NOVELLUS ANNOUNCES SETTLEMENT AGREEMENT WITH APPLIED MATERIALS

SAN JOSE, Calif., Sept. 27, 2004--Novellus Systems Inc. (Nasdaq NM: NVLS), the productivity and technology leader in advanced deposition, surface preparation and chemical mechanical planarization processes for the global semiconductor industry, has signed an agreement with Applied Materials that settles all pending patent infringement claims between the companies while reducing the prospect of future infringement lawsuits. The settlement agreement, which ends seven years of litigation between the two companies, serves as a validation of the strength of the Novellus intellectual property portfolio, and allows the company to compete more freely in the marketplace with products and technologies that meet customers' needs.

Key terms of the agreement limit both parties' ability to sue each other, each other's customers, and in some instances, suppliers and distributors, for patent infringement in specific technology areas. For existing products, the covenant is binding for five years; for new products, the period is two years, and will be automatically extended for one additional year under certain circumstances. Additional stipulations call for Applied Materials to make an $8 million payment to Novellus, and to release Novellus from all amounts owed or claimed to be owed from a settlement agreement dated May 4, 1997 regarding TEOS thin film deposition ("the TEOS Agreement"). The agreement further provides that the license under the TEOS Agreement is amended to be fully paid and royalty-free. Novellus expects that these royalty savings will represent a material positive impact on Novellus' earnings for the next several years.

"This agreement allows Novellus to focus its attention and resources where it matters most--creating value for our customers and shareholders," said Novellus Executive Vice President, Drs. Wilbert van den Hoek. "We're especially encouraged by its positive implications for our customers, who will now be able to make equipment purchase decisions on the basis of technical merit and productivity without concern about potential litigation."

The history of this litigation goes back to 1997, when Novellus was in the process of acquiring the Thin Film Systems Division of Varian Associates. At that time, Applied Materials filed a patent infringement lawsuit against Varian (and later added Novellus to the suit), and Novellus responded with a lawsuit claiming that Applied infringed several patents that Novellus had acquired from Varian. After extensive litigation, the only claims which were going to be heard at this trial (which had been scheduled to begin on September 20, 2004) were certain Novellus claims against Applied.

Additional details of the settlement agreement are disclosed in Novellus' Form 8-K filed Friday, September 24, 2004.

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

The statements regarding the reduced prospect of future patent litigation, the ability to compete more freely in the marketplace with products and technologies that meet customers' needs and the anticipated annual royalty savings under the license under TEOS Agreement, as well as other matters discussed in this news release that do not concern purely historical data, are forward-looking statements. These forward-looking statements involve risks and uncertainties, including, but not limited to (i) changes in each party's competitive position, (ii) changes in the semiconductor equipment industry, (iii) decreased demand for our products and other risks and uncertainties discussed 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 relating to risks and uncertainties that could cause actual results to differ from those anticipated in Novellus' forward-looking statements, and risks to Novellus' business in general, please refer to Novellus' SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2003, our Quarterly Reports on Form 10-Q for the quarters ended March 27, 2004 and June 26, 2004 and our Current Reports on Form 8-K.

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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