NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END 2002 RESULTS

SAN JOSE, Calif., Jan. 28, 2003-Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its fourth quarter and year ended December 31, 2002. Net sales for the quarter were $217.6 million, down 5.6 percent from $230.5 million in the third quarter of 2002 and up 8.8 percent from fourth quarter 2001 net sales of $200.0 million. Net income for the fourth quarter of 2002 was $3.0 million or $0.02 per diluted share, down $1.1 million or 26.8 percent from third quarter 2002 net income of $4.1 million or $0.03 per diluted share. Net income for the fourth quarter of 2002 declined $14.2 million or 82.6 percent from fourth quarter 2001 net income of $17.2 million or $0.12 per diluted share.

Without certain charges, the fourth quarter 2002 net income would have been $15.5 million or $0.11 per diluted share. These fourth quarter 2002 charges include $3.2 million of restructuring and severance charges and an $11.5 million net loss from SpeedFam-IPEC operations subsequent to the close of the acquisition on December 6, 2002 through December 31, 2002. The $11.5 million loss on operations contributed by SpeedFam-IPEC includes a $9.0 million in-process research and development charge. Without certain charges, the third quarter 2002 net income would have been $16.1 million or $0.11 per diluted share. These third quarter 2002 charges include a $17.0 million charge for the unamortized debt issuance costs related to the retirement of $880.0 million Liquid Yield Option™ Notes (LYONs®). Without the benefit from the reversal of bonus and profit sharing, the fourth quarter 2001 results would have been a loss of $0.4 million or break even on a diluted per share basis. The fourth quarter 2001 benefit was a $25.4 million benefit related to a cost reduction decision to reverse the bonus and profit sharing expense recorded in the first three quarters of 2001.

Net sales for fiscal year 2002 were $840.0 million, a decrease of 37.3 percent from fiscal year 2001 net sales of $1.339 billion. Net income for the year 2002 was $22.9 million or $0.15 per diluted share, a decrease of 84.1 percent from fiscal year 2001 net income of $144.5 million or $0.97 per diluted share.

Without certain charges, the 2002 net income would have been $40.4 million or $0.27 per diluted share. These 2002 charges include a $17.0 million charge for the unamortized debt issuance costs related to the retirement of the $880.0 million LYONs, $6.5 million restructuring and severance charges, a $7.7 million benefit related to a bad debt recovery and a $4.6 million gain on the sale of an equity investment. In addition, the 2002 results include an $11.5 million net loss from SpeedFam-IPEC operations subsequent to the close of the acquisition on December 6, 2002 through December 31, 2002, which includes a $9.0 million in-process research and development charge. Without certain charges, the 2001 net income would have been $202.7 million or $1.36 per diluted share. These 2001 charges include a $13.2 million charge for merger-related expenses, $55.0 million of restructuring, severance and asset impairment charges, an $8.6 million loss from an other-than-temporary decline in an investment and a $7.7 million bad debt write-off.

Shipments of $191.0 million in the fourth quarter of 2002 represent a decline of $59.6 million or 23.8 percent compared to $250.6 million reported in the third quarter of 2002. Deferred revenue at the end of the fourth quarter of 2002 was $130.1 million, a decrease of $26.6 million or 17.0 percent from $156.7 million at the end of the third quarter of 2002. Backlog as of December 31, 2002 was $304.4 million, an increase of $37.9 million or 14.2 percent from $266.5 million as of December 31, 2001.

Cash, cash equivalents and short-term investments as of December 31, 2002 were $1.02 billion, an increase of $94.9 million or 10.3 percent from the third quarter of 2002 ending balance of $924.7 million.

Richard S. Hill, chairman and chief executive officer, said, "The industry is still experiencing a major slowdown in capital expenditures. Despite the downturn, we have been able to sustain profitability and generate cash from operations."

Additionally, Hill stated, "Despite weakened demand for semiconductor equipment, we remain committed to investing in technologies that provide competitive cost advantages for our customers. With our customers' productivity as a priority, we expanded Novellus' 300-mm product portfolio, and added chemical mechanical planarization capabilities with the acquisition of SpeedFam-IPEC in December 2002."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) Novellus' sustained profitability despite the continuation of the slowdown in semiconductor equipment capital expenditures, and (ii) Novellus' commitment to investing in technologies that provide competitive cost advantages for our customers, 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 severely prolonged downturn in the semiconductor industry, unanticipated difficulties in developing and introducing technologies that provide competitive cost advantages for Novellus' customers, and other risks indicated in our filings with the Securities and Exchange Commission (SEC). Actual results

could 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 for the year ended December 31, 2001, its Quarterly Reports on Form 10-Q for the quarters ended March 30, 2002, June 29, 2002 and September 28, 2002, and its Registration Statement on Form S-4/A filed on November 1, 2002.

About Novellus Systems:

Novellus Systems, Inc., an S&P 500 company, manufactures, markets and services advanced deposition, surface preparation and chemical mechanical planarization 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.

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