

NOVELLUS SYSTEMS REPORTS THIRD QUARTER RESULTS

SAN JOSE, Calif., October 26, 2011-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its third quarter ended September 24, 2011. Net sales for the third quarter were \$306.7 million, down \$43.5 million or 12.4 percent from second quarter 2011 net sales of \$350.2 million, and down \$60.5 million or 16.5 percent from third quarter 2010 net sales of \$367.2 million. Net income for the third quarter was \$51.1 million, or \$0.73 per diluted share, down \$13.6 million from second quarter 2011 net income of \$64.7 million, or \$0.79 per diluted share, and down \$25.2 million from third quarter 2010 net income of \$76.3 million, or \$0.82 per diluted share.

Bookings in the third quarter of 2011 were \$226.9 million, down \$84.7 million or 27.2 percent from second quarter 2011 bookings of \$311.6 million. Third quarter shipments of \$301.6 million were down \$57.7 million or 16.1 percent from \$359.3 million in the second quarter of 2011. (1)

Cash, cash equivalents, and short-term investments at the end of the third quarter were \$736.6 million, a decrease of \$75.8 million or 9.3 percent from the second quarter 2011 ending balance of \$812.4 million. Long-term investments and non-current restricted cash and cash equivalents at the end of the third quarter were \$186.0 million, a decrease of \$2.8 million or 1.5 percent from the second quarter 2011 ending balance of \$188.8 million. During the third quarter of 2011, we repurchased 5.2 million shares of our common stock at an average price of \$29.19 per share, for \$150.6 million. Cash flows from operations during the third quarter of 2011 were \$99.7 million, up \$4.5 million or 4.7 percent from \$95.2 million in the second quarter of 2011, and up \$17.9 million or 21.9 percent from \$81.8 million in the third quarter of 2010.

Richard S. Hill, Chairman and Chief Executive Officer, said "The current global market volatility has affected capital intensive business investment but we are optimistic that the underlying demand for technology products will enable us to profitably ride through this period of uncertainty." Hill added, "We remain confident that our investments in Novellus' core products, and our investments in new technologies to support the enabling processing trends in 3-dimensional NAND, advanced logic, and advanced packaging are the right technologies at the right time. We believe this will allow us to drive revenue growth and profitability for the long term."

"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 belief that the underlying demand for technology products will enable us to profitably ride through this period of uncertainty; (ii) our investments in our core products and in new technologies are the right technologies at the right time, and our belief that this will allow us to drive revenue growth and profitability for the long term; and (iii) our belief in the future of 3-dimensional NAND, advanced logic, and advanced packaging. 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 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and any 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) Bookings and shipments are non-GAAP measures; they are not in accordance with or an alternative for U.S. GAAP (generally accepted accounting principles) and may be different from similar measures used by other companies. For more information regarding non-GAAP measures, please see footnote (2).

The discussion of bookings and shipments and the presentation of gross profit, operating expenses, operating income, income before taxes, provision for income taxes, effective tax rate, net income, and net income per diluted share, set forth in the table above, each excludes certain charges and benefits and are not in accordance with U.S. GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. The non-GAAP financial measures we provide have certain limitations because they do not reflect all of the costs associated with the operation of our business as determined in accordance with GAAP. The non-GAAP measures are in addition to, and not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. We endeavor to compensate for the limitations of these non-GAAP measures by providing GAAP financial statements, descriptions of the reconciling items, and a reconciliation of the non-GAAP measures to the most directly comparable GAAP measures so that investors can appropriately incorporate the non-GAAP measures and their limitations into their analyses.

- (2) Management uses certain non-GAAP measures to evaluate operating performance. We discuss these non-GAAP measures because we believe they 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. Further, we believe the presentation of non-GAAP measures provides investors with additional insight into underlying operating results by excluding certain charges and benefits related to (i) supplier settlements, (ii) consolidation of our IAG manufacturing in Germany, (iii) reductions in workforce, (iv) consolidation of semiconductor manufacturing in Oregon, (v) restructuring charges, and (vi) certain legal expenses. These certain charges and benefits may not be indicative of our ongoing operations or economic performance.

Contacts:
John Hertz
Chief Financial Officer
Novellus Systems, Inc.
Phone: (408) 943-9700

Robin Yim
Investor Relations
Novellus Systems, Inc.
Phone: (408) 943-9700