

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

	Three Months Ended		
	September 24, 2006	June 25, 2006	September 25, 2005
	(unaudited)	(unaudited)	(unaudited)
Total revenue	\$ 604,387	\$ 525,596	\$ 320,907
Cost of goods sold	291,223	251,445	164,828
Gross margin	313,164	274,151	156,079
Gross margin as a percent of revenue	51.8%	52.2%	48.6%
Research and development	61,623	60,824	51,242
Selling, general and administrative	56,708	53,921	45,155
Total operating expenses	118,331	114,745	96,397
Operating income	194,833	159,406	59,682
Operating margin as a percent of revenue	32.2%	30.3%	18.6%
Other income, net	30,348	9,398	8,488
Income before income taxes	225,181	168,804	68,170
Income tax expense	41,663	46,655	18,679
Net income	<u>\$ 183,518</u>	<u>\$ 122,149</u>	<u>\$ 49,491</u>
Net income per share:			
Basic	<u>\$ 1.29</u>	<u>\$ 0.87</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 1.27</u>	<u>\$ 0.84</u>	<u>\$ 0.35</u>
Number of shares used in per share calculations:			
Basic	<u>141,928</u>	<u>141,168</u>	<u>136,453</u>
Diluted	<u>144,850</u>	<u>144,683</u>	<u>141,430</u>

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 24, 2006 (unaudited)	June 25, 2006 (1)
Assets:		
Cash and cash equivalents	\$ 1,031,348	\$ 910,815
Short-term investments	233,284	139,524
Accounts receivable, net	379,869	407,347
Inventories	188,179	168,714
Other current assets	<u>87,920</u>	<u>79,969</u>
Total current assets	1,920,600	1,706,369
Property and equipment, net	56,786	49,893
Restricted cash and investments	470,038	470,038
Other assets	<u>86,937</u>	<u>87,044</u>
Total assets	<u><u>\$ 2,534,361</u></u>	<u><u>\$ 2,313,344</u></u>
Liabilities and stockholders' equity:		
Current liabilities	<u>\$ 584,244</u>	<u>\$ 566,226</u>
Long-term debt	\$ 350,000	\$ 350,000
Other long-term liabilities	924	969
Stockholders' equity	<u>1,599,193</u>	<u>1,396,149</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,534,361</u></u>	<u><u>\$ 2,313,344</u></u>

(1) Derived from audited financial statements.

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

	Three Months Ended		
	September 24, 2006	June 25, 2006	September 25, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 183,518	\$ 122,149	\$ 49,491
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,527	5,765	6,032
Deferred income taxes	6,419	(4,936)	15,374
Equity-based compensation	6,251	5,449	5,246
Income tax benefit on equity-based compensation plans	1,872	27,786	-
Excess tax benefit on equity-based compensation plans	(1,264)	(17,805)	-
Other, net	420	1,270	1,842
Change in working capital accounts	12,884	(47,412)	(30,604)
Net cash provided by operating activities	<u>216,627</u>	<u>92,266</u>	<u>47,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(12,920)	(25,939)	(4,658)
Transfer of restricted cash and investments	-	(385,000)	-
Net sales (purchases) of available-for-sale securities	<u>(90,923)</u>	<u>90,296</u>	<u>51,598</u>
Net cash provided by/(used for) investing activities	<u>(103,843)</u>	<u>(320,643)</u>	<u>46,940</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on capital lease	(44)	(45)	-
Net proceeds from issuance of long-term debt	-	349,632	-
Excess tax benefit on equity-based compensation plans	1,264	17,805	-
Treasury stock purchases	(1,048)	(37,002)	(78,690)
Reissuances of treasury stock	5,990	5,519	5,137
Proceeds from issuance of common stock	1,739	43,698	12,174
Net cash provided by/(used for) financing activities	<u>7,901</u>	<u>379,607</u>	<u>(61,379)</u>
Effect of exchange rate changes on cash	(152)	1,740	(374)
Net increase in cash and cash equivalents	120,533	152,970	32,568
Cash and cash equivalents at beginning of period	910,815	757,845	482,250
Cash and cash equivalents at end of period	<u>\$ 1,031,348</u>	<u>\$ 910,815</u>	<u>\$ 514,818</u>

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

	Three Months Ended	
	September 24,	June 25,
	2006	2006
U.S. GAAP net income	\$ 183,518	\$ 122,149
Tax expense on repatriation of foreign earnings	-	16,810
Net tax benefit on successful resolution of certain foreign tax matters	(9,959)	-
Pre-tax legal judgment - other income, net	(15,834)	-
Tax expense on legal judgment	6,128	-
Ongoing net income	<u>\$ 163,853</u>	<u>\$ 138,959</u>
Ongoing net income per diluted share	<u>\$ 1.13</u>	<u>\$ 0.96</u>
Number of shares used for diluted per share calculation	144,850	144,683
U.S. GAAP income tax rate	18.5%	27.6%
Ongoing income tax rate	21.7%	17.7%

<u>Region</u>	<u>New Orders</u>	<u>Revenue</u>
North America	26%	15%
Europe	5%	14%
Japan	17%	18%
Korea	19%	15%
Asia Pacific	33%	38%

Lam Research Corporation
(in millions)

Reconciliation of Backlog

	Three Months Ended		
	September 24, 2006	June 25, 2006	March 26, 2006
Beginning Balance	\$ 521	\$ 404	\$ 404
New Orders	725	640	520
Net Backlog Adjustments & Cancellations	(13)	20	(9)
Shipments	(640)	(543)	(511)
Ending Balance	<u>\$ 593</u>	<u>\$ 521</u>	<u>\$ 404</u>
Book to Bill (based on new orders)	1.13	1.18	1.02

Reconciliation of Deferred Revenue

	Three Months Ended		
	September 24, 2006	June 25, 2006	March 26, 2006
Beginning Balance	\$ 230	\$ 195	\$ 161
Shipments	640	543	511
Revenue	(604)	(526)	(437)
Net Change in Japan (1)	-	16	(44)
Services & Other	(8)	2	4
Ending Balance	<u>\$ 258</u>	<u>\$ 230</u>	<u>\$ 195</u>
Value of shipments to Japanese customers not recorded as deferred revenue (2)	\$ 74	\$ 74	\$ 90

- (1) Net change in the value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.
- (2) The value of orders shipped from backlog to Japanese customers that are not recorded as deferred revenue. These shipments are classified as inventory at cost until title transfers.