NOVELLUS SYSTEMS ANNOUNCES RECORD ORDERS, REVENUES AND EARNINGS FOR THE SECOND QUARTER

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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.

Record bookings for the quarter once again generated a book to bill ratio which was significantly above 1:1 for the quarter.

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.

Richard Hill, chairman and chief executive officer said: "This has been an eventful quarter for Novellus, with the addition of our company to the S&P 500, preparing for the launch of a new and revolutionary product, and another record quarter driven by robust capital spending by our customers for expanded capacity and advanced technology."

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."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the Company’s positioning for the semiconductor industry transition to copper dual damascene, 300mm wafers, and 0.10 micron geometries, reduction of customer production costs, the Company's continuing development of features to strengthen its leading position, 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, the possibility that the VECTOR system does not meet customer and product design specifications 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, 1999 and our quarterly reports on Form 10-Q for the quarter ended March 31, 2000.

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.

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)		Three Months Ended			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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