

# Lam Research Corporation Announces Fiscal 2002 First Quarter Results

Lam Research Corporation Announces Fiscal 2002 First Quarter Results FREMONT, Calif., October 9, 2001 - Lam Research Corporation (Nasdaq: LRCX) today announced financial results for the quarter ended September 23, 2001. Revenues of \$339.6 million were 7 percent lower than the quarter ended June 24, 2001. Net loss for the quarter was \$8.9 million, or \$0.07 per diluted share including restructuring charges of \$21 million and a non-operating charge of \$18 million to revalue the Company's put and call options in its own stock. This compares to a net loss of \$102.3 million, or \$0.76 per diluted share, in the September 2000 quarter, which included a \$122.1 million charge, net of taxes, for the cumulative effect of applying SAB 101.

Income after tax for the September 2001 quarter, excluding the effect of restructuring charges and the options revaluation, was \$28 million, or \$0.21 per diluted share, compared to income (before the cumulative effect of applying SAB 101) of \$19.8 million, or \$0.15 per diluted share in the corresponding quarter a year ago.

New orders decreased approximately 25 percent when compared to the previous quarter. Regional distribution of new orders for the quarter was as follows: North America, 46 percent; Europe, 19 percent; Japan, 5 percent; and Asia Pacific, 30 percent.

Revenues for the quarter were distributed as follows: North America, 27 percent; Europe, 25 percent; Japan, 10 percent; and Asia Pacific, 38 percent. Shipments for the quarter were approximately \$133 million.

Excluding the effect of restructuring charges, gross margins were 37 percent of revenues compared with 41.5 percent in the June 2001 quarter. Operating expenses, excluding restructuring charges, decreased sequentially by \$7.7 million to \$94.4 million, reflecting the continuing impact of downsizing activities. An income tax rate of 10 percent is expected for fiscal year 2002.

Cash, Short-term Investments and Restricted Cash totaled \$920 million at the end of the quarter. Accounts Receivable and Inventories declined by \$47 million and \$53 million, respectively, from the prior quarter. The 5 percent Convertible Debenture issued in September 1997 is now included in Total Current Liabilities as it is due within the next 12 months.

"Customer reductions in capital commitments continued during the quarter resulting in lower than expected new orders," stated James W. Bagley, chairman and chief executive officer. "We are committed to manage through this cyclical slowdown effectively and have executed several cost-reduction programs."

"Despite the downturn in the wafer fabrication equipment industry, Lam's market position has never been better. We are benefiting from growing customer acceptance of our new products and have won head-to-head technology run-offs at several customers for critical next-generation applications, which include copper and 300 mm. Our strong competitive position stems from demonstrated technical leadership, and the Company should achieve market share gains when growth in capital spending resumes," 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 the company's products, future market share projections, the company's plans and objectives for operations, market opportunities, market share and competitive position. 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, 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>.

"Accounting for the Company's Equity Derivatives Under EITF 00-19" Attached

LAM RESEARCH CORPORATION

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

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LAM RESEARCH CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands)

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Accounting for the Company's Equity Derivatives Under EITF 00-19

In November 2000 the Financial Accounting Standards Board finalized the rules for accounting for derivative financial instruments indexed to and potentially settled in a company's own stock. Under the revised rules Lam must record the fair value of its put and call options on the Balance Sheet. Based on a June 24, 2001 stock price of \$28.50 their value was \$33.1 million which was recorded as a cumulative effect adjustment in the June 2001 Income Statement. It was carried as a long-term asset. The cumulative change did not net out taxes because we believe the option settlement will be non-taxable.

Based on a September 21, 2001 stock price of \$16.64, the value of the derivatives was \$15.1 million. The \$11.86 decline in the price of our stock from June to September 2001 generated an \$18.0 million non-taxable charge to the Other Income and Expense section of the September 2001 Income Statement. The value of the options is now carried in Other Current Assets, as the instruments mature within the next twelve months.

For future quarters, the price of Lam's stock will significantly impact the value of the derivatives which will be re-calculated accordingly, and the change in value will be reported as a gain or loss in Other Income and Expense. Please refer to our Form 10-K, Part II, Item 7a filed on September 17, 2001 with the Securities and Exchange Commission for additional information on these derivatives.

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