

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data and percentages)
(unaudited)

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>March 28,</u> <u>2004</u>	<u>December 28,</u> <u>2003</u>	<u>March 30,</u> <u>2003</u>	<u>March 28,</u> <u>2004</u>	<u>March 30,</u> <u>2003</u>
Total revenue	\$ 231,128	\$ 191,508	\$187,059	\$606,374	\$ 569,148
Cost of goods sold	125,337	105,372	111,838	336,179	342,744
Cost of goods sold - restructuring recoveries	(322)	(1,079)	-	(1,651)	(301)
Total cost of goods sold	125,015	104,293	111,838	334,528	342,443
Gross margin	106,113	87,215	75,221	271,846	226,705
Gross margin as a percent of revenue	45.9%	45.5%	40.2%	44.8%	39.8%
Research and development	42,914	39,078	38,981	120,518	120,102
Selling, general and administrative	37,218	34,141	33,245	105,352	98,319
Restructuring charges, net	1,317	5,948	4,043	8,327	6,096
Total operating expenses	81,449	79,167	76,269	234,197	224,517
Operating income (loss)	24,664	8,048	(1,048)	37,649	2,188
Other income (expense):					
Loss on equity derivative contracts in Company stock	-	-	-	-	(16,407)
Other income, net	877	473	2,110	2,794	4,437
Income (loss) before income taxes	25,541	8,521	1,062	40,443	(9,782)
Income tax expense	6,385	2,130	265	10,110	1,656
Net income (loss)	<u>\$ 19,156</u>	<u>\$ 6,391</u>	<u>\$ 797</u>	<u>\$ 30,333</u>	<u>\$ (11,438)</u>
Net income (loss) per share:					
Basic	<u>\$ 0.14</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.23</u>	<u>\$ (0.09)</u>
Diluted (1)	<u>\$ 0.13</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ 0.22</u>	<u>\$ (0.09)</u>
Number of shares used in per share calculations:					
Basic	<u>133,251</u>	<u>131,020</u>	<u>125,988</u>	<u>130,893</u>	<u>126,110</u>
Diluted (1)	<u>147,365</u>	<u>139,658</u>	<u>129,550</u>	<u>138,527</u>	<u>126,110</u>

(1) The following table provides a reconciliation of the denominator of the basic and diluted computations for net income (loss) per share:

	(in thousands)				
Basic average shares outstanding	133,251	131,020	125,988	130,893	126,110
Employee stock plans	6,958	8,107	3,562	7,238	-
Warrant	479	531	-	396	-
Assumed conversion of convertible subordinated 4% notes	6,677	-	-	-	-
Diluted average shares outstanding	<u>147,365</u>	<u>139,658</u>	<u>129,550</u>	<u>138,527</u>	<u>126,110</u>

Employee stock options, warrant and assumed conversion of convertible 4% and 5% notes were excluded from diluted net income per share calculations for the nine months ended March 30, 2003, because the effect was antidilutive due to the net loss for the period. Employee stock options, warrant and assumed conversion of convertible 4% notes were excluded from diluted net income per share calculations in other periods because the effect would have been antidilutive. Diluted net income per share for the three months ended March 28, 2004, includes the assumed conversion of the convertible 4% notes. Accordingly, interest expense, net of taxes, of \$0.4 million must be added back to net income for computing diluted earnings per share.

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 28, 2004 (unaudited)	December 28, 2003 (unaudited)	June 29, 2003 (1)
Assets:			
Cash, cash equivalents and short-term investments	\$ 633,070	\$ 586,009	\$ 507,413
Accounts receivable, net	179,606	114,811	107,602
Inventories	110,746	98,836	112,016
Other current assets	147,440	142,817	145,745
Total current assets	<u>1,070,862</u>	<u>942,473</u>	<u>872,776</u>
Property and equipment, net	37,477	40,067	48,771
Restricted cash	118,468	118,468	118,468
Other assets	143,887	146,896	158,260
Total assets	<u><u>\$ 1,370,694</u></u>	<u><u>\$ 1,247,904</u></u>	<u><u>\$ 1,198,275</u></u>
Liabilities and stockholders' equity:			
Current liabilities	<u>\$ 300,069</u>	<u>\$ 209,093</u>	<u>\$ 216,982</u>
Long-term debt and other liabilities	\$ 322,944	\$ 322,555	\$ 332,209
Stockholders' equity	<u>747,681</u>	<u>716,256</u>	<u>649,084</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,370,694</u></u>	<u><u>\$ 1,247,904</u></u>	<u><u>\$ 1,198,275</u></u>

(1) Derived from audited financial statements

Reconciliation of U.S. GAAP Net Income to Ongoing Net Income
(in thousands, except per share data and percentages)

	Three Months Ended	
	March 28, 2004	December 28, 2003
U.S. GAAP net income	\$ 19,156	\$ 6,391
Pre-tax restructuring recoveries - cost of goods sold	(322)	(1,079)
Pre-tax net restructuring charges - operating expenses	1,317	5,948
Tax benefit on net restructuring charges	(249)	(1,217)
Ongoing net income	<u>\$ 19,902</u>	<u>\$ 10,043</u>
Ongoing net income per diluted share	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Number of shares used for diluted per share calculation	147,365	139,658
Income tax rate	25%	25%

**Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to
Ongoing Gross Margin, Operating Expenses and Operating Income**
(in thousands)

	Three Months Ended	
	March 28, 2004	December 28, 2003
U.S. GAAP gross margin	\$ 106,113	\$ 87,215
Restructuring recoveries - cost of goods sold	(322)	(1,079)
Ongoing gross margin	<u>\$ 105,791</u>	<u>\$ 86,136</u>
U.S. GAAP operating expenses	\$ 81,449	\$ 79,167
Net restructuring charges - operating expenses	(1,317)	(5,948)
Ongoing operating expenses	<u>\$ 80,132</u>	<u>\$ 73,219</u>
Ongoing operating income	<u>\$ 25,659</u>	<u>\$ 12,917</u>