NOVELLUS SYSTEMS REPORTS SECOND QUARTER RESULTS

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San Jose, Calif. -- Jul. 19, 1999 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its second quarter ended June 26, 1999. Net sales for the quarter were $130.9 million, up nearly 14 percent from $115.2 million for the first quarter of 1999 and down 8.3 percent from second quarter 1998 net sales of $142.8 million. Net income for the second quarter of 1999 was $12.4 million or $0.31 per share, up 32 percent from $9.4 million or $0.25 per share, for the first quarter of 1999 and down 23 percent as compared to net income posted in the second quarter of 1998 of $16.1 million and $0.46 per share. The per share amounts are stated on a fully diluted basis.

Cash and short term investments at June 26, 1999 were $345.3 million, up from first quarter 1999 balances of $340.0 million. Bookings exceeded a 1:1 book to bill ratio for the third consecutive quarter.

"The continued improvement in revenue, net income, bookings and cash generation, reflect our ability to provide the advanced equipment our customers require to continue their transition to finer geometries," said Richard Hill, Chairman and Chief Executive Officer. "The semiconductor industry continues to show significant signs of improvement, as it benefits from continued economic strengthening worldwide. Our portfolio of advanced technology products positions Novellus to benefit from the growing demand for leading edge semiconductors."

Hill continued, "Novellus' new product momentum continued with the introduction of the SEQUEL Express™ and the CORAL™ family of production worthy low dielectric constant (low-k) films for advanced devices. SEQUEL Express is the only CVD tool that can handle the full range of PECVD dielectric films for both damascene and subtractive aluminum technology while using a common chamber configuration. This feature reduces the number of CVD tools required in the fab by providing an unmatched level of process flexibility for all film types. The CORAL family of films expands the company's offerings of dielectric films. The combination of these low-k dielectrics and thin film barrier technologies enables the manufacture of advanced devices down to the sub-0.1 micron node. This technology is integral to the development and production of powerful electronic products designed to meet consumer demands."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the Company's ability to provide advanced equipment required by its customers, (ii) the improving economic conditions of the industry, (iii) the continued worldwide economic strength of the industry, (iv) Novellus being positioned to benefit from growing demand for leading edge semiconductors, (v) the Company's products reducing the number of required CVD tools and (vi) continuing integral need for combining low-k dielectrics and thin film barrier technologies, as well as other matters discussed in the 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, a possible slowdown in new orders as a result of changing worldwide or industry economic conditions; the inability of the Company's product development efforts to continue its position as an industry leader in deposition technologies, the Company's product configuration strategy being different from its customers' needs and other risks indicated in filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. Novellus assumes no obligation to update this information. For more details, please refer to Novellus' SEC filings, including its most recent Annual Report on Form 10-K for the year ended 1998 and quarterly reports on Form 10-Q for the first and second quarters of 1999.

Novellus Systems, Inc. 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.

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
(Unaudited)	June 26	June 27	June 26	June 27

	1999	1998	1999	1998
Net Sales	$130,878	$142,844	$246,109	$306,057
Cost of Sales	61,296	64,278	115,393	137,560
Gross Profit	69,582	78,566	130,716	168,497
Operating Expenses				
Research and Development	29,909	28,783	56,453	59,655
Selling, General and Administrative	24,728	25,752	46,599	53,099
Total Operating Expenses	54,637	54,535	103,052	112,754
Income from Operations	14,945	24,031	27,664	55,743
Interest Income, Net	3,561	386	4,909	417
Income before Income Taxes	18,506	24,417	32,573	56,160
Provision for Income Taxes	6,107	8,302	10,749	19,094

Net Income	$12,399	$16,115	$21,824	$37,066
Basic Net Income Per Share	$0.32	$0.47	$0.58	$1.09
Diluted Net Income Per Share	$0.31	$0.46	$0.56	$1.06
Shares Used in Basic Calculation	38,778	33,932	37,377	33,874
Shares Used in Diluted Calculation	40,260	35,047	39,029	34,952

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 26	December 31
	1999	1998
	(Unaudited)	
Assets		
Current Assets:		
Cash and Short-Term Investments	$345,266	$130,818

Accounts Receivable, Net	169,232	173,364
Inventories	92,601	69,223
Deferred Taxes and Other Current Assets	24,086	25,690
Total Current Assets	631,185	399,095
Property and Equipment, Net	99,977	105,579
Other Assets	54,270	47,265
Total Assets	$785,432	$551,939
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts Payable	$44,612	$30,966
Short-Term Obligations	11,631	12,986
Other Accrued Liabilities	58,892	67,522
Total Current Liabilities	115,135	111,474
Long Term Debt		65,000
Total Liabilities	115,135	176,474

Shareholders' Equity:		
Common Stock	449,387	176,140
Retained Earnings and Accumulated Other Comprehensive Income	220,910	199,325
Total Shareholders' Equity	670,297	375,465
Total Liabilities and Shareholders Equity	$785,432	$551,939

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