

# NOVELLUS SYSTEMS REPORTS FIRST QUARTER 2006 RESULTS

SAN JOSE, Calif., April 19, 2006—Novellus Systems, Inc. (Nasdaq: NVLS) today reported net sales and results of operations for its first quarter ended April 1, 2006. Net sales for the first quarter were \$365.9 million, up \$33.6 million or 10.1 percent from the fourth quarter 2005 net sales of \$332.3 million and up \$26.2 million or 7.7 percent from first quarter 2005 net sales of \$339.7 million. Net income for the first quarter was \$26.7 million, or \$0.20 per diluted share, up \$3.7 million or 16.2 percent from the fourth quarter 2005 net income of \$23.0 million, or \$0.17 per diluted share and down \$3.8 million or 12.3 percent from the first quarter 2005 net income of \$30.5 million, or \$0.22 per diluted share.

The first quarter results include net pre-tax restructuring and other charges of \$12.6 million. These charges include net pre-tax restructuring charges of \$3.7 million and a pre-tax impairment charge in connection with the previously announced plan to disinvest certain real estate holdings of \$8.9 million. Also included in the first quarter results is a benefit from the cumulative effect of a change in accounting principle due to the adoption of SFAS 123® of \$0.9 million, net of tax. Without these charges and benefits, net income would have been \$33.5 million, or \$0.25 per diluted share. The fourth quarter 2005 results included pre-tax restructuring and other charges of \$5.9 million. Without these charges, fourth quarter 2005 net income would have been \$26.6 million, or \$0.20 per diluted share. The first quarter 2005 net income of \$30.5 million or \$0.22 per diluted share included no unusual charges or benefits.

Bookings were \$416.7 million in the first quarter, up 18.7 percent over fourth quarter 2005 bookings of \$351.0 million. Shipments of \$354.2 million in the first quarter represent an increase of \$37.6 million or 11.9 percent from \$316.6 million reported in the immediately preceding quarter. Deferred revenue at the end of the quarter was \$131.2 million, a decrease of \$11.8 million or 8.3 percent from \$143.0 million at the end of the fourth quarter of 2005.

The financial measures set forth immediately above that present net income excluding certain charges and benefits, revenue on a shipments basis and bookings, are not in accordance with U.S. generally accepted accounting principles (GAAP). The Company believes that these non-GAAP financial measures provide further insight into the results of operations and enhance the comparability of those results to results in prior periods because they assist shareholder understanding of the effects of certain charges and benefits on the quarter's results.

Cash, cash equivalents, restricted cash and short-term investments as of April 1, 2006 were \$753.9 million, a decrease of \$35.6 million or 4.5 percent from the fourth quarter of 2005 ending balance of \$789.5 million. During the first quarter, approximately \$68.1 million was used to repurchase shares of Novellus common stock.

"We are pleased with our first quarter financial results that demonstrate our success in the market and our focus to improve our financial performance. Earnings per share came in above the high end of the range we communicated in our mid-quarter update as a result of higher revenues and improved gross margins," said Richard S. Hill, chairman and chief executive officer of Novellus Systems, Inc. "We remain cautiously optimistic that capacity expansion in semiconductor manufacturing will continue in a rational manner, and we look forward to further improvements in our financial metrics as the year continues."

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the statements regarding management's (i) belief in our success in the market and focus on improving financial performance; (ii) positive outlook as to continued capacity expansion; and (iii) expectation of further improvements in financial metrics as the year continues, as well as other matters discussed in this news release that are not purely historical data, are forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contemplated by such statements. These risks and uncertainties include, but are not limited to, inaccurate assessment of the performance metrics' usefulness in understanding the Company's ongoing operations; quarterly fluctuations in customer demand and the timing and volume of orders and shipments, whether due to economic and geopolitical conditions, competition, pricing pressures, or other factors; inaccurate projections regarding future capacity expansion in the semiconductor industry; unanticipated economic downturns; weakening demand for

the Company's products; the failure to realize benefits as to cost structure and gross margins from our restructuring activities, and other risks indicated in our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2005, our Current Reports on Form 8-K and amendments to such reports. Forward-looking statements are made and based on information available to us on the date of this press release. We do not assume, and expressly disclaim, any obligation to update this information.

#### About Novellus:

Novellus Systems, Inc., an S&P 500 company, manufactures, markets and services advanced deposition, surface preparation and chemical mechanical planarization equipment for today's advanced integrated circuits. Our products are designed for high-volume production of advanced, leading-edge semiconductor devices at the lowest possible cost. Headquartered in San Jose, Calif., with subsidiaries throughout the United States, as well as in the United Kingdom, France, Germany, the Netherlands, Ireland, Italy, Israel, India, China, Japan, Korea, Malaysia, Singapore and Taiwan, we are a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS). Additional information about Novellus is available on our home page at [www.novellus.com](http://www.novellus.com).

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