



## Lam Announces Earnings for the Quarter Ended September 24, 2006

FREMONT, Calif., October 11, 2006—Lam Research Corporation (NASDAQ: LRCX) today announced earnings for the quarter ended September 24, 2006. Highlights for the September 2006 quarter were:

|                     |            |                 |                          |
|---------------------|------------|-----------------|--------------------------|
| • Revenue:          |            | \$604.4 million |                          |
| • Operating Margin: |            | 32.2%           |                          |
| • Net Income:       | U.S. GAAP: | \$183.5 million | Ongoing: \$163.9 million |
| • Diluted EPS:      | U.S. GAAP: | \$1.27          | Ongoing: \$1.13          |

Revenue for the period was \$604.4 million and net income was \$183.5 million, or \$1.27 per diluted share, compared to revenue of \$525.6 million and net income of \$122.1 million, or \$0.84 per diluted share for the June 2006 quarter. Ongoing net income was \$163.9 million, or \$1.13 per diluted share in the September 2006 quarter compared with ongoing net income of \$139.0 million, or \$0.96 per diluted share, for the June 2006 quarter.

Gross margin for the September 2006 quarter was \$313.2 million, or 51.8 percent, compared to gross margin of \$274.2 million, or 52.2 percent, for the June 2006 quarter. Operating expenses increased during the quarter to \$118.3 million compared to operating expenses of \$114.7 million for the June 2006 quarter, driven by increases in incentive-based and equity compensation, and investments supporting our etch market share growth and new product development for markets adjacent to etch. Equity compensation expense in the September 2006 quarter recorded in cost of goods sold and operating expenses was \$1.1 million and \$5.2 million, respectively.

The Company believes the presentation of ongoing results, which excludes certain special items, is useful for analyzing ongoing business trends. A table presenting a reconciliation of ongoing performance to results under U.S. GAAP is included at the end of this press release and on the Company's web site. The September 2006 quarter ongoing presentation removes the effects of a legal judgment in favor of the Company of \$15.8 million recorded in other income, net, which was previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2006, and the successful resolution of certain foreign tax matters resulting in a net tax benefit of \$10.0 million. The June 2006 quarter ongoing presentation removes the effect of tax expense associated with the Company's decision to repatriate foreign earnings of \$350 million under the provisions of the American Jobs Creation Act.

New orders recorded in backlog increased 13 percent sequentially to \$725 million. The geographic distribution of new orders and revenue during the September 2006 quarter is shown in the following table:

| <u>Region</u> | <u>New Orders</u> | <u>Revenue</u> |
|---------------|-------------------|----------------|
| North America | 26%               | 15%            |
| Europe        | 5%                | 14%            |
| Japan         | 17%               | 18%            |
| Korea         | 19%               | 15%            |
| Asia Pacific  | 33%               | 38%            |

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$1.7 billion at the end of September, and cash flows provided by operating activities were \$216.6 million during the quarter. Condensed Consolidated Statements of Cash Flows are included at the end of this press release. Deferred revenue and deferred profit balances were \$258.2 million and \$153.1 million, respectively. At the end of the period, unshipped orders in backlog were approximately \$593 million, and the anticipated future revenue value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue remained constant at approximately \$74 million.

"September results reflect another quarter of strong revenue and earnings growth for Lam Research," stated Steve Newberry, Lam Research's president and chief executive officer. "Operating margins and income achieved record levels, and demonstrate the leverage throughout our business model. In addition, we generated record levels of cash from operations, a consequence of our focus on a disciplined approach to asset management. Clearly, these are excellent results and provide a solid foundation for future opportunities. Our customers continue to increase their reliance on Lam to deliver next-generation

capability quickly and cost-effectively. Our market share continues to grow as we effectively support our rapidly growing installed base of leading edge equipment with well characterized solutions to our customers' most critical technical challenges," Newberry concluded.

Statements made in this press release which 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. Such forward-looking statements relate, but are not limited, to our business model's ability to produce superior operating margins and income, our continuing ability to generate cash, through asset management or otherwise, our customers' continued reliance on us, and our ability to grow market share and effectively support our installed base. Some factors that may affect these forward-looking statements include: changing business conditions in the semiconductor industry and the overall economy and our plans for reacting to those changes, changing customer demands, success of our competitors' strategies including their development of new technologies, our ability to hire, train and retain key employees, and the success of our research and development 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 documents filed with the Securities and Exchange Commission, including specifically the report on Form 10-K for the year ended June 25, 2006, which could cause actual results to vary from expectations. The Company undertakes no obligation to update the information or statements made in this press release.

Lam Research Corporation is a major provider of wafer fabrication equipment and services to the world's semiconductor industry. Lam's common stock trades on The NASDAQ Global Select Market<sup>SM</sup> under the symbol LRCX. Lam is a NASDAQ-100<sup>®</sup> company. The Company's World Wide Web address is <http://www.lamresearch.com>.

Lam Research Corporation Contact:

Kathleen Bela, Investor Relations, phone: 510/572-4566, e-mail: [kathleen.bela@lamresearch.com](mailto:kathleen.bela@lamresearch.com)

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