NOVELLUS SYSTEMS REPORTS THIRD QUARTER 2006 RESULTS

SAN JOSE, Calif., October 17, 2006—Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its third quarter ended September 30, 2006. Net sales for the third quarter were $444.0 million, up $34.0 million or 8.3 percent from second quarter 2006 net sales of $410.1 million, and up $105.2 million or 31.0 percent from third quarter 2005 net sales of $338.9 million. Net income for the third quarter was $70.0 million, or $0.57 per diluted share, up $17.3 million or 32.9 percent from second quarter 2006 net income of $52.7 million, and up $46.6 million or 199.0 percent from third quarter 2005 net income of $23.4 million.

The third quarter 2006 results did not include any unusual charges or benefits. The third quarter 2005 net income would have been $28.7 million, or $0.21 per diluted share, excluding any unusual charges or benefits. The third quarter 2005 results included a pre-tax inventory write-down of $5.2 million within cost of goods sold and $6.3 million of other pre-tax costs associated with the restructuring, partially offset by a pre-tax reversal of $3.0 million of a previously recorded restructuring accrual. A reconciliation of pro forma operating results and U.S. generally accepted accounting principals ("GAAP") results is included in the financial statements below.

Bookings in the third quarter were $470.3 million, up 2.8 percent over second quarter 2006 bookings of $457.5 million. Shipments of $414.2 million in the third quarter represent a decrease of $43.1 million or 9.4 percent from $457.3 million reported for the second quarter 2006. Deferred revenue at the end of the third quarter was $148.6 million, a decrease of $29.8 million or 16.7 percent from $178.5 million at the end of the second 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 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 September 30, 2006 were $807.6 million, an increase of $136.6 million or 20.3 percent from the second quarter of 2006 ending balance of $671.1 million.

"We are pleased with our continued progress to improve our operational and financial results in the third quarter," said Richard S. Hill, chairman of the board and CEO. "Our reported Net Profit after Tax in the third quarter has exceeded our target model of 15%, resulting from the initiatives we have taken to strengthen our product portfolio and improve our financial operating model."

"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 continued progress to improve our operational and financial results and (ii) our initiatives to strengthen our product portfolio and improve our financial operating model, 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; 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 Reports on Form 10-Q for the quarters ended April 1, 2006 and July 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

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