NOVELLUS SYSTEMS REPORTS RESULTS FOR THE THIRD QUARTER 2005

SAN JOSE, Calif., October 17, 2005—Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its third quarter ended October 1, 2005. Net sales for the quarter were $338.9 million, up 2.8 percent from $329.6 million in the second quarter of 2005 and down 18.5 percent from the third quarter 2004 net sales of $415.9 million. Net income for the third quarter of 2005 was $23.4 million or $0.17 per diluted share, down $9.8 million or 29.5 percent from the second quarter 2005 net income of $33.2 million or $0.24 per diluted share and down $41.2 million or 63.8 percent from the third quarter 2004 net income of $64.7 million or $0.45 per diluted share.

The third quarter 2005 results include a net $8.6 million pre-tax charge primarily related to the Company's decision to consolidate operations and streamline certain product offerings as announced on August 31, 2005. Included in this charge is a pre-tax inventory write-down of $5.2 million within cost of goods sold. The other pre-tax costs associated with the restructuring were $6.3 million, which were partially offset by a pre-tax reversal of $3.0 million of a previously recorded restructuring accrual. Without these charges, the third quarter 2005 net income would have been $28.7 million, or $0.21 per diluted share. The second quarter 2005 results did not include any significant unusual charges or benefits. A reconciliation of pro forma operating results and GAAP results is included in the financial statements attached below.

The third quarter 2004 results included, in other income, net, a cash receipt of $8.0 million and, in selling, general and administrative expenses, the reversal of $8.1 million previously accrued, both as a result of the settlement of litigation with Applied Materials, Inc. These results also include a pre-tax charge of $2.9 million related to the settlement of litigation with Semitool, Inc. and the reversal of a previously recorded pre-tax restructuring accrual of $0.9 million. Without these net benefits, the net income for the third quarter of 2004 would have been $54.7 million, or $0.38 per diluted share.

Shipments of $316.4 million in the third quarter of 2005 represent a decrease of $31.2 million or 9.0 percent from $347.6 million reported in the second quarter of 2005. Deferred revenue at the end of the third quarter of 2005 was $158.7 million, a decrease of $22.4 million or 12.4 percent from $181.1 million at the end of the second quarter of 2005.

The financial measures set forth above which present net income, excluding unusual charges and benefits, and which present revenue on a shipment basis 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 ongoing operations and enhance the comparison of those results to results in other periods, because they assist management and shareholder understanding of the effect of unusual charges or benefits on the quarter's results and allow comparison to the more traditional shipment method of revenue recognition.

Cash, cash equivalents, restricted cash and short-term investments as of October 1, 2005 were $879.5 million, an increase of $34.6 million or 4.1 percent from the second quarter 2005 ending balance of $844.9 million.

"While we have made our earnings per share targets for the company, it was not achieved while hitting our gross margin targets. Our gross margin suffered because of higher warranty costs, lower absorption of operations overheads and other timing effects. While we are generating improvements in operations they have not yet translated into materially greater gross margin performance," said Richard Hill, chairman and chief executive officer. He continued, "We have a laser focus on execution at this point and have taken steps this quarter to lower our operating costs and improve our margins through product quality improvements and a consolidation of manufacturing facilities. We are committed to improving the profitability of our business and will continue to aggressively review all R&D programs to achieve our goals of increasing our market share and improving shareholder value."

"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 improvements in operations, execution of steps to lower operating costs and improve margins, and achievement of increased market share and improvements in profitability and shareholder value, as well as other matters discussed in this news release that are not purely historical data. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Such risks and uncertainties include, but are not limited to the inability to effect operating efficiencies at the gross margin level or at the operating expense level, the inability to improve product quality and consolidate manufacturing facilities, and other risks indicated in our filings with the Securities and Exchange Commission (SEC). We assume no obligation to update this information. For more details, please refer to our SEC filings, including our Annual Report on Form 10-K and 10K/A for the year ended December 31, 2004, our Quarterly Reports on Form 10-Q and 10Q/A for the quarters ended July 2, 2005 and April 2, 2005, and our Current Reports on Form 8-K.

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, Israel, India, China, Japan, Korea, Malaysia, Singapore and Taiwan, we are a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS) and a component of the Nasdaq-100 Index®. Additional information about Novellus is available on our home page at www.novellus.com.

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