

# Lam Research Corporation Announces Financial Results for the Quarter Ended March 25, 2012

FREMONT, CA -- (Marketwire) -- 04/18/12 -- Lam Research Corporation's (NASDAQ: LRCX) highlights for the March 2012 quarter were:

## Lam Research Corporation

### Financial Highlights for the Quarter Ended March 25, 2012

(in thousands, except per share data and percentages)

	U.S. GAAP	Non-GAAP
	-----	-----
Revenue:	\$ 658,961	\$ 658,961
Operating Margin:	8.8%	11.1%
Net Income:	\$ 45,604	\$ 60,621
Diluted EPS:	\$ 0.38	\$ 0.50

Lam Research Corporation today announced financial results for the quarter ended March 25, 2012. Revenue for the period was \$659.0 million, gross margin was \$267.1 million, or 40.5%, operating expenses were \$209.0 million, and net income was \$45.6 million, or \$0.38 per diluted share, compared to revenue of \$584.0 million, gross margin of \$234.8 million, or 40.2%, operating expenses of \$187.3 million, and net income of \$33.2 million, or \$0.27 per diluted share, for the December 2011 quarter. Shipments for the March 2012 quarter were \$713 million compared to \$563 million during the December 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 March 2012 and December 2011 quarters exclude the amortization of convertible note discounts and certain acquisition-related costs. Additionally, the Company's non-GAAP results for the March 2012 quarter exclude certain integration-related costs and certain costs associated with a customer bankruptcy filing, and non-GAAP results for the December 2011 quarter exclude certain restructuring and impairment charges. 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 \$60.6 million, or \$0.50 per diluted share, in the March 2012 quarter compared to non-GAAP net income of \$41.0 million, or \$0.34 per diluted share, for the December 2011 quarter. Non-GAAP gross margin for the March 2012 quarter was \$269.8 million, or 40.9%, compared to non-GAAP gross margin of \$234.0 million, or 40.1%, for the December 2011 quarter. Gross margin performance reflected improved factory utilization as a result of greater business volumes offset by less favorable customer mix. Non-GAAP operating expenses for the March 2012 quarter increased to \$196.8 million compared with the December 2011 quarter of \$180.4 million primarily due to increased levels of investment in support of our strategic growth initiatives as well as higher levels of variable compensation, aligned with the improved financial performance.

The geographic distribution of shipments and revenue during the March 2012 quarter is shown in the following table:

Region	Shipments	Revenue
North America	12%	20%
Europe	8%	9%
Japan	7%	7%
Korea	48%	37%
Taiwan	14%	16%
Asia Pacific	11%	11%

Cash and cash equivalents, short-term investments and restricted cash and investments balances were \$2.6 billion at the end of the March 2012 quarter, compared to \$2.4 billion at the end of the December 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 that did not execute. Cash flows from operating activities were approximately \$146.4 million during the March 2012 quarter. Deferred revenue and deferred profit balances at the end of the March 2012 quarter increased to \$246.2 million and \$139.6 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 \$18.5 million as of March 25, 2012.

"Lam began 2012 on a strong note, delivering against our financial commitments for the March quarter while executing against the significant plans which support our strategic growth objectives," stated Martin Anstice, Lam's president and chief executive officer. "We continue to make substantive progress in advancing the capabilities of our core products in etch and single-wafer clean to help our customers address next-generation process challenges. Additionally, we are moving steadily towards the expected completion of our acquisition of Novellus Systems, with integration planning well underway. These activities combine to make calendar 2012 a transformative year for the Company, and we are excited about the opportunities we see ahead."

#### 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 filed a 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, which the SEC declared effective on March 28, 2012. 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 24, 2012, its Annual Report on Form 10-K/A filed with the SEC on March 23, 2012, 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 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.

#### 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 filed with the SEC a registration statement on Form S-4, which the SEC declared effective on March 28, 2012 that includes a joint proxy statement of Lam Research and Novellus Systems and 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 are made solely through the joint proxy statement/prospectus. In addition, a copy of the joint proxy statement/prospectus 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 are 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](http://www.LamResearch.com) and [www.Novellus.com](http://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, the future capabilities of our core products, and the future opportunities for our business. Some factors that may affect these forward-looking statements include: 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; regulatory approvals and shareholder votes related to our merger with Novellus Systems; 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 reports on Form 10-Q for the three months ended September 25, 2011 and December 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 Market<sup>SM</sup> under the symbol LRCX. Lam is a NASDAQ-100<sup>®</sup> 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      Nine Months Ended

December

March 25, 25, March 27, March 25, March 27,

2012    2011    2011    2012    2011

Revenue                    \$ 658,961 \$ 583,981 \$ 809,087 \$1,923,378 \$2,485,675

Cost of goods sold      391,814    350,014    435,068    1,138,381    1,326,897

Cost of goods sold -

restructuring and

impairments                    -    (859)    -    (859)    -

Total costs of

goods sold                    391,814    349,155    435,068    1,137,522    1,326,897

Gross margin                267,147    234,826    374,019    785,856    1,158,778

Gross margin as a

percent of revenue        40.5%    40.2%    46.2%    40.9%    46.6%

Research and

development                113,448    104,024    96,880    320,031    273,710

Selling, general and

administrative                95,581    83,256    80,143    259,037    228,137

Restructuring and

impairments                    -    -    -    1,725    (5,163)

Total operating

expenses	209,029	187,280	177,023	580,793	496,684
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Operating income	58,118	47,546	196,996	205,063	662,094
Operating margin as					
a percent of					
revenue	8.8%	8.1%	24.3%	10.7%	26.6%
Other income (expense),					
net	(3,568)	(7,785)	1,663	(23,426)	1,722
-----					
Income before					
income taxes	54,550	39,761	198,659	181,637	663,816
Income tax expense	8,946	6,549	16,419	30,983	65,996
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Net income	\$ 45,604	\$ 33,212	\$ 182,240	\$ 150,654	\$ 597,820
=====					
Net income per share:					
Basic net income per					
share	\$ 0.38	\$ 0.28	\$ 1.47	\$ 1.25	\$ 4.84
=====					
Diluted net income					
per share	\$ 0.38	\$ 0.27	\$ 1.45	\$ 1.24	\$ 4.78
=====					
Number of shares used					
in per share					
calculations:					
Basic	119,841	119,739	123,674	120,904	123,482
-----					
Diluted	120,956	120,873	125,293	121,830	125,097
-----					

LAM RESEARCH CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

March 25, December 25, June 26,

2012 2011 2011

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(unaudited) (unaudited) (1)

ASSETS

Cash and cash equivalents	\$ 1,410,267	\$ 1,506,928	\$ 1,492,132
Short-term investments	993,696	712,856	630,115
Accounts receivable, net	471,776	462,243	590,568
Inventories	376,126	373,130	396,607
Deferred income taxes	78,719	78,479	78,435
Other current assets	93,325	79,215	85,408

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Total current assets	3,423,909	3,212,851	3,273,265
Property and equipment, net	279,955	272,409	270,458
Restricted cash and investments	165,220	165,217	165,256
Deferred income taxes	-	4,184	3,892
Goodwill and intangible assets	203,276	207,568	216,616
Other assets	120,903	115,918	124,380

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Total assets \$ 4,193,263 \$ 3,978,147 \$ 4,053,867  
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LIABILITIES AND STOCKHOLDERS'

EQUITY

Current liabilities	\$ 651,655	\$ 593,605	\$ 680,759
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Long-term debt, convertible notes,

and capital leases	\$ 755,427	\$ 749,078	\$ 738,488
Income taxes payable	115,570	115,616	113,582
Other long-term liabilities	61,469	57,104	51,193
Stockholders' equity	2,609,142	2,462,744	2,469,845

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Total liabilities and  
stockholders' equity \$ 4,193,263 \$ 3,978,147 \$ 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      Nine Months Ended

-----  
December  
March 25, 25, March 27, March 25, March 27,  
2012    2011    2011    2012    2011  
-----

CASH FLOWS FROM

OPERATING ACTIVITIES:

Net income            \$ 45,604 \$ 33,212 \$ 182,240 \$ 150,654 \$ 597,820

Adjustments to

reconcile net income

to net cash provided

by operating

activities:

Depreciation and

amortization        22,517    22,372    18,176    66,249    54,787

Deferred income

taxes                3,723    (633)    (733)    3,090    (4,555)

Restructuring and

impairment charges,

net                    -    (859)    -    866    (5,163)

Equity-based

compensation

expense              16,417    18,224    12,456    52,385    38,224

Income tax benefit					
on equity-based					
compensation plans	(1,048)	470	15,327	81	19,492
Excess tax benefit					
on equity-based					
compensation plans	(137)	(204)	(11,878)	(2,292)	(15,106)
Amortization of					
convertible note					
discount	6,750	6,671	-	20,014	-
Impairment of					
investment	-	-	-	1,724	-
(Gain) loss on					
equity method					
investment	(208)	202	-	(6)	-
Other, net	1,373	881	746	3,677	(2,818)
Changes in operating					
assets and					
liabilities:	51,406	88,680	25,259	105,871	239
	-----	-----	-----	-----	-----
Net cash provided					
by operating					
activities	146,397	169,016	241,593	402,313	682,920
	-----	-----	-----	-----	-----

CASH FLOWS FROM

INVESTING ACTIVITIES:

Capital expenditures					
and intangible assets	(27,978)	(26,682)	(35,769)	(70,392)	(92,924)
Net sales/maturities					
(purchases) of					
available-for-sale					
securities	(282,225)	(4,194)	(11,068)	(371,678)	(36,734)
Purchase of equity					
method investment	-	(10,740)	-	(10,740)	-
Purchase of other					
investments	-	-	(417)	-	(417)



Receipt of loan					
payments	-	8,375	-	8,375	-
Proceeds from sale of					
assets	-	2,677	-	2,677	1,544
Transfer of restricted					
cash and investments	3	3	(4)	23	(14)
-----					
Net cash used for					
investing					
activities	(310,200)	(30,561)	(47,258)	(441,735)	(128,545)
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CASH FLOWS FROM

FINANCING ACTIVITIES:

Principal payments on					
long-term debt and					
capital lease					
obligations	(1,024)	(1,576)	(1,038)	(4,164)	(4,449)
Excess tax benefit on					
equity-based					
compensation plans	137	204	11,878	2,292	15,106
Net cash received in					
settlement (paid in					
advance for) stock					
repurchase contracts	79,189	51,005	-	55,194	(50,000)
Treasury stock					
purchases	(18,909)	(20,642)	(8,617)	(111,604)	(157,563)
Reissuances of					
treasury stock					
related to employee					
stock purchase plan	7,902	-	6,521	16,760	13,676
Proceeds from issuance					
of common stock	301	1,311	5,980	1,776	10,222
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Net cash provided					
by (used for)					

financing						
activities	67,596	30,302	14,724	(39,746)	(173,008)	
-----						
Effect of exchange						
rate changes on cash	(454)	(1,147)	4,591	(2,697)	15,576	
Net increase						
(decrease) in cash						
and cash equivalents	(96,661)	167,610	213,650	(81,865)	396,943	
Cash and cash						
equivalents at						
beginning of period	1,506,928	1,339,318	729,060	1,492,132	545,767	
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Cash and cash						
equivalents at end of						
period	\$1,410,267	\$1,506,928	\$ 942,710	\$1,410,267	\$ 942,710	
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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
	-----	-----
	March 25,	December 25,
	2012	2011
	-----	-----
U.S. GAAP net income	\$ 45,604	\$ 33,212
Pre-tax non-GAAP items:		
Costs associated with customer bankruptcy		
filing - cost of goods sold	2,610	-
Restructuring and impairments - cost of		
goods sold	-	(859)
Acquisition costs - operating expenses	3,195	6,860

Integration costs - operating expenses	8,441	-
Bad debt and other expenses associated with customer bankruptcy filing - operating expenses	640	-
Amortization of convertible note discount - other income (expense), net	6,750	6,671
Net tax benefit on non-GAAP items	(6,619)	(4,871)

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Non-GAAP net income \$ 60,621 \$ 41,013

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Non-GAAP net income per diluted share \$ 0.50 \$ 0.34

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Number of shares used for diluted per share calculation 120,956 120,873

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  
Ended Ended  
----- -----  
March 25, December 25,  
2012 2011  
----- -----

U.S. GAAP gross margin \$ 267,147 \$ 234,826

Pre-tax non-GAAP items:

Costs associated with customer bankruptcy filing - cost of goods sold	2,610	-
Restructuring and impairments - cost of goods sold	-	(859)

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Non-GAAP gross margin \$ 269,757 \$ 233,967

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U.S. GAAP gross margin as a percentage of  
revenue 40.5% 40.2%

Non-GAAP gross margin as a percentage of  
revenue 40.9% 40.1%

U.S. GAAP operating expenses \$ 209,029 \$ 187,280

Pre-tax non-GAAP items:

Acquisition costs - operating expenses (3,195) (6,860)

Integration costs - operating expenses (8,441) -

Bad debt and other expenses associated with  
customer bankruptcy filing - operating  
expenses (640) -

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Non-GAAP operating expenses \$ 196,753 \$ 180,420

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Non-GAAP operating income \$ 73,004 \$ 53,547

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Non-GAAP operating margin as a percent of  
revenue 11.1% 9.2%

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