



BusinessWire

Cymer Reports Second Quarter 2006 Operating Results

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Cymer, Inc. (Nasdaq:CYMI), the world's leading supplier of excimer laser light sources used in semiconductor manufacturing, today announced operating results for the second quarter and first six months, ended June 30, 2006.

For the second quarter of 2006:

-- net income rose to \$22,602,000, equal to \$0.55 per share (diluted), a 105 percent increase over net income of \$11,015,000, equal to \$0.30 per share (diluted), in the second quarter of 2005, and a 10 percent increase over net income of \$20,603,000, equal to \$0.52 per share (diluted), in the first quarter of 2006.

-- revenue grew to \$135,379,000, a 40 percent increase over revenue of \$96,392,000 in last year's second quarter, and a 6 percent increase over revenue of \$127,117,000 in this year's first quarter.

For the first six months of 2006:

-- net income climbed to \$43,205,000, equal to \$1.07 per share (diluted), a 163 percent increase over net income of \$16,400,000, equal to \$0.45 per share (diluted) in the first half of 2005.

-- revenue rose to \$262,496,000, a 45 percent increase over revenue of \$181,202,000 in the first six months of 2005.

Commenting on the second quarter of 2006, Bob Akins, Cymer's chief executive officer, said, "We achieved record quarterly total revenue and non-systems revenue, and record net income. Gross margin improved for the sixth consecutive quarter, and at 48 percent, met our April 18, 2006 guidance. We realized operating income of \$29,023,000 or 21 percent of revenue in the second quarter of 2006, compared to operating income of \$24,273,000, or 19 percent of revenue, in the previous quarter. This demonstrated significant operating leverage, with every dollar of incremental

revenue for the second quarter adding \$0.58 to the operating income line.

"We recognized revenue on 75 light sources in the second quarter, a 7 percent increase over the prior quarter," Akins continued. "We shipped 31 of our XLA Series argon fluoride (ArF) light sources, the second highest quarterly volume of XLA light sources since the series was introduced. Shipments of our XLA 300, which targets high volume immersion production, accounted for 8 percent of second quarter system shipments. Our direct customers are currently

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ramping up their immersion scanner production to meet growing demand for immersion tools from an expanding number of chipmakers, and this in turn will drive increasing demand for the XLA 300. In the second quarter, ArF light sources accounted for 44 percent of systems shipments and constituted 64 percent of systems revenue."

Cymer's second quarter 2006 average selling price (ASP) was \$958,000 on a currency adjusted basis. The quarterly average utilization of the company's light sources at chipmakers in the second quarter grew 3 percent over the prior quarter's level. This drove non-systems product revenue, which consists of consumables and spare parts, upgrades, and service, to \$62,661,000 for the second quarter, equal to 46 percent of total revenue.

Second quarter 2006 bookings totaled \$128,305,000 compared to first quarter 2006 bookings of \$135,575,000. The second quarter 2006 book-to-bill ratio was 0.95, and the quarter-end backlog totaled \$92,225,000. Included in this quarter's book-to-bill calculation is the dilutive effect of shipping competitive replacement lasers in the quarter under the laser replacement purchase order the company announced in January 2006.

Nancy Baker, Cymer's chief financial officer, stated, "Cymer generated \$16,437,000 in cash from operations in the second quarter of 2006, and spent \$2,817,000 on the acquisition of property and equipment, and an additional \$8,200,000 on an EUV patent license agreement. This yielded free cash flow of \$5,420,000 for the second quarter. Free cash flow is calculated as the net cash provided by operating activities less the acquisition of property, equipment and patent licenses. Our free cash flow would have been significantly higher, but we increased our inventory in the quarter. As we reduce inventory we anticipate generating higher levels of cash from operations during the remainder of 2006."

Corporate Outlook

Commenting on Cymer's outlook, Akins noted, "Over the past few weeks, investor sentiment in the semiconductor sector has obviously become cautious, based in part on concerns over whether or not consumers will continue to spend. Looking at semiconductor market conditions, in spite of the currently mixed macro-economic environment, the demand picture for DUV lithography remains intact and broad-based. Fab over-buying has not occurred and fab utilization remains in the low to mid 90% range. Flash memory manufacturers continue to expand capacity and 300mm fabs continue being built and populated. Our most advanced, highest value-added products are experiencing robust and growing demand, our ability to bring more advanced and highly innovative products to market strengthens our leadership, and our overall competitive position continues to be strong. The improvements we have made to date in our operating efficiency and financial performance have enhanced our ability to financially perform attractively throughout the semiconductor cycle."

Based on information available at this time, Cymer is currently providing the following guidance for the third quarter of 2006:

- We currently estimate that total revenue should be up between 5 and 10 percent over second quarter 2006 revenue.
- We are forecasting that foreign currency adjusted ASPs should rise to approximately \$1,080,000 due to the product mix shifting more toward our XLA Series of light sources.
- We expect that gross margin should be between 50 and 52 percent.
- We anticipate that R&D expenses should be between \$19.0 million and \$20.0 million.
- We expect SG&A expenses to be between \$17.5 million and \$18.0 million.

-- Our 2006 estimated annual effective tax rate is expected to be approximately 35 percent.

Cymer's management will hold a conference call at 2:00 pm (PDT) today, July 25, 2006, to discuss second quarter 2006 results and third quarter guidance. This press release, the conference call and accompanying slides may be accessed on the investor relations page of the company's Web site at www.cymer.com.

Forward Looking Statements

Statements in this press release that are not strictly historical in nature are forward-looking statements. These statements include, but are not limited to statements regarding factors that are expected to increase demand for the XLA 300, future cash generation, and the statements under the caption "Corporate Outlook" above. These statements are predictions based on current information and expectations and involve a number of risks and uncertainties. In addition, statements regarding backlog and book-to-bill ratios should not be read as predictions or projections of future performance. Actual events or results may differ materially from those projected in any of such statements due to various factors, including but not limited to: the performance and market acceptance of the company's new products or technologies; new and enhanced product offerings by competitors; the company's ability to meet its production and product development schedules; the demand for semiconductors in general, and, in particular, for leading-edge devices with smaller geometries; the timing of customer orders, shipments and acceptances; delays or cancellations by customers of their orders; cyclicity in the market for semiconductor manufacturing equipment; the rate at which semiconductor manufacturers take delivery of photolithography tools from the company's customers; the company's ability to secure adequate supplies of critical components for its advanced products; the company's ability to manage its expense levels and unanticipated expenses, and general economic conditions. For a discussion of these and other factors which may cause our actual events or results to differ from those projected, please refer to the company's most recent annual report on Form 10-K and quarterly reports on Form 10-Q, as well as other subsequent filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement, and the company undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this press release.

About Cymer

Cymer, Inc. is the world's leading supplier of DUV laser illumination sources, the essential light source for DUV photolithography systems. DUV lithography is a key enabling technology, which has allowed the semiconductor industry to meet the exacting specifications and manufacturing requirements for volume production of today's advanced semiconductor chips. Further information on Cymer may be obtained from the Company's SEC filings, the Internet at www.cymer.com or by contacting the company directly.

-0- *T Free Cash Flow Reconciliation For the three months ended June 30, 2006 Cash provided by operating activities \$16,437,000 Less acquisition of property, equipment and patent licenses \$11,017,000 ----- Free cash flow \$5,420,000 =====

Cymer, Inc. Three Months Ended June 30		Six Months Ended June 30	
2005	2006	2005	2006
\$135,379,000	\$181,202,000	\$262,496,000	\$313,379,000
\$43,205,000	\$43,205,000	\$43,205,000	\$43,205,000
\$92,174,000	\$138,000,000	\$219,291,000	\$270,174,000
\$0.30	\$0.55	\$0.45	\$1.07
36,166,000	42,708,000	36,695,000	41,892,000

----- Total revenues \$96,392,000
\$135,379,000 \$181,202,000 \$262,496,000 Net income \$11,015,000 \$22,602,000 \$16,400,000
\$43,205,000 Diluted earnings per share \$0.30 \$0.55 \$0.45 \$1.07 Weighted average common
shares outstanding - diluted 36,166,000 42,708,000 36,695,000 41,892,000 CYMER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (In thousands, except per
share data) For the three months For the six months ended June 30, ended June 30, -----
----- 2005 2006 2005 2006 REVENUES: Product sales \$95,797 \$132,081
\$180,406 \$256,983 Product sales - related party 0 3,209 0 5,363 Other 595 89 796 150 -----
----- Total revenues 96,392 135,379 181,202 262,496 -----
COST AND EXPENSES: Cost of product sales 57,731 70,556 110,762 139,247 Research and

development 16,937 18,803 31,561 36,927 Sales and marketing 6,777 7,367 12,551 14,216
General and administrative 6,022 9,630 12,326 18,810 ----- Total costs and
expenses 87,467 106,356 167,200 209,200 ----- OPERATING INCOME
8,925 29,023 14,002 53,296 ----- OTHER INCOME (EXPENSE): Foreign
currency exchange gain (loss) - net (573) 480 (767) 1,099 Gain on debt extinguishment 2,220 0
2,220 0 Interest and other income 2,597 5,493 4,998 12,479 Interest and other expense (1,776)
(1,505) (3,903) (2,907) ----- Total other income - net 2,468 4,468 2,548
10,671 ----- INCOME BEFORE INCOME TAX PROVISION AND
MINORITY INTEREST 11,393 33,491 16,550 63,967 ----- INCOME TAX
PROVISION 912 11,579 912 22,133 MINORITY INTEREST 534 690 762 1,371 -----
--- NET INCOME \$11,015 \$22,602 \$16,400 \$43,205 =====
===== EARNINGS PER SHARE: Basic earnings per share \$0.31 \$0.58 \$0.45 \$1.13
===== Weighted average common shares outstanding-
basic 35,841 38,992 36,360 38,084 ===== Diluted earnings
per share \$0.30 \$0.55 (a) \$0.45 \$1.07 (a) ===== Weighted
average common shares outstanding- diluted 36,166 42,708 (a) 36,695 41,892 (a) =====
===== (a) As a result of applying the if-converted method for
calculating diluted earnings per share for both the three month and six month periods ending
June 30, 2006, shares have been adjusted assuming conversion of our 3.5% convertible
subordinated notes, and net income has been adjusted for an add back of related interest
expense, net of tax. Shares have been adjusted by 2.8 million for both the three month and six
month periods ending June 30, 2006 and net income has been adjusted by \$918,000 and \$1.8
million for the three months and six months ending June 30, 2006, respectively. CYMER, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED) (In thousands, except share data) Dec. 31,
June 30, ----- 2005 2006 ASSETS CURRENT ASSETS: Cash and cash equivalents
\$233,745 \$312,141 Short-term investments 130,204 186,375 Accounts receivable - net 89,818
114,909 Accounts receivable - related party 588 3,510 Foreign currency forward exchange
contracts 1,776 311 Inventories 89,046 113,105 Deferred income taxes 33,338 33,105 Income
taxes receivable 0 3,028 Prepaid expenses and other assets 6,497 7,205 ----- Total
current assets 585,012 773,689 PROPERTY AND EQUIPMENT - NET 117,251 112,657 LONG
TERM INVESTMENTS 29,395 9,763 DEFERRED INCOME TAXES 34,429 25,680 GOODWILL -
NET 8,358 8,833 INTANGIBLE ASSETS - NET 10,474 17,403 OTHER ASSETS 6,457 5,910 ----
---- TOTAL ASSETS \$791,376 \$953,935 ===== LIABILITIES AND
STOCKHOLDERS' EQUITY CURRENT LIABILITIES: Accounts payable \$17,710 \$19,935
Accounts payable - related party \$4,975 \$4,609 Accrued warranty and installation 30,775 31,969
Accrued payroll and benefits 12,461 16,721 Accrued patents, royalties and other fees 7,180
6,114 Income taxes payable 7,268 0 Unearned income 1,726 2,556 Accrued and other current
liabilities 3,247 3,301 ----- Total current liabilities 85,342 85,205 CONVERTIBLE
SUBORDINATED NOTES 140,722 140,722 OTHER LIABILITIES 10,582 13,712 -----
Total liabilities 236,646 239,639 ----- MINORITY INTEREST 16,276 8,356 -----
-- COMMITMENTS AND CONTINGENCIES STOCKHOLDERS' EQUITY Preferred stock -
authorized 5,000,000 shares; \$.001 par value, no shares issued or outstanding - - Common stock
- authorized 100,000,000 shares; \$.001 par value, issued and outstanding 38,036,000 and
41,219,000 shares 38 41 Additional paid-in capital 407,549 528,974 Treasury stock at cost
(1,943,000 common shares) (50,000) (50,000) Accumulated other comprehensive loss (9,025)
(6,172) Retained earnings 189,892 233,097 ----- Total stockholders' equity 538,454
705,940 ----- TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$791,376
\$953,935 ===== CYMER, INC. CONSOLIDATED STATEMENTS OF CASH
FLOWS (UNAUDITED) (In thousands) For the six months ended June 30 ----- 2005
2006 OPERATING ACTIVITIES: Net income \$16,400 \$43,205 Adjustments to reconcile net
income to net cash provided by operating activities: Gain on debt extinguishment (2,220) 0
Depreciation and amortization 14,440 12,727 Non-cash stock based compensation 360 4,958
Amortization of unearned compensation 16 0 Minority interest (762) (1,371) Provision for deferred
income taxes 46 8,883 Loss on disposal or impairment of property and equipment 35 6 Change in
assets and liabilities: Accounts receivable - net 39,648 (25,091) Accounts receivable - related
party 0 (2,922) Income taxes receivable 0 (3,028) Foreign currency forward exchange contracts

(2,677) 1,556 Inventories 19,672 (24,059) Prepaid expenses and other assets (277) (551)
 Accounts payable (359) 2,225 Accounts payable - related party 0 (366) Accrued and other
 liabilities (3,727) 7,572 Unearned income (1,724) 830 Income taxes payable 81 (7,268) -----
 ----- Net cash provided by operating activities 78,952 17,306 ----- INVESTING
 ACTIVITIES: Acquisition of property and equipment (7,849) (6,478) Purchases of investments
 (201,673) (98,271) Proceeds from sold or matured investments 268,200 61,901 Acquisition of
 patents 0 (8,200) Acquisition of minority interest 0 (7,024) ----- Net cash provided by
 (used in) investing activities 58,678 (58,072) ----- FINANCING ACTIVITIES: Proceeds
 from issuance of common stock 4,154 98,696 Redemption of convertible subordinated notes
 (57,336) 0 Excess tax benefits from stock option exercises 0 17,772 Payments on capital lease
 obligations (20) 0 Purchase of treasury stock (50,000) 0 ----- Net cash provided by
 (used in) financing activities (103,202) 116,468 ----- EFFECT OF EXCHANGE RATE
 CHANGES ON CASH AND CASH EQUIVALENTS 375 2,694 ----- NET INCREASE IN
 CASH AND CASH EQUIVALENTS 34,803 78,396 CASH AND CASH EQUIVALENTS AT
 BEGINNING OF THE PERIOD 114,246 233,745 ----- CASH AND CASH
 EQUIVALENTS AT END OF THE PERIOD \$149,049 \$312,141 =====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Interest paid \$4,324 \$2,621
 ===== Income taxes paid, net \$1,569 \$4,831 ===== *T