

San Jose, Calif. -- Jul. 17, 2000 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported record net sales and results of operations for its second quarter ended July 1, 2000. Net sales for the quarter were \$326.0 million, up 19 percent from \$274.1 million in the first quarter of 2000 and up 149 percent from second quarter 1999 net sales of \$130.9 million. Net income for the second quarter of 2000 was \$75.7 million or \$0.56 per share, up 32 percent from \$57.5 million or \$0.45 per share, for the first quarter of 2000 and up 510 percent as compared to net income posted in the second quarter of 1999 of \$12.4 million and \$0.10 per share. The per share amounts are stated on a fully diluted basis.

During the quarter, Novellus completed a public offering of just over nine million shares of its common stock, resulting in net proceeds to the Company of \$526.3 million. Internal cash generation in the quarter contributed an additional \$95 million to the quarter end cash balance of \$1.071 billion.

Hill continued, "Novellus' new product momentum continued with the recent unveiling of our complete suite of 300mm products at the Semicon West trade show. VECTOR, a new 300mm plasma enhanced chemical vapor deposition (PECVD) system, is designed to deliver the full range of damascene dielectric films, and is extendable down to the 0.10 micron node, while reducing our customers' production costs. INOVA xT, a 300mm physical vapor deposition (PVD) machine, combines our proven hollow cathode magnetron (HCM) technology with a new innovative hardware design. At 100 wafers per hour, the INOVA xT delivers twice the throughput of any existing PVD system on the market. Significant enhancements to our Sabre xT electrofill system were announced as Novellus continues to develop innovative product features to strengthen its industry leading position. With these new products, Novellus is well positioned for the industry transition to copper dual damascene, 300mm wafers, and geometries down to the 0.10 micron node."

Novellus Systems, Inc., an S&P 500 company, manufactures, markets, and services advanced automated wafer fabrication systems for the deposition of thin films. Novellus deposition systems are designed for high-volume production of advanced, leading-edge semiconductors at the lowest overall cost. The Company's stock trades on the Nasdaq Stock Market's National Market under the symbol "NVLS". Additional information about the company is available on the Novellus Systems home page on the World Wide Web, located at <http://www.novellus.com>.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Six Months Ended

(Unaudited)	July 1	June 26		July 1	June 26
	2000	1999		2000	1999
Net Sales	\$325,987	\$130,878		\$600,058	\$246,109
Cost of Sales	141,250	61,296		260,373	115,393
Gross Profit	184,737	69,582		339,685	130,716
Operating Expenses					
Selling, General and Administrative	42,302	24,728		79,332	46,599
Research and Development	46,100	29,909		86,101	56,453
Total Operating Expenses	88,402	54,637		165,433	103,052
Income from Operations	96,335	14,945		174,252	27,664
Interest Income, Net	13,342	3,561		18,828	4,909
Income before Income Taxes	109,677	18,506		193,080	32,573

Provision for Income Taxes	34,000	6,107		59,855	10,749
Net Income	\$75,677	\$12,399		\$133,225	\$21,824
Basic Net Income Per Share	\$0.59	\$0.11		\$1.07	\$0.19
Diluted Net Income Per Share	\$0.56	\$0.10		\$1.00	\$0.19
Shares Used in Basic Calculation	128,148	116,335		124,385	112,131
Shares Used in Diluted Calculation	136,029	120,781		132,585	117,087

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

July 1

December 31

2000

1999

(Unaudited)

Assets

Current Assets:

Cash and Short-Term Investments

\$1,071,404

\$385,257

Accounts Receivable, Net

285,996

213,678

Inventories

136,859

103,883

Deferred Taxes and Other Current Assets

31,734

29,848

Total Current Assets

1,525,993

732,666

Property and Equipment, Net

126,922

106,779

Other Assets

65,407

70,484

Total Assets

\$1,718,322

\$909,929

Liabilities and Shareholders' Equity

Current Liabilities:

Accounts Payable

\$82,999

\$43,438

Short-Term Obligations

15,946

13,521

Other Accrued Liabilities

129,805

83,271

Total Current Liabilities

228,750

140,230

Total Liabilities	228,750		140,230	
Shareholders' Equity:				
Common Stock	1,078,535		490,587	
Retained Earnings and Accumulated Other Comprehensive Income	411,037		279,112	
Total Shareholders' Equity	1,489,572		769,699	
Total Liabilities and Shareholders Equity	\$1,718,322		\$909,929	

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