NOVELLUS SYSTEMS REPORTS FIRST QUARTER RESULTS

NOVELLUS SYSTEMS REPORTS FIRST QUARTER RESULTS

San Jose, Calif. -- Apr. 20, 1998 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its first quarter ended March 28, 1998. Net sales for the quarter were $163.2 million, an increase of 61 percent over first quarter 1997 net sales of $101.7 million. Net income of $21.0 million or $0.60 per share was recorded for the quarter, an increase of 35 percent as compared to the first quarter 1997 net income of $15.6 million or $0.46 per share. The per share amounts are stated on a diluted basis and are adjusted for the 2-for-1 split that was announced on September 22, 1997 and was effective on October 13, 1997.

Cash and short term investments at March 28, 1998 were $100.7 million, up 3 percent over year-end 1997 balances of $98.1 million. Bookings fell short of achieving a 1:1 book to bill ratio for the first quarter of 1998.

Robert Smith, Executive Vice President and CFO noted, "While Novellus experienced an expected slowdown in new orders and sequentially flat net sales over the prior quarter, we were pleased that we were able to generate a positive cash flow during the quarter. With the current uncertainty surrounding the semiconductor capital equipment industry, we will continue to control S,G&A expenditures and prudently manage assets while continuing our strong commitment to invest in research and development."

Richard Hill, Chairman and CEO said, "Given the current industry-wide slowdown, I am pleased with our result of sequentially flat net sales for the quarter. As the slowdown continues, however, I am cautious in my expectations for net sales and net income over the next two quarters."

Hill continued, "The long-term growth potential for the thin film deposition market continues to be good. In the short term, however, our new product developments will have to help dampen the effect of the slowdown. Fortunately, our patented SPEED High Density Plasma (HDP) solution for sub-0.35 micron inter-metal dielectric applications has attained a reputation for high reliability, superior film quality and cost of ownership performance since its introduction in 1996. The market leadership of SPEED has been extended by our recent announcement of a unique fluorine-doped process for advanced logic devices in production. Our engineers and scientists have not stopped there as we have expanded the SPEED product into the Shallow Trench Isolation (STI) market, demonstrating the cost-effective fill of 0.12 micron trenches at five-to-one aspect ratios. Our Concept Two Sequel continues to expand its process portfolio as well, with the introduction of PEARL^{TM}, a plasma-enhanced anti-reflective layer targeted at extending i-line and deep UV lithography. "

"Our PVD acquisition completed in June 1997 has also contributed to our success," Hill added. "Our new INOVA platform has been seen to produce superior advanced barrier and aluminum fill capability for sub-0.35 micron geometries."

Hill also noted, "Going forward, our continuing commitment to investment in new product development will be a key for providing growth for our Company's shareholders and customers. At Semicon West in July, Novellus will introduce advanced products to enable the transition to dual damascene copper processing, maintaining our position as the industry innovation leader."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the uncertainty surrounding the semiconductor capital equipment industry, (ii) the Company's ability to control certain expenditures, (iii) the long-term growth prospects for the thin film deposition market, (iv) the Company's ability to lead market transitions in sub-0.35 micron and dual damascene copper processing, (v) the anticipated growth resulting from investment in new product development, (vi) the introduction of dual damascene copper processing products, and (vii) the Company's ability to continue to invest in new product development, as well as other matters discussed in the news release that are not purely historical data, are forward-looking statements. The forward-looking statements involve risks and uncertainties including, but not limited to, a possible continuing slowdown in new orders and the inability of the Company's product development efforts to continue its position as an industry leader in deposition technologies, and other risks indicated in filings with the Securities and Exchange Commission (SEC). Actual results may differ materially. Novellus assumes no obligation to update this information. For more details, please refer to Novellus' SEC filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

Novellus Systems, Inc. manufactures, markets, and services advanced automated wafer fabrication systems for the deposition of thin films. Novellus deposition systems are designed for high-volume production of advanced semiconductors at the lowest overall cost. The Company's stock trades on the Nasdaq Stock Market's National Market under the symbol "NVLS". Additional information about the company is available on the Novellus Systems home page on the World Wide Web, located at http://www.novellus.com.

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Three Months Ended	
	28-March	29-March
	1998	1997
Net Sales	$163,214	$101,628
Cost of Sales	73,283	45,732
Gross Profit	89,931	55,896
Operating Expenses		
Research and Development	30,872	16,842
Selling, General and Administrative	27,348	17,531
Total Operating Expenses	58,220	34,373
Income from Operations	31,711	21,523
Interest Income, Net	31	2,133
Income before Income Taxes	31,742	23,656
Provision for Income Taxes	10,792	8,043

Net Income	$20,950	$15,613
Basic Net Income (Loss) Per Share	$0.62	$0.48
Diluted Net Income (Loss) Per Share	$0.60	$0.46
Shares Used in Basic Calculation	33,816	32,760
Shares Used in Diluted Calculation	34,857	34,274

Note: the earnings per share amounts have been adjusted for the 2-for-1 split effective October 1997

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)					

	March 28, 1998	December 31, 1997
Assets		
Current Assets:		
Cash and Short-Term Investments	$100,660	$98,089
Accounts Receivable, Net	183,396	133,925
Inventories	84,924	82,133
Deferred Taxes and Other Current Assets	37,588	36,862
Total Current Assets	406,568	351,009
Property and Equipment, Net	99,671	93,340
Other Assets	47,353	48,951
Total Assets	$553,592	$493,300
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts Payable	$52,857	$22,865
Short-Term Obligations	11,643	11,652

Other Accrued Liabilities	99,721		92,782	
Total Current Liabilities	164,221		127,299	
Long Term Debt	65,000		65,000	
Total Liabilities	229,221		192,299	
Shareholders' Equity:				
Common Stock	157,271		154,167	
Retained Earnings and Accumulated Other Comprehensive Income	167,100		146,834	
Total Shareholders' Equity	324,371		301,001	
Total Liabilities and Shareholders Equity	$553,592		$493,300	

---

https://newsroom.lamresearch.com/1998-04-20-NOVELLUS-SYSTEMS-REPORTS-FIRST-QUARTER-RESULTS