

NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS

SAN JOSE, Calif., January 30, 2008 - Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its fourth quarter and year ended December 31, 2007. Net sales for the fourth quarter were \$363.5 million, down \$29.8 million or 7.6 percent from third quarter 2007 net sales of \$393.3 million, and down \$75.0 million or 17.1 percent from fourth quarter 2006 net sales of \$438.5 million. Net income for the fourth quarter was \$52.9 million, or \$0.47 per diluted share, up \$3.2 million or 6.3 percent from third quarter 2007 net income of \$49.7 million, and up \$10.3 million or 24.2 percent from fourth quarter 2006 net income of \$42.6 million.

Results of operations include net restructuring and other benefits in the fourth quarter 2007 of \$8.0 million, primarily resulting from a gain on the sale of property and buildings in San Jose, California. Also in the fourth quarter 2007, we determined that certain performance conditions impacting the vesting of a portion of our share-based compensation to employees were no longer probable of being met. As a result, we reversed \$8.4 million of previously recognized share-based compensation expense. Fourth quarter 2007 net income without those items would have been \$41.2 million, or \$0.37 per diluted share, on a pro forma basis. The third quarter 2007 results did not include any unusual charges or benefits. Excluding certain unusual charges and benefits, fourth quarter 2006 net income would have been \$79.0 million, or \$0.63 per diluted share, on a pro forma basis. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") for fourth quarter 2007 is included below.

Net sales for fiscal year 2007 were \$1.57 billion, down \$88.5 million or 5.3% compared with net sales of \$1.66 billion in fiscal year 2006. Net income for the year was \$213.7 million or \$1.75 per diluted share, compared with fiscal year 2006 net income of \$190.0 million, or \$1.50 per diluted share.

Fiscal year 2007 results reflect the net restructuring and other benefits noted above. Of the share-based compensation expense that we reversed in the fourth quarter 2007, \$2.4 million was initially recognized in 2006. Fiscal year 2007 net income would have been \$205.8 million, or \$1.69 per diluted share, on a pro forma basis excluding those items. Excluding certain unusual charges and benefits, the fiscal year 2006 net income would have been \$235.3 million, or \$1.86 per diluted share, on a pro forma basis. A reconciliation of pro forma operating results to GAAP for fiscal year 2007 is included below.

Bookings in the fourth quarter were \$343.1 million, up 12.4 percent over third quarter 2007 bookings of \$305.3 million. Shipments of \$363.1 million in the fourth quarter represent a decrease of \$24.8 million or 6.4 percent from \$387.8 million reported for the third quarter 2007. Deferred revenue at the end of the fourth quarter was \$106.7 million, a decrease of \$2.2 million or 2.0 percent from \$108.9 million at the end of the third quarter of 2007.

Cash, cash equivalents, restricted cash and short-term investments as of December 31, 2007 was \$757.8 million, a decrease of \$250.6 million or 24.9 percent from the third quarter 2007 ending balance of \$1.0 billion. During the fourth quarter 2007, we purchased approximately 13.7 million shares of our common stock, at an average price of \$26.68 per share, for \$366.7 million.

Management uses non-GAAP measures to evaluate our operating performance. The presentation of net income excluding certain charges and benefits and discussion of revenue on a shipments basis is not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. We present net income on a pro forma basis, excluding certain charges and benefits, because we believe this helps both management and investors to assess the operating performance of our business by comparing it to prior periods on a more consistent basis. A reconciliation between our GAAP and non-GAAP results is provided in the attached tables. Non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures.

"Our fourth quarter results show continued lowering of our break even level," said Richard S. Hill, Chairman and Chief Executive Officer. "In addition, strong bookings growth for the quarter was achieved thanks to great execution of new product development over the last year."

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, CA with subsidiary offices across the globe. For more information please visit www.novellus.com.

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(1) Amounts include amortization expense (benefit) related to stock options of \$5.1 million and \$20.3 million, employee stock purchase plan of \$0.6 million and \$2.9 million, and restricted stock awards of \$(5.8) million and \$4.9 million for the three and twelve months ended December 31, 2007, respectively. The fourth quarter 2007 includes the reversal of previously recognized expense for stock options and restricted stock awards of \$0.1 million and \$8.3 million, respectively.

(2) Amounts include amortization expense related to stock options of \$5.4 million, employee stock purchase plan of \$0.8 million, and restricted stock awards of \$4.0 million.

(3) Amounts include amortization expense related to stock options of \$5.9 million and \$25.1 million, employee stock purchase plan of \$0.6 million and \$2.4 million, and restricted stock awards of \$2.2 million and \$7.5 million for the three and twelve months ended December 31, 2006, respectively.

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