Lam Research Corporation

December Quarter 2013 Financial Results

January 29, 2014

Cautions Regarding Forward-Looking Statements

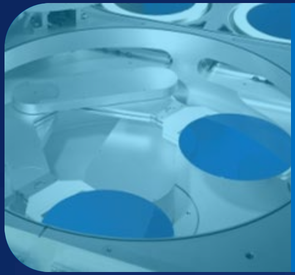
Statements made in this presentation that are not statements of historical fact are forward-looking statements and are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate, but are not limited, the components and projections of our financial models; our real estate consolidation plans; programs to support growth and our focus and strategies consistent with those programs; out manufacturing strategies; the elements of our 2014 Industry Outlook including the drivers and expected spending related to logic, foundry and memory accounts; inflection opportunities and our plans for addressing them; our plans to strengthen Lam's competitive position; the anticipated revenue from our sales to Japanese customers; trends in the global economic environment and the semiconductor industry; factors that affect our tax rates; and forecasts for tax rates, shipments, revenues, gross margins, operating margins, cash flow from operations, share count and earnings per share on either a GAAP or a non-GAAP basis. Some important factors that may affect these forward-looking statements include but are not limited to: business conditions in the semiconductor industry and the overall economy; global political and economic conditions; electronics consumption; the financial performance and expectations of our existing and prospective customers; the introduction of new technologies; the occurrence and pace of technology transitions and conversions; actions of competitors, consumers, semiconductor companies and key suppliers and subcontractors; unanticipated challenges to our integration efforts; and the success of our R&D and sales and marketing programs. These forward-looking statements are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect, as well as other risks detailed in the oral presentation accompanying these slides, and documents filed with the Securities and Exchange Commission, including the report on Form 10-K for the year ended June 30, 2013. These important factors could cause actual results to differ materially from expectations. As a result, you should not place undue weight on such forward-looking statements. The Company undertakes no obligation to update the statements made in this presentation.

Business Review and Industry Outlook

Martin Anstice

President & Chief Executive Officer

Executed on Company Vision in 2013



Delivered strong financial results

- Generated ~$4B in revenues in CY’13
- Grew operating profit twice as fast as revenue
- Drove ~$100M in annualized cost synergies and ~$130M in revenue synergies

Re-energized commitment to installed base performance

- Closed the largest service contract in Lam’s history

Achieved 2013 market growth objectives

- Outpaced industry growth: system shipments up ~10% in 2013 vs. ~3% WFE spend growth
- Defended or gained market share in all business units

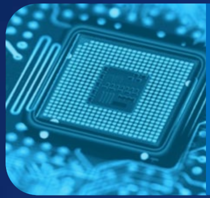
Driving Programs To Support Strategic Objectives

- Positioning next generation products for long term growth
  - Focusing on increased competitive differentiation and profitability
  - Supports 2015/2016 market share objectives
- Consolidating real estate footprint to further realize efficiencies
  - Driving incremental and necessary operating improvements
  - Increases efficiency of R&D and promotes collaboration across the organization
- Executing manufacturing strategies to strengthen competitive differentiation
  - Leveraging Pilot Line Manufacturing, HV Manufacturing and Supply Chain to meet customer and market needs
  - Utilizes supplier partnerships, strategic outsourcing and localization to deliver the cost, quality and service benefits our customers require

2014 Industry Outlook

Foundry
$13-$14B

Forecast foundry WFE spend to increase by 10%-20% in 2014 supported by ongoing 20nm ramp and FinFET pilot production



Logic
~$6B

High levels of equipment reuse to support leading edge production needs; expect WFE spending flat with 2013

Memory
$12-$13B

Project stable pricing conditions and tight supply entering 2014

- NAND: planar NAND transitioning to 16nm node; 3D NAND ramp and pilot production investments across multiple manufacturers
- DRAM: accelerating transitions to mid-2x technology nodes with broader participation of manufacturers investing in 20nm pilot production

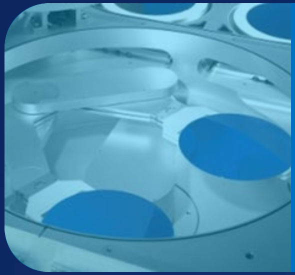
Maintaining 2014 WFE spend forecast in a range of $32B +/- $2B

Positioned for Outperformance in 2014

- Expanding on early successes in 3D NAND
  - Maintaining lead in etch and gaining share in deposition
  - Strong pipeline of new products are gaining traction with customers
  - Well-positioned in 3D NAND pilot lines and focused on winning production tool decisions
- Benefiting from the further adoption of multi-patterning (MP)
  - Increasing number of MP steps required for smaller geometries
  - Strong existing positions in etch
  - Expansion opportunities in ALD* with the migration from batch to single wafer processing
- Realizing growth opportunities from more complex metallization schemes
  - Leveraging market leadership in metal hard mask scheme and UV cure for low k films
  - Customer adoption of performance enhancing film treatments creating new opportunities
- Progressing customer evaluations of next generation clean systems
  - Systems installed at memory and logic device manufactures for broad range of applications
  - Expect preliminary process and reliability data in the June'14 quarter

*Atomic Layer Deposition

Executing Strategic Growth Objectives



Increasing the magnitude of new product releases and customer engagements

Executing operational plans and driving efficiencies toward achieving 2015/2016 financial model

Reinforcing emphasis on customer trust and broader collaboration

Strengthening Lam's Competitive Position

December Quarter 2013 Financial Results and March Quarter 2014 Outlook

Doug Bettinger

Executive Vice President & Chief Financial Officer

December Quarter Shipments

- Shipments of $1.139 billion
  - Up 15% sequentially from the September quarter
- System shipments segment mix:

	Dec'13	Sep'13
Memory	64%	48%
NAND	*36%*	*28%*
DRAM	*28%*	*19%*
Other Memory	*0%*	*1%*
Foundry	28%	36%
Logic/Other	8%	16%

Lam RESEARCH

December Quarter Financial Results

	Dec'13	Sep'13
Revenue	$1,116M	$1,015M
Non-GAAP Gross Margin*	45.8 %	45.0 %
Non-GAAP Operating Expenses *	$302M	$292M
Non-GAAP Operating Income *	$209M	$165M
Non-GAAP Operating Margin *	18.7%	16.2%
Non-GAAP Other Income/(Expense) *	($0.6M)	($6.2M)
Non-GAAP Tax Rate *	9%	12%
GAAP EPS	$0.87	$0.50
Non-GAAP EPS *	$1.10	$0.81
Diluted Share Count	172M	171M

*A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

Key Balance Sheet Metrics

	Dec'13	Sep'13
Total Consolidated Gross Cash Balance	$2,689M	$2,623M
Account Receivables, Net	$910M	$714M
DSO	74 Days	64 Days
Inventory Turns	3.8	3.8
Deferred Revenue*	$405M	$334M
Capital Expenditures	$38M	$24M
Equity Compensation Expense	$23M	$23M
Amortization Expense	$41M	$42M
Depreciation Expense	$33M	$32M
Headcount	~6,550	~6,500

*Does not include anticipated revenues from previous shipments to Japanese customers. A reconciliation of deferred revenue can be found at the end of this presentation.

March 2014 Quarter Guidance

Shipments	$1.250 billion ± $30 million
Revenue	$1.215 billion ± $30 million
Non-GAAP Gross Margin	45% ± 1%
Non-GAAP Operating Margin	19.5% ± 1%
Non-GAAP Earnings per Share(1)	$1.15 ± $0.05

(1) Based on a share count of ~173 million shares

Q&A

Appendix – Reconciliation

Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to Non-GAAP Gross Margin, Operating Expenses and Operating Income

(in thousands, except percentages)

(unaudited)

	Three Months Ended December 29, 2013	Three Months Ended September 29, 2013
U.S. GAAP gross margin	$ 487,789	$ 431,858
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,491	21,480
Acquisition-related inventory fair value impact - cost of goods sold	1,225	2,047
Integration costs - cost of goods sold	264	1,324
Non-GAAP gross margin	$ 510,769	$ 456,709
U.S. GAAP gross margin as a percentage of revenue	43.7%	42.5%
Non-GAAP gross margin as a percentage of revenue	45.8%	45.0%
U.S. GAAP operating expenses	$ 323,315	$ 326,450
Pre-tax non-GAAP items:		
Integration costs - operating expenses	(2,785)	(8,063)
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	(16,953)	(16,947)
Restructuring charges - operating expenses	-	(1,705)
Costs associated with rationalization of certain product configurations - operating expenses	(846)	(844)
Impairment of long lived asset - operating expenses	(628)	(7,004)
Non-GAAP operating expenses	$ 302,103	$ 291,887
Non-GAAP operating income	$ 208,666	$ 164,822
Non-GAAP operating margin as a percent of revenue	18.7%	16.2%

Appendix – Reconciliation

Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 29, 2013	Three Months Ended September 29, 2013
U.S. GAAP net income	$ 148,992	$ 85,506
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,491	21,480
Acquisition-related inventory fair value impact - cost of goods sold	1,225	2,047
Integration costs - cost of goods sold	264	1,324
Integration costs - operating expenses	2,785	8,063
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	16,953	16,947
Restructuring charges - operating expenses	-	1,705
Costs associated with rationalization of certain product configurations - operating expenses	846	844
Impairment of long lived asset - operating expenses	628	7,004
Amortization of convertible note discount, Lam notes - other expense, net	7,329	7,243
Amortization of convertible note discount, Novellus assumed notes - other expense, net	762	859
Gain on sale of investment - other expense, net	(4,813)	-
Net tax benefit on non-GAAP items	(6,404)	(11,646)
Net tax benefit on successful resolution of certain tax matters	(1,313)	(2,286)
Tax expense associated with legal-entity integration	-	137
Non-GAAP net income	$ 188,745	$ 139,227
Non-GAAP net income per diluted share	$ 1.10	$ 0.81
Number of shares used for diluted per share calculation	171,757	171,363

Appendix – Reconciliation

Reconciliation of U.S. GAAP Other Expense, Net to Non-GAAP Other Expense, Net

(in thousands)

(unaudited)

	Three Months Ended	
	December 29, 2013	**September 29, 2013**
U.S. GAAP other expense, net	$ (3,837)	$ (14,262)
Pre-tax non-GAAP items:		
Amortization of convertible note discount, Lam notes	7,329	7,243
Amortization of convertible note discount, Novellus assumed notes	762	859
Gain on sale of investment	(4,813)	-
Non-GAAP other expense, net	$ (559)	$ (6,160)

Lam RESEARCH

Appendix – Reconciliation

Reconciliation of U.S. GAAP Income Tax Rate to Non-GAAP Income Tax Rate
(in thousands, except percentages)
(unaudited)

	Three Months Ended	
	December 29, 2013	**September 29, 2013**
U.S. GAAP income before income taxes	$ 160,637	$ 91,146
U.S. GAAP income tax expense (benefit)	$ 11,645	$ 5,640
U.S. GAAP income tax rate	7.2%	6.2%
Pre-tax non-GAAP items:		
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	21,491	21,480
Acquisition-related inventory fair value impact - cost of goods sold	1,225	2,047
Integration costs - cost of goods sold	264	1,324
Integration costs - operating expenses	2,785	8,063
Amortization related to intangible assets acquired in Novellus transaction - operating expenses	16,953	16,947
Restructuring charges - operating expenses	-	1,705
Costs associated with rationalization of certain product configurations - operating expenses	846	844
Impairment of long lived asset	628	7,004
Amortization of convertible note discount, Lam notes - other expense, net	7,329	7,243
Amortization of convertible note discount, Novellus assumed notes - other expense, net	762	859
Gain on sale of investment - other expense, net	(4,813)	-
Non-GAAP income before taxes	208,107	158,662
Net tax benefit on non-GAAP items	$ 6,404	$ 11,646
Tax expense associated with legal entity integration	-	(137)
Net tax benefit on successful resolution of certain tax matters	1,313	2,286
Non-GAAP income tax expense	$ 19,362	$ 19,435
Non-GAAP income tax rate	9.3%	12.2%

Appendix – Reconciliation

LAM RESEARCH CORPORATION
RECONCILIATION OF DEFERRED REVENUE
(in millions)
(unaudited)

	Three Months Ended	
	Dec 29 2013	Sep 29 2013
Beginning Balance	$ 334.0	$ 389.2
Shipments	1,139.5	987.2
Revenue	(1,116.1)	(1,015.1)
Net Change in Japan (1)	43.8	(14.3)
Services & Other	3.8	(13.0)
Ending Balance	405.0	334.0
Value of shipments to Japanese customers not recorded as deferred revenue (2)	$ 53.5	$ 97.3

(1) Net change in the value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.

(2) The value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.

Appendix – Reconciliation

Reconciliation of U.S. GAAP Gross Margin to Non-GAAP Gross Margin
(in thousands, except percentages)
(unaudited)

	Twelve Months Ended December 29, 2013	Twelve Months Ended December 23, 2012
U.S. GAAP gross margin	$ 1,673,406	$ 1,214,660
Pre-tax non-GAAP items:		
Costs associated with rationalization of certain product configurations - cost of goods sold	(689)	24,689
Amortization related to intangible assets acquired in Novellus transaction - cost of goods sold	84,482	46,000
Acquisition-related inventory fair value impact - cost of goods sold	14,986	76,588
Integration costs - cost of goods sold	4,774	694
Costs associated with customer bankruptcy filing - cost of goods sold	-	2,610
Non-GAAP gross margin	$ 1,776,959	$ 1,365,241
U.S. GAAP gross margin as a percentage of revenue	42.2%	38.3%
Non-GAAP gross margin as a percentage of revenue	44.8%	43.1%

Innovative **Technology**

Trusted **Productivity**

Fast **Solutions**