NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS

SAN JOSE, Calif., January 26, 2004--Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported the results of operations for its fourth quarter and year ended December 31, 2003. Fourth quarter 2003 net sales were $226.5 million, up 2.4 percent from $221.1 million in the previous quarter, and up 4.1 percent from fourth quarter 2002 net sales of $217.6 million. The net income for the quarter was $10.5 million, or $0.07 per diluted share, compared with third quarter 2003 net loss of $97.6 million, or $0.64 per basic share, and fourth quarter 2002 net income of $3.0 million, or $0.02 per diluted share.

The fourth quarter 2003 results do not include any unusual charges or benefits. The third quarter 2003 results include restructuring and other charges of $62.5 million and a non-cash charge of $62.8 million, net of taxes, as a cumulative effect of a change in accounting principle from the consolidation of properties previously accounted for as synthetic leases. Without these charges, the third quarter 2003 net income would have been $6.1 million, or $0.04 per diluted share. The fourth quarter 2002 results include an in-process research and development charge of $9.0 million and restructuring charges of $3.2 million. Without these charges, the fourth quarter 2002 net income would have been $13.0 million, or $0.09 per diluted share.

Net sales for fiscal year 2003 were $925.1 million, up 10.1 percent from $840.0 million in fiscal year 2002. The net loss for the year was $67.8 million, or $0.45 per basic share, compared with fiscal year 2002 net income of $22.9 million, or $0.15 per diluted share.

Without the restructuring and other charges of $62.5 million and the non-cash charge of $62.8 million referred to above, net income for fiscal year 2003 would have been $35.9 million, or $0.23 per diluted share, compared to fiscal year 2002 net income of $37.9 million, or $0.25 per diluted share. The fiscal year 2002 net income of $37.9 million excludes a charge for unamortized debt issuance costs of $17.0 million, restructuring charges of $6.5 million, an in-process research and development charge of $9.0 million, a benefit for bad debt recovery of $7.7 million, and a gain on the sale of an equity investment of $4.6 million.

The financial measures presented above, which exclude certain unusual charges, are not in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). The Company believes that these non-GAAP financial measures provide further insight into the results of ongoing operations and enhance the comparability of those results to results in prior periods.

Shipments for the fourth quarter 2003 were $228.1 million, up $17.8 million, or 8.5 percent, from $210.3 million reported in the prior quarter. Deferred revenue at the end of the fourth quarter was $105.1 million, an increase of $1.6 million, or 1.5 percent, from $103.5 million at the end of the third quarter.

Cash, cash equivalents and short-term investments as of December 31, 2003 were $1.0 billion, an increase of $24.6 million, or 2.5 percent, from the third quarter 2003 ending balance of $977.5 million.

"We weathered this long downturn in the semiconductor industry and I am pleased to report positive fourth quarter results. Our continued investment in R&D during the downturn will serve us well for the current upturn in business. Our product portfolio is robust, our technology pipeline is full, and our customers are beginning a new investment cycle. Novellus is well-positioned with the right products to serve our customers' needs," said Richard S. Hill, chairman and chief executive officer of Novellus Systems, Inc. "We enter 2004 with optimism and the commitment to long term results for our customers, employees and shareholders," said Hill.

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

The statements regarding (i) continued investment in research and development during the downturn benefiting the Company in the current upturn, (ii) the positive status of the Company's product portfolio and technology pipeline, (iii) the beginnings of a new customer investment cycle, and (iv) the Company's commitment to long term results for its customers, employees and shareholders, 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 difficulties in achieving timely and efficient completion of product design and development, the Company's lack of success in selecting, manufacturing and marketing new products and product enhancements, a reversal or slowing in the rate of capital investment by semiconductor manufacturers, unexpected problems in achieving long term results for customers, employees and shareholders, 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 September 27, 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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