generally vest over four years. The LTIP payments may also be subject to certain payment limitations in the event of early termination of employment or change in control of the Company. As well, LTIP payments are subject to mandatory repayment or "claw-back" in the event of fraud, willful misconduct or gross negligence by any executive officer, including a Named Executive Officer, affecting the financial performance or financial statements of the Company or the price of our Common Shares. The performance targets and the weightings of performance targets under each LTIP are first recommended by the Compensation Committee and then approved by the Board. No dividends are paid or accrued on PSUs or RSUs.

Vehicle	% of Total LTIP	Description	Vesting	Payout
Performance Share Units (PSU)	50% of LTIP target award value	The value of each PSU is equivalent to one Common Share. The number of PSUs granted is determined by converting the dollar value of the target award to PSUs, based on an average share price determined at time of Board grant. The number of PSUs to vest will be based on the Company's total shareholder return (TSR) at the end of a three year period as compared to the TSR of companies comprising the constituents of the S&P MidCap400 Software and Services Index.	Cliff vesting in the third year following the determination by the Board that the performance criteria have been met.	Once vested, units will be settled in either Common Shares or cash, at the discretion of the Board. We expect to settle these awards in Common Shares.
Restricted Share Units (RSU)	25% of LTIP target award value	The value of each RSU is equivalent to one Common Share. The number of RSUs granted is determined by converting the dollar value of the target award to RSUs, based on an average share price determined at time of Board grant.	Cliff vesting, generally three years after grant date.	Once vested, units will be settled in either Common Shares or cash, at the discretion of the Board. We expect to settle these awards in Common Shares.
Stock Options	25% of LTIP target award value	The dollar value of the target award is converted to a number of options using a Black Scholes model. The exercise price is equal to the closing price of our Common Shares on the trading day preceding the date of grant.	Vesting is typically 25% on each of the first four anniversaries of grant date. Options expire seven years after the grant date.	Once vested, participants may exercise options for Common Shares.

Fiscal 2020 LTIP

Grants made in Fiscal 2018 under the Fiscal 2020 LTIP took effect starting on August 7, 2017 with the goal of measuring performance over the three year period starting July 1, 2017. For each Named Executive Officer, the compensation target under the Fiscal 2020 LTIP, was determined based on the Named Executive Officer's overall compensation and by their ability to influence our financial or operational performance.

The target compensation set for each Named Executive Officer under the Fiscal 2020 LTIP is comprised of three elements: PSUs, RSUs and stock options, which represent 50%, 25% and 25%, respectively, of each Named Executive Officer's total LTIP target award. The table below illustrates the target value of each element under the Fiscal 2020 LTIP for each Named Executive Officer.

Named Executive Officer	Performance Share Units	Restricted Share Units	Stock Options	Total
Mark J. Barrenechea	\$ 2,815,000	\$ 1,407,500	\$ 1,407,500	\$ 5,630,000
Madhu Ranganathan <sup>(1)</sup>	\$ 287,337	\$ 143,669	\$ 143,669	\$ 574,675
John M. Doolittle <sup>(2)</sup>	N/A	N/A	N/A	N/A
Simon Harrison <sup>(3)</sup>	\$ 184,564	\$ 92,282	\$ 92,282	\$ 369,128
Muhi Majzoub	\$ 550,000	\$ 275,000	\$ 275,000	\$ 1,100,000
Gordon A. Davies	\$ 518,579	\$ 259,289	\$ 259,289	\$ 1,037,157

(1) Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

(3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

Awards granted in Fiscal 2018 under the Fiscal 2020 LTIP were in addition to the awards granted in Fiscal 2017, Fiscal 2016, and prior years. For details of our previous LTIPs, see Item 11 of our Annual Report on Form 10-K for the appropriate year.

## Fiscal 2020 LTIP - PSUs

With respect to our PSUs, we use relative TSR to benchmark the Company's performance against the performance of the corporations comprising the constituents of the S&P Mid Cap 400 Software & Services Index (the Index). The Index is comprised of 400 U.S. public companies with unadjusted market capitalization of \$1.8 billion to \$13.6 billion and is a useful measure of the performance of mid-sized companies. Relative TSR is the sole measure for each Named Executive Officer's performance over the relevant three year period for the Fiscal 2020 LTIP with respect to PSUs. If over the three year period, the relative cumulative TSR of the Company compared to the cumulative TSR of the Index is greater than the 66<sup>th</sup> percentile, the relative TSR target will be achieved in full. If it is negative at the end of the three year period, no payout will be made. Otherwise, any target percentile achieved between 1% and 100% will be interpolated to determine a payout that can range from 1.5% to 150% of the target award based on the number of PSUs that were granted in connection with the Fiscal 2020 LTIP.

The amounts that may be realized for PSU awards under the Fiscal 2020 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2018, and applied to the number of PSUs to be issued to the Named Executive Officers based on target level achievement.

## Fiscal 2020 LTIP PSUs

Named Executive Officer	1.5%	100%	150% Achievement
	Achievement at June 30, 2020	Achievement at June 30, 2020	
Mark J. Barrenechea	\$ 44,060	\$ 2,937,309	\$ 4,405,964
Madhu Ranganathan <sup>(1)</sup>	\$ 4,202	\$ 280,112	\$ 420,168
John M. Doolittle <sup>(2)</sup>	N/A	N/A	N/A
Simon Harrison <sup>(3)</sup>	\$ 2,755	\$ 183,692	\$ 275,538
Muhi Majzoub	\$ 8,609	\$ 573,949	\$ 860,924
Gordon A. Davies	\$ 7,828	\$ 521,868	\$ 782,802

(1) Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

(3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

## Fiscal 2020 LTIP - RSUs

RSUs vest over three years and do not have any specific performance-based vesting criteria. Provided the eligible employee remains employed throughout the vesting period, all RSUs granted shall become vested RSUs at the end of the Fiscal 2020 LTIP period.

The amounts that may be realized for RSU awards under the Fiscal 2020 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2018, and applied to the number of equivalent RSUs to be issued to the Named Executive Officers.

## Fiscal 2020 LTIP RSUs

Named Executive Officer	Value at June 30, 2018
Mark J. Barrenechea	\$ 1,468,479
Madhu Ranganathan <sup>(1)</sup>	\$ 140,056
John M. Doolittle <sup>(2)</sup>	N/A
Simon Harrison <sup>(3)</sup>	\$ 91,846
Muhi Majzoub	\$ 286,799
Gordon A. Davies	\$ 260,758

(1)

Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

- (2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.
- (3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

#### Fiscal 2020 LTIP - Stock Options

The stock options granted in connection with the Fiscal 2020 LTIP vest over four years, do not have any specific performance-based vesting criteria and, if not exercised, expire after seven years.

#### Other Long-Term Equity Grants

In addition to grants made in connection with our LTIP program, from time to time, we may grant stock options and/or RSUs to new strategic hires and to our employees in recognition of their service, such as for promotions, retention, or other reasons. In Fiscal 2018, we granted stock options to two of our Named Executive Officers, namely, Ms. Ranganathan, in connection with the commencement of her employment with us, and Mr. Harrison, in connection with his promotion to Executive Vice President, Worldwide Sales. Details of these grants are contained in the table below under "Grants of Plan Based Awards" Our RSUs and stock options vest over a specified contract date, typically over three and four years, respectively, and do not have any specific performance criteria. With respect to stock option grants, the Board will determine the following, based upon the recommendation of the Compensation Committee: the executive officers entitled to participate in our stock option plan, the number of options to be granted, and any other material terms and conditions of the stock option grant.

All stock option grants, whether part of the LTIP or granted separately for new hires, promotions, retention or other reasons, are governed by our stock option plans. In addition, grants and exercises of stock options are subject to our

Insider Trading Policy. For details of our Insider Trading Policy, see "Other Information With Respect to Our Compensation Program - Insider Trading Policy" below.

For details on the determination of targeted awards and our benchmarking process, see "Compensation Objective - Competitive Compensation" above.

#### Executive Change in Control and Severance Benefits

Our severance benefit agreements are designed to provide reasonable compensation to departing senior executive officers under certain circumstances. While we do not believe that the severance benefits would be a determinative factor in a senior executive's decision to join or remain with the Company, the absence of such benefits, we believe, would present a distinct competitive disadvantage in the market for talented executive officers. Furthermore, we believe that it is important to set forth the benefits payable in triggering circumstances in advance in an attempt to avoid future disputes or litigation.

The severance benefits we offer to our senior executive officers are competitive with similarly situated individuals and companies. We have structured our senior executive officers' change in control benefits as "double trigger" benefits, meaning that the benefits are only paid in the event of, first, a change in control transaction, and second, the loss of employment within one year after the transaction. These benefits attempt to provide an incentive to our senior executive officers to remain employed with the Company in the event of such a transaction.

#### Other Information With Respect to Our Compensation Program Pension Plans

We do not provide pension benefits or any non-qualified deferred compensation to any of our Named Executive Officers.

#### Share Ownership Guidelines

We currently have equity ownership guidelines (Share Ownership Guidelines), the objective of which is to encourage our senior management, including our Named Executive Officers, and our directors to buy and hold Common Shares in the Company based upon an investment target. We believe that the Share Ownership Guidelines help align the financial interests of our senior management team and directors with the financial interests of our shareholders.

The equity ownership levels are as follows:

CEO	4x base salary
Other senior management	1x base salary
Non-management director	3x annual retainer

For purposes of the Share Ownership Guidelines, individuals are deemed to hold all securities over which he or she is the registered or beneficial owner thereof under the rules of Section 13(d) of the Exchange Act through any contract, arrangement, understanding, relationship or otherwise in which such person has or shares:



- voting power which includes the power to vote, or to direct the voting of, such security; and/or
- investment power which includes the power to dispose, or to direct the disposition of, such security.

Also, Common Shares will be valued at the greater of their book value (i.e., purchase price) or the current market value. On an annual basis, the Compensation Committee reviews the recommended ownership levels under the Share Ownership Guidelines and the compliance by our executive officers and directors with the Share Ownership Guidelines.

The Board implemented the Share Ownership Guidelines in October 2009 and recommends that equity ownership levels be achieved within five years of becoming a member of the executive leadership team, including Named Executive Officers. The Board also recommends that the executive leadership team retain their ownership levels for so long as they remain members of the executive leadership team.

#### Named Executive Officers

Named Executive Officers may achieve these Share Ownership Guidelines through the exercise of stock option awards, purchases under the OpenText Employee Stock Purchase Plan (ESPP), through open market purchases made in compliance with applicable securities laws or through any equity plan(s) we may adopt from time to time providing for the acquisition of Common Shares. Until the Share Ownership Guidelines are met, it is recommended that a Named Executive Officer retain a portion of any stock option exercise or LTIP award in Common Shares to contribute to the achievement of the Share Ownership Guidelines. Common Shares issuable pursuant to the unexercised options shall not be counted towards meeting the equity ownership target.

As of the date of this Annual Report on Form 10-K, all Named Executive Officers comply with the Share Ownership Guidelines for Fiscal 2018, as they have either met the share ownership guidelines or, in the case of Ms. Ranganathan and Mr. Harrison, have five years from becoming subject to these guidelines to achieve the equity ownership guidelines required by their position.

#### Directors

With respect to non-management directors, both Common Shares and deferred stock units (DSUs) are counted towards the achievement of the Share Ownership Guidelines. The Company currently has a Directors' Deferred Share Unit Plan (DSU Plan), whereby any non-management director of the Company may elect to defer all or part of his or her retainer and/or fees in the form of common stock equivalents. As of the date of this Annual Report on Form 10-K, all non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer, with the exception of Mr. Tinggren, who joined as a member of our Board in February 2017. For further details, see the table below titled "Director Compensation for Fiscal 2018".

#### Insider Trading Policy

All of our employees, officers and directors, including our Named Executive Officers, are required to comply with our Insider Trading Policy. Our Insider Trading Policy prohibits the purchase, sale or trade of our securities with the knowledge of material inside information. In addition, our Insider Trading Policy prohibits our employees, officers and directors, including our Named Executive Officers, from, directly or indirectly, short selling any security of the Company or entering into any other arrangement that results in a gain only if the value of the Company's securities decline in the future, selling a "call option" giving the holder an option to purchase securities of the Company, or buying a "put option" giving the holder an option to sell securities of the Company. The definition of "trading in securities" includes any derivatives-based, monetization, non-recourse loan or similar arrangement that changes the insider's economic exposure to or interest in securities of the Company and which may not necessarily involve a sale.

All grants of stock options are subject to our Insider Trading Policy and as a result, stock options may not be granted during the "blackout" period beginning on the fifteenth day of the last month of each quarter and ending at the beginning of the second trading day following the date on which the Company's quarterly or annual financial results, as applicable, have been publicly released. If the Board approves the issuance of stock options during the blackout period, these stock options are not granted until the blackout period is over. The price at which stock options are granted is not less than the closing price of the Company's Common Shares on the trading day for the NASDAQ market immediately preceding the applicable grant date.

#### Tax Deductibility of Compensation

Under Section 162(m) of the United States Internal Revenue Code (or Section 162(m)) publicly-held corporations cannot deduct compensation paid in excess of \$1,000,000 to certain executive officers in any taxable year. Certain compensation paid under plans that are “performance-based” (which means compensation paid only if the individual's performance meets pre-established objective goals based upon performance criteria approved by shareowners) are not subject to the \$1,000,000 annual limit. Although our compensation policy is designed to link compensation to performance, payments in excess of \$1,000,000 made pursuant to any of our compensation plans to United States-based executives may not be deductible under Section 162(m). The Tax Cuts and Jobs Act amended Section 162(m) to delete the exception for performance-based compensation and to expand the corporations and executives to which it applies. Beginning with Fiscal 2019, we will be unable to deduct under Section 162(m) compensation paid in excess of \$1,000,000 to any person who served as CEO or CFO during the taxable year and any other Named Executive Officer serving as an executive at the end of the taxable year (each, a “covered employee”) as well any person who was a covered employee in a preceding taxable year, subject to limited transition relief.

## Summary Compensation Table

The following table sets forth summary information concerning the annual compensation of our Named Executive Officers. All numbers are rounded to the nearest dollar or whole share. Changes in exchange rates will impact payments illustrated below that are made in currencies other than the U.S. dollar. Any Canadian dollar payments included herein have been converted to U.S. dollars at an annual average rate of 0.786589, 0.754836, and 0.755310, for Fiscal 2018, Fiscal 2017, and Fiscal 2016, respectively. Any British pounds sterling payments included herein have been converted to U.S. dollars at an annual average rate of 1.342283 for Fiscal 2018.

	Fiscal Year	Fiscal Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Mark J. Barrenechea Vice Chair, Chief Executive Officer and Chief Technology Officer	2018	\$950,000	—	\$3,538,963	\$1,407,556	\$1,211,250	N/A	\$37,161 <sup>(5)</sup>	\$7,144,930
	2017	\$945,000	—	\$3,233,360	\$5,821,023	\$1,925,625	N/A	\$13,926 <sup>(6)</sup>	\$11,938,934
	2016	\$945,000	—	\$3,658,934	\$1,283,437	\$923,738	N/A	\$22,082 <sup>(6)</sup>	\$6,833,191
Madhu Ranganathan <sup>(12)</sup> EVP, Chief Financial Officer	2018	\$125,000	—	\$315,057	\$2,275,143	\$106,250	N/A	\$— <sup>(7)</sup>	\$2,821,450
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A <sup>(8)</sup>	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A <sup>(8)</sup>	N/A
John M. Doolittle Former EVP, Chief Financial Officer	2018	\$498,175	—	\$699,341	\$278,118	\$423,450	N/A	\$14,896 <sup>(9)</sup>	\$1,913,980
	2017	\$415,160	—	\$480,818	\$190,968	\$725,744	N/A	\$10,133 <sup>(6)</sup>	\$1,822,823
	2016	\$377,655	—	\$560,347	\$196,449	\$295,326	N/A	\$14,424 <sup>(6)</sup>	\$1,444,201
Simon Harrison <sup>(13)</sup> EVP, Worldwide Sales	2018	\$388,916	—	\$221,328	\$868,563	\$288,972	N/A	\$11,470 <sup>(10)</sup>	\$1,779,249
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A <sup>(8)</sup>	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A <sup>(8)</sup>	N/A
Muhi Majzoub EVP, Engineering	2018	\$400,000	—	\$691,379	\$274,993	\$340,000	N/A	\$— <sup>(7)</sup>	\$1,706,372
	2017	\$356,000	—	\$535,825	\$212,651	\$527,313	N/A	\$— <sup>(7)</sup>	\$1,631,789
	2016	\$356,000	—	\$606,276	\$212,632	\$243,398	N/A	\$— <sup>(7)</sup>	\$1,418,306
Gordon A. Davies EVP, Chief Legal Officer and Corporate Development	2018	\$367,077	—	\$628,627	\$249,994	\$312,015	N/A	\$15,969 <sup>(11)</sup>	\$1,573,682
	2017	\$314,012	—	\$630,050	\$250,270	\$464,681	N/A	\$— <sup>(7)</sup>	\$1,659,013
	2016	\$314,209	—	\$713,431	\$250,169	\$214,850	N/A	\$15,276 <sup>(6)</sup>	\$1,507,935

(1)

PSUs and RSUs were granted pursuant to the Fiscal 2020 LTIP and other non- LTIP related grants. The amounts set forth in this column represent the aggregate grant date fair value, as computed in accordance with ASC Topic 718 “Compensation-Stock Compensation” (Topic 718). Grant date fair value may vary from the target value indicated in the table set forth above in the section “Fiscal 2020 LTIP”. For a discussion of the assumptions used in these valuations, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K. For the maximum value that may be received under the PSU awards by each Named Executive Officer, see the “Maximum” column under “Estimated Future Payouts under Equity Incentive Plan Awards” under the “Grants of Plan-Based Awards in Fiscal 2018” table below.

Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of stock option awards, as calculated in accordance with Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

- (3) The amounts set forth in this column for Fiscal 2018 represent payments under the short-term incentive plan. Except as otherwise indicated the amounts in "All Other Compensation" primarily include (i) medical examinations; (ii) car allowances, (iii) club memberships reimbursed, and (iv) tax preparation and financial advisory fees paid.
- (4) "All Other Compensation" does not include benefits received by the Named Executive Officers which are generally available to all our salaried employees.
- (5) Represents amounts we paid or reimbursed for Tax, Financial, and Estate Planning.
- (6) For details of the amounts of fees or expenses we paid or reimbursed please refer to Summary Compensation Table in Item 11 of our Annual Report on Form 10-K for the corresponding fiscal years ended June 30, 2017 and June 30, 2016.
- (7) The total value of all perquisites and personal benefits for this Named Executive Officer was less than \$10,000, and, therefore, excluded.
- (8) The executive officer was not a Named Executive Officer during the fiscal year, and, therefore compensation details have been excluded.
- (9) Represents amounts we paid or reimbursed for:
- a. Taxable benefit on annual sales event (\$12,547)
- b. Other miscellaneous expenses or benefits that are less than 10% of the total amount of perquisites and personal benefits related to Mr. Doolittle.
- (10) Represents amounts we paid or reimbursed for:
- a. Taxable benefit on annual sales event (\$5,327)
- b. Car allowances (\$4,698)
- (11) Represents amounts we paid or reimbursed for:
- a. Taxable benefit on annual sales event (\$12,547)
- b. Club membership fees (\$3,422)
- (12) The amounts set forth for Ms. Ranganathan's salary and non-equity incentive awards represents a prorated amount based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.
- (13) The amounts set forth for Mr. Harrison's total compensation includes all amounts earned during Fiscal 2018 as Executive Vice President, Worldwide Sales and those earned prior to his promotion.

Grants of Plan-Based Awards in Fiscal 2018

The following table sets forth certain information concerning grants of awards made to each Named Executive Officer during Fiscal 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Awards of Securities Underlying <sup>(2)</sup>	Option Exercise or Grant of Option Awards	Fair Value of Options <sup>(3)</sup>
		Threshold	Target	Maximum			
		(\$)	(\$)	(\$)	(#)	(\$/share)	Awards (\$)
Mark J. Barrenechea	August 7, 2017	\$213,750	\$1,425,000	\$2,850,000	189,180	\$ 34.49	\$1,407,556
Madhu Ranganathan <sup>(4)</sup>	May 11, 2018	\$18,750	\$125,000	\$250,000	293,510	\$ 34.71	\$2,275,143
John M. Doolittle	August 7, 2017	\$74,726	\$498,172	\$996,344	37,380	\$ 34.49	\$278,118
Simon Harrison <sup>(5)</sup>	August 7, 2017	\$45,000	\$300,000	\$900,000	11,840	\$ 34.49	\$88,093
	November 6, 2017				100,000	\$ 34.48	\$780,470
Muhi Majzoub	August 7, 2017	\$60,000	\$400,000	\$800,000	36,960	\$ 34.49	\$274,993
Gordon A. Davies	August 7, 2017	\$55,062	\$367,076	\$734,152	33,600	\$ 34.49	\$249,994

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(6)</sup>			All Other Stock Awards of Securities Underlying <sup>(7)</sup>	Grant Date Fair Value of Stock <sup>(3)</sup>
		Threshold	Target	Maximum		
		(\$)	(\$)	(\$)	(#)	Awards (\$)

Edgar Filing: KLA TENCOR CORP - Form 424B3

		(#)	(#)	(#)	(#)	
Mark J. Barrenechea	August 7, 2017	1,252	83,470	125,205	41,730	\$3,538,963
Madhu Ranganathan	May 11, 2018	119	7,960	11,940	3,980	\$315,057
John M. Doolittle <sup>(8)</sup>	August 7, 2017	N/A	N/A	N/A	N/A	N/A
Simon Harrison	August 7, 2017	78	5,220	7,830	2,610	\$221,328
Muhi Majzoub	August 7, 2017	245	16,310	24,465	8,150	\$691,379
Gordon A. Davies	August 7, 2017	222	14,830	22,245	7,410	\$628,627

- Represents the threshold, target and maximum estimated payouts under our short-term incentive plan for Fiscal
- (1) 2018. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Short-Term Incentives” above.
  - (2) For further information regarding our options granting procedures, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives” above.  
Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of equity-based compensation awards, as calculated in accordance with ASC Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 “Share Capital, Option Plan and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.
  - (3) The amounts set forth for Ms. Ranganathan's equity incentive plan awards represents a prorated amount based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.
  - (4) The amounts set forth for Mr. Harrison's equity incentive plan awards represents a prorated amount based on the time Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018.
  - (5) Represents the threshold, target and maximum estimated payouts under our Fiscal 2020 LTIP PSUs. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2020 LTIP” above.
  - (6) Represents the estimated payouts under our Fiscal 2020 LTIP RSUs granted in Fiscal 2018. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2020 LTIP” above.
  - (7) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.
  - (8)

Outstanding Equity Awards at End of Fiscal 2018

The following table sets forth certain information regarding outstanding equity awards held by each Named Executive Officer as of June 30, 2018.

Name	Grant Date	Option Awards <sup>(1)</sup>				Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-exercisable	Option Exercise Price (\$)	Option Expiration Date			Equity Incentive Plan Awards: Number of unearned shares, other rights that have not vested (#) <sup>(3)</sup>	Equity Incentive Plan Awards: Market or payout value of unearned shares, other rights that have not vested (\$) <sup>(3)</sup>
Mark J. Barrenechea	August 2, 2013	135,208	—	\$ 16.58	August 2, 2020				
	August 1, 2014	95,806	31,934	\$ 27.83	August 1, 2021				
	January 29, 2015	200,000	200,000	\$ 27.09	January 29, 2022				
	January 29, 2015	—	800,000	\$ 27.09	January 29, 2022				

Edgar Filing: KLA TENCOR CORP - Form 424B3

	July 31, 2015	114,200	114,200	\$ 22.87	July 31, 2022			
	July 29, 2016	49,140	147,420	\$ 29.75	July 29, 2023			
	June 1, 2017	—	600,000	\$ 32.63	June 1, 2024			
	August 7, 2017	—	189,180	\$ 34.49	August 7, 2024			
	August 23, 2015					65,820	\$2,316,206	
	August 23, 2015							131,640 \$4,632,412
	August 14, 2016					41,600	\$1,463,904	
	August 14, 2016							83,200 \$2,927,808
	August 7, 2017					41,730	\$1,468,479	
	August 7, 2017							83,470 \$2,937,309
Madhu Ranganathan	May 11, 2018	—	275,000	\$ 34.71	May 11, 2025			
	May 11, 2018	—	18,510	\$ 34.71	May 11, 2025			
	May 11, 2018					3,980	\$140,056	
	May 11, 2018							7,960 \$280,112
John M. Doolittle	September 8, 2014	3,226	75,000	\$ 28.65	September 8, 2021			
	September 8, 2014	—	6,914	\$ 28.65	September 8, 2021			
	July 31, 2015	—	17,480	\$ 22.87	July 31, 2022			

Edgar Filing: KLA TENCOR CORP - Form 424B3

	July 29, 2016	7,310	21,930	\$29.75	July 29, 2023		
	August 7, 2017	—	37,380	\$34.49	August 7, 2024		
	August 23, 2015					10,080	\$354,715
	August 23, 2015						20,160 \$709,430
	August 14, 2016					4,228	\$148,783
	August 14, 2016						8,471 \$298,094
Simon Harrison	August 13, 2012	20,000	—	\$13.63	August 13, 2019		
	November 2, 2012	6,504	—	\$13.19	November 2, 2019		
	August 2, 2013	7,266	—	\$16.58	August 2, 2020		
	August 7, 2017	—	11,840	\$34.49	August 7, 2024		
	November 6, 2017	—	100,000	\$34.48	November 6, 2024		
	August 23, 2015					8,980	\$316,006
	August 14, 2016					5,680	\$199,879
	August 7, 2017					2,610	\$91,846
	August 7, 2017						5,220 \$183,692
Muhi Majzoub	June 11, 2012	100,000	—	\$11.68	June 11, 2019		
	November 2, 2012	18,788	—	\$13.19	November 2, 2019		
	August 2, 2013	20,996	—	\$16.58	August 2, 2020		
	August 1, 2014	17,356	5,784	\$27.83	August 1, 2021		
	July 31, 2015	18,920	18,920	\$22.87	July 31, 2022		
	July 29, 2016	8,140	24,420	\$29.75	July 29, 2023		
	August 7, 2017	—	36,960	\$34.49	August 7, 2024		
	August 23, 2015					10,900	\$385,571
	August 23, 2015						21,820 \$767,846
	August 14, 2016					6,900	\$242,811
	August 14, 2016						13,780 \$484,918
	August 7, 2017					8,150	\$286,799
	August 7, 2017						16,310 \$573,949
Gordon A. Davies	August 1, 2014	—	7,154	\$27.83	August 1, 2021		
	July 31, 2015	—	22,260	\$22.87	July 31, 2022		
	July 29, 2016	—	28,740	\$29.75	July 29, 2023		
	August 7, 2017	—	33,600	\$34.49	August 7, 2024		
	August 23, 2015					12,840	\$451,840
	August 23, 2015						25,660 \$902,975
	August 14, 2016					8,100	\$285,039
	August 14, 2016						16,220 \$570,782
	August 7, 2017					7,410	\$260,758
	August 7, 2017						14,830 \$521,868

Options in the table above vest annually over a period of 4 years starting from the date of grant, with the exception of 1,200,000 options granted to the CEO in Fiscal 2015 and 600,000 options granted to the CEO in Fiscal 2017.

- (1) For additional detail, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Long-Term Equity Grants to CEO” above and under Item 11 of our Annual Report on Form 10-K for Fiscal 2015 and Fiscal 2017.
- (2) Represents each Named Executive Officer's target number of RSUs granted pursuant to the Fiscal 2018, Fiscal 2019, and Fiscal 2020 LTIPs and other RSU grants, which vest upon the schedules described above in "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives". These amounts illustrate the market value as of June 30, 2018 based upon the closing price for the

Company's Common Shares as traded on the NASDAQ on such date of \$35.19.

Represents each Named Executive Officer's target number of PSUs granted pursuant to the Fiscal 2018, Fiscal 2019, and Fiscal 2020 LTIPs, which vest upon the schedules described above in "Compensation Discussion and (3) Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives", and the market value as of June 30, 2018 based upon the closing price for the Company's Common Shares as traded on the NASDAQ on such date of \$35.19.

As of June 30, 2018, options to purchase an aggregate of 7,078,435 Common Shares had been previously granted and are outstanding under our stock option plans, of which 2,482,288 Common Shares were vested. Options to purchase an additional 10,893,828 Common Shares remain available for issuance pursuant to our stock option plans. Our outstanding options pool represents 2.6% of the Common Shares issued and outstanding as of June 30, 2018.

During Fiscal 2018, the Company granted options to purchase 1,322,340 Common Shares or 0.5% of the Common Shares issued and outstanding as of June 30, 2018.

Option Exercises and Stock Vested in Fiscal 2018

The following table sets forth certain details with respect to each of the Named Executive Officers concerning the exercise of stock options and vesting of stock in Fiscal 2018:

Name	Option Awards		Stock Awards <sup>(3)</sup>	
	Number of Shares Acquired (#)	Value Realized on Exercise <sup>(1)</sup> (\$)	Number of Shares Acquired (#)	Value Realized on Vesting <sup>(2)</sup> (\$)
Mark J. Barrenechea	1,620,984	\$ 32,092,449	107,950	\$ 3,518,908
Madhu Ranganathan	—	\$ —	—	\$ —
John M. Doolittle	260,000	\$ 1,939,443	25,262	\$ 813,030
Simon Harrison	10,000	\$ 227,702	4,060	\$ 130,894
Muhi Majzoub	—	\$ —	15,936	\$ 513,777
Gordon A. Davies	35,936	\$ 428,032	19,714	\$ 635,579

(1) “Value realized on exercise” is the excess of the market price, at date of exercise, of the shares underlying the options over the exercise price of the options.

(2) “Value realized on vesting” is the market price of the underlying Common Shares on the vesting date.

(3) Relates to (i) the vesting of PSUs and RSUs under our Fiscal 2017 LTIP, and (ii) the vesting of RSUs for Messrs. Barrenechea and Doolittle in accordance with the terms of their respective contractual agreements.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

We have entered into employment contracts with each of our Named Executive Officers. These contracts may require us to make certain types of payments and provide certain types of benefits to the Named Executive Officers upon the occurrence of any of these events:

• If the Named Executive Officer is terminated without cause; and

• If there is a change in control in the ownership of the Company and subsequent to the change in control, there is a change in the relationship between the Company and the Named Executive Officer.

When determining the amounts and the type of compensation and benefits to provide in the event of a termination or change in control described above, we considered available information with respect to amounts payable to similarly situated officers of our peer groups and the position held by the Named Executive Officer within the Company. The amounts payable upon termination or change in control represent the amounts determined by the Company and are not the result of any individual negotiations between us and any of our Named Executive Officers.

Our employment agreements with our Named Executive Officers are similar in structure, terms and conditions, with the key exception of the amount of severance payments, which is determined by the position held by the Named Executive Officer. Details are set out below of each of their potential payments upon a termination by the Company without cause and upon a change in control event where there is a subsequent change in the relationship between the Company and the Named Executive Officer.

Termination Without Cause

If the Named Executive Officer is terminated without cause, we may be obligated to make payments or provide benefits to the Named Executive Officer. A termination without cause means a termination of a Named Executive Officer for any reason other than the following, each of which provides “cause” for termination:

• The failure by the Named Executive Officer to attempt in good faith to perform his duties, other than as a result of a physical or mental illness or injury;

• The Named Executive Officer's willful misconduct or gross negligence of a material nature in connection with the performance of his duties which is or could reasonably be expected to be injurious to the Company;

• The breach by the Named Executive Officer of his fiduciary duty or duty of loyalty to the Company;

• The Named Executive Officer's intentional and unauthorized removal, use or disclosure of information relating to the Company, including customer information, which is injurious to the Company or its customers;

The willful performance by the Named Executive Officer of any act of dishonesty or willful misappropriation of funds or property of the Company or its affiliates;

The indictment of the Named Executive Officer or a plea of guilty or nolo contendere to a felony or other serious crime involving moral turpitude;

The material breach by the Named Executive Officer of any obligation material to his employment relationship with the Company; or

- The material breach by the Named Executive Officer of the Company's policies and procedures which breach causes or could reasonably be expected to cause harm to the Company;
- provided that in certain of the circumstances listed above, OpenText has given the Named Executive Officer reasonable notice of the reason for termination as well as a reasonable opportunity to correct the circumstances giving rise to the termination.

#### Change in Control

If there is a change in control of the Company and within one year of such change in control event, there is a change in the relationship between the Company and the Named Executive Officer without the Named Executive Officer's written consent, we may be obligated to provide payments or benefits to the Named Executive Officer, unless such a change is in connection with the termination of the Named Executive Officer either for cause or due to the death or disability of the Named Executive Officer.

A change in control includes the following events:

The sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all or substantially all of the Company's assets;

The approval by the holders of Common Shares of any plan or proposal for the liquidation or dissolution of the Company;

Any transaction in which any person or group acquires ownership of more than 50% of outstanding Common Shares; or

Any transaction in which a majority of the Board is replaced over a twelve-month period and such replacement of the Board was not approved by a majority of the Board still in office at the beginning of such period.

Examples of a change in the relationship between the Named Executive Officer and the Company where payments or benefits may be triggered following a change in control event include:

A material diminution in the duties and responsibilities of the Named Executive Officer, other than (a) a change arising solely out of the Company becoming part of a larger organization following the change in control event or any related change in the reporting hierarchy or (b) a reorganization of the Company resulting in similar changes to the duties and responsibilities of similarly situated executive officers;

A material reduction to the Named Executive Officer's compensation, other than a similar reduction to the compensation of similarly situated executive officers;

• A relocation of the Named Executive Officer's primary work location by more than fifty miles;

A reduction in the title or position of the Named Executive Officer, other than (a) a change arising solely out of the Company becoming part of a larger organization following the change in control event or any related change in the reporting hierarchy or (b) a reorganization of the Company resulting in similar changes to the titles or positions of similarly situated executive officers;

None of our Named Executive Officers are entitled to the payments or benefits described below, or any other payments or benefits, solely upon a change in control where there is no change to the Named Executive Officer's relationship with the Company.

#### Amounts Payable Upon Termination or Change in Control

Generally, upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, in each case, either within twelve months of a change in control event or absent a change in control event, the Named Executive Officer is entitled to either twelve or twenty-four months of compensation, depending upon the Named Executive Officer's position, including short term incentives equal to 100% of the current year's target bonus and a pro-rated portion of the LTIP.

With respect to the LTIP, if the termination of employment occurs either without cause or due to a change in the nature of the relationship between the Named Executive Officer and the Company, in each case, within twelve months of a change in control event, the Named Executive Officer is entitled to 100% of his LTIP.

With respect to options, (a) upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, in each case, absent a change in control event, the Named Executive Officer

is entitled to exercise those stock options which have vested as of the date of termination; and (b) upon termination of employment without cause or upon a change in the relationship between the Named Executive Officer and the Company, in each case, within twelve months of a change in control event, the Named Executive Officer is entitled to exercise 100% of all outstanding options, which are all deemed immediately vested. The Named Executive Officer shall have 90 days from the termination date to exercise vested options.

Further details of each Named Executive Officer's entitlement upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, both absent a change in control event and within twelve months of a change in control event, are set forth below.

		No Change in Control		LTIP <sup>(2)</sup> Options <sup>(3)</sup>	Employee and Medical Benefits <sup>(4)</sup>
		No change in control			
		Base	Short term incentives <sup>(1)</sup>		
Mark J. Barrenechea	Termination without cause or Change in relationship	24 months	24 months	Prorated Vested	24 months <sup>(5)</sup>
Madhu Ranganathan	Termination without cause or Change in relationship	12 months	12 months	Prorated Vested	12 months
John M. Doolittle	Termination without cause or Change in relationship	12 months	12 months	Prorated Vested	12 months
Simon Harrison	Termination without cause or Change in relationship	12 months	12 months	Prorated Vested	12 months
Muhi Majzoub	Termination without cause or Change in relationship	12 months	12 months	Prorated Vested	12 months
Gordon A. Davies	Termination without cause or Change in relationship	12 months	12 months	Prorated Vested	12 months

(1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.

LTIP amounts are prorated for the number of months of participation at termination date in the applicable 38

(2) month performance period. If the termination date is before the commencement of the 19th month of the performance period, a prorated LTIP will not be paid.

Already vested as of termination date with no acceleration of unvested options. For a period of 90 days following

(3) the termination date, the Named Executive Officer has the right to exercise all options which have vested as of the date of termination.

(4) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.

In accordance with the terms of his employment agreement, as amended, Mr. Barrenechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Vice Chair, Chief Executive Officer and Chief Technology Officer of the Company. These benefits will be provided at the cost of the

(5) Company, provided that Mr. Barrenechea continues to be responsible for funding an amount that is equal to his employee contribution as Vice Chair, Chief Executive Officer and Chief Technology Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

		Within 12 Months of a Change in Control		Within 12 Months of a Change in Control		
		Base	Short term incentives <sup>(1)</sup>	LTIP	Options <sup>(2)</sup>	Employee and Medical Benefits <sup>(3)</sup>
Mark J. Barrenechea	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months <sup>(4)</sup>
Madhu Ranganathan	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
John M. Doolittle	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Simon Harrison	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Muhi Majzoub	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Gordon A. Davies	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months

(1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.

(2) For a period of 90 days following the termination date, the Named Executive Officer has the right to exercise all options which are deemed to have vested as of the date of termination.

(3) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.

In accordance with the terms of his employment agreement, as amended, Mr. Barrenechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Vice Chair, Chief Executive Officer and Chief Technology Officer of the Company. These benefits will be provided at the cost of the Company, provided that Mr. Barrenechea continues to be responsible for funding an amount that is equal to his employee contribution as Vice Chair, Chief Executive Officer and Chief Technology Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

In addition to the information identified above, each Named Executive Officer is entitled to all accrued payments up to the date of termination, including all earned but unpaid short-term incentive amounts and earned but unsettled LTIP. Except as otherwise required by law, we are required to make all these payments and provide these benefits over a period of 12 months or 24 months, depending on the Named Executive Officer's entitlement and the circumstances which triggered our obligation to make such payments and provide such benefits, from the date of the event which triggered our obligation. With respect to payments to Mr. Barrenechea, the Company intends to make all required payments to Mr. Barrenechea no later than two and a half months after the end of the later of the fiscal year or calendar year in which the payments are no longer subject to a substantial risk of forfeiture.

In return for receiving the payments and the benefits described above, each Named Executive Officer must comply with certain obligations in favour of the Company, including a non-disparagement obligation. Also, each Named Executive Officer is bound by a confidentiality and non-solicitation agreement where the non-solicitation obligation lasts 6 months from the date of termination of his employment.

Any breach by a Named Executive Officer of any provision of his contractual agreements may only be waived upon the review and approval of the Board.

#### Quantitative Estimates of Payments upon Termination or Change in Control

Further information regarding payments to our Named Executive Officers in the event of a termination or a change in control may be found in the table below. This table sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon the occurrence of the indicated event, assuming that the event occurred on June 30, 2018. Amounts (i) potentially payable under plans which are generally available to all salaried employees, such as life and disability insurance, and (ii) earned but unpaid, in both cases, are excluded from the table. The values related to vesting of stock options and awards are based upon the fair market value of our Common Shares of \$35.19 per share as reported on the



NASDAQ on June 30, 2018, the last trading day of our fiscal year. The other material assumptions made with respect to the numbers reported in the table below are:

• Payments in Canadian dollars included herein are converted to U.S. dollars using an exchange rate, as of June 30, 2018, of 0.786589;

• The salary and incentive payments are calculated based on the amounts of salary, incentive and benefit payments which were payable to each Named Executive Officer as of June 30, 2018; and

• Payments under the LTIPs are calculated as though 100% of Fiscal 2020 LTIP (granted in Fiscal 2018), Fiscal 2019 LTIP (granted in Fiscal 2017), and Fiscal 2018 LTIP (granted in Fiscal 2016) have vested with respect to a termination without cause or change in relationship following a change in control event, and as though a pro-rated amount have vested with respect to no change in control event.

Actual payments made at any future date may vary, including the amount the Named Executive Officer would have accrued under the applicable benefit or compensation plan as well as the price of our Common Shares.

Named Executive Officer	Salary (\$)	Incentive Payment (\$)	Gain on Short-term Vesting of LTIP and Non-LTIP RSUs (\$)	Gain on Vesting of Stock Options (\$)	Employee Benefits (\$)	Total (\$)	
Mark J. Barrenechea	Termination Without Cause / Change in Relationship with no Change in Control	\$ 1,900,000	\$ 2,850,000	\$ 9,356,614	\$ —	\$ 74,322 <sup>(1)</sup>	\$ 14,180,936
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 1,900,000	\$ 2,850,000	\$ 15,746,117	\$ 12,218,837	\$ 74,322	\$ 32,789,276
Madhu Ranganathan	Termination Without Cause / Change in Relationship with no Change in Control	\$ 500,000	\$ 500,000	\$ —	\$ —	\$ —	\$ 1,000,000
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 1,000,000	\$ 1,000,000	\$ 420,169	\$ 140,885	\$ —	\$ 2,561,054
John M. Doolittle	Termination Without Cause / Change in Relationship with no Change in Control	\$ 498,173	\$ 498,173	\$ 1,290,377	\$ —	\$ 21,610	\$ 2,308,333
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 996,346	\$ 996,346	\$ 1,511,023	\$ 897,143	\$ 43,219	\$ 4,444,077
Simon Harrison	Termination Without Cause / Change in Relationship with no Change in Control	\$ 400,000	\$ 400,000	\$ 425,614	\$ —	\$ 8,730	\$ 1,234,344
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 800,000	\$ 800,000	\$ 791,423	\$ 79,288	\$ 17,460	\$ 2,488,171
Muhi Majzoub	Termination Without Cause / Change in Relationship with no Change in Control	\$ 400,000	\$ 400,000	\$ 1,550,434	\$ —	\$ 12,201	\$ 2,362,635
		\$ 800,000	\$ 800,000	\$ 2,739,893	\$ 434,627	\$ 24,401	\$ 4,798,921

	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control						
Gordon A. Davies	Termination Without Cause / Change in Relationship with no Change in Control	\$367,075	\$367,075	\$1,824,027	\$—	\$24,739	\$2,582,916
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$734,150	\$734,150	\$2,993,261	\$507,053	\$49,478	\$5,018,092

In accordance with the terms of his employment agreement, as amended, Mr. Barrenechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Chief Executive Officer of the Company. These benefits will be provided at the cost of the Company, provided that Mr. (1) Barrenechea continues to be responsible for funding an amount that is equal to his employee contribution as Chief Executive Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

## Director Compensation for Fiscal 2018

The following table sets forth summary information concerning the annual compensation received by each of the non-management directors of OpenText for the fiscal year ended June 30, 2018.

	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Incentive Plan Compensation (\$) <sup>(4)</sup>	Non-qualified Deferred Compensation (\$) <sup>(5)</sup>	Change in Pension Value and All Other Compensation (\$) <sup>(6)</sup>	Total (\$) <sup>(7)</sup>
P. Thomas Jenkins <sup>(3)</sup>	\$ —	\$546,926	\$ —	\$ —	—N/A	\$ —	\$546,926
Randy Fowlie <sup>(4)</sup>	\$ 48,450	\$325,407	\$ —	\$ —	—N/A	\$ —	\$373,857
Gail E. Hamilton <sup>(5)</sup>	\$ 84,750	\$257,756	\$ —	\$ —	—N/A	\$ —	\$342,506
Brian J. Jackman <sup>(6)</sup>	\$ 79,500	\$252,010	\$ —	\$ —	—N/A	\$ —	\$331,510
Stephen J. Sadler <sup>(7)</sup>	\$ 2,000	\$326,163	\$ —	\$ —	—N/A	\$ 789,886 <sup>(12)</sup>	\$1,118,049
Michael Slaunwhite <sup>(8)</sup>	\$ 4,738	\$365,436	\$ —	\$ —	—N/A	\$ —	\$370,174
Katharine B. Stevenson <sup>(9)</sup>	\$ —	\$352,017	\$ —	\$ —	—N/A	\$ —	\$352,017
Carl Jurgen Tinggren <sup>(10)</sup>	\$ 126,250	\$229,866	\$ —	\$ —	—N/A	\$ —	\$356,116
Deborah Weinstein <sup>(11)</sup>	\$ —	\$363,697	\$ —	\$ —	—N/A	\$ —	\$363,697

Non-management directors may elect to defer all or a portion of their retainer and/or fees in the form of Common Share equivalent units under our Directors' Deferred Share Unit Plan (DSU Plan) based on the value of the Company's shares as of the date fees would otherwise be paid. The DSU Plan became effective February 2, 2010, (1) is available to any non-management director of the Company and is designed to promote greater alignment of long-term interests between directors of the Company and its shareholders. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.

The amounts set forth in this column represents the amount recognized as the aggregate grant date fair value of equity-based compensation awards, inclusive of DSU dividend equivalents, as calculated in accordance with ASC Topic 718. These amounts do not reflect whether the recipient has actually realized a financial benefit from the (2) awards. For a discussion of the assumptions used in this valuation, see note 12 "Share Capital, Option Plan and Share-based Payments" to our consolidated financial statements. In Fiscal 2018, Messrs. Jenkins, Fowlie, Jackman, Sadler, Tinggren and Slaunwhite and Meses. Hamilton, Stevenson and Weinstein received 15,848, 9,428, 7,306, 9,460, 6,651, 10,592, 7,476, 10,199, and 10,541 DSUs, respectively.

(3) As of June 30, 2018, Mr. Jenkins holds no options and 91,001 DSUs. Mr. Jenkins serves as Chairman of the Board.

(4) As of June 30, 2018, Mr. Fowlie holds no options and 78,297 DSUs.

(5) As of June 30, 2018, Ms. Hamilton holds no options and 61,917 DSUs.

(6) As of June 30, 2018, Mr. Jackman holds no options and 51,354 DSUs.

(7) As of June 30, 2018, Mr. Sadler holds no options and 73,213 DSUs.

(8) As of June 30, 2018, Mr. Slaunwhite holds no options and 90,114 DSUs.

(9) As of June 30, 2018, Ms. Stevenson holds no options and 71,471 DSUs.

(10) As of June 30, 2018, Mr. Tinggren holds no options and 10,492 DSUs.

(11) As of June 30, 2018, Ms. Weinstein holds no options and 85,506 DSUs.

During Fiscal 2018, Mr. Sadler received \$789,886 in consulting fees, paid or payable in cash, for assistance with (12) acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Directors who are salaried officers or employees receive no compensation for serving as directors. Mr. Barrenechea was the only employee director in Fiscal 2018. The material terms of our director compensation arrangements are as follows:

Description	Amount and Frequency of Payment
Annual Chairman retainer fee payable to the Chairman of the Board	\$200,000 per year payable following our Annual General Meeting
Annual retainer fee payable to each non-management director	\$60,000 per director payable following our Annual General Meeting
Annual Audit Committee retainer fee payable to each member of the Audit Committee	\$25,000 per year payable at \$6,250 at the beginning of each quarterly period.
Annual Audit Committee Chair retainer fee payable to the Chair of the Audit Committee	\$10,000 per year payable at \$2,500 at the beginning of each quarterly period.
Annual Compensation Committee retainer fee payable to each member of the Compensation Committee	\$15,000 per year payable at \$3,750 at the beginning of each quarterly period.
Annual Compensation Committee Chair retainer fee payable to the Chair of the Compensation Committee	\$10,000 per year payable at \$2,500 at the beginning of each quarterly period.
Annual Corporate Governance Committee retainer fee payable to each member of the Corporate Governance Committee	\$8,000 per year payable at \$2,000 at the beginning of each quarterly period.
Annual Corporate Governance Committee Chair retainer fee payable to the Chair of the Corporate Governance Committee	\$6,000 per year payable at \$1,500 at the beginning of each quarterly period.

The Board has adopted a DSU Plan which is available to any non-management director of the Company. In Fiscal 2018, certain directors elected to receive DSUs instead of a cash payment for their directors' fees. In addition to the scheduled fee arrangements set forth in the table above, whether paid in cash or DSUs, non-management directors also receive an annual DSU grant representing the long term component of their compensation. The amount of the annual DSU grant is discretionary; however, historically, the amount of this grant has been determined and updated on a periodic basis with the assistance of the Compensation Committee and the compensation consultant and benchmarked against director compensation for comparable companies. For Fiscal 2018, the annual DSU grant was approximately \$225,000 for each non-management director and approximately \$295,000 for the Chairman of the Board. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.

As with its employees, the Company believes that granting compensation to directors in the form of equity, such as DSUs, promotes a greater alignment of long-term interests between directors of the Company and the shareholders of the Company. During Fiscal 2018, no stock options were granted to non-management directors and the Company has taken the position that non-management directors will receive DSUs instead of stock options where granting of equity awards is appropriate. All non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer, with the exception of Mr. Tinggren, who joined as a member of our Board in February 2017. For further details of our Share Ownership Guidelines as they relate to directors, see "Share Ownership Guidelines" above.

The Company does not have a retirement policy for its directors; however, the Company does review its director performance annually as part of its governance process.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee consist of Messrs. Slaunwhite (Chair) and Jackman and Ms. Weinstein. None of the members of the Compensation Committee have been or are an officer or employee of the Company, or any of our subsidiaries, or had any relationship requiring disclosure herein. None of our executive officers served as a member of the compensation committee of another entity (or other committee of the board of directors performing equivalent functions, or in the absence of any such committee, the entire board of directors) one of whose executive officers served as a director of ours.

### Board's Role in Risk Oversight

The Board has overall responsibility for risk oversight. The Board is responsible for overseeing management's implementation and operation of enterprise risk management, either directly or through its committees, which shall report to the Board with respect to risk oversight undertaken in accordance with their respective charters. At least annually, the Board shall review reports provided by management on the risks inherent in the business of the Company (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Company's risk management policies, and residual risks remaining after implementation of risk controls. In addition, each committee reviews and reports to the Board on risk oversight matters, as described below.

The Audit Committee oversees risks related to our accounting, financial statements and financial reporting process. On a quarterly basis, the Audit Committee also reviews reports provided by management on the risks inherent in the business of the Company, including those related to cybersecurity and disaster recovery plans, and reports to the

Board with respect to risk oversight undertaken.

The Compensation Committee oversees risks which may be associated with our compensation policies, practices and programs, in particular with respect to our executive officers. The Compensation Committee assesses such risks with the review and assistance of the Company's management and the Compensation Committee's external compensation consultants.

The Corporate Governance and Nominating Committee monitors risk and potential risks with respect to the effectiveness of the Board, and considers aspects such as director succession, Board composition and the principal policies that guide the Company's overall corporate governance.

The members of each of the Audit Committee, Compensation Committee, and the Corporate Governance and Nominating Committee are all "independent" directors within the meaning ascribed to it in Multilateral Instrument 52-110-Audit Committees as well as the listing standards of NASDAQ, and, in the case of the Audit Committee, the additional independence requirements set out by the SEC.

All of our directors are kept informed of our business through open discussions with our management team, including our CEO, who serves on our Board. The Board also receives documents, such as quarterly and periodic management reports and financial statements, as well our directors have access to all books, records and reports upon request, and members of management are available at all times to answer any questions which Board members may have.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters  
The following table sets forth certain information as of June 30, 2018 regarding Common Shares beneficially owned by the following persons or companies: (i) each person or company known by us to be the beneficial owner of approximately 5% or more of our outstanding Common Shares, (ii) each director of our Company, (iii) each Named Executive Officer, and (iv) all directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the Common Shares listed below have sole investment and voting power with respect to such Common Shares, subject to community property laws where applicable.

The number and percentage of shares beneficially owned as exhibited in Item 12 is based on filings made in accordance with the rules of the SEC, and is not necessarily indicative of beneficial ownership for any other purpose.

Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting or investment power and also any shares of Common Shares underlying options or warrants that are exercisable by that person within 60 days of June 30, 2018. Unless otherwise indicated, the address of each person or entity named in the table is "care of" Open Text Corporation, 275 Frank Tompa Drive, Waterloo, Ontario, Canada, N2L 0A1.

Edgar Filing: KLA TENCOR CORP - Form 424B3

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Shares Outstanding
Caisse de Depot et Placement du Quebec (1) 1000 Place Jean-Paul Riopelle, Montreal H2Z 2B3	18,056,800	6.75%
Jarislowky, Fraser Ltd. (1) 1010 Sherbrooke St. West, Montreal QC H3A 2R7	16,972,231	6.34%
P. Thomas Jenkins (2)	4,280,572	1.59%
Mark J. Barrenechea (3)	1,410,789	*
Michael Slaunwhite (4)	516,805	*
Randy Fowlie (5)	297,788	*
Muhi Majzoub (6)	269,476	*
Stephen J. Sadler (7)	216,704	*
Katharine B. Stevenson (8)	119,402	*
Brian Jackman (9)	117,245	*
Deborah Weinstein (10)	98,997	*
Gail E. Hamilton (11)	69,408	*
Gordon A. Davies (12)	65,596	*
John M. Doolittle (13)	55,792	*
Simon Harrison (14)	49,444	*
Carl Jürgen Tinggren (15)	3,983	*
Madhu Ranganathan	—	*
All executive officers and directors as a group (16)	8,007,452	2.97%

\*Less than 1%

Information regarding the shares outstanding is based on information filed in Schedule 13G, 13F, or Schedule (1) 13G/A with the SEC. The percentage of Common Shares outstanding is calculated using the total shares outstanding as of June 30, 2018.

(2) Includes 4,198,104 Common Shares owned and 82,468 deferred stock units (DSUs) which are exercisable.

(3) Includes 630,966 Common Shares owned, 594,354 options which are exercisable and 185,469 options which will become exercisable within 60 days of June 30, 2018.

(4) Includes 433,200 Common Shares owned and 83,605 DSUs which are exercisable.

(5) Includes 226,000 Common Shares owned and 71,788 DSUs which are exercisable.

(6) Includes 52,652 Common Shares owned, 184,200 options which are exercisable and 32,624 options which will become exercisable within 60 days of June 30, 2018.

(7) Includes 150,000 Common Shares owned and 66,704 DSUs which are exercisable.

(8) Includes 54,440 Common Shares owned and 64,962 DSUs which are exercisable.

(9) Includes 72,400 Common Shares owned and 44,845 DSUs which are exercisable.

(10) Includes 20,000 Common Shares owned and 78,997 DSUs which are exercisable.

(11) Includes 14,000 Common Shares owned and 55,408 DSUs which are exercisable.

(12) Includes 29,332 Common Shares owned and 36,264 options which will become exercisable within 60 days of June 30, 2018.

(13)

Includes 19,861 Common Shares owned, 10,536 options which are exercisable and 25,395 options which will become exercisable within 60 days of June 30, 2018.

(14) Includes 12,714 Common Shares owned, 33,770 options which are exercisable and 2,960 options which will become exercisable within 60 days of June 30, 2018.

(15) Includes 3,983 DSUs which are exercisable.

(16) Includes 5,957,993 Common Shares owned, 1,155,403 options which are exercisable, 341,296 options which will become exercisable within 60 days of June 30, 2018, and 552,760 DSUs which are exercisable.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth summary information relating to our various stock compensation plans as of June 30, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders:	7,078,435	\$28.41	10,893,828
Equity compensation plans not approved by security holders :			
Under deferred stock unit awards	613,365	N/A	—
Under performance stock unit awards	515,437	N/A	—
Under restricted stock unit awards	814,220	N/A	—
Total	9,021,457	N/A	10,893,828

For more information regarding stock compensation plans, please refer to note 12 "Share Capital, Option Plans and Share-Based Payments" to our Consolidated Financial Statements, under Part IV, Item 15 of this Annual Report on Form 10-K.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

## Related Transactions Policy and Director Independence

We have adopted a written policy that all transactional agreements between us and our officers, directors and affiliates will be first approved by a majority of the independent directors. Once these agreements are approved, payments made pursuant to the agreements are approved by the members of our Audit Committee.

Our procedure regarding the approval of any related party transaction is that the material facts of such transaction shall be reviewed by the independent members of our Audit Committee and the transaction approved by a majority of the independent members of our Audit Committee. The Audit Committee reviews all transactions wherein we are, or will be a participant and any related party has or will have a direct or indirect interest. In determining whether to approve a related party transaction, the Audit Committee generally takes into account, among other facts it deems appropriate: whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent and nature of the related person's interest in the transaction; the benefits to the company of the proposed transaction; if applicable, the effects on a director's independence; and if applicable, the availability of other sources of comparable services or products.

The Board has determined that all directors, except Messrs. Barrenechea and Sadler, meet the independence requirements under the NASDAQ Listing Rules and qualify as "independent directors" under those Listing Rules. Mr. Barrenechea is not considered independent by virtue of being our Vice Chairman, Chief Executive Officer and Chief Technology Officer. See "Transactions with Related Persons" below with respect to payments made to Mr. Sadler. Each of the members of our Compensation Committee, Audit Committee and Corporate Governance and Nominating Committee is an independent director.

## Transactions With Related Persons

One of our directors, Mr. Sadler, received consulting fees for assistance with acquisition-related business activities pursuant to a consulting agreement with the Company. Mr. Sadler's consulting agreement, which was adopted by way of Board resolution effective July 1, 2011, is for an indefinite period. The material terms of the agreement are as follows: Mr. Sadler is paid at the rate of Canadian dollars (CAD) \$450 per hour for services relating to his consulting agreement. In addition, he is eligible to receive a bonus fee equivalent to 1.0% of the acquired company's revenues, up to CAD \$10.0 million in revenue, plus an additional amount of 0.5% of the acquired company's revenues above CAD \$10.0 million. The total bonus fee payable, for any given fiscal year, is subject to an annual limit of CAD \$450,000

per single acquisition and an aggregate annual limit of CAD \$980,000. The acquired company's revenues, for this purpose, is equal to the acquired company's revenues for the 12 months prior to the date of acquisition.

During Fiscal 2018, Mr. Sadler received approximately CAD \$1.0 million in consulting fees from OpenText (equivalent to \$0.8 million USD), inclusive of CAD \$980 thousand bonus fees for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Item 14. Principal Accountant Fees and Services

The aggregate fees for professional services rendered by our independent registered public accounting firm, KPMG LLP, for Fiscal 2018 and Fiscal 2017 were:

(In thousands)	Year ended	
	June 30,	
	2018	2017
Audit fees (1)	\$4,701	\$4,269
Audit-related fees (2)	—	166
Tax fees (3)	116	98
All other fees (4)	101	9
Total	\$4,918	\$4,542

Audit fees were primarily for professional services rendered for (a) the annual audits of our consolidated financial statements and the accompanying attestation report regarding our ICFR contained in our Annual Report on Form (1) 10-K, (b) the review of quarterly financial information included in our Quarterly Reports on Form 10-Q, (c) audit services related to mergers and acquisitions and offering documents, and (d) annual statutory audits where applicable.

(2) Audit-related fees were primarily for assurance and related services, such as the review of non-periodic filings with the SEC.

(3) Tax fees were for services related to tax compliance, including the preparation of tax returns, tax planning and tax advice.

(4) All other fees consist of fees for services other than the services reported in audit fees, audit-related fees, and tax fees.

OpenText's Audit Committee has established a policy of reviewing, in advance, and either approving or not approving, all audit, audit-related, tax and other non-audit services that our independent registered public accounting firm provides to us. This policy requires that all services received from our independent registered public accounting firm be approved in advance by the Audit Committee or a delegate of the Audit Committee. The Audit Committee has delegated the pre-approval responsibility to the Chair of the Audit Committee. All services that KPMG LLP provided to us in Fiscal 2018 and Fiscal 2017 have been pre-approved by the Audit Committee.

The Audit Committee has determined that the provision of the services as set out above is compatible with the maintaining of KPMG LLP's independence in the conduct of its auditing functions.

## PART IV

## Item 15. Exhibits and Financial Statements Schedules

## (a) Financial Statements and Schedules

	Page Number
Index to Consolidated Financial Statements and Supplementary Data (Item 8)	<u>110</u>
Report of Independent Registered Public Accounting Firm	<u>111</u>
Consolidated Balance Sheets as of June 30, 2018 and 2017	<u>112</u>
Consolidated Statements of Income for the years ended June 30, 2018, 2017, and 2016	<u>113</u>
Consolidated Statements of Comprehensive Income for the years ended June 30, 2018, 2017, and 2016	<u>114</u>
Consolidated Statements of Shareholders' Equity for the years ended June 30, 2018, 2017, and 2016	<u>115</u>
Consolidated Statements of Cash Flows for the years ended June 30, 2018, 2017, and 2016	<u>116</u>
Notes to Consolidated Financial Statements	<u>117</u>

## (b) The following documents are filed as a part of this report:

- 1) Consolidated financial statements and Reports of Independent Registered Public Accounting Firm and the related notes thereto are included under Item 8, in Part II.
- 2) Valuation and Qualifying Accounts; see note 3 "Allowance for Doubtful Accounts" and note 14 "Income Taxes" in the Notes to Consolidated Financial Statements included under Item 8, in Part II.
- 3) Exhibits: The following exhibits are filed as part of this Annual Report on Form 10-K or are incorporated by reference to exhibits previously filed with the SEC.

Exhibit Number	Description of Exhibit
2.1	<u>Agreement and Plan of Merger between Open Text Corporation, EPIC Acquisition Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of OpenText and EasyLink Services International Corporation dated May 1, 2012. (14)</u>
2.2	<u>Agreement and Plan of Merger, dated as of November 4, 2013, among Open Text Corporation, Ocelot Merger Sub, Inc., GXS Group, Inc. and the stockholders' representative named therein. (20)</u>
2.3	<u>Support Agreement, dated as of November 4, 2013, among GXS Group, Inc., Open Text Corporation, and Global Acquisition LLC. (20)</u>
2.4	<u>Support Agreement, dated as of November 4, 2013, among GXS Group, Inc., Open Text Corporation, CCG Investment Fund, L.P., CCG Associates - OP, LLC, CCG Investment Fund - AI, LP, CCG AV, LLC - Series A, CCG AV, LLC - Series C and CCG CI, LLC. (20)</u>
2.5	<u>Agreement and Plan of Merger, dated as of December 5, 2014, by and among Open Text Corporation, Asteroid Acquisition Corporation and Actuate. (24)</u>
2.6	<u>Agreement and Plan of Merger, dated September 12, 2016, by and among Open Text Corporation, EMC Corporation, EMC International Company, and EMC (Benelux) B.V. (26)</u>
3.1	Articles of Amalgamation of the Company. (1)
3.2	Articles of Amendment of the Company. (1)
3.3	Articles of Amendment of the Company. (1)
3.4	Articles of Amalgamation of the Company. (1)
3.5	Articles of Amalgamation of the Company, dated July 1, 2001. (2)
3.6	<u>Articles of Amalgamation of the Company, dated July 1, 2002. (3)</u>
3.7	<u>Articles of Amalgamation of the Company, dated July 1, 2003. (4)</u>
3.8	<u>Articles of Amalgamation of the Company, dated July 1, 2004. (5)</u>
3.9	<u>Articles of Amalgamation of the Company, dated July 1, 2005. (6)</u>
3.10	<u>Articles of Continuance of the Company, dated December 29, 2005. (7)</u>
3.11	<u>By-Law 1 of Open Text Corporation. (39)</u>
4.1	Form of Common Share Certificate. (1)



- 4.2 Amended and Restated Shareholder Rights Plan Agreement between Open Text Corporation and Computershare Investor Services, Inc. dated September 23, 2016. (19)
- 4.3 Registration Rights Agreement, dated as of November 4, 2013, by and among Open Text Corporation and the principal stockholders named therein, and for the benefit of the holders (as defined therein). (20)
- 4.4 Indenture, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank, N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (including form of 5.625% Senior Notes due 2023). (27)
- 4.5 Indenture, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (including form of 5.875% Senior Notes due 2026). (30)
- 4.6 Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.625% Senior Notes due 2023, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
- 4.7 Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.875% Senior Notes due 2026, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
- 10.1\* 1998 Stock Option Plan. (8)
- 10.2\* Form of Indemnity Agreement between the Company and certain of its officers dated September 7, 2006. (9)
- 10.3\* Consulting Agreement between Steven Sadler and SJS Advisors Inc. and the Company, dated May 3, 2005. (10)
- 10.4\* Open Text Corporation Directors' Deferred Share Unit Plan effective February 2, 2010. (11)
- 10.5 Amended and Restated Credit Agreement among Open Text Corporation and certain of its subsidiaries, the Lenders, Barclays Bank PLC, Royal Bank of Canada, Barclays Capital and RBC Capital Markets, dated as of November 9, 2011. (12)
- 10.6\* OpenText Corporation 2004 Stock Option Plan, as amended and restated September 26, 2016. (15)
- 10.7\* OpenText Corporation Long-Term Incentive Plan 2015 for eligible employees, effective October 3, 2012. (16)
- 10.8\* Employment Agreement, dated October 30, 2012 between Mark Barrenechea and the Company. (16)
- 10.9\* Amendment No. 1 to the Employment Agreement between Mark J. Barrenechea and the Company dated January 24, 2013 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (17)
- 10.10\* Employment Agreement, as of December 19, 2012, between Gordon A. Davies and the Company. (18)
- 10.11 Commitment Letter, dated as of November 4, 2013, by and among Barclays Bank PLC, Royal Bank of Canada and Open Text Corporation. (20)
- 10.12 First Amendment to Amended and Restated Credit Agreement and Amended and Restated Security and Pledge Agreement, dated as of December 16, 2013, between Open Text ULC, as term borrower, Open Text ULC, Open Text Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (21)
- 10.13 Credit Agreement, dated as of January 16, 2014, among Open Text Corporation, as guarantor, Ocelot Merger Sub, Inc., which on January 16, 2014 merged with and into GXS Group, Inc. which survived such merger, as borrower, the other domestic guarantors party thereto, the lenders named therein, as lenders, Barclays Bank PLC, as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets, as lead arrangers and joint bookrunners. (22)
- 10.14 Second Amendment to Amended and Restated Credit Agreement, dated as of December 22, 2014, between Open Text ULC, as term borrower, Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (25)
- 10.15

- Tender and Voting Agreement, dated as of December 5, 2014, by and among Open Text Corporation, Asteroid Acquisition Corporation and certain stockholders of Actuate. (24)
- 10.16\* Employment Agreement, dated November 30, 2012, between Muhi Majzoub and the Company. (23)
- 10.17\* Employment Agreement, dated July 30, 2014, between John M. Doolittle and the Company. (23)  
Amendment No. 2 to the Employment Agreement between Mark J. Barrenechea and the Company dated July
- 10.18\* 30, 2014 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated  
October 30, 2012). (23)
- 10.20\* Employment Agreement, dated October 13, 2014, between David Jamieson and the Company. (28)
- 10.22\* Amended and Restated Employee Stock Purchase Plan (29)

10.23	<u>Repricing Amendment and Amendment No. 2 dated as of February 22, 2017 to Credit Agreement, by and among Open Text Corporation, as guarantor, Open Text GXS ULC, as borrower, the other guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent. (32)</u>
10.24	<u>Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of May 5, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (33)</u>
10.25*	<u>Amendment No. 3 to the Employment Agreement between Mark J. Barrenechea and the Company dated June 1, 2017 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (34)</u>
10.26*	<u>Employment Agreement, dated January 2, 2014, between George Schulze and the Company (35)</u>
10.27	<u>Amendment No. 4 to Second Amended and Restated Credit Agreement, dated as of September 6, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (36)</u>
10.28*	<u>Employment Agreement, dated January 30, 2018, among the Company, Open Text Inc. and Madhu Ranganathan (37)</u>
10.29	<u>Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text Corporation, as borrower, the guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (38)</u>
10.30	<u>Third Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as administrative agent, collateral agent and swing line lender and Royal Bank of Canada as documentary credit lender. (38)</u>
10.31*	<u>Employment Agreement, dated October 1, 2017, between Simon (Ted) Harrison and the Company</u>
12.1	<u>Statement of Computation of Ratios of Earnings to Combined Fixed Charges and Preferences</u>
18.1	Preferability letter dated February 2, 2012 from the Company's auditors, KPMG LLP, regarding a change in the Company's accounting policy relating to the income statement classification of tax related interest and penalties. (13)
21.1	<u>List of the Company's Subsidiaries.</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm.</u>
31.1	<u>Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL instance document.
101.SCH	XBRL taxonomy extension schema.
101.CAL	XBRL taxonomy extension calculation linkbase.
101.DEF	XBRL taxonomy extension definition linkbase.
101.LAB	XBRL taxonomy extension label linkbase.
101.PRE	XBRL taxonomy extension presentation.

\* Indicates management contract relating to compensatory plans or arrangements

(1) Filed as an Exhibit to the Company's Registration Statement on Form F-1 (Registration Number 33-98858) as filed with the Securities and Exchange Commission (the "SEC") on November 1, 1995 or Amendments 1, 2 or 3 thereto (filed on December 28, 1995, January 22, 1996 and January 23, 1996 respectively), and incorporated herein by

reference.

- (2) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2001 and incorporated herein by reference.
- (3) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2002 and incorporated herein by reference.
- (4) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 29, 2003 and incorporated herein by reference.

- (5) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 13, 2004 and incorporated herein by reference.
- (6) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 27, 2005 and incorporated herein by reference.
- (7) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 3, 2006 and incorporated herein by reference.
- (8) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 20, 1999 and incorporated herein by reference.
- (9) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 12, 2006 and incorporated herein by reference.
- (10) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 26, 2008 and incorporated herein by reference.
- (11) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on April 30, 2010 and incorporated herein by reference.
- (12) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on November 9, 2011 and incorporated herein by reference.
- (13) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 2, 2012 and incorporated herein by reference.
- (14) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on July 3, 2012 and incorporated herein by reference.
- (15) Filed as an exhibit to the Company's Registration Statement on Form S-8, as filed with the SEC on November 4, 2016, and incorporated herein by reference.
- (16) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 1, 2012 and incorporated herein by reference.
- (17) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on January 25, 2013 and incorporated herein by reference.
- (18) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 1, 2013 and incorporated herein by reference.
- (19) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 23, 2016 and incorporated herein by reference.
- (20) Filed as an Exhibit to the Company's Current Report on Form 8-K/A, as filed with the SEC on November 6, 2013 and incorporated herein by reference.
- (21) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 20, 2013 and incorporated herein by reference.
- (22) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 16, 2014 and incorporated herein by reference.
- (23) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 31, 2014 and incorporated herein by reference.
- (24) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 5, 2014 and incorporated herein by reference.
- (25) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 23, 2014 and incorporated herein by reference.
- (26) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 13, 2016 and incorporated herein by reference.
- (27) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 15, 2015 and incorporated herein by reference.
- (28) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 29, 2015 and incorporated herein by reference.
- (29) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on October 2, 2015 and incorporated herein by reference.

Edgar Filing: KLA TENCOR CORP - Form 424B3

- (30) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on May 31, 2016 and incorporated herein by reference.
- (31) Filed as an Exhibit to the Post-Effective Amendment No. 2 to the Company's Registration Statement on Form S-3, as filed with the SEC on December 12, 2016 and incorporated herein by reference.
- (32) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on February 22, 2017 and incorporated herein by reference.
- (33) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 8, 2017 and incorporated herein by reference.

- (34) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on June 6, 2017 and incorporated herein by reference.
- (35) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 3, 2017 and incorporated herein by reference.
- (36) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 2, 2017 and incorporated herein by reference.
- (37) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on February 1, 2018 and incorporated herein by reference.
- (38) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on May 30, 2018 and incorporated herein by reference.
- (39) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 26, 2013 and incorporated herein by reference.

Report of Independent Registered Public Accounting Firm  
To the Shareholders and Board of Directors  
Open Text Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Text Corporation (the Company) as of June 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 1, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2001.

Toronto, Canada

August 1, 2018

Report of Independent Registered Public Accounting Firm  
To the Shareholders and Board of Directors  
Open Text Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Open Text Corporation's (the Company) internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated August 1, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

August 1, 2018



OPEN TEXT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands of U.S. dollars, except share data)

	June 30, 2018	June 30, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$682,942	\$443,357
Accounts receivable trade, net of allowance for doubtful accounts of \$9,741 as of June 30, 2018 and \$6,319 as of June 30, 2017 (note 3)	487,956	445,812
Income taxes recoverable (note 14)	55,623	32,683
Prepaid expenses and other current assets	101,059	81,625
Total current assets	1,327,580	1,003,477
Property and equipment (note 4)	264,205	227,418
Goodwill (note 5)	3,580,129	3,416,749
Acquired intangible assets (note 6)	1,296,637	1,472,542
Deferred tax assets (note 14)	1,122,729	1,215,712
Other assets (note 7)	111,267	93,763
Deferred charges (note 8)	38,000	42,344
Long-term income taxes recoverable (note 14)	24,482	8,557
Total assets	\$7,765,029	\$7,480,562
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$302,154	\$342,120
Current portion of long-term debt (note 10)	10,000	182,760
Deferred revenues	644,211	570,328
Income taxes payable (note 14)	38,234	31,835
Total current liabilities	994,599	1,127,043
Long-term liabilities:		
Accrued liabilities (note 9)	52,827	50,338
Deferred credits (note 8)	2,727	5,283
Pension liability (note 11)	65,719	58,627
Long-term debt (note 10)	2,610,523	2,387,057
Deferred revenues	69,197	61,678
Long-term income taxes payable (note 14)	172,241	162,493
Deferred tax liabilities (note 14)	79,938	94,724
Total long-term liabilities	3,053,172	2,820,200
Shareholders' equity:		
Share capital and additional paid-in capital (note 12)		
267,651,084 and 264,059,567 Common Shares issued and outstanding at June 30, 2018 and June 30, 2017, respectively; authorized Common Shares: unlimited	1,707,073	1,613,454
Accumulated other comprehensive income	33,645	48,800
Retained earnings	1,994,235	1,897,624
Treasury stock, at cost (690,336 shares at June 30, 2018 and 1,101,612 at June 30, 2017, respectively)	(18,732	) (27,520 )
Total OpenText shareholders' equity	3,716,221	3,532,358
Non-controlling interests	1,037	961
Total shareholders' equity	3,717,258	3,533,319
Total liabilities and shareholders' equity	\$7,765,029	\$7,480,562
Guarantees and contingencies (note 13)		
Related party transactions (note 22)		

Subsequent events (note 23)

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands of U.S. dollars, except share and per share data)

	Year Ended June 30,		
	2018	2017	2016
Revenues:			
License	\$437,512	\$369,144	\$283,710
Cloud services and subscriptions	828,968	705,495	601,018
Customer support	1,232,504	981,102	746,409
Professional service and other	316,257	235,316	193,091
Total revenues	2,815,241	2,291,057	1,824,228
Cost of revenues:			
License	13,693	13,632	10,296
Cloud services and subscriptions	364,091	300,255	244,021
Customer support	134,089	122,753	89,861
Professional service and other	253,670	195,195	155,584
Amortization of acquired technology-based intangible assets (note 6)	185,868	130,556	74,238
Total cost of revenues	951,411	762,391	574,000
Gross profit	1,863,830	1,528,666	1,250,228
Operating expenses:			
Research and development	323,461	281,680	194,057
Sales and marketing	529,381	444,838	344,235
General and administrative	205,313	170,438	140,397
Depreciation	86,943	64,318	54,929
Amortization of acquired customer-based intangible assets (note 6)	184,118	150,842	113,201
Special charges (recoveries) (note 17)	29,211	63,618	34,846
Total operating expenses	1,358,427	1,175,734	881,665
Income from operations	505,403	352,932	368,563
Other income (expense), net	17,973	15,743	(1,423 )
Interest and other related expense, net	(137,250 )	(119,124 )	(76,363 )
Income before income taxes	386,126	249,551	290,777
Provision for (recovery of) income taxes (note 14)	143,826	(776,364 )	6,282
Net income for the period	\$242,300	\$1,025,915	\$284,495
Net (income) loss attributable to non-controlling interests	(76 )	(256 )	(18 )
Net income attributable to OpenText	\$242,224	\$1,025,659	\$284,477
Earnings per share—basic attributable to OpenText (note 21)	\$0.91	\$4.04	\$1.17
Earnings per share—diluted attributable to OpenText (note 21)	\$0.91	\$4.01	\$1.17
Weighted average number of Common Shares outstanding—basic (in '000's)	266,085	253,879	242,926
Weighted average number of Common Shares outstanding—diluted (in '000's)	267,492	255,805	244,076
Dividends declared per Common Share	\$0.5478	\$0.4770	\$0.4150

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In thousands of U.S. dollars)

	Year Ended June 30,		
	2018	2017	2016
Net income for the period	\$242,300	\$1,025,915	\$284,495
Other comprehensive income (loss)—net of tax:			
Net foreign currency translation adjustments	(9,582 )	(4,756 )	(3,318 )
Unrealized gain (loss) on cash flow hedges:			
Unrealized gain (loss) - net of tax expense (recovery) effect of (\$171), \$34 and (\$928) for the year ended June 30, 2018, 2017 and 2016, respectively	(476 )	95	(2,574 )
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of (\$489), \$67 and \$1,065 for the year ended June 30, 2018, 2017 and 2016, respectively	(1,357 )	186	2,956
Actuarial gain (loss) relating to defined benefit pension plans:			
Actuarial gain (loss) - net of tax expense (recovery) effect of (\$1,846), \$840 and (\$1,612) for the year ended June 30, 2018, 2017 and 2016, respectively	(3,383 )	6,216	(3,374 )
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of \$183, \$241 and \$132 for the year ended June 30, 2018, 2017 and 2016, respectively	260	565	347
Unrealized net gain (loss) on marketable securities - net of tax effect of nil for the year ended June 30, 2018, 2017 and 2016, respectively	—	184	445
Release of unrealized gain on marketable securities - net of tax effect of nil for the year ended June 30, 2018, 2017 and 2016, respectively	(617 )	—	—
Total other comprehensive income (loss) net, for the period	(15,155 )	2,490	(5,518 )
Total comprehensive income	227,145	1,028,405	278,977
Comprehensive (income) loss attributable to non-controlling interests	(76 )	(256 )	(18 )
Total comprehensive income attributable to OpenText	\$227,069	\$1,028,149	\$278,959

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of U.S. dollars and shares)

	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2015	244,586	\$934,427	(1,252)	\$(19,986)	\$863,015	\$ 51,828	\$ 523	\$1,829,807
Issuance of Common Shares								
Under employee stock option plans	936	14,576	—	—	—	—	—	14,576
Under employee stock purchase plans	240	5,027	—	—	—	—	—	5,027
Share-based compensation	—	25,978	—	—	—	—	—	25,978
Income tax effect related to share-based compensation	—	230	—	—	—	—	—	230
Purchase of treasury stock	—	—	(450 )	(10,627 )	—	—	—	(10,627 )
Issuance of treasury stock	—	(5,345 )	434	5,345	—	—	—	—
Common Shares repurchased	(2,952 )	(9,825 )	—	—	(55,684 )	—	—	(65,509 )
Dividends	—	—	—	—	(99,262 )	—	—	(99,262 )
Other comprehensive income (loss) - net	—	—	—	—	—	(5,518 )	—	(5,518 )
Non-controlling interest	—	—	—	—	—	—	—	—
Net income for the year	—	—	—	—	284,477	—	18	284,495
Balance as of June 30, 2016	242,810	\$965,068	(1,268)	\$(25,268)	\$992,546	\$ 46,310	\$ 541	\$1,979,197
Issuance of Common Shares								
Under employee stock option plans	1,012	20,732	—	—	—	—	—	20,732
Under employee stock purchase plans	427	11,604	—	—	—	—	—	11,604
Under the public Equity Offering	19,811	604,223	—	—	—	—	—	604,223
Income tax effect related to public Equity Offering	—	5,077	—	—	—	—	—	5,077
Equity issuance costs	—	(19,574 )	—	—	—	—	—	(19,574 )
Share-based compensation	—	30,507	—	—	—	—	—	30,507
	—	1,534	—	—	—	—	—	1,534

Income tax effect related to share-based compensation								
Purchase of treasury stock	—	—	(244 )	(8,198 )	—	—	—	(8,198 )
Issuance of treasury stock	—	(5,946 )	410	5,946	—	—	—	—
Dividends	—	—	—	—	(120,581 )	—	—	(120,581 )
Other comprehensive income (loss) - net	—	—	—	—	—	2,490	—	2,490
Non-controlling interest	—	229	—	—	—	—	164	393
Net income for the year	—	—	—	—	1,025,659	—	256	1,025,915
Balance as of June 30, 2017	264,060	\$ 1,613,454	(1,102)	\$(27,520)	\$ 1,897,624	\$ 48,800	\$ 961	\$ 3,533,319
Issuance of Common Shares								
Under employee stock option plans	2,870	54,355	—	—	—	—	—	54,355
Under employee stock purchase plans	721	20,458	—	—	—	—	—	20,458
Share-based compensation	—	27,594	—	—	—	—	—	27,594
Issuance of treasury stock	—	(8,788 )	411	8,788	—	—	—	—
Dividends	—	—	—	—	(145,613 )	—	—	(145,613 )
Other comprehensive income (loss) - net	—	—	—	—	—	(15,155 )	—	(15,155 )
Net income for the year	—	—	—	—	242,224	—	76	242,300
Balance as of June 30, 2018	267,651	\$ 1,707,073	(691 )	\$(18,732)	\$ 1,994,235	\$ 33,645	\$ 1,037	\$ 3,717,258

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands of U.S. dollars)

	Year Ended June 30,		
	2018	2017	2016
Cash flows from operating activities:			
Net income for the period	\$242,300	\$1,025,915	\$284,495
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	456,929	345,715	242,368
Share-based compensation expense	27,594	30,507	25,978
Excess tax (benefits) expense on share-based compensation expense	—	(1,534)	(230)
Pension expense	3,738	3,893	4,577
Amortization of debt issuance costs	4,646	5,014	4,678
Amortization of deferred charges and credits	4,242	6,298	9,903
Loss on sale and write down of property and equipment	2,234	784	1,108
Release of unrealized gain on marketable securities to income	(841)	—	—
Write off of unamortized debt issuance costs	155	833	—
Deferred taxes	89,736	(871,195)	(54,461)
Share in net (income) loss of equity investees	(5,965)	(5,952)	—
Other non-cash charges	—	1,033	—
Changes in operating assets and liabilities:			
Accounts receivable	(22,566)	(126,784)	8,985
Prepaid expenses and other current assets	(7,274)	(7,766)	316
Income taxes and deferred charges and credits	(31,323)	(1,683)	6,294
Accounts payable and accrued liabilities	(91,650)	53,490	(5,671)
Deferred revenue	35,629	3,484	(4,781)
Other assets	2,301	(22,799)	2,163
Net cash provided by operating activities	709,885	439,253	525,722
Cash flows from investing activities:			
Additions of property and equipment	(105,318)	(79,592)	(70,009)
Proceeds from maturity of short-term investments	—	9,212	11,297
Purchase of Hightail, Inc.	(20,535)	—	—
Purchase of Guidance Software, Inc., net of cash acquired	(229,275)	—	—
Purchase of Covisint Corporation, net of cash acquired	(71,279)	—	—
Purchase of ECD Business	—	(1,622,394)	—
Purchase of HP Inc. CCM Business	—	(315,000)	—
Purchase of Recommind, Inc.	—	(170,107)	—
Purchase consideration for acquisitions completed prior to Fiscal 2017	—	(7,146)	(293,071)
Other investing activities	(18,034)	(5,937)	(9,393)
Net cash used in investing activities	(444,441)	(2,190,964)	(361,176)
Cash flows from financing activities:			
Excess tax benefits (expense) on share-based compensation expense	—	1,534	230
Proceeds from long-term debt and Revolver	1,200,000	481,875	600,000
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	75,935	35,593	20,097
Proceeds from issuance of Common Shares under the public Equity Offering	—	604,223	—
Repayment of long-term debt and Revolver	(1,149,620)	(57,880)	(8,000)
Debt issuance costs	(4,375)	(7,240)	(6,765)
Equity issuance costs	—	(19,574)	—

Edgar Filing: KLA TENCOR CORP - Form 424B3

Common Shares repurchased	—	—	(65,509 )
Purchase of Treasury Stock	—	(8,198 )	(10,627 )
Purchase of non-controlling interest	—	(208 )	—
Payments of dividends to shareholders	(145,613 )	(120,581 )	(99,262 )
Net cash provided by (used in) financing activities	(23,673 )	909,544	430,164
Foreign exchange gain (loss) on cash held in foreign currencies	(2,186 )	1,767	(10,952 )
Increase (decrease) in cash and cash equivalents during the period	239,585	(840,400 )	583,758
Cash and cash equivalents at beginning of the period	443,357	1,283,757	699,999
Cash and cash equivalents at end of the period	\$682,942	\$443,357	\$1,283,757

Supplemental cash flow disclosures (note 20)

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

(Tabular amounts in thousands of U.S. dollars, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa), GXS, Inc. (GXS Korea) and EC1 Pte. Ltd. (GXS Singapore), which as of June 30, 2018, were 70%, 85% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

These Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Covisint Corporation (Covisint), with effect from July 26, 2017, Guidance Software, Inc. (Guidance), with effect from September 14, 2017, and Hightail, Inc. (Hightail), with effect from February 14, 2018 (see note 18 "Acquisitions").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) testing of goodwill for impairment, (iii) the valuation of acquired intangible assets, (iv) the valuation of long-lived assets, (v) the recognition of contingencies, (vi) restructuring accruals, (vii) acquisition accruals and pre-acquisition contingencies, (viii) the realization of investment tax credits, (ix) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plans, (x) the valuation of pension assets and obligations, and (xi) accounting for income taxes.

Beginning in the second quarter of Fiscal 2018, our income tax estimates were impacted by legislation informally known as the Tax Cuts and Jobs Act, which was enacted in the United States on December 22, 2017. The Company has recorded a provisional charge and continues to assess the effect of the new law on its consolidated financial statements in accordance with Staff Accounting Bulletin 118 "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118). For more details related to this matter, please refer to note 14 "Income Taxes".

NOTE 2— ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include balances with banks as well as deposits that have terms to maturity of three months or less. Cash equivalents are recorded at cost and typically consist of term deposits, commercial paper, certificates of deposit and short-term interest bearing investment-grade securities of major banks in the countries in which we operate.

Short-Term Investments

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) Topic 320 "Investments - Debt and Equity Securities" (Topic 320) related to accounting for certain investments in debt and equity securities, and based on our intentions regarding these instruments, we classify our marketable securities as available for sale and account for these investments at fair value. Marketable securities consist primarily of high quality debt securities with original maturities over 90 days, and may include corporate notes, United States government agency notes and municipal notes.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make payments. We evaluate the creditworthiness of our customers prior to order fulfillment and based on these evaluations, we



adjust our credit limit to the respective customer. In addition to these evaluations, we conduct on-going credit evaluations of our customers' payment history and current creditworthiness. The allowance is maintained for 100% of all accounts deemed to be uncollectible and, for those receivables not specifically identified as uncollectible, an allowance is maintained for a specific percentage of those receivables based upon the aging of accounts, our historical collection experience and current economic expectations. To date, the actual losses have been within our expectations. No single customer accounted for more than 10% of the accounts receivable balance as of June 30, 2018 and 2017.

#### Property and equipment

Property and equipment are stated at the lower of cost or net realizable value, and shown net of depreciation which is computed on a straight-line basis over the estimated useful lives of the related assets. Gains and losses on asset disposals are taken into income in the year of disposition. Fully depreciated property and equipment are retired from the consolidated balance sheet when they are no longer in use. We did not recognize any significant property and equipment impairment charges in Fiscal 2018, Fiscal 2017, or Fiscal 2016. The following represents the estimated useful lives of property and equipment:

Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years
Capitalized software	3 to 5 years
Leasehold improvements	Lesser of the lease term or 5 years
Building	40 years

#### Capitalized Software

We capitalize software development costs in accordance with ASC Topic 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal-Use". We capitalize costs for software to be used internally when we enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage. If different determinations are made with respect to the state of development of a software project, then the amount capitalized and the amount charged to expense for that project could differ materially.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. We also capitalize the direct costs of materials and services, which generally includes outside contractors, and interest. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to training or data conversion costs. Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred. If different determinations are made with respect to whether upgrades or enhancements to software projects would result in additional functionality, then the amount capitalized and the amount charged to expense for that project could differ materially.

We amortize capitalized costs with respect to development projects for internal-use software when the software is ready for use. The capitalized software development costs are generally amortized using the straight-line method over a 3 to 5 year period. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charged in a particular period could differ materially.

As of June 30, 2018 and 2017 our capitalized software development costs were \$81.1 million and \$67.1 million, respectively. Our additions, relating to capitalized software development costs, incurred during Fiscal 2018 and Fiscal 2017 were \$14.6 million and \$12.8 million, respectively.

#### Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions.



Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable; that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

#### Impairment of long-lived assets

We account for the impairment and disposition of long-lived assets in accordance with ASC Topic 360, "Property, Plant, and Equipment" (Topic 360). We test long-lived assets or asset groups, such as property and equipment and definite lived intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to:

significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life. Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group.

We have not recorded any significant impairment charges for long-lived assets during Fiscal 2018, Fiscal 2017 and Fiscal 2016.

#### Business combinations

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities, including contingent consideration where applicable, assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement, particularly since these assumptions and estimates are based in part on historical experience and information obtained from the management of the acquired companies. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill in the period identified. Furthermore, when valuing certain intangible assets that we have acquired, critical estimates may be made relating to, but not limited to: (i) future expected cash flows from software license sales, cloud SaaS, DaaS and PaaS contracts, support agreements, consulting agreements and other customer contracts (ii) the acquired company's technology and competitive position, as well as assumptions about the period of time that the acquired technology will continue to be used in the combined company's product portfolio, and (iii) discount rates. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our Consolidated Statements of Income.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the

measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income.

#### Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The carrying amount of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying value of this asset may not be recoverable.

Our operations are analyzed by management and our chief operating decision maker (CODM) as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management (EIM) software and solutions. Therefore, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit.

We perform a qualitative assessment to test our reporting unit's goodwill for impairment. Based on our qualitative assessment, if we determine that the fair value of our reporting unit is more likely than not (i.e. a likelihood of more than 50 percent) to be less than its carrying amount, the second step of the impairment test is performed. In the second step of the impairment test, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets of our reporting unit exceeds its fair value, then an impairment loss equal to the difference, but not exceeding the total carrying value of goodwill allocated to the reporting unit, would be recorded.

Our annual impairment analysis of goodwill was performed as of April 1, 2018. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2018 (no impairments were recorded for Fiscal 2017 and Fiscal 2016).

#### Derivative financial instruments

We use derivative financial instruments to manage foreign currency rate risk. We account for these instruments in accordance with ASC Topic 815, "Derivatives and Hedging" (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments' fair values be recognized in earnings; unless specific hedge accounting and documentation criteria are met (i.e. the instruments are accounted for as hedges). We recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in "Accumulated other comprehensive income", net of tax, in our accompanying Consolidated Balance Sheets. Any ineffective or excluded portion of a designated cash flow hedge, if applicable, was recognized in our Consolidated Statements of Income.

#### Asset retirement obligations

We account for asset retirement obligations in accordance with ASC Topic 410, "Asset Retirement and Environmental Obligations" (Topic 410), which applies to certain obligations associated with "leasehold improvements" within our leased office facilities. Topic 410 requires that a liability be initially recognized for the estimated fair value of the obligation when it is incurred. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and depreciated over the remaining life of the underlying asset and the associated liability is accreted to the estimated fair value of the obligation at the settlement date through periodic accretion charges recorded within general and administrative expenses. When the obligation is settled, any difference between the final cost and the recorded amount is recognized as income or loss on settlement in our Consolidated Statements of Income.

#### Revenue recognition

##### License revenues

We recognize revenues in accordance with ASC Topic 985-605, "Software Revenue Recognition" (Topic 985-605). We record product revenues from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance by the

customer, the fees are fixed and determinable, and collection is considered probable. We use the residual method to recognize revenues on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license

arrangement, revenues related to the undelivered element is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element.

Our multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (PCS) are sold together. We have established VSOE of the fair value of the undelivered

PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and our significant PCS renewal experience, from our existing worldwide base. Our multiple element sales arrangements generally include irrevocable rights for the customer to renew PCS after the bundled term ends. The customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms. It is our experience that customers generally exercise their renewal PCS option. In the renewal transaction, PCS is sold on a stand-alone basis to the licensees one year or more after the original multiple element sales arrangement.

The exercised renewal PCS price is consistent with the renewal price in the original multiple element sales arrangement, although an adjustment to reflect consumer price changes is common.

If VSOE of fair value does not exist for all undelivered elements, all revenues are deferred until sufficient evidence exists or revenue is recognized over the term of the last undelivered element.

We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. Our sales arrangements generally include standard payment terms. These terms effectively relate to all customers, products, and arrangements regardless of customer type, product mix or arrangement size. Exceptions are only made to these standard terms for certain sales in parts of the world where local practice differs. In these jurisdictions, our customary payment terms are in line with local practice.

#### Cloud services and subscriptions revenues

Cloud services and subscription revenues consist of (i) SaaS offerings (ii) managed service arrangements and (iii) subscription revenues relating to on premise offerings. The customer contracts for each of these three offerings are long term contracts (greater than twelve months) and are based on the customer's usage over the contract period. The revenue associated with such contracts is recognized once usage has been measured, the fee is fixed and determinable and collection is probable.

In certain managed services arrangements, we sell transaction processing along with implementation and start-up services. Start-up services performed as part of the core implementation may include: infrastructure assessment and capacity planning, provisioning of infrastructure, customer connectivity and other initial setup activities. These sets of services do not have stand-alone value and, therefore, they do not qualify as separate units of accounting and are not separated. We believe these services do not have stand-alone value as the customer only receives value from these services in conjunction with the use of the related transaction processing service, we do not sell such services separately, and the output of such services cannot be re-sold by the customer. Revenues related to start-up services are recognized over the longer of the contract term or the estimated customer life. In some arrangements, we also sell distinct implementation and professional services that do have stand-alone value and can be separated from other elements in the arrangement. To the extent that they can be separately identified, the revenue related to these services is recognized as the service is performed, otherwise they are recognized in the same pattern as discussed above. In some arrangements, we also sell professional services as a separate single element arrangement. The revenue related to these services is recognized as the service is performed.

We defer all direct and relevant costs associated with non-distinct start-up and core implementation activities of long-term customer contracts to the extent such costs can be recovered through guaranteed contract revenues. All other costs related to distinct implementation and professional services arrangements are recognized as the services is performed and expensed as incurred.

#### Service revenues

Service revenues consist of revenues from consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, we determine VSOE of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These consulting and implementation services contracts are primarily time and materials based contracts that are, on average,

less than six months in length. Revenues from these services are recognized at the time such services are performed.

We also enter into contracts that are primarily fixed fee arrangements wherein the services are not essential to the functionality of a software element. In such cases, the proportional performance method is applied to recognize revenues.

Revenues from training and integration services are recognized in the period in which these services are performed.

#### Customer support revenues

Customer support revenues consist of revenues derived from contracts to provide PCS to license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

#### Deferred revenues

Deferred revenues primarily relate to cloud and customer support agreements which have been paid for by customers prior to the performance of those services. Generally, the services related to customer support agreements will be provided in the twelve months after the signing of the agreement. For cloud-related service agreements, deferred revenues are primarily recognized ratably over the performance or service period, which can vary from contract to contract. Deferred implementation revenue, specifically, is recognized over the longer of the estimated customer life or initial contract term, whichever is longer.

#### Long-term sales contracts

We may enter into certain long-term sales contracts involving the sale of integrated solutions that include the modification and customization of software and the provision of services that are essential to the functionality of the other elements in this arrangement. As prescribed by ASC Topic 985-605, we recognize revenues from such arrangements in accordance with the contract accounting guidelines in ASC Topic 605-35, "Construction-Type and Production-Type Contracts" (Topic 605-35), after evaluating for separation of any non-Topic 605-35 elements in accordance with the provisions of ASC Topic 605-25, "Multiple-Element Arrangements" (Topic 605-25). When circumstances exist that allow us to make reasonably dependable estimates of contract revenues, contract costs and the progress of the contract to completion, we account for sales under such long-term contracts using the percentage-of-completion (POC) method of accounting. Under the POC method, progress towards completion of the contract is measured based upon either input measures or output measures. We measure progress towards completion based upon an input measure and calculate this as the proportion of the actual hours incurred compared to the total estimated hours. For training and integration services rendered under such contracts, revenues are recognized as the services are rendered. We will review, on a quarterly basis, the total estimated remaining costs to completion for each of these contracts and apply the impact of any changes on the POC prospectively. If at any time we anticipate that the estimated remaining costs to completion will exceed the value of the contract, the resulting loss will be recognized immediately.

When circumstances exist that prevent us from making reasonably dependable estimates of contract revenues, we account for sales under such long-term contracts using the completed contract method.

#### Sales to resellers and channel partners

We execute certain sales contracts through resellers and distributors (collectively, resellers) and also large, well-capitalized partners such as SAP SE and Accenture Inc. (collectively, channel partners). We recognize revenues relating to sales through resellers and channel partners when all the recognition criteria have been met, in other words, persuasive evidence of an arrangement exists, delivery has occurred in the reporting period, the fee is fixed and determinable, and collectability is probable. In addition, we assess the creditworthiness of each reseller and if the reseller is newly formed, undercapitalized or in financial difficulty any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

#### Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

#### Research and development costs

Research and development costs internally incurred in creating computer software to be sold, licensed or otherwise marketed are expensed as incurred unless they meet the criteria for deferral and amortization, as described in ASC Topic 985-20, "Costs of Software to be Sold, Leased, or Marketed" (Topic 985-20). In accordance with Topic 985-20, costs related to research, design and development of products are charged to expense as incurred and capitalized between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers. In our historical experience, the dates relating to the achievement of technological feasibility and general release of the product have substantially coincided. In addition, no significant costs are incurred

subsequent to the establishment of technological feasibility. As a result, we do not capitalize any research and development costs relating to internally developed software to be sold, licensed or otherwise marketed.

#### Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" (Topic 740). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the Consolidated Financial Statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income (see note 14 "Income Taxes" for more details).

#### Fair value of financial instruments

Carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable and accounts payable (trade and accrued liabilities) approximate their fair value due to the relatively short period of time between origination of the instruments and their expected realization.

The fair value of our total long-term debt approximates its carrying value since the interest rate is at market.

We apply the provisions of ASC 820, "Fair Value Measurements and Disclosures", to our derivative financial instruments that we are required to carry at fair value pursuant to other accounting standards (see note 15 "Fair Value Measurement" for more details).

#### Foreign currency

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the previous month of the transaction. The effect of foreign currency translation adjustments not affecting net income are included in Shareholders' equity under the "Cumulative translation adjustment" account as a component of "Accumulated other comprehensive income". Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item "Other income (expense), net" for Fiscal 2018, Fiscal 2017 and Fiscal 2016 were \$4.8 million, \$3.1 million and \$(1.9) million, respectively.

#### Restructuring charges

We record restructuring charges relating to contractual lease obligations and other exit costs in accordance with ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420). Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred, when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net

recoverable amount of equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances (see note 17 "Special Charges (Recoveries)" for more details).

### Loss Contingencies

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this filing on Form 10-K for the year ended June 30, 2018, we do not believe that the outcomes of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized (see note 13 "Guarantees and Contingencies" for more details).

### Net income per share

Basic net income per share is computed using the weighted average number of Common Shares outstanding including contingently issuable shares where the contingency has been resolved. Diluted net income per share is computed using the weighted average number of Common Shares and stock equivalents outstanding using the treasury stock method during the year (see note 21 "Earnings Per Share" for more details).

### Share-based payment

We measure share-based compensation costs, in accordance with ASC Topic 718, "Compensation - Stock Compensation" (Topic 718) on the grant date, based on the calculated fair value of the award. We have elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in our circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro-rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known (see note 12 "Share Capital, Option Plans and Share-based Payments" for more details).

### Accounting for Pensions, post-retirement and post-employment benefits

Pension expense is accounted for in accordance with ASC Topic 715, "Compensation-Retirement Benefits" (Topic 715). Pension expense consists of: actuarially computed costs of pension benefits in respect of the current year of service, imputed returns on plan assets (for funded plans) and imputed interest on pension obligations. The expected costs of post retirement benefits, other than pensions, are accrued in the Consolidated Financial Statements based upon actuarial methods and assumptions. The over-funded or under-funded status of defined benefit pension and other post retirement plans are recognized as an asset or a liability (with the offset to "Accumulated other comprehensive income", net of tax, within "Shareholders' equity"), respectively, on the Consolidated Balance Sheets (see note 11 "Pension Plans and Other Post Retirement Benefits" for more details).

### Recent Accounting Pronouncements

#### Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16). ASU 2016-16 primarily changes the timing of when certain intercompany transactions are recognized within the provision for income taxes among other things. ASU 2016-16 is effective for us during the first quarter of our fiscal year ending June 30, 2019, on a modified retrospective basis. We currently anticipate that the adoption of ASU 2016-16 will result in a decrease to total assets on our Consolidated Balance Sheets of approximately \$30 million and a decrease in total liabilities of approximately \$3 million with a corresponding total net decrease to opening retained earnings of approximately \$27 million.

### Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 “Leases (Topic 842)” (ASU 2016-02), which supersedes the guidance in former ASC Topic 840 “Leases”. The most significant change will result in the recognition of lease assets for the right to use the underlying asset and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows related to leases. This standard is effective for us for our fiscal year ending June 30, 2020, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We have formed a sub-committee consisting of internal members from various departments to assess the effect that the pending adoption of ASU 2016-02 will have on our Consolidated Balance Sheets. Although the sub-committee has not completed their assessment, we expect the majority of the impact to come from our facility leases, and that most of our operating lease commitments will be recognized as right of use assets and operating lease liabilities, which will increase our total assets and total liabilities, as reported on our Consolidated Balance Sheets, relative to such amounts prior to adoption. The sub-committee continues to evaluate the impact of the new standard on our Consolidated Financial Statements.

### Revenue Recognition

In May 2014, the FASB issued ASC Topic 606 "Revenue from Contracts with Customers" (Topic 606). Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition" (Topic 605) and nearly all other existing revenue recognition guidance under U.S. GAAP. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services and permits the use of the retrospective or cumulative effect transition method. Topic 606 identifies five steps to be followed to achieve its core principle, which include (i) identifying contract(s) with customers, (ii) identifying performance obligations in the contract(s), (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract(s) and (v) recognizing revenue when (or as) the entity satisfies a performance obligation.

We will be adopting Topic 606 using the cumulative effect approach when this guidance becomes effective for us, starting in the first quarter of our fiscal year ending June 30, 2019.

We believe the key differences between Topic 606 and Topic 605 relate to our accounting for implementation services on cloud arrangements, accounting for on premise subscription offerings and costs to obtain a contract.

### Implementation Services on Cloud Arrangements

Under Topic 605, fees charged for professional services to implement hosted software within a cloud arrangement are deferred and recognized ratably over the longer of the non-cancellable contract term or the estimated customer life because the activities are not deemed to be a separate element for which stand-alone value exists. Under Topic 606, we expect such implementation services revenues to be more variable from period to period, as we will recognize revenues allocated to the distinct implementation services on the basis of relative stand alone selling price, as services are provided to the customer. Costs relating to distinct implementation services will be expensed as they are incurred.

Any implementation service revenue and costs that do not meet the criteria of being distinct will be deferred and amortized over the contract term.

### On Premise Subscription Arrangements

Under Topic 605, revenue attributable to on premise subscription arrangements is recognized under “Cloud Services and Subscriptions revenue” and is recognized ratably over the term of the arrangement because vendor specific objective evidence (VSOE) does not exist for the undelivered maintenance and support element of the arrangement, as it is not sold separately. Under Topic 606, the requirement to have VSOE for undelivered elements to enable the separation of the delivered software licenses from the on-going customer support and maintenance services is eliminated. Accordingly, we expect the adoption of Topic 606 will result in a change in our recording of on premise subscription revenues from “Cloud Services and Subscriptions revenues” to “License” and “Customer Support” revenues in our Consolidated Statements of Income. Further, we expect to accelerate the recognition of a portion of the transaction price at the outset of the arrangement (upon delivery) as “License revenue”, using the residual approach for estimating stand-alone selling price. Over the course of the service period, “Customer Support revenues” will be recognized based on the stand-alone selling price for those services.

Costs to obtain a contract

Topic 606 will require the Company to capitalize certain sales commissions which are currently expensed as incurred. The Company currently anticipates it will amortize these capitalized contract costs over an expected period of benefit that includes anticipated renewals.

Transition

We evaluated revenue contracts that will be in effect on the adoption date as if they had been accounted for under Topic 606 from contract inception. As a result, certain revenue that would have been recognized in future periods under Topic 605 will now be accounted for and disclosed under Topic 606 as though the revenue had already been recognized in prior periods, resulting in us having to make a cumulative effect adjustment to our retained earnings in the period of adoption.

As a result, upon adoption of Topic 606 we expect retained earnings, net of tax, to increase by approximately \$35 million and we expect to see the following corresponding impacts to the Consolidated Balance Sheet on July 1, 2018:

- A decrease to deferred revenues of approximately \$34 million;
- A decrease to other assets of approximately \$23 million in connection with lower deferred implementation costs;
- An increase to other assets of approximately \$14 million in connection with an increase of capitalized sales commission costs;
- An increase in accounts receivables of approximately \$21 million in connection with increased contract assets representing future billings in excess of revenues; and
- An increase in net deferred tax liabilities of approximately \$11 million

These expected impacts discussed above are the result of adopting the new standard and pertain solely to the adjustment to retained earnings as of July 1, 2018 on our Consolidated Balance Sheet, and are not indicative of the impact that the new ASU is expected to have on our Consolidated Statement of Operations in future periods.

As part of the disclosure requirements in the year of adoption, under the modified retrospective method, we will disclose in detail the impact of the adoption of the new revenue standard on each of our financial statements. The application of this new guidance has no effect on the cash we expect to receive nor on the economics of the business, but rather affects the timing of revenue and expense recognition.

ASUs adopted in Fiscal 2018

During Fiscal 2018 we adopted the following ASU, which did not have a material impact to our reported financial position, results of operations or cash flows:

ASU 2016-09 "Compensation-Stock Compensation (Topic 718)"

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2015	\$5,987
Bad debt expense	5,908
Write-off /adjustments	(5,155 )
Balance as of June 30, 2016	6,740
Bad debt expense	5,929
Write-off /adjustments	(6,350 )
Balance as of June 30, 2017	6,319
Bad debt expense	9,942
Write-off /adjustments	(6,520 )
Balance as of June 30, 2018	\$9,741

Included in accounts receivable are unbilled receivables in the amount of \$55.5 million as of June 30, 2018 (June 30, 2017—\$46.2 million).

## NOTE 4—PROPERTY AND EQUIPMENT

	As of June 30, 2018		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$34,647	\$(21,488)	) \$13,159
Office equipment	1,467	(687)	) 780
Computer hardware	207,381	(134,906)	) 72,475
Computer software	97,653	(59,485)	) 38,168
Capitalized software development costs	81,073	(41,556)	) 39,517
Leasehold improvements	118,200	(55,172)	) 63,028
Land and buildings	47,880	(10,802)	) 37,078
Total	\$588,301	\$(324,096)	) \$264,205

	As of June 30, 2017		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$23,026	\$(14,879)	) \$8,147
Office equipment	1,245	(597)	) 648
Computer hardware	164,268	(104,572)	) 59,696
Computer software	72,835	(33,862)	) 38,973
Capitalized software development costs	67,092	(28,430)	) 38,662
Leasehold improvements	81,564	(38,642)	) 42,922
Land and buildings	48,431	(10,061)	) 38,370
Total	\$458,461	\$(231,043)	) \$227,418

## NOTE 5—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2016:

Balance as of June 30, 2016	\$2,325,586
Acquisition of Reconnind, Inc. (note 18)	91,405
Acquisition of CCM Business (note 18)	173,198
Acquisition of ECD Business (note 18)	825,142
Adjustments relating to acquisitions prior to Fiscal 2017 that had open measurement periods (note 18)	(3,334)
Adjustments on account of foreign exchange	4,752
Balance as of June 30, 2017	3,416,749
Acquisition of Hightail (note 18)	7,293
Acquisition of Guidance (note 18)	129,800
Acquisition of Covisint (note 18)	26,905
Adjustments relating to acquisitions prior to Fiscal 2018 that had open measurement periods (note 18)	(1,458)
Adjustments on account of foreign exchange	840
Balance as of June 30, 2018	3,580,129

## NOTE 6—ACQUIRED INTANGIBLE ASSETS

As of June 30, 2018

	Cost	Accumulated Amortization	Net
Technology assets	\$985,226	\$(439,774 )	\$545,452
Customer assets	1,348,510	(597,325 )	751,185
Total	\$2,333,736	\$(1,037,099 )	\$1,296,637

As of June 30, 2017

	Cost	Accumulated Amortization	Net
Technology assets	\$930,841	\$(272,872 )	\$657,969
Customer assets	1,230,806	(416,233 )	814,573
Total	\$2,161,647	\$(689,105 )	\$1,472,542

The above balances as of June 30, 2018 have been reduced to reflect the impact of intangible assets relating to acquisitions where the gross cost has become fully amortized during the year ended June 30, 2018. The impact of this resulted in a reduction of \$19.0 million related to Technology assets and \$3.0 million related to Customer assets. The weighted average amortization periods for acquired technology and customer intangible assets are approximately six years and eight years, respectively.

The following table shows the estimated future amortization expense for the fiscal years indicated. This calculation assumes no future adjustments to acquired intangible assets:

	Fiscal years ending June 30,
2019	\$ 352,401
2020	280,888
2021	190,763
2022	177,208
2023	115,015
2024 and beyond	180,362
Total	\$ 1,296,637

## NOTE 7—OTHER ASSETS

	As of June 30, 2018	As of June 30, 2017
Deposits and restricted cash	\$9,479	\$15,821
Deferred implementation costs	26,767	28,833
Investments	49,635	27,886
Marketable securities	—	3,023
Long-term prepaid expenses and other long-term assets	25,386	18,200
Total	\$111,267	\$93,763

Deposits and restricted cash primarily relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.

Deferred implementation costs relate to deferred direct and relevant costs on implementation of long-term contracts, to the extent such costs can be recovered through guaranteed contract revenues.

Investments relate to certain non-marketable equity securities in which we are a limited partner. Our interest, individually, in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments is recorded as a component of other income (expense), net in our Consolidated Statements of Income. During the year ended June 30, 2018, our share of income (loss) from these investments was \$6.0 million (year ended June 30, 2017 and 2016—\$6.0

million and nil, respectively).

Marketable securities are classified as available for sale securities and are recorded on our Consolidated Balance Sheets at fair value with unrealized gains and losses reported as a separate component of Accumulated other comprehensive income. We did not hold any marketable securities as of June 30, 2018.

Long-term prepaid expenses and other long-term assets includes advance payments on long-term licenses that are being amortized over the applicable terms of the licenses and other miscellaneous assets.

NOTE 8—DEFERRED CHARGES AND CREDITS

Deferred charges and credits relate to cash taxes payable and the elimination of deferred tax balances relating to legal entity consolidations completed as part of internal reorganizations of our international subsidiaries. Deferred charges and credits are amortized to income tax expense over periods of 6 to 15 years.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of June 30, 2018	As of June 30, 2017
Accounts payable—trade	\$41,722	\$43,699
Accrued salaries and commissions	118,024	121,958
Accrued liabilities	108,903	135,512
Accrued interest on Senior Notes	24,786	24,787
Amounts payable in respect of restructuring and other Special charges	5,622	13,728
Asset retirement obligations	3,097	2,436
Total	\$302,154	\$342,120

Long-term accrued liabilities

	As of June 30, 2018	As of June 30, 2017
Amounts payable in respect of restructuring and other Special charges	\$4,362	\$2,686
Other accrued liabilities*	35,874	36,702
Asset retirement obligations	12,591	10,950
Total	\$52,827	\$50,338

\* Other accrued liabilities consist primarily of tenant allowances, deferred rent and lease fair value adjustments relating to certain facilities acquired through business acquisitions.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of June 30, 2018, the present value of this obligation was \$15.7 million (June 30, 2017—\$13.4 million), with an undiscounted value of \$17.7 million (June 30, 2017—\$15.0 million).

## NOTE 10—LONG-TERM DEBT

## Long-term debt

Long-term debt is comprised of the following:

	As of June 30, 2018	As of June 30, 2017
Total debt		
Senior Notes 2026	\$850,000	\$850,000
Senior Notes 2023	800,000	800,000
Term Loan B	997,500	772,120
Revolver	—	175,000
Total principal payments due	2,647,500	2,597,120
Premium on Senior Notes 2026	6,018	6,597
Debt issuance costs	(32,995)	(33,900)
Total amount outstanding	2,620,523	2,569,817
Less:		
Current portion of long-term debt		
Term Loan B	10,000	7,760
Revolver	—	175,000
Total current portion of long-term debt	10,000	182,760
Non-current portion of long-term debt	\$2,610,523	\$2,387,057

## Senior Unsecured Fixed Rate Notes

## Senior Notes 2026

On May 31, 2016, we issued \$600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional \$250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes have identical terms, are fungible with and are a part of a single series with the previously issued \$600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is \$850 million.

For the year ended June 30, 2018, we recorded interest expense of \$49.9 million, relating to Senior Notes 2026 (year ended June 30, 2017 and 2016—\$43.1 million and \$2.9 million, respectively).

## Senior Notes 2023

On January 15, 2015, we issued \$800 million in aggregate principal amount of 5.625% Senior Notes due 2023 (Senior Notes 2023 and together with Senior Notes 2026, Senior Notes) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the year ended June 30, 2018, we recorded interest expense of \$45.0 million, relating to Senior Notes 2023 (year ended June 30, 2017 and 2016—\$45.0 million, respectively).

### Term Loan B

On May 30, 2018, we refinanced our existing term loan facility (Term Loan B), by entering into a new \$1 billion term loan facility, whereby we borrowed \$1 billion on that day and repaid in full the loans under our prior \$800 million term loan credit facility originally entered into on January 16, 2014. Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver (defined below).

Term Loan B has a seven year term and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to 1.75% plus LIBOR. As of June 30, 2018, the outstanding balance on the Term Loan B bears an interest rate of approximately 3.73%.

For the year ended June 30, 2018, we recorded interest expense of \$27.9 million, relating to Term Loan B (year ended June 30, 2017 and 2016—\$24.8 million and \$25.9 million, respectively).

### Revolver

We currently have a \$450 million committed revolving credit facility (the Revolver) with a maturity date of May 5, 2022. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, on a pari passu basis with Term Loan B. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

During the year ended June 30, 2018, we drew down \$200 million, from the Revolver partially to finance acquisitions (year ended June 30, 2017 and 2016—\$225 million and nil, respectively).

During the year ended June 30, 2018, we repaid \$375 million (year ended June 30, 2017 and 2016—\$50 million and nil, respectively). As of June 30, 2018 we have no outstanding balance on the Revolver.

For the year ended June 30, 2018, we recorded interest expense of \$9.0 million, relating to amounts drawn on the Revolver (year ended June 30, 2017 and 2016—\$2.6 million and nil, respectively).

### Debt Issuance Costs and Premium on Senior Notes

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and issuing our Senior Notes and are being amortized over the respective terms of the Senior Notes and Term Loan B using the effective interest method and the Revolver using the straight-line method.

In connection with the recent refinancing and amendment of Term Loan B, we incurred new debt issuance costs of approximately \$4.7 million, of which approximately \$4.4 million has been paid as of June 30, 2018. Furthermore, during the year ended June 30, 2018, we wrote off \$0.2 million of unamortized debt issuance costs relating to the portion of Term Loan B that was not recommitted by certain lenders under the new terms and were therefore considered extinguished. This amount has been written off to "Interest and other related expense, net" on the

### Consolidated Statements of Income.

The premium on Senior Notes 2026 represents the excess of the proceeds received over the face value of Senior Notes 2026. This premium is amortized as a reduction to interest expense over the term of Senior Notes 2026 using the effective interest method.

### NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER), GXS Philippines, Inc. (GXS PHP) and other plans as of June 30, 2018 and June 30, 2017:

	As of June 30, 2018		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$32,651	\$ 655	\$ 31,996
GXS GER defined benefit plan	25,382	1,027	24,355
GXS PHP defined benefit plan	3,853	138	3,715
Other plans	6,095	442	5,653
Total	\$67,981	\$ 2,262	\$ 65,719



	As of June 30, 2017		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$28,881	\$ 583	\$ 28,298
GXS GER defined benefit plan	23,730	926	22,804
GXS PHP defined benefit plan	4,495	81	4,414
Other plans	3,256	145	3,111
Total	\$60,362	\$ 1,735	\$ 58,627

\* The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets (see note 9 "Accounts Payable and Accrued Liabilities").

#### Defined Benefit Plans

##### CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees.

As of June 30, 2018, there is approximately \$0.7 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

##### GXS GER Plan

As part of our acquisition of GXS Group, Inc. (GXS) in Fiscal 2014, we assumed an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant's remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2018, there is approximately \$0.1 million in accumulated other comprehensive income related to the GXS GER plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

##### GXS PHP Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of approximately \$32 thousand as of June 30, 2018, no additional contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2018, there is approximately \$0.6 million in accumulated other comprehensive income related to the GXS PHP plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

The following are the details of the change in the benefit obligation for each of the above mentioned pension plans for the periods indicated:

	As of June 30, 2018				As of June 30, 2017			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	\$28,881	\$23,730	\$4,495	\$57,106	\$29,450	\$24,729	\$7,341	\$61,520
Service cost	501	472	832	1,805	467	395	1,051	1,913
Interest cost	607	489	241	1,337	456	377	226	1,059
Benefits paid	(580 )	(974 )	(141 )	(1,695 )	(469 )	(807 )	(53 )	(1,329 )
Actuarial (gain) loss	2,442	997	(1,313 )	2,126	(1,708 )	(1,548 )	(3,728 )	(6,984 )
Foreign exchange (gain) loss	800	668	(261 )	1,207	685	584	(342 )	927
Benefit obligation—end of period	32,651	25,382	3,853	61,886	28,881	23,730	4,495	57,106
Less: Current portion	(655 )	(1,027 )	(138 )	(1,820 )	(583 )	(926 )	(81 )	(1,590 )
Non-current portion of benefit obligation	\$31,996	\$24,355	\$3,715	\$60,066	\$28,298	\$22,804	\$4,414	\$55,516

The following are details of net pension expense relating to the following pension plans:

	Year Ended June 30, 2018				2017				2016			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Pension expense:												
Service cost	\$501	\$472	\$832	\$1,805	\$467	\$395	\$1,051	\$1,913	\$422	\$359	\$1,628	\$2,409
Interest cost	607	489	241	1,337	456	377	226	1,059	610	543	314	1,467
Amortization of actuarial (gains) and losses	541	72	(241 )	372	627	168	(48 )	747	425	23	—	448
Net pension expense	\$1,649	\$1,033	\$832	\$3,514	\$1,550	\$940	\$1,229	\$3,719	\$1,457	\$925	\$1,942	\$4,324

In determining the fair value of the pension plan benefit obligations as of June 30, 2018 and June 30, 2017, respectively, we used the following weighted-average key assumptions:

Assumptions:	As of June 30, 2018			As of June 30, 2017		
	CDT	GXS GER	GXS PHP	CDT	GXS GER	GXS PHP
Salary increases	3.50%	3.50%	6.50%	2.00%	2.00%	6.20%
Pension increases	2.00%	2.00%	N/A	1.75%	2.00%	N/A
Discount rate	2.00%	2.00%	7.25%	2.00%	2.00%	5.00%
Normal retirement age	65	65-67	60	65	65-67	60
Employee fluctuation rate:						
to age 20	—%	—%	12.19%	—%	—%	12.19%
to age 25	—%	—%	16.58%	—%	—%	16.58%
to age 30	1.00%	—%	13.97%	1.00%	—%	13.97%
to age 35	0.50%	—%	10.77%	0.50%	—%	10.77%
to age 40	—%	—%	7.39%	—%	—%	7.39%
to age 45	0.50%	—%	3.28%	0.50%	—%	3.28%
to age 50	0.50%	—%	—%	0.50%	—%	—%
from age 51	1.00%	—%	—%	1.00%	—%	—%

Anticipated pension payments under the pension plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2019	\$655	\$1,027	\$138
2020	700	1,032	104
2021	800	1,061	144
2022	890	1,068	330
2023	999	1,071	198
2024 to 2028	6,008	5,506	1,913
Total	\$10,052	\$10,765	\$2,827

Other Plans

Other plans include defined benefit pension plans that are offered by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. These other plans are primarily unfunded, with the aggregate projected benefit obligation included in our pension liability. The net periodic costs of these plans are determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Cash Dividends

For the year ended June 30, 2018, pursuant to the Company's dividend policy, we declared total non-cumulative dividends of \$0.5478, per Common Share in the aggregate amount of \$145.6 million, which we paid during the same period.

For the year ended June 30, 2017, pursuant to the Company's dividend policy, we paid total non-cumulative dividends of \$0.4770, per Common Share in the aggregate amount of \$120.6 million.

For the year ended June 30, 2016, pursuant to the Company's dividend policy, we paid total non-cumulative dividends of \$0.4150, per Common Share in the aggregate amount of \$99.3 million.

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

Treasury Stock

Repurchase

From time to time we may provide funds to an independent agent to facilitate repurchases of our Common Shares in connection with the settlement of awards under the LTIP or other plans.

During the year ended June 30, 2018, we did not repurchase any of our Common Shares for potential reissuance under our Long-Term Incentive Plans (LTIP) or other plans (year ended June 30, 2017 and 2016—244,240 and 450,000 Common Shares, respectively, in the amount of \$8.2 million and \$10.6 million, respectively). See below for more details on our various plans.

Reissuance

During the year ended June 30, 2018, we reissued 411,276 Common Shares from treasury stock (year ended June 30, 2017 and 2016—409,922 and 434,156 Common Shares, respectively), in connection with the settlement of awards.

Option Plans

A summary of stock options outstanding under our 2004 stock option plan is set forth below. All numbers shown in the chart below have been adjusted, where applicable, to account for the two-for-one stock splits that occurred on October 22, 2003, February 18, 2014 and January 24, 2017.

2004 Stock Option Plan

Date of inception	Oct-04
Eligibility	Eligible employees and directors, as determined by the Board of Directors
Options granted to date	30,528,078
Options exercised to date	(16,191,017)
Options cancelled to date	(7,258,626)
Options outstanding	7,078,435
Termination grace periods	Immediately “for cause”; 90 days for any other reason; 180 days due to death
Vesting schedule	25% per year, unless otherwise specified
Exercise price range	\$11.68 - \$36.50
Expiration dates	8/12/2018 to 5/11/2025

The following table summarizes information regarding stock options outstanding at June 30, 2018:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of options Outstanding as of June 30, 2018	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of options Exercisable as of June 30, 2018	Weighted Average Exercise Price
\$11.68-\$22.87	952,382	2.86	\$ 19.10	607,706	\$ 16.97
23.51 -24.52	72,000	3.25	24.28	55,000	24.52
25.04 -25.05	885,500	2.58	25.04	885,500	25.04
25.58 -27.56	1,392,520	3.60	26.99	297,500	26.80
27.83 -28.65	606,484	3.47	28.01	310,710	27.90
29.75 -30.37	686,414	4.92	29.84	153,622	29.84
32.63 -33.48	1,279,625	5.78	33.03	172,250	33.39
34.48 -34.49	705,000	5.88	34.49	—	—
34.71 -34.72	473,510	6.86	34.71	—	—
36.49 -36.50	25,000	6.60	36.50	—	—
\$11.68-\$36.50	7,078,435	4.43	\$ 28.41	2,482,288	\$ 24.50

Share-Based Payments

Total share-based compensation expense for the periods indicated below is detailed as follows:

	Year Ended June 30,		
	2018	2017	2016
Stock options	\$9,828	\$12,196	\$13,202
Performance Share Units (issued under LTIP)	3,553	3,624	2,688
Restricted Share Units (issued under LTIP)	6,602	6,452	5,086
Restricted Share Units (other)	936	2,804	1,573
Deferred Share Units (directors)	2,921	2,849	2,764
Employee Share Purchase Plan	3,754	2,582	665
Total share-based compensation expense	\$27,594	\$30,507	\$25,978

Summary of Outstanding Stock Options

As of June 30, 2018, an aggregate of 7,078,435 options to purchase Common Shares were outstanding and an additional 10,893,828 options to purchase Common Shares were available for issuance under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. Currently we also have options outstanding that vest over five years, as well as options outstanding that vest based on meeting certain market conditions. The exercise price of all our options is set at an amount that is not less than the closing price of our Common Shares on the NASDAQ on the trading day immediately preceding the applicable grant date.

A summary of activity under our stock option plans for the years ended June 30, 2018 and 2017 are as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2017	8,977,830	\$ 24.57		
Granted	1,322,340	34.60		
Exercised	(2,869,569)	18.94		
Forfeited or expired	(352,166)	30.81		
Outstanding at June 30, 2018	7,078,435	\$ 28.41	4.43	\$ 48,405
Exercisable at June 30, 2018	2,482,288	\$ 24.50	3.13	\$ 26,539



	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2016	8,354,816	\$ 21.94		
Granted	2,278,974	31.75		
Exercised	(1,012,644)	20.47		
Forfeited or expired	(643,316)	22.30		
Outstanding at June 30, 2017	8,977,830	\$ 24.57	4.27	\$ 64,707
Exercisable at June 30, 2017	3,736,180	\$ 19.27	2.74	\$ 45,830

We estimate the fair value of stock options using the Black-Scholes option-pricing model or, where appropriate, the Monte Carlo Valuation Method, consistent with the provisions of ASC Topic 718, "Compensation—Stock Compensation" (Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions, including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation techniques and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions were as follows:

	Year Ended June 30,		
	2018	2017	2016
Weighted-average fair value of options granted	\$7.58	\$7.06	\$5.69
Weighted-average assumptions used:			
Expected volatility	26.95 %	28.32 %	31.76 %
Risk-free interest rate	2.18 %	1.46 %	1.31 %
Expected dividend yield	1.50 %	1.43 %	1.62 %
Expected life (in years)	4.38	4.51	4.33
Forfeiture rate (based on historical rates)	6 %	5 %	5 %
Average exercise share price	\$34.60	\$31.75	\$24.09
Derived service period (in years)*	N/A	1.79	N/A

\*Options valued using Monte Carlo Valuation Method

As of June 30, 2018, the total compensation cost related to the unvested stock option awards not yet recognized was approximately \$19.0 million, which will be recognized over a weighted-average period of approximately 2.5 years. No cash was used by us to settle equity instruments granted under share-based compensation arrangements in any of the periods presented.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

For the year ended June 30, 2018, cash in the amount of \$54.4 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2018 from the exercise of options eligible for a tax deduction was \$1.5 million.

For the year ended June 30, 2017, cash in the amount of \$20.8 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2017 from the exercise of options eligible for a tax deduction was \$2.2 million.

For the year ended June 30, 2016, cash in the amount of \$14.6 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2016 from the exercise of options eligible for a tax deduction was \$0.8 million.



### Long-Term Incentive Plans

We incentivize our executive officers, in part, with long-term compensation pursuant to our LTIP. The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. Target RSUs become vested when an eligible employee remains employed throughout the vesting period. LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants are referred to in this Annual Report on Form 10-K based upon the year in which the grants are expected to vest.

#### Fiscal 2017 LTIP

Grants made in Fiscal 2015 under the LTIP (collectively referred to as Fiscal 2017 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2015 starting on September 4, 2014. We settled the Fiscal 2017 LTIP by issuing 312,651 Common Shares from treasury stock during the three months ended December 31, 2017, with a cost of \$6.7 million.

#### Fiscal 2018 LTIP

Grants made in Fiscal 2016 under the LTIP (collectively referred to as Fiscal 2018 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2016 starting on August 23, 2015. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2018 LTIP. We expect to settle the Fiscal 2018 LTIP awards in stock.

#### Fiscal 2019 LTIP

Grants made in Fiscal 2017 under the LTIP (collectively referred to as Fiscal 2019 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2017 starting on August 14, 2016. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2019 LTIP. We expect to settle the Fiscal 2019 LTIP awards in stock.

#### Fiscal 2020 LTIP

Grants made in Fiscal 2018 under the LTIP (collectively referred to as Fiscal 2020 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2018 starting on August 7, 2017. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2020 LTIP. We expect to settle the Fiscal 2020 LTIP awards in stock.

PSUs and RSUs granted under the LTIPs have been measured at fair value as of the effective date, consistent with Topic 718, and will be charged to share-based compensation expense over the remaining life of the plan. Stock options granted under the LTIPs have been measured using the Black-Scholes option-pricing model, consistent with Topic 718. We estimate the fair value of PSUs using the Monte Carlo pricing model and RSUs have been valued based upon their grant date fair value.

As of June 30, 2018, the total expected compensation cost related to the unvested LTIP awards not yet recognized was \$12.9 million, which is expected to be recognized over a weighted average period of 1.8 years.

#### Restricted Share Units (RSUs)

During the year ended June 30, 2018, we granted 4,464 RSUs to employees in accordance with employment and other agreements (year ended June 30, 2017 and 2016—19,300 and 122,072 RSUs, respectively). The RSUs vest over a specified contract date, typically three years from the respective date of grants. We expect to settle the awards in stock.

During the year ended June 30, 2018, we issued 98,625 Common Shares from treasury stock, with a cost of \$2.1 million, in connection with the settlement of these vested RSUs (year ended June 30, 2017 and 2016—70,000 and 30,000 Common Shares, respectively, with a cost of \$1.5 million and \$0.3 million, respectively).

#### Deferred Stock Units (DSUs)

During the year ended June 30, 2018, we granted 87,501 DSUs to certain non-employee directors (year ended June 30, 2017 and 2016—91,680 and 111,716 DSUs, respectively). The DSUs were issued under our Deferred Share Unit Plan.

DSUs granted as compensation for director fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.



Employee Share Purchase Plan (ESPP)

Our ESPP offers employees a purchase price discount of 15%.

During the year ended June 30, 2018, 729,521 Common Shares were eligible for issuance to employees enrolled in the ESPP (year ended June 30, 2017 and 2016—530,170 and 160,546 Common Shares, respectively).

During the year ended June 30, 2018, cash in the amount of approximately \$21.5 million was received from employees relating to the ESPP (year ended June 30, 2017 and 2016—\$14.8 million and \$5.5 million, respectively).

NOTE 13—GUARANTEES AND CONTINGENCIES

We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Total	Payments due between			
		July 1, 2018—July 1, 2019	July 1, 2019—July 1, 2021	July 1, 2021—July 1, 2023	July 1, 2023 and beyond
Long-term debt obligations <sup>(1)</sup>	\$3,524,567	\$ 142,626	\$ 284,013	\$ 282,398	\$2,815,530
Operating lease obligations <sup>(2)</sup>	394,907	72,224	127,878	85,943	108,862
Purchase obligations	16,108	9,577	6,354	177	—
	\$3,935,582	\$ 224,427	\$ 418,245	\$ 368,518	\$2,924,392

<sup>(1)</sup> Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.

<sup>(2)</sup> Net of \$7.6 million of sublease income to be received from properties which we have subleased to third parties.

Guarantees and Indemnifications

We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our Consolidated Financial Statements.

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business.

Such agreements have not had a material effect on our results of operations, financial position or cash flows.

Litigation

We are currently involved in various claims and legal proceedings.

Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, the aggregate of such estimated losses was not material to our consolidated financial position or result of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.

Contingencies

IRS Matter

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also



previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately \$280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010, plus penalties and interest, and that we expected to receive an additional NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest. We also previously disclosed that the draft NOPA could be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment by assigning a higher value to our intellectual property.

On July 11, 2018, we received from the IRS a revised draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2010 (the 2010 NOPA) and a draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), respectively. A NOPA is an IRS position and does not impose an obligation to pay tax. After evaluation of these NOPAs, we continue to strongly disagree with the IRS' positions and intend to vigorously contest the proposed adjustments to our taxable income.

We currently estimate our potential aggregate liability, as of June 30, 2018, in connection with these ongoing matters with the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately \$725 million, comprised of approximately \$455 million in U.S. federal and state taxes, approximately \$105 million of penalties, and approximately \$165 million of interest, further described below. Our previously disclosed estimated potential aggregate liability, as of March 31, 2018, was approximately \$605 million.

The 2010 NOPA received from the IRS on July 11, 2018 increases the one-time proposed adjustment to our U.S. federal income taxes for Fiscal 2010 by approximately \$55 million, from, as previously disclosed, approximately \$280 million to approximately \$335 million. Such increase is based on the IRS' assertion that certain of our intangible property involved in our internal reorganization had a greater value than was assigned to it in the original draft NOPA.

As contemplated by the original draft NOPA, the 2010 NOPA asserts penalties equal to 20% of the additional proposed taxes for Fiscal 2010, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial).

On July 11, 2018, we also received, consistent with previously disclosed expectations, the 2012 NOPA proposing an approximately \$80 million adjustment to our U.S. federal taxes for Fiscal 2012, which was previously included in our estimated potential aggregate liability of approximately \$605 million. The 2012 NOPA also asserts, however, that the penalty rate should be 40% of the additional proposed taxes for Fiscal 2012.

The \$120 million increase from the previously estimated potential aggregate liability of approximately \$605 million, as of March 31, 2018, is attributable to (i) approximately \$95 million of increased proposed U.S. federal and state taxes and associated penalties and interest related to the IRS asserting a higher valuation of our intangible property in the 2010 NOPA, (ii) approximately \$20 million related to the additional 20% penalties and associated interest asserted by the IRS in the 2012 NOPA, and (iii) approximately \$5 million related to an estimate of additional interest that has continued to accrue since March 31, 2018.

Based on our discussions with the IRS and the fact that the adjustments proposed in these NOPAs reflect the IRS' own asserted valuations of our intangible property, we do not expect the IRS to further revise the NOPAs to increase any of their proposed adjustments to our U.S. federal income taxes (subject to the continued accrual of interest, as noted above).

As previously disclosed and noted above, we strongly disagree with the IRS' position and intend to vigorously contest the proposed adjustments to our taxable income. We are examining various alternatives available to taxpayers to contest the proposed adjustments. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Annual Report on Form 10-K, we have not recorded any material accruals in respect of these examinations in our Consolidated Financial Statements. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012 and Fiscal 2013. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2018, in connection with the CRA's reassessments for Fiscal 2012 and Fiscal 2013 to be limited to penalties and interest that may be due of approximately \$23 million.

The notices of reassessment for Fiscal 2012 and Fiscal 2013 would, as drafted, increase our taxable income by approximately \$90 million for each of those years, as well as, in the case of Fiscal 2012, impose a 10% penalty on the proposed adjustment to income, with a similar penalty expected to be imposed for Fiscal 2013.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012 and Fiscal 2013 (including any penalties) are without merit. We have filed a notice of objection for Fiscal 2012, will be filing an objection for Fiscal 2013, and we are currently seeking competent authority consideration under applicable international treaties in respect of these reassessments.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012 and Fiscal 2013, or potential reassessments that may be proposed for subsequent years currently under audit, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments. As of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments in our Consolidated Financial Statements. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability in respect of our international transactions, including the transfer pricing methodology applied to them. The CRA is currently auditing Fiscal 2014 and Fiscal 2015. We are engaged in ongoing discussions with the CRA and continue to vigorously contest the CRA's audit positions.

#### GXS Brazil Matter

As part of our acquisition of GXS, we inherited a tax dispute in Brazil between the Company's subsidiary, GXS Tecnologia da Informação (Brasil) Ltda. (GXS Brazil), and the municipality of São Paulo, in connection with GXS Brazil's judicial appeal of a tax claim. During the first quarter of Fiscal 2018 the courts ruled in favour of the municipality of São Paulo. The Company decided not to pursue further appeal. On October 1, 2017, the Company reached a settlement with the municipality and paid \$1.4 million.

Historically, prior to our acquisition of GXS, GXS would charge certain costs to its subsidiaries, including GXS Brazil, primarily based on historical transfer pricing studies that were intended to reflect the costs incurred by subsidiaries in relation to services provided by the parent company to the subject subsidiary. GXS recorded taxes on amounts billed, that were considered to be due based on the intercompany charges. GXS subsequently re-evaluated its intercompany charges to GXS Brazil and related taxes and, upon taking into consideration the current environment and judicial proceedings in Brazil, concluded that it was probable that certain indirect taxes would be assessable and payable based upon the accrual of such intercompany charges and has approximately \$1.6 million accrued for the probable amount of a settlement related to the indirect taxes, interest and penalties.

#### GXS India Matter

Our Indian subsidiary, GXS India Technology Centre Private Limited (GXS India), is subject to potential assessments by Indian tax authorities in the city of Bangalore. GXS India has received assessment orders from the Indian tax authorities alleging that the transfer price applied to intercompany transactions was not appropriate. Based on advice from our tax advisors, we believe that the facts that the Indian tax authorities are using to support their assessment are incorrect. We have filed appeals and anticipate an eventual settlement with the Indian tax authorities. We have accrued \$1.3 million to cover our anticipated financial exposure in this matter.

Please also see Item 1A "Risk Factors" elsewhere in this Annual Report on Form 10-K.

#### NOTE 14—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

The following is a geographical breakdown of income before the provision for income taxes:

	Year Ended June 30,		
	2018	2017	2016
Domestic income (loss)	\$238,405	\$110,562	\$(80,066)
Foreign income	147,721	138,989	370,843
Income before income taxes	\$386,126	\$249,551	\$290,777



The provision for (recovery of) income taxes consisted of the following:

	Year Ended June 30,		
	2018	2017	2016
Current income taxes (recoveries):			
Domestic	\$5,313	\$12,238	\$(3,119)
Foreign	48,777	82,593	63,862
	54,090	94,831	60,743
Deferred income taxes (recoveries):			
Domestic	61,678	(851,683 )	(44,569 )
Foreign	28,058	(19,512 )	(9,892 )
	89,736	(871,195 )	(54,461 )
Provision for (recovery of) income taxes	\$143,826	\$(776,364)	\$6,282

A reconciliation of the combined Canadian federal and provincial income tax rate with our effective income tax rate is as follows:

	Year Ended June 30,					
	2018		2017		2016	
Expected statutory rate	26.5	%	26.5	%	26.5	%
Expected provision for income taxes	\$102,323		\$66,131		\$77,056	
Effect of foreign tax rate differences	2,352		8,647		(71,478 )	
Change in valuation allowance	1,779		520		(34,999 )	
Amortization of deferred charges	4,242		6,298		11,316	
Effect of permanent differences	4,332		3,673		10,711	
Effect of changes in unrecognized tax benefits	5,543		14,427		(264 )	
Effect of withholding taxes	7,927		3,845		3,457	
Difference in tax filings from provision	1,321		(7,836 )		8,959	
Effect of U.S. tax reform	19,037		—		—	
Other Items	(5,030 )		4,045		1,524	
Impact of internal reorganization of subsidiaries	—		(876,114 )		—	
	\$143,826		\$(776,364)		\$6,282	

In Fiscal 2018 and 2017, respectively, substantially all the tax rate differential for international jurisdictions was driven by earnings in the United States. In Fiscal 2016, this differential was driven by earnings in Luxembourg. The effective tax rate increased to a provision of 37.2% for the year ended June 30, 2018, compared to a recovery of 31.1% for the year ended June 30, 2017. The increase in tax expense of \$920.2 million was primarily due to (i) a significant tax benefit of \$876.1 million resulting from the Fiscal 2017 internal reorganization as described below which did not reoccur in Fiscal 2018, (ii) the impact of changes in US tax legislation in Fiscal 2018 resulting in a provisional charge of \$19.0 million (see below), (iii) an increase of \$29.9 million on account of the Company having higher income before taxes, including the impact of foreign tax rates and (iv) an increase of \$9.2 million relating to differences in tax filings from provisions, offset by (i) a decrease of \$8.9 million resulting from the net impact of reversals and accruals of reserves, and (ii) a decrease of \$2.1 million relating to a decrease in amortization of deferred charges. The remainder of the difference was due to normal course movements and non-material items.

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. A significant tax benefit of \$876.1 million, associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was recognized in the first quarter of Fiscal 2017. For more information relating to this, please refer to our Annual Report on Form 10-K for the year ended June 30, 2017.

As of June 30, 2018, we have approximately \$60.8 million of domestic non-capital loss carryforwards. In addition, we have \$471.5 million of foreign non-capital loss carryforwards of which \$65.3 million have no expiry date. The remainder of the



domestic and foreign losses expires between 2019 and 2037. In addition, investment tax credits of \$55.2 million will expire between 2019 and 2038.

The primary components of the deferred tax assets and liabilities are as follows, for the periods indicated below:

	June 30,	
	2018	2017
Deferred tax assets		
Non-capital loss carryforwards	\$129,436	\$109,060
Capital loss carryforwards	417	246
Undeducted scientific research and development expenses	123,114	101,998
Depreciation and amortization	829,369	887,735
Restructuring costs and other reserves	17,202	22,956
Deferred revenue	62,726	75,248
Other	57,461	74,668
Total deferred tax asset	\$1,219,725	\$1,271,911
Valuation Allowance	\$(80,924 )	\$(58,925 )
Deferred tax liabilities		
Scientific research and development tax credits	\$(13,342 )	\$(12,070 )
Acquired intangibles	—	—
Other	(82,668 )	(79,928 )
Deferred tax liabilities	\$(96,010 )	\$(91,998 )
Net deferred tax asset	\$1,042,791	\$1,120,988
Comprised of:		
Long-term assets	1,122,729	1,215,712
Long-term liabilities	(79,938 )	(94,724 )
	\$1,042,791	\$1,120,988

We believe that sufficient uncertainty exists regarding the realization of certain deferred tax assets that a valuation allowance is required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText.

The aggregate changes in the balance of our gross unrecognized tax benefits (including interest and penalties) were as follows:

Unrecognized tax benefits as of July 1, 2016	\$174,485
Increases on account of current year positions	5,675
Increases on account of prior year positions	18,938
Decreases due to settlements with tax authorities	(16,332 )
Decreases due to lapses of statutes of limitations	(8,236 )
Unrecognized tax benefits as of June 30, 2017	\$174,530
Increases on account of current year positions	6,483
Increases on account of prior year positions	17,794
Decreases due to settlements with tax authorities	—
Decreases due to lapses of statutes of limitations	(20,995 )
Unrecognized tax benefits as of June 30, 2018	\$177,812

Included in the above tabular reconciliation are unrecognized tax benefits of \$10.5 million relating to deferred tax assets in jurisdictions in which these deferred tax assets are offset with valuation allowances. The net unrecognized tax benefit

excluding these deferred tax assets is approximately \$167.2 million as of June 30, 2018 (June 30, 2017—\$163.0 million). Increases on account of prior year positions includes nothing that is subject to recovery as an indemnified asset (June 30, 2017—\$9.4 million).

We recognize interest expense and penalties related to income tax matters in income tax expense. For the year ended June 30, 2018, 2017 and 2016, we recognized the following amounts as income tax-related interest expense and penalties:

	Year Ended June 30,		
	2018	2017	2016
Interest expense	\$6,233	\$13,028	\$6,534
Penalties expense (recoveries)	(191 )	438	(2,761 )
Total	\$6,042	\$13,466	\$3,773

The following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of	As of
	June 30,	June 30,
	2018	2017
Interest expense accrued *	\$54,058	\$47,402
Penalties accrued *	\$2,438	\$2,160

\* These balances have been included within "Long-term income taxes payable" within the Consolidated Balance Sheets.

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of June 30, 2018, could decrease tax expense in the next 12 months by \$9.1 million, relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our four most significant tax jurisdictions are Canada, the United States, Luxembourg and Germany. Our tax filings remain subject to audits by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The earliest fiscal years open for examination are 2012 for Germany, 2010 for the United States, 2012 for Luxembourg, and 2012 for Canada.

We are subject to tax audits in all major taxing jurisdictions in which we operate and currently have tax audits open in Canada, the United States, France, Germany, India, Malaysia, and the United Kingdom. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the United States and Canada audits are included in note 13 "Guarantees and Contingencies".

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain tax audits, please refer to note 13 "Guarantees and Contingencies".

As at June 30, 2018, we have provided \$28.5 million (June 30, 2017—\$22.1 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries, or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system.

As a result of the enactment of the legislation, the Company incurred a provisional one-time tax expense of \$19.0 million for the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. The portion of this anticipated increase to tax expense attributable to the transition tax is payable over a period of up to eight years. The impact of the \$19.0 million adjustment resulting from the US legislation on the effective tax rate is an increase of 4.9% for the year ended June 30, 2018.

The \$19.0 million is a provisional amount in respect of Alternative Minimum Tax (AMT), and transition tax on accumulated foreign earnings in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). The finalization of the provisional one-time amount is pending finalization of considerations related to undistributed foreign earnings and evaluating whether any portion of our existing AMT credit carryforwards are not expected to be refundable as a result of the repeal of corporate AMT, which may result in changes to the provisional amount during the SAB 118 measurement period.

The Company continues to assess the impact of the new law on its consolidated financial statements and anticipates finalizing the determination on or before December 22, 2018 in accordance with SAB 118.

#### NOTE 15—FAIR VALUE MEASUREMENT

ASC Topic 820 “Fair Value Measurement” (Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of June 30, 2018 and June 30, 2017:

	June 30, 2018				June 30, 2017			
	Fair Market Measurements using: Quoted prices in active markets for identical assets/ (liabilities) (Level 1)				Fair Market Measurements using: Quoted prices in active markets for identical assets/ (liabilities) (Level 1)			
June 30, 2018	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	June 30, 2017	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	June 30, 2017	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Financial Assets:</b>								
Marketable securities	N/A	N/A	N/A	N/A	\$3,023	N/A	\$ 3,023	N/A
Derivative financial instrument asset (note 16)	—	N/A	—	N/A	1,174	N/A	1,174	N/A
	\$—	N/A	\$—	N/A	\$4,197	N/A	\$ 4,197	N/A
<b>Financial Liabilities:</b>								
Derivative financial instrument liability (note 16)	\$(1,319)	N/A	\$(1,319)	N/A	\$—	N/A	\$—	N/A
	\$(1,319)	N/A	\$(1,319)	N/A	\$—	N/A	\$—	N/A

Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments.

Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Consolidated Financial Statements at an amount that approximates their fair value (a Level 2 measurement) due to their short maturities.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the year ended June 30, 2018 and 2017, we did not have any transfers between Level 1, Level 2 or Level 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the year ended June 30, 2018 and 2017, no indications of impairment were identified and therefore no fair value measurements were required.

Marketable Securities

Marketable securities are classified as available for sale securities and are recorded within "Other assets" on our Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of Accumulated other comprehensive income. We did not hold any marketable securities as of June 30, 2018.

A summary of our marketable securities outstanding as of June 30, 2018 and June 30, 2017 is as follows:

As of June 30, 2018				As of June 30, 2017			
Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value

Marketable securities	N/A	N/A	N/A	N/A	\$2,406	\$ 617	\$	—\$ 3,023
-----------------------	-----	-----	-----	-----	---------	--------	----	-----------

## NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

## Foreign Currency Forward Contracts

We are engaged in hedging programs with various banks to limit the potential foreign exchange fluctuations incurred on future cash flows relating to a portion of our Canadian dollar payroll expenses. We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of our business, in particular to changes in the Canadian dollar on account of large costs that are incurred from our centralized Canadian operations, which are denominated in Canadian dollars. As part of our risk management strategy, we use foreign currency forward contracts to hedge portions of our payroll exposure with typical maturities of between one and twelve months. We do not use derivatives for speculative purposes.

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within other comprehensive income. The fair value of the contracts, as of June 30, 2018, is recorded within “Accounts payable and accrued liabilities”.

As of June 30, 2018, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was \$47.1 million (June 30, 2017—\$39.0 million).

## Fair Value of Derivative Instruments and Effect of Derivative Instruments on Financial Performance

The effect of these derivative instruments on our Consolidated Financial Statements for the periods indicated below were as follows (amounts presented do not include any income tax effects).

## Fair Value of Derivative Instruments in the Consolidated Balance Sheets (see note 15 “Fair Value Measurement”)

Derivatives	Balance Sheet Location	As of June	As of June
		30, 2018	30, 2017
		Fair Value	Fair Value
		Asset	Asset
		(Liability)	(Liability)
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	\$ (1,319 )	\$ 1,174

## Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

Year Ended June 30, 2018

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of
					Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	\$ (647 )	Operating expenses	\$ 1,846	N/A	\$ —

Year Ended June 30, 2017

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	\$ 129	Operating expenses	\$ (253 )	N/A	\$ —

## NOTE 17—SPECIAL CHARGES (RECOVERIES)

Special charges (recoveries) include costs and recoveries that relate to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans, as well as acquisition-related costs and other charges.

	Year Ended June 30,		
	2018	2017	2016
Fiscal 2018 Restructuring Plan	\$10,154	\$—	\$—
Fiscal 2017 Restructuring Plan	7,207	33,827	—
Restructuring Plans prior to Fiscal 2017 Restructuring Plan	279	(340	) 18,644
Acquisition-related costs	4,805	15,938	7,710
Other charges (recoveries)	6,766	14,193	8,492
Total	\$29,211	\$63,618	\$34,846

## Fiscal 2018 Restructuring Plan

During Fiscal 2018 and in the context of our acquisitions of Covisint, Guidance and subsequently Hightail (each defined below), we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2018 Restructuring Plan). The Fiscal 2018 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate. As of June 30, 2018, we expect total costs to be incurred in conjunction with the Fiscal 2018 Restructuring Plan to be approximately \$12.0 million, of which \$10.2 million has already been recorded within "Special charges (recoveries)" to date.

A reconciliation of the beginning and ending liability for the year ended June 30, 2018 is shown below.

Fiscal 2018 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2017	\$ —	\$ —	\$—
Accruals and adjustments	8,511	1,643	10,154
Cash payments	(8,845	) (489	) (9,334 )
Foreign exchange and other non-cash adjustments	892	11	903
Balance payable as at June 30, 2018	\$ 558	\$ 1,165	\$1,723

## Fiscal 2017 Restructuring Plan

During Fiscal 2017 and in the context of our acquisitions of Recommind, CCM Business and ECD Business (each as defined below), we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2017 Restructuring Plan). The Fiscal 2017 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate. As of June 30, 2018, we expect total costs to be incurred in conjunction with the Fiscal 2017 Restructuring Plan to be approximately \$45.0 million, of which \$41.0 million has already been recorded within "Special charges (recoveries)" to date.

A reconciliation of the beginning and ending liability for the year ended June 30, 2018 is shown below.

Fiscal 2017 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2016	\$ —	\$ —	\$ —
Accruals and adjustments	31,595	2,232	33,827
Cash payments	(16,156 )	(456 )	(16,612 )
Foreign exchange	(5,394 )	(407 )	(5,801 )
Balance payable as at June 30, 2017	\$ 10,045	\$ 1,369	\$ 11,414
Accruals and adjustments	3,432	3,775	7,207
Cash payments	(12,342 )	(1,627 )	(13,969 )
Foreign exchange and other non-cash adjustments	455	(86 )	369
Balance payable as at June 30, 2018	\$ 1,590	\$ 3,431	\$ 5,021

#### Acquisition-related costs

Included within "Special charges (recoveries)" for the year ended June 30, 2018 are costs incurred directly in relation to acquisitions in the amount of \$4.8 million (year ended June 30, 2017 and 2016—\$15.9 million and \$7.7 million, respectively).

#### Other charges (recoveries)

#### ERP Implementation Costs

During Fiscal 2018, we implemented a broad enterprise resource planning (ERP) system.

For the year ended June 30, 2018, we recorded charges of \$3.5 million relating to the implementation of this project (year ended June 30, 2017 and 2016—\$11.0 million and \$8.5 million, respectively).

#### Other charges (recoveries)

For the year ended June 30, 2018, "Other charges" include \$2.9 million relating to system implementation costs and \$4.9 million relating to other miscellaneous charges. These charges were partially offset by (i) \$2.3 million relating to certain pre-acquisition sales and use tax liabilities that were recovered outside of the acquisition's one year measurement period and (ii) \$2.2 million relating to certain pre-acquisition sales and use tax liabilities becoming statute barred.

For the year ended June 30, 2017, "Other charges" primarily include (i) a net charge of \$6.5 million relating to commitment fees, (ii) \$1.4 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations and (iii) \$0.8 million relating to assets disposed in connection with a restructured facility. These charges were partially offset by (i) a recovery of \$4.5 million relating to certain pre-acquisition sales and use tax liabilities being released upon becoming statute barred and (ii) \$1.3 million relating to a recovery on certain interest on pre-acquisition liabilities becoming statute barred. The remaining amounts relate to miscellaneous other charges.

For the year ended June 30, 2016, "Other charges" primarily include (i) a charge of \$4.8 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations and costs incurred to reorganize certain legal entities including consolidation of intellectual property, (ii) \$1.1 million relating to assets disposed in connection with a restructured facility and (iii) \$0.3 million of other miscellaneous charges. These charges were offset by (i) a recovery of \$5.7 million relating to certain pre-acquisition sales and use tax liabilities being released upon settlement or becoming statute barred, and (ii) a recovery of \$0.5 million relating to interest and pre-acquisition liabilities being released on becoming statute barred.

#### NOTE 18—ACQUISITIONS

#### Fiscal 2018 Acquisitions

#### Acquisition of Hightail, Inc.

On February 14, 2018, we acquired all of the equity interest in Hightail, a leading cloud service provider for file sharing and creative collaboration, for approximately \$20.5 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our Enterprise Information Management (EIM) portfolio.



The results of operations of this acquisition have been consolidated with those of OpenText beginning February 14, 2018.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of February 14, 2018, are set forth below:

Current assets	\$1,290
Non-current tangible assets	1,270
Intangible customer assets	12,900
Intangible technology assets	4,200
Liabilities assumed	(6,418 )
Total identifiable net assets	13,242
Goodwill	7,293
Net assets acquired	\$20,535

The goodwill of \$7.3 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$5.2 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by \$2.0 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$0.7 million. The gross amount receivable was \$0.8 million of which \$0.1 million of this receivable is expected to be uncollectible.

Acquisition-related costs for Hightail included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 was \$0.5 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination on or before December 31, 2018.

Acquisition of Guidance Software, Inc.

On September 14, 2017, we acquired all of the equity interest in Guidance, a leading provider of forensic security solutions, for approximately \$240.5 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning September 14, 2017.

The following tables summarize the preliminary consideration paid for Guidance and the amount of the assets acquired and liabilities assumed, as well as the goodwill recorded as of the acquisition date:

Cash consideration*	\$237,291
Guidance shares already owned by OpenText through open market purchases (at fair value)	3,247
Preliminary purchase consideration	\$240,538

\* Inclusive of \$2.3 million accrued for but unpaid as of June 30, 2018. See "Appraisal Proceedings" below for more information.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of September 14, 2017, are set forth below:

Current assets (inclusive of cash acquired of \$5.7 million)	\$24,744
Non-current tangible assets	11,583
Intangible customer assets	71,230
Intangible technology assets	51,851
Liabilities assumed	(48,670 )
Total identifiable net assets	110,738
Goodwill	129,800
Net assets acquired	\$240,538

The goodwill of \$129.8 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$1.9 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$26.6 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by \$7.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$10.3 million. The gross amount receivable was \$11.8 million of which \$1.5 million of this receivable is expected to be uncollectible.

An amount of \$0.8 million, representing the mark to market gain on the shares we held in Guidance prior to the acquisition, was recorded to "Other income" in our Consolidated Statements of Income for the year ended June 30, 2018.

Acquisition-related costs for Guidance included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 were \$2.6 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination before September 30, 2018.

#### Appraisal Proceedings

Under Section 262 of the Delaware General Corporation Law, shareholders who did not tender their shares in connection with our tender offer were entitled to have their shares appraised by the Delaware Court of Chancery and receive payment of the "fair value" of such shares. On August 31, 2017 we received notice from the record holder of approximately 1,519,569 shares or 5% of the issued and outstanding Guidance shares as of the date of acquisition, demanding an appraisal of the fair value of Guidance shares as they believed the price we paid for Guidance shares was less than its fair value. We accrued \$10.8 million in connection with these claims, which is equivalent to paying \$7.10 per Guidance share, the amount these Guidance shareholders otherwise would have received had they tendered their shares in our offer. During the second quarter of Fiscal 2018, we paid \$8.5 million to the trust account of dissenting shareholders' attorney, leaving \$2.3 million accrued and unpaid for this matter. The amount accrued has been included within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets, with no impact to our Consolidated Statements of Income provided the courts rule within the open measurement period of 12 months from acquisition date.

#### Acquisition of Covisint Corporation

On July 26, 2017, we acquired all of the equity interest in Covisint, a leading cloud platform for building Identity, Automotive, and Internet of Things applications, for approximately \$102.8 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning July 26, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 26, 2017, are set forth below:

Current assets (inclusive of cash acquired of \$31.5 million)	\$41,586
Non-current tangible assets	3,426
Intangible customer assets	36,600
Intangible technology assets	17,300
Liabilities assumed	(23,033 )
Total identifiable net assets	75,879
Goodwill	26,905
Net assets acquired	\$102,784

The goodwill of \$26.9 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$26.8 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$12.2 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by \$4.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$7.8 million. The gross amount receivable was \$7.9 million of which \$0.1 million of this receivable was expected to be uncollectible.

Acquisition-related costs for Covisint included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 were \$0.9 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

Fiscal 2017 Acquisitions

Purchase of an Asset Group Constituting a Business - ECD Business

On January 23, 2017, we acquired certain assets and assumed certain liabilities of the enterprise content division of EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries, collectively referred to as Dell-EMC (ECD Business) for approximately \$1.62 billion. In accordance with Topic 805, this acquisition was accounted for as a business combination. ECD Business offers OpenText a suite of leading Enterprise Content Management solutions with deep industry focus, including the Documentum™, InfoArchive™, and LEAP™ product families. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition were consolidated with those of OpenText beginning January 23, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of January 23, 2017, are set forth below:

Current assets	\$11,339
Non-current tangible assets	103,672
Intangible customer assets	407,000
Intangible technology assets	459,000
Liabilities assumed	(182,301 )
Total identifiable net assets	798,710
Goodwill	823,684
Net assets acquired	\$1,622,394

The goodwill of \$823.7 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$378.5 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$163.8 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$52.0 million.

Further, included within total identifiable net assets are also certain contract assets which represent revenue earned by the ECD Business on long-term projects for which billings had not yet occurred as of January 23, 2017. As these long-term projects have now been inherited by OpenText, we are responsible for billing and collecting cash on these projects at the appropriate time, yet we do not and will not recognize revenue for these billings. The fair value assigned to these contract assets as of January 23, 2017 was \$8.4 million.

#### Purchase of an Asset Group Constituting a Business - CCM Business

On July 31, 2016, we acquired certain customer communications management software and services assets and liabilities from HP Inc. (CCM Business) for approximately \$315.0 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, and allows us to better serve our customers by offering a wider set of CCM capabilities.

The results of operations of this acquisition were consolidated with those of OpenText beginning July 31, 2016.

#### Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 31, 2016, are set forth below:

Current assets	\$683
Non-current deferred tax asset	11,861
Non-current tangible assets	2,348
Intangible customer assets	64,000
Intangible technology assets	101,000
Liabilities assumed	(38,090 )
Total identifiable net assets	141,802
Goodwill	173,198
Net assets acquired	\$315,000

The goodwill of \$173.2 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$105.1 million is expected to be deductible for tax purposes.

#### Acquisition of Recommind, Inc.

On July 20, 2016, we acquired all of the equity interest in Recommind, Inc. (Recommind), a leading provider of eDiscovery and information analytics, for approximately \$170.1 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our EIM solutions, and through eDiscovery and analytics, provides increased visibility into structured and unstructured data.

The results of operations of Recommind, were consolidated with those of OpenText beginning July 20, 2016.

#### Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 20, 2016, are set forth below:

Current assets	\$30,034
Non-current tangible assets	1,245
Intangible customer assets	51,900
Intangible technology assets	24,800
Long-term deferred tax liabilities	(1,780 )
Other liabilities assumed	(27,497 )
Total identifiable net assets	78,702
Goodwill	91,405
Net assets acquired	\$170,107

The goodwill of \$91.4 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of \$28.7 million. The gross amount receivable was \$29.6 million of which \$0.9 million of this receivable was expected to be uncollectible.

Fiscal 2016 Acquisitions

Acquisition of ANXe Business Corporation

On May 1, 2016, we acquired all of the equity interest in ANXe Business Corporation (ANX), a leading provider of cloud-based information exchange services to the automotive and healthcare industries, for approximately \$104.4 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition strengthens our industry presence and reach in the automotive and healthcare industries through strong customer relationships and targeted business partner collaboration solutions.

The results of operations of ANX were consolidated with those of OpenText beginning May 1, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of May 1, 2016, are set forth below:

Current assets	\$9,712
Non-current tangible assets	511
Intangible customer assets	49,700
Intangible technology assets	5,600
Liabilities assumed	(26,204 )
Total identifiable net assets	39,319
Goodwill	65,108
Net assets acquired	\$104,427

The goodwill of \$65.1 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$7.0 million is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of \$5.7 million. The gross amount receivable was \$5.8 million of which \$0.1 million of this receivable was expected to be uncollectible.

Purchase of an Asset Group Constituting a Business - CEM Business

On April 30, 2016, we acquired certain customer experience software and services assets and liabilities from HP Inc. (CEM Business) for approximately \$160.0 million. Previously, \$7.3 million was held back and unpaid in accordance with the terms of the purchase agreement. This amount was released and paid during the quarter ended September 30, 2016. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, particularly our Customer Experience Management and Cloud offerings.

The results of operations of this acquisition were consolidated with those of OpenText beginning April 30, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of April 30, 2016, are set forth below:

Current assets	\$3,078
Non-current tangible assets	14,302
Intangible customer assets	33,000
Intangible technology assets	47,000
Liabilities assumed	(24,887 )
Total identifiable net assets	72,493
Goodwill	87,507
Net assets acquired	\$160,000

The goodwill of \$87.5 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$31.8 million is expected to be deductible for tax purposes.

#### Acquisition of Daegis Inc.

On November 23, 2015, we acquired all of the equity interest in Daegis Inc. (Daegis), a global information governance, data migration solutions and development company, based in Texas, United States. Total consideration for Daegis was \$23.3 million (\$22.1 million - net of cash acquired). In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition enables OpenText to strengthen our current information governance capabilities.

We recognized \$8.0 million of goodwill associated with this acquisition, which is primarily attributable to the synergies that are expected to arise after the acquisition. This goodwill is expected to be deductible for tax purposes.

Acquisition-related costs for Daegis included in "Special charges (recoveries)" in the Consolidated Statements of Income for the year ended June 30, 2016 was \$1.1 million.

The results of operations of Daegis were consolidated with those of OpenText beginning November 23, 2015.

#### NOTE 19—SEGMENT INFORMATION

ASC Topic 280, "Segment Reporting" (Topic 280), establishes standards for reporting, by public business enterprises, information about operating segments, products and services, geographic areas, and major customers. The method of determining what information, under Topic 280, to report is based on the way that an entity organizes operating segments for making operational decisions and how the entity's management and chief operating decision maker (CODM) assess an entity's financial performance. Our operations are analyzed by management and our CODM as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management software and solutions.

The following table sets forth the distribution of revenues, by significant geographic area, for the periods indicated:

	Year Ended June 30,		
	2018	2017	2016
Revenues:			
Canada	\$ 149,812	\$ 227,115	\$ 107,217
United States	1,425,244	1,090,049	915,615
United Kingdom	201,821	159,817	185,631
Germany	198,253	166,611	155,201
Rest of Europe	517,693	394,132	270,114
All other countries	322,418	253,333	190,450
Total revenues	\$ 2,815,241	\$ 2,291,057	\$ 1,824,228

The following table sets forth the distribution of long-lived assets, representing property and equipment and intangible assets, by significant geographic area, as of the periods indicated below.

	As of June 30,	
	2018	2017
Long-lived assets:		
Canada	\$ 1,027,858	\$ 1,283,589
United States	441,940	339,246
United Kingdom	13,253	11,583
Germany	8,282	6,694
Rest of Europe	17,104	21,360
All other countries	52,405	37,488
Total	\$ 1,560,842	\$ 1,699,960

## NOTE 20—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Year Ended June 30,		
	2018	2017	2016
Cash paid during the period for interest	\$132,799	\$115,117	\$72,058
Cash received during the period for interest	\$1,672	\$3,115	\$3,659
Cash paid during the period for income taxes	\$73,437	\$83,086	\$40,431

## NOTE 21—EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income, attributable to OpenText, by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income, attributable to OpenText, by the shares used in the calculation of basic earnings per share plus the dilutive effect of Common Share equivalents, such as stock options, using the treasury stock method. Common Share equivalents are excluded from the computation of diluted earnings per share if their effect is anti-dilutive.

	Year Ended June 30,		
	2018	2017	2016
Basic earnings per share			
Net income attributable to OpenText	\$242,224	\$1,025,659(1)	\$284,477
Basic earnings per share attributable to OpenText	\$0.91	\$4.04	\$1.17
Diluted earnings per share			
Net income attributable to OpenText	\$242,224	\$1,025,659(1)	\$284,477
Diluted earnings per share attributable to OpenText	\$0.91	\$4.01	\$1.17
Weighted-average number of shares outstanding			
Basic	266,085	253,879	242,926
Effect of dilutive securities	1,407	1,926	1,150
Diluted	267,492	255,805	244,076
Excluded as anti-dilutive <sup>(2)</sup>	2,770	1,371	5,458

<sup>(1)</sup> Please also see note 14 "Income Taxes" for details relating to a one-time tax benefit of \$876.1 million recorded during the three months ended September 30, 2016 in connection with an internal reorganization of our subsidiaries.

<sup>(2)</sup> Represents options to purchase Common Shares excluded from the calculation of diluted earnings per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares during the period.

## NOTE 22—RELATED PARTY TRANSACTIONS

Our procedure regarding the approval of any related party transaction requires that the material facts of such transaction be reviewed by the independent members of the Audit Committee and the transaction be approved by a majority of the independent members of the Audit Committee. The Audit Committee reviews all transactions in which we are, or will be, a participant and any related party has or will have a direct or indirect interest in the transaction. In determining whether to approve a related party transaction, the Audit Committee generally takes into account, among other facts it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent and nature of the related person's interest in the transaction; the benefits to the Company of the proposed transaction; if applicable, the effects on a director's independence; and if applicable, the availability of other sources of comparable services or products.

During the year ended June 30, 2018, Mr. Stephen Sadler, a director, earned \$0.8 million (June 30, 2017 and June 30, 2016—\$0.8 million, respectively) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 23—SUBSEQUENT EVENTS

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on August 1, 2018, a dividend of \$0.1518 per Common Share. The record date for this dividend is August 31, 2018 and the payment date is September 21, 2018. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

Restructuring Plan

On August 1, 2018, we committed to, and our Board approved, a restructuring plan that will impact our global workforce and consolidate certain real estate facilities in an effort to further streamline our operations. The total size of the plan is expected to be approximately \$29 million and is proposed to be undertaken primarily during the remainder of the year ending June 30, 2019. We expect to incur charges related to this plan in the following amounts:

- Workforce reductions: approximately \$15 million; and
- Facility consolidations: approximately \$14 million.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OPEN TEXT CORPORATION

Date: August 2, 2018

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea

Vice Chairman, Chief Executive Officer and Chief Technology Officer

(Principal Executive Officer)

/s/ MADHU RANGANATHAN

Madhu Ranganathan

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ ADITYA MAHESHWARI

Aditya Maheshwari

Senior Vice President and Chief Accounting Officer

(Principal Accounting Officer)

## DIRECTORS

Signature	Title	Date
/s/ MARK J. BARRENECHEA Mark J. Barrenechea	Vice Chairman, Chief Executive Officer and Chief Technology Officer (Principal Executive Officer)	August 2, 2018
/S/ P. THOMAS JENKINS P. Thomas Jenkins	Chairman of the Board	August 2, 2018
/S/ RANDY FOWLIE Randy Fowlie	Director	August 2, 2018
/S/ GAIL E. HAMILTON Gail E. Hamilton	Director	August 2, 2018
/S/ BRIAN J. JACKMAN Brian J. Jackman	Director	August 2, 2018
/S/ DEBORAH WEINSTEIN Deborah Weinstein	Director	August 2, 2018
/S/ STEPHEN J. SADLER Stephen J. Sadler	Director	August 2, 2018
/S/ MICHAEL SLAUNWHITE Michael Slaunwhite	Director	August 2, 2018
/S/ KATHARINE B. STEVENSON Katharine B. Stevenson	Director	August 2, 2018
/S/ CARL JÜRGEN TINGGREN Carl Jürgen Tinggren	Director	August 2, 2018