

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

	<u>Three Months Ended</u>	
	<u>December 28,</u>	<u>September 28,</u>
	<u>2003</u>	<u>2003</u>
U.S. GAAP net income	\$ 6,391	\$ 4,786
Pre-tax restructuring recoveries - cost of goods sold	(1,079)	(250)
Pre-tax net restructuring charges - operating expenses	5,948	1,062
Tax benefit on net restructuring charges	(1,217)	(203)
Ongoing net income	<u>\$ 10,043</u>	<u>\$ 5,395</u>
Ongoing net income per diluted share	<u>\$ 0.07</u>	<u>\$ 0.04</u>
Number of shares used for diluted per share calculation	139,658	134,886
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)**

	<u>Three Months Ended</u>	
	<u>December 28,</u>	<u>September 28,</u>
	<u>2003</u>	<u>2003</u>
U.S. GAAP gross margin	\$ 87,215	\$ 78,518
Restructuring recoveries - cost of goods sold	(1,079)	(250)
Ongoing gross margin	<u>\$ 86,136</u>	<u>\$ 78,268</u>
U.S. GAAP operating expenses	\$ 79,167	\$ 73,581
Net restructuring charges - operating expenses	(5,948)	(1,062)
Ongoing operating expenses	<u>\$ 73,219</u>	<u>\$ 72,519</u>
Ongoing operating income	<u>\$ 12,917</u>	<u>\$ 5,749</u>

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

	<u>Three Months Ended</u>			<u>Six Months Ended</u>	
	<u>December 28,</u> <u>2003</u>	<u>September 28,</u> <u>2003</u>	<u>December 29,</u> <u>2002</u>	<u>December 28,</u> <u>2003</u>	<u>December 29,</u> <u>2002</u>
Total revenue	\$ 191,508	\$ 183,738	\$ 184,569	\$ 375,246	\$ 382,089
Cost of goods sold	105,372	105,470	112,380	210,842	230,906
Cost of goods sold - restructuring recoveries	<u>(1,079)</u>	<u>(250)</u>	<u>(301)</u>	<u>(1,329)</u>	<u>(301)</u>
Total cost of goods sold	104,293	105,220	112,079	209,513	230,605
Gross margin	87,215	78,518	72,490	165,733	151,484
Gross margin as a percent of revenue	45.5%	42.7%	39.3%	44.2%	39.6%
Research and development	39,078	38,526	39,739	77,604	81,121
Selling, general and administrative	34,141	33,993	31,715	68,134	65,074
Restructuring charges, net	<u>5,948</u>	<u>1,062</u>	<u>2,053</u>	<u>7,010</u>	<u>2,053</u>
Total operating expenses	79,167	73,581	73,507	152,748	148,248
Operating income (loss)	8,048	4,937	(1,017)	12,985	3,236
Other income (expense):					
Loss on equity derivative contracts in Company stock	-	-	-	-	(16,407)
Other income, net	<u>473</u>	<u>1,444</u>	<u>2,989</u>	<u>1,917</u>	<u>2,327</u>
Income (loss) before income taxes	8,521	6,381	1,972	14,902	(10,844)
Income tax expense	<u>2,130</u>	<u>1,595</u>	<u>493</u>	<u>3,725</u>	<u>1,391</u>
Net income (loss)	<u>\$ 6,391</u>	<u>\$ 4,786</u>	<u>\$ 1,479</u>	<u>\$ 11,177</u>	<u>\$ (12,235)</u>
Net income (loss) per share:					
Basic	<u>\$ 0.05</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.09</u>	<u>\$ (0.10)</u>
Diluted (1)	<u>\$ 0.05</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.08</u>	<u>\$ (0.10)</u>
Number of shares used in per share calculations:					
Basic	<u>131,020</u>	<u>128,351</u>	<u>125,411</u>	<u>129,688</u>	<u>126,171</u>
Diluted (1)	<u>139,658</u>	<u>134,886</u>	<u>128,537</u>	<u>137,502</u>	<u>126,171</u>

(1) For the three and six-month periods ended December 28, 2003, and the three-month period ended September 28, 2003, diluted net income per share includes the assumed exercise of employee stock options and outstanding warrant, but excludes the assumed conversion of the convertible subordinated 4% notes because the effect would have been antidilutive. For the three-month period ended December 29, 2002, diluted net income per share includes the assumed exercise of employee stock options, but excludes the assumed exercise of the outstanding warrant and conversion of the convertible subordinated 4% notes because the effect would have been antidilutive. Outstanding options, warrant, and convertible subordinated 4% and 5% notes for the six-month period ended December 29, 2002, are excluded from the computations of diluted net loss per share because the effects would have been antidilutive due to the net loss for the period.

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LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 28, 2003 (unaudited)	September 28, 2003 (unaudited)	June 29, 2003 (1)
Assets:			
Cash, cash equivalents and short-term investments	\$ 586,009	\$ 524,472	\$ 507,413
Accounts receivable, net	114,811	113,975	107,602
Inventories	98,836	102,274	112,016
Other current assets	142,817	151,331	145,745
Total current assets	<u>942,473</u>	<u>892,052</u>	<u>872,776</u>
Property and equipment, net	40,067	43,371	48,771
Restricted cash	118,468	118,468	118,468
Other assets	146,896	152,211	158,260
Total assets	<u><u>\$ 1,247,904</u></u>	<u><u>\$ 1,206,102</u></u>	<u><u>\$ 1,198,275</u></u>
Liabilities and stockholders' equity:			
Other current liabilities	<u>\$ 209,093</u>	<u>\$ 203,680</u>	<u>\$ 216,982</u>
Total current liabilities	209,093	203,680	216,982
Long-term debt and other liabilities	322,555	325,239	332,209
Stockholders' equity	<u>716,256</u>	<u>677,183</u>	<u>649,084</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,247,904</u></u>	<u><u>\$ 1,206,102</u></u>	<u><u>\$ 1,198,275</u></u>

(1) Derived from audited financial statements