

Lam Research Corporation Announces Financial Results for the Quarter Ended December 25, 2011

FREMONT, CA -- (MARKET WIRE) -- 01/25/12 -- Lam Research Corporation's (NASDAQ: LRCX) highlights for the December 2011 quarter were:

Lam Research Corporation

Financial Highlights for the Quarter Ended December 25, 2011

(in thousands, except per share data and percentages)

	U.S. GAAP	Non-GAAP
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Revenue:	\$ 583,981	\$ 583,981
Operating Margin:	8.1%	9.2%
Net Income:	\$ 33,212	\$ 41,013
Diluted EPS:	\$ 0.27	\$ 0.34

Lam Research Corporation today announced financial results for the quarter ended December 25, 2011. Revenue for the period was \$584.0 million, gross margin was \$234.8 million, or 40.2%, operating expenses were \$187.3 million, and net income was \$33.2 million, or \$0.27 per diluted share, compared to revenue of \$680.4 million, gross margin of \$283.9 million, or 41.7%, operating expenses of \$184.5 million, and net income of \$71.8 million, or \$0.58 per diluted share, for the September 2011 quarter. Shipments for the December 2011 quarter were \$563 million compared to \$580 million during the September 2011 quarter.

In addition to U.S. Generally Accepted Accounting Principles (GAAP) results, this commentary contains non-GAAP financial measures. The Company's non-GAAP results for both the December 2011 and September 2011 quarters exclude the amortization of convertible note discounts and certain costs for restructuring and impairments. Additionally, the Company's non-GAAP results for the December 2011 quarter exclude certain acquisition related costs. Management uses non-GAAP gross margin, operating income, operating expenses, operating margin, net income, and net income per diluted share to evaluate the Company's operating and financial results. The Company believes the presentation of non-GAAP results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing the investors' ability to view the Company's results from management's perspective. Tables presenting reconciliations of non-GAAP results to U.S. GAAP results are included at the end of this press release and on the Company's web site at <http://investor.lamresearch.com>.

Non-GAAP net income was \$41.0 million, or \$0.34 per diluted share, in the December 2011 quarter compared to non-GAAP net income of \$78.3 million, or \$0.63 per diluted share, for the September 2011 quarter. Non-GAAP gross margin for the December 2011 quarter was \$234.0 million, or 40.1%, compared to non-GAAP gross margin

of \$283.9 million, or 41.7%, for the September 2011 quarter. The sequential decrease in gross margin was due to both lower factory and field utilization as a result of the decline in business volumes and product mix. Non-GAAP operating expenses for the December 2011 quarter decreased to \$180.4 million compared with the September 2011 quarter of \$182.8 million as a result of reductions in variable compensation associated with the operating income level.

The geographic distribution of shipments and revenue during the December 2011 quarter is shown in the following table:

Region	Shipments	Revenue
North America	19%	18%
Europe	8%	9%
Japan	10%	14%
Korea	37%	34%
Taiwan	18%	17%
Asia Pacific	8%	8%

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$2.4 billion at the end of the December 2011 quarter, compared to \$2.2 billion at the end of the September 2011 quarter. The increase in cash and cash equivalents, short-term investments and restricted cash and investments balances during the quarter was primarily due to operating activities and the cash settlement of a stock repurchase agreement. Cash flows from operating activities were approximately \$169.0 million or 29% of revenue during the December 2011 quarter. Deferred revenue and deferred profit balances at the end of the December 2011 quarter increased to \$191.8 million and \$117.3 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 \$15.5 million as of December 25, 2011.

"Lam delivered solid financial results in the December quarter consistent with expectations, supported by initial leading edge capacity shipments across all segments," said Martin Anstice, Lam's president and chief executive officer. "Throughout 2011, we executed on our long-term growth strategy by investing in the technology and productivity solutions that address our customers' most critical needs and position Lam to solidify and grow its position in etch and single-wafer clean. In addition, as announced in December, we plan to extend our product and services portfolio and leadership in wafer fab equipment via the acquisition of Novellus Systems. We believe that the complementary market positions, technologies, product capabilities and leadership of both companies will provide more comprehensive and faster solutions to our customers and provide improved financial performance for our shareholders," Anstice concluded.

Participants in the Solicitation

The directors and executive officers of Lam Research and Novellus Systems, Inc. ("Novellus," and together with Lam Research and their subsidiaries, the "Merged Company") may be deemed to be participants in the solicitation of proxies in connection with the approval of the proposed merger of Lam Research and Novellus (the "Merger"). Lam Research plans to file the registration statement that includes the joint proxy statement/prospectus with the Securities and Exchange Commission ("SEC") in connection with the solicitation of proxies to approve the proposed transaction. Information regarding Lam Research's directors and executive officers and their respective interests in Lam Research by security holdings or otherwise is available in its Annual Report on Form 10-K filed with the SEC on August 19, 2011 and its Proxy Statement on Schedule 14A filed with the SEC on September 19, 2011. Information regarding Novellus Systems' directors and executive officers and their respective interests in Novellus Systems by security holdings or otherwise is available in its Annual Report on Form 10-K filed with the SEC on February 25, 2011 and its Proxy Statement on Schedule 14A filed with the SEC on April 8, 2011. Additional information regarding the interests of such potential participants is or will be included in the joint proxy statement/prospectus and registration statement, and other relevant

materials to be filed with the SEC, when they become available, including in connection with the solicitation of proxies to approve the proposed transaction and to elect directors.

How to Find Further Information

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger, Lam Research intends to file with the SEC a registration statement on Form S-4 that will include a joint proxy statement of Lam Research and Novellus Systems that also constitutes a prospectus of Lam Research. Lam Research and Novellus Systems will furnish the joint proxy statement/prospectus and other relevant documents to their respective security holders in connection with the proposed merger of Lam Research and Novellus Systems. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, WE URGE SECURITY HOLDERS AND INVESTORS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT LAM RESEARCH AND NOVELLUS SYSTEMS AND THE PROPOSED MERGER. The proposals for the merger will be made solely through the joint proxy statement/prospectus. In addition, a copy of the joint proxy statement/prospectus (when it becomes available) may be obtained free of charge from Lam Research Corporation, Investor Relations, 4650 Cushing Parkway, Fremont, CA 94538-6401, or from Novellus Systems, Investor Relations, 4000 North First Street, San Jose, CA 95134. Security holders will be able to obtain, free of charge, copies of the joint proxy statement/prospectus and S-4 Registration Statement and any other documents filed by Lam Research or Novellus Systems with the SEC in connection with the proposed Merger at the SEC's website at <http://www.sec.gov>, and at the companies' websites at www.LamResearch.com and www.Novellus.com, respectively.

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, the closure of our acquisition of Novellus Systems and the benefits of that acquisition, such as faster customer solutions and better financial performance for our shareholders. Some factors that may affect these forward-looking statements include: the shareholder votes on the planned Novellus acquisition, business conditions in the consumer electronics industry, 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 26, 2011 and the report on Form 10-Q for the three months ended September 25, 2011. 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.

Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Lam Research, Novellus Systems, or the Merged Company, following the implementation of the Merger or otherwise. No statement in this announcement should be interpreted to mean that the earnings per share, profits, margins or cash flows of Lam Research or the Merged Company for the current or future financial years would necessarily match or exceed the historical published figures.

Lam Research Corporation is a major supplier of wafer fabrication equipment and services to the world's semiconductor industry, where the company has been advancing semiconductor manufacturing for more than 30 years. As a technology and market share leader in plasma etch and single-wafer clean, Lam Research is leveraging its combined expertise to address some of today's most advanced semiconductor processing challenges. Headquartered in Fremont, Calif., Lam Research maintains a global network of service facilities throughout North America, Asia, and Europe to meet the complex and changing needs of its global customer base. Lam's common stock trades on The NASDAQ Global Select MarketSM under the symbol LRCX. Lam is a NASDAQ-100[®] company. For more information, visit <http://www.lamresearch.com>.

Consolidated Financial Tables Follow

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data and percentages)

(unaudited)

	Three Months Ended		Six Months Ended		
	December	September	December	December	December
	25,	25,	26,	25,	26,
	2011	2011	2010	2011	2010
Revenue	\$ 583,981	\$ 680,436	\$ 870,714	\$1,264,417	\$1,676,588
Cost of goods					
sold	350,014	396,553	463,281	746,567	891,829
Cost of goods					
sold -					
restructuring					
and asset					
impairments	(859)	-	-	(859)	-
Total costs of					
goods sold	349,155	396,553	463,281	745,708	891,829
Gross margin	234,826	283,883	407,433	518,709	784,759
Gross margin					
as a percent					
of revenue	40.2%	41.7%	46.8%	41.0%	46.8%
Research and					
development	104,024	102,559	90,477	206,583	176,830
Selling, general					
and					
administrative	83,256	80,200	75,852	163,456	147,994
Restructuring and					
impairments	-	1,725	-	1,725	(5,163)

Total
operating
expenses 187,280 184,484 166,329 371,764 319,661

Operating
income 47,546 99,399 241,104 146,945 465,098

Operating
margin as a
percent of
revenue 8.1% 14.6% 27.7% 11.6% 27.7%

Other income
(expense), net (7,785) (12,073) 1,038 (19,858) 59

Income before
income taxes 39,761 87,326 242,142 127,087 465,157

Income tax expense 6,549 15,488 20,286 22,037 49,577

Net income \$ 33,212 \$ 71,838 \$ 221,856 \$ 105,050 \$ 415,580

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Net income per
share:

Basic net income
per share \$ 0.28 \$ 0.58 \$ 1.80 \$ 0.87 \$ 3.37

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Diluted net
income per
share \$ 0.27 \$ 0.58 \$ 1.78 \$ 0.86 \$ 3.32

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Number of shares
used in per share
calculations:

Basic 119,739 123,130 123,101 121,435 123,384

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Diluted 120,873 124,049 124,786 122,382 124,999

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LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

December 25, September 25, June 26,

2011 2011 2011

(unaudited) (unaudited) (1)

ASSETS

Cash and cash equivalents	\$ 1,506,928	\$ 1,339,318	\$ 1,492,132
Short-term investments	712,856	713,087	630,115
Accounts receivable, net	462,243	523,240	590,568
Inventories	373,130	396,301	396,607
Deferred income taxes	78,479	78,330	78,435
Other current assets	79,215	81,740	85,408

Total current assets	3,212,851	3,132,016	3,273,265
Property and equipment, net	272,409	266,411	270,458
Restricted cash and investments	165,217	165,239	165,256
Deferred income taxes	4,184	4,718	3,892
Goodwill and intangible assets	207,568	212,087	216,616
Other assets	115,918	117,870	124,380

Total assets	\$ 3,978,147	\$ 3,898,341	\$ 4,053,867
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LIABILITIES AND STOCKHOLDERS'

EQUITY

Current liabilities	\$ 593,605	\$ 591,981	\$ 680,759
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Long-term debt, convertible notes,

and capital leases	\$ 749,078	\$ 743,252	\$ 738,488
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Income taxes payable	115,616	116,509	113,582
Other long-term liabilities	57,104	56,717	51,193
Stockholders' equity	2,462,744	2,389,882	2,469,845

Total liabilities and			
stockholders' equity	\$ 3,978,147	\$ 3,898,341	\$ 4,053,867
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(1) Derived from audited financial statements

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

Three Months Ended		Six Months Ended		
December	September	December	December	December
25,	25,	26,	25,	26,
2011	2011	2010	2011	2010

CASH FLOWS FROM

OPERATING

ACTIVITIES:

Net income \$ 33,212 \$ 71,838 \$ 221,856 \$ 105,050 \$ 415,580

Adjustments to

reconcile net

income to net

cash provided by

(used for)

operating

activities:

Depreciation and

amortization	22,372	21,360	18,663	43,732	36,611
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Deferred income

taxes	(633)	-	(3,039)	(633)	(3,822)
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Restructuring

and impairment

charges, net	(859)	1,725	-	866	(5,163)
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Equity-based

compensation

expense	18,224	17,744	12,759	35,968	25,768
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Income tax

benefit on

equity-based

compensation

plans	470	659	(918)	1,129	4,165
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Excess tax

benefit on

equity-based

compensation

plans	(204)	(1,951)	711	(2,155)	(3,228)
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Amortization of

convertible

note discount	6,671	6,593	-	13,264	-
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Impairment of

investment	-	1,724	-	1,724	-
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Loss on equity

method

investment	202	-	-	202	-
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Other, net	881	1,423	(1,600)	2,304	(3,564)
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Changes in

operating

assets and

liabilities:	88,680	(34,215)	(62,849)	54,465	(25,020)
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Net cash

provided by

operating

activities	169,016	86,900	185,583	255,916	441,327
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CASH FLOWS FROM

INVESTING

ACTIVITIES:

Capital

expenditures and

intangible assets	(26,682)	(15,732)	(38,025)	(42,414)	(57,155)
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Net

sales/maturities

(purchases) of

available-for-

sale securities	(4,194)	(85,259)	(1,160)	(89,453)	(25,666)
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Purchase of equity

method investment	(10,740)	-	-	(10,740)	-
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Receipt of loan

payments	8,375	-	-	8,375	-
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Proceeds from sale

of assets	2,677	-	1,544	2,677	1,544
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Transfer of

restricted cash

and investments	3	17	-	20	(10)
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Net cash used

for investing

activities	(30,561)	(100,974)	(37,641)	(131,535)	(81,287)
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CASH FLOWS FROM

FINANCING

ACTIVITIES:

Principal payments

on long-term debt

and capital lease

obligations	(1,576)	(1,564)	(78)	(3,140)	(3,411)
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Excess tax benefit					
on equity-based					
compensation					
plans	204	1,951	(711)	2,155	3,228
Net cash received					
in settlement					
(paid in advance					
for) stock					
repurchase					
contracts	51,005	(75,000)	(50,000)	(23,995)	(50,000)
Treasury stock					
purchases	(20,642)	(72,053)	(4,151)	(92,695)	(148,946)
Reissuances of					
treasury stock					
related to					
employee stock					
purchase plan	-	8,858	-	8,858	7,155
Proceeds from					
issuance of					
common stock	1,311	164	3,407	1,475	4,242
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Net cash					
provided by					
(used for)					
financing					
activities	30,302	(137,644)	(51,533)	(107,342)	(187,732)
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Effect of exchange					
rate changes on					
cash	(1,147)	(1,096)	4,370	(2,243)	10,985
Net increase					
(decrease) in					
cash and cash					
equivalents	167,610	(152,814)	100,779	14,796	183,293
Cash and cash					
equivalents at					

beginning of
 period 1,339,318 1,492,132 628,281 1,492,132 545,767

Cash and cash
 equivalents at

end of period \$1,506,928 \$1,339,318 \$ 729,060 \$1,506,928 \$ 729,060

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Reconciliation of U.S. GAAP Net Income to Non-GAAP Net Income

(in thousands, except per share data)

(unaudited)

Three Months Three Months

Ended Ended

December 25, September 25,

2011 2011

U.S. GAAP net income \$ 33,212 \$ 71,838

Pre-tax non-GAAP items:

Restructuring and impairments - cost of

goods sold (859) -

Restructuring and impairments - operating

expenses - 1,725

Acquisition costs - operating expenses 6,860 -

Amortization of convertible note discount -

other income (expense), net 6,671 6,593

Impairment of investment - other income

(expense), net - 1,724

Net tax benefit on non-GAAP items (4,871) (3,615)

Non-GAAP net income \$ 41,013 \$ 78,265

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Non-GAAP net income per diluted share	\$	0.34	\$	0.63
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Number of shares used for diluted per share

calculation	120,873	124,049
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Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating

Income to Non-GAAP Gross Margin,

Operating Expenses and Operating Income

(in thousands, except percentages)

(unaudited)

	Three Months	Three Months
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	Ended	Ended
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	December 25,	September 25,
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	2011	2011
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U.S. GAAP gross margin	\$	234,826	\$	283,883
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Pre-tax non-GAAP items:

Restructuring and impairments - cost of

goods sold	(859)	-
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Non-GAAP gross margin	\$	233,967	\$	283,883
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U.S. GAAP gross margin as a percentage of

revenue	40.2%	41.7%
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Non-GAAP gross margin as a percentage of

revenue	40.1%	41.7%
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U.S. GAAP operating expenses	\$	187,280	\$	184,484
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Pre-tax non-GAAP items:

Restructuring and impairments - operating

expenses	-	(1,725)
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Acquisition costs - operating expenses	(6,860)	-
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Non-GAAP operating expenses \$ 180,420 \$ 182,759

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Non-GAAP operating income \$ 53,547 \$ 101,124

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Non-GAAP operating margin as a percent of

revenue 9.2% 14.9%

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