Novellus Systems Reports Second Quarter Results

SAN JOSE, Calif., July 14, 2008 — Novellus Systems, Inc. (NASDAQ: NVLS) today reported net sales and results of operations for its second quarter ended June 28, 2008. Net sales for the second quarter were $257.7 million, down $57.0 million or 18.1 percent from first quarter 2008 net sales of $314.7 million, and down $158.6 million or 38.1 percent from second quarter 2007 net sales of $416.3 million. Net loss for the second quarter was $2.4 million, or $0.02 per share, down $17.9 million from first quarter 2008 net income of $15.5 million, and down $59.7 million from second quarter 2007 net income of $57.3 million.

The second quarter 2008 results of operations include $13.6 million of impairment and severance charges as a result of strategic decisions to focus on our core products and reduce our cost structure going forward. Of these charges, $6.5 million are in cost of sales, $4.3 million are in research and development and $2.8 million are in selling, general and administrative. Second quarter 2008 net income without those items was $6.2 million or $0.06 per diluted share. Excluding certain unusual charges, first quarter 2008 and second quarter 2007 net income were $15.9 million and $57.5 million, respectively, or $0.16 and $0.45 per diluted share, respectively. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") is included below.

Bookings in second quarter 2008 were $234.6 million, down $62.4 million or 21.0 percent from first quarter 2008 bookings of $297.0 million. Shipments of $240.3 million in second quarter 2008 decreased by $72.5 million or 23.2 percent from $312.9 million reported for the first quarter of 2008. Deferred revenue at the end of the second quarter was $95.7 million, a decrease of $20.0 million or 17.3 percent from $115.7 million at the end of the first quarter of 2008.

Cash, cash equivalents, investments and restricted cash as of June 28, 2008 were $708.7 million, an increase of $132.4 million or 23.0 percent from the first quarter 2008 ending balance of $576.4 million. During the second quarter 2008, we purchased approximately 0.5 million shares of our common stock, at an average price of $21.97 per share, for $10.0 million.

Management uses non-GAAP measures to evaluate operating performance. The presentation of net income excluding certain charges, 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, 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.

"We viewed these challenging business conditions as an opportunity to improve our operational excellence, continue execution of our product strategies, and capitalize on the market transition toward higher productivity mega-fabs aimed at lowering manufacturing costs for our customers," said Richard S. Hill, Chairman and Chief Executive Officer. "We have introduced products over the last year which dovetail with these developing industry trends and while market share gains have been muted due to the cyclical downturn, we expect the gains will be magnified when we emerge from this current cycle."

"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 plans to improve our operational excellence, continue to execute our product strategies and capitalize on the market transition toward higher productivity mega-fabs aimed at lowering manufacturing costs for our customers and (ii) our expectation that future gains due to the introduction of new products will be magnified when we emerge from the current market cycle, 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, unforeseen disruptions in production and manufacturing that may impact operational costs, inability to accurately predict the Company's ability to maximize its position within the semiconductor industry, and 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.

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