NOVELLUS SYSTEMS REPORTS RESULTS FOR THE SECOND QUARTER 2003

SAN JOSE, Calif., July 21, 2003--Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its second quarter ended June 28, 2003. The second quarter 2003 net sales were $239.1 million and net income was $7.4 million or $0.05 per diluted share. Net sales for the second quarter 2003 were up 0.3 percent from $238.4 million in the first quarter of 2003 and up 7.6 percent from the second quarter 2002 net sales of $222.1 million. Net income for the second quarter 2003 was down $4.4 million or 37.4 percent from the first quarter 2003 net income of $11.9 million or $0.08 per diluted share and down $4.6 million or 38.2 percent from the second quarter 2002 net income of $12.0 million or $0.08 per diluted share.

Shipments of $226.5 million in the second quarter of 2003 represent a decrease of $8.7 million or 3.7 percent from $235.2 million reported in the first quarter of 2003. Deferred revenue at the end of the second quarter of 2003 was $114.4 million, a decrease of $12.6 million or 9.9 percent from $127.0 million at the end of the first quarter of 2003.

Cash, cash equivalents and short-term investments as of June 28, 2003 were $950.7 million, an increase of $20.9 million or 2.2 percent from the first quarter 2003 ending balance of $929.8 million.

As we have stated in the past, the Company leases a significant portion of our facilities under synthetic leases. The total cost of the facilities we lease under synthetic leases is approximately $456.0 million. Due to the implementation of Financial Interpretation No. 46 ("FIN 46") in the third quarter of 2003, it will be necessary to consolidate these properties onto our balance sheet. As a result, the company expects to record a non-cash after-tax charge in the third quarter of approximately $63.0 million. The charge represents approximately $96.0 million of depreciation that would have been recorded had the company owned these assets from inception of the leases. Property and equipment will increase on a net basis by approximately $360.0 million and other non-current assets will decrease by $456.0 million. On a prospective basis, the consolidation of these assets will increase our depreciation expense and negatively impact our quarterly earnings per share by approximately $0.04. The implementation of FIN 46 will have no impact on the liquidity of the company.

Richard S. Hill, chairman and chief executive officer, said, "The second quarter of 2003 results were as expected. Japan bookings for the quarter were a bright spot. We are cautiously optimistic that bookings will increase in the third quarter as we are seeing a rebound in the PC industry and parts of the telecommunications industry."

Additionally, Hill stated, "During the second quarter, we successfully implemented the first phase of SAP, our new Enterprise Resource Management system, which provides Novellus with the infrastructure required for long-term growth and expansion. This enormously complex undertaking was successful due in large part to the hard work of our dedicated teams from Novellus, SAP and Cap Gemini Ernst & Young. Our selection of SAP software, Oracle database and Cap Gemini Ernst & Young, coupled with a Novellus high-impact team, has proven to enable one of the most efficient and cost effective implementations seen by our partners."

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:

The statements regarding (i) the impact of the implementation of FIN 46 on our balance sheet, (ii) the effects of changes in the PC and telecommunications industry, (iii) SAP providing Novellus with the infrastructure for long-term growth and expansion, as well as other matters discussed in this news release that do not concern purely historical data, are forward-looking statements. The forward-looking statements involve risks and uncertainties, including, but not limited to, unanticipated changes in the demand for semiconductor capital equipment, flaws in performance, design or operation of the SAP system, and other risks and uncertainties discussed in our filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. We assume 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 our business in general, please refer to our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2002 and our Quarterly Report on Form 10-Q for the quarter ended March 29, 2003.

About Novellus:

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. Our 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, India, China, Japan, Korea, Malaysia, Singapore and Taiwan, we are a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS) and a component of the Nasdaq-100 Index®. Additional information about Novellus is available on our home page at www.novellus.com.

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