



Lam Research Corporation Announces Financial Results for the Quarter Ended December 28, 2008

FREMONT, Calif., Jan 28, 2009 (BUSINESS WIRE) -- Lam Research Corporation (NASDAQ:LRCX) highlights for the December 2008 quarter were:

(in thousands, except per share data and percentages)

| | | | |
|------------------------------|------------------------|----------|------------|
| Revenue: | \$283,409 | | |
| Operating Margin: U.S. GAAP: | -13.2 % | Ongoing: | -6.1 % |
| Net Loss: | U.S. GAAP: \$(24,172) | Ongoing: | \$(11,748) |
| Diluted EPS: | U.S. GAAP: \$(0.19) | Ongoing: | \$(0.09) |

Lam Research Corporation today announced financial results for the quarter ended December 28, 2008. Revenue for the period was \$283.4 million, gross margin was \$101.4 million and net loss was \$(24.2) million, or \$(0.19) per diluted share, compared to revenue of \$440.4 million, gross margin of \$183.1 million and net income of \$8.9 million, or \$0.07 per diluted share, for the September 2008 quarter. Shipments for the December 2008 quarter were \$226 million compared to \$345 million during the September 2008 quarter.

The Company's ongoing results for the December 2008 quarter exclude certain costs for restructuring activities and asset impairments designed to better align the Company's cost structure with its business opportunities in consideration of market and economic uncertainties, a net tax benefit related to the renewal of the research and development tax credit, net tax expense on resolution of certain tax items, one-time costs associated with the restructuring of an employee benefit plan, exchange rate loss associated with the Company's accelerated tax planning strategy, and interest on the tax liability associated with the outcome of the Company's previously disclosed voluntary internal stock option review. The Company's September 2008 quarter excluded certain costs for restructuring activities and asset impairments related to the integration of SEZ, net tax expense on accelerated tax planning strategy, and interest on the tax liability associated with the outcome of the Company's previously disclosed voluntary internal stock option review. Management uses the presentation of ongoing gross margin, ongoing operating income, ongoing net income, and ongoing diluted earnings per share to evaluate the Company's operating and financial results. The Company believes the presentation of ongoing results is useful to investors for analyzing ongoing business trends and comparing performance to prior periods, and enhances the investor's ability to view the Company's results from management's perspective. A table presenting a reconciliation of ongoing results to results under U.S. GAAP is included at the end of this press release and on the Company's web site.

Ongoing net loss was \$(11.7) million, or \$(0.09) per diluted share in the December 2008 quarter compared to ongoing net income of \$32.6 million, or \$0.26 per diluted share, for the September 2008 quarter. Ongoing gross margin for the December 2008 quarter was \$109.1 million or 38.5%, compared to ongoing gross margin of \$186.2 million, or 42.3%, for the September 2008 quarter. The sequential decline in gross margin was primarily due to reduced manufacturing and field utilization levels and product mix challenges resulting from the reduced business activity. Ongoing operating expenses for the December 2008 quarter decreased to \$126.5 million compared with the September 2008 quarter of \$149.9 million. This decrease was driven by a reduction in employee variable compensation expenses, a reduction in deferred compensation liabilities due to recent stock market declines, and the partial quarter impact of the Company's December quarter restructuring activities.

The geographic distribution of shipments and revenue during the December 2008 quarter is shown in the following table:

| Region | Shipments | Revenue |
|---------------|-----------|---------|
| North America | 17 % | 15 % |
| Europe | 12 % | 10 % |
| Japan | 22 % | 28 % |
| Korea | 17 % | 22 % |
| Asia Pacific | 32 % | 25 % |

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$1.1 billion at the end of the December 2008 quarter, compared to \$1.2 billion at the end of the September 2008 quarter. Cash flows from operating activities were approximately \$(39.0) million during the December quarter. Deferred revenue and deferred profit balances at the end of the December 2008 quarter were \$68.4 million and \$54.2 million, respectively. At the end of the December 2008 quarter, the anticipated future revenue value of orders shipped to Japanese customers that was not recorded as deferred revenue was approximately \$8.6 million.

"The global semiconductor industry has entered one of the most difficult periods in its history, one that is presenting severe challenges to our customers and thus severely limiting investment in wafer fab equipment," said Steve Newberry, Lam's president and chief executive officer. "While this environment will persist near-term, we remain optimistic about our long-term technology roadmap in etch, clean and other new markets. During the pause in customer spending we are strategically targeting our capital resources to new penetration opportunities, qualifying our next-generation tools and delivering cost-effective technology solutions aimed at reducing our customers' production costs. Our objective through these actions is to deliver superior value to our customers and emerge from this period of reduced spending well positioned to deliver strong financial and operational performance," 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 ability to align our cost structure with our business opportunities, our future plans, areas of focus, and technology roadmap, our expectations for our ability to deliver long term strong financial and operational performance, our belief that our efforts will help us emerge from the current environment in a strong position to enable future revenue and profit growth, and our ability to succeed in delivering cost effective technology solutions to our customers. Some factors that may affect these forward-looking statements include: difficult business conditions in the semiconductor industry and the overall economy and the efficacy of our plans for reacting to those conditions, factors that tend to make our quarterly results more volatile (such as exchange rate fluctuations), changing customer demands, and the challenges presented by our new products and the integration of acquired businesses and technologies into our existing business. 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 29, 2008, and Form 10-Q for the quarter ended September 28, 2008, 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 SM under the symbol LRCX. Lam is a NASDAQ-100[®] company. For more information, visit www.lamresearch.com.

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

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|--------------------|-------------------|-------------------|-------------------|
| | December 28, 2008 | September 28, 2008 | December 23, 2007 | December 28, 2008 | December 23, 2007 |
| Total revenue | \$ 283,409 | \$ 440,361 | \$ 610,320 | \$ 723,770 | \$ 1,294,941 |
| Cost of goods sold | 174,329 | 254,203 | 302,659 | 428,532 | 643,393 |
| Cost of goods sold - restructuring and asset impairments | 7,728 | 3,048 | - | 10,776 | - |
| Total cost of goods sold | 182,057 | 257,251 | 302,659 | 439,308 | 643,393 |
| Gross margin | 101,352 | 183,110 | 307,661 | 284,462 | 651,548 |
| Gross margin as a percent of revenue | 35.8 % | 41.6 % | 50.4 % | 39.3 % | 50.3 % |
| Research and development | 68,781 | 81,563 | 80,243 | 150,344 | 156,531 |
| Selling, general and administrative | 59,842 | 69,060 | 66,084 | 128,902 | 135,797 |
| Restructuring and asset impairments | 10,121 | 15,968 | - | 26,089 | - |
| Total operating expenses | 138,744 | 166,591 | 146,327 | 305,335 | 292,328 |
| Operating income (loss) | (37,392) | 16,519 | 161,334 | (20,873) | 359,220 |
| Operating margin as a percent of revenue | -13.2 % | 3.8 % | 26.4 % | -2.9 % | 27.7 % |
| Other income (expense), net | (7,233) | 9,017 | (37) | 1,784 | 7,596 |
| Income (loss) before income taxes | (44,625) | 25,536 | 161,297 | (19,089) | 366,816 |
| Income tax expense (benefit) | (20,453) | 16,663 | 46,238 | (3,790) | 103,169 |
| Net income (loss) | \$ (24,172) | \$ 8,873 | \$ 115,059 | \$ (15,299) | \$ 263,647 |

| | | | | | |
|--|------------|---------|---------|------------|---------|
| Net income (loss) per share: | | | | | |
| Basic net income (loss) per share | \$ (0.19) | \$ 0.07 | \$ 0.92 | \$ (0.12) | \$ 2.12 |
| Diluted net income (loss) per share | \$ (0.19) | \$ 0.07 | \$ 0.91 | \$ (0.12) | \$ 2.08 |
| Number of shares used in per share calculations: | | | | | |
| Basic | 125,084 | 125,527 | 124,685 | 125,266 | 124,370 |
| Diluted | 125,084 | 126,819 | 126,653 | 125,266 | 126,523 |

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | December 28, 2008 (unaudited) | September 28, 2008 (unaudited) | June 29, 2008 (1) |
|---|-------------------------------------|--------------------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 652,913 | \$ 745,432 | \$ 732,537 |
| Short-term investments | 297,399 | 313,803 | 326,199 |
| Accounts receivable, net | 290,565 | 311,633 | 412,356 |
| Inventories | 269,959 | 272,215 | 282,218 |
| Deferred income taxes | 93,002 | 95,186 | 96,748 |
| Other current assets | 56,648 | 69,983 | 67,649 |
| Total current assets | 1,660,486 | 1,808,252 | 1,917,707 |
| Property and equipment, net | 233,250 | 230,377 | 235,735 |
| Restricted cash and investments | 168,405 | 156,148 | 146,072 |
| Deferred income taxes | 25,836 | 33,762 | 19,793 |
| Goodwill and intangible assets | 371,987 | 374,538 | 403,187 |
| Other assets | 78,457 | 81,493 | 84,261 |
| Total assets | \$ 2,538,421 | \$ 2,684,570 | \$ 2,806,755 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities | \$ 446,412 | \$ 533,722 | \$ 637,679 |
| Long-term debt and capital leases | \$ 257,135 | \$ 269,256 | \$ 276,121 |
| Income taxes payable | 92,382 | 94,184 | 85,611 |
| Other long-term liabilities | 21,300 | 21,875 | 23,400 |
| Minority interests | - | 4,789 | 5,347 |
| Stockholders' equity | 1,721,192 | 1,760,744 | 1,778,597 |
| Total liabilities and stockholders' equity | \$ 2,538,421 | \$ 2,684,570 | \$ 2,806,755 |

1 Derived from audited financial statements

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
| | December 28, 2008 | September 28, 2008 | December 23, 2007 | December 28, 2008 | December 23, 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | \$ (24,172) | \$ 8,873 | \$ 115,059 | \$ (15,299) | \$ 263,647 |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation and amortization | 17,177 | 17,896 | 11,324 | 35,073 | 22,563 |
| Deferred income taxes | 10,110 | (12,407) | 776 | (2,297) | (10,014) |
| Equity-based compensation expense | 14,049 | 15,408 | 9,813 | 29,457 | 20,615 |
| Income tax benefit on equity-based compensation plans | (7,045) | 5,039 | 21,277 | (2,006) | 57,177 |

| | | | | | |
|---|-----------|----------|------------|-----------|-----------|
| Excess tax benefit on equity-based compensation plans | 3,752 | (4,269) | (16,488) | (517) | (37,639) |
| Restructuring and asset impairments | 17,849 | 19,016 | - | 36,865 | - |
| Other, net | 3,200 | 2,665 | 9,939 | 5,865 | 11,316 |
| Changes in operating asset accounts | (73,909) | (9,089) | (130,260) | (82,998) | (83,778) |
| Net cash provided by (used for) operating activities | (38,989) | 43,132 | 21,440 | 4,143 | 243,887 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Capital expenditures and intangible assets | (12,417) | (15,151) | (24,417) | (27,568) | (38,561) |
| Acquisitions of businesses, net of cash acquired | (8,763) | (2,427) | - | (11,190) | - |
| Net sales (purchases) of available-for-sale securities | 39,767 | 6,980 | (15,900) | 46,747 | (31,885) |
| Purchase of call option | - | - | (10,279) | - | (10,279) |
| Purchases of other investments | - | - | (4,560) | - | (4,560) |
| Other | (2,000) | - | (2,248) | (2,000) | (2,248) |
| Transfer of restricted cash and investments | (32,178) | (16,128) | (1,074) | (48,306) | (1,074) |
| Net cash used for investing activities | (15,591) | (26,726) | (58,478) | (42,317) | (88,607) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Principal payments on long-term debt and capital lease obligations | (13,060) | (2,390) | (51) | (15,450) | (100) |
| Net proceeds from issuance of long-term debt | 515 | 127 | - | 642 | - |
| Excess tax benefit on equity-based compensation plans | (3,752) | 4,269 | 16,488 | 517 | 37,639 |
| Treasury stock purchases | (24,448) | (2,755) | (761) | (27,203) | (10,225) |
| Reissuances of treasury stock | - | 7,584 | - | 7,584 | 7,301 |
| Proceeds from issuance of common stock | 1,294 | 3,150 | 3,398 | 4,444 | 10,106 |
| Net cash provided by (used for) financing activities | (39,451) | 9,985 | 19,074 | (29,466) | 44,721 |
| Effect of exchange rate changes on cash | 1,512 | (13,496) | 851 | (11,984) | 2,087 |
| Net increase (decrease) in cash and cash equivalents | (92,519) | 12,895 | (17,113) | (79,624) | 202,088 |
| Cash and cash equivalents at beginning of period | 745,432 | 732,537 | 793,168 | 732,537 | 573,967 |
| Cash and cash equivalents at end of period | \$ 652,913 | \$ 745,432 | \$ 776,055 | \$ 652,913 | \$ 776,055 |

Reconciliation of U.S. GAAP Net Income (Loss) to Ongoing Net Income (Loss)

(in thousands, except per share data and percentages)

| | Three Months Ended December 28, 2008 | | Three Months Ended September 28, 2008 | |
|--|---|---|--|---|
| U.S. GAAP net income (loss) | \$ (24,172 |) | \$ 8,873 | |
| Pre-tax non-ongoing items: | | | | |
| Restructuring and asset impairments - cost of goods sold | 7,728 | | 3,048 | |
| Restructuring and asset impairments - operating expenses | 10,121 | | 15,968 | |
| Restructuring of employee benefit plan - operating expenses | 1,300 | | - | |
| Voluntary internal stock option review - operating expenses | 843 | | 761 | |
| Exchange rate loss associated with accelerated tax planning strategy - other income (expense), net | 7,569 | | - | |
| Net tax benefit on non-ongoing items | (7,375 |) | (5,325 |) |
| Net tax benefit on renewal of r&d tax credit | (5,751 |) | - | |
| Net tax expense on resolution of certain tax matters | 1,396 | | - | |
| Net tax expense (benefit) on accelerated tax planning strategy | (3,407 |) | 9,310 | |
| Ongoing net income (loss) | \$ (11,748 |) | \$ 32,635 | |
| Ongoing net income (loss) per diluted share | \$ (0.09 |) | \$ 0.26 | |
| Number of shares used for diluted per share calculation | 125,084 | | 126,819 | |
| U.S. GAAP income tax rate | 45.8 | % | 65.3 | % |
| Ongoing income tax rate | 31.2 | % | 28.0 | % |

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

Margin, Operating Expenses and Operating Income (Loss)
(in thousands, except percentages)

| | Three Months Ended December 28, 2008 | | Three Months Ended September 28, 2008 | |
|---|---|---|--|---|
| U.S. GAAP gross margin | \$ 101,352 | | \$ 183,110 | |
| Pre-tax non-ongoing items: | | | | |
| Restructuring and asset impairments - cost of goods sold | 7,728 | | 3,048 | |
| Ongoing gross margin | \$ 109,080 | | \$ 186,158 | |
| U.S. GAAP gross margin as a percent of revenue | 35.8 | % | 41.6 | % |
| Ongoing gross margin as a percent of revenue | 38.5 | % | 42.3 | % |
| U.S. GAAP operating expenses | \$ 138,744 | | \$ 166,591 | |
| Pre-tax non-ongoing items: | | | | |
| Restructuring and asset impairments - operating expenses | (10,121 |) | (15,968 |) |
| Restructuring of employee benefit plan - operating expenses | (1,300 |) | - |) |
| Voluntary internal stock option review - operating expenses | (843 |) | (761 |) |
| Ongoing operating expenses | \$ 126,480 | | \$ 149,862 | |
| Ongoing operating income (loss) | \$ (17,400 |) | \$ 36,296 |) |
| Ongoing operating income (loss) as a percent of revenue | -6.1 | % | 8.2 | % |

SOURCE: Lam Research Corporation

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