NOVELLUS SYSTEMS REPORTS RECORD FOURTH QUARTER AND YEAR-END 1999 RESULTS

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San Jose, Calif. -- Jan. 18, 2000 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its fiscal fourth quarter and year ended December 31, 1999. Net sales for the quarter were a record $191.7 million, an increase of 81 percent over fourth quarter 1998 net sales of $106.0 million. Net income of $33.0 million and $0.27 per share was recorded for the fourth quarter of 1999, an increase of 305 percent and 238 percent respectively, when compared to the fourth quarter 1998 net income of $8.1 million and $0.08 per share. The per share amounts are stated on a diluted basis and are adjusted for the 3-for-1 stock split that was announced on December 17, 1999 and became effective after the close of the market on January 14, 2000.

Net sales for the year were a record $592.7 million, an increase of 14.3 percent from 1998 net sales of $518.8 million. Net income for the year was $76.6 million or $0.64 per share, an increase of 45 percent and 28 percent, respectively, when compared to net income posted in 1998 of $52.8 million or $0.50 per share.

Cash and short-term investments at December 31, 1999 were $385.3 million, an increase of $31.1 million over third quarter 1999 balances of $354.2 million. Cash generation continued in the fourth quarter despite increased working capital requirements to support revenue growth.

Backlog at December 31, 1999 reached a record $329.5 million, an increase of 204 percent from the $108.5 million reported at December 31, 1998. Record bookings generated a book to bill ratio substantially greater than 1.0 to 1.0 for the fourth quarter of 1999.

Richard Hill, Chairman and Chief Executive Officer said, "We are extremely pleased with the record bookings, backlog, and revenue achieved by the Company in 1999. Semiconductor industry fundamentals continue to improve, driving our customers' capital spending for additional capacity and advanced technology."

Hill also added, "The bookings strength of the third and fourth quarters of 1999 demonstrates our customers' confidence in Novellus' ability to quickly ramp production and provide innovative solutions to meet their increasing capacity expansions and advanced technology requirements. Novellus remains committed to new product development and continuous improvement of existing products to maintain our role as the industry leader for deposition technologies."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the continued improvement of semiconductor industry fundamentals, (ii) continued customer demand for additional capacity and advanced technology, (iii) the customers confidence in Novellus' ability to quickly ramp production and provide innovative solutions to meet customer demand, and (iv) the Company's commitment to new product development and continuous improvement, 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 reversal of the favorable trend in semiconductor industry business fundamentals, a possible slowdown in new orders if the improvement in such fundamentals does not continue, and the inability of the Company's product development efforts to continue its position as an industry leader in deposition technologies, 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 December 31, 1998 and quarterly reports on Form 10-Q for the first three fiscal 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			Year Ended	
		Dec 31	Dec 31		Dec 31	Dec 31
		1999	1998		1999	1998

Net Sales		$191,716	$106,016		$592,741	$518,778
Cost of Sales		85,122	49,730		271,710	237,913
Gross Profit		106,594	56,286		321,031	280,865
Operating Expenses						
Research and Development		32,647	23,463		119,667	106,510
Selling, General and Administrative		29,879	20,829		101,027	95,407
Total Operating Expenses		62,526	44,292		220,694	201,917
Income from Operations		44,068	11,994		100,337	78,948
Interest Income (Expense), Net		5,152	340		13,953	1,099
Income before Income Taxes		49,220	12,334		114,290	80,047
Provision for Income Taxes		16,243	4,194		37,716	27,219
Net Income		$32,977	$8,140		$76,574	52,828

Basic Net Income Per Share		$0.28	$0.08		$.67	$.52
Diluted Net Income Per Share		$0.27	$0.08		$.64	$.50
Shares Used in Basic Calculation		118,183	102,894		114,817	102,106
Shares Used in Diluted Calculation		124,277	106,153		120,097	104,961

Note: the earnings per share amounts have been adjusted for the 3-for-1 stock split effective January 14, 2000

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)					

	December 31	December 31
Assets	1999	1998
Current Assets:		
Cash and Short-Term Investments	$385,257	$130,818
Accounts Receivable, Net	213,678	173,364
Inventories	103,883	69,223
Deferred Taxes and Other Current Assets	29,848	25,690
Total Current Assets	732,666	399,095
Property and Equipment, Net	106,779	105,579
Other Assets	70,484	47,265
Total Assets	$909,929	$551,939
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts Payable	$43,438	$30,966
Short-Term Obligations	13,521	12,986
Other Accrued Liabilities	83,271	67,522
Total Current Liabilities	140,230	111,474

Long Term Debt		-		65,000	
Total Liabilities		140,230		176,474	
Shareholders' Equity:					
Common Stock		490,587		176,140	
Retained Earnings and Accumulated Other Comprehensive Income		279,112		199,325	
Total Shareholders' Equity		769,699		375,465	
Total Liabilities and Shareholders Equity		$909,929		$551,939	

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