Novellus Systems Reports Second Quarter 2007 Results

SAN JOSE, Calif., July 16, 2007-Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its second quarter ended June 30, 2007. Net sales for the second quarter were $416.3 million, up $19.4 million or 4.9 percent from first quarter 2007 net sales of $397.0 million and up $6.3 million or 1.5 percent from second quarter 2006 net sales of $410.1 million. Net income for the second quarter was $57.3 million, or $0.45 per diluted share, up $3.6 million or 6.6 percent from first quarter 2007 net income of $53.8 million and up $4.6 million or 8.8 percent from second quarter 2006 net income of $52.7 million.

Bookings in the second quarter were $332.2 million, down 19.4 percent over first quarter 2007 bookings of $412.2 million. Shipments of $436.4 million in the second quarter represent an increase of $47.3 million or 12.2 percent from $389.1 million reported for the first quarter 2007. Deferred revenue at the end of the second quarter was $107.9 million, an increase of $18.5 million or 20.7 percent from $89.4 million at the end of the first quarter 2007.

Cash, cash equivalents, restricted cash and short-term investments as of June 30, 2007 were $1.0 billion, essentially unchanged from the first quarter 2007.

The financial measures set forth above that present revenue on a shipments basis and bookings, are not in accordance with U.S. generally accepted accounting principles (GAAP). We believe that these non-GAAP financial measures provide further insight into the results of operations and enhance the consistency and comparability of those results to results in prior periods because they assist shareholder understanding of the effects of certain charges and benefits on the quarter's results.

"The second quarter revenues and earnings came in as expected, however bookings and shipments have come in at the low end of our guidance as some absorption of excess capacity is taking place. Despite the shortfall on our shipments we have continued to control expenses and have taken preemptive actions to improve operations," said Richard Hill, Chairman of the Board and CEO. "Also, during the quarter we have announced several major new products that are targeted to deliver productivity gains our customers need to compete and win in the Semiconductor Industry."

"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 statements regarding (i) our belief that the non-GAAP financial measures will provide shareholders further insight into the results of operations and enhance the consistency and comparability of those results to results in prior periods and (ii) our belief that the introduction of several major new products will deliver productivity gains our customers need to compete and win in the Semiconductor Industry, as well as other matters discussed in this news release that are not purely historical data, are forward-looking statements. 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, the inability of the non-GAAP measures to provide shareholders further insight into the results of operations and enhance the consistency and comparability of those results to results in prior periods, unforeseen disruptions in production and manufacturing that may impact the introduction of new products into the market which are targeted to deliver productivity gains to our customers; and 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, 2006, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and 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.
