



Lam Announces Earnings for the Quarter Ended September 25, 2005

FREMONT, Calif., October 12, 2005—Lam Research Corporation (NASDAQ: LRCX) today announced earnings for the quarter ended September 25, 2005. Revenue for the period was \$320.9 million, and net income was \$49.5 million, or \$0.35 per diluted share, compared to revenue of \$353.8 million and net income of \$66.5 million, or \$0.47 per diluted share, for the June 2005 quarter. Gross margin was \$156.1 million and operating expenses were \$96.4 million for the September 2005 quarter compared to gross margin of \$175.9 million and operating expenses of \$93.3 million for the June 2005 quarter.

Beginning in the September 2005 quarter, the Company included equity-based compensation expense in cost of goods sold and operating expenses of \$1.1 million and \$4.1 million, respectively, or \$0.03 per diluted share after income tax expense. Gross margin as a percent of revenue for the September quarter was 48.6 percent compared to 49.7 percent in the June quarter. In the period, operating expenses, including the previously mentioned equity-based compensation expense, increased at a slower pace than originally planned.

New orders recorded in backlog increased 3 percent sequentially to \$326 million. The geographic distribution of new orders as well as revenue during the September quarter is shown in the following table:

<u>Region</u>	<u>New Orders</u>	<u>Revenue</u>
North America	17%	16%
Europe	15%	12%
Japan	22%	26%
Korea	13%	17%
Asia Pacific	33%	29%

Cash, short-term investments and restricted cash balances were \$873.9 million at the end of September, and cash flows provided by operating activities were \$47.4 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 \$107.4 million and \$63.7 million, respectively. At the end of the period, unshipped orders in backlog were approximately \$382 million, and the anticipated future revenue value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue was approximately \$54 million.

"We are pleased with the results for the September quarter and proud of the performance our employees consistently deliver," stated Steve Newberry, Lam's president and chief executive officer. "Market share gains reflect the strength of our product portfolio and supported growth in new orders in the quarter. Looking forward, we are encouraged by signs that business is strengthening, driven by increased demand for production of leading-edge devices that are vital to a variety of new consumer products. We believe this will result in improved demand for our equipment and services through the balance of 2005."

"The Company continues to deliver excellent financial performance. Cash flows from operations represented the eighth consecutive quarter of positive operational cash generation. The Company was active in its commitment to its share repurchase program during the quarter, buying approximately 2.6 million shares for a total cash outlay of \$78.7 million. We remain well positioned to continue delivering a level of performance that reflects our commitment to excellence in every facet of our business," 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 the outlook for our business, the levels of demand for our equipment and services, our future financial performance, the continuing strength of our product portfolio, management's plans for continuation of our share repurchase program, our ability to execute to market share and profitability objectives, and our future ability to develop and produce leading-edge applications and deliver expertise that meet our customers' requirements. 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, the level of demand for new consumer products, our competitors' development of new technologies that could affect our market share, the success of our research and development programs, and management's determinations of the continued value of a share repurchase program. 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 26, 2005, 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 National Market® under the symbol LRCX. Lam is a NASDAQ-100® company. The Company's World Wide Web address is <http://www.lamresearch.com>.

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