



## Lam Research Corporation Announces Earnings for the Quarter Ended December 25, 2005

FREMONT, Calif., January 18, 2006-Lam Research Corporation (NASDAQ: LRCX) today announced earnings for the quarter ended December 25, 2005. Revenue for the period was \$358.2 million, and net income was \$77.8 million, or \$0.55 per diluted share, compared to revenue of \$320.9 million, and net income of \$49.5 million, or \$0.35 per diluted share, for the September 2005 quarter. Gross margin was \$177.5 million and operating expenses were \$100.6 million for the December 2005 quarter compared to gross margin of \$156.1 million and operating expenses of \$96.4 million for the September 2005 quarter.

Gross margin as a percent of revenue for the December quarter was 49.5 percent compared to 48.6 percent in the September quarter. The increase in operating expenses was primarily the result of increases in R&D spending, including equity and incentive-based compensation expense.

The income tax expense of \$8.4 million in the December 2005 quarter reflects a fiscal year 2006 effective tax rate assumption of 21.5 percent.

New orders recorded in backlog increased 24 percent sequentially to \$403 million. The geographic distribution of new orders as well as revenue during the December quarter is shown in the following table:

<u>Region</u>	<u>New Orders</u>	<u>Revenue</u>
North America	13%	13%
Europe	12%	13%
Japan	23%	25%
Korea	23%	20%
Asia Pacific	29%	29%

Cash, short-term investments and restricted cash balances were \$977.3 million at the end of December, and cash flows provided by operating activities were \$111.4 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 \$161.4 million and \$98.0 million, respectively. At the end of the period, unshipped orders in backlog were approximately \$404 million, and the anticipated future revenue value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue was approximately \$46 million.

"Business conditions continued to strengthen in the December quarter," stated Steve Newberry, president and chief executive officer of Lam. "Improving demand for wafer processing equipment and services coupled with recent market share gains have resulted in a significant increase in new orders. We believe the continued increase in selection of our equipment into today's most advanced wafer processing fabs as well as recent next-generation technology wins is a reflection of the Company's ongoing competitiveness."

"The rise in new orders is among several achievements during the quarter. Profitability was strong, resulting in gross margins of 49.5 percent and operating margins of 21.5 percent. In addition, for calendar year 2005, we have generated \$375 million of net free cash flow, which is 27 percent of revenue. Results achieved during the December quarter, and the year, illustrate our employees' outstanding performance and the Company's commitment to setting the standard of excellence for the wafer fab equipment industry," Newberry concluded.

The Company believes the presentation of net free cash flows, which is derived by subtracting capital expenditures from net cash provided by operating activities, is useful for analyzing the Company's financial performance as a reflection of the Company's ability to generate cash exclusive of capital expenditures. A table that provides a calculation of net free cash flows is included at the end of this press release.

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 levels of demand for wafer processing equipment and services and our customers' continuing selection of our equipment. 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, 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 26, 2005, and Form 10-Q for the quarter ended September 25, 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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