Novellus Systems Reports First Quarter 2005 Results

SAN JOSE, Calif., April 18, 2005--Novellus Systems, Inc. (Nasdaq: NVLS) today reported its results of operations for its first quarter ended April 2, 2005. Net sales for the first quarter of 2005 were $339.7 million, essentially flat compared to the fourth quarter of 2004 and up 29.2 percent from net sales of $262.9 million in last year's first quarter. Net income for the first quarter of 2005 was $30.5 million or $0.22 per diluted share, down $7.1 million or 18.8 percent from the fourth quarter of 2004 net income of $37.5 million or $0.27 per diluted share and up $13.8 million or 82.7 percent from net income of $16.7 million or $0.11 per diluted share in the first quarter of 2004.

The first quarter of 2005 results included no unusual charges or benefits. The first quarter of 2004 results included a $2.5 million pre-tax charge for a litigation settlement. Without this charge, last year's first quarter net income would have been $18.5 million, or $0.12 per diluted share. The fourth quarter of 2004 results included pre-tax restructuring and other charges of $2.4 million. Without these charges, the fourth quarter of 2004 net income would have been $39.2 million, or $0.28 per diluted share.

Shipments of $360.7 million in the first quarter represent an increase of $25.6 million or 7.6 percent from $335.1 million reported in the immediately preceding quarter. Deferred revenue at the end of the quarter was $161.6 million, an increase of $20.8 million or 14.8 percent from $140.8 million at the end of the fourth quarter of 2004.

The financial measures set forth immediately above that present net income and earnings per share excluding unusual charges and revenue on a shipments basis, are not in accordance with U.S. generally accepted accounting principles (GAAP). The Company believes that these non-GAAP financial measures provide management with comparable performance metrics and provide shareholders with further insight into the results of ongoing operations. Enhancing the comparability of those results to results in other periods assists shareholder understanding of the effects of unusual charges and allow comparisons to revenue recognition on a shipments basis.

Cash, cash equivalents, restricted cash and short-term investments as of April 2, 2005 were $843.9 million, an increase of $79.4 million or 10.4 percent from the fourth quarter of 2004 ending balance of $764.5 million.

"We are pleased that our first quarter financial results met expectations. Earnings per share came in at the high end of the range we communicated in our mid-quarter update," said Richard S. Hill, chairman and chief executive officer of Novellus Systems, Inc. "The business environment is challenging but we remain cautiously optimistic that capacity expansion will continue in a rational manner. We are comfortable with our product portfolio and continue to improve upon our position within the PVD product category."

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:

The statements regarding management's (i) belief in the guidance afforded by and comparability of the performance metrics discussed in this news release; (ii) positive outlook in regard to continued capacity expansion; and (iii) expectation of continued improvement in the PVD product category, as well as other matters discussed in this news release that are not purely historical data, are forward-looking statements. The forward-looking statements involve risks and uncertainties, including, but not limited to, inaccurate assessment of the performance metrics' usefulness in understanding the Company's ongoing operations; inaccurate projections regarding future capacity expansion in the semiconductor industry; unanticipated economic downturns; weakening demand for the Company's products, intensified competition in the PVD market, technical difficulties with and failure to introduce products that can maintain current or capture increased market share in the PVD market, and other risks indicated in our filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. We do not assume, and expressly disclaim, any obligation to update this information. For more details, please refer to our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2004.

About Novellus:

Novellus Systems, Inc., an S&P 500 company, manufactures, markets and services advanced deposition, surface preparation and chemical mechanical planarization equipment for today's advanced integrated circuits. Our products are designed for high-volume production of advanced, leading-edge semiconductor devices at the lowest possible cost. Headquartered in San Jose, Calif., with subsidiaries throughout the United States, as well as in the United Kingdom, France, Germany, the Netherlands, Ireland, Italy, Israel, India, China, Japan, Korea, Malaysia, Singapore and Taiwan, we are a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS) and a component of the Nasdaq-100 Index®. Additional information about Novellus is available on our home page at www.novellus.com.
