



Statutory annual report 2002

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Management

Board of Management

Doug J. Dunn

(1944)

President, Chief Executive Officer, Chairman of the Board of Management; Appointed in 1999; British nationality

Martin A. van den Brink

(1957)

Executive Vice President Marketing & Technology; Appointed in 1999; Dutch nationality

Stuart K. McIntosh

(1944)

Executive Vice President Operations and President Lithography; Appointed in 2001; British nationality

Peter T.F.M. Wennink

(1957)

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

David P. Chavoustie

(1943)

Executive Vice President Sales; Appointed in 2000; U.S. nationality

Supervisory Board

Henk Bodt

(1938)

(Chairman)

Former Executive Vice

President of Royal Philips

Electronics N.V.;

Dutch nationality;

First appointed 1995;

current term until 2004;

Additional functions:

Member of the Supervisory

Board of:

- DSM N.V.;
- Delft Instruments N.V.
- NeoPost SA

Jan A. Dekker

(1939)

Chief Executive Officer of

TNO;

Dutch nationality;

First appointed 1997;

membership ended

March 21, 2002;

Additional functions:

Member of the Supervisory

Board of:

- Gamma Holding N.V.;
- Koninklijke BAM-NBM
N.V.

Michael J. Attardo

(1941)

Former President and CEO

of IBM Microelectronics;

US Nationality;

First appointed 2001,

current term until 2004.

Syb Bergsma

(1936)

Former Executive Vice

President Financial Affairs

of Akzo Nobel N.V.;

Dutch nationality;

First appointed 1998;

current term until 2004;

Additional functions:

Chairman of the

Supervisory Board of:

- UPM Holding B.V.;
- Generali Verzekerings-
groep N.V.;
- Van der Moolen Holding
N.V.;

Member of the Supervisory

Board of:

- European Assets Trust
N.V.;

Member of:

- Board of External
Advisors Ernst & Young

Peter H. Grassmann

(1939)

Former 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 BV;
- Aradex AG;
- Febit AG;
- GAP AG;
- Genescan AG;

Member of the

Max-Planck-society

Jos W.B. Westerburgen

(1942)

Former Company Secretary

and Head of Tax of

Unilever;

Former member of the

Committee on Corporate

Governance in the

Netherlands;

Dutch nationality;

First appointed in 2002,

current term until 2005;

Additional functions:

Member of the Supervisory

Board of :

- Gamma Holding N.V.
- Unilever Nederland B.V.

Member of:

- The Association Aegon

Report of the Supervisory Board

Financial Statements

The Supervisory Board has reviewed the Dutch GAAP statutory financial statements and the notes therein of ASML Holding N.V. (the "Company") for the financial year 2002, as prepared by the Board of Management and included in this Financial Report. Deloitte & Touche, independent auditors, have duly examined these financial statements.

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.

Supervision and advice

General

The Board of Management of ASML is responsible for the management of the Company. The role of the Supervisory Board is to supervise and advise the Board of Management in performing its management tasks and setting the direction of the Company.

During 2002, the Company strengthened its position in the global market for semiconductor lithography systems and increased total net sales, despite the semiconductor industry's prolonged worst-ever downturn. The Company also took the appropriate measures to strengthen its operations in preparation for taking full advantage of a market upturn when it comes.

We support the Board of Management and the Company's focus on its core lithography business. We endorse the Company's commitment to customers, employees and other stakeholders. We support the Company's pursuit of technology leadership while maintaining strong control of its cost base.

Strategy and business review

The Supervisory Board has discussed issues with the Board of Management such as the Company's strategy, finances, financial performance, strategic alliances, acquisitions, joint ventures and associated business risks as well as organizational and human resources issues.

In view of the continuing downturn in the semiconductor equipment industry, the Supervisory Board devoted attention to the Company's strategic planning process. This involved discussion and evaluation of each business operation and how to secure and sustain business success. The Supervisory Board facilitated the Board of Management's timely review of the Company's organization, utilization of resources and customer focus in light of difficult external conditions.

The challenging market environment throughout 2002 intensified the involvement of the Supervisory Board in support of the Board of Management. Management decisions addressed a range of corporate priorities: operational efficiencies, cost control, cash generation, profit growth and improvements in return on capital invested in ASML by shareholders. The Company is committed to proactive management of critical internal aspects of its business, such as lowering its breakeven point for the number of lithography systems that it manufactures, increasing its flexibility to satisfy faster changes in customer demand; and continuing its technology leadership.

The Company plans to divest its Thermal business in 2003. Thermal is part of the overall process of making chips but it is not a strategic capability for ASML. Divesting Thermal will unlock its inherent value, as it can be more efficiently operated independent from ASML.

The Company terminated the Track business in December 2002, although there will be continued support to customers who have ASML Track products. The Company still believes in the strategic integration of Track and Lithography, but it would require too much time and funding to achieve success with ASML's own Track business. Moving forward, the Company will seek possible partners to accomplish this goal.

The Company announced in December 2002 its intention to reduce work force in its lithography operation by approximately 700 positions worldwide in 2003. While the Supervisory Board and Board of Management regret having to do so, it is critical that ASML continuously calibrates its labor capacity and associated costs consistent with market conditions.

The Supervisory Board was kept up-to-date in 2002 during the course of the Company's business through monthly reports and was consulted on various issues on a regular basis. Our review of the Company's business and strategy indicates that ASML is taking the appropriate measures and fortifying its fundamental abilities to improve and sustain its business success in the changing global semiconductor industry.

Corporate governance

Independent members of the supervisory board

Like many Dutch public companies, the Company has a two-tier board structure where independent, non executive members serve on the Supervisory Board, which in turn supervises and advises the members of the Board of Management in performing its management tasks. Supervisory Board members are prohibited from serving as officers or employees of the Company.

Corporate governance developments

The Supervisory Board endorses the importance of good corporate governance, of which independence, accountability and transparency are the most significant elements. The Supervisory Board continually monitors and assesses corporate governance proposals, recommendations, and initiatives regarding principles of corporate governance, including the various proposals that are being developed in the United States both by the NASDAQ Stock Market and by the US Securities and Exchange Commission (SEC) pursuant to the Sarbanes-Oxley Act of 2002 and in Europe pursuant to the European Union's report "A modern regulatory framework for company law in Europe" from the European Union's High Level Group of Company Law Experts. As a consequence, the Supervisory Board has refined its Rules of Procedure, which encompass the Audit Committee Charter and Remuneration Committee Charter, in order to ensure that these reflect current best practices in the area of corporate governance.

Sarbanes-Oxley

The US Sarbanes-Oxley Act represents a major shift in the approach taken by US regulators to issues of corporate governance and disclosure, as well as auditor independence. Designed to restore public confidence in the securities markets, it mandates the SEC and NASDAQ to adopt new rules in specific areas. Many of these rules remain in draft form or have yet to be proposed, but as a NASDAQ listed company, ASML will be subject to most or all of these proposals.

The Supervisory Board assists the Board of Management in its continuing efforts to ensure that the Company's practices and procedures meet all applicable requirements, subject to its ability to also comply with relevant Dutch requirements.

The Supervisory Board notes with approval the steps the Company has taken to formalize its disclosure controls a procedures as contemplated by the SEC's rules under the Sarbanes-Oxly Act. In particular, the Company established and Disclosure Committee in 2002, to assist the Board of Management with the Company's financial and non-financial disclosures including the review and evaluation of the disclosure controls and procedures used during the process.

Meetings of the Supervisory Board

The Supervisory Board met five times in the course of 2002. Members of the Supervisory Board also met twice with the Works Council in the Netherlands in the course of the year. The Supervisory Board met once without the Board of Management to discuss, among 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. In addition, there were frequent consultations between the Supervisory Board and the Board of Management outside their regularly scheduled meetings.

Composition of the Supervisory Board

Mr. A. Westerlaken retired by rotation on March 21, 2002 and informed the Supervisory Board that he was not available for reappointment. The Supervisory Board appointed Mr. J.W.B. Westerburgen who, with his extensive experience in the field of corporate and tax law, fits very well in the profile that the Supervisory Board has drawn up for this position.

Mr. P.H. Grassman and Mr. J.A. Dekker will be retiring by rotation on March 25, 2003. Both have informed the Supervisory Board that they are available for reappointment on March 25, 2003.

Composition of the Board of Management

The Board of Management consists of five members. There were no changes to the Board of Management in 2002. Details of the remuneration of the Board of Management in 2002 is set forth on page 48.

Supervisory Board Committees

The Supervisory Board has a Remuneration Committee and an Audit Committee. Members of the committees are appointed from and among the Supervisory Board members. In 2002, the Remuneration Committee met once and the Audit Committee met four times, each time with the external auditor present.

Remuneration Committee

The Remuneration Committee recommends, reviews and authorizes specific compensation and benefit levels and elements for Board of Management members as well as for our officers. Furthermore, the Remuneration Committee reviews and authorizes the general compensation and benefits positioning and structures for ASML's employees. The current members of our Remuneration Committee are Henk Bodt (chairman), Syb Bergsma, Jos Westerburgen and Michael Attardo.

Audit Committee

Pursuant to the audit committee's revised procedures, prior approval of the audit committee is now required for any significant non-audit services to be rendered by the audit firm. The implementation of this procedure in 2002 is consistent with revised independence requirements issued

by the Royal Dutch Institute of Chartered Accountants (Royal NIVRA) and the Sarbanes-Oxley Act and rules proposed by the SEC. The current members of our Audit Committee are Henk Bodt, Syb Bergsma (chairman) and Jan Dekker. The members of the Audit Committee are all independent, non-executive members of the Supervisory Board.

Remuneration

The Remuneration Committee, in consultation with the Chief Executive Officer (CEO), establishes the Company's general compensation philosophy for members of the Board of Management, and oversees the development and implementation of compensation programs for members of the Board of Management. The Remuneration Committee reviews and proposes to the plenary Supervisory Board corporate goals and objectives relevant to the compensation of members of the Board of Management, including CEO. The Committee further evaluates the performance of members of the Board of Management in view of those goals and objectives, and makes recommendations to the plenary Supervisory Board on the compensation levels of the members of the Board of Management based on this evaluation.

In proposing to the Supervisory Board the short and long-term incentive compensation of the members of the Board of Management, the Remuneration Committee considers, among other factors, the Company's performance, the enhancement of the value of the Company and its compensation strategy benchmarked against the remuneration packages for board-level executives of other multinational companies operating in global markets. Various external compensation survey data sources and, where necessary, external consultants are used to benchmark our compensation levels, taking into account our positioning in the relevant markets. Furthermore, HayGroup methodology is used to evaluate all positions worldwide, including those of the individual members of the Board of Management. It is the aim to position the remuneration package in the second quartile of the relevant Hay statistics. Together with the benchmarks, this provides the Remuneration Committee with a transparent and equitable tool to compare jobs and to align remuneration packages with relevant market levels, customs and legal requirements.

The remuneration of the Supervisory Board members is described on page 49. The remuneration of the members of the Supervisory Board is not directly linked to the financial results of the Company. None of the members of the Supervisory Board personally maintain a business relationship with the Company other than as a member of the Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the general meeting of shareholders.

Michael J. Attardo owns 34,722 options on shares of the Company. Peter H. Grassman owns 3,000 shares of the Company. None of the other members of the Supervisory Board own shares or options on shares of the Company.

A word of gratitude to all ASML stakeholders

2002 marked the continuation of the semiconductor industry's worst ever downturn, and market conditions imposed significant challenges and changes for everyone at ASML.

As a result, ASML had to make some difficult decisions, including workforce reduction.

Although the Supervisory Board regrets this necessary action, we support the Board of Management in their decisions and direction to help secure and sustain the business success of ASML on behalf of stakeholders worldwide.

The Supervisory Board wishes to thank all involved for their important contributions to the Company during 2002, especially the employees of ASML.

The Supervisory Board,
Veldhoven, January 30, 2003

Management Report

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

US GAAP and Dutch Statutory Financial Report

The Company prepares two sets of financial statements, one based on accounting principles generally accepted in the United States of America ('US GAAP') and one for Dutch statutory purposes based on accounting principles generally accepted in the Netherlands ('Dutch GAAP'). The financial statements included in this financial report are based on Dutch GAAP. The principal difference between ASML's US and Dutch GAAP financial statements is that, under US GAAP, the 2001 merger between Silicon Valley Group ("SVG") and ASML is accounted for as pooling of interests while, under Dutch GAAP, the merger is accounted for under the purchase method. This eventually results in differences in the presentation of (comparative) statements of operations and the (comparative) statement of shareholders' equity.

The company presents its financial information in-line with common practice in the United States in order to accommodate the expectations of foreign - mainly US - shareholders. A copy of the US GAAP Financial Report can be obtained from ASML. A copy also appears on ASML's website at www.asml.com.

General Developments

Business environment

ASML operates on a global scale, with activities in Europe, the US and Asia. In 2002, the world's leading economies experienced a continuing slowdown. Business failures and highly publicized restatements of financial statements resulted in diminishing trust in corporate reporting in general.

Legislative and regulatory authorities responded with new legislation, regulation and guidance imposing stricter disclosure requirements and mandating more rigorous compliance procedures. These actions are intended to restore public confidence in corporate reporting by providing improved corporate governance procedures and greater transparency of financial and operational information. ASML continues to consider transparent corporate reporting to be of key importance.

Semiconductor industry

The semiconductor industry, traditionally one of the more cyclical industries, suffered severely from the general economic downturn and from the overcapacity that resulted from its high level of capital expenditures during 2000. As a result, with computer and electronic device sales still under pressure and delays in capital expenditure decisions, the recovery of the semiconductor market remains difficult to predict. According to market research reports¹, the market for photolithography systems decreased by approximately 65 percent (in units) in the last two years.

ASML within the industry

ASML has been and continues to be a technological leader in the supply of lithography systems, the critical stage in the manufacturing of complex integrated circuits (ICs) or chips.

¹ Gartner Dataquest, 1Q03

Nikon Corporation ("Nikon") and Canon Kabushika Kaisha ("Canon"), both based in Japan, are the Company's main competitors in the global lithography equipment market.

ASML differentiates itself from its competitors most notably through its business model and proven value proposition.

The ASML business model is based on outsourcing a significant part of the components and modules that comprise the Company's lithography systems. Outsourcing has been at the root of the Company's technology leadership, working in partnership with suppliers from all over the world. The Company jointly operates a formal strategy with suppliers known as Value Sourcing that is based on quality, logistics, technology and total cost.

The ASML value proposition is known as Value of Ownership, and it consists of the following:

- Offering ongoing improvements in productivity and value, by introducing advanced technology based on modular platforms for upgrades
- Providing customer services that ensure rapid, efficient installation and superior on-site support and training to optimize manufacturing processes and improve productivity
- Maintaining appropriate levels of research and development to offer the most advanced technology suitable for high-throughput, low-cost volume production at the earliest possible date
- Reducing the cycle time between customer order of a system and the use of that system in volume production on-site
- Expanding operational flexibility in research and manufacturing by reinforcing strategic alliances with world-class partners
- Based on the introduction of its new generation of TWINSCAN products, the Company believes it is well positioned to sustain its market leadership in 2003.

Corporate governance

ASML endorses the importance of good corporate governance, in which independence, accountability and transparency are the most significant elements. Within the framework of corporate governance, it is important that a relationship of trust exists between the Board of Management and the Supervisory Board on the one hand and the shareholders on the other.

The Company generally endorses the recommendations made in the report of the Netherlands Committee on Corporate Governance. 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.

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.

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.

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.

Apart from the exchange of ideas at the General Meeting of Shareholders, other important forms of communication are the annual and semi-annual financial results. In addition, ASML pursues a policy of active communication between its Investor Relations department and its shareholders. Starting in 2003, ASML will report financial results on a quarterly basis.

ASML's corporate governance structure is intended to:

- Provide shareholders with regular, reliable and relevant transparent information regarding the Company's activities, structure, financial situation, performance and other information, including information on the Company's social, ethical and environmental records and policies
- Apply high quality standards for disclosure, accounting and audit
- Apply stringent rules with regard to insider security trading

The Company is incorporated under Dutch law and has a two-tier board structure where independent, non executive members serve on the Supervisory Board, which in turn supervises and advises the members of the executive Board of Management in performing their management tasks.

Corporate strategy

The Company's strategic process, with the participation of the Board of Management and senior managers from all parts of the worldwide organization, also involves operational improvements by identifying immediate issues and actions to implement corporate strategy better, faster and more efficiently. ASML's strategy continues to be one of focusing on our core competence, lithography. To that end, we addressed our loss-making operations by announcing our intention to divest our Thermal business in 2003 and by discontinuing our Track business in December 2002.

The progress of ASML in penetration of the market value for semiconductor lithography systems and service, together with the prolonged period of reduced investment by all semiconductor companies, provides the stimulus and environment to explore additional opportunities. Other initiatives to broaden our served market are underway, including measures to improve our capabilities to address, among others, the China and Japan regions. Several new product market opportunities will be carefully considered during 2003, each one chosen for its ability to build on the core competences that we have developed. The criteria by which we evaluate these additional opportunities will be consistent with our existing corporate Vision, Mission and Goal statements.

In addition, ASML has improved organizational efficiency and reduced cost without impacting

R&D progress or customer support initiatives. During 2002, ASML sharpened its strategic focus and established cross-functional process improvement teams in support of the Company's ambition to strive for operational excellence. This allows us to reduce our breakeven point even further. By these methods, ASML will achieve its objectives of delivering world-class leading-edge imaging solutions, make market gains, improve our working capital and generate cash.

Financial criteria for ASML

Having evaluated different scenarios and plans, the Company's strategic process has identified criteria consistent with our pursuit of top financial performance. First, ASML should strive to maintain annual revenue growth at a rate that is higher than industry peers. Second, ASML should have a positive cash flow. This means, for instance, that the Company should improve its cash management, working capital and inventory. The Company will strive to provide attractive return on capital invested by shareholders, and at the same time will focus closely on its performance as compared to industry peers.

Strategic challenges

Even when ASML secures market leadership in lithography systems, whether in upturn or downturn, the Company's sales growth is expected to be less due to the maturing lithography market. Therefore, the Company requires higher levels of profitability than in the past and the right margins for ASML lithography systems to increase returns to shareholders. This can be achieved by reducing cost of goods sold while increasing average selling price.

In a market characterized by cycles in demand and consolidation among customers, the Company must raise its performance standards. This means a lower breakeven point for the number of lithography systems sold, more flexibility in the number of systems that can be made, faster time-to-market and better quality when new products are introduced.

During 2002, ASML strengthened its market-driven, technology-based organization that is committed to lithography. Global in scope and delivery, the people of ASML are determined to meet the ongoing needs of customers.

Significant events

Cost containing measures

In December 2002 ASML announced measures to contain costs, including the concentration on its lithography business. As a result, ASML plans to divest its Thermal business and to terminate its activities in the Track business.

The company is currently in ongoing negotiations with interested buyers and expects to sell the Thermal business in 2003.

The termination of the Track business has resulted in an exit plan, which includes workforce reduction, fixed asset impairments and inventory write-offs due to discontinued product lines. The exit plan contemplates the disposal of remaining assets of the Track business. ASML will continue to serve its existing customers for which ASML has warranty or other service obligations.

As such, customer support related to the Track business will not be part of discontinued operations. Further details are described in Note 4 to the Financial Statements.

In addition to the discontinuance of the Thermal and Track businesses, ASML's Lithography activity will also be downsized through worldwide workforce reductions. Since the final details of this plan had not been determined at year-end, the main effects of the workforce reduction within lithography have not been recorded in Fiscal Year 2002. The total estimated employee termination costs to be incurred under the plan are less than 14,5 million and are expected to be incurred in 2003.

Patent Litigation with Nikon

Since late 2001, ASML has been a party to a series of litigation and administrative proceedings in which Nikon alleges ASML's infringement of Nikon patents relating to photolithography. ASML in turn filed claims against Nikon. These proceedings are presented in note 19 to the Financial Statements. The proceedings are at various stages of advancement, and their ultimate outcome is therefore uncertain. In each case, however, ASML believes it has meritorious defenses to Nikon's claims, including that Nikon's patents are both not infringed and are invalid, as well as valid counterclaims.

The Company intends to vigorously pursue these defenses and counterclaims. If a final nonappealable decision that was adverse to ASML were to be rendered in any of these proceedings, however, ASML's ability to conduct sales in one or more significant markets could be substantially restricted or prohibited, which in turn could have a material adverse effect on the Company's financial position or results of operations.

In December 2001, Nikon filed a complaint with the US International Trade Commission (ITC) alleging that ASML's photolithography machines infringe seven patents held by Nikon and seeking to exclude ASML from importing into the United States any infringing products. A trial before an administrative law judge was completed in November 2002 and, in late January 2003, the court initially determined that ASML had not committed any violation. Nikon has stated that it intends to seek review by the full Commission of this initial determination. In addition Nikon may pursue further appeals.

Other events

On February 7, 2002, ASML confirmed the availability of 193-nanometer imaging systems in 2002 to satisfy increased market demand for leading edge 0.10 micron ArF imaging solutions. ASML is the first lithography equipment manufacturer to market such technology, both for 200 millimeter and 300-millimeter wafer fabrication.

In April 2002, ASML has exercised its option to redeem and did thereby call for redemption on May 3, 2002, its remaining outstanding bonds under its 2.5 percent convertible bonds (EUR 268.5 million due 2004) at a redemption price of 100.00 percent of the principal amount of the bonds plus accrued interest. Before May 3, bondholders converted bonds for a total of EUR 265.4 million into 13,634,782 ordinary shares.

On April 22, 2002, ASML booked its first order for an Extreme Ultraviolet (EUV) beta tool with Intel Corporation (Intel). EUV lithography is a breakthrough technology that extends optical lithography techniques into EUV wavelengths. EUV uses light with a wavelength of 13.5 nanometer (more than 10 times shorter than current lithography technology) to image critical layers with feature sizes below 45 nanometer.

In November 2002, ASML introduced the TWINSKAN™ AT:1200B, a high numerical aperture (0.85) dual stage ArF (193 nanometer) lithography system for 300 millimeter as well as 200-millimeter wafer processing. It is the industry's first high productivity tool for volume applications at 80-nanometer linewidth.

Results of operations

The semiconductor industry downturn, which began in 2001, showed, in the first half of 2002, a modest recovery in equipment demand for order intake for delivery in 2002/2003. The second half of 2002, however, showed a further deepening of the downturn. Although modest signs of recovery are apparent in some business segments within the semiconductor industry, ASML still sees no clear indication of when an upturn will occur. ASML's technological leadership in 2002 nevertheless resulted in market gains in 2002, despite the overall decline. With ASML offering 193 nanometer tools for both 200 millimeter and 300 millimeter wafer fabrication, ASML believes it is very well positioned to sustain its position in the market when a market upturn occurs.

Net sales

Total net sales increased, from continued operations from EUR 1,407 million in 2001 to EUR 1,959 million in 2002, an increase of EUR 552 million or 39.2 percent. The increase in sales was caused by an increase in the number of shipments, from 169 units in 2001 to 205 in 2002, and a relatively strong increase in the average selling price (ASP) for new systems. The increase in the ASP reflects a shift (e.g., from 200 millimeter to 300 millimeter and/or 248 nanometer to 193 nanometer) in the Company's product portfolio toward an increased share of the latest technology equipment. This technology includes products such as the leading edge, high numerical aperture lens products for the 193 nanometer technology node, as well as those for 300-millimeter TWINSKAN systems.

Gross profit

Gross profit as a percentage of net sales increased from 1.8 percent in 2001 to 23.9 percent in 2002. Excluding restructuring costs, the overall lithography gross profit percentage in 2001 was 29.9 percent. Net of restructuring costs, therefore, total gross profit as a percentage of sales decreased by 6.0 percent. This decrease was mainly caused by provisions for slow moving inventory, technical development credits (see notes to the Consolidated Financial Statements) that have to be repaid in 2003 to Dutch granting authorities, by lower profit margin generated by new technologies at the beginning of their product life cycle and price pressure, mainly on 200-millimeter systems. The decrease was partly offset by positive margin effects resulting from lower purchase price, positive exchange rate effects and lower under utilization in the factory.

Research and development costs

Research and development costs increased from EUR 308 million (21.9 percent of total net sales) in 2001 to EUR 324 million (16.6 percent of total net sales) in 2002 as this year includes 12 months of expenses from the Litho Wilton facility whereas in 2001 the expenses only reflected seven months as the merger was completed in May 2001. This was partly offset by more cost efficient programs, mainly resulting from the 2001 restructuring.

Research and development credits

Research and development credits increased from EUR 16 million in 2001 to EUR 26 million in 2002 due to the increased volume for research and development effort that qualified for credits. Included in the 2002 credits is a postponed credit (EUR 3.5 million) on 2001 expenditures that

was subject to certain aggregation criteria that were only achieved in 2002. We expect the level of credits in 2003 to be less than in 2002, although the precise amount remains subject to further negotiation with the relevant granting authorities.

ASML intends to maintain its research and development expenditure level despite the industry's continuing downturn and foresees further long-term growth in research and development, staffing and other costs. For 2003, ASML expects a decrease of research and development expenditure as a result of the recently effectuated business-restructuring plan.

Capital expenditure

Net cash used in investing activities was EUR 322 million in 2001 and EUR 80 million in 2002. The 2001 figure reflected the further expansion of production facilities during that year as well as significant expenditure in own use equipment (e.g. prototypes, training systems, and demonstration systems), to support sales, manufacturing and demonstration capabilities relating to new 300-millimeter product lines. This effort in 2001, in combination with cost reduction programs in 2002 led to significantly lower investing activities in 2002. ASML expects lower capital expenditure for 2003.

Financing

Proceeds from financing activities in 2002 amounted to EUR 21 million. The 2002 amount primarily reflects EUR 27 million in proceeds from the exercise of stock options and EUR 5 million repayment of long-term debts. In 2001, net cash provided by financing amounted to EUR 644 million mainly reflecting the issuance of a USD 575 million bond (EUR 638 million).

On December 31, 2002, ASML's principal sources of liquidity consisted of EUR 669 million of cash and cash equivalents, and EUR 288 million of available credit facilities. For further details regarding ASML's credit facilities, see note 15 of the Financial Statements. In addition to cash and available credit facilities, ASML may from time to time raise additional capital in debt and equity markets.

Management believes that its operating cash flows and working capital, together with existing cash balances, the availability of existing credit facilities, and improved working capital management will be sufficient to finance its scheduled capital expenditures and to fund its working capital for 2003. In November 2004, ASML has repayment obligations on its convertible subordinated notes, amounting to USD 520 million on the 4.25 percent convertible notes issued November 1999, assuming no conversions occur.

Employees

The average number of employees during 2001 and 2002 was 5,231 and 5,640, respectively (excluding non-payroll employees). As a consequence of the announced cost containing measures, we expect a further decrease in number of employees to approximately 5,300.

As of December 31	2001	2002
Marketing & Technology	1,689	1,708
Goodsflow	1,526	1,416
Customer Support	1,964	2,090
General	716	588
Sales	144	169
Total continuing operations	6,039	5,971
Total discontinued operations	1,031	712
Total number of employees (including non-payroll employees)	7,070	6,683

In 2001 and 2002, a total of 2,972 and 2,857 employees, respectively, were employed in The Netherlands.

Discontinued operations

ASML's decision to sell its Thermal business and to terminate the Track business has resulted in separate disclosure for continuing and discontinued operations. Comparative figures have been retroactively reclassified in order to reflect the impact of this decision in the 2002 financial statements. The elements within discontinued operations were previously reported in the Track and Thermal segment. As a result of the discontinuance of the major components within this segment, the remaining business within this segment (customer support on existing contracts) has become insignificant to ASML's result and financial position in quantitative terms and has been presented as part of continuing operations (i.e., lithography and related customer support). A separate condensed analysis of discontinued operations is provided instead of the segmental information on Track and Thermal versus Lithography that was provided in previous years.

Results from discontinued operations comprise the results of the Thermal business, which the company plans to sell, and the Track business that was discontinued in December 2002. The Company's decision to discontinue these businesses was the result of the continued downturn in the semiconductor market, which has led to significant losses in these businesses. Substantial future expenditures would be required to achieve a positive contribution to ASML's future financial results.

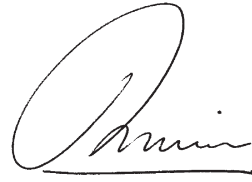
The net loss of the Thermal business amounted to EUR 61 million for 2002 (2001: EUR 29 million) mainly due to the industry's severe downturn. ASML is currently negotiating the sale of this business with potential buyers. The Company is not in a position to estimate the impact of the sale on its future financial results and financial position, but does not expect that a loss will be incurred as a result of the sale.

The net loss of the Track business amounted to EUR 59 million for 2002 (2001: 8,5 million), including total pre-tax estimated exit costs of EUR 47 million. These exit costs include asset impairments, inventory write-downs, purchase and other commitment settlements and employee

termination costs. The number of employees to be laid off under the plan is expected to be approximately 200.



Doug J. Dunn
President, Chief Executive Officer,
Chairman of the Board of Management



Peter T.F.M. Wennink
Executive Vice President Finance
and Chief Financial Officer

ASML Holding N.V.
Veldhoven, January 30, 2003

ASML Holding N.V.

Statutory Financial Statements 2002

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Consolidated Balance Sheets ¹

(After appropriation of net result for the year)

As of December 31 (Amounts in thousands)	Note	2001 EUR	2002 EUR
Assets			
Cash and cash equivalents	8	910,678	668,760
Accounts receivable, net	9	510,566	556,664
Inventories, net	10	778,269	730,025
Current tax assets	22	50,107	178,706
Deferred tax assets	22	362	-
Other current assets	11	192,614	175,095
Assets from discontinued operations	4	208,822	106,094
Total current assets		2,651,418	2,415,344
Deferred tax assets	22	262,091	314,795
Other assets	11	89,384	61,757
Intangible assets	12	16,275	14,069
Property, plant and equipment, net	13	624,672	495,723
Total assets		3,643,840	3,301,688
Liabilities and Shareholders' Equity			
Accounts payable		275,463	213,423
Accrued liabilities and other	14	458,863	448,848
Deferred tax liability	22	665	4,465
Current tax liability	22	-	19,947
Liabilities from discontinued operations	4	93,716	66,091
Total current liabilities		828,707	752,774
Deferred tax liability	22	34,302	133,516
Other deferred liabilities		19,111	15,391
Convertible subordinated debt	6, 15	1,510,902	1,064,040
Other long term debt	15	24,531	20,451
Total liabilities		2,417,553	1,986,172
Total shareholders' equity		1,226,287	1,315,516
Total liabilities and shareholders' equity		3,643,840	3,301,688

¹ See note 4 "Discontinued operations" and note 5 "Restructuring" to the Consolidated Financial Statements.

Consolidated Statements of Operations ¹

As of December 31, (Amounts in thousands, except share and per share data)	Note	2001 ² EUR	2002 EUR
Net product sales	23	1,212,568	1,740,633
Net service sales		194,563	218,039
Total net sales		1,407,131	1,958,672
Cost of product sales	5	1,170,971	1,289,030
Cost of service sales		211,496	202,038
Total cost of sales		1,382,467	1,491,068
Gross profit on sales		24,664	467,604
Research and development costs		307,798	324,419
Research and development credits	21	(16,223)	(26,015)
Selling, general and administrative costs		214,058	263,243
Restructuring charges	5	3,082	-
Operating (loss)		(484,051)	(94,043)
Interest income		38,916	31,177
Interest expense		(48,108)	(67,958)
Minority interest in net results from subsidiaries		3,606	-
Loss from continuing operations before income taxes		(489,637)	(130,824)
Benefits from income taxes	22	158,724	42,779
Net loss from continuing operations		(330,913)	(88,045)
Loss from discontinued operations before income taxes	4	(67,005)	(183,624)
Benefits from income tax	22	29,961	63,846
Net loss from discontinued operations		(37,044)	(119,778)
Net loss		(367,957)	(207,823)
Basic and diluted net loss from continuing operations per ordinary share		(0,71)	(0,18)
Basic and diluted net loss from discontinued operations per ordinary share		(0,08)	(0,26)
Basic and diluted net loss per ordinary share		(0,79)	(0,44)
Number of ordinary shares used in computing per share amounts (in thousands):			
Basic		464,274	476,866
Diluted		464,274	476,866

¹ See note 4 "Discontinued operations" and note 5 "Restructuring" to the Consolidated Financial Statements.

² Represents the ASML operations for the full year and the results of the acquired SVG operations as of May 21, 2001 as further described in note 1.

Consolidated Statements of Cash Flows¹

For the years ended December 31 (Amounts in thousands)	2001 EUR	2002 EUR
Cash Flows from Operating Activities		
Net loss from continued operations	(330,913)	(88,045)
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	126,594	166,035
Impairment charges	-	20,651
Allowance for doubtful debts	2,970	-
Allowance for obsolete inventory	307,349	112,164
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	230,836	(57,183)
Deferred income taxes	(230,810)	(22,361)
Inventories, gross	(275,174)	(77,408)
Other assets	(121,257)	31,365
Accrued liabilities	93,615	(41,683)
Accounts payable	57,438	(71,927)
Income tax payable	(50,107)	(25,759)
Net cash used in operating activities from continuing operations	(189,459)	(54,151)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(278,424)	(138,587)
Proceeds from sale of property, plant and equipment	21,307	58,735
Merger and acquisition cost and intangibles	(29,926)	-
Investments in financial fixed assets and other	(34,910)	-
Net cash used in investing activities from continuing operations	(321,953)	(79,852)
Cash Flows from Financing Activities		
Proceeds from issuance of convertible subordinated Notes	652,176	-
Payment of underwriting commission	(14,237)	-
Net proceeds from issuance of shares and stock options	6,088	26,630
Other financing activities	-	(5,203)
Net cash provided by financing activities from continuing operations	644,027	21,427
Net cash flows	132,615	(112,576)
Minority interest	(121,119)	-
Effect of changes in exchange rates on cash	13,527	(1,869)
Net cash flow (used) provided by discontinued operations	13,341	(127,473)
Net increase (decrease) in cash and cash equivalents	38,364	(241,918)
Cash received in SVG Acquisition	31,840	-
Cash and cash equivalents at beginning of the year	840,474	910,678
Cash and cash equivalents at end of the year	910,678	668,760

Supplemental Disclosures of Cash Flow Information:

Cash paid for:		
Interest	32,565	66,614
Taxes	83,073	3,642
Supplemental non-cash investing and financing activities:		
Conversion of Bonds into 13,634,782 ordinary shares	-	265,411

¹ See note 4 "Discontinued operations" and note 5 "Restructuring" to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. General

ASML Holding N.V. ("the company"), having its legal seat in Veldhoven, The Netherlands, is a worldwide business engaged in the development, production, marketing, sale and servicing of advanced semiconductor equipment system mainly consisting of lithography systems. ASML's principal operations are in The Netherlands, the United States of America and Asia.

The financial statements of the company have been filed at the Chamber of Commerce in Eindhoven, The Netherlands.

The accompanying Consolidated Financial Statements are stated in thousands of euros ("EUR") unless otherwise mentioned.

These Financial Statements, prepared for statutory purposes, have been prepared in accordance with accounting principles generally accepted in The Netherlands ("Dutch GAAP"). For internal and external reporting purposes, ASML follows accounting principles generally accepted in the United States of America ("US GAAP"). For the year ending December 31, 2002 there were no material differences between the Company's annual reports as prepared under US GAAP and Dutch GAAP requirements, except for the treatment of the SVG acquisition as discussed below.

On May 21, 2001, ASML and SVG, a company active in the Lithography, Track and Thermal business, completed a merger under an Agreement and Plan of Merger ('Merger Agreement'). Under the Merger Agreement, SVG merged with and into the former ASML. As a result of the merger, the former SVG has become a wholly-owned subsidiary of ASML.

The merger was accounted for under the pooling of interests accounting method under US GAAP. Accordingly, ASML's Consolidated Financial Statements under US GAAP have been restated for all periods prior to the merger to include the results of operations, financial position and cash flows of former SVG as though it had always been a part of ASML. For Dutch GAAP purposes the results of operations, financial position and cash flow are included as of May 21, 2001.

Under Dutch GAAP the requirements for pooling-of-interests combinations are much more stringent and preclude such accounting treatment for this combination. The Company has accounted for the merge with SVG under the purchase method in compliance with Dutch GAAP and has chosen to charge the relating goodwill directly through shareholders' equity. A reconciliation of earnings and equity of the Company between US GAAP and Dutch GAAP can be found under note 27 to the Consolidated Financial Statements.

The current balance sheet presentation is different from the one used under Dutch regulations and is more in line with common practice in the United States in order to accommodate the expectations of foreign - mainly US - shareholders. Under the current format, the order of presentation of assets and liabilities is based on the degree of liquidity.

On December 18, 2002 ASML announced the proposed divestiture of its Thermal business, including related customer support activities, and the termination of its activities in the Track business. As a result of this decision, the presentation of the Company's financial statements and the notes thereto have been retroactively adjusted to reflect the effects of the decision to discontinue these operations. Further reference is made to note 4.

2. Principles of Consolidation

All significant intercompany balances and transactions are eliminated in consolidation. The consolidated financial statements integrally include the financial statements of the company and the following group companies, which are economically and organizationally linked to the company:

Name	Legal Seat	Percentage ownership
ASML Netherlands B.V.	Veldhoven, The Netherlands	100%
ASML SARL	Meylan, France	100%
ASML MaskTools B.V.	Veldhoven, The Netherlands	100%
ASML Korea Co. Ltd.	Pundang-Ku, Republic of Korea	100%
ASML Hong Kong Ltd.	Hong Kong, SAR	100%
ASML Italy S.r.l.	Milan, Italy	100%
ASML (China) Co. Ltd.	Tianjin, China	100%
ASML Japan, Co. Ltd.	Kawasaki, Kanagawa, Japan	100%
ASML Ireland Ltd.	Dublin, Republic of Ireland	100%
ASML Participatons B.V.	Veldhoven, The Netherlands	100%
ASML Subholding B.V.	Veldhoven, The Netherlands	100%
ASML Shanghai Int. Trading Co. Ltd.	Shanghai Free Trade Zone, China	100%
ASML Equipment Malaysia Sdn Bhd.	Penang, Malaysia	100%
ASML UK Ltd.	Edinburgh, Schotland	100%
ASML Germany GmbH.	Dresden, Germany	100%
ASML U.S. Inc.	Delaware, United States of America	100%
ASML Singapore Pte. Ltd.	Singapore	100%
ASML MaskTools Inc.	Delaware, United States of America	100%
ASML Hsinchu Inc.	Delaware, United States of America	100%
ASML Capital US Inc.	Delaware, United States of America	100%
ASML Information Systems Ltd. (Israel)	Ramat-Gan, Israel	100%
ASML Optics LLC	Delaware, United States of America	100%
ASML Participations US Inc.	Delaware, United States of America	100%
ASML Taiwan Ltd.	Hsinchu, Republic of China	100%

Assets, shareholders' equity and liabilities of foreign group companies not denominated in euros are for consolidation purposes translated into euros at the rates of exchange prevailing at year-end. Income and expenses are translated at the average rates of exchange for the year. Gains and losses resulting from the translation are recorded directly in shareholders' equity.

Certain insignificant subsidiaries have been excluded from the table above.

3. Summary of significant accounting policies

The accounting principles of the company are summarized below. These accounting principles have all been applied consistently throughout the year and the preceding year.

Assets and liabilities are stated at face value unless indicated otherwise.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair market value of the identifiable assets and liabilities of SVG. Goodwill has been deducted from shareholders equity. For fiscal years beginning on or after January 1, 2001, charging goodwill to equity is no longer allowed by the Dutch Guidelines for Financial Reporting ('Richtlijnen voor de Jaarverslaggeving'). Dutch law is expected to follow in this regard, but at present still allows this treatment. Because ASML applied the pooling-of-interests method for its US GAAP external reporting purposes, the shifting international standards with respect to goodwill treatment and the delay in Dutch legislative response on this matter, ASML concluded charging goodwill to equity is appropriate.

The Company purchased SVG for EUR 1,772 million using 47 million shares of ASML. The fair market value of the assets purchased totaled EUR 667 million resulting in goodwill EUR 1,135 million. This goodwill was charged directly through shareholders' equity in 2001 (including EUR 30 million merger and acquisition costs).

Reconciliation between Dutch GAAP and US GAAP Consolidated Financial Statements

In lieu of reconciliation between the Consolidated Financial Statements under Dutch GAAP and US GAAP, a reconciliation is provided between Dutch GAAP and US GAAP for shareholders' equity and the net result for the year. The two primary differences between the Consolidated Financial Statements under US GAAP and Dutch GAAP are as follows:

- The Consolidated Statement of Operations for the year ended December 31, 2001, under US GAAP, reports the operations during the year as if the SVG heritage and ASML heritage had always been consolidated while the information provided for Dutch GAAP, includes SVG heritage operations only after the merger.
- The group equity balance as of December 31, 2001 and 2002, is equivalent under US GAAP and Dutch GAAP, but the classification within Shareholders equity differs due to the recognition of goodwill under Dutch GAAP and not under US GAAP.

Foreign currency translation

The financial information for subsidiaries outside the euro-zone is generally measured using local currencies as the functional currency. The financial statements of those foreign subsidiaries are translated into euros in the preparation of ASML's consolidated financial statements. 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. The resulting translation adjustments are recorded directly in shareholders' equity. Currency differences on intercompany loans that have the nature of a permanent investment are accounted for in a similar way.

Foreign currency management

Certain forecasted transactions and assets and liabilities are exposed to foreign currency risk. The Company monitors its foreign currency exposures periodically to maximize the overall effectiveness of its foreign currency hedge positions. Principal currencies hedged include US dollar and British pound. Forwards and options used to hedge a portion of forecasted international

sales and purchases for up to one year in the future are designated as cash flow hedging instruments. Forwards and options used to hedge the impact of the variability in exchange rates on accounts receivable and accounts payable denominated in certain foreign currencies are designated as fair value hedges.

The currency exposure relating to the US dollar denominated 520 million 4.25 percent convertible notes is naturally hedged by US dollar denominated non-current assets. The US dollar denominated current assets are partly naturally hedged by the USD 575 million 5.75 percent convertible notes. Furthermore the company uses forwards to hedge the loan to Micronic, denominated in Swedish Kroner.

Cash and cash equivalents

Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits and commercial paper, with insignificant interest rate risk and remaining 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 inventory.

Intangible assets

Intangible assets include acquired intellectual property rights that are valued at cost and are amortized on a straight-line basis over their estimated useful life 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	5 - 40 years
Machinery and equipment	2 - 5 years
Office furniture/fixtures	3 - 5 years
Leasehold improvements	5 - 10 years

Certain internal and external costs associated with the purchase and/or development of internally used software are capitalized when both the preliminary project stage is completed and management has authorized further funding for the project, which it has deemed probable to be completed and to be used for the intended function. These costs are amortized on a straight-line basis over the period of related benefit, which ranges primarily from two to five years.

Evaluation of Long-Lived Assets for Impairment

The Company evaluates its long-lived assets, which include property, plant and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of the asset to future discounted 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. Assets held for sale are reported at the lower of the carrying amount or fair value less the cost to sell.

Recognition of revenues, income and expenses

ASML distinguishes between revenues from "new" and "proven" technology systems. Revenue for "proven technology" systems is recognized upon shipment, since title passes to the customer at that moment, and the customer has unconditionally accepted the system during a factory test prior to shipment. Revenues on "new technology" systems are deferred until installation and acceptance at the customer's premises are completed. As soon as a track record has been established regarding the successful and timely installation and acceptance of equipment previously identified as "new technology", ASML considers the equipment to be "proven technology". At that time, ASML changes the timing of revenue recognition to the shipment date in accordance with its revenue policy for "proven technology" and releases previously deferred revenue. In the second half of 2002, the TwinscanTM technology, which was previously identified as "new technology" has been marked "proven technology". The fair value of installation services provided to the customers is initially deferred and is recognized when the installation is completed. Sales from service contracts are recognized when performed. Revenue from prepaid service contracts is recognized over the life of the contract.

Cost of sales

Costs of product sales comprise direct product costs such as materials, labor, cost of warranty, depreciation and related overhead costs. Repayments of certain technical development credits, which are calculated as a percentage of sales, are also charged to cost of product sales (see "Research and development cost and credits", below).

ASML accrues for the estimated cost of the warranty on its systems, which includes the cost of labor and parts necessary to repair systems during the warranty period. The amounts recorded in the warranty accrual are estimated based on actual historical expenses incurred and on estimated probable future expenses related to current sales. Actual warranty costs are charged against the accrued installation and warranty reserve. Costs of service sales comprise direct service costs such as materials, labor, depreciation and overhead costs relating to providing extended warranty and maintenance services.

Restructuring

ASML applies the criteria defined in directive 252: "Provisions" in order to determine when a liability for restructuring or exit costs should be recognized. With respect to employee termination costs, company recognizes restructuring provisions if prior to period ending an authorized plan has been communicated to the employees involved in a sufficient level of detail.

Research and development cost and credits

Costs relating to research and development are charged to operating expense as incurred. 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 the 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, including accrued interest, as a percentage of the revenues from future sales, if any, of equipment developed in such projects. These repayments are charged to cost of sales at the time such sales are recorded. No repayments are required if such sales do not occur.

Net income per ordinary share

Basic net income (loss) per share is computed by dividing net income (loss) 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. There is no difference between the diluted earnings

and the basic computations for 2001 and 2002 because such conversions and stock compensation plan would have an antidilutive effect.

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 6 to the Company Financial Statements.

Use of estimates

The preparation of the Company'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.

Segment disclosure

In prior years and the first half of 2002, ASML reported in two business segments, Lithography and Track and Thermal. As ASML has terminated substantially its entire Track business and initiated the sale of the Thermal business, they are presented as discontinued operations and no longer presented as a separate segment. Customer support obligations and activities related to the Track business are continued and reported as part of the Lithography business (see note 4). ASML operates in three general geographic locations (see note 23).

Income taxes

Deferred tax assets and liabilities are recognized for operating loss and tax credit carry forwards and for the future tax consequences attributable to differences between the Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. If it is probable that the carrying amount of deferred tax assets will not be realized, a valuation allowance will be recorded.

4. Discontinued operations

Discontinuance of Track and Thermal businesses

On December 18, 2002 ASML announced the proposed sale of its Thermal business and the termination of its activities in the Track business. Both discontinued businesses met the criteria of directive 345 "Discontinued operations" and have been classified accordingly.

The Company reviewed its long-lived assets used in the Thermal business for potential impairment. No impairment charges were recorded on the Thermal-related net asset. The Company is currently in ongoing negotiations with interested buyers and expects to sell the Thermal business in 2003. The net loss from operations of the Thermal business amounted to EUR 61.2 million for 2002 (2001: EUR 28.6 million). The termination of the Track business has resulted in an exit plan that includes workforce reduction, fixed asset impairments and inventory write-offs due to discontinued product lines. The exit plan includes the disposal of remaining assets related to the Track business. ASML will continue to service its existing customers for which ASML has warranty or other service obligations. Consequently, customer support related to the Track business has not been included in discontinued operations.

The net loss from operations of the Track business amounted to EUR 58.6 million for 2002 (2001: EUR 8.5 million), including total pre-tax estimated exit costs of EUR 47.0 million. These exit costs include asset impairments, inventory write downs, purchase and other commitment settlements and employee termination costs. The number of employees to be terminated under the plan is expected to be approximately 200.

From a tax perspective, assets impairment costs, employee termination costs, inventory write-off and losses from discontinued operations mostly reside and will remain with ASML US group companies. These losses can be offset against future profits from continuing operations of these US group companies.

Years ended December 31	2001	2002
Revenues		
Track	9,283	7,236
Thermal	60,897	105,929
Total	70,180	113,165
Income (loss) from discontinued operations, net of taxes		
Track loss from operations	(8,486)	(27,991)
Track exit costs (net of taxes)	-	(30,626)
Thermal loss from operations	(28,558)	(61,161)
Total	(37,044)	(119,778)

Summarized assets and assumed liabilities from discontinued operations are as follows:

As of December 31	2001			2002		
	Track	Thermal	Total	Track	Thermal	Total
Assets						
Intangible assets	-	2,101	2,101	-	4,410	4,410
Tangible fixed assets	15,182	33,493	48,675	3,812	29,182	32,994
Inventories	23,442	67,177	90,619	339	34,354	34,693
Receivables	5,082	54,470	59,552	1,529	31,535	33,064
Other	3,428	4,447	7,875	256	677	933
Total assets	47,134	161,688	208,822	5,936	100,158	106,094
Liabilities						
Accounts payable	3,923	10,878	14,801	2,200	8,263	10,463
Accrued liabilities	18,947	34,106	53,053	26,425	15,316	41,741
Installation and warranty	-	25,862	25,862	-	13,887	13,887
Total Liabilities	22,870	70,846	93,716	28,625	37,466	66,091

ASML organizes its financing activity at the corporate level and does not allocate funding to individual net assets identified as assets from discontinued operations. The following table represents cash flows directly attributable to ASML's discontinued operations.

Years ended December 31	2001	2002
Net cash provided (used) by operating activities of discontinued operations	46,341	(121,039)
Net cash used in investing activities of discontinued operations	(33,000)	(6,434)
Net cash provided (used) in discontinued operations	13,341	(127,473)

5. Restructuring

On December 18, 2002 ASML announced measures to contain costs for its lithography business, including customer support, to lower the breakeven point by adjusting labor capacity and increasing operating flexibility. ASML intends to reduce its lithography-related work force by approximately 700 positions worldwide (11.7 percent). In combination with the effects of discontinued operations, this will result in an expected total work force of approximately 5,300 by the end of the first half of 2003. Total costs worldwide for lithography-related employee termination are estimated at approximately EUR 14.5 million, which will be largely recorded in 2003 since the final details on the plan had not been finally determined by December 31, 2002. Next to the aforementioned restructuring, ASML recorded provisions of EUR 78.5 million during 2002 for slow-moving and obsolete lithography inventory and impairments of tangible fixed assets which were recorded as cost of sales.

On October 16, 2001 as a consequence of the ongoing downturn in the semiconductor industry, ASML announced cost reductions and a restructuring plan which should result in the consolidation of manufacturing facilities and discontinuance of certain product lines related to SVG. The components of the 2001 restructuring charge were as follows:

	Cost of Sales	Selling, general and administrative expenses	Total
Inventory write-off	300,443	-	300,443
Purchase commitments	51,761	-	51,761
Fixed assets write-off	31,345	462	31,807
Building closure costs	2,700	865	3,565
Severance payments	13,370	1,755	15,125
Total restructuring charges	399,619	3,082	402,701

The restructuring provision relating to the 2001 restructuring is as follows as of December 31, 2002:

	Purchase commitments	Building closure costs	Severance payments	Total
Balance as of December 31, 2001	51,761	2,058	9,181	63,000
Incurred to date	(27,126)	(2,044)	(6,580)	(35,750)
Adjustments	(6,337)	2,116	(1,686)	(5,907)
Effect of foreign currency translation	(8,272)	(330)	(915)	(9,517)
Balance as of December 31, 2002	10,026	1,800	-	11,826

Adjustments to the 2001 restructuring plan amounting to EUR 5,907 have been recognized in 2002 and are classified as costs of sales. The Company expects to finalize its 2001 restructuring in fiscal year 2003.

6. Significant events

In April 2002 ASML has exercised its option to redeem and did thereby call for redemption on May 3, 2002, the remaining outstanding bonds under its 2.5 percent convertible loan (EUR 268.5 million) at a redemption price of 100.00 percent of the principal amount of the bonds plus accrued interest. Before May 3 bondholders converted bonds for a total of EUR 265.4 million into 13,634,782 ordinary shares.

7. Derivatives

Hedges of Forecasted Transactions Denominated in Foreign Currencies

The Company uses forward and option foreign exchange contracts to hedge certain operational cash flow exposures resulting from changes in foreign currency exchange rates. These have a duration of up to twelve months. Such exposures result from portions of the Company's forecasted revenues and purchases denominated in currencies other than the euro, primarily US dollar and British pound. The Company enters into these foreign exchange contracts to hedge forecasted sales and purchases in the normal course of business, and accordingly, they are not speculative in nature.

The Company records changes in the fair value of the derivative instruments designated as cash flow hedges of forecasted non-euro revenue and purchases in shareholders equity (accumulated translation adjustments and other), until the forecasted transaction occurs. When the forecasted transaction occurs, the related gain or loss on the cash flow hedge will be reclassified to cost of sales. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the gain or loss on the related cash flow hedge will be reclassified from equity to cost of sales on the Consolidated Statement of Income as incurred. During the twelve months ended December 31, 2002, EUR 0.8 million (2001: EUR 3 million) of net gain was recognized in cost of sales relating to hedges of forecasted transactions that did not occur.

The critical terms of the hedging instruments are the same as the underlying forecasted transactions. Accordingly, all changes in fair value of these derivative instruments (including the time value portion of purchased options) are recorded through shareholders' equity. The changes in fair value of the derivatives are intended to offset changes in the expected cash flows from the forecasted transactions. The Company records any ineffective portion of the hedging instruments in cost of sales on the Consolidated Statement of Income. Ineffectiveness of hedging instruments had no impact on earnings in 2002.

As of December 31, 2002, EUR 0.6 million (2001: EUR 0.7 million) is included in shareholders' equity under currency translation adjustment and other which represents the total anticipated loss to be reclassified to cost of sales, and EUR 3.2 million (2001: EUR 0.6 million) is the total anticipated gain to be reclassified to cost of sales over the next twelve months as the forecasted revenue and purchase transactions occur.

Please note that under US GAAP unrealized changes in fair value of these derivative instruments are recorded through other comprehensive income as part of shareholders equity.

Hedges of Foreign Currency Assets and Liabilities

Furthermore, the Company continues to hedge its net recognized foreign currency assets and liabilities with forwards and options to reduce the risk that earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These derivative instruments hedge assets and liabilities that are denominated in foreign currencies and are market-to-market through other income. These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives offset gains and losses on the assets and liabilities being hedged. On December 31, 2002, forward foreign exchange contracts outstanding had maturities of six months or less. For instruments designated as fair value hedges, hedge ineffectiveness, determined in accordance with Dutch GAAP, had no impact on earnings for the twelve months ended December 31, 2002.

8. Cash and cash equivalents

Cash at December 31, 2002 includes short-time deposits for the amount of EUR 204 million (2001: EUR 542 million) and commercial papers for an amount of EUR 263 million (2001: EUR 141 million). No further restrictions on usage of cash and cash equivalents exist.

9. Accounts receivable

Accounts receivable consist of the following:

Years ended December 31	2001	2002
Gross accounts receivable	513,320	556,988
Allowance for doubtful debts	(2,754)	(324)
Net accounts receivable	510,566	556,664

A summary of activity in the allowance for doubtful debt:

Years ended December 31	2001	2002
Balance at beginning of year	(1,439)	(2,754)
Utilization of the provision	-	2,430
Additional provision in the year	(1,315)	-
Balance at the end of the year	(2,754)	(324)

10. Inventories

Inventories consist of the following:

As of December 31	2001	2002
Raw materials	566,609	267,054
Work-in-process	449,625	366,440
Finished products	262,526	381,795
Total inventories, gross	1,278,760	1,015,289
Allowance for obsolescence and/or lower market value	(500,491)	(285,264)
Total inventories, net	778,269	730,025

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

Years ended December 31	2001	2002
Balance at beginning of year	126,779	500,491
Adjustment for pooling of interests	5,040	-
Balance at beginning of year as restated	131,819	500,491
Provision for the year	393,005	112,164
Effect of exchange rates	4,013	(36,673)
Utilization of provision	(28,346)	(290,718)
Balance at end of year	500,491	285,264

11. Other assets

Other non-current assets consist of the following:

As of December 31	2001	2002
Loan to Micronic AB	34,405	35,176
Compensation plan assets	10,078	10,994
Prepaid expenses	24,480	14,915
Other	20,421	672
Total other assets	89,384	61,757

The loan to Micronic has a notional amount of 320 million Swedish Kroner and is non-interest bearing. The loan is repayable in 2004 or can be converted into 1 million shares of Micronic upon the first request of ASML.

Other current assets consist of the following:

As of December 31	2001	2002
Loans to Zeiss	95,925	76,443
VAT	33,424	34,654
Prepaid expenses	42,393	43,745
Other	20,872	20,253
Total other current assets	192,614	175,095

The non-interest bearing loans to Zeiss are repayable by future shipments of lenses or can be redeemed in cash depending on the specific contractual terms of the individual loans.

12. 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 on a straight-line basis over the estimated useful life of 10 years.

	2001	2002
Cost		
Balance, January 1	19,969	20,475
Additions	506	-
Balance, December 31	20,475	20,475
Accumulated depreciation		
Balance, January 1	2,102	4,200
Amortization	2,098	2,206
Balance, December 31	4,200	6,406
Net book value December 31	16,275	14,069

13. Property, plant and equipment

Property, plant, and equipment consist of the following:

	Building & constructions	Machinery and equipment	Leasehold improvements	Office furniture and fixtures	Total
Cost					
Balance, January 1, 2002	183,236	664,802	107,093	135,091	1,090,222
Additions	2,331	105,525	7,001	23,729	138,586
Disposals	(1,006)	(118,936)	(76)	(2,130)	(122,148)
Effect of exchange rates	(17,581)	(52,645)	(1,199)	(2,639)	(74,064)
Balance, December 31, 2002	166,980	598,746	112,819	154,051	1,032,596
Accumulated depreciation					
Balance, January 1	59,446	278,533	39,768	87,803	465,550
Depreciation	9,853	99,586	17,901	26,469	153,809
Impairment*	-	20,651	-	-	20,651
Disposals	(1,078)	(59,385)	(22)	(1,584)	(62,069)
Effect of exchange rates	(7,622)	(30,274)	(1,050)	(2,122)	(41,068)
Balance, December 31, 2002	60,599	309,111	56,597	110,566	536,873
Net Book Value					
December 31, 2001	123,790	386,269	67,325	47,288	624,672
December 31, 2002	106,381	289,635	56,222	43,485	495,723

* Impairment charges were recognized for own used equipment that was identified as idle capacity.

14. Accrued liabilities and other

Accrued liabilities and other consist of the following:

For the years ended December 31	2001	2002
Deferred revenue	57,119	1,616
Warranty and installation	66,194	69,684
Materials and costs to be paid	73,756	73,620
Advances from customers	74,544	126,860
Personnel related items	55,251	60,814
Investment credits payable (TOK)	364	31,651
Restructuring	63,000	11,826
Other	68,635	72,777
Total accrued liabilities and other	458,863	448,848

15. Long-term debt and borrowing arrangement

Convertible debt

The following table summarizes the company's outstanding convertible debt securities as of the dates indicated:

ASML currently holds three convertible debts amounting to:

For the years ended December 31	2001	2002
2.5 percent convertible	268,519	-
4.25 percent convertible	589,931	495,757
5.75 percent convertible	652,452	568,283
Total convertible debt	1,510,902	1,064,040

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, 1999. In April 2002, ASML exercised its option to redeem and did thereby call for redemption on May 3, 2002, all of the remaining Company's outstanding bonds (EUR 268.5 million) at a redemption price of 100.00 percent of the principal amount of the bonds plus accrued interest. Before May 3, bondholders converted bonds for a total of EUR 265.4 million into 13,634,782 ordinary shares.

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 on November 30 and May 30 of each year, commencing on May 30, 2000. The remaining notes are convertible into 13,956,975 ordinary shares at USD 37.25 (EUR 35.52) 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 2001 and 2002, none of the notes were converted into ordinary shares.

The redemption prices, expressed as a percentage of the outstanding principal amount of the notes being redeemed are:

	Redemption Price
January 1, 2003 through December 4, 2003	101.70%
December 5, 2003 through November 29, 2004	100.85%
November 30, 2004 and thereafter	100.00%

In October 2001, ASML completed an offering of USD 575 million principal amount of its 5.75 percent Convertible Subordinated Notes due October 15 2006, with interest payable semi-annually on April 15 and October 15 of each year, commencing on April 15, 2002. The notes are convertible into 30,814,576 ordinary shares at 18.66 (EUR 17.79) per share at any time prior to maturity. At any time on or after October 22, 2004 the notes are redeemable at the option of ASML, in whole or in part, at 100 percent of its principal amount, together with accrued interest, provided that the Company's shares close above 130 percent of the conversion price for twenty trading days out of a thirty-day period. During 2002 none of the notes were converted into ordinary shares. Deferred interest rate swap proceeds amounting to EUR 20.0 million, have been classified under this convertible. The fair value of all remaining outstanding notes as of December 31, 2002 amounted to EUR 894.4 million (USD 937.9 million).

Other long term debt

In February 1997, the Company received a USD 6.5 million (EUR 6.2 million) loan from the Connecticut Development Authority. The loan has a ten-year term, bears interest at 8.25 percent, and is secured by the Company's Wilton, Connecticut facility.

In 1999, the Company assumed three yen-denominated loans in connection with its merger with SVG. Approximately EUR 4 million (JPY 574 million), which is secured by land and buildings in Japan, is payable in monthly installments through the year 2011, bearing interest at 2.5 percent. Approximately EUR 11 million (JPY 1,350 million) and EUR 2 million (JPY 200 million) are unsecured, are repayable in 2006 and 2007, respectively and bear interest at 3.1 percent and 2.2 percent, respectively, payable semiannually.

Lines of credit

At December 31, 2002, the Company had available credit facilities for a total of EUR 288 million (2001, EUR 288 million), all of which expire in 2005. These credit lines bear interest at the European Interbank Offered Rate (EURIBOR) plus a margin. No amounts were outstanding under these credit facilities at the end of 2002. The credit facilities contain certain restrictive covenants. These covenants amongst others require the maintenance of a minimum equity to asset ratio. At December 31, 2002 ASML was in compliance with these covenants and the Company does not currently anticipate any difficulty in continuing to meet these covenants requirements.

16. Employee benefits

In February 1997, SVG adopted a non-qualified deferred compensation plan that allowed a select group of management and highly compensated employees and directors to defer a portion of their salary, bonus and commissions. The plan allowed SVG to credit additional amounts to participants' account balances, depending on the amount of the employee's contribution, up to a maximum of 5 percent of an employee's annual salary and bonus. In addition, interest is credited to the participants' account balances at 120 percent of the average Moody's corporate bond

rate¹. For calendar years 2001 and 2002, participants' accounts are credited at 9.54 percent and 8.89 percent respectively. SVG's contributions and related interest became 100 percent vested five years after the year in which the contribution was made or in the event of a change in control of SVG or retirement, death or disability of the participant. The plan became fully vested in May 2001 with the merger of SVG and ASML. During fiscal years 2001 and 2002, the expense incurred under this plan was EUR 2 million and EUR 1 million, respectively. As of December 31, 2002, the Company's liability under the deferred compensation plan was EUR 14 million.

In July 2002 ASML adopted a non-qualified deferred compensation plan for its US employees that allows a select group of management or highly compensated employees to defer a portion of their salary, bonus, and other benefits. The plan allows ASML to credit additional amounts to the participants' account balances. The participants invest their funds between the investments available in the plan. Participants elect to receive their funds in future periods after the earlier of their employment termination or their withdrawal election, at least 3 years after deferral. There were minor plan expenses in 2002. On December 31, 2002, the Company's liability under the deferred compensation plan was EUR 1 million.

Pension plans

ASML and its consolidated subsidiaries maintain various retirement plans covering substantially all of its employees. Employees in The Netherlands participate in a multi-employer union plan which consists of defined benefits determined in accordance with the respective collective bargaining agreements. This plan is subject to a salary cap. Employees with a salary exceeding this cap also participate in an ASML defined contribution pension plan.

For employees working outside The Netherlands, ASML maintains a defined contribution pension plan, with employer contribution based on a percentage of salary. For employees participating in the United States pension plan, the Company may make, at its sole discretion, an additional contribution to the plan if the Company meets certain financial performance criteria. No such contributions were made in 2001 and 2002.

The employer pension costs for all employees were:

Years ended December 31	2001	2002
Pension plan based on defined benefit	17,528	15,059
Pension plan based on defined contribution	6,484	7,265
Total	24,012	22,324

Profit-sharing plan

ASML has a profit-sharing plan covering all employees. Under the plan, employees who are eligible receive an annual profit-sharing bonus, based on a percentage of net income to sales ranging from 0 to 20 percent of annual salary. The profit-sharing percentages for the years 2001 and 2002 were 0 percent and 0 percent respectively.

Stock option plans

Each year, the Board of Management determines, by category of ASML personnel, the total available number of options that can be granted in that year. The determination is subject to the approval of the Supervisory Board and the holders of priority shares of the Company.

¹ "Moody's Corporate Bond Yield Average - Avg. Corp.," calculated for the month of October preceding the applicable plan year.

In 1998, the company issued 3,348,576 options to purchase ordinary shares, options to purchase 2,097,831 ordinary shares for eligible employees of ASML and options to purchase 1,250,745 ordinary shares for key personnel and management. This issuing of options included a feature whereby eligible employees were given the right to elect to receive options to purchase ordinary shares in lieu of distribution under the profit-sharing plan. The options 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 vested over the three-year period with any unexercised stock options expiring six years after the grant date. Stock options granted to key personnel in 1998 vested over a three and four-year period with any unexercised stock options expiring six years after the grant date.

In 1999, stock options were authorized to purchase up to 3,000,000 ordinary shares, including a feature whereby eligible employees were given the right to elect to receive options to purchase ordinary shares in lieu of distribution under the profit sharing plan. The options 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. Granted stock options vested over a three-year period with any unexercised stock options expiring six years after the grant date.

In 2000, options were authorized to purchase up to 4,500,000 ordinary shares. Granted stock options vest over a three-year period with any unexercised stock options expiring six years after the grant date.

In 2001, options were authorized to purchase up to 6,000,000 ordinary shares, including a feature whereby eligible employees were given 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 that are equal either to the closing price of the Company's ordinary share on Euronext Amsterdam N.V. on the applicable grant date, or 135 percent of the closing price of the Company's ordinary shares on Euronext Amsterdam N.V. on the applicable grant dates. Granted stock options vest over a three-year period with any unexercised stock options expiring six years after the grant date, with the exception of a designated part of grants made in July 2001 that have a graded vest of 1/3 (one third) after the first year, 1/3 (one third) after the second year and 1/3 (one third) in the third year.

During 2001, 232,520 options to purchase ordinary shares were granted to the Board of Management. No options were exercised during 2001 by members of the Board of Management.

In 2002 options were authorized to purchase up to 6,000,000 ordinary shares, including a feature whereby eligible employees were given the right to elect to receive options to purchase ordinary shares in lieu of a percentage of their salary. 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. A designated part of the granted stock options vest over a one year period with any unexercised stock options expiring six years after the grant date. The remaining part of the granted stock options vest over a three-year period with any unexercised stock options expiring six years after the grant date.

Stock option plans

In 2002, employees were offered an extension of the options period for options granted in 1997 up to and including 2000. For the years 1997 up to and including 1999, this extension is either until October 21, 2008, or October 21, 2005. For 2000, the option period is extended until 2012.

Financing of stock option plans

Option plans that were issued before 2001 were constructed with a virtual financing arrangement whereby ASML financed the fiscal value of the options granted to employees subject to the Dutch tax-regime. The loans issued under this arrangement are repayable to ASML on the exercise date of the respective option, provided that the option was actually exercised. If the options expire unexercised, the respective loans are forgiven. ASML accrues a liability for the respective fiscal implication of this arrangement.

The following two tables have not been restated for discontinued operations:

Stock options transactions are summarized as follows:

	Number of shares EUR	Weighted average exercise price per share EUR
Outstanding, December 31, 1999	13,167,024	12.68
Granted	6,959,868	37.43
Exercised	(2,630,710)	12.82
Cancelled	(427,143)	18.90
Outstanding, December 31, 2000	17,069,039	28.84
Granted	5,883,550	32.78
Exercised	(1,488,107)	9.75
Cancelled	(265,212)	23.22
Outstanding, December 31, 2001	21,199,270	26.01
Granted	4,483,070	19.30
Exercised	(1,539,132)	9.45
Cancelled	(266,760)	17.46
Outstanding, December 31, 2002	23,876,448	25.13
Exercisable, December 31, 2002	9,551,860	14.77
Exercisable, December 31, 2001	6,870,466	15.22
Exercisable, December 31, 2000	6,138,839	12.57

Information with respect to stock options outstanding at December 31, 2002 is as follows:

Options outstanding Range of exercise prices EUR	Number outstanding December 31, 2002	Weighted average remaining contractual life (years)	Weighted average exercise price EUR
2.36-8.98	571,826	4.31	7.50
9.29-12.15	4,684,526	4.93	11.34
12.87-31.75	12,357,060	4.54	21.58
35.45-47.15	6,263,036	7.35	44.06
Total	23,876,448	5.35	25.13

17. 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.

As of December 31, 2002, ASML was a party in open forward contracts to hedge sales transactions in US dollars up to an amount of USD 52.5 million and in option contracts to hedge sales transactions up to an amount of USD 21.3 million. Furthermore ASML was a party in an open forward contract to hedge purchase transactions up to an amount of EUR 8.5 million and in option contracts to hedge purchase transactions up to an amount of USD 21.0 million. Also, ASML was a party in open forward contracts to hedge the loan to Micronic up to an amount of SEK 320 million. Other monetary assets and liabilities were hedged through the use of forward contracts amounting to USD 136.7 million. ASML is party in interest rate swaps with a notional amount of approximately EUR 982 million.

18. Contractual obligation and commercial commitments

The Company's contractual obligations and commercial commitments as of December 31, 2002 can be summarized as follows:

Contractual obligations	Total	Less than 1 year	1 - 3 years	4 -5 years	After 5 years
Long Term Debt	1,084,491	571	496,899	585,264	1,757
Operating Lease Obligations	317,220	36,115	62,149	51,763	167,193
Unconditional Purchase Obligations	766,017	615,319	150,698	-	-
Total Contractual Cash Obligations	2,167,728	652,005	709,746	637,027	168,950

Operating lease obligations include leases of equipment and facilities. Rental expense was EUR 60 million and EUR 56 million for the years ended December 31, 2001 and 2002, respectively.

Unconditional purchase obligations include medium to long-term purchase agreements. These contracts can take several forms and may include restrictive clauses. Any identified losses that would result from purchase commitments that are expected to be forfeited are provided for. In its negotiations with key suppliers ASML continuously seeks to align its purchase commitments with its business objectives.

19. Legal contingencies

ASML is party to various legal proceedings generally incidental to its business. Since late 2001, ASML has been a party to a series of litigation and administrative proceedings in which Nikon alleges ASML's infringement of Nikon patents relating to photolithography. These are discussed below. ASML also faces exposure from other actual or potential claims and legal proceedings. Although the ultimate disposition of these other claims and proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any such other

claim that is pending or threatened, either individually or on a combined basis, is expected not to have a materially adverse effect on ASML's consolidated financial condition.

On occasion, certain ASML customers have received notices of infringement from third parties. These notices allege that the ASML equipment used by those customers in the manufacture of semiconductor products, and/or the methods relating to use of the ASML equipment, infringes one or more patents issued to those third parties. ASML has been advised that, if these claims were successful, it could be required to indemnify such customers for some or all of any losses incurred or damages assessed against them as a result of that infringement.

On May 23, 2000, Ultratech Stepper, Inc. ("Ultratech") filed a lawsuit in the United States District Court for the Eastern District of Virginia (which has subsequently been transferred to the United States District Court for the Northern District of California) against ASML. Ultratech alleges that ASML is infringing Ultratech's rights under a United States patent, through the manufacture and commercialization in the US of advanced photolithography equipment embodying technology that, in particular, is used in Step & Scan equipment. Ultratech's complaint seeks injunctive relief and damages. On August 16, 2002, the Court granted ASML's motion for summary judgment of non-infringement based upon the previously reported favorable interpretation by the Court as to the scope and meaning of the claims of the asserted patent. A final judgment on those favorable rulings has not yet been entered, and issued remain open before the Court with respect to ASML's challenge to the validity and enforceability of the patent. Management believes, however, based on current information, that ASML has meritorious defenses to Ultratech's claims, which ASML intends to vigorously assert.

On October 12, 2001, ASML filed a lawsuit in the United States District Court for the District of Massachusetts against Ultratech. ASML's complaint alleges that Ultratech's manufacture, use, offer for sale and sale of certain of its photolithography stepper devices in the United States infringe six US patents held by ASML. ASML's complaint seeks injunctive relief and damages. Discovery is currently ongoing in the matter. ASML intends to vigorously pursue these claims.

In 2002, the Company settled its previously disclosed litigation with Fullman International Inc. and Fullman Company LLC for an immaterial amount.

Nikon case US

On December 21, 2001, Nikon Corporation ("Nikon") and two of its United States subsidiaries filed a so-called Section 337 complaint against ASML with the United States International Trade Commission (ITC). On January 23, 2002, the ITC instituted an investigation based on Nikon's complaint. The complaint in the ITC investigation alleges that ASML's photolithography machines imported into the United States infringe seven United States patents held by Nikon. Nikon's patents relate to several different aspects of photolithography equipment. Nikon seeks to exclude the importation of infringing products. ASML believes that the asserted patents are both not infringed and invalid. A trial before an administrative law judge on these issues was completed in November 2002.

On January 29, 2003, the administrative law judge (ALJ) in the ITC proceedings ruled that ASML had not violated Section 337, Nikon has stated that it intends to seek review by the full ITC of this initial determination. In addition, Nikon may pursue further appeals to the United States Court of Appeals for the Federal Circuit. If a final non-appealable decision in the ITC proceeding were to be rendered that was adverse to ASML, it would substantially restrict or prohibit ASML's

sales into the United States, which in turn would have a material adverse effect on the Company's financial position and results of operations.

On December 21, 2001, Nikon also filed a separate patent infringement action in the United States District Court for the Northern District of California alleging infringement of four different Nikon patents and seeking injunctive relief and damages. On March 22, 2002, Nikon amended its complaint to allege infringement of an additional patent. On April 8, 2002, ASML answered this complaint denying infringement, asserting affirmative defenses of invalidity and unenforceability, and alleging counterclaims.

On April 5, 2002, ASML filed a counterclaim in the ITC action alleging that Nikon's photolithography machines sold in the United States infringe five ASML patents. According to ITC procedure, these counterclaims were initially transferred to the United States District Court for the District of Arizona. On October 17, 2002, these claims were transferred to the United States District Court for the Northern District of California, where they are now pending.

On October 18, 2002, Nikon filed a second patent infringement action in the United States District Court for the Northern District of California alleging infringement of six out of the seven patents from the ITC action and two additional patents. On December 32, 2002, ASML answered this second complaint denying infringement of these additional patents and asserting affirmative defenses of invalidity and unenforceability.

ASML intends to vigorously pursue its claims and believes it has meritorious defenses against Nikon's claim. Discovery in the California litigation is currently ongoing; however, trial is not expected to commence until some time in 2004. In the event a final non-appealable decision were to be rendered that was adverse to ASML, it could substantially restrict or prohibit ASML's sales (from and into) the United States, which in turn would have a material adverse effect on the Company's financial position and results of operations.

Nikon case Japan

On August 19, 2002, ASML filed a patent infringement complaint against Nikon with the Tokyo District Court in Japan. In the complaint, the company seeks injunctive relief to cause Nikon to cease the manufacture and sale of lithography devices that infringe ASML's patents. ASML also seeks damages totaling approximately EUR 97 million plus interest for Nikon's past infringement. In October 2002, Nikon filed a counter-complaint with the Tokyo District Court alleging that ASML lithography devices infringe 12 Japanese patents held by Nikon. Nikon's counter-complaint seeks injunctive relief as well as damages of approximately EUR 12.3 million plus interest. On January 16, 2003, ASML filed a second complaint against Nikon alleging that Nikon infringes another of ASML's patents and seeks injunctive relief against Nikon to cease its manufacture and sale of lithography devices that infringe ASML's patents. This litigation is still in its early stages, and a final decision is not expected before 2005. The Company, however, intends to vigorously pursue its claims and believes it has meritorious defenses against Nikon's counterclaims. In the event a final non-appealable decisions in the Japanese proceedings were rendered that was adverse to ASML, it could substantially restrict or eliminated ASML's ability to achieve future sales growth in Japan, which could in turn have a material adverse effect on the Company's results of operations.

Nikon case Korea

On October 8, 2002, Nikon filed a patent infringement action against ASML and its Korean subsidiary in the Seoul District Court alleging that ASML's photolithography machines infringe five of Nikon's patents, four of which are related to Nikon's patents asserted in its US litigation. The complaint seeks to prohibit ASML from the manufacture, use, sale, import or export of infringing products, the destruction of the manufacturing facilities for these products and damages. On January 15, 2003, ASML filed a complaint against Nikon and its Korean subsidiary alleging that Nikon infringes on one of ASML's patents, seeking injunctive relief against Nikon to cease the manufacture and sales of lithography devices that infringe ASML's patent. This litigation is still in its early stages, and a final decision is not expected before 2006. The Company, however, intends to vigorously pursue its claims and believes it has meritorious defenses against Nikon's claims. In the event that a final non-appeal able decision were to be rendered in the Korean proceedings that was adverse to ASML, it could substantially restrict or eliminate ASML's sales in Korea, which would have a material adverse effect on the Company's results or operations.

20. Other contingencies

ASML has research and development agreements with the government of the Netherlands, Ministry of Economic Affairs. In previous years, credits were received for research and development projects relating to new generations of semiconductor lithography systems. The agreement requires that the majority of the amounts received are to be repaid, with interest, to the extent that product sales occur that 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.

As of December 31, 2001 and 2002, ASML has contingent obligations totaling EUR 49 million and EUR 12 million to repay TOK credits received in previous years.

21. Research and development credits

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

As of December 31	2001	2002
Dutch government technology subsidy	15,881	25,981
European community and other subsidies	342	34
Total subsidies and credits received	16,223	26,015

In 2001 and 2002 ASML recorded EUR 3.6 million and EUR 36.1 million respectively for repayment obligations. Further reference is made to note 20.

22. Income taxes

The components of loss before income taxes are as follows:

Years ended December 31	2001	2002
Domestic	(36,486)	(206,001)
Foreign	(520,156)	(108,447)
Total	(556,642)	(314,448)

The foreign component predominantly relates to the US.

The Dutch domestic statutory tax rate is 34.5 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:

Years ended December 31	2001	2002
Income tax benefit based on domestic rate	(194,825)	(108,485)
Different foreign tax rates	6,315	12,362
Other credits and non-taxable items	(175)	(10,502)
Benefit from income taxes shown in the income statement	(188,685)	(106,625)

Deferred tax assets (liabilities) consist of the following:

As of December 31	2001	2002
Tax effect carry forward losses	176,959	230,474
Inventories	(22,692)	896
Temporary depreciation investments	-	(133,516)
Other temporary differences	73,219	78,960
Total	227,486	176,814

Deferred tax assets (liabilities) are classified in the Consolidated Financial Statements as follows:

As of December 31	2001	2002
Deferred tax assets - current	362	-
Deferred tax assets - non-current	262,091	314,795
Deferred tax liabilities - current	(665)	(4,465)
Deferred tax liabilities - non-current	(34,302)	(133,516)
Total	227,486	176,814

Tax losses that are the basis for the recorded deferred tax assets are predominantly incurred in the US and the Netherlands. Tax losses incurred by Dutch group companies can in general be offset for an indefinite period against future taxable profits. Tax losses incurred by US group companies can in general be offset against future profits realized in 20 years following the year in which the losses are incurred. The total amount of tax loss carried forward as of December 31, 2002 is EUR 667 million. This loss amount is exclusive of the loss carry forward related to the temporary depreciation for Dutch tax purposes of ASML's investments in its US group companies. Reference is made to the paragraph below. A large part of loss compensation rights will expire in 2022. Based on its analysis, management believes that the US tax losses will be offset by future taxable income before the statute on loss compensation expires. The analysis takes

into account the projected future taxable income from operations and the expected outcome from a bi-lateral Advance Pricing Agreement (APA) initiated by ASML. Management believes that it is probable that these negotiations will result in an agreement between the US and Dutch tax authorities regarding, certain intercompany transfers of assets, tangible and intangible, covered by the APA. These transactions are the result of the realignment of group operations. The APA negotiations are not expected to be finalized before the end of 2003.

Pursuant to Dutch tax laws, ASML can temporarily depreciate its investment in its US group companies and the depreciation can be deducted from the taxable base in The Netherlands. The short-term tax receivable amounting to EUR 134 million resulting from this temporary depreciation is recorded under current tax assets. This temporary depreciation must be added back on a straight-line basis to the taxable base in the period 2005 through 2009. The tax effect of this repayment obligation, amounting to EUR 395 million, is recorded as a long-term deferred tax liability, net of the long-term asset amounting to EUR 261 million.

23. Segment disclosure

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
2001					
Net sales to unaffiliated customers	742,697	150,127	514,307	-	1,407,131
Inter-company sales	-	1,106,485	-	(1,106,485)	-
Total net sales	742,697	1,256,612	514,307	(1,106,485)	1,407,131
Operating income	(48,024)	69,560	(468,169)	(37,418)	(484,051)
Identifiable assets	365,918	3,141,398	825,591	(941,090)	3,391,817
2002					
Net sales to unaffiliated customers	1,066,476	190,196	702,000	-	1,958,672
Inter-company sales	-	1,580,790	27,971	(1,608,761)	-
Total net sales	1,066,476	1,770,986	729,971	(1,608,761)	1,958,672
Operating income	5,569	(84,460)	30,392	(45,544)	(94,043)
Identifiable assets	438,976	3,360,456	630,824	(1,248,732)	3,181,524

Assets, liabilities and capital expenditures by segment are not evaluated by executive management and are not used for the purpose of making decisions about allocating resources to the segment or assessing its performance.

ASML's decision to sell its Thermal business, and to terminate Track equipment business has resulted in the presentation of these businesses as discontinued operations for all periods presented. These elements within discontinued operations were previously separately reported in the Track and Thermal segment.

Consequently, the Company recognizes only one reporting segment in continuing operations; lithography. The remaining part of the Track business (customer support on existing contracts) has been presented as part of continuing operations. A separate compressed analysis of discon-

tinued operations is provided in note 4 in place of the segmental information on Track and Thermal that was provided in previous years.

ASML markets and sells its products in the United States and Europe principally through its direct sales organization. ASML makes all its sales into the United States through its US operation and its sales into Asia primarily 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 tax authorities.

24. Selected operating expenses and additional information

Personnel expenses for all employees were:

Years ended December 31	2001	2002
Wages and salaries	340,927	371,281
Social security expenses	26,090	31,897
Pension and retirement expenses	24,012	22,324
Total	391,029	425,502

The average number of employees during 2001 and 2002 was 5,231 and 5,640, respectively.

The total number of personnel employed per sector were:

As of December 31	2001	2002
Marketing & Technology	1,689	1,708
Goods flow	1,526	1,416
Customer Support	1,964	2,090
General	716	588
Sales	144	169
Total continuing operations	6,039	5,971
Total discontinued operations	1,031	712
Total number of employees (including non-payroll employees)	7,070	6,683

At year end 2001 and 2002 a total of 2,972 and 2,857 personnel respectively, were employed in The Netherlands.

25. Board remuneration

The total remuneration and related costs (in euros) of the members of the Board of Management can be specified as follows:

Years ended December 31	2001	2002
Salaries	2,187,000	2,016,000
Pension cost	172,000	263,000
Total	2,359,000	2,279,000

The 2002 cash remuneration in euros of the individual members of the Board of Management was as follows:

	Salary	Bonus	Total
D.J. Dunn	590,000	-	590,000
P.T.F.M. Wennink	300,000	-	300,000
M.A. van den Brink	375,000	-	375,000
S.K. McIntosh	355,000	-	355,000
D.P. Chavoustie ¹	370,000	-	370,000

¹ amounts in USD

The 2002 vested pension benefits² of individual members of the Board of Management were as follows:

D.J. Dunn	112,080
P.T.F.M. Wennink	34,032
M.A. van den Brink	43,560
S.K. McIntosh	64,608
D.P. Chavoustie ¹	8,000

¹ Amounts in USD

² Since the pension arrangement for members of the Board of Management is a defined contribution plan, the Company does not have further pension obligations beyond the annual premium contribution.

Details of options held by Board of Management in the ordinary shares of ASML Holding N.V.

	Jan. 1 2002	Granted during 2002	Exercised during 2002	Dec. 31, 2002	Exercise price	Share price on exercise date	Expiration date
					EUR	EUR	
D.J. Dunn	600,000	-	-	600,000	17.51	-	01-04-2005
	67,500	-	-	67,500	58.00	-	20-01-2012
	30,000	-	-	30,000	40.40	-	22-01-2007
		30,000	-	30,000	20.28	-	21-01-2008
P.T.F.M. Wennink	30,000	-	-	30,000	11.05	-	01-01-2005
	31,500	-	-	31,500	58.00	-	20-01-2012-
	15,660	-	-	15,660	40.40	-	22-01-2007
	50,000	-	-	50,000	29.92	-	22-01-2007
	20,960	-	-	20,960	22.12	-	20-07-2007
		20,000	-	20,000	20.28	-	21-01-2008
M.A. van den Brink	21,600	-	-	21,600	14.87	-	21-01-2005
	31,500	-	-	31,500	58.00	-	20-01-2012
	19,860	-	-	19,860	40.40	-	22-01-2007
	26,560	-	-	26,560	22.12	-	20-07-2007
		20,000	-	20,000	20.28	-	21-01-2008
D.P. Chavoustie	60,000	-	-	60,000	15.24	-	15-04-2003
	30,000	-	-	30,000	10.42	-	23-12-2004
	46,800	-	-	46,800	14.87	-	21-01-2005
	67,500	-	-	67,500	56.48	-	20-01-2012
	25,500	-	-	25,500	29.92	-	22-01-2007
	30,240	-	-	30,240	22.12	-	20-07-2007
		20,000	-	20,000	20.28	-	21-01-2008
S.K. McIntosh	21,000	-	-	21,000	40.40	-	22-01-2007
	250,000	-	-	250,000	29.92	-	22-01-2007
	28,080	-	-	28,080	22.12	-	20-07-2007
		20,000	-	20,000	20.28	-	21-01-2008

The details of the financing arrangement relating to the Company's option plans are described in note 16, Employee Benefits.

During 2002, the individual members of the Supervisory Board received the following remuneration (in euros):

Years ended December 31	2001	2002
H. Bodt	22,690	40,000
P.H. Grassmann	18,151	25,000
S. Bergsma	18,151	25,000
A. Westerlaken ¹	18,151	25,000
J.A. Dekker	18,151	25,000
M.J. Attardo ²	-	25,000
J.W.B. Westerburgen ³	-	-

¹ membership ended March 21, 2002, ² membership started May 21, 2001, ³ membership started March 21, 2002

Members of the Board of Management and/or Supervisory Board are free to acquire or dispose of ASML shares or options for their own account, provided they comply with the ASML Insider Trading Rules 2002. Those securities are not part of members, remuneration from the Company and are therefore not included.

26. 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. ASML sells a substantial number of lithography systems to a limited number of customers. In 2002, sales to one customer accounted for EUR 377 million or 19 percent of net sales. In 2001, sales to one customer accounted for EUR 202 million or 14 percent of net sales.

27. Reconciliation of net result and shareholders' equity for Dutch GAAP and U.S. Gaap

The ASML Consolidated Financial Statements prepared in accordance with Dutch GAAP differ from the ASML Consolidated Financial Statements prepared in accordance with US GAAP. The principal difference is discussed below.

The merger with SVG is accounted for under the "pooling-of-interests" method. Under the pooling-of-interests accounting method shareholders' equity has been restated to reflect the issuance of approximately 47 million ordinary shares of ASML in exchange for all of the outstanding SVG ordinary shares. The shareholders' equity subsequent to the merger equals the sum of the shareholders' equity of ASML and SVG prior to the merger. Resulting from the conversion rate of 1.286 ASML shares for each SVG share the segregation between nominal value and share premium has been adjusted. The Combined Statement of Operations under the pooling-of-interests accounting method combines the results of ASML and SVG for all years presented.

Under the purchase accounting method the issuance of approximately 47 million ordinary shares with a fair market value of EUR 1,772 million on October 1, 2000, is accounted for as the consideration paid by ASML. Goodwill represents the excess of the cost of the acquisition over the fair market value of the identifiable assets and liabilities of SVG. Goodwill has been deducted from shareholders equity.

The Combined Statement of Operations under the purchase accounting method includes SVG in operations only after the date of acquisition.

The differences between the applications of the two methods of accounting are illustrated as follows:

Reconciliation of reported shareholders' equity to US GAAP	Year ended December 31	2001	2002
	Shareholders' equity in accordance with Dutch GAAP		1,226,287
Items having effect of increasing (decreasing) reported shareholders' equity (net of tax, as applicable):			
Combining shareholders' equity resulting from applying pooling of interest accounting method in accordance with US GAAP		747,658	747,658
Share premium as accounted for under Dutch GAAP		(1,771,477)	(1,771,477)
Goodwill paid is deducted under Dutch GAAP directly from equity		1,134,854	1,134,854
Carry over effect of 2001 result		-	(111,035)
Total net effect of result for the year (see below)		(111,035)	-
Shareholders' equity in accordance with US GAAP		1,226,287	1,315,516

Reconciliation of reported net earnings to US GAAP	Year ended December 31	2001	2002
	Net result in accordance with Dutch GAAP		(367,957)
Items having effect of decreasing reported net earnings:			
Combining results based on pooling of interest for fiscal year 2001 till effective date of acquisition		(81,109)	-
Recognizing merger and acquisition costs through net income		(29,926)	-
Net result in accordance with US GAAP		(478,992)	(207,823)

Company-only Balance Sheets

(After appropriation of net result for the year)

As of December 31 (Amounts in thousands)	2001 EUR	2002 EUR
Assets		
Cash and cash equivalents	754,855	471,960
Amounts due from subsidiaries	791,816	833,013
Current tax asset	-	178,516
Other current assets	99,723	86,281
Total current assets	1,646,394	1,569,770
Investments in subsidiaries	612,749	533,017
Loans due from subsidiaries	507,611	364,958
Deferred tax assets	-	5,485
Other assets	59,442	50,494
Total fixed assets	1,179,802	953,954
Total assets	2,826,196	2,523,724
Liabilities and shareholders' equity		
Accrued liabilities and other	30,801	10,652
Current tax liability	25,106	-
Total current liabilities	55,907	10,652
Deferred tax liability	33,100	133,516
Convertible subordinated debt	1,510,902	1,064,040
Total long term liabilities	1,544,002	1,197,556
Cumulative Preference Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; none outstanding at December 31, 2002	-	-
Priority Shares, EUR 0.02 nominal value; 23,100 shares authorized, issued and outstanding at December 31, 2001 and 2002	1	1
Ordinary Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; 466,978,391 shares issued and outstanding at December 31, 2001 and 482,182,485 at December 31, 2002	9,339	9,643
Share premium	814,414	1,105,303
Retained earnings	432,842	225,019
Accumulated currency translation and other	(30,309)	(24,450)
Total shareholders' equity	1,226,287	1,315,516
Total liabilities and shareholders' equity	2,826,196	2,523,724

Abbreviated Company-only Statements of Operations

For the year ended December 31 (Amounts in thousands)€	2001 EUR	2002 EUR
Net result from subsidiaries	(343,019)	(219,887)
Income after taxes	(24,938)	12,064
Net result	(367,957)	(207,823)

Notes to the Company-only Financial Statements

1. General

The description of the company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the company-only financial statements.

In accordance with article 402 Book 2 of the Dutch Civil Code the statement of income is presented in abbreviated form.

2. Summary of significant accounting policies

Significant accounting policies

The accounting policies used in the preparation of the Company-only Financial Statements is 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 Company-only Financial Statements are described below.

Presentation of amounts

Amounts presented in the Company Statements of Operations are presented net of income taxes. The accompanying Financial Statements include the accounts of ASML Holding N.V. ASML Holding N.V. follows accounting principles in conformity with those generally accepted in the Netherlands.

3. Changes in fixed assets

Changes in fixed assets during 2002 were as follows:

	Investments in subsidiaries	Loans due from subsidiaries	Other assets
Balance, January 1	612,749	507,611	59,442
Additions	5,094	91,542	-
Amortization	-	-	(9,719)
Net result from subsidiaries	(219,887)	-	-
Recapitalization of loans	147,032	(147,032)	-
Effect of exchange rates	(11,971)	(87,163)	771
Balance, December 31	533,017	364,958	50,494

4. Statement of shareholders' equity

	Cumulative Preference shares	Priority shares	Ordinary shares	share premium	Retained Earnings	Accumulated currency translation and other	Total
Balance 1 January 2001	-	1	8,379	171,442	800,799	(895)	979,726
Issuance of Shares	-	-	960	1,777,826	-	-	1,778,786
Translation loss and other	-	-	-	-	-	(29,414)	(29,414)
Write-off goodwill	-	-	-	(1,134,854)	-	-	(1,134,854)
Appropriation of Net loss	-	-	-	-	(367,957)	-	(367,957)
Balance 31 December 2001	-	1	9,339	814,414	432,842	(30,309)	1,226,287
Balance 1 January 2002	-	1	9,339	814,414	432,842	(30,309)	1,226,287
Issuance of Shares	-	-	304	290,889	-	-	291,193
Translation gain and other	-	-	-	-	-	5,859	5,859
Appropriation of Net loss	-	-	-	-	(207,823)	-	(207,823)
Balance 31 December 2002	-	1	9,643	1,105,303	225,019	(24,450)	1,315,516

Cumulative preference shares consist of 900,000,000 authorized preference shares of which none are issued and outstanding at December 31, 2002. The shares have a par value of EUR 0.02 each.

Priority shares consist of 23,100 authorized priority shares of which 23,100 shares are issued and outstanding at December 31, 2002. The shares have a par value of EUR 0.02 each.

Ordinary shares consist of 900,000,000 authorized ordinary shares of which 482,182,485 shares are issued and outstanding at December 31, 2002. The shares have a par value of EUR 0.02 each.

5. Commitments and contingencies

Joint and several liability

General guarantees as defined in Book 2, Section 403 of The Netherlands Civil Code have been given by ASML Holding N.V. on behalf of several Group companies in The Netherlands.

- ASML Netherlands B.V.
- ASML Participations B.V.
- ASML MaskTools B.V.

The liabilities of these companies to third parties amount to EUR 523 million (2001, EUR 420 million)

6. Other information

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

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. There upon, these Financial Statements will be submitted to the General Meeting of Shareholders for approval.

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 loss for 2002 will be deducted from retained earnings. This proposal has already been reflected in the 2002 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 ASML 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 are 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

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 the same voting rights as Ordinary Shares but are entitled to dividends on a preferential basis at a percentage based on the average official interest rate determined by EURIBOR plus 2 percent.

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 or a proposal to do so by the Board of Management and 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.

Declaration of Independence

The Board of Directors of the Foundation and the Board of Management of the Company together declare that the Foundation is independent of the Company as defined in article A2bl of "Bijlage X bij het Fondsenreglement van Euronext Amsterdam N.V." The Board of the Foundation comprises three voting members from the Dutch business and academic communities, Mr. R. Selman, Mr. F. Grapperhaus and Mr. M den Boogert, and one non-voting member; the Chairman of the Company's Supervisory Board, Mr. H. Bodt.

Priority Shares

The priority shares are held by a foundation having a self-elected board that must consist solely of members of the Company's Supervisory Board and Board of Management.

As of December 31, 2002, the board members were:

- Doug J. Dunn
- Henk Bodt
- 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. In the joint opinion of the Company and the foregoing members of the board of the priority share foundation, the composition of the board conforms to Appendix X, Article C10 of the listing and issuing rules of the Euronext Amsterdam Exchange N.V.

The priority shares are not entitled to dividends but have a preferred right over all other outstanding preferred and ordinary shares on the return of their nominal value in the case of winding up the Company. Holders of priority shares are required to approve certain 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 pre-emptive rights and repurchase and cancellation of shares.

Issue of Shares

The Board of Management of the Company has the power to issue Ordinary Shares and Cumulative Preference Shares if and in so far 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.

**Signing of the
Financial Statement**

Veldhoven, The Netherlands
January 30, 2003

Prepared by

The Board of Management:

Doug J. Dunn
Peter T.F.M. Wennink
Martin A. van den Brink
David P. Chavoustie
Stuart K. McIntosh

Adopted by

The Supervisory Board:

Henk Bodt
Syb Bergsma
Michael J. Attardo
Peter H. Grassmann
Jos W.B. Westerburgen
Jan A. Dekker

Auditors' report

Introduction

We have audited the financial statements of ASML Holding N.V., Veldhoven, The Netherlands, for the year 2002. 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 estimates made by 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 give a true and fair view of the financial position of the company as at December 31, 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Dutch Civil Code.

Deloitte & Touche Accountants

Eindhoven, The Netherlands

January 30, 2003

Information and Investor Relations

Financial Calendar

March 25, 2003

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

April 16, 2003

Announcement of first quarter results for 2003

July 16, 2003

Announcement of semi-annual results for 2003

October 15, 2003

Announcement of third quarter results for 2003

January 15, 2004

Announcement of annual results for 2003

Fiscal Year

ASML's fiscal year ends as of December 31

Listing

The ordinary shares of the Company are listed on the official market of the Euronext Amsterdam N.V. and 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. Copies of other publications (i.e., Semi-Annual Reports or the Annual Report on Form 20-F filed with the US Securities and Exchange Commission and the Amsterdam Exchanges) can also be obtained free of charge at the offices of ASML. The financial reports are also available on the ASML website (www.asml.com).

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