



## Lam Research Corporation Announces Financial Results for the Quarter Ended December 26, 2010

FREMONT, Calif.--(BUSINESS WIRE)-- Lam Research Corporation (NASDAQ: LRCX) highlights for the December 2010 quarter were:

### Lam Research Corporation Financial Highlights for the Quarter Ended December 26, 2010 (in thousands, except per share data and percentages)

|                     | <u>U.S. GAAP</u> | <u>Ongoing</u> |
|---------------------|------------------|----------------|
| • Revenue:          | \$ 870,714       | \$ 870,714     |
| • Operating Margin: | 27.7%            | 27.7%          |
| • Net Income:       | \$ 221,856       | \$ 217,093     |
| • Diluted EPS:      | \$ 1.78          | \$ 1.74        |

Lam Research Corporation today announced financial results for the quarter ended December 26, 2010. Revenue for the period was \$870.7 million, gross margin was \$407.4 million (46.8%), and net income was \$221.9 million, or \$1.78 per diluted share, compared to revenue of \$805.9 million, gross margin of \$377.3 million (46.8%), and net income of \$193.7 million, or \$1.55 per diluted share, for the September 2010 quarter. Shipments for the December 2010 quarter were \$892 million compared to \$808 million during the September 2010 quarter.

The Company's ongoing results for the December 2010 quarter exclude certain benefits for research and development tax credits. The Company's ongoing results for the September 2010 quarter exclude certain benefits for restructuring activities and asset impairments. Management uses the presentation of ongoing operating income, ongoing operating expenses, ongoing operating margin, ongoing net income, and ongoing net income per diluted share to evaluate the Company's operating and financial results. The Company believes the presentation of ongoing results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing the investor's ability to view the Company's results from management's perspective. A table presenting a reconciliation of ongoing net income, ongoing operating income, ongoing operating expenses, and ongoing operating margin results to results under U.S. GAAP is included at the end of this press release and on the Company's web site at <http://investor.lamrc.com>.

Ongoing net income was \$217.1 million, or \$1.74 per diluted share in the December 2010 quarter compared to ongoing net income of \$190.6 million, or \$1.52 per diluted share, for the September 2010 quarter. Ongoing operating expenses for the December 2010 quarter were \$166.3 million compared with the September 2010 quarter of \$158.5 million. This change is primarily due to increased research and development activities and enhanced levels of sales and marketing expense associated with customer joint development projects.

The geographic distribution of shipments and revenue during the December 2010 quarter is shown in the following table:

| <u>Region</u> | <u>Shipments</u> | <u>Revenue</u> |
|---------------|------------------|----------------|
| North America | 11%              | 6%             |
| Europe        | 13%              | 13%            |
| Japan         | 10%              | 11%            |
| Korea         | 18%              | 18%            |
| Taiwan        | 29%              | 38%            |
| Asia Pacific  | 19%              | 14%            |

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$1.2 billion at the end of the December 2010 quarter, compared to \$1.1 billion at the end of the September 2010 quarter. Cash flows from operating activities were approximately \$185.6 million during the December 2010 quarter. Deferred revenue and deferred profit balances at the end of the December 2010 quarter were \$222.9 million and \$135.1 million, respectively. Lam's deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of acceptance. The anticipated future revenue from shipments to Japanese customers was approximately \$47.7 million as of December 26, 2010.

"Lam delivered record shipments, revenues and earnings per share for the December quarter. In calendar year 2010, our system shipments grew by nearly 200%, significantly outperforming the 120% growth in wafer fab equipment spending and leading to record levels of revenue and earnings at \$3 billion and \$5.35 per share respectively," stated Steve Newberry, chief executive officer and vice chairman of the board. "Our performance reflects the strong market share gains we achieved in 2010 across both etch and clean product lines. Looking ahead, we are focused on further strengthening our market positions by increasing our investments in field-based customer technology and productivity solutions, as well as core R&D programs targeted at meeting our customers' future technology needs."

#### Caution Regarding Forward-Looking Statements

Statements made in this press release that are not statements of historical fact are forward-looking statements and are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate, but are not limited, to the anticipated revenue from shipments to Japanese customers; our anticipated continued investments in field-based customer technology and productivity solutions as well as our core R&D programs, our ability to meet customers' future technology needs and our future market position. Some factors that may affect these forward-looking statements include: business conditions in the semiconductor industry and the overall economy; the strength of the financial performance of our existing and prospective customers; the introduction of new and innovative technologies; the occurrence and pace of technology transitions and conversions; the actions of our competitors, consumers, semiconductor companies and key suppliers and subcontractors; and the success of research and development and sales and marketing 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 by us with the Securities and Exchange Commission, including specifically our report on Form 10-K for the year ended June 27, 2010 and the report on Form 10-Q for the three months ended September 26, 2010. These uncertainties and changes 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](http://www.lamresearch.com).

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

|  | Three Months Ended      |                          |                         | Six Months Ended        |                         |
|--|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
|  | December<br>26,<br>2010 | September<br>26,<br>2010 | December<br>27,<br>2009 | December<br>26,<br>2010 | December<br>27,<br>2009 |
| Revenue                                  | \$ 870,714              | \$ 805,874               | \$ 487,176              | \$ 1,676,588            | \$ 805,724              |
| Cost of goods sold                       | 463,281                 | 428,548                  | 268,685                 | 891,829                 | 455,918                 |
| Cost of goods sold - 409A expense        | -                       | -                        | (2,696)                 | -                       | (5,816)                 |
| Total costs of goods sold                | 463,281                 | 428,548                  | 265,989                 | 891,829                 | 450,102                 |
| Gross margin                             | 407,433                 | 377,326                  | 221,187                 | 784,759                 | 355,622                 |
| Gross margin as a percent of revenue     | 46.8%                   | 46.8%                    | 45.4%                   | 46.8%                   | 44.1%                   |
| Research and development                 | 90,477                  | 86,353                   | 82,171                  | 176,830                 | 153,370                 |
| Selling, general and administrative      | 75,852                  | 72,142                   | 60,111                  | 147,994                 | 112,230                 |
| Restructuring and asset impairments      | -                       | (5,163)                  | 5,919                   | (5,163)                 | 8,012                   |
| 409A expense                             | -                       | -                        | (18,362)                | -                       | (38,590)                |
| Total operating expenses                 | 166,329                 | 153,332                  | 129,839                 | 319,661                 | 235,022                 |
| Operating income                         | 241,104                 | 223,994                  | 91,348                  | 465,098                 | 120,600                 |
| Operating margin as a percent of revenue | 27.7%                   | 27.8%                    | 18.8%                   | 27.7%                   | 15.0%                   |
| Other income (expense), net              | 1,038                   | (979)                    | (58)                    | 59                      | (426)                   |

|  |                   |                   |                  |                   |                  |
|--|-------------------|-------------------|------------------|-------------------|------------------|
| Income before income taxes                       | 242,142           | 223,015           | 91,290           | 465,157           | 120,174          |
| Income tax expense                               | 20,286            | 29,291            | 21,716           | 49,577            | 33,803           |
| Net income                                       | <u>\$ 221,856</u> | <u>\$ 193,724</u> | <u>\$ 69,574</u> | <u>\$ 415,580</u> | <u>\$ 86,371</u> |
| Net income per share:                            |                   |                   |                  |                   |                  |
| Basic net income per share                       | <u>\$ 1.80</u>    | <u>\$ 1.57</u>    | <u>\$ 0.55</u>   | <u>\$ 3.37</u>    | <u>\$ 0.68</u>   |
| Diluted net income per share                     | <u>\$ 1.78</u>    | <u>\$ 1.55</u>    | <u>\$ 0.54</u>   | <u>\$ 3.32</u>    | <u>\$ 0.67</u>   |
| Number of shares used in per share calculations: |                   |                   |                  |                   |                  |
| Basic  | <u>123,101</u>    | <u>123,665</u>    | <u>127,296</u>   | <u>123,384</u>    | <u>127,035</u>   |
| Diluted  | <u>124,786</u>    | <u>125,202</u>    | <u>128,829</u>   | <u>124,999</u>    | <u>128,389</u>   |

**LAM RESEARCH CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|   | <b>December 26,<br/>2010</b> | <b>September 26,<br/>2010</b> | <b>June 27,<br/>2010</b> |
|---|------------------------------|-------------------------------|--------------------------|
|   | <b>(unaudited)</b>           | <b>(unaudited)</b>            | <b>(1)</b>               |
| <b>ASSETS</b>                               |                              |                               |                          |
| Cash and cash equivalents                   | \$ 729,060                   | \$ 628,281                    | \$ 545,767               |
| Short-term investments                      | 303,038                      | 304,992                       | 280,690                  |
| Accounts receivable, net                    | 689,400                      | 526,904                       | 499,890                  |
| Inventories                                 | 333,874                      | 338,335                       | 318,479                  |
| Deferred income taxes                       | 47,380                       | 46,191                        | 46,158                   |
| Other current assets                        | 76,993                       | 74,728                        | 65,677                   |
| Total current assets                        | <u>2,179,745</u>             | <u>1,919,431</u>              | <u>1,756,661</u>         |
| Property and equipment, net                 | 229,769                      | 206,238                       | 200,336                  |
| Restricted cash and investments             | 165,244                      | 165,244                       | 165,234                  |
| Deferred income taxes                       | 28,030                       | 26,968                        | 26,218                   |
| Goodwill and intangible assets              | 225,671                      | 231,688                       | 236,906                  |
| Other assets                                | 104,758                      | 102,727                       | 102,037                  |
| Total assets                                | <u>\$ 2,933,217</u>          | <u>\$ 2,652,296</u>           | <u>\$2,487,392</u>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                              |                               |                          |
| Current liabilities                         | \$ 689,871                   | \$ 612,397                    | \$ 558,657               |
| Long-term debt and capital leases           | \$ 16,524                    | \$ 15,077                     | \$ 17,645                |
| Income taxes payable                        | 118,323                      | 114,946                       | 110,462                  |
| Other long-term liabilities                 | 23,720                       | 23,248                        | 32,493                   |
| Stockholders' equity                        | <u>2,084,779</u>             | <u>1,886,628</u>              | <u>1,768,135</u>         |
| Total liabilities and stockholders' equity  | <u>\$ 2,933,217</u>          | <u>\$ 2,652,296</u>           | <u>\$2,487,392</u>       |

1 Derived from audited financial statements

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

|   | <b>Three Months Ended</b>        |                                   |                                  | <b>Six Months Ended</b>          |                                  |
|---|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|   | <b>December<br/>26,<br/>2010</b> | <b>September<br/>26,<br/>2010</b> | <b>December<br/>27,<br/>2009</b> | <b>December<br/>26,<br/>2010</b> | <b>December<br/>27,<br/>2009</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>    |                                  |                                   |                                  |                                  |                                  |
| Net income                                      | \$ 221,856                       | \$ 193,724                        | \$ 69,574                        | \$ 415,580                       | \$ 86,371                        |
| Adjustments to reconcile net income to net cash |                                  |                                   |                                  |                                  |                                  |

provided by (used for) operating activities:

|   |                |                |               |                |               |
|---|----------------|----------------|---------------|----------------|---------------|
| Depreciation and amortization                         | 18,663         | 17,948         | 18,184        | 36,611         | 35,865        |
| Deferred income taxes                                 | (3,039)        | (783)          | 9,229         | (3,822)        | 21,711        |
| Restructuring charges, net                            | -              | (5,163)        | 5,919         | (5,163)        | 8,012         |
| Equity-based compensation expense                     | 12,759         | 13,009         | 13,259        | 25,768         | 27,217        |
| Income tax benefit on equity-based compensation plans | (918)          | 5,083          | 303           | 4,165          | 214           |
| Excess tax benefit on equity-based compensation plans | 711            | (3,939)        | (235)         | (3,228)        | (603)         |
| Other, net  | (1,600)        | (1,964)        | 173           | (3,564)        | 1,332         |
| Changes in operating assets and liabilities:          | (62,849)       | 37,829         | (43,096)      | (25,020)       | (104,105)     |
| Net cash provided by operating activities             | <u>185,583</u> | <u>255,744</u> | <u>73,310</u> | <u>441,327</u> | <u>76,014</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|   |                 |                 |                |                 |                 |
|---|-----------------|-----------------|----------------|-----------------|-----------------|
| Capital expenditures and intangible assets                        | (38,025)        | (19,130)        | (6,893)        | (57,155)        | (12,725)        |
| Net sales/maturities (purchases) of available-for-sale securities | (1,160)         | (24,506)        | (1,016)        | (25,666)        | (10,791)        |
| Purchase of other investments                                     | -               | -               | -              | -               | (961)           |
| Proceeds from sale of assets                                      | 1,544           | -               | -              | 1,544           | -               |
| Transfer of restricted cash and investments                       | -               | (10)            | 97             | (10)            | (6,474)         |
| Net cash used for investing activities                            | <u>(37,641)</u> | <u>(43,646)</u> | <u>(7,812)</u> | <u>(81,287)</u> | <u>(30,951)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Principal payments on long-term debt and capital lease obligations | (78)              | (3,333)           | (689)             | (3,411)           | (2,604)           |
| Net proceeds from issuance of long-term debt                       | -                 | -                 | 52                | -                 | 336               |
| Excess tax benefit on equity-based compensation plans              | (711)             | 3,939             | 235               | 3,228             | 603               |
| Cash paid in advance for stock repurchase contracts                | (50,000)          | -                 | -                 | (50,000)          | -                 |
| Treasury stock purchases   | (4,151)           | (144,795)         | (576)             | (148,946)         | (2,932)           |
| Reissuances of treasury stock                                      | -                 | 7,155             | -                 | 7,155             | 5,761             |
| Proceeds from issuance of common stock                             | 3,407             | 835               | 4,126             | 4,242             | 6,382             |
| Net cash provided by (used for) financing activities               | <u>(51,533)</u>   | <u>(136,199)</u>  | <u>3,148</u>      | <u>(187,732)</u>  | <u>7,546</u>      |
| Effect of exchange rate changes on cash                            | 4,370             | 6,615             | 357               | 10,985            | 3,390             |
| Net increase in cash and cash equivalents                          | 100,779           | 82,514            | 69,003            | 183,293           | 55,999            |
| Cash and cash equivalents at beginning of period                   | 628,281           | 545,767           | 361,163           | 545,767           | 374,167           |
| Cash and cash equivalents at end of period                         | <u>\$ 729,060</u> | <u>\$ 628,281</u> | <u>\$ 430,166</u> | <u>\$ 729,060</u> | <u>\$ 430,166</u> |

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

|  | <u>Three Months Ended</u><br><u>December 26,</u><br><u>2010</u> | <u>Three Months Ended</u><br><u>September 26,</u><br><u>2010</u> |
|--|---|--|
| U.S. GAAP net income                                     | \$ 221,856  | \$ 193,724   |
| Pre-tax non-ongoing items:                               |   |  |
| Restructuring and asset impairments - operating expenses | -   | (5,163)  |
| Net tax expense on non-ongoing item                      | -   | 2,061  |
| Net tax benefit of R&D credit                            | (4,763)   | -  |
| Ongoing net income                                       | <u>\$ 217,093</u>   | <u>\$ 190,622</u>  |
| Ongoing net income per diluted share                     | <u>\$ 1.74</u>  | <u>\$ 1.52</u>   |
| Number of shares used for diluted per share calculation  | 124,786   | 125,202  |

**Reconciliation of U.S. GAAP Operating Expenses and Operating Income to Ongoing Operating Expenses and Operating Income**

**(in thousands, except percentages)**  
**(unaudited)**

|  | <u>Three Months Ended</u><br><u>December 26,</u><br><u>2010</u> | <u>Three Months Ended</u><br><u>September 26,</u><br><u>2010</u> |
|--|---|--|
| U.S. GAAP gross margin                                   | \$ 407,433  | \$ 377,326   |
| U.S. GAAP operating expenses                             | \$ 166,329  | \$ 153,332   |
| Pre-tax non-ongoing items:                               |   |  |
| Restructuring and asset impairments - operating expenses | -   | 5,163  |
| Ongoing operating expenses                               | <u>\$ 166,329</u>   | <u>\$ 158,495</u>  |
| Ongoing operating income                                 | <u>\$ 241,104</u>   | <u>\$ 218,831</u>  |
| Ongoing operating margin as a percent of revenue         | 27.7%   | 27.2%  |

**Reconciliation of U.S. GAAP Earnings to Ongoing Earnings Per Share**  
**(in thousands, except per share data)**  
**(unaudited)**

|  | <u>Twelve Months Ended</u><br><u>December 26,</u><br><u>2010</u> |
|--|--|
| U.S. GAAP net income                                     | \$ 675,878   |
| Pre-tax non-ongoing items:                               |  |
| Restructuring and asset impairments - cost of goods sold | 3,438  |
| Restructuring and asset impairments - operating expenses | 8,139  |
| Net tax expense on non-ongoing items                     | (5,606)  |
| Net tax benefit of R&D credit                            | (4,763)  |
| Ongoing net income                                       | <u>\$ 677,086</u>  |
| Ongoing net income per diluted share                     | <u>\$ 5.35</u>   |
| Number of shares used for diluted per share calculation* | 126,590  |

\* Shares for twelve months ended December 26, 2010 calculated using diluted share count for March through December 2010 quarters divided by four.

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