

NOVELLUS SYSTEMS REPORTS SECOND QUARTER RESULTS

SAN JOSE, Calif., July 11, 2011-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its second quarter ended June 25, 2011. Net sales for the second quarter were \$350.2 million, down \$63.0 million or 15.2 percent from first quarter 2011 net sales of \$413.2 million, and up \$28.8 million or 9.0 percent from second quarter 2010 net sales of \$321.4 million. Net income for the second quarter was \$64.7 million, or \$0.79 per diluted share, down \$31.7 million from first quarter 2011 net income of \$96.4 million, or \$1.04 per diluted share, and up \$1.4 million from second quarter 2010 net income of \$63.3 million, or \$0.66 per diluted share.

Bookings in the second quarter of 2011 were \$311.6 million, down \$103.5 million or 24.9 percent from first quarter 2011 bookings of \$415.1 million. Second quarter shipments of \$359.3 million were down \$17.6 million or 4.7 percent from \$376.9 million in the first quarter 2011.

Cash, cash equivalents, and short-term investments at the end of the second quarter were \$812.4 million, an increase of \$173.9 million or 27.2 percent from the first quarter 2011 ending balance of \$638.5 million. Long-term investments and non-current restricted cash and cash equivalents at the end of the second quarter were \$188.8 million, a decrease of \$8.1 million or 4.1 percent from the first quarter 2011 ending balance of \$196.9 million. On May 10, 2011, we issued \$700.0 million of 2.625% senior convertible notes due May 15, 2041. During the second quarter 2011, we repurchased 18.3 million shares of our common stock at an average price of \$34.19 per share, for \$625.2 million. Cash flows from operations during the second quarter of 2011 were \$95.2 million, up \$11.4 million or 13.6 percent from \$83.8 million in the first quarter of 2011, and down \$9.0 million or 8.6 percent from \$104.2 million in the second quarter of 2010.

Richard S. Hill, Chairman and Chief Executive Officer, said "We're extremely proud to have been voted by our customers as one of the two highest ranked semiconductor capital equipment companies among our peer group in VLSI's 2010 customer satisfaction survey. We achieved this by focusing on the customer experience and continuously improving the technology, productivity and reliability of our tools. We also continue to generate a pipeline of products targeted to our customers' needs with the right mix of technology and productivity, which has resulted in consistent market share gains in both our core semiconductor business and the new market opportunities in advanced wafer level packaging." Hill added, "We intend to drive further gains and revenue growth with the emergence of 3D NAND and advanced logic applications, all of which are essential building blocks required to enable the growth in cloud computing and storage."

The discussion of bookings and shipments is not in accordance with U.S. generally accepted accounting principles (GAAP) and may differ from non-GAAP methods of accounting and reporting used by other companies. Management uses non-GAAP measures to evaluate operating performance. We discuss these non-GAAP measures because we believe these metrics provide additional insight into underlying operating results and prospects for the future, allowing investors to assess certain business trends in the same way that these trends are utilized by management in its financial and operational decision making. Shipments consist of products shipped to customers, without regard to net sales adjustments such as deferrals associated with customer acceptance. Bookings consist of current period orders less current period cancellations and other adjustments. We do not report bookings for systems with delivery dates more than 12 months from the latest balance sheet date. Shipments and bookings are used to forecast and plan future operations. 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 continuous improvement of the technology, productivity and reliability of our tools; (ii) our continued generation of a pipeline of products targeted to our customers' needs with the right mix of technology and productivity; (iii) new market opportunities in advanced wafer level packaging ; and (iv) our intention to drive further gains and revenue growth with the emergence of 3D NAND and advanced logic applications and our belief that they are essential building blocks required to enable the growth in cloud computing and storage. 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) disruptions in the economy or the specific markets in which we operate; (ii) our ability to manage costs of operation; (iii) increased competition from new competitors or current competitors with new products; (iv) our ability to maintain customer satisfaction; (v) our continued efforts in product development; (vi) demand and growth in the semiconductor industry; and (vii) other risks indicated in our filings with the Securities and Exchange Commission, including our Quarterly Report on Form 10-Q for the quarter ended March 26, 2011, 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.

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