Novellus Systems Reports Third Quarter 2007 Results

SAN JOSE, Calif., October 23, 2007—Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its third quarter ended September 29, 2007. Net sales for the third quarter were $393.3 million, down $23.1 million or 5.5 percent from second quarter 2007 net sales of $416.3 million and down $50.8 million or 11.4 percent from third quarter 2006 net sales of $444.0 million. Net income for the third quarter was $49.7 million, or $0.41 per diluted share, down $7.6 million or 13.3 percent from second quarter 2007 net income of $57.3 million and down $20.3 million or 29.0 percent from third quarter 2006 net income of $70.0 million.

Bookings in the third quarter were $305.3 million, down 8.1 percent from second quarter 2007 bookings of $332.2 million. Shipments of $387.8 million in the third quarter represent a decrease of $48.6 million or 11.1 percent from $436.4 million reported for the second quarter. Deferred revenue at the end of the third quarter was $108.9 million.

Cash, cash equivalents, restricted cash and short-term investments as of September 29, 2007 were $1.0 billion, essentially unchanged from the second quarter.

The presentation of revenue on a shipments basis is not in accordance with U.S. generally accepted accounting principles (GAAP). However, we believe that this non-GAAP financial measure provides further insight into the results of operations and enhances the consistency and comparability of those results to results in prior periods because it assists shareholder understanding of the effects of certain charges and benefits on the quarter's results.

"The results for this quarter were as expected. We continue to control our operating expenses during the current slowdown and to enhance our product portfolio," said Richard S. Hill, Chairman and Chief Executive Officer. "In addition, we continued our stock buyback program throughout the quarter, retiring approximately 5% of the outstanding shares while maintaining a very strong balance sheet. We feel while the industry is currently in a state of flux, we are well positioned for the next upturn."

"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 plan to continue to control our operating expenses during the current slowdown and enhance our product portfolio, (iii) our belief that the semiconductor industry is currently in a state of flux and (iv) our belief that the Company is well positioned for the next upturn, 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 operating costs and our ability to invest in our product portfolio, inability to accurately predict the stability of the semiconductor industry; inability to accurately predict the Company's ability to maximize its position within the semiconductor industry; 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 Reports on Form 10-Q for the quarters ended March 31, 2007 and June 30, 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.
