NOVELLUS SYSTEMS REPORTS RECORD RESULTS FOR THIRD QUARTER 2000

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San Jose, Calif. -- Oct. 16, 2000 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported record net sales and results of operations for its third quarter ended September 30, 2000. Record net sales for the quarter were $359.1 million, up 10 percent from $326.0 million in the second quarter of 2000 and up 132 percent from the third quarter 1999 net sales of $154.9 million. Record net income assisted by record net margins, for the third quarter of 2000 was $85.3 million or $0.62 per share, up 13 percent from $75.7 million or $0.56 per share, for the second quarter of 2000 and up 291 percent as compared to net income of $21.8 million and $0.18 per share in the third quarter of 1999. The per share amounts are stated on a fully diluted basis.

Record bookings for the quarter again generated a book to bill ratio that was significantly greater than 1:1 for the quarter. Cash and short-term investments at September 30, 2000 were also at record levels of $1,103.5 million, up 3 percent over second quarter balances of $1,071.4 million.

Richard Hill, chairman and chief executive officer said: "Record results for the quarter were driven both by market share gains with advanced technology and customer expansion with our ever increasing portfolio of new products.

Hill continued, "During the quarter Novellus received summary judgement from U.S. District Judge Ronald M. Whyte stating that Novellus' INOVA physical vapor deposition (PVD) system does not infringe on Applied Materials' U.S. Patent No. 5,186,718. We are very pleased that to date, the court has not found valid any of Applied's claims that the INOVA system infringes on its patents."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) customer expansion and (ii) the ability of the Company's product portfolio to meet this demand, 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 customer capital spending which would result in a slowdown in new orders, and competitors introducing advanced products that would adversely affect orders for the Company's products as well as 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 quarterly reports on Form 10-Q for the quarters ended April 1, and July 1, 2000.

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			Nine Months Ended	
(Unaudited)		Sept 30	Sept 25		Sept 30	Sept 25
		2000	1999		2000	1999
Net Sales		$359,097	$154,916		$959,156	$401,025
Cost of Sales		154,987	71,195		415,360	186,588

Gross Profit		204,110	83,721		543,796	214,437
Operating Expenses						
Research and Development		50,235	30,567		136,336	87,020
Selling, General and Administrative		47,809	24,549		127,140	71,148
Total Operating Expenses		98,044	55,116		263,476	158,168
Income from Operations		106,066	28,605		280,320	56,269
Interest Income , Net		17,512	3,892		36,338	8,801
Income before Income Taxes		123,578	32,497		316,658	65,070
Provision for Income Taxes		38,309	10,724		98,164	21,473
Net Income		$85,269	$21,773		$218,494	$43,597
Basic Net Income Per Share		$0.65	$0.19		$1.74	$0.38

Diluted Net Income Per Share		$0.62	$0.18		$1.64	$0.37
Shares Used in Basic Calculation		130,920	116,823		125,308	113,694
Shares Used in Diluted Calculation		138,512	121,937		133,413	118,704

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)				
	Sept 30		December 31	
	2000		1999	
	(Unaudited)			
Assets				
Current Assets:				
Cash and Short-Term Investments	$1,103,448		$385,257	
Accounts Receivable, Net	355,624		213,678	
Inventories	146,228		103,883	
Deferred Taxes and Other Current Assets	45,325		29,848	

Total Current Assets	1,650,625		732,666	
Property and Equipment, Net	130,697		106,779	
Other Assets	64,866		70,484	
Total Assets	$1,846,188		$909,929	
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts Payable	$86,993		$43,438	
Short-Term Obligations	16,785		13,521	
Other Accrued Liabilities	162,604		83,271	
Total Current Liabilities	266,382		140,230	
Total Liabilities	266,382		140,230	
Shareholders' Equity:				
Common Stock	1,089,356		490,587	

Retained Earnings and Accumulated Other Comprehensive Income	490,450		279,112	
Total Shareholders' Equity	1,579,806		769,699	
Total Liabilities and Shareholders Equity	$1,846,188		$909,929	

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