Novellus Systems Reports First Quarter Results

SAN JOSE, Calif., April 21, 2008-Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its first quarter ended March 29, 2008. Net sales for the first quarter were $314.7 million, down $48.8 million or 13.4 percent from fourth quarter 2007 net sales of $363.5 million, and down $82.3 million or 20.7 percent from first quarter 2007 net sales of $397.0 million. Net income for the first quarter was $15.5 million, or $0.15 per diluted share, down $37.3 million or 70.6 percent from fourth quarter 2007 net income of $52.9 million, and down $38.3 million or 71.1 percent from first quarter 2007 net income of $53.8 million.

First quarter results did not include any unusual charges or benefits in 2007 or 2008. Excluding certain unusual net benefits, fourth quarter 2007 net income was $41.2 million, or $0.37 per diluted share, on a pro forma basis. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") for the fourth quarter of 2007 is included below.

Bookings in the first quarter were $297.0 million, down $46.1 million or 13.4 percent from fourth quarter 2007 bookings of $343.1 million. Shipments of $312.9 million in the first quarter represent a decrease of $50.2 million or 13.8 percent from $363.1 million reported for the fourth quarter of 2007. Deferred revenue at the end of the first quarter was $115.7 million, an increase of $9.0 million or 8.4 percent from $106.7 million at the end of 2007.

Cash, cash equivalents, investments and restricted cash as of March 29, 2008 was $576.4 million, a decrease of $181.5 million or 23.9 percent from the 2007 ending balance of $757.8 million. During the first quarter 2008, we purchased approximately 5.8 million shares of our common stock, at an average price of $23.20 per share, for $135.0 million.

Management uses non-GAAP measures to evaluate operating performance. The presentation of net income excluding certain charges and benefits, and the discussion of revenue on a shipments basis are not in accordance with GAAP and may differ from non-GAAP methods of accounting and reporting used by other companies. We present net income on a pro forma basis, excluding certain charges and benefits, because we believe this helps both management and investors to assess the operating performance of our business by comparing it to prior periods on a more consistent basis. A reconciliation between our GAAP and non-GAAP results is provided in an attached table. Non-GAAP numbers are merely a supplement to, and not a replacement for, GAAP financial measures.

"It's clear that our business environment has grown more difficult to predict over the last quarter," said Richard S. Hill, Chairman and Chief Executive Officer. "Despite the headwinds, we remain focused on right-sizing our operational expenses, committed to the strategic development of our key products, and well positioned to leverage our growth in revenue and earnings when industry conditions improve. We have clearly revitalized our PECVD and Gapfill products, and have seen increasing penetration into both memory and foundry applications."

"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 continued focus on right-sizing our operational expenses, (ii) our commitment to the strategic development of our products and (iii) our belief that we are well positioned to leverage our growth in revenue and earnings when industry conditions improve, 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, inability to sufficiently reduce our operational expenses, inefficiencies in the allocation of funds to our strategic product research and development efforts, inability to increase revenue and earnings, lack of improvement in industry conditions that negatively impact 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, 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.
