NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END 2001 RESULTS

NOVELLUS SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END 2001 RESULTS SAN JOSE, Calif., Jan. 22, 2002--Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its fourth quarter and year ended December 31, 2001. Net sales for the quarter were $200.0 million, down 34.1 percent from $303.7 million in the third quarter of 2001 and down 54.8 percent from the fourth quarter 2000 net sales of $442.7 million. Net income for the fourth quarter of 2001 was $17.2 million or $0.12 per fully diluted share. This represents an increase of $31.2 million from the third quarter 2001 net loss of $14.0 million or $(0.10) per basic share (which included special charges of $71.3 million for restructuring and other items) and a decrease of $76.7 million or 81.7 percent from fourth quarter 2000 net income of $93.9 million or $0.64 per fully diluted share (which included a special charge of $6.0 million for the write-off of in-process research and development). Fourth quarter 2001 included the benefit of a cost reduction decision, which resulted in a pre-tax $25.4 million ($0.12 per fully diluted share) reversal of bonus and profit sharing expense recorded in the first three quarters of 2001.

Net sales for the year were a record $1.339 billion, an increase of 1.5 percent from fiscal year 2000 net sales of $1.319 billion. Net income for the year was $144.5 million or $0.97 per fully diluted share, a decrease of 3.3 percent from fiscal year 2000 net income of $149.4 million or $1.04 per fully diluted share (which included the cumulative effect of the SAB 101 change in accounting principle of $89.8 million or $0.62 per fully diluted share). Pro-forma net income for the fiscal year 2001, excluding cumulative special charges of $84.5 million, was $202.7 million or $1.36 per fully diluted share. This represents an increase of 30.5 percent from pro-forma fiscal year 2000 net income, excluding a special charge of $6.0 million for the write-off of in-process research and development and an $89.8 million cumulative effect of the SAB 101 change in accounting principle, of $155.4 million or $1.08 per fully diluted share. All results and comparisons include Gasonics, which was acquired on January 10, 2001 and was accounted for as a pooling of interests.

Shipments of $162.4 million in the fourth quarter of 2001 represent a decline of 15.8 percent compared to $192.9 million reported in the third quarter of 2001. Deferred revenue at the end of the fourth quarter was $140.0 million, a decrease of 23.4 percent from $182.7 million at the end of the third quarter of 2001. Backlog at December 31, 2001 was $266.5 million, a decrease of 58.6 percent from the $643.8 million at December 31, 2000.

Cash, short-term investments and restricted cash at December 31, 2001 were $1.883 billion, an increase of $30.0 million over third quarter 2001 balances of $1.853 billion.

"Novellus continued to aggressively cut costs in the fourth quarter," said Kevin S. Royal, vice president and chief financial officer. "The continued focus on cost control measures allowed the company to post strong cash growth during a difficult quarter for our industry."

Richard S. Hill, chairman and chief executive officer, said, "Novellus remains committed to delivering the best financial performance in our industry along with best-of-breed technology and innovation. We recently announced a new corporate management team that expands the office of the chief executive officer, re-establishes the office of the chief technical officer and further strengthens our finance and marketing functions."

Hill also added, "Recent key strategic wins in both 300 mm and copper dual damascene processing continue to position Novellus well for the next wave of equipment spending. The recently announced changes in our corporate management team will help drive this next stage of growth for the company."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the commitment to deliver the best financial performance in the industry, (ii) the commitment to deliver best-of-breed technology and innovation, (iii) Novellus being positioned well for the next wave of equipment spending, (iv) the assurance that management changes will help drive the next stage of growth for the company, 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 achieve gross margin and operating expense levels necessary to deliver the best financial performance in the industry, the inability to consistently produce quality product development efforts in order to deliver best-of-breed technology and innovation, the inability of the Company's key strategic product wins to continue to position the Company well for the next wave of equipment spending because of superior competing technologies, the possibility that the next wave of equipment spending does not develop at all or as soon as expected, and the possible difficulties in achieving efficient management practices resulting from the recent management changes necessary to drive the next stage of growth for the company, 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, June 30 and September 29, 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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