NOVELLUS SYSTEMS REPORTS THIRD QUARTER RESULTS

SAN JOSE, Calif., October 21, 2009-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its third quarter ended September 26, 2009. Net sales for the third quarter of 2009 were $176.9 million, up $57.7 million or 48.4 percent from second quarter 2009 net sales of $119.2 million, and down $73.2 million or 29.3 percent from third quarter 2008 net sales of $250.1 million. The net loss for the third quarter of 2009 was $4.0 million, or $0.04 per diluted share, $46.0 million less than second quarter 2009 net loss of $50.0 million, or $0.52 per diluted share. Third quarter 2008 net income was $1.4 million, or $0.01 per diluted share.

Third quarter 2009 results of operations include $1.2 million in charges related to the consolidation of manufacturing facilities in our Tualatin, Oregon facility and $1.8 million in additional charges primarily due to reductions in workforce. These charges are offset by several discrete tax items with a net aggregate tax benefit of $1.0 million for the third quarter of 2009. Third quarter 2009 net loss without those items was $2.5 million, or $0.03 per diluted share. Excluding certain charges, second quarter 2009 net loss was $39.3 million, or $0.41 per diluted share, and third quarter 2008 net income was $2.8 million, or $0.03 per diluted share. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") is included below.

Bookings in the third quarter of 2009 were $171.5 million, up $60.4 million or 54.3 percent from second quarter 2009 bookings of $111.2 million. Third quarter 2009 shipments of $165.4 million were up by $45.5 million or 37.9 percent from $120.0 million reported for the second quarter of 2009. Deferred revenue at the end of the third quarter of 2009 was $32.3 million, a decrease of $11.5 million or 26.3 percent from $43.8 million at the end of the second quarter of 2009.

Cash, cash equivalents, and short-term investments as of September 26, 2009 were $483.6 million, an increase of $7.3 million or 1.5 percent from the second quarter 2009 ending balance of $476.3 million. Long-term investments and restricted cash and cash equivalents as of September 26, 2009 were $220.1 million, a decrease of $3.3 million or 1.5 percent from the second quarter 2009 ending balance of $223.4 million. During the third quarter of 2009, we purchased approximately 0.5 million shares of our common stock, at an average price of $20.83 per share, for $10.0 million.

Richard S. Hill, Chairman and Chief Executive Officer said, "This quarter was characterized by strong customer order activity driven by improved fab utilization levels, increased memory prices and demand for PCs and smartphones." Hill added, "The combination of our strong and well-positioned product portfolio, improved customer satisfaction, and our actions to right-size the company are starting to show results. Going forward these factors will have an increasingly positive leverage effect on earnings as business conditions improve."

Management uses non-GAAP measures to evaluate operating performance. The presentation of net income (loss) excluding certain charges and benefits and the discussion of revenue on a shipments basis are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. We present net income (loss) 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 below. Non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures.

"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) the continued combination of our strong and well-positioned product portfolio, improved customer satisfaction and actions to right-size the company; (ii) that such factors will have an increasingly positive leverage effect on our earnings; (iii) that business conditions will improve; and (iv) other matters discussed in this news release that are not purely historical data. 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 (i) our inability to sufficiently reduce and manage our cost structure; (ii) our inability to prevent or predict unexpected cost increases associated with the manufacturing of our products; (iii) our inability to accurately predict our customers' capital spending; (iv) our inability to maintain customer satisfaction; (v) the failure of the economy, or the specific markets in which we operate, to improve; and (vi) 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, 2008, our

Quarterly Report on Form 10-Q for the quarter ended June 27, 2009, 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, CA with subsidiary offices across the globe. For more information please visit www.novellus.com.

(1) The reconciliation of net income (loss), excluding certain charges and benefits is not in accordance with or an alternative for GAAP and may be different from similar measures presented by other companies.
(2) For the three months ended September 26, 2009, there are charges of $1.2 million in cost of sales, $0.8 million in selling, general and administrative, $0.7 million in research and development, $0.3 million in restructuring charges and a net benefit of $1.0 million in provision for (benefit from) income taxes related to discrete items. For the nine months ended September 26, 2009, there are net charges of $8.9 million in cost of sales, $6.9 million in selling, general and administrative, $1.6 million in research and development, $3.6 million in restructuring charges and $18.4 million in the provision for (benefit from) income taxes related to discrete items.
For the three months ended June 27, 2009, there are charges of $7.6 million in cost of sales, $4.5 million in selling, general and administrative, $0.9 million in research and development and $2.9 million in restructuring charges.
For the three months ended September 27, 2008, there are charges of $0.4 million in selling, general and administrative and $1.8 million in restructuring charges. For the nine months ended September 27, 2008, there are charges of $6.5 million in cost of sales, $3.3 million in selling, general and administrative, $4.8 million in research and development and $2.9 million in restructuring charges.
(3) Amount includes reduction in workforce charges of $1.0 million.
(4) Reflects changes in the estimated sublease income for facilities previously included in restructuring charges.
