


**ASML**  
 ANNUAL REPORT  
**2000**

In this report the collective expressions 'ASML' and 'ASM Lithography' are sometimes used for convenience in contexts where reference is made to ASM Lithography Holding N.V. and/or any of its subsidiaries in general. Those expressions are also used where no useful purpose is served by identifying the particular company or companies.

'Safe Harbor' Statement under the U.S. Private Securities Litigation Reform Act of 1995: The matters discussed in this document include forward-looking statements that are subject to risks and uncertainties including, but not limited to, economic conditions, product demand and industry capacity, competitive products and pricing, manufacturing efficiencies, new product development, ability to enforce patents, availability of raw materials and critical manufacturing equipment, trade environment, and other risks indicated in filings with the U.S. Securities and Exchange Commission.

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DOUG J. DUNN



PETER T.F.M. WENNINK



MARTIN A. VAN DEN BRINK



NICO I.M. HERMANS



DAVID P. CHAVOUSTIE



STUART K. MCINTOSH

## Message to the shareholders

### Dear Shareholders,

The first year of this millennium ASML produced growth records for sales, earnings and order intake, gained significant new customers and launched its first 300 mm product TWINSCAN™.

Results for the year 2000 were above ASML's expectations and reflect the accelerated customer demand, exceeding ASML's production capacity and the capacity of its supply chain. Net sales amounted to EUR 2,186 million for the year ended December 31, 2000 compared to net sales of EUR 1,197 million in 1999. Net income for the year 2000 amounted to EUR 347 million or EUR 0.83 per share, compared to EUR 81 million or EUR 0.19 per share in 1999. In addition to the increased business volume, net profit increased by significantly improved gross margins on product sales from 33.4 percent in 1999 to 41.1 percent in 2000. Cost control measures, as well as learning curve benefits at ASML's production site and in its supply chain, together with improved utilization rates, that accompanied ASML's higher sales volumes, led to lower cost of sales in 2000.

The 2000 annual results reflect both the accelerated upturn and ASML's strong position in leading edge products. Bookings amounted to 464 units compared to 325 in 1999, resulting in a backlog of 255 systems with a value of EUR 1,751 million. This backlog includes 23 TWINSCAN™ systems.

The order intake of 464 units and shipment of 368 units reflect the continuously increasing customer demand throughout the year 2000. However, recent weakening in the consumer market has resulted in a slow down in demand for semi-conductor capital equipment, including that of ASML, a trend that will be closely monitored. The current situation is that customer demand for our product remains above the output for the year 2000. In the coming months the development of the customer's business may give a clearer indication on the direction of this trend and on the expectations for the full year 2001.

In August, ASML launched its first 300 mm product, TWINSCAN™. This product heralds the beginning of a new chapter in the growth of the company, incorporating many new concepts and features. The backlog of

255 systems, including 23 TWINSCAN™ systems reflects the strength of ASML's product range and the high customer interest it generates.

The accelerated upturn of the semiconductor industry and its leading edge technology enabled ASML to gain significant new customers. In 2000 ASML received its first ever order from Japan and shipped its first system to this important market.

These customer gains strengthened ASML's market position significantly. Currently ten of the top twenty semiconductor manufactures are ASML customers.

This customer gain and increasing order intake are driven by ASML's Value of Ownership concept. This concept combines the latest technology available for volume production at the time the market needs it, together with the support of a network of strategic partners, each leading in their own area of expertise. The result is a product that can be installed and quickly ramped up to volume production supported by an extensive customer and application support network.

As part of its long-term, market-oriented product strategy, ASML designs each successive generation of systems based on a family. This enables fast and relatively easy installation at the customer site, and thus fast production ramp up of the latest technology. Additionally, the ability to process more wafers per hour, combined with flexible solutions for leading-edge imaging, helps to lower the overall production cost per chip. To extend and exploit its technology leadership, ASML maintains and will reinforce strategic partnerships with world-class partners.

In the current environment, merely generating and bringing to the market the newest imaging technology alone is not sufficient. Increasingly, customers request hands-on support for their imaging and process optimization activities. Therefore, ASML further strengthened its already extensive customer and application support capabilities.

Although there is a current softening in the semiconductor industry ASML sees unchanged strong demand for leading edge products, such as its 300 mm TWINSCAN™ platform, 193 nanometer (nm) and advanced 248 nm Deep UV tools. Therefore strategic investments to increase ASML's production capacity will

continue. The current results and customer gains are the result of ASML's strategy to continuously invest in its research and development infrastructure. In the coming years ASML will continue to invest heavily in technology to introduce new platforms to the market and to develop the next generation of lithography solutions.

As reported ASML signed a strategically important agreement to merge with the Silicon Valley Group (SVG) to further strengthen its business and provide the investment necessary to develop the next generation of technologies. Completion of the merger remains subject to U.S. regulatory approvals and other customary closing conditions. Subject to the afore-mentioned, the merger is expected to close in early 2001.

To cope with its growth ASML was able to attract close to 1,400 people, increasing its number of employees from 2,983 at year-end 1999 to 4,377 at December 31, 2000. This increase occurred mainly in the areas of customer support, manufacturing and research and development. To meet customer demand for 2001 and to expand the support organization for TWINSCAN™ technology ASML expects the employment level to increase toward 5,000 people world-wide by the end of 2001. Integrating and effectively employing these employees requires continuing investments in facilities, infrastructure and training equipment.

Last year's result was achieved with the effort and help of all ASML's employees and suppliers. The ongoing demand for increased production will require the same achievement and the same commitment this year. The Board of Management is very grateful to everyone who contributed to this success and wishes to thank them for their efforts.

Doug J. Dunn



CEO and Chairman of the Board of Management

ASM Lithography Holding N.V.  
Veldhoven, January 18, 2001

# Five-year Financial Summary

Year ended December 31 <i>(in millions, except per share data)</i>	1996	1997	1998	1999	2000
	EUR	EUR	EUR	EUR	EUR
<b>CONSOLIDATED STATEMENTS OF OPERATIONS DATA</b>					
Net sales	604.2	817.9	779.2	1,197.5	2,185.7
Cost of sales	361.6	474.2	481.6	798.0	1,286.6
<b>Gross profit on sales</b>	<b>242.6</b>	<b>343.7</b>	<b>297.6</b>	<b>399.5</b>	<b>899.1</b>
Research and development costs	56.8	93.1	144.6	174.0	235.7
Research and development credits	(3.8)	(13.6)	(29.9)	(36.1)	(18.5)
Selling, general and administrative expenses	37.2	57.6	94.2	140.2	187.7
<b>Operating income</b>	<b>152.4</b>	<b>206.6</b>	<b>88.7</b>	<b>121.4</b>	<b>494.2</b>
Gain on sale of marketable securities	0	(14.1)	0	0	0
Interest (income) expense, net	0.2	(0.7)	(1.2)	3.1	(2.1)
<b>Income before income taxes</b>	<b>152.2</b>	<b>221.4</b>	<b>89.9</b>	<b>118.3</b>	<b>496.3</b>
Provision for income taxes	53.4	72.1	27.9	37.5	148.1
Cumulative effect of accounting changes	NA	NA	NA	NA	1.0
<b>Net income</b>	<b>98.8</b>	<b>149.3</b>	<b>62.0</b>	<b>80.8</b>	<b>347.2</b>
Basic net income per ordinary share*	0.24	0.36	0.15	0.19	0.83
Number of ordinary shares used in computing per share amount (in thousands)	410,700	414,000	414,501	416,199	418,581
<b>CONSOLIDATED BALANCE SHEETS DATA</b>					
Working capital	227.5	368.2	626.1	1,162.3	1,626.4
Total assets	487.0	664.0	937.8	1,703.5	2,419.1
Long-term debt, less current portion	0	0	272.3	789.0	828.7
Total shareholders' equity	292.3	437.6	500.2	611.3	979.7
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS DATA</b>					
Capital expenditures	36.8	41.4	95.5	127.9	130.1
Depreciation and amortization	9.2	16.1	34.0	42.5	66.8
Net cash provided by (used in) operating activities	36.1	(16.1)	(53.6)	38.1	187.2
Net cash used in investing activities	(33.6)	(12.9)	(102.3)	(120.0)	(130.1)
Net cash provided by financing activities	25.3	3.8	272.9	535.5	18.1
Net increase (decrease) in cash and cash equivalents	28.4	(24.7)	116.0	452.1	237.4
<b>RATIOS AND OTHER DATA</b>					
Increase (decrease) in net sales (in percent)	45.1	35.4	(4.7)	53.7	82.4
Gross profit on sales as a percentage of net sales	40.1	42.0	38.2	33.4	41.1
Operating income as a percentage of net sales	25.2	25.3	11.4	10.1	22.6
Net income as a percentage of net sales	16.4	18.3	8.0	6.7	15.9
Shareholders' equity as a percentage of total assets	60.0	65.9	53.3	36.0	40.5
Backlog of systems (in units) at year-end	94	158	51	159	255
Sales of systems (in units)	205	211	162	217	368
Number of employees at year-end	1,423	2,019	2,364	2,983	4,377

Prior year balances were restated from guilders into euros using the fixed exchange rate of EUR 1.00 = NLG 2.20371. See Note 1 of the Notes to the Consolidated Financial Statements.

NA = Not applicable.

\* All net income per ordinary share amounts have been retroactively adjusted to reflect the two-for-one stock split in both May 1997 and May 1998 and the three-for-one stock split in April 2000.

# Highlights 2000

## Technology highlights

- In April, ASML announced the PAS 5500/750E, the Step & Scan system for volume manufacturing with design-rules of 130 nm at 248 nm, underlining ASML's technology leadership. By shipping 51 units of this system in the remainder of 2000, ASML demonstrated its capability for a fast ramp up to volume.
- In July, nine leading-edge semiconductor manufacturers joined ASML's industry-wide 157 nm lithography technology program to extend imaging capabilities and deliver 157 nm lithographic systems for advanced IC manufacturing by 2003.
- In July ASML launched the new TWINSCAN™ platform, a revolutionary new design, suitable to process 300 mm wafers, with improved imaging capabilities to support the ITRS roadmap for the coming years. The first TWINSCAN™ AT:700S Step & Scan tool was shipped in August.
- In October, ASML Special Applications introduced the PAS 5500/150 i-line wafer stepper for high productivity and 0.35 micron imaging, designed to assist customers as they transition from manufacturing technologies above 0.5 micron to tighter resolutions.
- In November, ASML announced the most advanced 193 nm lithography system for the 100 nm technology node, the PAS 5500/1100.
- In December, TSMC, one of ASML's customers, announced that it delivered the first 300 mm customer wafers from its 300 mm line with better than expected initial yield and ahead of the original schedule.
- In December ASML introduced the dual wafer stage technology for its TWINSCAN™ platform, to optimize the lithographic processing of 300 mm wafers by parallel operation of two independent wafer stages to enhance productivity.

## Corporate highlights

- In 2000, ASML shipped a record number of 368 systems, thus achieving record revenues and net income of EUR 2,186 million and EUR 347 million respectively.
- In 2000, the customer base expanded with several new customers.
- In 2000, ASML's dedicated workforce grew to 4,377 worldwide.
- In March, ASML received ISO 9001-1994 standard certification. The certification demonstrates ASML's determination to excel in the world-wide marketing, design, sales, installation, product support and manufacturing of wafer steppers and Step & Scan systems used in fabricating semiconductor devices and other microelectronic products.
- In June, ASML's major shareholder Royal Philips Electronics sold 69 million shares to the public market, thus reducing its share in ASML from approximately 23 to 7 percent.
- In October, ASML signed a strategically important agreement to merge with the Silicon Valley Group (SVG) to further strengthen its business and provide the investment necessary to develop the next generation of technologies. Consummation of the merger remains subject to US regulatory approvals and other customary closing conditions. Subject to the above, the merger is expected to close in the first quarter of 2001.
- In December, ASML entered the important Japanese market for semiconductor lithography systems with the sale of multiple Deep UV and i-line Step & Scan tools to a major Japanese semiconductor manufacturer.



# Management

## BOARD OF MANAGEMENT

**Doug J. Dunn** (1944)

President, Chief Executive Officer, Chairman of the Board of Management (as of January 1, 2000)  
Appointed as Board Member in 1999  
British nationality

**Peter T.F.M. Wennink** (1957)

Executive Vice President Finance and Chief Financial Officer  
Appointed in 1999  
Dutch nationality

**Martin A. van den Brink** (1957)

Executive Vice President Marketing & Technology  
Appointed in 1999  
Dutch nationality

**David P. Chavoustie** (1943)

Executive Vice President Sales  
Appointed in 1998  
Appointed as Board Member in 2000  
U.S. nationality

**Nico I.M. Hermans** (1951)

Executive Vice President Worldwide Customer Support  
Appointed in 1999  
Dutch nationality

## OTHER MEMBERS OF MANAGEMENT

**Stuart K. McIntosh** (1944)

Executive Vice President Operations and President Lithography Division  
Appointed in 2000  
British nationality

**Evert B. Polak** (1944)

Corporate Vice President Strategic Business Development  
Appointed in 1986  
Dutch nationality

**William B. Arnold** (1954)

Chief Executive Scientist  
Appointed in 1998  
U.S. nationality

As per January 1, 2000, Willem Maris was succeeded by Doug Dunn as President, Chief Executive Officer and Chairman of the Board of Management.

Willem Maris resigned as member of the Board of Management per January 1, 2000.

During 2000, Stuart McIntosh was appointed as Executive Vice President Operations and President Lithography Division



# Report of the Supervisory Board

## **Financial Statements**

The Supervisory Board has reviewed the financial statements and the notes thereto of ASM Lithography Holding N.V. (the 'Company') for the financial year 2000, as prepared by the Board of Management. Deloitte & Touche, independent accountants have duly examined these financial statements. Their report appears in this Annual Report.

The Supervisory Board has adopted these financial statements in accordance with article 38, paragraph 5 of the Company's Articles of Association. The Supervisory Board recommends that the General Meeting of Shareholders approves these financial statements in accordance with the proposal of the Board of Management, which includes the proposal not to declare a dividend for 2000.

## **Composition of the Board of Management**

The announced succession of Mr. W.D. Maris, Chairman of the Board of Management and Chief Executive Officer by Mr. D.J. Dunn, as well as the appointment of Mr. D.P. Chavoustie as additional Board member became effective as of January 1, 2000 and April 1, 2000 respectively.

In December 2000, Mr. N.I.M. Hermans announced his resignation as Board of Management member as of April 1, 2001. Mr. Hermans becomes advisor to the Company. The Supervisory Board is very grateful to Mr. Hermans for his contribution to the success of ASML during his long career.

The Supervisory Board will announce at the coming General Meeting of Shareholders that effective April 1, 2001, Mr. S.K. McIntosh, Executive Vice President Operations & President Lithography Division, will be appointed as a member of the Board of Management.

## **Supervision**

The Supervisory Board met five times in the course of 2000. Topics of discussion at the meetings included,

amongst others things, the Company's general strategy, its financial performance, the internal division of tasks of the Board of Management, strategic alliances and acquisitions and the risks associated with the Company. The Supervisory Board was also kept up-to-date on the course of the Company's business through monthly reports and was consulted on various issues on a regular basis.

In an extraordinary meeting, the Board of Management discussed with the Supervisory Board the anticipated merger with Silicon Valley Group, Inc. Members of the Supervisory Board also met with the Works Council in the course of the year.

In 2000 the Remuneration Committee met twice; the Audit Committee met three times in the presence of the external auditor.

The Supervisory Board met once without the Board of Management, to discuss, amongst other things, the functioning of the Supervisory Board itself, the relationship with the Board of Management and the performance, composition and succession of the Board of Management.

## **Composition of the Supervisory Board**

In 2000, Mr. J.A. Dekker and Mr. P.H. Grassmann were reappointed as members of the Supervisory Board.

After careful consideration and in view of the valuable contribution of Mr H. Bodt and Mr. S. Bergsma to the Supervisory Board, the Supervisory Board intends to reappoint Mr. Bodt and Mr. Bergsma, both of whom will be retiring by rotation and who have made themselves available for reappointment, at the coming General Meeting of Shareholders.

Furthermore, the Supervisory Board intends to appoint Mr. M.J. Attardo who, with his extensive experience in the semiconductor industry and particularly in the market segments served by the



HENK BODT



SYB BERGSMA



JAN A. DEKKER



PETER H. GRASSMANN



ARIE WESTERLAKEN

Silicon Valley Group, Inc., fits very well in the profile that the Supervisory Board has drawn up for this position.

Finally, the Supervisory Board wishes to thank all involved for their contribution to the achievements of the Company in 2000.

Veldhoven, January 18, 2001

The Supervisory Board



# Members of the Supervisory Board

**Henk Bodt** (1938)  
(Chairman)  
Former Executive Vice President of  
Royal Philips Electronics N.V.  
Dutch nationality  
First appointed 1995; current term until  
2001

*Additional functions:*  
Member of the Supervisory Board of:  
DSM N.V.;  
Delft Instruments N.V.  
Neo-Post SA

**Syb Bergsma** (1936)  
Professor of Financial Management at  
the University of Amsterdam  
and Former Executive Vice President  
Financial Affairs of Akzo Nobel N.V.  
Dutch nationality  
First appointed 1998;  
current term until 2001

*Additional functions:*  
Chairman of the Supervisory Board of:  
UPM Holding B.V.;  
Generali Verzekeringsgroep N.V.  
Member of the Supervisory Board of:  
Van der Moolen Holding N.V.;  
European Assets Trust N.V.;  
Van Melle N.V.  
Member of:  
Board of External Advisors  
Ernst & Young

**Jan A. Dekker** (1939)  
Chief Executive Officer of TNO  
Dutch nationality  
First appointed 1997;  
current term until 2003  
*Additional functions:*  
Chairman of the Supervisory Board of  
H.E.S. Beheer N.V.;  
Member of the Supervisory Board of:  
Gamma Holding N.V.  
Koninklijke BAM-NBM N.V.

**Peter H. Grassmann** (1939)  
President and Chief Executive Officer of  
Carl Zeiss  
German nationality  
First appointed 1996;  
current term until 2003  
*Additional functions:*  
Member of the Supervisory Board of  
Gambro B.V.  
Max-Planck-Gesellschaft;  
Aradex AG; Febit AG; GAP AG;  
TST AG;  
Member of the Advisory Board of  
Allianz;  
Member of the Advisory Board of  
Deutsche Bank Baden-Württemberg;  
EQT Private Equity Funds GmbH

**Arie Westerlaken** (1946)  
(Secretary)  
General Secretary and Chief Legal  
Officer of Royal Philips  
Electronics N.V.;  
Member of Group Management  
Committee of Royal Philips  
Electronics N.V.  
Dutch nationality;  
First appointed 1995,  
current term until 2002  
*Additional functions:*  
Member of the Supervisory Board of  
ATOS/Origin

## THE SUPERVISORY BOARD HAS FORMED THE FOLLOWING COMMITTEES

*Audit Committee*  
Members: Syb Bergsma, Henk Bodt,  
Jan Dekker

*Remuneration Committee*  
Members: Henk Bodt, Syb Bergsma,  
Arie Westerlaken

The remuneration of the members  
of the Supervisory Board does not  
depend on the results of the  
Company.

None of the members of the  
Supervisory Board personally  
maintains a business relationship  
with the Company other than as  
member of the Supervisory Board.

None of the members of the  
Supervisory Board owns  
shares or options on shares of  
the Company.

CORPORATE GOODSFLOW CENTER  
VELDHOVEN, THE NETHERLANDS



ASML U.S. HEADQUARTERS  
TEMPE, AZ USA



HEADQUARTERS ASML AGENT  
HERMES EPITEK,  
HSINCHU, TAIWAN ROC



HEADQUARTERS ASML KOREA,  
KYUNGKI-DO, REP. OF KOREA

CORPORATE TECHNOLOGY CENTER,  
VELDHOVEN, THE NETHERLANDS



# ASML worldwide

## CORPORATE HEADOFFICE

AND EUROPEAN  
HEADQUARTERS  
De Run 1110  
5503 LA Veldhoven  
The Netherlands

US HEADQUARTERS  
8555 S. River Parkway  
Tempe, AZ 85284

ASIAN HEADQUARTERS  
Suite 603, 6/F  
One International Finance Center  
1, Harbour View Street  
Central, Hong Kong, SAR

## OTHER SIGNIFICANT BUSINESS OPERATIONS

**ASML France**  
33 Boulevard des Alpes  
38240 Meylan  
Immeuble CCE  
Route de Trets  
13790 ZI Rousset-Peynier

**ASML Italy**  
Via Cavour 481-483-485  
67051 Avezzano

**ASML Austin**  
4401 Freidrich Lane, Ste 407  
Austin, TX 78744, USA

## ASML Boise

1081 Exchange Road  
Boise, ID 83716, USA

## ASML Colorado Springs

2808 Janitell Road  
Colorado Springs, CO 80906, USA

## ASML Fishkill

1123 Route 52 Suite 36  
Fishkill, NY 12524, USA

## ASML Portland OR

11871 NE Glenn Widing Drive  
Portland, OR 97220, USA

## ASML San Jose

2833 Junction Avenue,  
Suite 101  
San Jose, CA 95134, USA

## ASML MaskTools, Inc.

Parkway Tower  
4800 Great America Parkway,  
Ste 400  
Santa Clara, CA 95054, USA

## ASML Korea

372, Chung-Ri, Dongtan-Myun  
Hwasung-Kun, Kyungki-Do

## ASML (China) Co, Ltd

Suite 2502, Tianjin International  
Building  
75 Nanjing Road, He Ping District  
Tianjin, China 300050

## AGENTS

### Hantech Co.

372, Chung-Ri, Dongtan-Myun  
Hwasung-Kun, Kyungki-Do,  
Rep. of Korea

### Haedong Technology Co., Ltd.

137-072 #1806 Doosan-Bearstel  
1319-11 Seocho-Dong, Seocho-Gu,  
Seoul,  
Rep. of Korea

### Nissei Sangyo Co. Ltd

24-14, Nishi-Shimbashi  
1-Chome, Minato-ku  
Tokyo, 105, Japan

### Hermes Epitek Corp.

No. 18, Creation Road 1  
Science Based Industrial Park  
HsinChu,  
Taiwan ROC

### Hermes Epitek Corp.

20 Jalan AFIFI #3-5  
Cisco Centre  
Singapore 409179

### Silicon International, Ltd

Unit 4B, Jin Min Bldg.  
8 Zun Yi South Road  
Shanghai 200335, PRC

### Simco Co. Ltd

Simco House: 14 Bhawani Kunj  
Behind Sector D, Pocket II,  
Vasant Kunj.  
New Delhi – 110070, India

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## EURO

*On January 1, 1999, The Netherlands and eight other member countries of the European Union adopted the euro ('EUR') as their new common currency. The Dutch guilder will also remain as legal tender for a transition period ending on January 1, 2002. During this period, the euro will not be usable for cash payments, but can be used for non-cash electronic money transfers between ASML and its business partners.*

*For external reporting purposes, effective January 1, 1999, ASML adopted the euro as reporting currency. Prior year balances have been restated based on the fixed exchange rate EUR 1.00 to NLG 2.20371. The comparative balances reported in euros depict the same trends as would have been presented if ASML had continued to present balances in Dutch guilders. Balances for periods prior to January 1, 1999 are not comparable to the balances of other companies that report in euros, having restated amounts from a different currency than Dutch guilders.*

## BUSINESS STRATEGY

ASML's strategic objective is to realize profitable and sustainable growth by providing leading edge manufacturing solutions to the worldwide semiconductor industry that continually improve customers' competitiveness by enhancing the value of their ownership of ASML equipment.

The principal elements of ASML's value of ownership strategy are:

- Maintaining significant levels of research and development spending in order to offer customers,

at the earliest possible date, the most advanced technology suitable for high-throughput, low-cost volume production.

- Offering customers continuing improvements in productivity and value by introducing advanced technology, based on the modular, upgradeable design of ASML's families of tools.
- Pursuing continuing reductions in the cycle time between a customer's order of a tool and the use of that tool in volume production at the customer site.
- Providing superior customer support services that ensure rapid and efficient installation, as well as continuing on-site support and training to optimize the manufacturing process and improve customers productivity.
- Expanding operational flexibility in research and manufacturing by reinforcing strategic alliances with world-class partners.

## SIGNIFICANT EVENTS

In October, 2000 ASML signed a strategically important agreement to merge with the Silicon Valley Group, Inc. (SVG) to further strengthen its business and provide investment necessary to develop the next generation of technologies. Consummation of the merger remains subject to U.S. regulatory approvals and other customary closing conditions. Subject to these, the merger is expected to close in the first quarter of 2001.



RESULTS OF OPERATIONS

The following discussion and analysis of results of operations should be viewed in the context of the risks affecting ASML's business strategy, described in a separate section below.

Following is ASML's consolidated statements of operations data for the last three years expressed as a percentage of total net sales:

**Results of Operations 2000 compared with 1999**  
*Net Sales*

Net sales consist of revenues from sales of wafer steppers and Step & Scan systems, sales of equipment and options, which may occur in conjunction with the initial sale of a system or after its installation, and revenues from service.

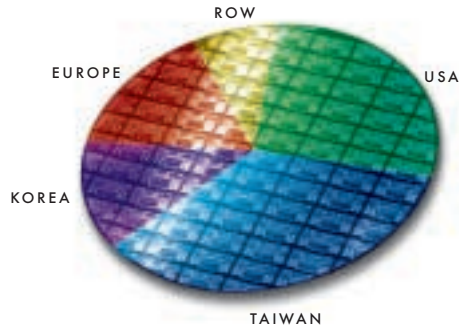
Total net sales increased from EUR 1,197.5 million in 1999 to EUR 2,185.7 million in 2000, an increase of EUR 988.2 million or 82.5 percent. The increase in sales was caused by an increase in shipments from

217 units in 1999 to 368 units in 2000 as well as an increase in the average unit sales price for new systems. The 70 percent increase in the number of systems shipped reflects the strong customer demand in the year 2000 in the semiconductor industry and the equipment industry in particular, as well as ASML's strong position in the fastest growing markets. ASML expanded its sales to the Asian market including its first ever shipment to the important Japanese market. ASML's sales to fast growing markets like Taiwan, Singapore and Malaysia increased significantly. The 7 percent increase in the average unit sales price of new systems was due to a further shift in customer demand towards ASML's most advanced technology products. In the year 2000 ASML successfully launched its first 300 mm TWINSCAN™ product. ASML's balanced product offering in i-line and Deep UV Step & Scan systems as well as the introduction of the 300 mm TWINSCAN™ during 2000 also accounted for important new customers wins.

Currently approximately 50 percent of the top 20 IC manufacturers are ASML customers.

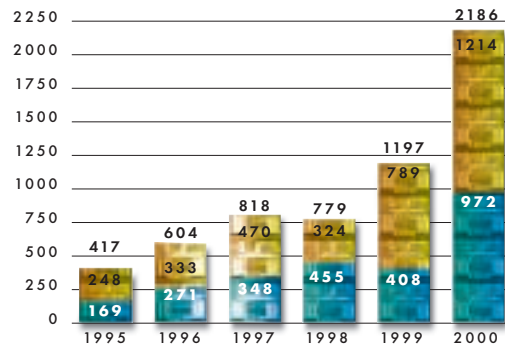
Year ended December 31	1998	1999	2000
Total net sales	100.0%	100.0%	100.0%
Cost of sales	61.8	66.6	58.9
Gross profit on sales	38.2	33.4	41.1
Research and development costs	18.6	14.6	10.8
Research and development credits	(3.8)	(3.0)	(0.9)
Selling, general and administrative expenses	12.0	11.7	8.6
Operating income	11.4	10.1	22.6
Interest (income) expense	(0.1)	0.2	(0.1)
Income before income taxes	11.5	9.9	22.7
Income taxes	3.5	3.2	6.8
Net income	8.0	6.7	15.9
Sales of systems (in units)	162	217	368

REVENUES BY  
GEOGRAPHICAL  
AREA

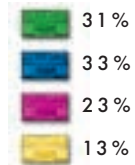
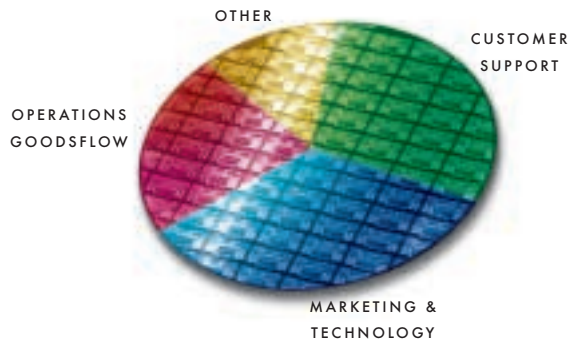


ROW = REST OF THE WORLD

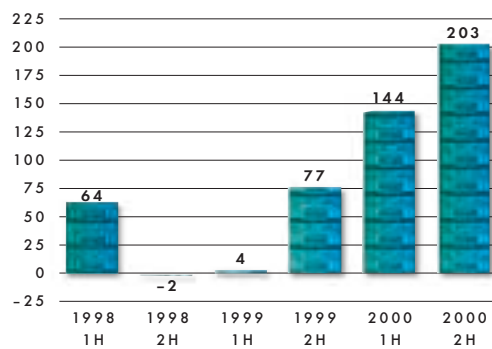
REVENUES  
(IN MILLION EUROS)



TOTAL  
EMPLOYEES



NET PROFIT  
(IN MILLION EUROS)



1H = FIRST HALF-YEAR  
2H = SECOND HALF-YEAR



ASML saw customer demand soften towards the end of 2000, a trend that will be closely monitored. However, the current situation is that customer demand for ASML's products still exceeds the output for the year 2000. The development of the customer's business in the first months of 2001 may give a clearer indication of the direction of this trend and on the expectations for the full year 2001.

The increase in total net sales in 2000 included an increase in net service sales of 69.5 percent from EUR 64.5 million in 1999 to EUR 109.3 in 2000, reflecting the continued increase in the installed base of ASML's products at customer plants.

Total net sales for 1999 and 2000 include EUR 40.4 and EUR 55.3 million, respectively, relating to the sale of 22 and 38 pre-owned wafer steppers. These steppers were reacquired from existing customers and then resold, primarily to other customers seeking to expand production capacity in areas requiring the less critical resolution capabilities provided by these machines. ASML will engage in similar repurchase and resale transactions in the future; however, it does not anticipate that the impact of those transactions will be significant.

In 2000, sales to two customers accounted for EUR 482.6 million and EUR 225.1 million, or 22.1 and 10.3 percent of net sales, respectively. In 1999 sales to two customers accounted for EUR 238.8 million and EUR 164.7 million, or 19.9 and 13.8 percent of net sales, respectively.

#### *Gross Profit*

Gross profit as a percentage of total net sales increased from 33.4 percent in 1999 to 41.1 percent in 2000. Excluding the gross margin on service sales, gross margin on systems sales increased by 8.2 percent to 43.3 percent. Cost control measures, as well as learning curve benefits at ASML's production site and in its supply chain, together with the improved utilization rates that accompanied ASML's higher sales volumes, significantly improved gross margins throughout the year. In 1999, especially the first half of the year, gross margins were negatively affected by significantly higher costs for production and the introduction of newly developed products. Furthermore the under-utilization of ASML's manufacturing capacity during the first half of 1999 affected gross margins adversely.

ASML anticipates that gross margins from its existing 200 mm product portfolio, including advanced Step & Scan systems, will continue to improve in the year 2001. Furthermore, ASML anticipates that it will experience significantly lower gross margins from the volume introduction of its new TWINSCAN™ technology in the year 2001. Such margin pressure is customary when new system architectures are introduced.

A summary of gross margins on a semi-annual basis provides a clearer reflection of the significant improvement of net sales and gross margins from the beginning of the year 1999 until year end 2000.

Year ended December 31	1999		2000	
	Jan – Jun	Jul – Dec	Jan – Jun	Jul – Dec
Total units shipped	80	137	169	199
Net sales (EUR million)	408	789	972	1,214
Gross margin including used systems (% of sales)	28.0	36.1	40.1	41.9
Gross margin on sales of new systems (% of sales)	29.2	37.2	42.4	43.2
Average unit sales price for new systems (EUR million)	4.85	5.94	5.86	6.03

*Research and Development Costs*

Research and development costs increased from EUR 174.0 million (14.6 percent of total net sales) in 1999 to EUR 235.7 million (10.8 percent of total net sales) in 2000. The increase in research and development costs resulted from an increase in staffing levels from 1,065 at the end of 1999 to 1,424 at the end of 2000. The increase in research and development costs reflects ASML's continuing efforts to develop its 300 millimeter TWINSCAN™ platform and to expand its PAS 5500 family of Step & Scan systems, in particular its PAS 5500/800 Deep UV system as well as its PAS5500/1100, a 193 nanometer system. The increase also relates to its research into next-generation-lithography, 157 nanometer and Extreme UV (EUV).

ASML foresees further long-term growth in research and development staffing and other costs.

*Research and Development Credits*

Research and development credits decreased from EUR 36.1 million in 1999 to EUR 18.5 million in 2000. The decrease in research and development credits in 2000 in comparison to 1999 is a direct result of a re-alignment of subsidy priorities within the European technology subsidy agencies.

Management anticipates receiving approximately equal research and development credits in 2001, as compared to the amounts received in 2000, although the precise amount remains subject to further negotiation with the relevant granting authorities.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased from EUR 140.2 million in 1999 to EUR 187.7 million in 2000. As a percentage of net sales, selling general and administrative expenses decreased from 11.7 percent in 1999 to 8.6 percent in 2000. To cope with its growth, ASML increased its number of employees from

2,983 at year end 1999 to 4,377 at December 31, 2000. To support this strong growth, costs for information technology, facilities, recruiting and general support functions, such as financial services, increased. Customer service costs primarily increased due to training and build up of support not directly related to service sales and accounted for an increase of approximately EUR 11.1 million. This increase also reflects ASML's efforts to support its customers when introducing the more complex Step & Scan and 300 mm TWINSCAN™ systems. The remainder of the increase in selling, general and administrative costs represents increased costs for information technology, facilities and human resources. The growth of the information technology organization is necessary to support overall growth, research and development and increased customer services and accounted for an increase of approximately EUR 8.5 million. The remaining increase relating to costs for human resources, facilities and general infrastructure amounted to approximately EUR 27.9 million.

*Income Taxes*

Income taxes represented 31.7 and 29.8 percent of income before taxes in 1999 and 2000, respectively. In 1999 and 2000 ASML recorded tax rate benefits resulting from a program operated by the government of The Netherlands pursuant to which eligible companies may seek a reduction in their effective tax rate. The implementation of this program reduced the effective tax rate in 1999 by approximately 2.0 percent and in 2000 by approximately 0.7 percent.

ASML recorded additional non-recurring permanent differences in the calculation of income tax for the year 2000, which accounted for an additional 1.2 percent reduction in the effective tax rate.

In 1999 a new structure of ASML's activities in Asia became effective. In addition to organizational and managerial benefits, ASML recorded tax rate

benefits from this new structure in 1999 as well as in 2000. The decrease of the income tax rate in the year 2000 in comparison to the year 1999 results from a change of sales between geographical areas in which ASML operates.

**Results of Operations 1999 compared with 1998**  
*Net Sales*

Total net sales increased from EUR 779.2 million in 1998 to EUR 1,197.5 million in 1999, an increase of EUR 418.3 million or 53.7 percent. The increase in sales was caused by an increase in shipments from 162 units in 1998 to 217 units in 1999 as well as an increase in the average unit sales price for new systems. The 34 percent increase in the number of systems shipped reflects the accelerated upturn in the semiconductor industry, and the equipment industry in particular, in the second half of 1999. The 23 percent increase in the average unit sales price of new systems was due to a continued shift in customer demand towards ASML's most advanced technology products, primarily ASML's PAS 5500 Step& Scan systems. Sales of these systems increased from 29 in 1998 to 152 in 1999. In 1999 the number of ASML's new wafer steppers sold was 43, a decrease of 83 compared to 1998.

The increase in total net sales in 1999 included an increase in net service sales of 13.3 percent, reflecting the continued increase in the installed base of ASML's products at customer plants.

Total net sales for 1998 and 1999, respectively, include EUR 6.7 and EUR 40.4 million relating to the sale of 7 and 22 pre-owned wafer steppers. These

steppers were reacquired from existing customers and then resold.

In 1999, sales to two customers accounted for EUR 238.8 million and EUR 164.7 million, or 19.9 and 13.8 percent of net sales, respectively. In 1998 sales to four customers accounted for EUR 132.0 million, EUR 115.5 million, EUR 108.1 million and EUR 98.0 million or 16.9, 14.8, 13.9 and 12.6 percent of net sales, respectively.

*Gross Profit*

Gross profit as a percentage of total net sales decreased from 38.2 percent in 1998 to 33.4 percent in 1999. Excluding the gross margin on service sales, gross margin on systems sales decreased by 5.7 percent to 35.1 percent. Generally, ASML experiences pressure on gross margins when new technology is introduced and shipped to customers. This reflects the additional costs relating to production, installation, warranty and other areas that are part of the new technology learning curve both for ASML and its suppliers. In 1998, gross margin was negatively affected by the roll-out of ASML's advanced Step & Scan systems. In the first half of 1999, this roll-out continued to place pressure on gross margins. Furthermore the under-utilization of ASML's manufacturing capacity during the first half of 1999 affected the gross margin adversely. In the second half of 1999, increased sales volumes, as well as increased learning curve benefits, significantly improved gross margins.

Following is a summary of gross margins on a semi-annual basis reflecting the analysis discussed:

Year ended December 31	1998		1999	
	Jan – Jun	Jul – Dec	Jan – Jun	Jul – Dec
Total units shipped	98	64	80	137
Net sales (EUR million)	455	325	408	789
Gross margin (% of sales)	42.8	31.7	28.0	36.1
Average unit sales price for new systems (EUR million)	4.24	4.89	4.85	5.94

#### *Research and Development Costs*

Research and development costs increased from EUR 144.7 million (18.6 percent of total net sales) in 1998 to EUR 174.0 million (14.6 percent of total net sales) in 1999. The increase in research and development costs resulted from an increase in staffing levels from 800 at the end of 1998 to 977 at the end of 1999 and development costs of 193 nanometer lenses. The increase in research and development costs reflects ASML's continuing efforts to develop its 300 millimeter TWINSKAN™ platform and to upgrade its PAS 5500 family of Step & Scan systems generally and in particular its PAS 5500/700 Deep UV system as well as its PAS5500/900, a 193 nanometer system. The increase also reflects ASML's increasing efforts in research related to next-generation-lithography.

#### *Research and Development Credits*

Research and development credits increased from EUR 29.9 million in 1998 to EUR 36.1 million in 1999. The increase in research and development credits in 1999 in comparison to 1998 primarily reflects additional credits received by ASML under European Union Technology subsidy programs (MEDEA) and similar programs of the Dutch Ministry of Economic Affairs (TOK and PBTS) in connection with ASML's development work for its new for 300 millimeter TWINSKAN™ platform.

The MEDEA Programs have been instrumental in the sale of ASML's products to European Research Institutes. ASML also received subsidies as part of the Ellipse II program to assist the development of the PAS 5500/900, ASML's 193 nanometer system. Finally, the increase in subsidies received in 1999 also reflects ASML's share in the WBSO program, a subsidy program operated by the Dutch government to stimulate research and development activities in the industry in general.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased from EUR 94.2 million in 1998 to EUR 140.2 million in 1999. The increase in the absolute level of selling, general and administrative expenses reflects higher staffing levels in ASML's sales and customer support functions, as well as higher costs of the information technology organization. This increase in staffing levels reflects ASML's efforts to support the development of new markets (particularly Asia) and expand its support to customers to increase the value of their ownership of more complex Step & Scan systems. The expansion of effort for the information technology organization is necessary to support research and development and increased customer services and accounted for an increase in selling, general and administrative expenses of approximately EUR 21.9 million. The increase of the customer support organization accounted for higher selling, general and administrative expenses of approximately EUR 15.7 million.

#### *Income Taxes*

Income taxes represented 31.1 and 31.7 percent of income before taxes in 1998 and 1999, respectively. In 1998 and 1999 ASML recorded tax rate benefits resulting from a program operated by the government of The Netherlands pursuant to which eligible companies may seek a reduction in their effective tax rate. The implementation of this program reduced the effective tax rate by approximately 2.0 percent.

ASML recorded additional non-recurring permanent differences in the calculation of income tax for the year 1998, which accounted for an additional 1.9 percent reduction in the 1998 effective tax rate.

In 1999 a new structure of ASML's activities in Asia became effective. In addition to organizational and managerial benefits, ASML recorded tax rate benefits from this new structure.

## FOREIGN EXCHANGE MANAGEMENT

Except for U.S. service sales and some system sales, ASML's sales are primarily denominated in euros, ASML's functional currency, thus eliminating its currency exposure for sales in foreign currency. The exposure from service sales denominated in U.S. dollars is partially hedged by the related U.S. dollar-denominated costs. The remaining exposure related to system sales denominated in US dollars is hedged with forward instruments. Currency exposure relating to participating member Economic and Monetary Union ('EMU') countries has been eliminated as of January 1, 1999 with the introduction of the euro.

As at December 31, 2000 ASML was a party in open forward contracts to hedge sales transactions in US dollars up to an amount of USD 51.6 million. Furthermore ASML was a party in an open forward contract up to an amount of EUR 8.6 million.

Implementation of SFAS 133 'Accounting for Derivative Instruments and Hedging Activities' as at January 1, 2001 will increase net assets and other comprehensive income with an amount of approximately EUR 0.5 million

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The following discussion and analysis of financial condition should also be viewed in the context of the risks affecting ASML's business strategy, described below.

ASML's balance of cash and cash equivalents was EUR 603.1 million and EUR 719.4 million at December 31, 1999 and 2000, respectively. Net cash flows provided by operating activities were EUR 187.2

million in 2000. Net cash flows provided by operating activities were EUR 38.1 million in 1999.

Positive cash flows from operating activities during 2000 came primarily from net income, depreciation and other non-cash items. These operating cash flows were used to fund the increase in net-working capital.

The increase in accounts receivable of EUR 225.6 million reflects the accelerated shipments of systems towards the end of the year 2000. The increase of inventories of EUR 126.1 reflects the high customer demand for lithography systems contained in the order backlog as at December 31, 2000. The cash flow impact of increased accounts receivable and inventories was mitigated by increases of short-term liabilities.

In 1999 and 2000 ASML paid EUR 23.9 million and EUR 133.2 million in taxes, respectively. As of December 31, 2000, ASML had current tax liabilities of EUR 43.4 million, which will be paid in 2001.

ASML's ratio of average accounts receivable to total net sales was 27.7 and 26.0 percent in 1999 and 2000, respectively. ASML generally ships its wafer steppers and Step & Scan systems on payment terms requiring 90 to 100 percent of the sales price to be paid within 30 days after shipment. The remainder of the purchase price for ASML's wafer steppers and Step & Scan systems is due within 90 days after shipment or within 30 days after completion of the installation process and subsequent customer testing.

Consistent with its increase in sales volume and order backlog ASML's level of inventories increased in 2000. The ratio of average inventory to total net sales decreased from 31.9 percent in 1999 to 20.1 percent in 2000.

Net cash used in investing activities was EUR 120.0

million and EUR 130.1 million in 1999 and 2000, respectively.

The 1999 and 2000 amounts primarily reflect the further expansion of production and office facilities as well as investments in own equipment (including prototypes, training and demonstration systems).

ASML expects capital expenditure in 2001 to be approximately EUR 200 million, of which approximately EUR 50 million relates to the further expansion of ASML's research and development, manufacturing and office facilities.

Net cash provided by financing activities was EUR 535.5 million and EUR 18.1 million in 1999 and 2000, respectively. In the year 2000 ASML received proceeds from the exercise of stock options and conversion of convertible Bonds of EUR 18.1 million. In 1999, ASML issued 4.25 percent Convertible Subordinated Notes with net proceeds of EUR 503.7 million.

ASML expanded its lines of credit from two lines of credit with two banks, providing EUR 226.8 in total available credit as at December 31, 1999 to three lines of credit with three banks as at December 31, 2000. These lines of credit provide up to EUR 287.5 million in total available credit at December 31, 2000. There were no outstanding borrowings on these facilities at December 31, 1999 and 2000. Management believes that its operating cash flows together with existing cash balances and the availability of existing credit facilities will be sufficient to finance its scheduled capital expenditures for 2001 and to fund its working capital for the next year. ASML intends to further expand its lines of credit.

#### RISKS AFFECTING ASML'S BUSINESS STRATEGY

In conducting its business, ASML faces many risks that may interfere with its business. Some of those risks that relate to the operational processes of ASML, others are more inherent to ASML's business environment. It is important to understand the nature of these risks and the impact they may have on ASML's business and results of operations. Some of the most significant risks are described below.

##### **Cyclical Nature of the Semiconductor Industry**

Historically, the semiconductor industry has been highly cyclical and has experienced recurring periods of oversupply, resulting in significantly reduced demand for capital equipment, including wafer steppers and Step & Scan systems. ASML believes that demand for any particular future period is therefore difficult to predict.

Downturns in the semiconductor industry and related fluctuations in the demand for capital equipment could materially adversely affect ASML's business and operating results. However, because ASML believes that the long-term trend for the semiconductor industry is positive, it is determined to maintain a significant level of research and development spending in order to maintain its competitive position. Management does not intend to reduce this level of spending in response to the short to medium term cyclical nature of the semiconductor industry.

##### **Sole or Limited Sources of Supply**

ASML relies on outside vendors to manufacture the components and subassemblies used in its wafer steppers and Step & Scan systems. Generally, these components and subassemblies are obtained from a single supplier or a limited number of suppliers. In



particular, the number of systems ASML has been able to produce from time to time has been limited by the production capacity of Zeiss, the optics arm of Carl Zeiss-Stiftung, a German foundation. Zeiss is ASML's sole supplier of lenses and other critical components and is capable of producing these lenses only in limited numbers. ASML believes that there are no alternative suppliers for these components in the short to medium term.

#### **Technological Change; Importance of Timely New Product Introduction**

The semiconductor manufacturing industry is subject to rapid technological change and new product introductions and enhancements. The success of ASML in developing new and enhanced lithography systems and in enhancing its existing products depends upon a variety of factors, including successful management of its research and development program and timely completion of product development and design relative to its competitors. ASML's ability to remain competitive will depend in part upon its ability to develop this new and enhanced lithography equipment and to introduce these systems at competitive prices on a timely basis that will enable customers to integrate these systems into the planning and design of their new fabrication facilities.

ASML's development and initial production and installation of its systems and enhancements thereof generally are accompanied by design and production delays and related costs of a nature typically associated with the introduction and full-scale production of very complex capital equipment. While ASML expects and plans for a corresponding learning curve effect in its product development cycle, the time and expense required to overcome these initial problems cannot be predicted with precision.

#### **Competition**

ASML experiences intense competition worldwide, particularly from Nikon Corporation ('Nikon') and Canon Kabushika Kaisha ('Canon'), both of which are diversified manufacturing companies that may have greater financial, marketing, technical and other resources than ASML. These greater resources may enable Nikon and Canon to expand more rapidly. ASML also believes that Nikon and Canon have some competitive advantage because of their dominance in the Japanese market segment, which represents a significant proportion of worldwide IC production. In addition, adverse market conditions, industry overcapacity or a decrease in the value of the Japanese yen in relation to the euro can lead to intensified price-based competition in those markets where ASML is most active, thus affecting ASML's results of operations and financial position.

#### **Intellectual Property Matters**

ASML relies on patents, copyrights, trade secrets and other measures to protect its proprietary technology. However, it may be unable to protect its technology adequately. Competitors may be able to develop similar technology independently. ASML's pending patent applications may not be issued, and intellectual property laws may not sufficiently support ASML's proprietary rights. In addition, litigation may be necessary in order to enforce ASML's intellectual property rights, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Any such litigation may result in substantial costs and a diversion of resources, and could have a materially adverse effect on ASML's business and results of operations. ASML also may incur substantial licensing or settlement costs where doing so would strengthen or expand its intellectual

property rights or limit its exposure to intellectual property claims of third parties.

On occasion, certain of ASML's customers have received notices of infringement from third parties, alleging that the manufacture of semiconductor products and/or the equipment used to manufacture these products infringe certain patents issued to those parties. ASML has been advised that it could be obligated to pay damages to customers if use of ASML's lithography systems by those customers were found to infringe any valid patents issued to those parties. If these claims were successful, ASML could be required to indemnify its customers for some or all of any losses incurred as a result of that infringement.

ASML also continues to rely on a number of patents owned by Royal Philips Electronics N.V. (Philips). While Philips has granted the Company, without charge, a worldwide, irrevocable, non-exclusive license under those patents, they remain subject to the various factors regarding validity, scope and enforceability relating to ASML's other proprietary rights. In addition, Philips has no obligation to defend or enforce those patents against third parties.

#### **Dependence on Manufacturing facilities**

All of the manufacturing activities performed by ASML currently take place in two separate clean room facilities located in Veldhoven, The Netherlands. While a range of disaster prevention measures have been installed to ensure continued operation of these Facilities, a major catastrophe could result in significant interruption of ASML's business operations and affect the Company's result of operations and financial position.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In december 1999, the securities and exchange-commission issued staff accounting bulletin no. 101, 'Revenue recognition in Financial Statements' ('SAB 101'), that provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC issued SAB 101b, 'Second amendment: revenue recognition in Financial Statements' ('SAB 101b'). SAB 101b delayed the implementation of SAB 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. Under the guidance set forth in SAB 101, ASML retrospectively changed its revenue recognition policy on January 1, 2000. Based on its sales contracts, product acceptance procedures and proven history of installation of photolithography systems, ASML, in most cases, continued to recognize revenue upon shipment of its products, rather than upon completion of installation, because ASML does not believe the installation process to be essential to the functionality of its products. However, since under most of ASML's sales contracts the timing of payment of a portion of the sales price is coincident with installation, ASML does not consider that installation to be inconsequential or perfunctory under the guidance of SAB 101. ASML believes it has an enforceable claim for that portion of the sales price not related to the fair value of the installation should it not fulfill the installation obligation in those cases where installation is not essential to the functionality of the equipment. Therefore, the change in revenue recognition policy resulted in ASML deferring the fair value of the installation service yet to be performed on delivered equipment. The fair value of in-progress installation was measured based upon the per-hour

amount that ASML charges for similar services, as well as on amounts charged by third parties for installation services. Upon adoption of SAB 101, revenue was deferred on initial shipments of new products based on new technologies until after customer acceptance. As at December 31, 2000 the fair value of the installation revenue of installation services yet to be performed is deferred. The retroactive adjustment related to this change of accounting principles amounts to EUR 1.5 million (pre-taxation).

Statement of Financial Accounting Standards (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 137, Accounting Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement No. 133, and SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, is effective for the Company as of January 1,

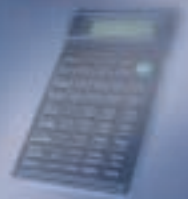
2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of these new accounting standards will result in an increase of net assets and other comprehensive income of approximately EUR 0.5 million as at January 1, 2001.

Doug J. Dunn



CEO and Chairman of the Board of Management

ASM Lithography Holding N.V.  
Veldhoven, January 18, 2001



# The Progress in lithography technology to produce better chips

## Introduction

The rapid innovation in the electronics industry generates many new products and services which play a major role in all aspects of society. This holds both for the information and telecommunication industry, as well as for many aspects of everyday life, such as transport, mobile phones, television etc. The application of digital electronics is rapidly expanding throughout the entire world.

At the heart of these applications is the integrated circuit (IC or Chip). The rapid progress in electronics is a direct result from revolutionary improvements in the products of the IC industry. Since the beginning of the IC production, an enormous progress has been made in the performance and cost per function of these devices.

This progress is illustrated in fig. 1 for two important types of chips: the microprocessors for personal computers (PC) and the DRAM memory chips. The performance of chips roughly improves by a factor of eight every five years and the production costs decrease by about a factor of 20, during the same period.

ICs are complex structures of patterns that are printed on silicon, a semi-conducting material. A thin disc

made of silicon, a wafer, is used for this. The most commonly used wafer today, typically has a size of 200 mm in diameter (300 mm is the coming generation) but the size of an IC is typically less than one square centimetre, so hundreds of ICs can be printed on one wafer. The structure of an IC resembles that of a building with multiple floors. Rooms can be compared with functional components and the stairs with interconnections between the levels. In analogy with buildings, the ICs are built layer upon layer like floor upon floor.

The IC industry is able to innovate so rapidly because of the reduction in dimensions of the electrical components, such as transistors. This enables the increase in the performance such as the speed of microprocessors and the reduction of cost per bit for DRAMs.

To build the integrated circuit, about 20 to 30 layers of patterns have to be superimposed to obtain a three dimensional structure. The printing of these fine patterns is done by the lithography system with optical means (see fig. 2). Each wafer is coated by photosensitive material known as photo-resist. In the lithography system, the pattern to be printed is projected from a mask on the wafer, using a high quality, complex lens system. The incident light induces a chemical change in the photo-resist and the exposed parts can be washed away leaving a replica of

the original mask pattern on the wafer. The silicon can be treated selectively to deposit or etch various components of the circuit. From this manufacturing process it is evident that the key system enabling the important reduction in size, is the lithography system as supplied by ASML.

FIG. 1: TABLE OF CHIP PROGRESS

	Minimum feature size most advanced devices	DRAM Price/Bit in USD millicents	DRAM Performance in bit capacity	Micro processor Price/Transistor in USD cents	Micro processor performance in system speed
1970	10 Micron	492	1 Kbit	50	0.5 MHz
1980	1.3 Micron	15	64 Kbit	3.5	5 MHz
1990	0.5 Micron	0.48	4 Mbit	0.25	50 MHz
2000	0.18 Micron	0.015	256 Mbit	0.018	1 GHz
2010*	0.05 Micron	0.00047	64 Gbit	0.0013	10 GHz

K = Kilo = thousand

M = Mega = million

G = Giga = billion

\* forecast

1000 Nanometer = 1 Micron = 0.001 millimeter

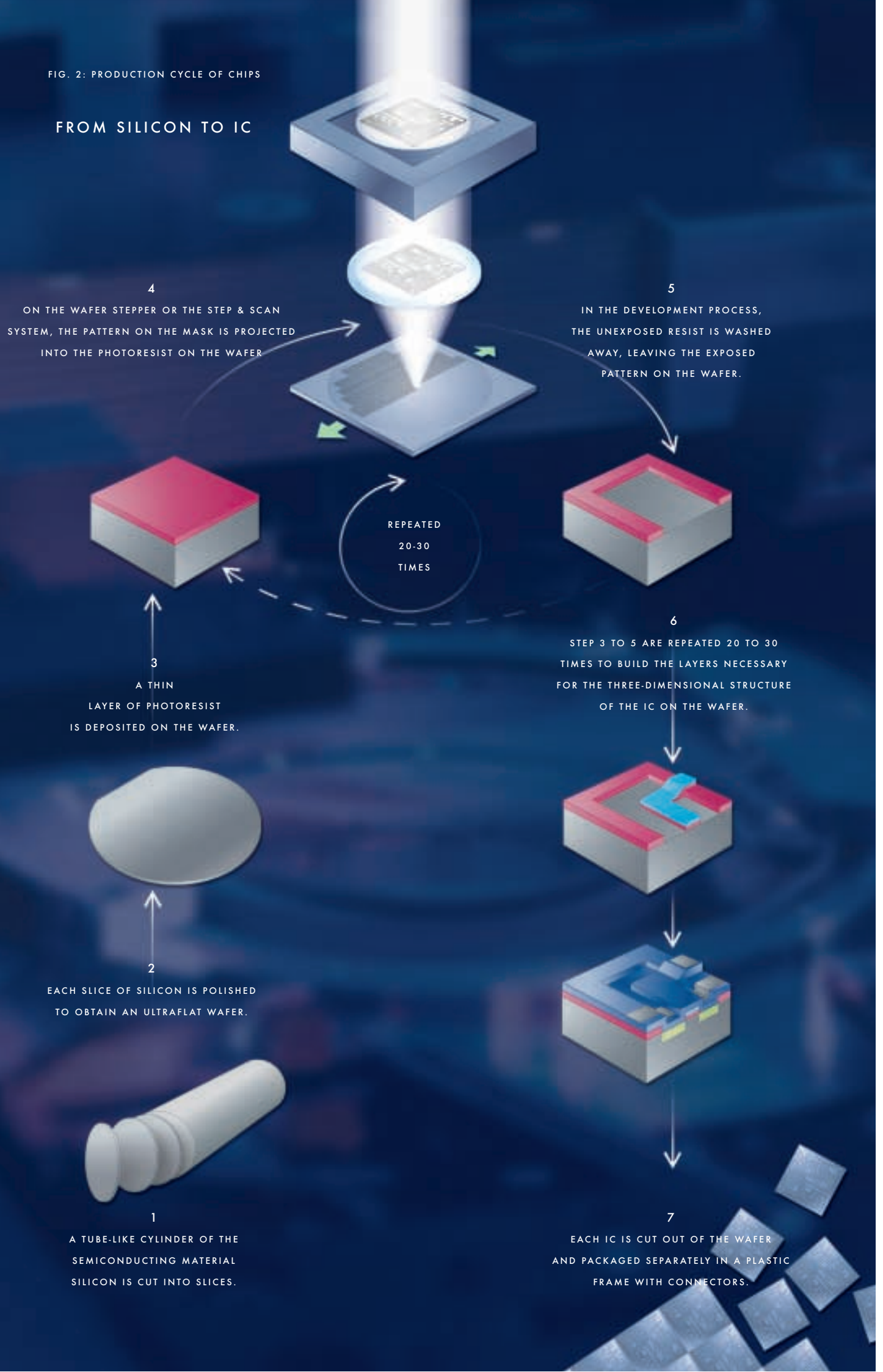
1 DRAM chip of 64 Mbit consists of 64,000,000 bits

1 Bit is one memory element



FIG. 2: PRODUCTION CYCLE OF CHIPS

## FROM SILICON TO IC





## — The progress of lithography systems to print even finer lines —

The most important factor enabling the continuous so called ‘shrinks’ of the IC is the lithographic capability of the lithography systems. These machines have been successfully improved over the last two decades and have reduced resolution from about 1 micron in 1980 to about 0.13 of a micron in 2000.

This has been made possible by several important developments of the optical projection module of the lithography system, illustrated in fig. 3.

In the projection system, light from a powerful source illuminates the mask on which the circuit pattern has been defined. This pattern is then imaged through the projection lens on the silicon wafer. Many major developments, with regard to all subsystems of the lithography systems have taken place over the years. These developments have made the resolution improvements possible. The two most important developments will be discussed below:

1. Wavelength Reduction and
2. Resolution Enhancement Techniques

In the early generations of the wafer steppers, conven-

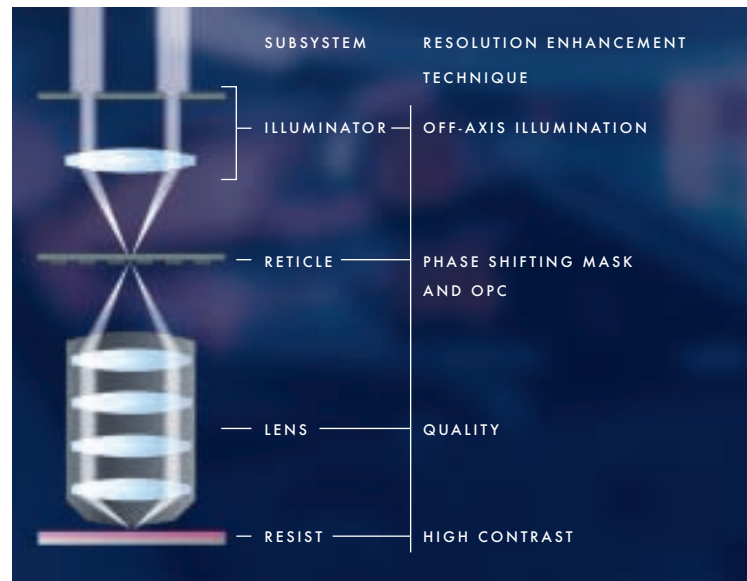


FIG. 3: OPTICAL SCHEME OF A LITHOGRAPHIC SYSTEM

## — Shorter wavelengths for finer lines —

tional projection systems were used. The finest detail that could be printed with these systems was roughly equal to the wavelength of the light passing through the lens. Therefore, to print even finer patterns, successive lithography generations were developed, operating at even shorter wavelengths.

For visible light, the wavelength is related to colour, for example red light has a wavelength of 600 nm and blue light of 400 nm.

The early generations of lithography systems used visible blue light at 436 nm limiting the resolution to about 400 nm. In following generations the wavelength was reduced to ultraviolet (UV) at 365 nm (i-line) and in modern lithography systems the wavelength is so short that the light is no longer visible and lies in the so called Deep UV band. Wavelengths of 248 nm and 193 nm are presently used. In the future, wavelengths of 157 nm and even shorter wavelengths are planned. A historical overview of this development is given in fig. 4.

For each new wavelength new technical subsystems have to be developed, such as the light sources, lenses and photosensitive materials.

From these new elements, the leading system defining a new wavelength is the light source, which must have both a high intensity and a stable wavelength. In the early years, mercury lamps could be used in the visible spectrum, but the breakthrough to Deep UV was made possible by modern, high power lasers. The wavelengths of 248 nm (KrF), 193 nm (ArF) and in the future 157 nm (fluor), have all been chosen because stable powerful lasers are available for these shorter wavelengths. The lasers have dramatically changed the layout and space requirements of the lithography systems because the size of the source has changed from about 50 cm<sup>3</sup> for a mercury lamp to more than 5 m<sup>3</sup> for a laser (see fig. 5). Owing to their size, the lasers are frequently placed at a remote location outside the actual clean room.

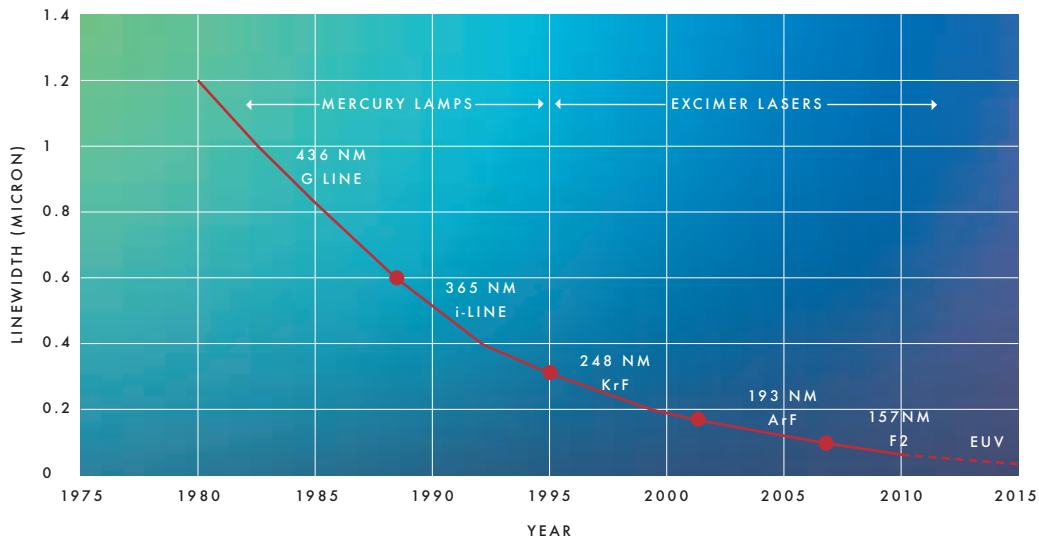


FIG. 4:  
THE USE OF SHORTER  
WAVELENGTHS OF  
LIGHT TO GET SMALLER  
LINES WIDTHS

## Breaking the wavelength barrier: Resolution Enhancement Techniques

These more complex light sources have been accepted in the industry due to their extreme capability to reduce the IC dimensions to shorter wavelengths.

In recent years, driven by the relentless need for rapid device shrinks, new lithographic breakthroughs have taken place. These have improved the resolution of the lithography systems dramatically so that even line-widths far shorter than the wavelength of the exposure light can be printed. These so called Resolution Enhancement Techniques or RET, involve several key elements of the lithographic system (see fig. 3).

1. The Illumination system
2. Reticles
3. The projection lens
4. Photo resist

For several of these improvements, ideas were derived from the optical techniques for optical microscopes. These techniques were developed many years, even centuries ago. The techniques used in microscopy for improved observation of fine details could be adapted for lithography systems to print finer device structures.

For the progress in lithography system imaging, considerable inspiration was derived from the techniques of optical microscopes. These techniques have a history of more than four centuries.

Important early inventions were done by Dutch scientists. Credit for the first microscope, invented in 1595, is usually given to father and son, Hans and Zacharias Jansen, from the city of Middelburg.

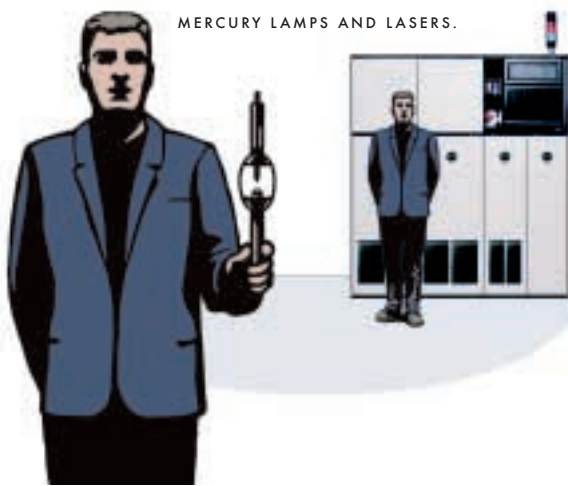
In the 17th century, Antony van Leeuwenhoek from Delft was the first to develop a microscope that allowed the observation of bacteria.

Over the centuries, many European scientists contributed to the tremendous progress in quality through optical and mechanical inventions. Among these scientists were Carl Zeiss and Ernst Abbe who started the Zeiss Foundation, which currently supplies the optics for ASML's systems.

An example related to recent lithography system developments is the technique of dark field illumination, which was invented in the 19th century. With this method, the visual contrast is considerably improved by manipulating the direction of the illumination incident on the sample to be studied. This contrasting enhancement has been the inspiration for the off axis illumination (OAI) employed in modern lithographic systems.



FIG. 5: DIFFERENCE BETWEEN  
MERCURY LAMPS AND LASERS.



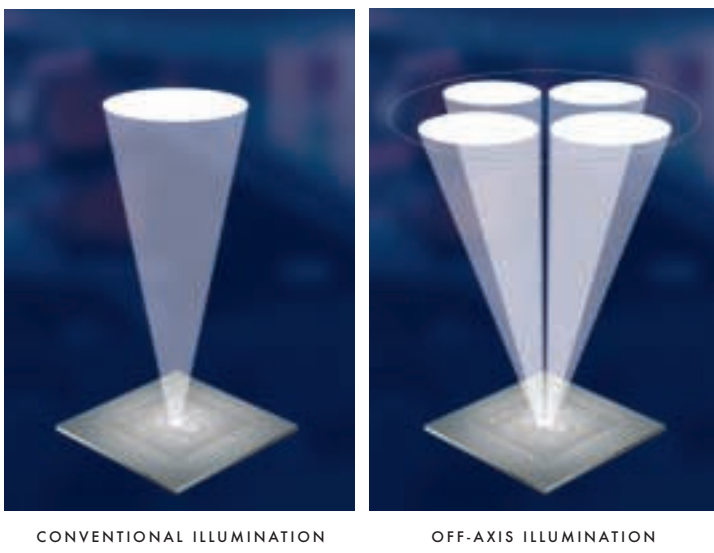


FIG. 6: CONVENTIONAL VS OFF AXIS AND QUADRUPOLE ILLUMINATION

The first of these microscopy related techniques has been implemented in the illuminator of the modern lithography systems and is called off axis illumination (OAI).

It can be shown that the optical resolution of a lithography system can be improved dramatically, by manipulating the angle at which the light is directed through the reticle and into the projection lens.

In the older, conventional systems, the light from the illuminator was a uniform beam perpendicular to the reticle. With that scheme, the smallest line widths that could be printed were limited to the wavelength of light.

A significant improvement in resolution has been made possible in modern lithography systems, by illuminating with specific oblique angles instead of illuminating with a parallel beam (see fig. 6). The choice of these oblique angles is very critical and

depends on the feature size and device layer of the IC. It was also found that for different process layers, different illumination beams are necessary for optimum printing, depending on geometry, for example gates or contact holes.

Therefore, in modern lithography systems, very advanced optical components are installed in the illuminator. The light beam can then be accurately directed over a wide range of angles without loss of intensity.

This makes today's illumination systems more complex than the projections optics of ten years ago. The various illumination schemes that are used can be represented by patterns showing the light distribution in the lens. Schemes that are frequently used in micro-circuit printing are shown in fig. 7.

1. Conventional illumination
2. Annular illumination (mostly for gate printing)
3. Quadrapole illumination (mostly for contact hole printing)



FIG. 7: CONVENTIONAL AND OFF-AXIS ILLUMINATION PROFILES

## Mask technology

Another powerful method to extend the resolution limit of lithographic systems is to use special reticles, the so-called phase shifting masks, to print the patterns on the wafer. Conventional masks use transparent glass plates with opaque patterns that define the design layout. These plates have a uniform thickness.

In the new phase shifting masks, the light is manipulated by introducing small variations in thickness in the plates with the same periodicity as the pattern to be printed. This can be done in several ways, for example by locally adding an additional layer on the

mask, as shown in fig. 8. This additional patterned layer can be either transparent or weakly absorbing.

These variations in thickness slightly change the directions of the transmitted light in such a way that (after transmission through the lens), an image of the pattern is printed of which the contrast is much better than when a conventional mask is used.

Therefore, patterns much finer than the conventional resolution limit can be printed and the same lithography system can be used for several generations of shrinks.

This enhancement of resolution by thickness variations is also used in microscopy. This is called phase-contrast microscopy.

From the point of view of physics there is an analogy between phase shifting masks and the off axis illumination. In both cases, the angle at which light goes through the lens is optimized to reach the highest possible contrast on the wafer.

### Optical Proximity Correction (OPC)

Another way to improve the printed image with mask technology is to create so called ‘assist’ patterns, on the mask in addition to the circuit pattern. These ‘assist’ patterns are so small that they do not print but only improve the contrast of the microcircuit pattern. These patterns, in fact, compensate for the limited

FIG. 8: PHASE SHIFT MASK PRINCIPLE

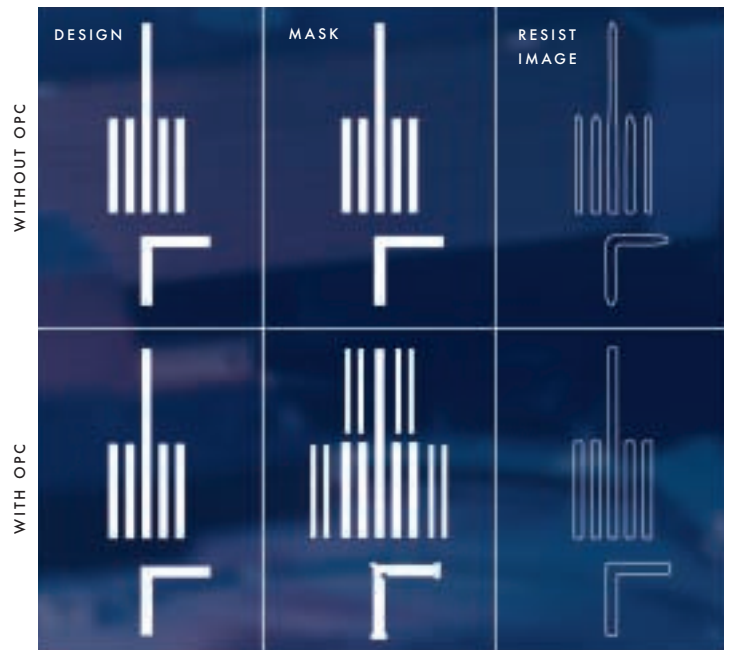
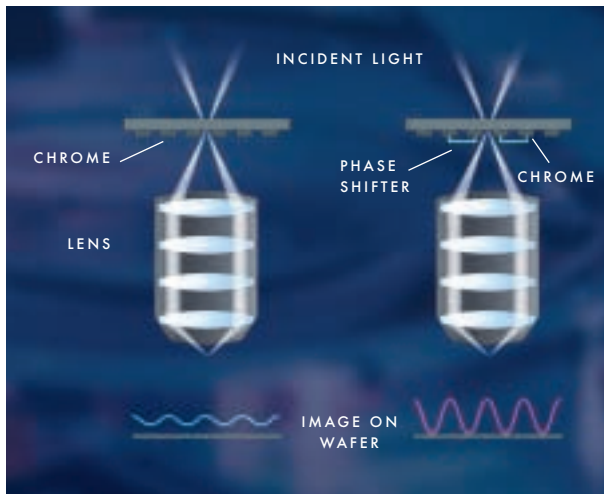


FIG. 9: OPC EXAMPLE

resolution of the lens. They can also be designed to improve the size and shape of the printed image. An example is the addition of small rectangles, so called serifs, to print correct line dimensions. Without the serifs, the line ends would have a round shape due to the limited lens resolution. With the serifs, the rectangular shape of the line ends can be maintained much better.

It is clear, that to make this method possible, a detailed knowledge of the lens imaging must be combined with advanced mask technology to achieve the ideal pattern. Fig. 9 shows an OPC mask and its effect on the resist image.

## Results and trends

Fig. 10 shows some remarkable results of the improved resolution that can be achieved with the resolution enhancement techniques described above.

Obviously, these techniques like OAI, phase shifting masks and OPC lead to higher operating costs of the lithography process. However, this is more than compensated by the significantly higher revenue of generations of more advanced devices.

### Other contributions

Apart from the methods described above, additional device shrinking has been established through continuous progress in the field of lens production, design and the availability of better photochemical processes. Through intensive chemical research, the photo-resist suppliers have succeeded to continuously increase the contrast of the materials. Therefore, with the same lens quality a much sharper pattern can be printed on the wafer.

The combined capabilities of the developments described here are summarized in the table in fig. 11. It is evident, that the combination of wavelength reduction and resolution enhancement methods will continue to drive the line widths down, assuring a solid basis to sustain the growth of the semiconductor industry.

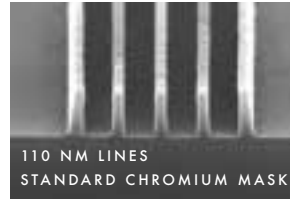
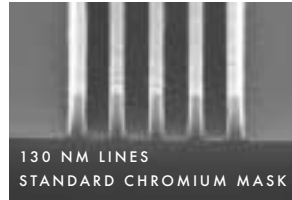


FIG. 10:  
RESIST PATTERNS IMAGED WITH AN ADVANCED LITHOGRAPHY SYSTEM. THE 130 NM LINE WHICH IS USED IN STATE-OF-THE-ART MANUFACTURING. THE 110 NM AND 70 NM LINE THAT SHOW THE CAPABILITY FOR FUTURE GENERATION OF DEVICES.

## A look into the future

Between five and ten years from now, new exposure methods will be needed to allow even finer line widths of 0.05 micron and less. The lithographic industry is preparing for this, through extensive research. A very promising technology is extreme ultra violet (EUV) lithography.

This technology will use 13 nm radiation and mirror optics (see fig. 12). This new wavelength is more than a factor of 10 shorter than presently possible and therefore, it will support several new generations of microcircuits with new and more powerful performance.

FIG. 11:  
REDUCTION OF DIMENSIONS BY SHORTER WAVELENGTHS AND RESOLUTION ENHANCEMENTS METHODS

METHOD:	365 NM i-LINE	248 NM KrF	193 NM ArF	157 NM F2
CONVENTIONAL STEPPER	350 NM	200 NM		
WITH OFF-AXIS ILLUMINATION (OAI)	280 NM	160 NM	130 NM	100 NM
WITH PHASE SHIFTING MASKS		130 NM	110 NM	90 NM
PLUS LENS+PROCESS IMPROVEMENTS		110 NM	90 NM	60 NM

POSSIBLE APPLICATION RANGE

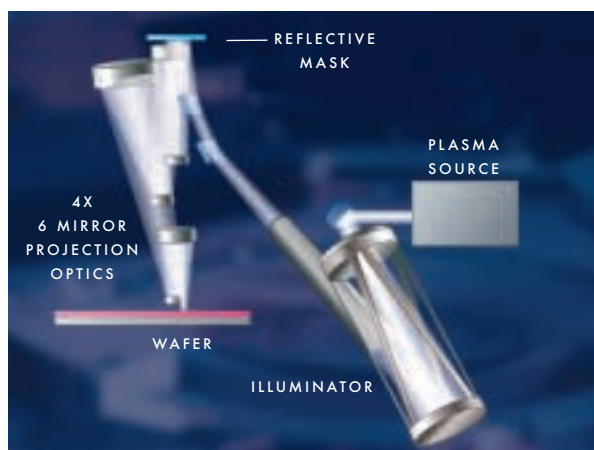


FIG. 12:  
SCHEME OF AN EUV PROJECTION SYSTEM WITH MIRROR





# Special Applications

Special Applications represents ASML's move toward business diversification. This Special Applications focuses on customer requirements outside the mainstream business by using current ASML technology as a stepping stone to adapt existing lithography to new applications.

The focus areas include GaAs, Thin Film Head and Analog IC lithography for the cost efficient production of consumer devices such as hand held phones, hard disk storage units in personal computers, and devices for the optimized battery consumption in mobile applications. The Micro Electro-Mechanical Systems (MEMS) is a new emerging industry leveraging Special Applications's lithographic capabilities to

manufacture devices such as pressure sensors, Inkjet printer heads, accelerometers for airbags in automobiles, and wave-guide multiplexers used in fibre-optic communication systems. Consumer demand for products that use such integrated devices has shown healthy growth and this demand growth is expected to continue.

Besides the focus on new industry sectors Special Applications also targets the customers who operate mature lithography equipment and want to renew the economic life of their production facilities. Options & accessories, upgrades, certified pre-owned ASML equipment, as well as financial and consulting services are offered to realize this.

## ASML's product family

### Step & Repeat Systems PAS 5000 family



PAS 5000/45 PAS 5000/55

### Step & Repeat Systems PAS 5500 family



PAS 5500/22 PAS 5500/150 PAS 5500/250 PAS 5500/300

### Step & Scan Systems



PAS 5500/400 PAS 5500/550 PAS 5500/750 PAS 5500/800 PAS 5500/950 PAS 5500/1100

### TWINSCAN™ Systems



AT:400 AT:700S AT:750





Financial Statements 2000

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## Consolidated Statements of Operations

For the year ended December 31 (Amounts in thousands, except per share data)	1998 EUR	1999 EUR	2000 EUR	2000 USD
Net product sales	722,308	1,133,042	2,076,403	1,927,940
Net service sales	56,888	64,448	109,270	101,458
<b>Total net sales</b>	<b>779,196</b>	<b>1,197,490</b>	<b>2,185,673</b>	<b>2,029,398</b>
Cost of product sales	427,344	735,178	1,177,805	1,093,598
Cost of service sales	54,244	62,862	108,779	101,002
<b>Total cost of sales</b>	<b>481,588</b>	<b>798,040</b>	<b>1,286,584</b>	<b>1,194,600</b>
<b>Gross profit on sales</b>	<b>297,608</b>	<b>399,450</b>	<b>899,089</b>	<b>834,798</b>
Research and development costs	144,651	173,967	235,726	218,873
Research and development credits	(29,965)	(36,128)	(18,555)	(17,228)
Selling, general and administrative expenses	94,210	140,182	187,696	174,276
<b>Operating income</b>	<b>88,712</b>	<b>121,429</b>	<b>494,222</b>	<b>458,877</b>
Interest income	6,865	11,479	52,389	48,644
Interest expense	(5,647)	(14,629)	(47,043)	(43,680)
Minority interest in net income from subsidiaries	0	0	(3,205)	(2,976)
<b>Income before income taxes</b>	<b>89,930</b>	<b>118,279</b>	<b>496,363</b>	<b>460,865</b>
Provision for income taxes	27,930	37,529	148,016	137,422
<b>Net income before effect of accounting changes</b>	<b>62,000</b>	<b>80,750</b>	<b>348,347</b>	<b>323,443</b>
Cumulative effect of change in accounting principle net of tax	0	0	1,069	993
<b>Net income</b>	<b>62,000</b>	<b>80,750</b>	<b>347,278</b>	<b>322,450</b>
Basic net income per ordinary share	0.15	0.19	0.83	0.77
Diluted net income per ordinary share	0.15	0.19	0.80	0.75
<i>Number of ordinary shares used in computing per share amounts (in thousands):</i>				
Basic	414,501	416,199	418,581	
Diluted	417,096	420,339	436,998	

## Consolidated Statements of Comprehensive Income

For the year ended December 31 (Amounts in thousands)	1998 EUR	1999 EUR	2000 EUR	2000 USD
Net income	62,000	80,750	347,278	322,450
Foreign currency translation	(1,255)	(1,320)	(431)	(400)
<b>Comprehensive income</b>	<b>60,745</b>	<b>79,430</b>	<b>346,847</b>	<b>322,050</b>

Prior year balances were restated from guilders into euros using the fixed exchange rate of EUR 1.00 = NLG 2.20371. See Note 1 to the Consolidated Financial Statements.

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets<sup>1</sup>

As of December 31	1999	2000	2000
(Amounts in thousands, except share and per share data)	EUR	EUR	USD
<b>ASSETS</b>			
Cash and cash equivalents	603,064	719,355	667,924
Restricted cash	0	121,119	112,460
Accounts receivable, net	455,158	680,747	632,077
Inventories, net	375,859	501,946	466,060
Other current assets	21,701	82,736	76,820
Deferred tax assets	7,694	6,833	6,345
<b>Total current assets</b>	<b>1,463,476</b>	<b>2,112,736</b>	<b>1,961,686</b>
Deferred tax assets	0	1,328	1,233
Other assets	17,891	14,087	13,080
Intangible assets	19,969	17,870	16,592
Property, plant and equipment, net	202,157	273,047	253,526
<b>Total assets</b>	<b>1,703,493</b>	<b>2,419,068</b>	<b>2,246,117</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Accounts payable	143,188	182,988	169,905
Accrued liabilities and other	117,947	250,352	232,453
Current tax liability	21,556	43,369	40,268
Deferred tax liability	18,437	9,582	8,897
<b>Total current liabilities</b>	<b>301,128</b>	<b>486,291</b>	<b>451,523</b>
Deferred tax liability	2,080	3,202	2,973
Convertible subordinated debt	789,033	828,730	769,480
<b>Total liabilities</b>	<b>1,092,241</b>	<b>1,318,223</b>	<b>1,223,976</b>
Minority interest	0	121,119	112,460
Cumulative Preference Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; none outstanding at December 31, 2000	0	0	0
Priority Shares, EUR 0.02 nominal value; 23,100 shares authorized, issued and outstanding at December 31, 1999 and 2000	1	1	1
Ordinary Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; 417,545,001 shares issued and outstanding at December 31, 1999 and 418,967,712 at December 31, 2000	8,211	8,379	7,780
Share premium	149,983	171,442	159,185
Retained earnings	453,521	800,799	743,546
Accumulated other comprehensive income	(464)	(895)	(831)
<b>Total shareholders' equity</b>	<b>611,252</b>	<b>979,726</b>	<b>909,681</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,703,493</b>	<b>2,419,068</b>	<b>2,246,117</b>

1) After appropriation of results for the year.

Prior year balances were restated from guilders into euros using the fixed exchange rate of EUR 1.00 = NLG 2.20371. See Note 1 to the Consolidated Financial Statements.

See Notes to the Consolidated Financial Statements.

## Consolidated Statements of Shareholders' Equity

As of December 31	1998	1999	2000	2000
<i>(Amounts in thousands, except shares and per share data)</i>	EUR	EUR	EUR	USD
<b>PRIORITY SHARES</b>				
Balance, end of year	1	1	1	1
<b>ORDINARY SHARES:</b>				
Balance, beginning of year	7,828	8,154	8,211	7,624
Issuance of ordinary shares	326	57	168	156
Balance, end of year	8,154	8,211	8,379	7,780
<b>SHARE PREMIUM:</b>				
Balance, beginning of year	116,927	118,431	149,983	139,260
Issuance of ordinary shares	1,504	31,552	21,459	19,925
Balance, end of year	118,431	149,983	171,442	159,185
<b>RETAINED EARNINGS:</b>				
Balance, beginning of year	310,771	372,771	453,521	421,096
Net income	62,000	80,750	347,278	322,450
Balance, end of year	372,771	453,521	800,799	743,546
<b>COMPREHENSIVE INCOME:</b>				
<b>CUMULATIVE TRANSLATION ADJUSTMENTS:</b>				
Balance, beginning of year	2,111	856	(464)	(431)
Exchange rate changes for the year	(1,255)	(1,320)	(431)	(400)
Balance, end of year	856	(464)	(895)	(831)
<b>NUMBER OF ORDINARY SHARES OUTSTANDING (IN THOUSANDS):</b>				
Number of ordinary shares beginning of year	414,000	414,651	417,545	
Issuance of ordinary shares	651	2,894	1,423	
Number of ordinary shares outstanding, end of year	414,651	417,545	418,968	

Prior year balances were restated from guilders into euros using the fixed exchange rate of EUR 1.00 = NLG 2.20371. See Note 1 to the Consolidated Financial Statements.

See Notes to the Consolidated Financial Statements.

## Consolidated Statements of Cash Flows

For the year ended December 31 (Amounts in thousands)	1998 EUR	1999 EUR	2000 EUR	2000 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	62,000	80,750	347,278	322,450
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>				
Depreciation and amortization	34,014	42,516	66,792	62,017
Deferred income taxes	(3,895)	4,322	(8,200)	(7,613)
<i>Changes in assets and liabilities that provided (used) cash:</i>				
Accounts receivable	60,809	(245,710)	(225,589)	(209,461)
Inventories, gross	(144,056)	(4,294)	(136,302)	(126,557)
Allowance for obsolete inventory	8,759	17,531	10,215	9,485
Other assets	(13,404)	14,152	(61,035)	(56,671)
Accrued liabilities	2,963	39,213	132,404	122,937
Accounts payable	(58,990)	82,657	39,801	36,956
Income tax payable	(1,852)	6,945	21,812	20,252
<b>Net cash provided by (used in) operating activities</b>	<b>(53,652)</b>	<b>38,082</b>	<b>187,176</b>	<b>173,794</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment	(98,547)	(109,787)	(133,115)	(123,598)
Proceeds from sale of property, plant and equipment	3,056	2,889	3,030	2,813
Purchase of intangible assets	0	(21,020)	0	0
Disbursements for loans	(6,807)	0	0	0
Other investing activities	0	7,858	0	0
<b>Net cash used in investing activities</b>	<b>(102,298)</b>	<b>(120,060)</b>	<b>(130,085)</b>	<b>(120,785)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from issuance of convertible subordinated loans	272,268	516,765	0	0
Payment of underwriting commission	(6,807)	(12,860)	0	0
Proceeds from (repayment of) advances from customers	1,375	0	0	0
Proceeds from advances to supplier	4,181	0	0	0
Proceeds from issuance of shares, stock options and conversion	1,833	31,609	18,093	16,799
<b>Net cash provided by financing activities</b>	<b>272,850</b>	<b>535,514</b>	<b>18,093</b>	<b>16,799</b>
Minority interest	0	0	121,119	112,460
Effect of changes in exchange rates on cash	(865)	(1,459)	41,107	38,168
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>116,035</b>	<b>452,077</b>	<b>237,410</b>	<b>220,436</b>
Cash and cash equivalents at beginning of the year	34,952	150,987	603,064	559,948
<b>Cash and cash equivalents at end of the year</b>	<b>150,987</b>	<b>603,064</b>	<b>840,474</b>	<b>780,384</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>				
<i>Cash paid for:</i>				
Interest	887	6,807	16,131	14,978
Taxes	33,707	23,863	133,238	123,712

Prior year balances were restated from guilders into euros using the fixed exchange rate of EUR 1.00 = NLG 2.20371. See Note 1 to the Consolidated Financial Statements.

See Notes to the Consolidated Financial Statements.



## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of presentation**

The accompanying consolidated financial statements include the financial statements of ASM Lithography Holding N.V. Eindhoven, The Netherlands (the 'Company'), and its consolidated subsidiaries. ASML, operating under a single management, is a worldwide business engaged in the development, production, marketing, sale and servicing of advanced lithography systems, consisting of wafer steppers and Step & Scan systems for the semiconductor industry. ASML's principal operations are in The Netherlands, the United States of America and Asia. At December 31, 1999, Royal Philips Electronics ('Philips') owned 23.7 percent of the Company's shares and at December 31, 2000, Royal Philips Electronics owned 7.2 percent of the Company's shares. In addition, one of the five members of the Company's Supervisory Board is a Philips employee.

ASML follows accounting principles generally accepted in the United States of America ('U.S. GAAP'). Effective beginning of fiscal year 1999, ASML changed its reporting currency from Dutch guilders to euros. Prior year balances have been restated based on the fixed exchange rate of EUR 1.00 to NLG 2.20371. The comparative balances reported in euros depict the same trends as would have been presented if ASML had continued to present balances in Dutch guilders. Balances for periods prior to January 1st, 1999 are not comparable to the balances of other companies that report in euros and may have restated amounts from a different currency than Dutch guilders. The accompanying Consolidated Financial Statements are stated in thousands of euros ('EUR') except that, solely for the convenience of the reader, certain euro amounts presented as of and for the year ended December 31, 2000 have been translated into United States dollars ('USD') using the exchange rate in effect on December 31, 2000 of USD 1.00 = EUR 1.077. These translations should not be construed as representations that the euro amounts could be converted into U.S. dollars at that rate.

Additional disclosures have been included in the Notes to the Consolidated Financial Statements to conform these Consolidated Financial Statements to requirements under the Netherlands Civil Code. These disclosures are in addition to the disclosures presented under U.S. GAAP.

#### **Principles of consolidation**

The consolidated financial statements include the accounts of ASM Lithography Holding N.V. and all of its majority-owned subsidiaries. All significant intercompany profits, transactions and balances have been eliminated in consolidation.

#### **Foreign currency**

##### *Foreign currency translation*

The financial information for subsidiaries outside The Netherlands is measured using local currencies as the functional currency. Transactions between ASML and its U.S. subsidiary relating to sales of products are denominated in U.S. dollars. Assets and liabilities are translated into euros at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into euros based on the average rate of exchange for the corresponding period. Exchange rate differences resulting from the translation of the net investment in subsidiaries outside The Netherlands into euros are accounted for directly in the shareholders' equity section of the balance sheet. Exchange rate differences on translations of other transactions in foreign currencies are reflected in the consolidated statements of operations.

### *Foreign currency management*

ASML may enter into foreign exchange contracts from time to time as a hedge against accounts payable denominated in foreign currencies. Changes in market value of foreign exchange contracts are recognized as gains or losses and are intended to offset foreign exchange gains or losses on these accounts payable. A change in the market value of a foreign exchange contract that is a hedge of a firm commitment is deferred and included in the valuation of the completed purchase transaction. The measurement date for hedged purchase transactions is the date when the purchased goods are delivered. Premiums and discounts relating to forward exchange contracts that hedge foreign currency exposures are amortized over the term of the forward contracts and are charged to operating income. ASML attempts to minimize the counter-party credit risk associated with the foreign exchange forward contracts and currency option arrangements to which it is a party by selecting counter-parties that it believes are creditworthy.

The currency exposure relating to the U.S. dollar denominated convertible loan is naturally hedged by the related U.S. dollar assets.

Except for some system sales and U.S. service sales, ASML's sales are primarily denominated in euros, ASML's functional currency, thus eliminating its significant currency exposure for sales in foreign currency. The exposure from U.S. sales denominated in U.S. dollars is partially hedged by the related U.S. dollar-denominated costs. The remaining system sales denominated in U.S. dollars are hedged with forward instruments. Currency exposure relating to participating Economic and Monetary Union ('EMU') member countries has been eliminated as of January 1, 1999 with the introduction of the euro.

### **Cash and cash equivalents**

Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits, with insignificant interest rate risk and original maturities of three months or less at the date of acquisition.

### **Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Cost includes net prices paid for materials purchased, charges for freight and customs duties, production labor cost and factory overhead. Allowances are made for slow moving, obsolete or unsaleable stock.

### **Income taxes**

Deferred income taxes are provided for the temporary differences between the carrying amounts used for financial reporting purposes and the tax basis of assets and liabilities at the relevant balance sheet date. Deferred tax amounts are calculated at the rates of taxation applicable in the several jurisdictions in which ASML operates.

### **Intangible assets**

Intangible assets include intellectual property rights that are valued at cost and are amortized straight-line over the estimated useful live of 10 years.



### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets. In the case of leasehold improvements, the estimated useful lives of the related assets do not exceed the remaining term of the corresponding lease. The following table presents the assigned economic lives of ASML's property, plant and equipment:

Category	Assigned economic life
Buildings and constructions	15 years
Machinery and equipment	2 – 5 years
Office furniture and equipment	3 – 5 years
Leasehold improvements	5 – 10 years

ASML also leases certain buildings, machinery and equipment under arrangements accounted for as operational leases.

Certain internal and external costs associated with the purchase and/or development of internally used software are capitalized in accordance with Statement of Position No. 98-1, 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use'. These costs are amortized straight-line over periods of related benefit ranging primarily from two to five years.

### Evaluation of Long-Lived Assets for Impairment

The Company evaluates its long-lived assets, including intellectual property, for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of any asset to future net cash flows expected to be generated by the asset. If those assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset.

### Recognition of revenues, income and expenses

Under the guidance set forth in SAB 101, ASML's practice is to recognize revenues based upon shipment.

The change in revenue recognition policy (see also recent accounting pronouncements) resulted in ASML deferring the fair value of the installation service yet to be performed on delivered equipment. Furthermore, revenues of initial shipments of new technology systems are deferred until acceptance by the customer.

Revenues from services are recognized when performed. Revenue from prepaid service contracts is recognized over the life of the contract. Advance payments received from customers are deferred and recognized when the products have been shipped. Operating expenses and other income and expense items are recognized in the income statement as incurred or earned.

**Cost of sales**

Cost of sales consists of direct product costs such as materials, labor, cost of warranty, depreciation and related overhead-costs. Repayments of certain technical development credits are also charged to cost of sales (see 'research and development credits', below). ASML accrues installation and warranty expenses for every system shipped. The amount accrued is based on actual historical expenses incurred and on estimated probable future expenses related to current sales. Warranty costs are charged against this reserve. Costs associated with service revenue are expensed as incurred.

**Research and development costs**

Costs relating to research and development are charged to operating income as incurred.

**Research and development credits**

Subsidies and other governmental credits for research and development costs relating to approved projects are recorded as research and development credits in the period when the research and development cost to which such subsidy or credit relates occurs. Technical development credits (Technische Ontwikkelingskredieten or 'TOKs') received from the Dutch government to offset the cost of certain research and development projects are contingently repayable as a percentage of the sales price to the extent future sales of equipment developed in such projects occur. Such repayments are charged to cost of sales at the time such sales are recorded (see Note 13 to the Consolidated Financial Statements). No such repayments are required if such sales do not occur. TOKs claimed for the production of prototypes are used to reduce the capitalized cost of such prototypes. The remaining capital cost of such prototypes is then depreciated on a straight-line basis. Prototypes are not intended for sale or for use in ASML's manufacturing process. If such a sale or use occurs, however, ASML is obligated to repay the related TOKs, and such repayment amount is accrued in an amount based on the net book value of the prototype sold or used.

**Stock options**

ASML applies Accounting Principles Board Opinion ('APB') No. 25, 'Accounting for Stock Issued to Employees', and related interpretations in accounting for its plans. Statement of Financial Accounting Standards ('SFAS') No. 123, 'Accounting for Stock-Based Compensations' allows companies to elect to account for stock options under the new accounting standard, or continue to account for stock option plans using the intrinsic method under APB No. 25, and provide pro forma disclosure of net income and earnings per share as if SFAS No. 123 were applied. ASML has elected to continue to account for its stock options under the provisions of APB No. 25 and disclose the pro forma effects of SFAS No. 123 in the Notes to the Consolidated Financial Statements.

**Net income per ordinary share**

Basic net income per share is computed by dividing net income by the weighted average ordinary shares outstanding. Diluted net income per share reflects the potential dilution that could occur if options issued under ASML's stock compensation plan were exercised, and if ASML's convertible loans were converted.

The computation of diluted earnings per share assumed conversion of the 2.5 percent convertible bonds and did not assume conversion of the 4.25 percent convertible bonds as such conversion would have an antidilutive effect on earnings per share.

A summary of the weighted average number of shares and ordinary equivalent shares follows:

Years ended December 31 (Amounts in thousands)	1998	1999	2000
Basic weighted average shares outstanding	414,501	416,199	418,581
Weighted average ordinary equivalent shares	2,595	4,140	18,417
<b>Diluted weighted average shares outstanding</b>	<b>417,096</b>	<b>420,339</b>	<b>436,998</b>

Excluded from the diluted weighted average share outstanding calculation are Cumulative Preference Shares contingently issuable to the preference share foundation as they represent a different class of stock than the Ordinary Shares. See further discussion in Note 19 to the Consolidated Financial Statements.

#### Use of estimates

The preparation of ASML's Consolidated Financial Statements in conformity with generally accepted accounting principles necessarily requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the reported periods. Actual results could differ from those estimates.

#### Comprehensive income

ASML has applied the requirements of SFAS No. 130, 'Reporting Comprehensive Income', in its Consolidated Statements of Comprehensive Income and Consolidated Statements of Shareholders' Equity

#### Segment disclosure

As ASML operates in only one segment, and in three general geographic locations, ASML defines its operational segment by geographical location (see Note 16 to the Consolidated Financial Statements).

#### Recent accounting pronouncements

In december 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ('SAB') no. 101, 'Revenue Recognition in Financial Statements' ('SAB 101'), that provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC issued SAB 101b, 'Second Amendment: Revenue Recognition in Financial Statements' ('SAB 101b'). SAB 101b delays the implementation of SAB 101 until no later than the fourth quarter of fiscal years beginning after January 1, 2000. Under the guidance set forth in SAB 101, ASML retroactively changed its revenue recognition policy on December 31, 2000. Based on its sales contracts, its product acceptance procedures and its proven history of installation of photolithography systems, ASML, in most cases, continued to recognize revenue upon shipment of its products, rather than upon completion of installation, because the installation process is not believed to be essential to the functionality of its products. However, since under most of ASML's sales contracts, the timing of payment of a portion of the sales price is coincident with installation, such installation is not considered to be inconsequential or perfunctory under the guidance of SAB 101. ASML believes it has an enforceable claim for that portion of the sales price not related to the fair value of the installation should it not fulfill the installation obligation in those cases where installation is not essential to the functionality of the equipment. Therefore, the change in revenue recognition policy resulted in ASML deferring the fair value of the installation service yet to be performed on delivered equipment. The fair value of in-progress installation was measured based upon the per-hour amount that ASML charges for similar services, as well as on amounts

charged by third parties for installation services. Upon adoption of SAB 101, revenue was deferred on initial shipments of new products based on new technologies until after customer acceptance. As at December 31, 2000 the fair value of the installation revenue is deferred. ASML recorded a retroactive adjustment related to this change of accounting principles amounting to EUR 1.1 million (net of taxes of EUR 0.4 million).

Statement of Financial Accounting Standards (SFAS) 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 137, Accounting Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement No. 133, and SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, is effective for the Company as of January 1, 2001. SFAS 133 requires that an entity recognizes all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of these new accounting standards as of January 1, 2001 will result in cumulative after-tax reductions in net income of EUR 0 and other comprehensive income of approximately EUR 0.5 million. The adoption will also impact assets and liabilities recorded on the balance sheet.

#### Significant events

As reported ASML signed a strategically important agreement to merge with the Silicon Valley Group (SVG). Consummation of the merger remains subject to approval of U.S. regulatory approvals and other customary closing conditions. The merger is therefore expected to close early 2001. While the fiscal year end of SVG differs from ASM Lithography's this difference is less than 93 days. Accordingly, the audited consolidated financial statements of ASM Lithography for the years ended December 31, 1998, 1999 and 2000 will be combined with the audited Consolidated Financial Statements of SVG for the years ended September 30, 1998, 1999 and 2000.

The net sales and net income (loss) reported by the separate companies and the combined amounts presented in the accompanying Consolidated Statements of Income are as follows:

December 31	1998	1999	2000
Net sales ASML	779,196	1,197,490	2,185,673
Net sales SVG	521,957	528,238	907,167
Net sales combined	1,301,153	1,725,728	3,092,840
Net income ASML	62,000	80,750	347,278
Net income (loss) SVG	(11,644)	(20,524)	50,426
Net income combined	50,356	60,226	397,704

Original United States dollar amounts presented in SVG's financial statements have been converted into euros using the fixed exchange rate upon implementation on January 1, 1999 of USD 1.00 = EUR 0.8576 for the 1998 figures; the average historical exchange rate for the year ended December 31, 1999 of USD 1.00 = EUR 0.9257 and for the year ended December 31, 2000 of USD 1.00 = EUR 0.9285



## 2. RESTRICTED CASH

During 2000, ASM Lithography entered into a cash management arrangement with Morgan Stanley & Company International Ltd. ('MSIL'), a subsidiary of Morgan Stanley Dean Witter ('MSDW'). Under the cash management agreement, ASM Lithography invested USD 400 million and MSIL invested USD 108 million in a separate legal entity. ASM Lithography controls the entity through a contractual agreement. Further, ASM Lithography owns 80% of the entity, and can require its dissolution at any time, which would result in the repayment of its investment. The total amount of USD 508 million of funds contributed to the entity has been invested as follows: USD 200 million in deposits at Dutch banks, and USD 308 million in a reverse repurchase arrangement transaction with MSIL. At December 31, 2000, the balance of the investment return under the reverse repurchase arrangement was approximately USD 310 million. The investment return on the reverse repurchase agreement is LIBOR less a certain number of basis points. Under the reverse repurchase agreement, ASM Lithography purchases underlying investment grade securities from MSIL, and resells the securities back to MSIL every ninety days. ASM Lithography takes possession of the underlying securities which are maintained at a fair value approximating 102% of the funds invested, to protect against the unlikely event of a default by MSIL. In addition, the reverse repurchase arrangement is guaranteed by MSDW. As of year-end 2000 an amount of EUR 121,119 of this arrangement is regarded as restricted cash.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

December 31	1999	2000
Accounts receivable	428,552	680,747
Accounts receivable – Philips*	26,606	NA
<b>Total accounts receivable, net</b>	<b>455,158</b>	<b>680,747</b>

\* See Note 10 to the Consolidated Financial Statements.

## 4. INVENTORIES

Inventories consist of the following:

December 31	1999	2000
Raw materials	163,575	212,162
Work-in-process	122,740	199,582
Finished products	131,209	142,082
Allowance for obsolescence	(41,665)	(51,880)
<b>Total inventories, net</b>	<b>375,859</b>	<b>501,946</b>

A summary of activity in the allowance for obsolescence is as follows:

December 31	1999	2000
Balance at beginning of year	24,134	41,665
Provision for loss on obsolete inventory	26,057	19,689
Inventory written off	(8,526)	(9,474)
<b>Balance at end of year</b>	<b>41,665</b>	<b>51,880</b>

## 5. INTANGIBLE ASSETS

In July 1999 ASML obtained, through its purchase of the business of Masktools the intellectual property rights relating to Optical Proximity Correction technology. This technology enhances leading edge lithography systems to accurately and reliably print line widths below 0.2 micron. These rights have been valued at cost and are amortized straight-line over the estimated useful life of 10 years.

	1999	2000
<b>COST:</b>		
Balance, January 1	0	21,020
Additions	21,020	0
<b>Balance, December 31</b>	<b>21,020</b>	<b>21,020</b>
<b>ACCUMULATED DEPRECIATION:</b>		
Balance, January 1	0	(1,051)
Amortization	(1,051)	(2,099)
<b>Balance, December 31</b>	<b>(1,051)</b>	<b>(3,150)</b>
<b>NET BOOK VALUE:</b>		
January 1	0	19,969
December 31	19,969	17,870

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consist of the following:

	Buildings & constructions	Machinery and equipment	Leasehold improve- ments	Office furniture and fixtures	Total
<b>COST:</b>					
Balance, January 1, 2000	29,321	165,616	45,524	87,384	327,845
Additions	7,477	78,533	36,435	31,167	153,612
Reclassifications	(4,416)	0	4,416	0	0
Disposals	0	(23,175)	0	(352)	(23,527)
Effect of exchange rates	0	778	389	316	1,482
<b>Balance, December 31, 2000</b>	<b>32,382</b>	<b>221,752</b>	<b>86,764</b>	<b>118,515</b>	<b>459,412</b>
<b>ACCUMULATED DEPRECIATION:</b>					
Balance, January 1, 2000	0	64,316	18,267	43,105	125,688
Depreciation	1,935	31,345	9,097	20,984	63,361
Reclassifications	(110)	0	110	0	0
Disposals	0	(2,282)	0	(191)	(2,473)
Effect of exchange rates	0	(1,017)	277	529	(211)
<b>Balance, December 31, 2000</b>	<b>1,825</b>	<b>92,362</b>	<b>27,751</b>	<b>64,427</b>	<b>186,365</b>
<b>NET BOOK VALUE:</b>					
December 31, 1999	29,321	101,300	27,257	44,279	202,157
<b>December 31, 2000</b>	<b>30,557</b>	<b>129,390</b>	<b>59,013</b>	<b>54,088</b>	<b>273,047</b>

## 7. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consist of the following:

December 31	1999	2000
Deferred revenue	20,683	59,594
Warranty and installation	34,460	42,161
Materials and costs to be paid (invoices not yet received)	50,765	87,685
Advances from customers	3,370	23,319
Accrued compensation and related taxes	4,576	27,229
Accrued pension liabilities	969	5,406
Other	3,124	4,958
<b>Total accrued liabilities and other</b>	<b>117,947</b>	<b>250,352</b>

## 8. LONG-TERM DEBT AND BORROWING ARRANGEMENTS

**Long-term debt**

In April 1998, ASML completed an offering of EUR 272 million principal amount of its 2.5 percent Convertible Subordinated Bonds due 2005, with interest payable annually commencing April 9, 2000. The bonds are convertible into 13,987,080 ordinary shares at EUR 19.47 per share at any time prior to maturity. At any time on or after April 9, 2001, the bonds are redeemable at the option of ASML, in whole or in part, at 100 percent of the principal amount, together with accrued interest. During the year 2000 bonds were converted into 178,338 Ordinary shares. The convertible debt amounted to EUR 268,796 as at December 31, 2000. The bonds are listed for trading on the Official market of Euronext Amsterdam N.V. The bonds will mature on April 9, 2005, and be payable at a price of 100 percent of the principal amount thereof.

In November 1999, ASML completed an offering of USD 520 million principal amount of its 4.25 percent Convertible Subordinated Notes due November 30, 2004 with interest payable semi-annually November 30 and May 30 of each year, commencing on May 30, 2000. The Notes are convertible into 13,959,660 ordinary shares at USD 37.25 (EUR 40.11) per share at any time prior to maturity. At any time on or after December 5, 2002 the notes are redeemable at the option of ASML, in whole or in part, at the prices specified below, together with accrued interest. During the year 2000 bonds were converted into 2,685 Ordinary shares. The convertible debt amounted to EUR 559,934 as at December 31, 2000. These Notes are listed for trading on the Official market of Euronext Amsterdam N.V. The redemption prices, expressed as a percentage of the outstanding principal amount of the Notes being redeemed are:

	Redemption Price
December 5, 2002 through December 4, 2003	101.70%
December 5, 2003 through November 29, 2004	100.85%
November 30, 2004 and thereafter	100.00%

### Lines of credit

ASML expanded its lines of credit from two lines of credit with two banks, providing EUR 226.8 in total available credit as at December 31, 1999 to three lines of credit with three banks as at December 31, 2000. These lines of credit provide up to EUR 287.5 million in total available credit at December 31, 2000. There were no outstanding borrowings on these facilities at December 31, 1999 and 2000. These credit lines bear interest at the European Interbank Offered Rate ('EURIBOR') plus a margin. ASML intends to further expand its credit facilities.

## 9. EMPLOYEE BENEFITS

### Pension plans

ASML contributes to a multi-employer defined contribution pension plan covering its hourly and salaried employees in The Netherlands and to a defined contribution plan for its U.S. employees. The basis for the contribution to the Dutch plan is the total wages and salaries paid during the year. The contribution is calculated as a percentage of this total, using a maximum salary base per employee. Contributions to the U.S. plan range from 4 to 5 percent of the compensation of plan participants. ASML may make an additional contribution to the U.S. plan, in an amount determined at the sole discretion of ASML, if ASML meets certain financial performance criteria. No such contribution was made by ASML in 1998, 1999 and 2000. Pension costs for these plans were approximately, EUR 3,511, EUR 5,091, EUR 2,071 during, 1998, 1999 and 2000, respectively. During 1996, ASML adopted a defined contribution plan for certain Dutch employees who earn salaries exceeding a defined base amount. ASML's contributions to the defined contribution plan for these employees are based on 13.3 percent of the compensation of the plan participants and were, EUR 396, EUR 564 and EUR 896 in 1998, 1999 and 2000 respectively.

### Profit-sharing plan

During 1995, ASML established a profit-sharing plan (the 'Plan') covering all employees. Under the Plan, which was revised in 1999 and is effective as of January 1999, employees who are eligible will receive an annual profit-sharing bonus, based on a percentage of net income to sales ranging from 0 to 20 percent of annual salary.

### Stock option plans

In 1997, the Company issued stock option plans, in which 2,590,722 stock options were authorized to purchase Ordinary Shares. The stock option plans provide for the issuance of up to 2,137,722 options to purchase Ordinary Shares for eligible employees of ASML and up to 453,000 options to purchase Ordinary Shares for certain key personnel and management. In 1998, the company issued stock option plans, in which 3,348,576 options were authorized to purchase Ordinary Shares. The stock option plans provide for the issuance of up to 2,097,831 options to purchase Ordinary Shares for eligible employees of ASML and up to 1,250,745 options to purchase Ordinary Shares for key personnel and management. These plans set up for eligible employees include a feature these whereby eligible employees will





have the right to elect to receive options to purchase Ordinary Shares in lieu of distribution under the profit sharing plan. Options granted under these plans have fixed exercise prices equal to the closing price of the Company's Ordinary Shares on Euronext Amsterdam N.V. on the applicable grant dates. Stock options granted to eligible employees, in 1997, vest over a period of two years and any unexercised options outstanding expire five years after the grant date. In 1998 Stock Options granted vest over a three year period with any unexercised stock options expiring six years after the grant date. Stock options relating to key personnel, in 1998 vest over a three and four year period with any unexercised stock options expiring six years after the grant date. For the year 1999, a number of 1,000,000 stock options was authorized to purchase Ordinary shares.

In 1999, a new stock option plan has been issued by the Board of Management, with the approval of the Supervisory Board and the holders of priority shares. The plan shall be effective as of the year 2000 and shall remain in place until revoked by the Board of Management. The Board of Management shall determine by category of ASML personnel the total available number of options that can be granted in a certain year on an annual basis. The determination is subject to approval from the Supervisory Board and the holders of priority shares of the Company. For the year 2000, a total number of 1,500,000 (4,500,000 after the stock split on April 17, 2000) stock options was authorized to purchase Ordinary shares and for the year 2001, a total number of 6,000,000 has been authorized.

The vesting and exercise period for the plans of 1999 and 2000 are similar to the plan of 1998.

During 2000, 229,500 options to purchase Ordinary Shares were granted to the Board of Management. No options were exercised during 2000 by Members of the Board of Management.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price per share (EUR)
Outstanding December 31, 1997	4,349,076	4.41
Granted	2,590,722	10.41
Exercised	(650,742)	2.84
Cancelled	0	0
Outstanding, December 31, 1998	6,289,056	6.37
Granted	3,348,576	13.08
Exercised	(1,952,940)	3.54
Cancelled	(73,188)	3.46
Outstanding, December 31, 1999	7,611,504	10.60
Granted	4,110,387	45.98
Exercised	(1,189,148)	8.68
<b>Outstanding, December 31, 2000</b>	<b>10,532,743</b>	<b>24.63</b>
<b>Exercisable, December 31, 2000</b>	<b>2,746,780</b>	<b>8.54</b>
Exercisable, December 31, 1999	1,216,206	3.65
Exercisable, December 31, 1998	1,371,798	2.66

Information with respect to stock options outstanding at December 31, 2000 is as follows:

Options outstanding <i>Range of exercise prices (EUR)</i>	Number outstanding at December 31, 2000	Weighted average remaining contractual life (years)	Weighted average exercise price (EUR)
2.36-8.98	1,137,902	1.33	4.39
9.48-12.15	4,002,704	2.67	11.49
12.87-31.75	1,281,750	2.85	15.15
35.45-47.15	4,110,387	4.11	45.98
<b>Total</b>	<b>10,532,743</b>	<b>3.11</b>	<b>24.63</b>

Under the provisions of APB No. 25, no compensation expense was recorded for ASML's stock-based compensation plans. Had compensation cost been determined based upon the fair value at the grant date for awards under the plan consistent with the methodology prescribed under SFAS No. 123, ASML's net income and calculation for net income per ordinary share would have been as follows:

	1998	1999	2000
<b>NET INCOME:</b>			
As reported	62,000	80,750	347,278
Pro forma	54,842	71,153	319,637
<b>BASIC NET INCOME PER ORDINARY SHARE:</b>			
As reported	0.15	0.19	0.83
Pro forma	0.13	0.17	0.76
<b>DILUTED NET INCOME PER ORDINARY SHARE:</b>			
As reported	0.15	0.19	0.80
Pro forma	0.13	0.17	0.74

The estimated weighted average fair value of options granted during 1998, 1999 and 2000 was EUR 4.63, EUR 7.84 and EUR 10.01 respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions in 1998, 1999 and 2000, respectively: no dividend yield, volatility of 41.0, 50.0 and 73.0 percent, risk-free interest rate of 5.75 and 7.2 percent, no assumed forfeiture rate and an expected life of 2 years after the vesting period.

#### 10. RELATED PARTIES (SEE ALSO NOTES 2, 8, AND 15)

Transactions between ASML and Philips are effected at market value prices.

ASML has several agreements with Philips that set forth the parties' respective responsibility for certain matters arising out of the historical operations of ASML and the formation of the Company as a holding company for ASML's operations; establish certain rights and obligations of the Company, Philips and their respective subsidiaries on a prospective basis; afford the Company continued access to Philips' research and development resources in return for fees and provide for the parties' respective rights to certain items of intellectual property.

In its ordinary course of business ASML engages in sales and purchase transactions with various companies within Philips.



As mentioned in Note 1 to the Consolidated Financial Statements the ownership of the company's shares owned by Philips decreased to 7.2 percent. Therefore, Philips is no longer regarded as a related party for 2000. Consequently no additional disclosures for the year 2000 have been presented.

The following table summarizes transactions between ASML and Philips:

Year ended December 31	1998	1999	2000
<b>ACTIVITIES:</b>			
Purchases of goods and services	70,482	75,213	NA*
Research and development expenses	23,661	38,163	NA
<b>Total purchases from Philips</b>	<b>94,143</b>	<b>113,376</b>	<b>NA</b>
<b>Sales to Philips</b>	<b>20,308</b>	<b>47,532</b>	<b>NA</b>
December 31		1999	2000
<b>BALANCE SHEET ACCOUNTS:</b>			
Accounts receivable		26,606	NA
Accounts payable and accrued liabilities and other		16,440	NA

\* NA = Not applicable

## 11. FINANCIAL INSTRUMENTS

Financial instruments recorded on the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and convertible subordinated loans. The carrying amounts of all financial instruments approximates fair value due to the short-term nature of these instruments. The fair value of ASML's long-term debt, based on current rates for similar instruments with the same maturities, approximates the carrying amount. As of year-end 1999 ASML was no party in open forward contracts.

As of December 31, 2000 ASML was a party in open forward contracts to hedge sales transactions in U.S. dollars up to an amount of USD 51.6 million. Furthermore ASML was a party in an open forward contract up to an amount of EUR 8.6 million.

## 12. COMMITMENTS AND CONTINGENCIES

ASML leases its facilities and certain equipment under operational leases. As of December 31, 2000, the minimum annual rental commitments are as follows:

2001	36,054
2002	30,920
2003	26,725
2004	23,967
2005	19,956
Thereafter	130,497
<b>Total</b>	<b>268,119</b>

Rental expense was EUR 34,445, EUR 44,354 and EUR 48,597 for the years ended December 31, 1998, 1999 and 2000, respectively.

ASML has entered into sale and leaseback transactions to lease, for testing and training purposes, systems manufactured by ASML. The term of the operational lease contracts is 30 to 60 months. Rental expense for 1998, 1999 and 2000 was EUR 12,714, EUR 18,480 and EUR 19,613, respectively, for the operational lease contracts that are included in total rental expense above.

On occasion, certain of ASML's customers have received notices of infringement from third parties, alleging that the manufacture of semiconductor products and/or the systems used to manufacture semiconductor products infringes one or more patents issued to those parties. ASML has been advised that it could be obligated to pay damages to customers if use of ASML's systems by those customers were found to infringe any valid patents issued to those parties. If these claims were successful, ASML could be required to indemnify its customers for some or all of any losses incurred as a result of that infringement.

On May 23, 2000, Ultratech Stepper, Inc., filed a lawsuit in the United States District Court for the Eastern District of Virginia (which has meanwhile been transferred to the Northern District of California) against the Company and its competitor Canon. Ultratech Stepper alleges that the Company and Canon are infringing Ultratech Stepper's rights under a United States patent, through the manufacture and commercialization in the United States of advanced photolithography projection systems embodying technology that, in particular, is used in Step & Scan systems. Management believes, based on current information that this claim will not have a material effect on ASML's business, financial condition, results of operations or cash flows.

Management is not aware of any other matters that could give rise to any material liability to ASML for patent infringement claims.

### 13. COST OF SALES

ASML has research and development agreements with the Government of The Netherlands, Ministry of Economic Affairs. From 1986 through 1993, credits (TOKs) were received to fund research and development projects for ASML's PAS 2500 or PAS 5500 wafer stepper. In 1998, 1999 and 2000 credits were received for research and development projects relating to a new generation of semiconductor lithography systems. The agreements require that the majority of the amounts received are to be repaid, with interest, to the extent product sales occur which relate to the research. The amount of the repayment due is based on a percentage of the selling price of the product and is charged to cost of sales when such a sale is recorded. In 1998, 1999 and 2000 no repayment obligations were outstanding.

At December 31, 1999 and 2000, ASML has contingent obligations totaling EUR 34,995 and EUR 45,806 to repay TOK credits received in 1999 and 2000.



## 14. RESEARCH AND DEVELOPMENT CREDITS

ASML receives subsidies and credits for research and development from various governmental sources as follows:

Year ended December 31	1998	1999	2000
European Community/Dutch technology (EUREKA) Subsidy	10,097	9,688	5,941
Netherlands Ministry of Economic Affairs (TOKs) credits*	9,529	17,073	8,176
Netherlands Ministry of Economic Affairs subsidy (WBSO / BTS / Stimulus)	6,915	5,066	4,101
European Community technology (ESPRIT-EUCLIDES / ELLIPSE) subsidy	3,424	4,301	337
<b>Total subsidies and credits received</b>	<b>29,965</b>	<b>36,128</b>	<b>18,555</b>

\* See Note 13 of the Notes to the Consolidated Financial Statements.

## 15. INCOME TAXES

The components of income before income taxes are as follows:

Year ended December 31	1998	1999	2000
Domestic	84,111	92,793	405,036
Foreign	5,819	25,486	89,804
<b>Total</b>	<b>89,930</b>	<b>118,279</b>	<b>494,840</b>

The Dutch domestic statutory tax rate is 35 percent. The reconciliation between the provision for income taxes shown in the consolidated statement of operations, based on the effective tax rate, and expense based on the domestic tax rate, is as follows:

Year ended December 31	1998	1999	2000
Income tax expense based on domestic rate	31,476	41,398	173,194
Different foreign tax rates	413	(3,545)	(13,017)
Tax effect non-tax deductible foreign currency hedging	0	0	(3,495)
Charitable contribution	0	0	(3,880)
Other credits and non-taxable items	(3,959)	(324)	(5,240)
<b>Provision for income taxes shown in the income statement</b>	<b>27,930</b>	<b>37,529</b>	<b>147,562</b>

ASML's provision for income taxes consisted of the following:

Year ended December 31	1998	1999	2000
<b>CURRENT:</b>			
Domestic	20,988	41,207	136,881
Foreign	3,046	643	18,881
<b>DEFERRED:</b>			
Domestic	4,492	(9,052)	(9,061)
Foreign	(596)	4,731	861
<b>Total</b>	<b>27,930</b>	<b>37,529</b>	<b>147,562</b>

Deferred tax assets (liabilities) consist of the following:

December 31	1999	2000
Warranty	7,694	6,833
Accounts receivable	(12,557)	0
Inventories	(5,762)	(9,582)
Property, plant and equipment	(1,984)	(1,608)
Pensions	(96)	0
Other	(118)	(266)
<b>Total</b>	<b>(12,823)</b>	<b>(4,623)</b>

Deferred tax assets (liabilities) are classified in the consolidated financial statements as follows:

December 31	1999	2000
Deferred tax assets – current	7,694	6,833
Deferred tax assets – non-current	0	1,328
Deferred tax liabilities – current	(18,437)	(9,582)
Deferred tax liabilities – non-current	(2,080)	(3,202)
<b>Total</b>	<b>(12,823)</b>	<b>(4,623)</b>

#### 16. MAJOR CUSTOMERS AND GEOGRAPHICAL INFORMATION

ASML operates in one business segment, which is the design, production and marketing of lithographic systems for the semiconductor industry. The following table presents sales to specific customers for each of the years 1998, 1999 and 2000 that exceeded 10 percent of total net sales in such year:

Year ended December 31	1998	1999	2000
<b>CUSTOMER:</b>			
A	98,022	238,837	482,604
B	115,549	164,725	225,121
C	108,095	–	–

ASML markets and sells its products in the United States and Europe principally through its direct sales organization and in Asia by means of independent sales agents. ASML makes all its sales into the United States through its U.S. operation and as from January 1st, 1999 its sales into Asia through its Hong Kong operation. Intra-area sales are accounted for at prices that provide a profit and take into consideration the rules and regulations of the respective governing authorities.

The following table summarizes net sales, operating income and identifiable assets of ASML's operations in The Netherlands, The United States and Asia, the significant geographic areas in which ASML operates.

	Asia	Netherlands	United States	Eliminations	Consolidated
<b>1998</b>					
Net sales to unaffiliated customers	–	467,855	291,033	0	758,888
Net sales to Philips	–	19,165	1,143	0	20,308
Intra-area sales	–	241,659	0	(241,659)	0
<b>Total net sales</b>	<b>–</b>	<b>728,679</b>	<b>292,176</b>	<b>(241,659)</b>	<b>779,196</b>
Operating income	–	77,905	10,478	329	88,712
Identifiable assets	–	915,744	117,569	(101,570)	931,743
<b>1999</b>					
Net sales to unaffiliated customers	623,749	125,725	400,484	0	1,149,958
Net sales to Philips	0	35,688	11,844	0	47,532
Intra-area sales	0	899,097	0	(899,097)	0
<b>Total net sales</b>	<b>623,749</b>	<b>1,060,510</b>	<b>412,328</b>	<b>(899,097)</b>	<b>1,197,490</b>
Operating income	34,113	80,985	6,102	229	121,429
Identifiable assets	248,450	1,389,361	205,181	(177,359)	1,665,633
<b>2000</b>					
Net sales to unaffiliated customers	1,237,170	339,796	608,707	0	2,185,673
Net sales to Philips	0	NA	0	0	NA
Intra-area sales	0	1,688,960	0	(1,688,960)	0
<b>Total net sales</b>	<b>1,237,170</b>	<b>2,028,756</b>	<b>608,707</b>	<b>(1,688,960)</b>	<b>2,185,673</b>
Operating income	122,830	359,128	12,552	(288)	494,222
Identifiable assets	414,570	2,043,212	227,734	(298,405)	2,387,111
Capital expenditure	7,834	97,187	25,064	0	130,085
Liabilities	379,035	1,681,161	189,750	(931,723)	1,318,223
Depreciation	1,420	52,381	9,186	0	62,987

	Europe	Asia	Total
<b>1998</b>			
Net export sales to unaffiliated customers	54,436	413,419	467,855
Net export sales to Philips	4,609	0	4,609
<b>1999</b>			
Net export sales to unaffiliated customers	114,322	623,749	738,071
Net export sales to Philips	1,873	0	1,873
<b>2000</b>			
Net export sales to unaffiliated customers	307,784	1,237,170	1,544,954
Net export sales to Philips	NA	0	NA

#### 17. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Aggregate cash compensation paid or accrued by ASML for its management including members of the Board of Management of the Company was EUR 2,023 in 1998, EUR 2,224 in 1999 and EUR 2,500 in 2000. Amounts accrued to provide pension, retirement or similar benefits to these individuals, as a group, were EUR 162, EUR 211 and EUR 174 in 1998, 1999 and 2000, respectively. Aggregate compensation for the members of the Supervisory Board amounted to EUR 86 in 1998, EUR 95 in 1999 and 2000. Personnel expenses for all employees were as follows:

Year ended December 31	1998	1999	2000
Wages and salaries	98,957	122,981	194,125
Social security expenses	8,482	10,743	15,872
Pension and retirement expenses	7,900	9,116	16,412
	115,339	142,840	226,409

The average number of employees during 1998, 1999 and 2000 were 2,104, 2,658 and 3,767 respectively.

The total number of personnel employed per sector were:

December 31	1998	1999	2000
Marketing & Technology	901	1,065	1,424
Goodsflow	553	674	1,010
Customer support	575	818	1,364
General	254	335	476
Sales	81	92	103
	2,364	2,984	4,377

In 1998, 1999 and 2000 a total of 1,932, 2,352 and 3,289 personnel respectively, were employed in The Netherlands.



## 18. VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

ASML relies on outside vendors to manufacture the components and subassemblies used in its systems, each of which is obtained from a sole supplier or a limited number of suppliers. ASML's reliance on a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and reduced control over pricing and timely delivery of these subassemblies and components. In particular, the number of systems ASML has been able to produce has occasionally been limited by the production capacity of Zeiss. Zeiss currently is ASML's only supplier of lenses and other critical optical components and is capable of producing these lenses only in limited numbers and only through the use of its manufacturing and testing facility in Oberkochen, Germany. In addition to Zeiss' position as ASML's sole supplier of lenses, the Excimer laser illumination systems for Deep UV systems are available from a very limited number of suppliers. Additionally, certain raw materials and minerals necessary for the manufacture of certain components supplied by outside vendors may occasionally be limited. Any prolonged inability to obtain adequate deliveries from its suppliers or any other circumstance that would require ASML to seek alternative sources of supply, could adversely impact ASML's future operating results.

## 19. CAPITAL STOCK

**Cumulative Preference Shares**

In April 1998, the Company has granted to the preference share foundation Stichting Preferente Aandelen ASML ('the Foundation') an option to acquire Cumulative Preference Shares in the capital of the Company (the 'Preference Share Option'). The object of the Foundation is to protect the interests of the Company and the enterprises maintained by it. The Cumulative Preference Shares have a higher liquidity preference and the same voting rights as Ordinary Shares. Additionally, Cumulative Preference Shares are entitled to dividends at a percentage based on the average contango rate ('prolongatie koers') determined by Euribor plus 2 percent. The Board of Directors of the Foundation is independent of ASML and comprises of three voting members from the Dutch business and academic communities, Mr. R. Selman, Mr. F. Grapperhaus and Mr. M den Boogert, and two non-voting members; the Chairman of the Company's Supervisory Board and the Chairman of the Company's Board of Management Mr. H. Bodt and Mr. D. Dunn respectively.

The Preference Share Option gives the Foundation the right to acquire a number of Cumulative Preference Shares equal to the number of Ordinary Shares outstanding at the time of exercise of the Cumulative Preference Share Option for a subscription price equal to their EUR 0.02 nominal value. Only one-fourth of this subscription price is payable at the time of initial issuance of the Cumulative Preference Shares. The Cumulative Preference Shares may be cancelled and repaid by the Company upon the authorization by the General Meeting of the Shareholders of a proposal to do so by the Board of Management that receives the prior approval of the Supervisory Board and of the Meeting of Priority Shareholders.

Exercise of the Preference Share Option would effectively dilute the voting power of the Ordinary Shares then outstanding by one-half. The practical effect of any such exercise could be to prevent attempts by third parties to acquire control of the Company.

#### Priority Shares

The Priority Shares are held by a foundation, having an elected board that consists solely of members of the Company's Supervisory Board and Board of Management.

Per December 31, 2000, the board members were:

- Doug J. Dunn
- Henk Bodt
- Arie Westerlaken
- Syb Bergsma
- Jan A. Dekker
- Peter T.F.M. Wennink

An overview of the other functions held by above persons, can be obtained at the Company's office.

Furthermore, the Company as well as the members of the board declare in accordance with Article 11 under C of the 'Bijlage X van het Fondsenreglement van Euronext Amsterdam N.V.' that in their opinion the composition of the board is conform Article 10 under C of the above mentioned 'Bijlage'.<sup>1</sup>

With respect to the Priority Shares, they are not entitled to dividends but have a preferred right on the return of their nominal value in the case of winding up the Company. Holders of the priority shares of the Company have the effective power to control significant corporate decisions and transactions of the Company. These decisions and transactions encompass, but are not limited to, amendment of the Articles of Association, winding up of the Company, issuance of shares, limitation of preemptive rights and repurchase and cancellation of shares.

<sup>1</sup> Article 10 states that the issuing entity takes care that not more than half of the priority shares are being held by Board members of the issuing entity or, in case the priority shares are being held by a legal entity, that not more than half of the amount of votes to be exercised in meetings of the foundation in which decisions are made about the exercise of the voting rights of the priority shares, can be exercised, directly or indirectly, by persons who are also Board members of the issuing entity.

## Independent Auditors' Report

To the Supervisory Board, Board of Management and Shareholders of ASM Lithography Holding N.V.  
Eindhoven, The Netherlands

We have audited the accompanying consolidated balance sheets of ASM Lithography Holding N.V. and its subsidiaries (collectively, the 'Company') as of December 31, 1999 and 2000 and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1999 and 2000, and the results of its operations, comprehensive income and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of euro amounts into U.S. dollar amounts, and, in our opinion, such translation has been made in conformity with the basis stated in Note 1 of the Notes to the Consolidated Financial Statements. Such U.S. dollar amounts are presented mainly for the convenience of readers outside the Economic and Monetary Union (EMU).

*Deloitte & Touche*  
*Accountants*

Eindhoven, The Netherlands  
January 18, 2001

Statutory Balance Sheets<sup>1</sup>

As of December 31	1999	2000
<i>(Amounts in thousands, except share and per share data)</i>	EUR	EUR
<b>ASSETS</b>		
Cash and cash equivalents	472,252	242,181
Amounts due from subsidiaries	605,050	317,163
Current tax asset	10,374	123,827
Other current assets	1,417	31,753
<b>Total current assets</b>	<b>1,089,093</b>	<b>714,924</b>
Investments in subsidiaries	168,961	939,551
Loans due from subsidiaries	151,930	157,173
Other assets	17,891	14,087
<b>Total assets</b>	<b>1,427,875</b>	<b>1,825,735</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accrued liabilities and other	7,073	4,495
Deferred tax liability	18,437	9,582
<b>Total current liabilities</b>	<b>25,510</b>	<b>14,077</b>
Deferred tax liability	2,080	3,202
Convertible subordinated debt	789,033	828,730
<b>Total liabilities</b>	<b>816,623</b>	<b>846,009</b>
Cumulative Preference Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; none outstanding at December 31, 2000	0	0
Priority Shares, EUR 0.02 nominal value; 23,100 shares authorized, issued and outstanding at December 31, 1999 and 2000	1	1
Ordinary Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; 417,545,001 shares issued and outstanding at December 31, 1999 and 418,967,712 at December 31, 2000	8,211	8,379
Share premium	149,983	171,442
Retained earnings	453,521	800,799
Accumulated other comprehensive income	(464)	(895)
<b>Total shareholders' equity</b>	<b>611,252</b>	<b>979,726</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,427,875</b>	<b>1,825,735</b>

<sup>1</sup> After appropriation of the result for the year.  
See Notes to the Statutory Financial Statements.



## Statutory Statements of Operations

For the year ended December 31 <i>(Amounts in thousands)</i>	1998 EUR	1999 EUR	2000 EUR
General and administrative expenses	(716)	(3,231)	(2,494)
Net income from financing activities	6,998	9,979	3,175
Net income from holding Company activities	6,282	6,748	681
Net income from subsidiaries	55,718	74,002	346,597
Consolidated net income	62,000	80,750	347,278

See Notes to the Statutory Financial Statements.

## Notes to the Statutory Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Significant accounting policies

The accounting policies used in the preparation of the Statutory Financial Statements are the same as those used in the preparation of the Consolidated Financial Statements. Please refer to the Notes to the Consolidated Financial Statements. In addition to those accounting policies, the following accounting policies for the Statutory Financial Statements are described below.

#### Presentation of amounts

Amounts presented in the Statutory Statements of Operations are presented net of income taxes. The accompanying Financial Statements include the accounts of ASM Lithography Holding N.V. ASM Lithography Holding N.V. follows accounting principles that conform with those generally accepted in the United States of America.

Had ASM Lithography Holding N.V. prepared its Financial Statements following accounting principles generally accepted in The Netherlands, the Statements of Operations and the Balance Sheets would not have differed significantly from those presented herein.

#### Investments in subsidiaries

Investments are valued using the equity method of accounting.

### 2. CHANGES IN NON-CURRENT ASSETS

Changes in non-current assets during 2000 were as follows:

	Investments in subsidiaries	Loans due from subsidiaries	Other assets
Balance, January 1, 2000	168,961	151,930	17,891
Additions	430,801		
Net income from subsidiaries	346,597		
Amortization			(3,804)
Effect of exchange rates	(6,808)	5,243	
<b>Balance, December 31, 2000</b>	<b>939,551</b>	<b>157,173</b>	<b>14,087</b>





## 3. LIST OF SUBSIDIARIES

Name	Location	% Ownership
ASM Lithography B.V.	Eindhoven, The Netherlands	100%
ASM Lithography, Inc.	Delaware, United States of America	100%
ASM Lithography SARL	Meylan, France	100%
ASM Lithography Participations B.V.	Eindhoven, The Netherlands	100%
ASML Masktools Netherlands B.V.	Eindhoven, The Netherlands	100%
ASML Korea Co., Ltd.	Pundang-Ku, Republic of Korea	100%
ASML (UK) Limited	Glasgow, United Kingdom	100%
ASM Lithography (Germany) GmbH	Dresden, Germany	100%
ASML Hong Kong, Limited.	Hong Kong, SAR	100%
ASML Italy S.r.l.	Milan, Italy	100%
ASML (China) Co. Ltd.	Tianjin, China	100%

Subsidiaries of ASM Lithography, Inc.:

ASML Masktools, Inc. (100%)

ASML Participations U.S., Inc (100%)

Furthermore ASML Participations U.S., Inc. has a 50% participation in e\_Lith LLC.

## 4. ADDITIONAL INFORMATION

The additional information below includes a brief summary of the most significant provisions of the Articles of Association of ASM Lithography Holding N.V. (the 'Company').

**Appropriation and determination of profits**

Dividends may be payable out of annual profit shown in the financial statements of the Company as adopted by the Supervisory Board and approved by the General Meeting of Shareholders of the Company, after payment first of (accumulated) dividends on any outstanding Cumulative Preference Shares. At its discretion, however, subject to statutory provisions, the Board of Management may, with the prior approval of the Supervisory Board and the Meeting of Priority Shareholders, distribute one or more interim dividends on the Ordinary Shares before the Financial Statements for any financial year have been approved by the General Meeting of Shareholders. The Board of Management, with the approval of the Supervisory Board, may decide that all or part of the Company's profits should be retained and not be made available for distribution to shareholders, except for dividends on the Cumulative Preference Shares. Those profits that are not retained may be distributed to shareholders pursuant to a shareholders' resolution, provided that the distribution does not reduce shareholders' equity below the amount of reserves required by Dutch law. Existing reserves that are distributable in accordance with Dutch law may be made available to the General Meeting of Shareholders for distribution upon a proposal by the Board of Management, subject to prior approval by both the Supervisory Board and the Meeting of Priority

Shareholders. As regards cash payments, the rights to dividends and distributions shall lapse if such dividends or distributions are not claimed within five years following the day after the date on which they were made available.

The Board of Management with the approval of the Supervisory Board has decided that the Company's profits for 2000 will be retained by way of reserve and not be made available for distribution. This proposal has already been reflected in the 2000 Financial Statements.

#### **Voting rights**

A number of special powers have been conferred to the Meeting of Priority Shareholders under the Articles of Association. Such special powers relate, amongst others, to changes to the issued capital, amendment of the Articles of Association and dissolution of the Company. All outstanding Priority Shares are held by Stichting Prioriteitsaandelen ASM Lithography Holding N.V., a Dutch foundation with a self-electing Board, consisting of members of the Board of Management and of the Supervisory Board of the Company.

The Company is subject to the relevant provisions of Dutch law applicable to large corporations ('Structuurregime'). These provisions have the effect of concentrating control over certain corporate decisions and transactions in the hands of the Supervisory Board. The Supervisory Board is self-electing, however the General Meeting of Shareholders and the Works Council each have a right of recommendation and a right to object to a proposed appointment of a new member of the Supervisory Board.

Members of the Board of Management are appointed by the Supervisory Board. The Supervisory Board shall notify the General Meeting of Shareholders of intended appointments to the Board of Management.

General Meetings of Shareholders will be held at least once a year.

The Company does not solicit from or nominate proxies for its shareholders. However, shareholders and other persons entitled to attend General Meetings of Shareholders may be represented by proxies with written authority.

Extraordinary General Meetings of Shareholders may be held as often as deemed necessary by the Supervisory Board or Board of Management and must be held if the Meeting of Priority Shareholders or one or more Ordinary or Cumulative Preference Shareholders jointly representing at least 10 percent of the issued share capital make a written request to that effect to the Supervisory Board and the Board of Management specifying in detail the business to be dealt with.

Resolutions are adopted at General Meetings of Shareholders by an absolute majority of the votes cast (except where a different proportion of votes is required by the Articles of Association or Dutch law) and there are generally no quorum requirements applicable to such meetings. Each Ordinary, Cumulative Preference and Priority Share confers the right to one vote.

#### **Cumulative Preference Shares**

See Note 19 to the Consolidated Financial Statements.

#### **Issue of Shares**

The Board of Management of the Company has the power to issue Ordinary Shares and Cumulative Preference Shares if and insofar as the Board of Management has been designated by the General Meeting of Shareholders (whether by means of an authorizing resolution or by an amendment to the Company's Articles of Association) as the authorized body for this purpose. The Board of Management requires the approval, however, of the Supervisory Board and the Meeting of the Priority Shareholders for such an issue.

Shareholders have a pro rata pre-emptive right of subscription to any Ordinary Share issue for cash, which right may be limited or eliminated. Shareholders have no pro rata pre-emptive subscription right with respect to any Ordinary Shares

issued for a contribution other than cash. If designated for this purpose by the General Meeting of Shareholders, the Board of Management has the power, on approval by the Supervisory Board and the Meeting of Priority Shareholders, to limit or eliminate such rights.

The Company may repurchase Ordinary Shares, subject to compliance with certain legal requirements. Any such purchases are subject to the approval of the Supervisory Board and the authorization of the General Meeting of Shareholders, which authorization may not be for more than 18 months.

### **Corporate Governance**

The Company generally endorses the recommendations made in the report of the Netherlands Committee on Corporate Governance. As in the 1997 Annual Report, the Committee's recommendations are expressly taken into account at various points in this Annual Report. The Company will continue to closely monitor developments in the field of Corporate Governance in the Netherlands. A detailed overview of the Company's position on the 40 recommendations is available at the Company's offices.

In this context it should be noted that the Supervisory Board has adopted in its Rules of Procedure that it will resolve, in consultation with the Board of Management, to put on the agenda of the General Meeting of Shareholders any proposal from shareholders representing more than 1 percent of the Company's share capital, presented at least 60 days in advance of the General Meeting of Shareholders, unless substantive Company concerns prevail.

Also in this respect, the General Meeting of Shareholders has adopted an amendment of the Articles of Association in order to, amongst others, disconnect the current link between the approval of the Company's financial statements from the discharge of the Board of Management and the Supervisory Board from liability for the performance of their duties for the past financial year.

### **Adoption of Financial Statements**

The Board of Management will submit the Company's annual Dutch statutory accounts, together with a certificate of the auditor in respect thereof, to the Supervisory Board for adoption. Thereupon, these Financial Statements will be submitted to the General Meeting of Shareholders for approval.

Please refer to page 66 for the Independent Auditors' Report.

### **Signing of the Financial Statements**

The members of the Supervisory Board and the Members of the Board of Management responsible for the signing of the Financial Statements are included at pages 8 and 2.

Veldhoven, The Netherlands

January 18, 2001

## Independent Auditors' Report

### Introduction

We have audited the 2000 financial statements of ASM Lithography Holding N.V., Eindhoven. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant changes made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements of ASM Lithography Holding N.V. give a true and fair view of the financial position of the Company as of December 31, 2000 and of the net income for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the legal requirements for financial statements as included in Part 9, Book 2 of the Netherlands Civil Code.

*Deloitte & Touche*  
*Accountants*

Eindhoven, The Netherlands  
January 18, 2001

## Glossary of Terms

ARF – Argon fluoride.

CONTRAST – Contrast is the difference between ‘black and white’. The clearer the contrast the sharper structures can be projected and therefore structures can be projected more detailed.

DEEP ULTRAVIOLET (‘DEEP UV’) – Output of light from an excimer laser centered at 193 or 248 nanometers.

DRAM – Dynamic Random Access Memory, a type of IC.

ELLIPSE – Excimer Laser Lithography Processing for the Subquartermicron Era.

ESPRIT – European Strategic Programme for Research and development in Information Technologies.

EXCIMER LASER – Typical illumination source used in deep ultraviolet lithography systems.

GALLIUM ARSENIDE (GAAS) – A semi-conducting material like silicon, used as a basis to create IC’s for specific applications like high frequency or optical. Examples are IC’s for communication or LED’s.

i-LINE – Output of light energy from a mercury arc lamp centered at 365 nanometers.

IC – Integrated Circuit, semiconductor or chip.

LITHOGRAPHY SYSTEM – The lithography systems include both the wafersteppers and the more modern Step & Scan systems.

KRF – Krypton fluoride.

MEDEA – Micro Electronics Development for European Applications.

MERCURY ARC LAMP – Typical illumination source used in i-line lithography equipment.

MICRON ( $\mu\text{m}$ ) – One millionth of a meter, or one thousandth of a millimeter.

NANOMETER (nm) – One billionth of a meter, or one thousandth of a micron.

OPC – Optical Proximity Correction, correcting the pattern on the mask in such a way that the imaging of structures with a very small resolution is improved.

PHASE SHIFT MASK – Mask that selectively shifts the phase of the light to enable the printing of smaller structures.

RESOLUTION – Refers to feature size, geometries or line widths being printed by the lithography system on the substrate material. Resolution is expressed as a function of wavelength divided by numerical aperture, multiplied by a constant.

RETICLE – Photomask containing one or more of the die or component patterns used in lithography systems. Usually part of a reticle set, a serie of reticles each of which contains the pattern to be imaged for a particular level of a process.

THIN FILM HEAD – Magnetic heads for reading and writing amongst others harddiscs, also manufactured with lithographic processes.

THROUGHPUT – Number of wafers that can be processed by a wafer stepper or Step & Scan system in a given period of time.

WAFER – Round, thin slices, typically composed of silicon, that form the base substrate for semiconductor processing. Current sizes range from 4 inches up to 8 inches in diameter. In the future also 12 inch-wafers will be used.

## Information and Investor Relations

### FINANCIAL CALENDAR

**March 22, 2001**

General Meeting of Shareholders  
at the Evoluon,  
Noord Brabantlaan 1a in Eindhoven,  
The Netherlands

**July 18, 2001**

Announcement of semi-annual results for 2001

**January 17, 2002**

Announcement of annual results for 2001

### FISCAL YEAR

ASML's fiscal year ends at December 31.

### LISTING

The Ordinary Shares of the Company are listed on the Official market of the Euronext Amsterdam N.V. and the New York shares of the Company are listed on the Nasdaq Stock Market® (NASDAQ) in the United States, both under the symbol 'ASML'.

### INVESTOR RELATIONS

ASML Investor Relations will supply information or further copies of the original English Annual Report as well as copies of the Dutch translation. In case of different interpretation between these versions, the English version prevails. Copies of other publications (i.e. Semi-Annual Reports or the Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission and the Amsterdam Exchanges) can also be obtained free of charge at the offices of ASML. The English version of the Annual Report and the Semi-Annual report are also available on the ASML website (<http://www.asml.com>).

## ASM Lithography Holding N.V.

### Investor Relations Office:

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