NOVELLUS SYSTEMS REPORTS THIRD QUARTER RESULTS

SAN JOSE, Calif., October 15, 2008-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its third quarter ended September 27, 2008. Net sales for the third quarter were $250.1 million, down $7.6 million or 3.0 percent from second quarter 2008 net sales of $257.7 million, and down $143.2 million or 36.4 percent from third quarter 2007 net sales of $393.3 million. Net income for the third quarter was $1.4 million, or $0.01 per diluted share, up $3.8 million from second quarter 2008 net loss of $2.4 million, or ($0.02) per diluted share, and down $48.3 million from third quarter 2007 net income of $49.7 million, or $0.41 per diluted share. Third quarter 2008 net income and net income per share were impacted by a 14.1 point increase in our 2008 annual forecasted effective tax rate.

Third quarter 2007 and 2008 results did not include any significant unusual charges or benefits. Excluding certain unusual charges, second quarter 2008 net income was $6.2 million or $0.06 per diluted share. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") is included below.

Bookings in third quarter 2008 were $202.8 million, down $31.9 million or 13.6 percent from second quarter 2008 bookings of $234.6 million. Shipments of $230.2 million in third quarter 2008 decreased by $10.2 million or 4.2 percent from $240.3 million reported for the second quarter of 2008. Deferred revenue at the end of the third quarter was $70.8 million, a decrease of $24.9 million or 26.0 percent from $95.7 million at the end of the second quarter of 2008.

Cash, cash equivalents, and short-term investments as of September 27, 2008 were $455.3 million, an increase of $26.5 million or 6.2 percent from the second quarter 2008 ending balance of $428.8 million. Restricted cash and long-term investments as of September 27, 2008 were $247.3 million, a decrease of $32.6 million or 11.7 percent from the second quarter 2008 ending balance of $279.9 million. During the third quarter of 2008, we purchased approximately 1.4 million shares of our common stock, at an average price of $21.01 per share, for $28.8 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.

Richard S. Hill, chairman and chief executive officer said, "Unfortunately, the current economic climate will adversely affect our performance over the next several quarters. We plan to weather this downturn by continuing to lower our cash breakeven level and to shore up an already solid and strong balance sheet. These efforts will enable Novellus to pursue our product and market share strategies during these challenging and difficult times."

"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 belief that the current economic climate will adversely affect our performance over the next several quarters, (ii) our plan to weather the downturn by continuing to lower our cash breakdown level and to shore up an already solid and strong balance sheet, and (iii) our belief that our efforts will allow us to pursue our product and market share strategies during these challenging and difficult times, 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 accurately predict global economic conditions and their effect on the Company's performance beyond the next several quarters, inability to sufficiently reduce our operational expenses and maintain our current cash breakeven level, 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, our Quarterly Reports on Form 10-Q for the quarters ended March 29, 2008 and June 28, 2008, respectively, 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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