

**LAM RESEARCH CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data and percentages)

	<b>Three Months Ended</b>			<b>Twelve Months Ended</b>	
	<b>June 25, 2006</b>	<b>March 26, 2006</b>	<b>June 26, 2005</b>	<b>June 25, 2006</b>	<b>June 26, 2005</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(1)
Total revenue	\$ 525,596	\$ 437,423	\$ 353,767	\$ 1,642,171	\$ 1,502,453
Cost of goods sold	251,445	217,769	177,908	814,777	738,361
Gross margin	274,151	219,654	175,859	827,394	764,092
Gross margin as a percent of revenue	52.2%	50.2%	49.7%	50.4%	50.9%
Research and development	60,824	61,083	49,474	228,891	194,115
Selling, general and administrative	53,921	48,303	43,854	192,238	164,774
Restructuring charges, net	-	-	-	-	14,201
Total operating expenses	114,745	109,386	93,328	421,129	373,090
Operating income	159,406	110,268	82,531	406,265	391,002
Operating margin as a percent of revenue	30.3%	25.2%	23.3%	24.7%	26.0%
Other income, net	9,398	7,828	6,171	35,022	8,120
Income before income taxes	168,804	118,096	88,702	441,287	399,122
Income tax expense	46,655	31,759	22,176	105,532	99,781
Net income	<u>\$ 122,149</u>	<u>\$ 86,337</u>	<u>\$ 66,526</u>	<u>\$ 335,755</u>	<u>\$ 299,341</u>
Net income per share:					
Basic	<u>\$ 0.87</u>	<u>\$ 0.62</u>	<u>\$ 0.48</u>	<u>\$ 2.42</u>	<u>\$ 2.17</u>
Diluted	<u>\$ 0.84</u>	<u>\$ 0.60</u>	<u>\$ 0.47</u>	<u>\$ 2.34</u>	<u>\$ 2.10</u>
Number of shares used in per share calculations:					
Basic	<u>141,168</u>	<u>140,122</u>	<u>138,208</u>	<u>138,581</u>	<u>137,727</u>
Diluted	<u>144,683</u>	<u>144,846</u>	<u>142,518</u>	<u>143,732</u>	<u>142,417</u>

(1) Derived from audited financial statements

**LAM RESEARCH CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	<b>June 25, 2006 (unaudited)</b>	<b>March 26, 2006 (unaudited)</b>	<b>June 26, 2005 (1)</b>
Assets:			
Cash and cash equivalents	\$ 910,815	\$ 757,845	\$ 482,250
Short-term investments	139,524	233,528	327,003
Accounts receivable, net	407,347	319,150	232,005
Inventories	168,714	144,259	110,051
Other current assets	79,969	84,986	93,527
Total current assets	<u>1,706,369</u>	<u>1,539,768</u>	<u>1,244,836</u>
Property and equipment, net	49,893	43,903	41,082
Restricted cash and investments	470,038	85,038	85,038
Other assets	87,044	70,116	77,859
Total assets	<u><u>\$ 2,313,344</u></u>	<u><u>\$ 1,738,825</u></u>	<u><u>\$ 1,448,815</u></u>
Liabilities and stockholders' equity:			
Current liabilities	<u>\$ 566,226</u>	<u>\$ 507,309</u>	<u>\$ 379,133</u>
Long-term debt	\$ 350,000	\$ -	\$ -
Other long-term liabilities	969	1,605	2,786
Stockholders' equity	<u>1,396,149</u>	<u>1,229,911</u>	<u>1,066,896</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,313,344</u></u>	<u><u>\$ 1,738,825</u></u>	<u><u>\$ 1,448,815</u></u>

(1) Derived from audited financial statements.

**LAM RESEARCH CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Three Months Ended</b>			<b>Twelve Months Ended</b>	
	<b>June 25, 2006</b>	<b>March 26, 2006</b>	<b>June 26, 2005</b>	<b>June 25, 2006</b>	<b>June 26, 2005</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(1)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net income	\$ 122,149	\$ 86,337	\$ 66,526	\$ 335,755	\$ 299,341
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	5,765	5,208	6,305	22,000	25,517
Deferred income taxes	(4,936)	17,935	51,187	27,726	89,352
Restructuring charges, net	-	-	-	-	14,201
Equity-based compensation	5,449	6,029	497	22,768	864
Income tax benefit on equity-based compensation plans	27,786	-	(28,303)	27,786	2,050
Excess tax benefit on equity-based compensation plans	(17,805)	-	-	(17,805)	-
Other, net	1,270	(864)	223	2,357	2,854
Change in working capital accounts	(47,412)	(5,010)	37,449	(59,900)	(8,249)
Net cash provided by operating activities	<u>92,266</u>	<u>109,635</u>	<u>133,884</u>	<u>360,687</u>	<u>425,930</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Capital expenditures and intangible assets	(25,939)	(6,447)	(4,226)	(42,080)	(22,849)
Transfer of restricted cash and investments	(385,000)	-	27,430	(385,000)	27,430
Net sales (purchases) of available-for-sale securities	90,296	26,703	(35,565)	182,788	(63,309)
Net cash provided by/(used for) investing activities	<u>(320,643)</u>	<u>20,256</u>	<u>(12,361)</u>	<u>(244,292)</u>	<u>(58,728)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Payments on capital lease	(45)	(67)	-	(112)	-
Net proceeds from issuance of long-term debt	349,632	-	-	349,632	-
Excess tax benefit on equity-based compensation plans	17,805	-	-	17,805	-
Treasury stock purchases	(37,002)	(73,602)	(99,288)	(251,211)	(167,081)
Reissuances of treasury stock	5,519	4,515	458	15,171	458
Proceeds from issuance of common stock	43,698	61,602	23,456	179,400	114,304
Net cash provided by/(used for) financing activities	<u>379,607</u>	<u>(7,552)</u>	<u>(75,374)</u>	<u>310,685</u>	<u>(52,319)</u>
Effect of exchange rate changes on cash	1,740	1,724	(361)	1,485	3,964
Net increase in cash and cash equivalents	152,970	124,063	45,788	428,565	318,847
Cash and cash equivalents at beginning of period	757,845	633,782	436,462	482,250	163,403
Cash and cash equivalents at end of period	<u>\$ 910,815</u>	<u>\$ 757,845</u>	<u>\$ 482,250</u>	<u>\$ 910,815</u>	<u>\$ 482,250</u>

(1) Derived from audited financial statements

**Reconciliation of U.S. GAAP Net Income to Ongoing Net Income**  
(in thousands, except per share data and percentages)

	<b>Three Months Ended</b>	
	<b>June 25, 2006</b>	<b>March 26, 2006</b>
U.S. GAAP net income	\$ 122,149	\$ 86,337
Tax expense on repatriation of foreign earnings	16,810	7,397
Ongoing net income	<u>\$ 138,959</u>	<u>\$ 93,734</u>
Ongoing net income per diluted share	<u>\$ 0.96</u>	<u>\$ 0.65</u>
Number of shares used for diluted per share calculation	144,683	144,846
U.S. GAAP income tax rate	27.6%	26.9%
Ongoing income tax rate	17.7%	20.6%

<u>Region</u>	<u>New Orders</u>	<u>Revenue</u>
North America	12%	15%
Europe	16%	13%
Japan	17%	22%
Korea	11%	22%
Asia Pacific	44%	28%