CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation and the accompanying discussion contain “forward-looking statements” under U.S. securities laws. Forward-looking statements include any statements that are not statements of historical fact. Examples of forward-looking statements include, but are not limited to: (1) anticipated business, financial statement and financial results, metrics and opportunities, including guidance, whether actual or pro forma; (2) economic, market, industry (whether globally or by country) and industry segment, and technology expectations and demands; and (3) our business, product, customer support, capital allocation/return or growth plans and strategies, including our ability to successfully execute them or otherwise deliver value for customers and stockholders. Forward-looking statements speak only as of the date they are made and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed, including the factors discussed in our filings with the Securities and Exchange Commission (“SEC”) such as our Annual Report on Form 10-K for the fiscal year ended June 25, 2017 and Quarterly Report on Form 10-Q for the quarter ended December 24, 2017. You should not place undue reliance on forward-looking statements. Lam undertakes no obligation to publicly update any forward-looking statements.
TODAY’S AGENDA

Value Creation and Capture

Martin Anstice
Chief Executive Officer

Executing for Outperformance

Tim Archer
President & Chief Operating Officer

Delivering Profitable Growth and Returns

Doug Bettinger
EVP & Chief Financial Officer

Question & Answer Session

Martin Anstice
Tim Archer
Doug Bettinger
VALUE CREATION AND CAPTURE IN A DATA ECONOMY

Martin Anstice
Chief Executive Officer
INNOVATION-DRIVEN DEMAND FOR TECHNOLOGY

INCREASING SEMICONDUCTOR RELEVANCE

LAM’S VISION AND STRATEGY
TECHNOLOGY TRANSFORMING THE WORLD
DATA ANALYTICS DRIVE ECONOMIC AND SOCIAL VALUE

- Education
- Climate Change
- Food & Water
- Healthcare
- Security
- Transportation

Security
Healthcare
Food & Water
OUR CUSTOMERS ASPIRE
TO MAKE THE WORLD A BETTER PLACE

IBM
Cognitive decision support opportunity: $2T by 2025

Intel
“Intel makes possible the most amazing experiences of the future”

Micron
“Transforming how the world uses information to enrich life”

Samsung
“Inspire the World, Create the Future”

SK hynix
“We are committed to making our tomorrow smarter and happier”

Toshiba
“Committed to people, committed to the future”

TSMC
“Together, we work to enrich lives and shape the future”

Source: Company reports and websites. The above logos and public statements may be trademarks of the respective companies. Lam Research is not affiliated with such entities.
THE RISING DATA ECONOMY

Megabytes 1985 - 1995
Gigabytes 1996 - 2005
Exabytes 2006 - 2015
Zettabytes 2016 & beyond

Mainframe Computing

Compute Proliferation

Global Connected User Platform

Data Economy

Artificial Intelligence Inflection
MORE DATA ANALYZED = BETTER QUALITY ARTIFICIAL INTELLIGENCE

Data Volume Increases AI Accuracy

- Analysis Accuracy
  - 0% to 100%
  - Data Volume: 100, 1,000, 10,000, 100,000

Compute & Memory Enable AI

- Analysis Accuracy
  - 0% to 100%

Source: Michael Nielsen, ImageNet Challenge
MORE DATA GENERATED, STORED, ANALYZED

by 2020
67 zettabytes
of data generated

Smart Home
50 billion
connected devices

Smart Industry
1 petabyte
of data per day

Mobile
1 exabyte
of traffic per day

Autonomous Car
4 terabytes
per car per day

Healthcare
35 million
remotely monitored patients

Robots
43 million
new service robots

Source: Lam Research, Cisco, Samsung, Intel, Qorvo, mhealthintelligence, International Federation of Robotics
DATA CENTER

2017-2021 CAGR

DRAM 30%  NAND 50%

Source: Lam Research estimates. CAGR = compound annual growth rate; SSD = solid-state drive
AUTONOMOUS VEHICLES

2017-2028 CAGR

DRAM >35%

NAND >50%

Semiconductor Content Potential

Fully automated car ≈ Average server

Units Potential

8x more cars than servers today

Source: Lam Research estimates
INCREASING WFE INTENSITY TO SUPPORT BIT SUPPLY GROWTH

WFE Needed to Achieve 1% Bit Supply Growth

Source: Lam Research estimates. WFE = wafer fabrication equipment
**Economics of DRAM**

- **2007**
  - WFE: $13B
  - Bit Growth: 90%
  - Cost per Bit: 20x

- **2018**
  - WFE: $13B
  - Bit Growth: 20%
  - Cost per Bit: 1x

**Economics of NAND**

- **2007**
  - WFE: $6B
  - Bit Growth: 125%
  - Cost per Bit: 50x

- **2018**
  - WFE: $15B
  - Bit Growth: 45%
  - Cost per Bit: 1x

Source: WSTS, Gartner, Lam Research estimates
SEMICONDUCTORS GROWING IN STRATEGIC RELEVANCE TO GLOBAL ECONOMY

Semiconductor Revenue as a % of World GDP

Proliferation of computing

Establishing global, connected user platform

Data Economy

Source: WSTS, IMF, Lam Research estimates
SEMICONDUCTORS GROWING IN STRATEGIC RELEVANCE TO GLOBAL ECONOMY

Semiconductor Revenue as a % of World GDP

$100B
Revenue added by top semiconductor customers last 5 years

$200B
Revenue added by top cloud companies last 5 years

Source: WSTS, IMF, Lam Research estimates
CUSTOMER ECONOMICS COMPPELLING TO RAMP WFE INVESTMENTS

WFE % of Semiconductor Operating Profit

Source: Company reports, Lam Research estimates

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HEALTHY MULTI-YEAR DEMAND PROFILE ACROSS SEGMENTS

**DRAM**
- 2017: ≥mid 2x, 20 nm/1x nm
- 2021: ≤1y nm

**NAND**
- 2017: 2D NAND Gen 1/2/3, 3D NAND Gen 1/2/3
- 2021: Gen 3, Gen 4, Gen 5+

**Foundry/Logic**
- 2017: ≤10 nm, 14/16 nm
- 2021: ≥20 nm

Source: Lam Research estimates. WSPM = wafer starts per month; data represents shipped capacity.
VISION TO DRIVE VALUE CREATION

Solve Our Customers’ Grand Challenges

- Deliver disruptive technologies to enable success of customers

Create and Capture Value

- Compete for and win a greater share of customers’ investments

Invest in the Future of the Company

- Continuously strengthen our product and services pipeline

Deliver Value Creation for Stockholders

- Optimize capital allocation between investments and capital return
GRAND CHALLENGES ARE OPPORTUNITIES FOR A DIFFERENTIATED PORTFOLIO

<table>
<thead>
<tr>
<th>Atomic-Scale Precision</th>
<th>High Aspect Ratio Structures</th>
<th>Feature-Scale Uniformity</th>
<th>Wafer-Scale Uniformity</th>
<th>Repeatability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface Integrity</td>
<td>Selectivity</td>
<td>Damage</td>
<td>Killer Defects</td>
<td>Metal Contamination</td>
</tr>
<tr>
<td>Affordability and Sustainability</td>
<td>Process Complexity</td>
<td>Output Density</td>
<td>Product Cost</td>
<td>Sustainability</td>
</tr>
</tbody>
</table>

Atomic-Scale Precision

- High Aspect Ratio Structures
- Feature-Scale Uniformity
- Wafer-Scale Uniformity
- Repeatability

Surface Integrity

- Selectivity
- Damage
- Killer Defects
- Metal Contamination

Affordability and Sustainability

- Process Complexity
- Output Density
- Product Cost
- Sustainability

Sustainability

- Affordability and Sustainability

Repeatability

- Atomic-Scale Precision
- Surface Integrity
- Affordability and Sustainability
Deliver growth and shareholder value

Plan to return at least 50% of Free Cash Flow over the next five years

Source: Lam Research estimates
Business Unit
Deliver unit process and service excellence

Multi-Business Unit
Provide additional value through integration and co-optimization

Ecosystem
Collaborate to accelerate innovation and opportunity

Adjacent Markets
Leverage core competencies in adjacent markets
Healthy Industry

Focused Vision and Strategy

Continued Outperformance
EXECUTING FOR OUTPERFORMANCE

Tim Archer
President & Chief Operating Officer
INFLECTIONS & NEW PRODUCTS DRIVE GROWTH

FOUNDATION FOR SUSTAINABLE DIFFERENTIATION

INSTALLED BASE OPPORTUNITIES PROVIDE STABILITY
CONSISTENT TRACK RECORD OF ADDRESSABLE MARKET GROWTH

Source: Lam Research estimates. SAM = served addressable market
TECHNOLOGY INNOVATION DRIVES GROWTH

Lam’s Leadership

- Vertical Scaling
  - High aspect ratio etch
  - High-productivity platforms
  - Stress control
  - Selective etch

- Atomic-Scale Processing
  - 3D NAND ALD tungsten word line
  - Transistor spacer deposition
  - Self-aligned contact ALE

Multiple Patterning

- Spacer film deposition
- EUV absorption layers
- Selective deposition
- Advanced process control

New Materials

- Cobalt interconnect formation
- Si-Ge gate-all-around formation
- Patterning new memory materials

Installed Base Productivity

EUV = extreme ultraviolet; ALD = atomic layer deposition, ALE = atomic layer etching
TECHNOLOGY INFLECTIONS DRIVING SAM GROWTH

Normalized SAM per Wafer, Greenfield Investments

DRAM

<table>
<thead>
<tr>
<th>20 nm</th>
<th>1x</th>
<th>1y</th>
<th>1z</th>
</tr>
</thead>
</table>

NAND

<table>
<thead>
<tr>
<th>2D NAND</th>
<th>32L</th>
<th>48L</th>
<th>64L</th>
<th>96L</th>
<th>128L</th>
</tr>
</thead>
</table>

Foundry/Logic

<table>
<thead>
<tr>
<th>14 nm</th>
<th>10 nm</th>
<th>7 nm</th>
<th>5 nm</th>
<th>3 nm</th>
</tr>
</thead>
</table>

Source: Lam Research estimates
FOUNDATION OF LAM’S MARKET MOMENTUM

Technology Leadership

- Culture of innovation and continuous improvement
- Think: customer, company, individual

Productivity

- Mutual trust and respect that fosters teamwork and collaboration

Speed to Solutions

- Strategic, substantive, and focused investment in R&D

Collaboration
## Foundation of LAM’s Market Momentum

### Technology Leadership
- Flex® high aspect ratio etch
- Hydra® process variability reduction
- Striker® and ALTUS® atomic layer deposition
- Corvus™ extreme edge control technology
- SABRE® copper and cobalt deposition

### Productivity
- VECTOR® high-productivity platform
- Reliant™ refurbished systems
- Installed base productivity solutions
- Advanced equipment and process control

### Speed to Solutions
- Coventor® virtual fabrication
- Rapid prototyping through product lifecycle
- Multi-product adjacent process capability
- Extensive R&D infrastructure investments

### Collaboration
- Early customer engagement
- Close litho ecosystem partnerships
- Customer data analytics engagement
- Activities with consortia and academia
## FOCUSED STRATEGIES TO DRIVE OUR MARKET MOMENTUM

### Segment Market Share

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017 (%)</th>
<th>2021 Growth Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPOSITION</td>
<td>Low 40’s</td>
<td>4% - 8%</td>
</tr>
<tr>
<td>ETCH</td>
<td>Mid 50’s</td>
<td>4% - 8%</td>
</tr>
</tbody>
</table>
# CUSTOMER SUPPORT BUSINESS OPPORTUNITIES

<table>
<thead>
<tr>
<th>Challenge</th>
<th>DRAM &amp; NAND</th>
<th>Foundry/Logic</th>
<th>IoT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction</td>
<td>Cost reduction</td>
<td>Variability control</td>
<td>Novel requirements</td>
</tr>
</tbody>
</table>

## Lam’s Leadership

**DRAM & NAND**
- Productivity upgrades
- Spare parts lifecycle management
- Cost reduction through continuous improvement
- Advanced solutions for capital efficiency

**Foundry/Logic**
- Advanced system analytics
- Chamber matching
- Performance Plus parts
- Defect reduction

**IoT**
- Reliant™ for non-leading-edge applications
- Solutions for MEMS, power, RF, and mixed-signal devices
- Enabling processes for new materials
GROWTH AND STABILITY IN THE INSTALLED BASE BUSINESS

Industry Wafer Starts

- ~150% Growth

2003 - 2017

Lam Installed Base

- >300% Growth

Lam Installed Base Revenue

- >400% Growth

Source: SICAS, SEMI World Fab Forecast, Lam Research estimates
GROWTH AND STABILITY IN THE INSTALLED BASE BUSINESS

Industry Wafer Starts

~10% Growth

Lam Installed Base

~50% Growth

Lam Installed Base Revenue

~90% Growth

2013 - 2017

Source: SICAS, SEMI World Fab Forecast, Lam Research estimates
PLAN FOR $15B OF REVENUE IN 2021 AT FLAT WFE

Technology Growth Drivers

- SAM Share to WFE
  - 2013: 10%
  - 2015: 15%
  - 2017: 20%
  - 2021F: 30%

Differentiated Solutions

- Corporate Market Share
  - 2013: 30%
  - 2015: 34%
  - 2017: 38%
  - 2021F: 42%

Growing Recurring Revenues

- CSBG Revenue
- Installed Base

>$1B incremental revenue

>$1B of incremental revenue

>$1B incremental revenue

Source: Lam Research estimates. 2021 plan assumes WFE flat with 2018.
Financial Outperformance Continues

2017

- Achieved >1.5X the industry growth rate
- Grew Operating Income at ~1.8X Revenue
- Delivered >94% EPS growth year over year
- Generated >$2B in Operating Cash Flow

Year-Over-Year Growth Rate
CY 2016 to CY 2017

Financial outperformance metrics shown for CY 2017 relative to CY 2016 and are presented on a non-GAAP basis. A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.
2012 – 2017

- Achieved >2X WFE CAGR
- Grew Operating Income at >1.9X Revenue CAGR
- Delivered 46% Non-GAAP EPS CAGR
- Generated >$6.7B in Operating Cash Flow

Financial outperformance metrics shown for CY 2017 relative to CY 2012 and are presented on a non-GAAP basis. Data reflect financial contribution from Novellus Systems following Lam’s acquisition on June 4, 2012. A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.
EXECUTING ON OUR PROFITABLE GROWTH COMMITMENTS

Shipments

Revenue

Non-GAAP Operating Profit*

Non-GAAP Diluted EPS*

* A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.
Data are presented on a non-GAAP basis. A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

The Company defines ROIC as tax-effected annualized adjusted operating profit divided by invested capital. All years represented used annualized non-GAAP Operating Income and non GAAP tax expense for QDec of each year. Tax rate for QDec'17 is normalized and excludes all benefit recorded by the Company as a result of the U.S tax reform. Invested capital is defined as equity plus debt and capital leases, less cash, cash equivalents, and investments.

1 Data are presented on a non-GAAP basis. A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.
2 The Company defines ROIC as tax-effected annualized adjusted operating profit divided by invested capital. All years represented used annualized non-GAAP Operating Income and non GAAP tax expense for QDec of each year. Tax rate for QDec'17 is normalized and excludes all benefit recorded by the Company as a result of the U.S tax reform. Invested capital is defined as equity plus debt and capital leases, less cash, cash equivalents, and investments.
BUSINESS MODEL FLEXIBILITY

Shipments

Year | Millions
--- | ---
2014 | $5,000
2015 | $8,000
2016 | $11,000
2017 | $12,000

Variable Portion of Total Costs

Year | Fixed Costs | Variable Costs
--- | --- | ---
2014 | $3,000 | $2,000
2015 | $5,000 | $500
2016 | $7,000 | $1,000
2017 | $9,000 | $1,500

Free Cash Flow

Year | Millions
--- | ---
2014 | $0
2015 | $500
2016 | $1,000
2017 | $2,000

Fixed and variable costs estimated for 2017.
## Target Model

Financial model presented on a non-GAAP basis.
A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.

<table>
<thead>
<tr>
<th></th>
<th>CY 2017 Actual</th>
<th>CY 2021 Financial Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>WFE Assumption</td>
<td>$47B</td>
<td>Flat to 2018</td>
</tr>
<tr>
<td>Revenue</td>
<td>$9.6B</td>
<td>$14.5B – $15.5B</td>
</tr>
<tr>
<td>Non-GAAP Operating Margin</td>
<td>28.7%</td>
<td>32% – 33%</td>
</tr>
<tr>
<td>Non-GAAP Diluted Earnings per Share</td>
<td>$13.70</td>
<td>$23 – $25</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.8B</td>
<td>28% – 29%</td>
</tr>
</tbody>
</table>
RETURNING VALUE TO SHAREHOLDERS

- Generated over $5.6B in Free Cash Flow from 2012 to 2017
- Cumulative investment in R&D and CapEx of ~$6.0B since 2012
- Initiated quarterly dividend of $0.18/share in 2014, increasing over time to $0.50 in 2017
- Executed ~$4.4B in share repurchases from 2012 to 2017
- Returned ~90% of FCF in dividends and share repurchases from 2012 to 2017

1 Data reflect financial contribution from Novellus Systems following Lam's acquisition on June 4, 2012.
2 Data are presented on a non-GAAP basis. A reconciliation of U.S. GAAP results to non-GAAP results can be found at the end of this presentation.
Plan to return at least 50% of Free Cash Flow over the next five years

Increase quarterly dividend 120% to $1.10/share, with a bias to grow over time

$2B additional share repurchase authorization; $4B total share repurchase authorized since Nov 2017
Concluded an extraordinary year in 2017, with record performance in shipments, revenue, and non-GAAP EPS

Continuing to invest for growth and success with value-creating strategies

Increasing our capital allocation strategy in line with company growth
Q&A SESSION

Satya Kumar
VP, Investor Relations

Martin Anstice
Chief Executive Officer

Tim Archer
President & Chief Operating Officer

Doug Bettinger
EVP & Chief Financial Officer
Innovative **Technology**

Trusted **Productivity**

Fast **Solutions**
## Reconciliation of U.S. GAAP Net Income and Dilutive Shares to Non-GAAP Net Income and Number of Dilutive Shares (in thousands) (unaudited)

<table>
<thead>
<tr>
<th>Description</th>
<th>Twelve Months Ended December 24, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. GAAP net income</td>
<td>$1,681,872</td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - cost of goods sold</td>
<td>86,456</td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative</td>
<td>65,653</td>
</tr>
<tr>
<td>Cost associated with business process reengineering - selling, general and administrative</td>
<td>9,565</td>
</tr>
<tr>
<td>Business combination acquisition- and/or integration-related costs - selling, general and administrative</td>
<td>2,029</td>
</tr>
<tr>
<td>Amortization of note discounts - other expense, net</td>
<td>18,799</td>
</tr>
<tr>
<td>Net tax benefit on non-GAAP items</td>
<td>(22,633)</td>
</tr>
<tr>
<td>Income tax expense resulting from tax reform</td>
<td>756,889</td>
</tr>
<tr>
<td>Net tax benefit on conclusion of certain tax matters</td>
<td>(109,744)</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$2,488,886,00</td>
</tr>
<tr>
<td>Non-GAAP net income per diluted share</td>
<td>$13.70</td>
</tr>
<tr>
<td>U.S. GAAP number of shares used for diluted per share calculation</td>
<td>184,859</td>
</tr>
<tr>
<td>Effect of convertible note hedge</td>
<td>(3,184)</td>
</tr>
<tr>
<td>Non-GAAP number of shares used for per diluted share calculation</td>
<td>181,675</td>
</tr>
</tbody>
</table>
## Reconciliation of U.S. GAAP Net Income and Dilutive Shares to Non-GAAP Net Income and Number of Dilutive Shares

*(in thousands) (unaudited)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. GAAP net income</td>
<td>$ 999,016</td>
</tr>
<tr>
<td><strong>Pre-tax non-GAAP items</strong></td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - cost of goods sold</td>
<td>$ 85,000</td>
</tr>
<tr>
<td>Costs associated with rationalization of certain product configurations - cost of goods sold</td>
<td>$ 6,127</td>
</tr>
<tr>
<td>Novellus acquisition-related inventory fair value impact - cost of goods sold</td>
<td>$ 128</td>
</tr>
<tr>
<td>Costs associated with campus consolidation - research and development</td>
<td>$ 11,319</td>
</tr>
<tr>
<td>Product rationalization - research and development</td>
<td>$ 1,650</td>
</tr>
<tr>
<td>Restructuring charges - research and development</td>
<td>$ 115</td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired though certain business combinations - selling, general and administrative</td>
<td>$ 64,333</td>
</tr>
<tr>
<td>Business combination acquisition- and/or integration-related costs - selling, general and administrative</td>
<td>$ 43,565</td>
</tr>
<tr>
<td>Litigation settlement - selling, general and administrative</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Restructuring charges - selling, general and administrative</td>
<td>$ (85)</td>
</tr>
<tr>
<td>Gain on sale of real property, net of associated exit costs - selling, general and administrative</td>
<td>$(15,223)</td>
</tr>
<tr>
<td>Amortization of note discounts - other expense, net</td>
<td>$ 28,409</td>
</tr>
<tr>
<td>Amortization of bridge loan issuance costs -other expenses, net</td>
<td>$ 20,270</td>
</tr>
<tr>
<td>KLA-Tencor acquisition funding interest expense, net - other expense, net</td>
<td>$ 24,212</td>
</tr>
<tr>
<td>Costs related to early termination of KLA-Tencor acquisition funding - other expense, net</td>
<td>$ 34,518</td>
</tr>
<tr>
<td>Net tax benefit on non-GAAP items</td>
<td>$(58,559)</td>
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<tr>
<td>Net tax benefit on conclusion of certain tax matters</td>
<td>$(3,017)</td>
</tr>
<tr>
<td>Change to income tax benefit from court ruling</td>
<td>$(887)</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$ 1,244,891</td>
</tr>
<tr>
<td>Non-GAAP net income per diluted share</td>
<td>$ 7.06</td>
</tr>
<tr>
<td>U.S. GAAP number of shares used for diluted per share calculation</td>
<td>178,895</td>
</tr>
<tr>
<td>Effect of convertible note hedge</td>
<td>$(2,531)</td>
</tr>
<tr>
<td>Non-GAAP number of shares used for per diluted share calculation</td>
<td>176,364</td>
</tr>
</tbody>
</table>
### Reconciliation of U.S. GAAP Net Income and Dilutive Shares to Non-GAAP Net Income and Number of Dilutive Shares

#### Twelve Months Ended December 27, 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. GAAP net income</strong></td>
<td>$ 849,215</td>
</tr>
<tr>
<td><strong>Pre-tax non-GAAP items:</strong></td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - cost of goods sold</td>
<td>85,072</td>
</tr>
<tr>
<td>Novellus acquisition-related inventory fair value impact - cost of goods sold</td>
<td>2,149</td>
</tr>
<tr>
<td>Impairment of long-lived assets - cost of goods sold</td>
<td>9,821</td>
</tr>
<tr>
<td>Restructuring charges - cost of goods sold</td>
<td>371</td>
</tr>
<tr>
<td>Restructuring charges - research and development</td>
<td>4,240</td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative</td>
<td>64,332</td>
</tr>
<tr>
<td>Business combination acquisition-related costs - selling, general and administrative</td>
<td>17,392</td>
</tr>
<tr>
<td>Restructuring charges - selling, general and administrative</td>
<td>5,021</td>
</tr>
<tr>
<td>Goodwill impairment - selling, general and administrative</td>
<td>79,444</td>
</tr>
<tr>
<td>Amortization of note discounts - other expense, net</td>
<td>36,148</td>
</tr>
<tr>
<td>Amortization of bridge loan issuance costs -other expenses, net</td>
<td>13,573</td>
</tr>
<tr>
<td><strong>Net tax benefit on non-GAAP items</strong></td>
<td>(43,912)</td>
</tr>
<tr>
<td><strong>Net income tax expense (benefit) on resolution or additional accrual for certain tax matters</strong></td>
<td>954</td>
</tr>
<tr>
<td><strong>Income tax benefit related to tax extenders, primarily the research and development credit</strong></td>
<td>(13,603)</td>
</tr>
<tr>
<td><strong>Change to income tax benefit from court ruling</strong></td>
<td>(21,925)</td>
</tr>
<tr>
<td><strong>Non-GAAP net income</strong></td>
<td>$ 1,088,292</td>
</tr>
<tr>
<td><strong>Non-GAAP net income per diluted share</strong></td>
<td>$ 6.29</td>
</tr>
<tr>
<td><strong>U.S. GAAP number of shares used for diluted per share calculation</strong></td>
<td>175,681</td>
</tr>
<tr>
<td><strong>Effect of convertible note hedge</strong></td>
<td>(2,692)</td>
</tr>
<tr>
<td><strong>Non-GAAP number of shares used for per diluted share calculation</strong></td>
<td>172,989</td>
</tr>
</tbody>
</table>
## Reconciliation of U.S. GAAP Net Income and Dilutive Shares to Non-GAAP Net Income and Number of Dilutive Shares

(in thousands) (unaudited)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. GAAP net income</td>
<td>$715,812</td>
<td></td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - cost of goods sold</td>
<td>85,534</td>
<td></td>
</tr>
<tr>
<td>Costs associated with rationalization of certain product configurations - cost of goods sold</td>
<td>6,455</td>
<td></td>
</tr>
<tr>
<td>Novellus acquisition-related inventory fair value impact - cost of goods sold</td>
<td>3,268</td>
<td></td>
</tr>
<tr>
<td>Synthetic lease impairment - cost of goods sold</td>
<td>1,558</td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative</td>
<td>65,250</td>
<td></td>
</tr>
<tr>
<td>Restructuring charges - selling, general and administrative</td>
<td>1,915</td>
<td></td>
</tr>
<tr>
<td>Costs associated with rationalization of certain product configurations - selling, general and administrative</td>
<td>3,008</td>
<td></td>
</tr>
<tr>
<td>Costs associated with disposition of business - selling, general and administrative</td>
<td>1,103</td>
<td></td>
</tr>
<tr>
<td>Impairment of long lived asset - selling, general and administrative</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Synthetic lease impairment - selling, general and administrative</td>
<td>5,356</td>
<td></td>
</tr>
<tr>
<td>Gain on sale of real estate</td>
<td>(83,090)</td>
<td></td>
</tr>
<tr>
<td>Amortization of note discounts - other expense, net</td>
<td>33,795</td>
<td></td>
</tr>
<tr>
<td>Net gain associated with the disposition of business - other (income) expense</td>
<td>(4,331)</td>
<td></td>
</tr>
<tr>
<td>Net tax benefit on non-GAAP items</td>
<td>(16,512)</td>
<td></td>
</tr>
<tr>
<td>Net tax benefit on conclusion of certain tax matters</td>
<td>(302)</td>
<td></td>
</tr>
<tr>
<td>Income tax benefit related to tax extenders, primarily the research and development credit</td>
<td>(11,094)</td>
<td></td>
</tr>
<tr>
<td>Net tax benefit on valuation allowance release</td>
<td>(2,811)</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$808,914</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP net income per diluted share</td>
<td>$4.66</td>
<td></td>
</tr>
<tr>
<td>U.S. GAAP number of shares used for diluted per share calculation</td>
<td>174,786</td>
<td></td>
</tr>
<tr>
<td>Effect of convertible note hedge</td>
<td>(1,104)</td>
<td></td>
</tr>
<tr>
<td>Non-GAAP number of shares used for per diluted share calculation</td>
<td>173,682</td>
<td></td>
</tr>
</tbody>
</table>
Reconciliation of U.S. GAAP Gross Margin, Operating Expense and Operating Income to Non-GAAP Gross Margin, Operating Expense and Operating Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US GAAP gross margin</td>
<td>$4,395,275</td>
<td>$2,833,043</td>
<td>$2,591,013</td>
<td>$2,130,030</td>
</tr>
<tr>
<td>Pre-tax non-GAAP items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations</td>
<td>86,456</td>
<td>85,000</td>
<td>85,072</td>
<td>85,534</td>
</tr>
<tr>
<td>Product and product configuration rationalization</td>
<td>-</td>
<td>6,127</td>
<td>-</td>
<td>6,455</td>
</tr>
<tr>
<td>Novellus acquisition-related inventory fair value impact</td>
<td>-</td>
<td>128</td>
<td>2,149</td>
<td>3,268</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>-</td>
<td>-</td>
<td>9,821</td>
<td>-</td>
</tr>
<tr>
<td>Synthetic lease impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,558</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>-</td>
<td>-</td>
<td>371</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP gross margin</td>
<td>$4,481,731</td>
<td>$2,924,298</td>
<td>$2,688,426</td>
<td>$2,226,845</td>
</tr>
<tr>
<td>U.S. GAAP gross margin as a percentage of revenue</td>
<td>46.0%</td>
<td>44.4%</td>
<td>43.9%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Non-GAAP gross margin as a percentage of revenue</td>
<td>46.9%</td>
<td>45.9%</td>
<td>45.6%</td>
<td>45.8%</td>
</tr>
<tr>
<td>U.S. GAAP operating expenses</td>
<td>$1,818,325</td>
<td>$1,577,274</td>
<td>$1,585,751</td>
<td>$1,365,204</td>
</tr>
<tr>
<td>Amortization related to intangible assets acquired through certain business combinations</td>
<td>(65,653)</td>
<td>(64,333)</td>
<td>(64,332)</td>
<td>(65,250)</td>
</tr>
<tr>
<td>Cost associated with business process reengineering</td>
<td>(9,565)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Business combination acquisition and integration related costs</td>
<td>(2,029)</td>
<td>(43,565)</td>
<td>(17,392)</td>
<td>-</td>
</tr>
<tr>
<td>Costs associated with campus consolidation</td>
<td>-</td>
<td>(11,319)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Litigation settlement</td>
<td>-</td>
<td>(4,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Product and product configuration rationalization</td>
<td>-</td>
<td>(1,650)</td>
<td>-</td>
<td>(3,008)</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>-</td>
<td>(30)</td>
<td>(9,261)</td>
<td>(1,915)</td>
</tr>
<tr>
<td>Synthetic lease impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,356)</td>
</tr>
<tr>
<td>Impairment of long lived asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Costs associated with disposition of business</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,103)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>-</td>
<td>-</td>
<td>(79,444)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>-</td>
<td>15,223</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP operating expenses</td>
<td>$1,741,078</td>
<td>$1,467,600</td>
<td>$1,415,322</td>
<td>$1,284,572</td>
</tr>
<tr>
<td>Non-GAAP operating income</td>
<td>$2,740,653</td>
<td>$1,456,698</td>
<td>$1,273,104</td>
<td>$942,273</td>
</tr>
<tr>
<td>U.S. GAAP operating margin as a percent of revenue</td>
<td>27.0%</td>
<td>19.7%</td>
<td>17.0%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Non-GAAP operating margin as a percent of revenue</td>
<td>28.7%</td>
<td>22.9%</td>
<td>21.6%</td>
<td>19.4%</td>
</tr>
</tbody>
</table>
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Fast Solutions