

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

	<u>Three Months Ended</u>			<u>Twelve Months Ended</u>	
	<u>June 27, 2004</u>	<u>March 28, 2004</u>	<u>June 29, 2003</u>	<u>June 27, 2004</u>	<u>June 29, 2003</u>
Total revenue	\$ 329,572	\$ 231,128	\$ 186,086	\$ 935,946	\$ 755,234
Cost of goods sold	170,369	125,337	109,625	506,548	452,369
Cost of goods sold - restructuring recoveries	-	(322)	(663)	(1,651)	(964)
Total cost of goods sold	170,369	125,015	108,962	504,897	451,405
Gross margin	159,203	106,113	77,124	431,049	303,829
Gross margin as a percent of revenue	48.3%	45.9%	41.4%	46.1%	40.2%
Research and development	49,961	42,914	40,391	170,479	160,493
Selling, general and administrative	40,711	37,218	34,501	146,063	132,820
Restructuring charges, net	-	1,317	9,805	8,327	15,901
Total operating expenses	90,672	81,449	84,697	324,869	309,214
Operating income (loss)	68,531	24,664	(7,573)	106,180	(5,385)
Other income (expense):					
Loss on equity derivative contracts in					
Company stock	-	-	-	-	(16,407)
Other income, net	1,676	877	1,710	4,470	6,147
Income (loss) before income taxes	70,207	25,541	(5,863)	110,650	(15,645)
Income tax expense (benefit)	17,552	6,385	(9,562)	27,662	(7,906)
Net income (loss)	<u>\$ 52,655</u>	<u>\$ 19,156</u>	<u>\$ 3,699</u>	<u>\$ 82,988</u>	<u>\$ (7,739)</u>
Net income (loss) per share:					
Basic	<u>\$ 0.39</u>	<u>\$ 0.14</u>	<u>\$ 0.03</u>	<u>\$ 0.63</u>	<u>\$ (0.06)</u>
Diluted (1)	<u>\$ 0.38</u>	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 0.59</u>	<u>\$ (0.06)</u>
Number of shares used in per share calculations:					
Basic	<u>134,414</u>	<u>133,251</u>	<u>126,872</u>	<u>131,776</u>	<u>126,300</u>
Diluted (1)	<u>139,820</u>	<u>147,365</u>	<u>131,420</u>	<u>144,928</u>	<u>126,300</u>

(1) The following table provides a reconciliation of the denominator of the basic and diluted computations for net income (loss) per share:

	<b>(in thousands)</b>				
Basic average shares outstanding	134,414	133,251	126,872	131,776	126,300
Employee stock plans	5,169	6,958	4,548	6,538	-
Warrant	237	479	-	359	-
Assumed conversion of convertible subordinated 4% notes	-	6,677	-	6,255	-
Diluted average shares outstanding	<u>139,820</u>	<u>147,365</u>	<u>131,420</u>	<u>144,928</u>	<u>126,300</u>

Employee stock options, warrant and assumed conversion of convertible 4% and 5% notes were excluded from diluted net income per share calculations for the twelve months ended June 29, 2003, because the effect was antidilutive due to the net loss for the period. The warrant and assumed conversion of convertible 4% notes were excluded from diluted net income per share calculations in other periods because the effect would have been antidilutive. Diluted net income per share for the three months ended March 28, 2004, and the twelve months ended June 27, 2004, includes the assumed conversion of the convertible 4% notes. Accordingly, interest expense, net of taxes, of \$0.4 million for the March quarter and \$3.2 million for the twelve months ended June 27, 2004, must be added back to net income for computing diluted earnings per share.

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

	<b>June 27, 2004 (unaudited)</b>	<b>March 28, 2004 (unaudited)</b>	<b>June 29, 2003 (1)</b>
<b>Assets:</b>			
Cash, cash equivalents and short-term investments	\$ 429,472	\$ 633,070	\$ 507,413
Accounts receivable, net	245,508	179,606	107,602
Inventories	108,249	110,746	112,016
Other current assets	113,159	147,440	145,745
Total current assets	<u>896,388</u>	<u>1,070,862</u>	<u>872,776</u>
Property and equipment, net	42,444	37,477	48,771
Restricted cash	112,468	118,468	118,468
Other assets	147,326	143,887	158,260
Total assets	<u><u>\$ 1,198,626</u></u>	<u><u>\$ 1,370,694</u></u>	<u><u>\$ 1,198,275</u></u>
<b>Liabilities and stockholders' equity:</b>			
Other current liabilities	<u>\$ 376,606</u>	<u>\$ 300,069</u>	<u>\$ 216,982</u>
Long-term debt and other liabilities	9,554	322,944	332,209
Stockholders' equity	<u>812,466</u>	<u>747,681</u>	<u>649,084</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,198,626</u></u>	<u><u>\$ 1,370,694</u></u>	<u><u>\$ 1,198,275</u></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 27, 2004</b>	<b>March 28, 2004</b>
U.S. GAAP net income	\$ 52,655	\$ 19,156
Pre-tax adjustments:		
CMP impairment - cost of goods sold	2,425	-
CMP impairment - operating expenses	600	-
Net gain on notes and swap - other income, net	(4,505)	
Restructuring recoveries - cost of goods sold	-	(322)
Net restructuring charges - operating expenses	-	1,317
Tax expense (benefit) on net reconciling items	370	(249)
Ongoing net income	<u>\$ 51,545</u>	<u>\$ 19,902</u>
Ongoing net income per diluted share	<u>\$ 0.37</u>	<u>\$ 0.14</u>
Number of shares used for diluted per share calculation	139,820	147,365
Income tax rate	25%	25%

**Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to  
Ongoing Gross Margin, Operating Expenses and Operating Income**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>June 27, 2004</b>	<b>March 28, 2004</b>
U.S. GAAP gross margin	\$ 159,203	\$ 106,113
CMP impairment - cost of goods sold	2,425	-
Restructuring recoveries - cost of goods sold	-	(322)
Ongoing gross margin	<u>\$ 161,628</u>	<u>\$ 105,791</u>
U.S. GAAP operating expenses	\$ 90,672	\$ 81,449
CMP impairment - operating expenses	(600)	-
Net restructuring charges - operating expenses	-	(1,317)
Ongoing operating expenses	<u>\$ 90,072</u>	<u>\$ 80,132</u>
Ongoing operating income	<u>\$ 71,556</u>	<u>\$ 25,659</u>
Ongoing gross margin as a percent of revenue	49.0%	45.8%