NOVELLUS SYSTEMS REPORTS SECOND QUARTER 2006 RESULTS

SAN JOSE, Calif., July 19, 2006—Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its second quarter ended July 1, 2006. Net sales for the second quarter were $410.1 million, up $44.2 million or 12.1 percent from first quarter 2006 net sales of $365.9 million and up $80.5 million or 24.4 percent from second quarter 2005 net sales of $329.6 million. Net income for the second quarter was $52.7 million, or $0.42 per diluted share, up $28.0 million or 113.2 percent from first quarter 2006 net income of $24.7 million and up $19.5 million or 58.6 percent from second quarter 2005 net income of $33.2 million.

The first quarter results include net pre-tax restructuring and other charges of $12.6 million. Also included in the first quarter results were a charge of $3.3 million for a legal settlement and a benefit of $0.9 million, net of tax, from the cumulative effect of a change in accounting principle due to the adoption of SFAS 123®. Without these charges and benefits, net income for the first quarter would have been $33.5 million, or $0.25 per diluted share. The second quarter results included no such charges or benefits.

Bookings in the second quarter were $457.5 million, up 9.8 percent over first quarter 2006 bookings of $416.7 million. Shipments of $457.3 million in the second quarter represent an increase of $103.2 million or 29.1 percent from $354.2 million reported for the first quarter. Deferred revenue at the end of the second quarter was $178.5 million, an increase of $47.3 million or 36.0 percent from $131.2 million at the end of the first quarter of 2006.

The financial measures set forth 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 July 1, 2006 were $671.1 million, a decrease of $82.8 million or 11.0 percent from the first quarter of 2006 ending balance of $753.9 million. During the second quarter, approximately $171.8 million was used to repurchase shares of Novellus common stock.

"We are pleased with our strong results in Q2, which continue to demonstrate our improving operational and financial performance," said Richard S. Hill, chairman of the board and CEO. "We are also making solid progress in strengthening our product portfolio. At last week's Semicon West show we announced new SABRE Extreme and GAMMA Express products for the 45nm technology node, and have internally qualified a new 45nm barrier-seed process on our INOVA PVD system, which we will now begin to implement with our customers. We are continuing to focus on further improvements in our product portfolio and our financial performance."

"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 (i) our improving operational and financial performance; (ii) our solid progress in our product portfolio; and (iii) implementation of a new 45nm barrier-seed process on our INOVA PVD system; (iv) our expectation of further improvements in our product position and financial performance, 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 our products; unanticipated difficulties associated with implementation of the new 45nm barrier-seed process on our INOVA PVD system; failure of our products to effectively and timely respond to industry developments and customer demands, 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 Quarterly Report on Form 10-Q for the quarter ended April 1, 2006 and 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. (NASDAQ: NVLS) is a leading provider of advanced process equipment for the global semiconductor industry. The company's products deliver value to customers by providing innovative technology backed by trusted productivity. An S&P 500 company, Novellus is headquartered in San Jose, Calif. with subsidiary offices across the globe. For more information please visit www.novellus.com

---

https://newsroom.lamresearch.com/2006-07-19-NOVELLUS-SYSTEMS-REPORTS-SECOND-QUARTER-2006-RESULTS