NOVELLUS SYSTEMS REPORTS SECOND QUARTER 2004 RESULTS

SAN JOSE, Calif., July 12, 2004--Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its second quarter ended June 26, 2004. Net sales for the quarter were $338.2 million, up 28.7 percent from $262.9 million in the first quarter of 2004 and up 41.5 percent from the second quarter 2003 net sales of $239.1 million. Net income for the quarter was $37.8 million or $0.25 per diluted share, up $21.1 million or 126.7 percent from the first quarter 2004 net income of $16.7 million or $0.11 per diluted share and up $30.4 million or 408.9 percent from the second quarter 2003 net income of $7.4 million or $0.05 per diluted share.

The quarter results include a $6.1 million charge for acquired in-process research and development associated with the acquisition of Angstron Systems, Inc. Without this charge, second quarter net income would have been $43.9 million, or $0.29 per diluted share. In comparison, the first quarter 2004 results included a $2.5 million pre-tax charge for litigation settlement. Excluding this charge, first quarter net income would have been $18.5 million, or $0.12 per diluted share. The second quarter 2003 results did not include any unusual charges or benefits.

Shipments of $366.1 million in the quarter represent an increase of $55.1 million or 17.7 percent from $311.0 million reported in the first quarter of 2004. Deferred revenue at the end of the quarter was $181.1 million, an increase of $27.9 million or 18.2 percent from $153.2 million at the end of the first quarter of 2004.

The financial measures set forth above, which present net income excluding an unusual charge and revenue on a shipments basis, are not in accordance with U.S. generally accepted accounting principles (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 because they assist shareholder understanding of the effect of an unusual charge on the quarter's results and allow comparability to revenue recognition on a shipments basis.

Cash, cash equivalents and short-term investments as of June 26, 2004 were $878.4 million, a decrease of $154.3 million or 14.9 percent from the first quarter 2004 ending balance of $1,032.7 million. During the second quarter of 2004, approximately $167.1 million was used to repurchase common shares.

On June 28, 2004, the Company completed the acquisition of Peter Wolters AG, a privately held manufacturer of high-precision machine manufacturing tools headquartered in Rendsburg, Germany.

"Bookings are strong and we continue to experience operating leverage to drive superior financial results for our shareholders," said Richard S. Hill, chairman and chief executive officer of Novellus Systems, Inc. "Novellus is experiencing further strengthening of its 300 millimeter market penetration, particularly in advanced copper applications, due to our technological excellence and a continued focus on productivity," added Hill.

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

The statements regarding (i) strength of bookings, (ii) continued operating leverage, (iii) and further strengthening of the Company's 300 millimeter market penetration, particularly in advanced copper applications, due to technological excellence and focus on productivity, 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, decreased customer demand, increased operating expenses, technological difficulties with the Company's 300 millimeter advanced copper tools, and other risks indicated 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, please refer to our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Report on Form 10-Q for the quarter ended March 27, 2004.

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, Italy, 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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