



Lam Research Corporation Announces Results for the Quarter Ended December 30, 2001

FREMONT, Calif., January 24, 2002—Lam Research Corporation (Nasdaq: LRCX) today announced financial results for the quarter ended December 30, 2001. Revenues of \$259.2 million were 24 percent lower than the quarter ended September 23, 2001. The net loss for the quarter was \$51.7 million, or \$0.41 per diluted share, compared to a net loss of \$8.9 million, or \$0.07 per diluted share, in the September 2001 quarter.

The net loss for the December 2001 quarter included inventory write-downs for excess, obsolete, and older-generation products of approximately \$24.1 million, a patent litigation settlement charge of \$38.8 million, impaired asset write-downs of approximately \$9.5 million for laboratory and demonstration equipment, restructuring charges of \$33.8 million, and a non-operating gain on the revaluation of the Company's derivative instruments of \$18.9 million. The after-tax effects of these adjustments were reductions of \$55.4 million in net income, or \$0.44 per diluted share. Excluding these items, net income would have been \$3.7 million, or \$0.03 per diluted share. An income tax rate of 30 percent is expected on fiscal year 2002 results. The "Analysis of Operating Statement Items" attachment to this press release provides an analysis of operating statement charges.

New orders of approximately \$124 million were about 10 percent below the previous quarter. Regional distribution of new orders for the quarter was as follows: North America, 39 percent; Europe, 17 percent; Japan, 10 percent; and Asia Pacific, 34 percent.

Revenues for the quarter were distributed as follows: North America, 27 percent; Europe, 22 percent; Japan, 21 percent; and Asia Pacific, 30 percent. Shipments for the quarter were approximately \$99 million.

Gross margin for the December 2001 quarter was \$26.6 million or 10 percent of revenue. Excluding the inventory charge of approximately \$24.1 million and the patent litigation settlement charge of \$38.8 million, gross margin was approximately \$89.5 million or 34.5 percent of revenue. This result compares to a gross margin of 37 percent in the September 2001 quarter, excluding the \$7.6 million restructuring charge in that quarter.

Research and Development and Selling, General, and Administrative expenses were \$44.4 million and \$39.3 million, respectively, after excluding the approximately \$9.5 million impaired asset write-downs. This total of \$83.7 million in operating expenses compares to \$94.4 million in operating expenses for the September 2001 quarter, excluding special charges. The \$10.7 million decrease is the result of cost-reduction programs previously announced.

Cash, Short-term Investments, and Restricted Cash amounted to \$941 million at the end of the quarter with Cash and Short-term Investments totaling \$880.1 million and Restricted Cash totaling \$60.8 million.

"We resized the company to be better aligned with current market conditions and are implementing outsourcing initiatives to reduce the fixed cost component of our business model," stated James W. Bagley, chairman and chief executive officer. "While the business environment in the wafer fab equipment industry remained challenging in the December quarter, we are seeing the first signs of improvement, which will be reflected in higher bookings and shipment levels in the March quarter," Bagley 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 future market conditions, the prospective demand for and positioning of the Company's products, bookings and shipment projections, the benefits of cost-reduction and outsourcing activities, the impact of current initiatives on the Company's operational and financial performance, and the possibility of future growth in the wafer fab equipment industry. Such statements are based on current expectations and are subject to risks, 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 24, 2001, and the Form 10-Q for the quarter ended September 23, 2001, 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 leading supplier of wafer processing equipment and services to the worldwide semiconductor manufacturing industry. The Company's common stock trades on the Nasdaq National Market under the symbol "LRCX." Lam's World Wide Web address is <http://www.lamrc.com>.

Consolidated Financial Tables to Follow

(Excel versions — [Analysis of Operating Statement Items](#) and [Consolidated Financial Tables](#))

(PDF versions — [Analysis of Operating Statement Items](#) and [Consolidated Financial Tables](#))

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

	Three Months Ended		Six Months Ended	
	Dec 30, 2001	Dec 24, 2000	Dec 30, 2001	Dec 24, 2000
	(unaudited)	(restated and unaudited)	(unaudited)	(restated and unaudited)
Total revenue	\$ 259,173	\$ 384,097	\$ 598,753	\$ 689,128
Cost and expenses:				
Cost of goods sold	193,745	214,066	407,614	386,429
Cost of goods sold - restructuring charges	-	-	7,600	-
Cost of goods sold - Varian settlement	38,780	-	38,780	-
Gross margin	26,648	170,031	144,759	302,699
Research and development	49,734	58,722	96,964	115,253
Selling, general and administrative	43,524	61,996	90,689	114,432
Restructuring charges	33,773	-	47,221	-
Purchased technology for research and development	-	8,000	-	8,000
Operating income (loss)	(100,383)	41,313	(90,115)	65,014
Other income (expense):				
Gain on equity derivative contracts in Lam stock	18,884	-	890	-
Other income (expense), net	(386)	2,926	(571)	7,566
Income (loss) before income tax expense	(81,885)	44,239	(89,796)	72,580
Income tax expense (benefit)	(30,230)	13,270	(29,221)	21,771
Income (loss) before cumulative effect of change in accounting principle	(51,655)	30,969	(60,575)	50,809
Cumulative effect of the application of SAB 101, "Revenue Recognition in Financial Statements", net of \$81,441 related tax benefit	-	-	-	(122,105)
Net income (loss)	\$ (51,655)	\$ 30,969	\$ (60,575)	\$ (71,296)
Net income (loss) per share:				
Basic				
Income (loss) before cumulative effect of change in accounting principle	\$ (0.41)	\$ 0.25	\$ (0.48)	\$ 0.41
Cumulative effect of change in accounting principle, application of SAB 101	\$ -	\$ -	\$ -	\$ (0.99)
Basic net income (loss) per share	\$ (0.41)	\$ 0.25	\$ (0.48)	\$ (0.58)
Diluted				
Income (loss) before cumulative effect of change in accounting principle	\$ (0.41)	\$ 0.24	\$ (0.48)	\$ 0.38
Cumulative effect of change in accounting principle, application of SAB 101	\$ -	\$ -	\$ -	\$ (0.92)
Diluted net income (loss) per share	\$ (0.41)	\$ 0.24	\$ (0.48)	\$ (0.54)
Number of shares used in per share calculation				
Basic	125,674	123,420	125,507	123,949
Diluted	125,674	130,392	125,507	132,063

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 30, 2001 (unaudited)	June 24, 2001 (1)
Assets:		
Cash and short-term investments	\$ 880,134	\$ 864,559
Accounts receivable, net	133,268	248,910
Inventories	185,629	284,757
Other current assets	244,251	178,380
Total current assets	<u>1,443,282</u>	<u>1,576,606</u>
Property and equipment, net	85,510	126,533
Restricted cash	60,800	60,800
Other assets	74,369	107,836
Total assets	<u>\$ 1,663,961</u>	<u>\$ 1,871,775</u>
Liabilities and stockholders' equity:		
5% convertible debenture	\$ 309,763	\$ -
Other current liabilities	315,717	499,684
Total current liabilities	<u>625,480</u>	<u>499,684</u>
5% convertible debenture	-	309,763
Other long-term debt and liabilities	357,984	349,955
Stockholders' equity	680,497	712,373
Total liabilities and stockholders' equity	<u>\$ 1,663,961</u>	<u>\$ 1,871,775</u>

(1) Derived from audited financial statements

LAM RESEARCH CORPORATION
ANALYSIS OF OPERATING STATEMENT ITEMS
(In millions, except per share data)

	Three months ended Dec. 30, 2001		Three months ended Sep. 23, 2001	
	Amount	Income/ (loss) per diluted share	Amount	Income/ (loss) per diluted share
Net income/(loss) reported	\$ (51.7)	\$ (0.41)	\$ (8.9)	\$ (0.07)
Operating statement adjustments:				
(1) Excess and obsolete inventory charge included in cost of goods sold	24.1			
(2) Patent litigation settlement charge included in cost of goods sold	38.8			
(3) Restructuring charges included in cost of goods sold			7.6	
(4) Impaired asset write-downs included in operating expense	9.5			
(5) Restructuring charges included in operating expense	33.8		13.4	
(6) (Gain)/loss on equity derivative contracts in Lam stock * included in other income/expense	(18.9)		18.0	
Subtotal of adjustments	87.3		39.0	
Income tax benefit	(31.9)		(2.1)	
Net income after adjustments	\$ 3.7	\$ 0.03	\$ 28.0	\$ 0.21
Income tax rate	30%		10%	

* Note: There is no tax effect associated with the equity derivative.