

Lam Research Corporation Announces Earnings for the Quarter Ended June 27, 2004

FREMONT, Calif., July 21, 2004--Lam Research Corporation (Nasdaq: LRCX) today announced earnings for the quarter ended June 27, 2004. Revenue for the period was \$329.6 million, and net income was \$52.7 million, or \$0.38 per diluted share, compared to revenue of \$231.1 million and net income of \$19.2 million, or \$0.13 per diluted share, for the March 2004 quarter. Gross margin and operating expenses for the June 2004 quarter were \$159.2 million and \$90.7 million, respectively.

The Company believes the presentation of ongoing results, which excludes certain special items, is useful for analyzing ongoing business trends. This presentation removes the effects of CMP impairment charges, net gains associated with the early retirement of the Company's 4% notes and the related interest rate swap, and prior period expense recognition connected with the Company's outsourcing strategy and consolidation. Tables that provide reconciliations of ongoing performance to results under U.S. Generally Accepted Accounting Principles (GAAP) are included at the end of this press release.

Ongoing net income increased by 159 percent, driven by sequential revenue growth in excess of 42 percent combined with the leverage from the Company's business model. Ongoing gross margin for the June 2004 quarter was 49 percent of revenue due to volume growth, continued expense control, and improved utilization of factory and field resources. In the period, ongoing operating expenses increased to \$90.1 million, primarily due to planned increases in variable compensation and investments in information systems. Ongoing net income of \$51.5 million, or \$0.37 per diluted share, in the June 2004 quarter compares with ongoing net income of \$19.9 million, or \$0.14 per diluted share, for the previous quarter.

Continued growth in capital investment by semiconductor manufacturers resulted in new orders of \$408 million, which represent a 17 percent increase over the prior period. The geographic distribution of new orders as well as revenue is shown in the following table:

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Cash, short-term investments and restricted cash balances totaled \$541.9 million at the end of June. Earnings leverage and the Company's continuing focus on working capital management generated cash flow from operating activities of approximately \$82 million during the quarter. As planned, the Company settled its interest rate swap and repaid its 4% convertible notes in June 2004, two years prior to maturity, resulting in a net cash outlay of \$292.1 million. Deferred revenue and profit balances were \$196.9 million and \$108.4 million, respectively, and backlog was \$402.9 million at the end of the quarter.

"The June quarter's financial results clearly indicate that our business model delivers the performance that we predicted, and this model will maximize our profit and cash generation over the course of an entire cycle," stated James W. Bagley, chairman and chief executive officer of Lam. "The growth in revenue and bookings substantiates the market position gains that we have described throughout the downturn. Our financial achievement and our success in the etch market are the products of outstanding performance by our employees," 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 the benefits of the Company's market position and business model, the Company's ability to maximize profit and cash generation going forward, and the Company's ability to remain successful in the etch market and to continue growth in revenue and bookings.

Such 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 reports on Form 10-K for the year ended June 29, 2003, and the Form 10-Q for the quarter ended March 28, 2004, 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 supplier 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. The Company's World Wide Web address is <http://www.lamrc.com>.

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