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San Jose, Calif. -- Oct. 15, 2001 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its third quarter ended September 29, 2001. Net sales for the quarter were $303.7 million, down 19.4 percent from $376.9 million in the second quarter of 2001 and up 3.7 percent from the third quarter 2000 net sales of $292.9 million. The Company recorded restructuring and other special charges in the third quarter totaling $71.3 million, of which $55.6 million is included in operating expenses, $7.1 million of inventory write-downs associated with the restructuring is included in cost of goods sold, and $8.6 million related to an investment write-down which is included in other income. Including the $71.3 million of charges, Novellus recorded a net loss of $14.0 million or $(0.10) per basic share. Excluding the $71.3 million for restructuring and other special charges, net income for the third quarter of 2001 was $35.2 million or $0.24 per fully diluted share, down 40.6 percent from $59.2 million or $0.40 per fully diluted share, for the second quarter of 2001 and down 18.8 percent as compared to net income of $43.3 million and $0.29 per fully diluted share in the third quarter of 2000.

Shipments of $192.9 million in the third quarter of 2001 represent a decline of 22.1 percent compared to $247.6 million reported in the second quarter of 2001. Deferred revenue at the end of the third quarter was $182.7 million.

In this quarter, the Company completed an offering of $880.0 million 30-year zero-coupon, zero-yield convertible subordinated notes due 2031, known as LYONs. Certain proceeds from the sale of the LYONs were pledged to secure Novellus' obligations under the LYONs until July 26, 2002, including Novellus' obligation to purchase some or all of the LYONs on July 26, 2002 for cash. Upon the expiration of the obligations under the pledge account, the convertible subordinated notes will be unsecured.

Robert Smith, Novellus' executive vice president and chief financial officer said, "Novellus continues its cost cutting to remain 'best in class'. We will have removed $200 million in annualized expenses by the end of the fourth quarter 2001." In addition Smith stated, "The Company's strong cash position has allowed it to undertake a defeasance of certain of its operating leases resulting in a further lowering of the Company's cost of capital."

Richard Hill, Novellus' chairman and chief executive officer said, "Economic uncertainty and depressed demand in the end electronic products market continue to negatively impact our customers capital spending programs. Despite the current down cycle, Novellus remains highly committed to investment in advanced product development, which will be key to growth when business conditions improve."

Hill continued, "On a more positive note, Novellus' market position continues to significantly improve with additional wins in advanced technology placements for copper and 300 mm. Even in the present business climate, customers are continuing to push forward with their copper and 300 mm programs in order to remain competitive."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the continuous cost cutting to remain "best in class", (ii) the removal of $200 million in annualized expenses by the end of the fourth quarter of 2001, (iii) further lowering of our Company's cost of capital, (iv) the economic uncertainty and depressed demand in the end electronic products market continuing to negatively impact our customers capital spending programs, (v) the commitment to invest in advanced product development despite the current downturn, (vi) the continued improvement in market position with additional wins in advanced technology placements in copper and 300 mm, and (vii) the continual push forward of copper and 300 mm programs by our customers, 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 which could cause actual results to differ including, but not limited to, the inability to cut costs at a rate necessary to remain "best in class" and remove $200 million in annualized expenses by the end of the fourth quarter of 2001, a possible prolonged slowdown in customer capital spending, or acceleration of the slowdown in customer orders in response to overall economic conditions, possible changed focus by customers on traditional technology, increasing or accelerating weakness in electronics products markets, a slowdown in the move to copper and 300 mm, and the possible decreased role of copper and 300 mm in the next industry upturn as well as other risks indicated in our filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. Novellus assumes no obligation to update this information. For more details, relating to risks and uncertainties that could cause actual results to materially differ from those made in these forward looking statements, and risks to our business in general, please refer to Novellus' SEC filings, including its most recent Annual Report on Form 10-K for the year ended December 31, 2000 and quarterly reports on Form 10-Q for the quarters ended March 31, and June 30, 2001.

About Novellus Systems:
Novellus Systems Inc., an S&P 500 company, manufactures, markets and services advanced deposition and surface preparation equipment for today's advanced integrated circuits. The company's products are designed for high-volume

production of advanced, leading-edge semiconductor devices at the lowest possible cost. Headquartered in San Jose, Calif., with subsidiaries throughout the U.S. as well as the United Kingdom, France, Germany, The Netherlands, Spain, Ireland, Israel, Italy, China, Japan, Korea, Singapore and Taiwan, Novellus is a publicly traded company on the Nasdaq stock exchange (Nasdaq: NVLS) and a component of the Nasdaq-100 Index®. Additional information about the company is available on Novellus' home page at www.novellus.com.

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