NOVELLUS SYSTEMS REPORTS RESULTS FOR THIRD QUARTER 2002

SAN JOSE, Calif., Oct. 15, 2002-Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported results for its third quarter ended September 28, 2002. Net sales for the quarter were $230.5 million, down 24.1 percent from $303.7 million in the third quarter of 2001, and up 3.8 percent from $222.1 million for the second quarter of 2002. Net income for the third quarter of 2002 was $4.1 million or $0.03 per diluted share, compared to a $(0.10) loss per diluted share in the third quarter of 2001, and down 62.5 percent from $0.08 per diluted share in the second quarter of 2002. Excluding a special charge totaling approximately $17.0 million, pre-tax, for the unamortized issuance cost related to the retirement of $880.0 million Liquid Yield Option™ Notes (LYONs®) and the recognition of a $5.0 million benefit for income taxes, net income would have been $16.1 million or $0.11 per diluted share.

Shipments of $250.6 million in the third quarter of 2002 represent an increase of 3.8 percent compared to $241.4 million reported in the second quarter of 2002. Deferred revenue at the end of the third quarter increased 14.7 percent to $156.7 million, from $136.6 million in the second quarter of 2002, primarily due to increased shipments in the third quarter of 2002.

Restricted and unrestricted cash and short-term investments at September 28, 2002, were $924.7 million, a decrease of 49.0 percent or $889.5 million from the second quarter 2002 balance of $1,814.2 million. The reduction in restricted short-term investments is due to the retirement of the LYONs in the quarter. Unrestricted cash and short-term investments decreased by $17.2 million from the prior quarter due to the combined effect of open market repurchases of Novellus common stock totaling $62.7 million offset by positive cash generated from operations which included $49.5 million from an income tax refund.

Richard S. Hill, chairman and chief executive officer, said, "The weak macroeconomic conditions and anemic demand have had a negative impact on our business in the second half of the year. Despite the economic malaise and resulting slowdown in demand from our customers, we remain committed to profitability and more importantly, generating cash from operations."

Additionally, Hill stated, "During the quarter, we announced the pending acquisition of SpeedFam-IPEC, Inc., which we believe will strengthen our leading position in copper. This strategic acquisition will enable us to come out of the cycle as one of the best positioned companies in the copper interconnect market."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) Novellus' commitment to profitability and generating cash from operations, (ii) strengthening Novellus' leading position in copper, and (iii) Novellus' ability to come out of the cycle as one of the best positioned companies in the copper interconnect market, as well as other matters discussed in this 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, weak economic conditions and decreased demand from customers, a slowdown in the move toward copper interconnects, and other risks indicated in our filings with the Securities and Exchange Commission (SEC). Actual results could differ materially from those set forth in the forward-looking statements. Novellus assumes no obligation to update this information. For more details relating to risks and uncertainties that could cause actual results to differ from those anticipated in our forward-looking statements, and risks to Novellus' business in general, please refer to Novellus' SEC filings, including its most recent Annual Report on Form 10-K for the year ended December 31, 2001, its Quarterly Reports on Form 10-Q for the quarters ended March 30, 2002 and June 29, 2002, and its Registration Statement on Form S-4/A filed October 7, 2002.

About Novellus Systems:
Novellus Systems, Inc., an S&P 500 company, manufactures, markets and services advanced deposition and surface preparation equipment for today's advanced integrated circuits. The company's products are designed for high-volume production of advanced, leading-edge semiconductor devices at the lowest possible cost. Headquartered in San Jose, Calif., with subsidiaries throughout the United States as well as in the United Kingdom, France, Germany, The Netherlands, Ireland, Israel, Italy, India, China, Japan, Korea, Malaysia, Singapore and Taiwan, Novellus is a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS) and a component of the Nasdaq-100 Indexâ. Additional information about the company is available on Novellus' home page at www.novellus.com

Liquid Yield Option Notes is a trademark and LYONs is a registered trademark of Merrill Lynch & Co., Inc.
