Novellus Systems Reports Results For The Second Quarter 2005

SAN JOSE, Calif., July 19, 2005-Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its second quarter ended July 2, 2005. Net sales for the quarter were $329.6 million, down 3.0 percent from $339.7 million in the first quarter of 2005 and down 2.6 percent from the second quarter 2004 net sales of $338.2 million. Net income for the second quarter of 2005 was $33.2 million or $0.24 per diluted share, up $2.8 million or 9.1 percent from the first quarter 2005 net income of $30.5 million or $0.22 per diluted share and down $4.6 million or 12.1 percent from the second quarter 2004 net income of $37.8 million or $0.25 per diluted share.

The second quarter 2004 results included a $6.1 million charge for in-process research and development associated with the acquisition of Angstron Systems, Inc. Without this charge, the second quarter 2004 net income would have been $43.9 million, or $0.29 per diluted share. The first quarter 2005 results did not include any unusual charges or benefits.

Shipments of $347.6 million in the second quarter of 2005 represent a decrease of $13.1 million or 3.6 percent from $360.7 million reported in the first quarter of 2005. Deferred revenue at the end of the second quarter of 2005 was $181.1 million, an increase of $19.5 million or 12.1 percent from $161.6 million at the end of the first quarter of 2005.

The financial measures set forth above which present net income excluding an unusual charge and revenue on a shipment basis, are not in accordance with U.S. generally accepted accounting principles (GAAP). The Company believes that these non-GAAP financial measures provide further insight into the results of ongoing operations and enhance the comparison of those results to results in other periods, because they assist shareholder understanding of the effect of an unusual charge or benefit on the quarter's results and allow comparison to the more traditional shipment method of revenue recognition.

Cash, cash equivalents, restricted cash and short-term investments as of July 2, 2005 were $844.9 million, an increase of $1.0 million or 0.1 percent from the first quarter 2005 ending balance of $843.9 million. During the second quarter of 2005, approximately $69.7 million was used to repurchase shares of Novellus common stock.

"We are pleased with our further gains in PVD and continue to be positive with respect to our market penetration. In addition, we've made meaningful progress on our operational efficiency initiatives as shown in our improved gross margin relative to the first quarter," said Richard Hill, chairman and chief executive officer. He continued, "We believe we are well positioned with a broad product portfolio in a market that is increasingly seeking greater productivity, an area of historical strength for Novellus."

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

The statements regarding (i) continuing market penetration, (ii) our belief that we are well-positioned with a broad product portfolio, (iii) our belief that the market is seeking greater productivity, and (iv) our belief in our ability to increase customer productivity, 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, difficulties in implementing our market penetration strategy, inaccurate assessment of the product needs of semiconductor manufacturers, inaccurate assessment of market product priorities, technical or operational difficulties with our products that negatively impact customer productivity, and other risks indicated in our filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. We assume no 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, our Quarterly Report on Form 10-Q for the quarter ended April 2, 2005, and our Current Reports on Form 8-K filed or furnished April 7, 2005, April 18, 2005, April 29, 2005, and May 5, 2005.

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, 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.
