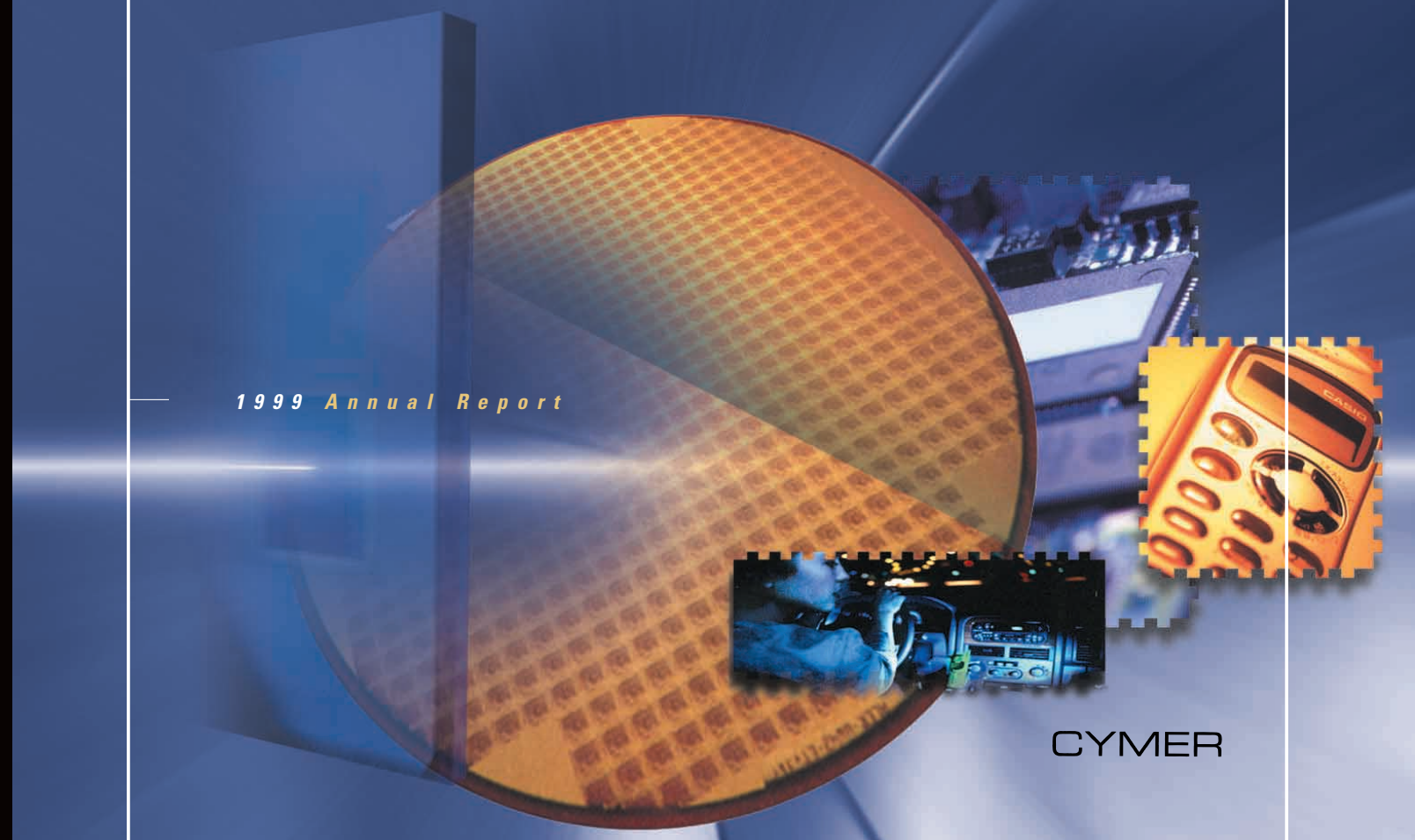
Driving Innovation—

Through Leadership,
Commitment and Excellence



1999 Annual Report

CYMER

Corporate Profile

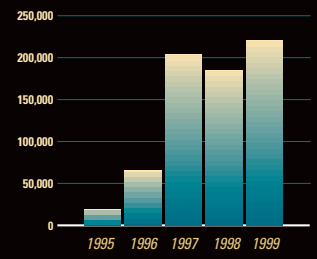
Headquartered in San Diego, Calif., Cymer, Inc. is the market leader in supplying illumination sources to the semiconductor industry. Founded in 1986, the company's excimer lasers are recognized worldwide as key enablers to the production of the leading-edge and next-generation semiconductors needed to power the digital devices of today's Information Age. Cymer's lightsources are used by more than 60 of the world's chipmakers—testimony to its product, technology and scientific leadership.

A key factor in Cymer's success is its more than 780 employees, which include more than half of the world's leading excimer laser experts. Working in close collaboration with leading lithography tool manufacturers and chipmakers, Cymer leverages this talent to develop the technology solutions that best address its customers' requirements. Operating from more than 35 locations worldwide, Cymer continues to strengthen its global service and support infrastructure to enhance its value as the preferred supplier of excimer lasers—providing the local presence necessary to respond quickly and efficiently to customers' needs.

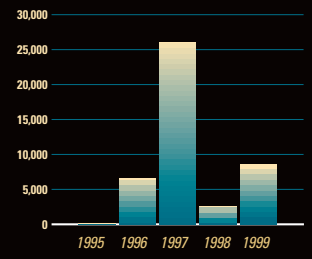
Financial Highlights

Dollars in thousands, except per share and stock price amounts

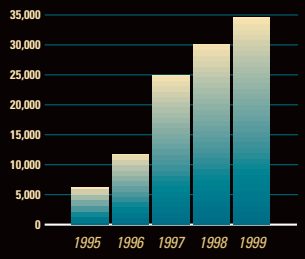
Total Revenues



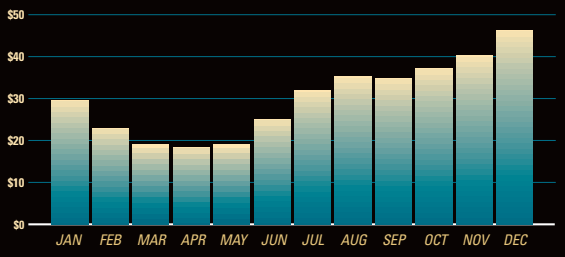
Net Income



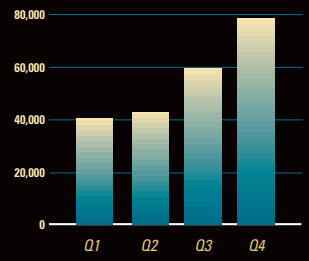
Research & Development



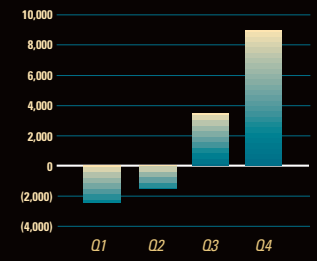
1999 Stock Prices



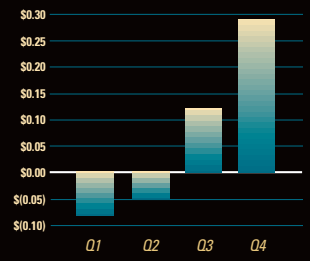
1999 Quarterly Revenues



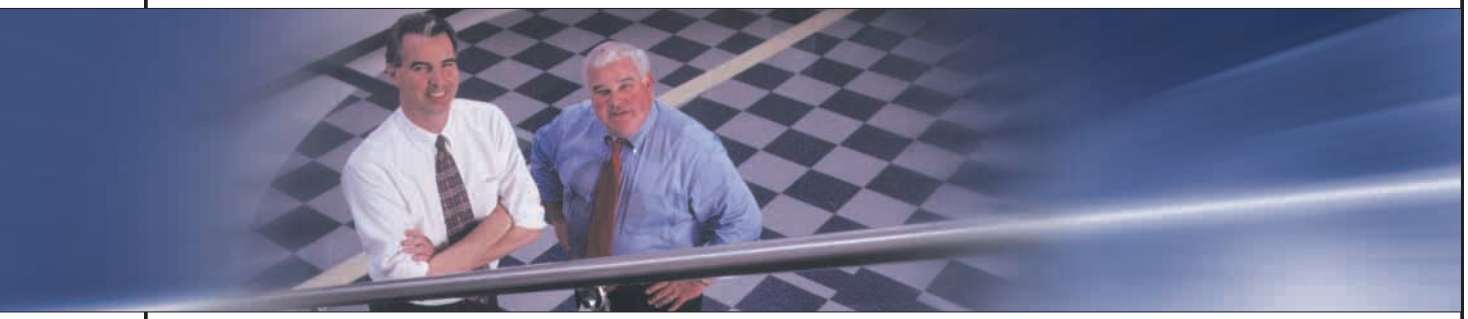
1999 Quarterly Net Income (loss)



1999 Quarterly Earnings (loss) Per Share



CYMER



1999 marked a year of recovery for Cymer and the semiconductor industry as a whole. The tumultuous effects associated with our industry's cyclical nature slowly dissipated during the first half of the year, with the latter half bringing signs of true recovery, including increased order momentum, fab retrofits and expansions, and new fab construction.

We believe that the industry's recovery—and Cymer's concurrent resurgence—is being fueled by several key factors. To begin with, the increasing demand for smaller, faster semiconductors to power the digital devices of today's Information Age is reinvigorating demand for cutting-edge chip manufacturing equipment. In fact, industry experts are now predicting that advanced chip demand could soon exceed supply, creating a lack of capacity at the 0.18-micron level and below. As a result, chipmakers are beginning to once again contemplate capacity buys—seeking solutions for these smaller geometries in the most cost-effective and lowest-risk fashion possible.

From a lithography perspective, these trends are driving greater penetration of leading-edge scanners to image the extremely fine linewidths associated with these powerful chips. The increased adoption rate of deep ultraviolet (DUV) lithography is driving both the demand for, and utilization of, our advanced lightsource solutions. This is clearly evident in both our increased order activity, and the fact that the utilization of our installed base of light sources has increased significantly — jumping from a low of 20-25 percent in 1998 to a high of nearly 100 percent during 1999 in many factories as demand for sub-0.25-micron patterning continues to surge.

The Financial Year in Review

During 1999, your company posted four sequential quarterly revenue increases, with fourth quarter revenues and net income reaching record highs. Our improved financial performance resulted from the semiconductor industry rebound, along with growing acceptance of Cymer's advanced products and services, a more favorable product mix and effective cost management.

For the year ended December 31, 1999, Cymer's net income grew 240 percent to $8,573,000, or $0.29 per share (diluted), from $2,523,000, or $0.09 per share (diluted), recorded in the prior year. Total revenues advanced to $220,450,000, a 19 percent increase over $185,141,000 in 1998.

Cymer's investment in research and development (R&D) increased by 14.5 percent over the prior year's level, though it remained basically flat year over year as a percentage of annual revenues.

The balance sheet remains strong, with $193,089,000 in cash, cash equivalents and short- and long-term investments. The company has $335,165,000 in current assets, with only $122,044,000 in current liabilities, which gives Cymer $213,121,000 in working capital.

New Products Gain Strong Acceptance

The market's growing acceptance of, and demand for our advanced products and services was a key driver behind the company's strong second half performance. Cymer's newest product, the ELS-6000™ 2 kHz krypton fluoride (KrF) lightsource is achieving wide acceptance among our direct customers and chipmakers alike, and accounted for more than half of fourth quarter system revenues in 1999.

As with the ELS-5010 in 1998, our ELS-6000, with its cutting-edge features and advanced performance, is again obsoleting Cymer's own existing products. This translates into rising average selling prices (ASPs), as the mix of products sold becomes more heavily weighted toward the newer, higher cost systems.

Highlights of 1999

Throughout 1999, 88 percent of all lasers installed at chipmaking facilities were Cymer's. Cumulatively, there were a total of 905 Cymer laser lightsources at chipmakers at year-end. In November, we announced the installation of our 200th system in Japan. As a result, at year-end we held a greater than 80 percent market share in this key region, while our overall cumulative worldwide market share stood at approximately 94 percent.

To briefly review other highlights of the year:

- Cymer expanded its worldwide sales and field service operations in both Europe and Asia, and, as a result, now has operations in more than 35 locations worldwide.
- In May, Cymer announced a strategic alliance with Carl Zeiss Lithos, a subsidiary of Carl Zeiss, to jointly develop leading-edge optical components and modules for lithography light sources in alignment with the Semiconductor Industry Association (SIA) roadmap.
- Also in May, Cymer augmented its board of directors with the election of Jon Tompkins, the now retired chairman of KLA-Tencor.
- Mid-year, Cymer formed a scientific advisory board comprised of leading semiconductor industry experts to complement Cymer's existing scientific talent and enhance our expertise in such critical areas as lithographic technology and high voltage power pulse systems.
- During the year, Cymer received the 1999 Outstanding Equipment Supplier Award from NEC Electronics Inc.'s Roseville, Calif. fab.
- In November, Cymer received an order for its ELX-6500F2 lightsource, the industry's first 1000 Hz Fluorine (F2) laser for 157nm lithography, from Ultratech Stepper, Inc. This product was shipped at the end of January 2000.
- Cymer's pioneering work to develop a 13.5nm EUV lightsource has created significant industry interest in our source technology as a viable solution path.
- Perhaps among the more important highlights of the year was the validation of Cymer's product roadmap at the company's seventh annual Lithography Symposium, co-hosted by our key manufacturing partner, Seiko Instruments, Inc. Here, both chipmakers' and lithography tool suppliers' presentations demonstrated a strong alignment between their future product requirements and Cymer's technology roadmap.

The Future: Opportunity and Challenge

Despite Cymer's improving performance, significant progress and many accomplishments during 1999, we do not underestimate the challenges that lie ahead.

Cymer's ability to manufacture multiple types of lightsources of ever increasing complexity and value-added technology is proving to be an extremely valuable competitive weapon, and we are demonstrating that manufacturing capability in both the United States and Japan. Our investment in manufacturing capacity over the years has formed the foundation that enables us to produce a growing diversity of products. The number of new products and prototypes, spanning three wavelengths that we plan to unveil during 2000 will challenge the diversification of our capacity, including final test capacity, as well as overall manufacturing capacity. Furthermore, developing these increasingly complex products challenges our technological and scientific expertise as never before.

Fortunately for Cymer, our leading market share has positioned us well to capitalize on the burgeoning opportunity this industry affords. And despite escalating competition, our ongoing efforts to enhance our product, technological and scientific leadership in the lightsource market should enable us to maintain a strong market share through the current growth cycle. In the following pages, we discuss the key strategies designed to maintain our position in the coming years: 1) leadership at four wavelengths; 2) commitment to customer satisfaction; and 3) operational and manufacturing excellence. The timely and proper execution of these key strategies will allow Cymer to stay on the leading edge of the technology curve, while concurrently addressing heightened competitive pressures and successfully navigating the market and business challenges that characterize our dynamic industry.

In closing, we wish to thank our customers, shareholders, employees and suppliers for their support during the past year, and for their commitment to the year 2000 and beyond.

Robert P. Akins
President
Chief Executive Officer

William A. Angus, III
Senior Vice President
Chief Financial Officer

As the industry enters a new era rich in innovation,

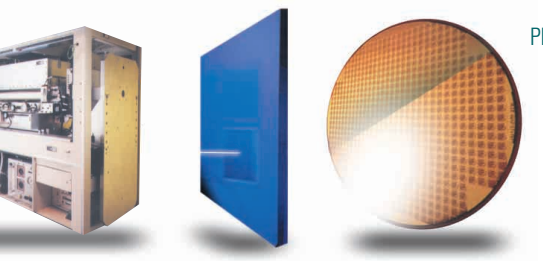
Cymer continues to invest in its product, technology and scientific leadership to sustain its competitive edge The company's ongoing investment in developing the enabling technology essential to the production of next-generation devices at all four wavelengths, is designed to enhance Cymer's position as the preferred supplier of advanced lightsource solutions.

248nm

Demonstrating the company's product leadership at the first of these wavelengths, 248nm, the multiple offerings in Cymer's broad portfolio of advanced KrF 248nm excimer lightsources have become the tools of choice among leading lithography tool manufacturers and chipmakers. For example, the ELS-6000 is Cymer's most advanced 248nm light source—offering high repetition rates and significant productivity gains at the lowest cost of operation (CoOP) for 0.18-micron and below lithography applications. Driven largely by chipmakers' insistence on 2 kHz lightsources, acceptance of Cymer's ELS-6000 is growing dramatically and is expected to constitute the majority of total systems revenue in 2000.

Cymer also continues to support its earlier generation of 248nm KrF lasers, including the production-proven ELS-5010 designed for 0.25-micron lithography applications. Expanding the support of its existing lightsource family, Cymer unveiled the ELS-5005 upgrade in 1999 to provide a cost-effective means for customers to dramatically lower CoOP and improve the performance of their older generation ELS-5000 lasers.

Moving forward, Cymer has aggressive development efforts underway to unveil three new KrF products during 2000 that are designed to further extend the company's KrF market and product leadership well into this new decade.



Photolithography—*the process of imaging complex circuit patterns onto semiconductor devices*—requires camera-like imaging tools known as steppers and scanners. Excimer lasers are the primary illumination source used in these lithography tools, delivering light that enables the steppers and scanners to image features less than 1/400th the width of a human hair.

193nm

The long anticipated transition to the 193nm wavelength is now expected to be pushed to 0.10-micron and below. While volume production of devices at these infinitesimal geometries is still years away, Cymer's involvement at 193nm began several years ago with the incorporation of its early lightsources on small-field stepper prototypes for advanced 193nm research programs. Now, Cymer's ELS-5000A lightsources power the majority of the process development tools used today, proving the efficacy of the company's 193nm technology. To be successful moving forward, argon fluoride (ArF) 193nm lightsources will need to operate at very high pulse repetition rates (4 kHz and above), while maintaining a low CoOP. To this end, Cymer plans to unveil a 4 kHz ArF product in the latter half of 2000 to further expand its technology lead over its competitors.

157nm

Since early 1999, Cymer has been researching the scalability of fluorine (F2) for imaging the tighter dimensions mandated at the shorter 157nm wavelength. This has resulted in critical insight as to what F2 is, and is not, capable of accomplishing. And demonstrating its true scientific leadership in this arena, Cymer shipped its first F2 lightsource to Ultratech Stepper, Inc. at the end of January 2000 for use in its small-field microstepper for next-generation process development applications.

13.5nm

Another example of Cymer's scientific leadership is evident in its efforts at the 13.5nm wavelength. Cymer's progress here has already received much attention from the advanced lithography community, which now views Cymer's dense plasma focus (DPF) extreme ultraviolet (EUV) source technology as a viable path for powering the lithography tools in the post-optical era.

Through its product leadership at 248nm, technology leadership at 193nm and scientific leadership at 157nm and EUV, Cymer can help customers keep pace with industry demand by eliminating non-viable, non-economical technology paths and quickly narrowing the focus of their product definitions and corporate resources. Furthermore, Cymer's efforts will allow both its customers and the company itself to remain ahead of the competition by minimizing risks and increasing speed of execution and time-to-market.

The continued trend toward more complex semiconductors needed to power the consumer electronics of today and tomorrow mandate superior imaging capabilities at ever shorter wavelengths. Cymer's investment in developing and maximizing the enabling technology essential to the production of next-generation devices across all four wavelengths positions the company at the technology forefront for DUV and future lithography paths such as EUV.

Throughout Cymer, the company's management and employees share a passion — to provide to the industry products and services so compelling that chipmakers will "insist on Cymer" to maximize their competitiveness. As part of the company's charter to optimize satisfaction on a global scale and realize its "Insist on Cymer" strategy, Cymer works in close collaboration with leading lithography tool manufacturers and chipmakers on two fronts: first, to better understand their requirements and synchronize roadmaps to deliver future technology solutions that best address their needs and, second, to improve the efficacy of our lightsources to meet or surpass those needs. With no reason to settle for less, the number of chipmakers that insist on Cymer as the preferred lightsource provider for their advanced DUV steppers and scanners continues to grow.

Key to continued satisfaction and success is Cymer's ability to optimize overall equipment effectiveness (OEE). OEE has recently emerged as a more sophisticated and relevant cost management measure among chipmakers than the simpler CoOP. OEE is comprised of three components: availability, performance and quality. For lightsource providers, maximizing chipmakers' OEE in the area of availability requires production-proven reliability data, minimum preventative maintenance and timely response to unscheduled repairs. In the area of performance, Cymer must deliver equipment that performs at maximum utilization levels around the clock. As for quality, Cymer's equipment must consistently meet all operational specifications.

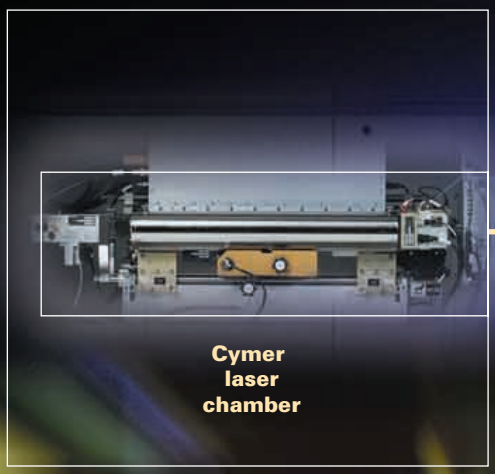
"At NEC, we strive for excellence in manufacturing and partner with the best suppliers to ensure our operations are world-class. Cymer's DUV excimer light source solutions provide the high reliability and productivity that NEC demands to help enable the Roseville fab to run at benchmark levels." **Gary George, Director of Equipment Engineering, NEC Roseville**

Providing lightsource solutions that outperform those of the competition in today's rigorous manufacturing environments is the key element of Cymer's OEE advantage. With lightsource utilization approaching maximum levels, Cymer's product uptime (though well above 99 percent) has increased, while CoOP has fallen—ultimately improving fab productivity and lowering costs. Furthermore, with its key lightsource modules performing to specification longer than expected, Cymer has increased its module lifetimes and warranties, and passed these benefits on to customers. Cymer's ongoing effort to improve customer satisfaction was rewarded when the company recently received the coveted 1999 Outstanding Equipment Supplier Award from NEC Electronics Inc. The award acknowledged Cymer's excellence in product quality, continuous improvement and comprehensive support. Meeting the stringent criteria of this award validates the company's efforts in delivering maximum value and performance.

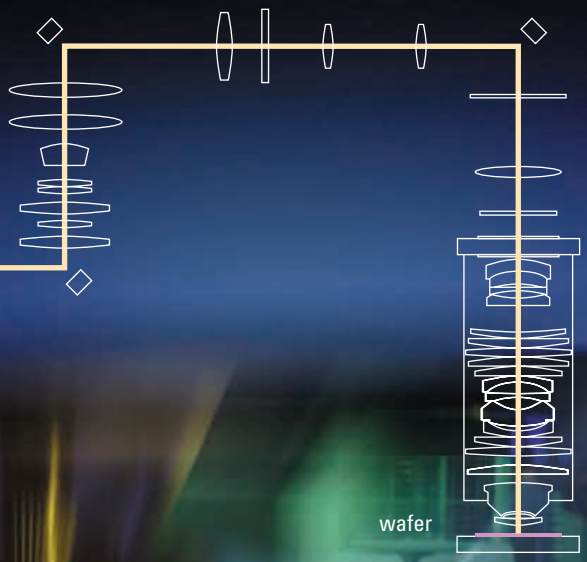
As an integral part of maximizing OEE, Cymer continues to strengthen its global service and support infrastructure. An expanded presence in key geographic regions will not only increase Cymer's sales reach, but also enable the company to provide the world-class support that has become a trademark. This is essential since customers depend on Cymer to deliver immediate service, support and process expertise within hours, not days.

Cymer's progress along these lines includes centralizing its European operations with a new headquarters in Maarssen, the Netherlands, to improve internal efficiencies and enhance service and support in the surrounding region. Since several of Cymer's key customers have operations in the U.K. and Ireland, Cymer opened an office in Scotland to improve response times and maintain closer interaction with customers in this locale. Cymer also relocated and expanded its Taiwan field office to better support its growing customer base in this burgeoning region.

In the years ahead, Cymer's pursuit of customer satisfaction on a global scale, through both superior product performance and comprehensive, timely after-sales support, will boost the value it brings to the industry.



Cymer laser chamber



In order to continuously develop and deliver cost-effective, value-added lightsource solutions, Cymer works closely with customers to better understand both their existing and emerging lithography requirements. This allows Cymer to provide the highest value to the chipmaker where it counts the most—on the wafer.

Cymer's strategy for success involves a continued commitment to technical, manufacturing and operational excellence

for its multiple product platforms across all wavelengths. The company has always endeavored to produce the highest caliber products on extremely aggressive time schedules—leveraging its decade of experience to produce the industry's most robust and reliable lightsources. Moving forward, Cymer intends to continue to deliver this and more through aggressive investment in its business and manufacturing processes and its adherence to a "best practices" approach.

Since 1995, the ability to manufacture lightsources in volume to meet the growing demand from DUV toolmakers has been one of Cymer's greatest business challenges. The company made significant investments in capacity, built new manufacturing facilities and partnered with key suppliers. Now, armed with the capacity to address worldwide demand, and strengthened by the ongoing manufacturing alliance with Seiko Instruments, Inc., the company is poised to meet the burgeoning worldwide demand from both lithography tool manufacturers and chipmakers alike.

To lower costs, speed time-to-market and ensure the continued and timely delivery of high quality products, Cymer launched several unique initiatives during 1999 to boost manufacturing and operational excellence. Such initiatives signal Cymer's push to re-engineer itself as a process-driven, cross-functional organization that delivers value directly to its customers and ultimately enhances shareholder value.

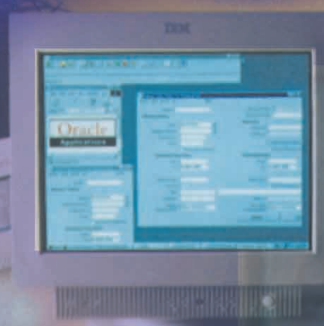
Cymer's lightsources are used to produce some of the most advanced electronics of today's Information Age. From cell phones, e-books and personal digital assistants, to notebook computers, desktop monitors and HDTVs—Cymer's lightsources enable the manufacturing of the chips that make all these products possible.

Among the most notable investments designed to improve its operating efficiencies during the year is the adoption of an Oracle-applications-based enterprise resource planning (ERP) system to augment Cymer's IT infrastructure. Designed to support and integrate critical processes quickly and efficiently, this process enabler, when fully deployed in late 2000, will allow Cymer to link its worldwide operations in real time, with real return. Specifically, the implementation of the ERP will enhance the company's ability to operate more efficiently on a global basis, making it easier for customers and suppliers to do business with Cymer anywhere, at anytime. Internally, implementation of this system will provide Cymer employees with quick access to mission-critical information, thus boosting productivity and augmenting employee efficiency and job satisfaction.

Of course, many of Cymer's efforts would be futile without the right people to execute the plan. Attracting and retaining talent is one of the key challenges facing any company today. Cymer's location in San Diego makes it possible for the company to attract skilled individuals to complement its team of dedicated and creative professionals. The company's achievements in innovation would not have been possible without the ingenuity of its dedicated team of scientists, which includes more than half of the world's leading excimer laser experts. Cymer's employees are the company's most valuable assets, and their creativity, diligence and enthusiasm have been the pillars of Cymer's strength and success since its inception in 1986.

Though multiple challenges lie ahead, Cymer remains committed to achieving manufacturing and operational excellence, and to providing compelling products that give customers no choice but to "Insist on Cymer."

Customers depend on Cymer for more than just product offerings—
they need a partner that can deliver immediate service,
support and process expertise wherever and whenever they need it.



Cost of Operation (CoOP):

The total cost of operating a system, plant, etc. For lithography tools, it includes cost of replacement materials and consumables.

Deep ultraviolet light:

A range of light colors, beyond what human beings can see, on the violet side of the spectrum.

DUV Lithography:

DUV lithography is a key enabling technology that allows the semiconductor industry to meet the exact specifications and manufacturing requirements for volume production of today's advanced semiconductor chips with 0.25 micron and below design rules.

Design rule:

Refers to the device (circuit) design. The smallest device dimensions imaged on the wafer's surface. Also referred to as geometries, critical dimensions or feature sizes.

Dynamic random-access memory (DRAM):

An integrated circuit used for memory storage.

Extreme ultraviolet (EUV):

Deemed the next-generation lithography solution path in imaging critical dimensions below .05 micron, EUV lithography utilizes light far beyond what human beings can see, with wavelengths in a range of about 5nm to 50nm, with about 13nm being the most common.

Excimer Lasers:

Excimer lasers provide high-power light for precision DUV photolithography tools essential to the volume production of semiconductors with features below 0.25 micron. Excimer laser light is generated by mixing two gases, such as Krypton and Fluoride (KrF) or Argon and Fluoride (ArF) inside a chamber, then applying a short electrical charge.

Lightsource:

The illumination source, such as an excimer laser, needed by photolithography tools in order to image the pattern of the circuit.

Linewidths:

The width of a feature printed in resist, measured at a specific height above the substrate. The measurement of the shorter dimension of lines or spaces comprising the patterns formed when manufacturing devices. Also referred to as critical dimension (CD) or feature width.

Micron (µ):

A unit of measurement equal to one millionth of a meter. One thousand microns is equal to one millimeter. A human hair is about 100 microns thick.

Nanometer (nm):

A unit of measurement equal to one thousandth of a micron.

Overall Equipment Effectiveness (OEE):

OEE is a sophisticated cost management measure designed to help chipmakers improve factory/tool productivity, efficiency and quality.

Photolithography:

A process of imaging complex circuit patterns onto a photosensitive material, which is used to provide a physical barrier for the processing of semiconductor devices. This method uses light to print a pattern in a photosensitive material.

Scanner:

A photolithography tool used in the production of semiconductor devices. This camera-like step-and-scan tool projects the image of a circuit from a "master image" onto a photosensitized silicon wafer.

Semiconductor:

An electronic material utilized in the manufacture of devices used in a variety of applications including computer, automotive and telecommunications products.

Stepper:

A photolithography tool used in the production of semiconductor devices. A stepper works by transferring the image of a circuit or component from a master image onto a small portion of the wafer surface. The wafer is then moved or stepped, and the image is exposed once again onto another area. This process is repeated until the entire wafer surface is exposed.

Wafer:

A round, thin slice of single-crystal silicon that forms the foundation for semiconductor processing. Also called the substrate, a current generation wafer is eight inches in diameter, the thickness of a credit card, weighs about a third of a pound, and is polished to a mirror finish on one side.

Wavelength:

The length of the light wave, usually measured from crest to crest, which determines its color. Common units of measurement are micrometer (micron), nanometer and Angstrom.