NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS

SAN JOSE, Calif., February 4, 2009-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its fourth quarter and year ended December 31, 2008. Net sales for the fourth quarter of 2008 were $188.5 million, down $61.6 million or 24.6 percent from third quarter 2008 net sales of $250.1 million, and down $175.0 million or 48.2 percent from fourth quarter 2007 net sales of $363.5 million. The net loss for the fourth quarter of 2008 was $130.3 million, or $1.36 per diluted share, down $131.6 million from third quarter 2008 net income of $1.4 million, or $0.01 per diluted share, and down $183.1 million from fourth quarter 2007 net income of $52.9 million, or $0.47 per diluted share.

Fourth quarter 2008 results of operations include a non-cash impairment charge of $99.5 million to reduce the carrying value of goodwill within our Industrial Applications Group. The goodwill impairment charge is based on our current best estimate. If there is a change to our current estimate, it will be reflected in the year ended December 31, 2008 financial statements included in Form 10-K, which is anticipated to be filed on or before March 2, 2009. In addition to the goodwill impairment charge, the fourth quarter 2008 results include $15.7 million of other net charges consisting of $12.2 million comprised primarily of severance payments and asset impairments as a result of actions to align our business with the current economic environment and a $3.5 million other-than-temporary impairment charge related to our investments in auction-rate securities. Fourth quarter 2008 net loss without those items was $20.0 million or $0.21 per diluted share. Excluding certain charges and benefits in the periods, third quarter 2008 and fourth quarter 2007 net income was $2.8 million and $41.6 million, respectively, or $0.03 and $0.37 per diluted share, respectively. A reconciliation of pro forma operating results to U.S. generally accepted accounting principles ("GAAP") is included below.

Net sales for fiscal year 2008 were $1.01 billion, down $559.0 million or 35.6 percent from net sales of $1.57 billion in fiscal year 2007. The net loss for the year was $115.7 million or $1.18 per diluted share compared with fiscal year 2007 net income of $213.7 million or $1.75 per diluted share.

Fiscal year 2008 results include $133.2 million of other net charges. Fiscal year 2008 net income would have been $7.1 million or $0.07 per diluted share excluding those items. Excluding certain net benefits, the fiscal year 2007 net income would have been $207.3 million or $1.70 per diluted share. A reconciliation of pro forma operating results to U.S. GAAP is included below.

New bookings in the fourth quarter of 2008 were $127.5 million, down $88.2 million and 40.9 percent from third quarter 2008 new bookings of $215.7 million. In addition, we recorded an adjustment to reduce backlog by $44.9 million. Backlog at the end of the fourth quarter of 2008 was $188.3 million, down $166.2 million from the end of the fourth quarter of 2007. Fourth quarter 2008 shipments of $175.6 million decreased by $54.6 million or 23.7 percent from $230.2 million reported for the third quarter of 2008. Deferred revenue at the end of the fourth quarter of 2008 was $56.3 million, a decrease of $13.9 million or 19.8 percent from $70.2 million at the end of the third quarter of 2008.

Cash, cash equivalents, and short-term investments as of December 31, 2008 were $470.9 million, an increase of $15.6 million or 3.4 percent from the third quarter 2008 ending balance of $455.3 million. Restricted cash and long-term investments as of December 31, 2008 were $211.6 million, a decrease of $35.7 million or 14.4 percent from the third quarter 2008 ending balance of $247.3 million. During the fourth quarter of 2008, we purchased approximately 1.3 million shares of our common stock, at an average price of $14.41 per share, for $19.2 million.

Richard S. Hill, chairman and chief executive officer said, "It is clear from these results the semiconductor industry and Novellus are experiencing unprecedented challenges. There is great uncertainty in the outlook for the worldwide economy, which is out of our control. Therefore, our focus will remain on the factors within our control, such as the major cuts we've made in our cost structure which will continue as required in response to market conditions. At the same time, we will continue to improve our product quality and growth potential for the long term. These financial results do not represent a normal operating mode for Novellus. Our challenge going forward is to balance reductions in operating cost while remaining prepared for the growth opportunities that will surely follow this very severe downturn. Our balance sheet will give us the latitude and support to work through this difficult period and enable us to maximize shareholder returns for the future."

Management uses non-GAAP measures to evaluate operating performance. The presentation of net income (loss) 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 (loss) 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.

"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 plan to continue to implement major cuts in our cost structure in response to market conditions, (ii) our plan to continue to improve our product quality and growth potential for the long term, (iii) our belief that growth opportunities will follow this very severe economic downturn, and (iv) our belief that our balance sheet will give the Company the latitude and support to work through this difficult period and enable the Company to maximize shareholder returns for the future, 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, our inability to allocate necessary funds to research and development efforts to improve our product quality in order to maximize our potential growth in the long term; our inability to accurately predict the duration of the economic downturn; our inability to maintain and maximize our position in the semiconductor industry; our inability to sufficiently reduce our cost structure and maintain our current cash breakeven level; unexpected decreases in cash and other assets of the Company coupled with an unexpected increase in liabilities could negatively impact shareholder returns; 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, June 28, 2008 and September 27, 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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