NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS

SAN JOSE, Calif., February 3, 2010-Novellus Systems, Inc. (NASDAQ: NVLS) today reported operating results for its fourth quarter and year ended December 31, 2009. Net sales for the fourth quarter were $244.2 million, up $67.3 million or 38.1 percent from third quarter 2009 net sales of $176.9 million, and up $55.7 million or 29.6 percent from fourth quarter 2008 net sales of $188.5 million. Net income for the fourth quarter was $35.2 million, or $0.36 per diluted share, up $39.2 million from the third quarter 2009 net loss of $4.0 million, or $0.04 per diluted share, and up $165.4 million from the fourth quarter 2008 net loss of $130.3 million, or $1.36 per diluted share.

Fourth quarter 2009 results of operations include $2.5 million in charges related to the consolidation of manufacturing facilities in our Tualatin, Oregon facility and $1.0 million in additional charges primarily due to reductions in workforce. Fourth quarter 2009 net income without those items was $38.2 million or $0.39 per diluted share. Excluding certain charges and benefits, third quarter 2009 and fourth quarter 2008 net loss was $2.5 million and $20.0 million, respectively, or $0.03 and $0.21 per diluted share, respectively. A reconciliation of non-GAAP operating results to U.S. generally accepted accounting principles ("GAAP") is included below.

Net sales for fiscal year 2009 were $639.2 million, down $371.8 million or 36.8 percent from net sales of $1.01 billion in fiscal year 2008. The net loss for the year was $85.2 million or $0.88 per diluted share compared with fiscal year 2008 net loss of $115.7 million or $1.18 per diluted share.

Fiscal year 2009 results include $42.9 million of other charges. Fiscal year 2009 net loss was $49.1 million or $0.51 per diluted share excluding those items. Excluding certain charges and benefits, fiscal year 2008 net income was $7.1 million or $0.07 per diluted share. A reconciliation of non-GAAP operating results to U.S. GAAP is included below.

Bookings in the fourth quarter were $257.6 million, up $86.1 million and 50.2 percent from third quarter 2009 bookings of $171.5 million. Shipments of $244.5 million in fourth quarter 2009 increased by $79.0 million or 47.8 percent from $165.4 million reported for the third quarter of 2009. Deferred revenue at the end of the fourth quarter was $35.9 million, an increase of $3.6 million or 11.1 percent from $32.3 million at the end of the third quarter of 2009.

Cash, cash equivalents, and short-term investments as of December 31, 2009 were $501.4 million, an increase of $17.8 million or 3.7 percent from the third quarter 2009 ending balance of $483.6 million. Long-term investments and restricted cash and cash equivalents as of December 31, 2009 were $211.9 million, a decrease of $8.3 million or 3.8 percent from the third quarter 2009 ending balance of $220.1 million. During the fourth quarter of 2009, we purchased approximately 0.6 million shares of our common stock, at an average price of $20.76 per share, for $13.1 million.

Richard S. Hill, Chairman and Chief Executive Officer said, "I'm pleased to report that efforts to restore our business model have paid off, and we ended a very difficult year with solid financial performance in the fourth quarter. Our increased operating leverage will enable us to drive for greater profitability cycle to cycle." Hill also added, "We believe the continued momentum behind the recovery in our industry is sustainable, as it is based on the return of fundamental end market demand drivers similar to the ones we saw a decade ago. While the future is never certain, we expect to see continued growth in semiconductor demand, which ultimately drives our business. This demand is being fueled by a worldwide acceleration of information technology infrastructure expansion, including the adoption of Windows 7, massive government spending worldwide to enhance security around the globe, and the rise of the Chinese consumer (who is forecasted to spend nearly four times as much on electronics as the U.S. or European consumer over the next five years). Technology has consistently been a key driver for improvement in the quality of life around the globe, and we believe there is no end in sight to the application of semiconductors to help achieve this goal."

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 non-GAAP 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 below. 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 belief that our increased operating leverage will enable the Company to drive for greater profitability cycle to cycle, (ii) our belief that the continued momentum behind recovery in the semiconductor industry is sustainable, (iii) our expectation to see continued growth in semiconductor demand, which ultimately drives our business, (iv) our belief that the application of semiconductors is a key driver for improvement in the quality of life around the globe, and that there is no end in sight to the application of semiconductors to help achieve this goal, and (v) the various factors that we believe are contributing to and fueling the increased semiconductor demand, 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 accurately predict global economic conditions and their effect on the Company's performance, our inability to sufficiently reduce our operational expenses and maintain our current cash breakeven level, our inability to accurately predict the return of fundamental end market demand drivers, the lack of improvement in industry conditions that negatively impact the semiconductor industry, our inability to accurately predict growth patterns for consumer demand for integrated circuits and electronic products which use them, our 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, 2008, our Quarterly Reports on Form 10-Q for the quarters ended March 28, 2009, June 27, 2009 and September 26, 2009, 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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