

Financial Statements

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Consolidated Statements of Operations

Notes	Year ended December 31 (in thousands, except per share data)	2014 EUR	2013 EUR	2012 EUR
21	Net system sales	4,242,790	3,993,129	3,801,632
	Net service and field option sales	1,613,487	1,252,197	929,923
21	Total net sales	5,856,277	5,245,326	4,731,555
	Cost of system sales	(2,335,512)	(2,233,621)	(2,198,921)
	Cost of service and field option sales	(924,391)	(834,443)	(527,377)
22	Total cost of sales	(3,259,903)	(3,068,064)	(2,726,298)
	Gross profit	2,596,374	2,177,262	2,005,257
28	Other income	81,006	64,456	-
22, 23	Research and development costs	(1,074,035)	(882,029)	(589,182)
22	Selling, general and administrative costs	(321,110)	(311,741)	(259,301)
24	Income from operations	1,282,235	1,047,948	1,156,774
	Interest and other, net	(8,600)	(24,471)	(6,196)
20	Income before income taxes	1,273,635	1,023,477	1,150,578
	Provision for income taxes	(76,995)	(7,987)	(4,262)
	Net income	1,196,640	1,015,490	1,146,316
1	Basic net income per ordinary share	2.74	2.36	2.70
1	Diluted net income per ordinary share ¹	2.72	2.34	2.68
	Number of ordinary shares used in computing per share amounts (in thousands)			
1	Basic	437,142	429,770	424,096
1	Diluted ¹	439,693	433,446	426,986

¹ The calculation of diluted net income per ordinary share assumes the exercise of options issued under our stock option plans and the issuance of shares under our share plans for periods in which exercises or issuances would have a dilutive effect. The calculation of diluted net income per ordinary share does not assume exercise of such options or issuance of shares when such exercises or issuance would be anti-dilutive.

Consolidated Statements of Comprehensive Income

Notes	Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
	Net income	1,196,640	1,015,490	1,146,316
	Other comprehensive income:			
	Foreign currency translation, net of taxes:			
	Gain (loss) on foreign currency translation	230,388	(113,779)	8,063
	Financial instruments, net of taxes:			
4	Gain (loss) on derivative financial instruments	17,375	(5,370)	214
4	Transfers to net income	6,691	(2,276)	(7,761)
	Other comprehensive income, net of taxes	254,454	(121,425)	516
	Total comprehensive income, net of taxes	1,451,094	894,065	1,146,832
	Attributable to equity holders	1,451,094	894,065	1,146,832

Consolidated Balance Sheets

Notes	As of December 31 (in thousands, except share and per share data)	2014 EUR	2013 EUR
	Assets		
5	Cash and cash equivalents	2,419,487	2,330,694
5	Short-term investments	334,864	679,884
6	Accounts receivable, net	1,052,504	878,321
7	Finance receivables, net	196,087	250,472
	Current tax assets	43,876	32,333
8	Inventories, net	2,549,837	2,393,022
20	Deferred tax assets	159,460	124,431
9	Other assets	390,091	336,421
	Total current assets	7,146,206	7,025,578
7	Finance receivables, net	55,261	46,017
20	Deferred tax assets	28,760	139,513
9	Other assets	444,820	298,559
10	Goodwill	2,357,536	2,088,589
11	Other intangible assets, net	723,839	697,634
12	Property, plant and equipment, net	1,447,523	1,217,840
	Total non-current assets	5,057,739	4,488,152
	Total assets	12,203,945	11,513,730
	Liabilities and shareholders' equity		
	Accounts payable	496,236	625,870
13	Accrued and other liabilities	2,347,799	2,216,882
	Current tax liabilities	36,293	15,803
15	Current portion of long-term debt	4,261	4,385
14	Provisions	2,354	2,227
20	Deferred and other tax liabilities	1,928	3,494
	Total current liabilities	2,888,871	2,868,661
15	Long-term debt	1,149,876	1,070,185
20	Deferred and other tax liabilities	237,315	364,695
14	Provisions	3,638	4,620
13	Accrued and other liabilities	411,655	283,142
	Total non-current liabilities	1,802,484	1,722,642
	Total liabilities	4,691,355	4,591,303
17, 19	Commitments and contingencies	-	-
	Cumulative Preference Shares; EUR 0.09 nominal value; 700,000,000 shares authorized at December 31, 2014 and 2013; none issued and outstanding at December 31, 2014 and 2013;	-	-
	Ordinary Shares B; EUR 0.01 nominal value; 9,000 shares authorized at December 31, 2014 and 2013; none issued and outstanding per December 31, 2014 and 2013;	-	-
	Ordinary Shares; EUR 0.09 nominal value; 699,999,000 shares authorized at December 31, 2014; 432,935,288 issued and outstanding at December 31, 2014; 699,999,000 shares authorized at December 31, 2013; 440,852,334 issued and outstanding at December 31, 2013;		
	Issued and outstanding shares	39,426	40,092
	Share premium	3,002,050	2,912,862
	Treasury shares at cost	(389,443)	(364,702)
	Retained earnings	4,648,541	4,376,613
	Accumulated other comprehensive income	212,016	(42,438)
26	Total shareholders' equity	7,512,590	6,922,427
	Total liabilities and shareholders' equity	12,203,945	11,513,730

Consolidated Statements of Shareholders' Equity

Notes	(in thousands)	Issued and Outstanding Shares		Share Premium EUR	Treasury Shares at Cost EUR	Retained Earnings EUR	Accumulated OCI EUR	Total EUR
		Number ¹	Amount EUR					
	Balance at January 1, 2012	413,669	38,354	473,043	(416,417)	3,270,703	78,471	3,444,154
	Components of comprehensive income:							
	Net income	-	-	-	-	1,146,316	-	1,146,316
4	Foreign currency translation	-	-	-	-	-	8,063	8,063
4	Loss on financial instruments, net of taxes	-	-	-	-	-	(7,547)	(7,547)
	Total comprehensive income	-	-	-	-	1,146,316	516	1,146,832
	CCIP:							
26, 28	Issuance of shares	96,566	8,691	3,968,677	-	-	-	3,977,368
26, 28	Fair value differences ³	-	-	(123,416)	-	-	-	(123,416)
26, 28	Capital repayment ⁴	(93,411)	(8,691)	(3,845,261)	125,628	-	-	(3,728,324)
26, 27	Purchase of treasury shares	(13,478)	(198)	-	(535,175)	-	-	(535,373)
26, 27	Cancellation of treasury shares	-	(1,030)	-	294,752	(293,722)	-	-
18, 22	Share-based payments	-	-	18,714	-	-	-	18,714
18	Issuance of shares	3,819	344	(10,222)	66,638	(3,046)	-	53,714
26	Dividend paid	-	-	-	-	(188,892)	-	(188,892)
18, 20	Tax benefit from share-based payments	-	-	2,116	-	-	-	2,116
	Balance at December 31, 2012	407,165	37,470	483,651	(464,574)	3,931,359	78,987²	4,066,893
	Components of comprehensive income:							
	Net income	-	-	-	-	1,015,490	-	1,015,490
4	Foreign currency translation	-	-	-	-	-	(113,779)	(113,779)
4	Loss on financial instruments, net of taxes	-	-	-	-	-	(7,646)	(7,646)
	Total comprehensive income	-	-	-	-	1,015,490	(121,425)	894,065
	CCIP:							
26, 28	Fair value differences ⁵	-	-	20,956	-	-	-	20,956
26, 27	Purchase of treasury shares	(4,614)	-	-	(300,000)	-	-	(300,000)
26, 27	Cancellation of treasury shares	-	(854)	-	349,261	(348,407)	-	-
18, 22	Share-based payments⁶	-	-	95,895	-	-	-	95,895
18	Issuance of shares⁷	38,301	3,476	2,309,250	50,611	(5,744)	-	2,357,593
26	Dividend paid	-	-	-	-	(216,085)	-	(216,085)
18, 20	Tax benefit from share-based payments	-	-	3,110	-	-	-	3,110
	Balance at December 31, 2013	440,852	40,092	2,912,862	(364,702)	4,376,613	(42,438)²	6,922,427
	Components of comprehensive income:							
	Net income	-	-	-	-	1,196,640	-	1,196,640
4	Foreign currency translation	-	-	-	-	-	230,388	230,388
4	Gain on financial instruments, net of taxes	-	-	-	-	-	24,066	24,066
	Total comprehensive income	-	-	-	-	1,196,640	254,454	1,451,094
	CCIP:							
26, 28	Fair value differences ⁵	-	-	28,086	-	-	-	28,086
26, 27	Purchase of treasury shares	(9,981)	-	-	(700,000)	-	-	(700,000)
26, 27	Cancellation of treasury shares	-	(852)	-	610,698	(609,846)	-	-
18, 22	Share-based payments	-	-	63,380	-	-	-	63,380
18	Issuance of shares	2,064	186	(6,250)	64,561	(46,904)	-	11,593
26	Dividend paid	-	-	-	-	(267,962)	-	(267,962)
18, 20	Tax benefit from share-based payments	-	-	3,972	-	-	-	3,972
	Balance at December 31, 2014	432,935	39,426	3,002,050	(389,443)	4,648,541	212,016²	7,512,590

1 As of December 31, 2014, the number of issued shares was 438,073,643. This includes the number of issued and outstanding shares of 432,935,288 and the number of treasury shares of 5,138,355. As of December 31, 2013, the number of issued shares was 446,822,452. This includes the number of issued and outstanding shares of 440,852,334 and the number of treasury shares of 5,970,118. As of December 31, 2012, the number of issued shares was 419,852,467. This includes the number of issued and outstanding shares of 407,165,221 and the number of treasury shares of 12,687,246.

2 As of December 31, 2014, accumulated OCI, net of taxes, consists of EUR 200.1 million relating to foreign currency translation gain (2013: EUR 30.2 million loss; 2012: EUR 83.5 million gain) and EUR 11.9 million relating to unrealized gains on financial instruments (2013: EUR 12.2 million losses; 2012: EUR 4.5 million losses).

- 3 The difference between the fair value of the shares and the subscription price of the shares issued to the Participating Customers in the CCIP.
- 4 In 2012, as part of the capital repayment, EUR 3,728.3 million of shareholders' equity was returned to our shareholders (excluding Participating Customers in the CCIP) and the number of shares was reduced by 23 percent. See Note 26.
- 5 In 2014, EUR 28.1 million (2013: EUR 21.0 million) is recognized to increase equity to the fair value of the shares issued to the Participating Customers in the CCIP. The portion of the NRE funding allocable to the shares is recognized over the NRE Funding Agreements period (2013-2017).
- 6 Share-based payments include an amount of EUR 43.5 million in relation to the fair value compensation of unvested equity awards exchanged as part of acquisition of Cymer.
- 7 Issuance of shares includes 36,464,576 ordinary shares issued in relation to the acquisition of Cymer for a total fair value of EUR 2,346.7 million.

Consolidated Statements of Cash Flows

Notes	Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
	Cash Flows from Operating Activities			
	Net income	1,196,640	1,015,490	1,146,316
	Adjustments to reconcile net income to net cash flows from operating activities:			
11, 12	Depreciation and amortization	254,644	228,775	186,620
10, 11, 12	Impairment	10,528	13,057	3,234
12	Loss on disposal of property, plant and equipment ¹	3,502	2,823	2,272
18	Share-based payments	63,380	52,371	18,714
6	Allowance for doubtful receivables	133	1,062	458
8	Allowance for obsolete inventory	162,821	164,852	130,911
20	Deferred income taxes	(59,050)	(22,658)	(72,374)
	<i>Changes in assets and liabilities:</i>			
6	Accounts receivable	(164,850)	(192,149)	246,982
7	Finance receivables	51,132	9,277	(225,103)
8	Inventories ^{1,2}	(293,404)	(518,121)	(352,716)
9	Other assets	(112,424)	(32,941)	19,117
13, 14	Accrued and other liabilities	36,524	(57,282)	(147,691)
	Accounts payable	(136,192)	321,486	(225,083)
20	Current income taxes	11,822	68,131	(28,179)
	Net cash provided by operating activities	1,025,206	1,054,173	703,478
	Cash Flows from Investing Activities			
12	Purchase of property, plant and equipment ²	(358,280)	(210,804)	(171,878)
11	Purchase of intangible assets	(2,952)	(4,000)	(7,658)
5	Purchase of available for sale securities	(504,756)	(904,856)	(1,379,997)
5	Maturity of available for sale securities	849,776	1,195,031	449,992
	Acquisition of subsidiaries (net of cash acquired)	-	(443,712) ³	(10,292)
	Net cash used in investing activities	(16,212)	(368,341)	(1,119,833)
	Cash Flows from Financing Activities			
26	Dividend paid	(267,962)	(216,085)	(188,892)
26, 27	Purchase of shares	(700,000)	(300,000)	(535,373)
	Net proceeds from issuance of shares	39,679	31,822	3,907,666 ⁴
	Net proceeds from issuance of notes	-	740,445 ⁵	-
	Repurchase of notes	-	(368,303) ⁶	-
26	Capital Repayment	-	-	(3,728,324) ⁷
15	Repayment of debt	(4,128)	(4,100)	(2,776)
18, 20	Tax benefit (deficit) from share-based payments	3,972	3,110	2,116
	Net cash used in financing activities	(928,439)	(113,111)	(545,583)
	Net cash flows	80,555	572,721	(961,938)
	Effect of changes in exchange rates on cash	8,238	(9,623)	(2,248)
	Net increase (decrease) in cash and cash equivalents	88,793	563,098	(964,186)
5	Cash and cash equivalents at beginning of the year	2,330,694	1,767,596	2,731,782
5	Cash and cash equivalents at end of the year	2,419,487	2,330,694	1,767,596
	Supplemental Disclosures of Cash Flow Information:			
	Interest and other paid	(42,439)	(50,535)	(37,906)
	Income taxes paid	(124,325)	(2,278)	(109,504)

- An amount of EUR 30.7 million (2013: EUR 48.2 million, 2012: EUR 222.9 million) of the disposal of property, plant and equipment relates to non-cash transfers to inventory. Since the transfers between inventory and property, plant and equipment are non-cash events, these are not reflected in these Consolidated Statements of Cash Flows. For further details see Note 12.
- An amount of EUR 95.5 million (2013: EUR 115.9 million, 2012: EUR 204.8 million) of the additions in property, plant and equipment relates to non-cash transfers from inventory. Other movements include EUR 1.5 million increase (2013: EUR 12.5 million decrease, 2012: EUR 9.6 million decrease), mainly relating to investments not yet paid and inceptions of finance lease arrangements. Since the transfers between inventory and property, plant and equipment are non-cash events, these are not reflected in these Consolidated Statements of Cash Flows. For further details see Note 12.
- In addition to the cash paid in relation to the acquisition of Cymer, we issued 36,464,576 shares for an amount of EUR 2,346.7 million (non-cash event) as part of the consideration paid.
- Net proceeds from issuance of shares includes an amount of EUR 3,853.9 million related to the share issuances in connection to the CCIP. See Note 28 to the Financial Statements.
- Net proceeds from issuance of notes relate to the total cash proceeds of EUR 740.4 million (net of incurred transaction costs) from the issuance of our EUR 750 million 3.375 percent senior notes due 2023.
- Repurchase of notes relates to the net cash outflows of EUR 368.3 million for the partial repurchase of our EUR 600 million 5.75 percent senior notes due 2017 including the partial unwinding of the related interest rate swaps.
- The difference of EUR 125.6 million between the capital repayment of EUR 3,728.3 million and the net proceeds from issuance of shares of EUR 3,853.9 million relates to the capital repayment on ASML's treasury shares which was part of the synthetic share buyback in November 2012.

Notes to the Consolidated Financial Statements

1. General Information / Summary of Significant Accounting Policies

ASML, with its corporate headquarters in Veldhoven, the Netherlands, is engaged in the development, production, marketing, selling and servicing of advanced semiconductor equipment systems, exclusively consisting of lithography systems. ASML's principal operations are in the Netherlands, the United States and Asia.

Our shares are listed for trading in the form of registered shares on NASDAQ and on Euronext Amsterdam. The principal trading market of our ordinary shares is Euronext Amsterdam.

Basis of Preparation

The accompanying Consolidated Financial Statements are stated in thousands of EUR unless indicated otherwise.

The accompanying Consolidated Financial Statements have been prepared in conformity with US GAAP.

On May 30, 2013, we acquired 100 percent of the issued share capital of Cymer. Comparative financial information presented in our Consolidated Financial Statements includes Cymer from May 30, 2013 onwards, Cymer is not included in the comparative financial information before May 30, 2013.

Use of Estimates

The preparation of ASML's Consolidated Financial Statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet dates, and the reported amounts of net sales and costs during the reported periods. Actual results could differ from those estimates.

Principles of Consolidation

The Consolidated Financial Statements include the Financial Statements of ASML Holding N.V. and all of its subsidiaries and the VIE of which ASML is the primary beneficiary. All intercompany profits, balances and transactions have been eliminated in the consolidation.

Subsidiaries

Subsidiaries are all entities over which ASML has the power to govern financial and operating policies generally accompanying a shareholding of more than 50 percent of the voting rights. As from the date that these criteria are met, the financial data of the relevant subsidiaries are included in the consolidation.

Business Combinations

Acquisitions of subsidiaries are included on the basis of the acquisition method. The cost of acquisition is measured based on the consideration transferred at fair value, the fair value of identifiable assets distributed and the fair value of liabilities incurred or assumed at the acquisition date (i.e., the date at which we obtain control). The excess of the costs of an acquired subsidiary over the net of the amounts assigned to identifiable assets acquired and liabilities incurred or assumed, is capitalized as goodwill. Acquisition-related costs are expensed when incurred in the period they arise or the service is received.

Variable Interest Entities

We assess whether we have a controlling financial interest in any VIE and, thus, whether we are the VIE's primary beneficiary. ASML shall be deemed to have a controlling financial interest in a VIE if both of the following characteristics are met: a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If ASML has a controlling financial interest in a VIE, it is required to consolidate the VIE.

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 on the respective balance sheet dates. Income and costs are translated into euros based on the average exchange rate for the corresponding period. The resulting translation adjustments are recorded directly in shareholders' equity.

Derivative Financial Instruments

We principally use derivative financial instruments for the management of foreign currency risks and interest rate risks. We measure all derivative financial instruments based on fair values derived from market prices of the instruments. We adopt hedge accounting for hedges that are highly effective in offsetting the identified hedged risks taking into account required effectiveness criteria.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. We designate certain derivatives as either:

- A hedge of the exposure to changes in the fair value of a recognized asset or liability, that is attributable to a particular risk (fair value hedge); or
- A hedge of the exposure to variability in the cash flows of a recognized asset or liability, or of a forecasted transaction, that is attributable to a particular risk (cash flow hedge).

We document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedging transactions. We also document our assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair Value Hedge

Changes in the fair value of a derivative financial instrument, that is designated and qualified as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in the Consolidated Statements of Operations.

Hedge accounting is discontinued when we revoke the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the Consolidated Statements of Operations from that date.

Interest rate swaps that are being used to hedge the fair value of fixed loan coupons payable are designated as fair value hedges. The change in fair value is intended to offset the change in the fair value of the underlying fixed loan coupons, which is recorded accordingly. The gain or loss relating to the ineffective portion of interest rate swaps hedging fixed loan coupons payable is recognized in the Consolidated Statements of Operations as interest and other, net.

Cash Flow Hedge

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge are recorded in OCI, net of taxes, until the underlying hedged transaction is recognized in the Consolidated Statements of Operations. In the event that the underlying hedge transaction will not occur within the specified time period, the gain or loss on the related cash flow hedge is released from OCI and included in the Consolidated Statements of Operations, unless extenuating circumstances exist that are related to the nature of the forecasted transaction and are outside our control or influence and which cause the forecasted transaction to be probable of occurring on a date that is beyond the specified time period.

Foreign currency hedging instruments that are being used to hedge cash flows related to forecasted sales or purchase transactions in non-functional currencies are designated as cash flow hedges. The gain or loss relating to the ineffective portion of the foreign currency hedging instruments is recognized in the Consolidated Statements of Operations in net sales or cost of sales.

Interest rate swaps that are being used to hedge changes in the variability of future interest cash flows to certain of our operating lease obligations are designated as cash flow hedges. The changes in fair value of the derivatives are intended to offset changes in future interest cash flows of such operating lease obligations. The gain or loss relating to the ineffective portion of interest rate swaps hedging the variability of future interest cash flows is recognized in the Consolidated Statements of Operations as interest and other, net.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits, money market funds and interest-bearing bank accounts with insignificant interest rate risk and remaining maturities of three months or less at the date of acquisition.

Short-term Investments

Investments with remaining maturities longer than three months and less than one year at the date of acquisition are presented as short-term investments. The short-term investments are classified as available-for-sale securities and are stated at fair value. Gains and losses, other than impairments, interest income and foreign exchange results, are recognized in OCI until the short-term investments are derecognized. Upon derecognition, the cumulative gain or loss recognized in OCI, is recognized in the Consolidated Statements of Operations.

Inventories

Inventories are stated at the lower of cost (applying the 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 unsellable inventory.

Allowances for inventory are determined based on the expected demand which is derived from sales forecasts as well as the expected market value of the inventory.

Intangible Assets

Goodwill

Goodwill represents the excess of the costs of an acquisition over the fair value of the amounts assigned to assets acquired and liabilities incurred or assumed of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is allocated to RUs for the purpose of impairment testing. The allocation is made to those RUs that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested for impairment annually at the start of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Goodwill is stated at cost less accumulated impairment losses.

Other Intangible Assets

Other intangible assets include brands, intellectual property, developed technology, customer relationships, in-process R&D and other intangible assets. Other intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses (for the amount exceeding goodwill). Amortization is calculated using the straight-line method based on the estimated useful lives of the assets. The following table presents the estimated useful lives of our finite-lived other intangible assets:

Category	Estimated useful life
Brands	20 years
Intellectual property	3-10 years
Developed technology	6-15 years
Customer relationships	8-18 years
Other	2-6 years

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Costs of assets manufactured by ASML include direct manufacturing costs, production overhead and interest costs incurred for qualifying assets during the construction period. 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 estimated useful lives of our property, plant and equipment:

Category	Estimated useful life
Buildings and constructions	5 - 45 years
Machinery and equipment	2 - 5 years
Leasehold improvements	5 - 10 years
Furniture, fixtures and other equipment	3 - 5 years

Land is not depreciated.

Certain costs associated with the use of software are capitalized. These costs are depreciated on a straight-line basis over the period of related benefit, which ranges primarily from three to five years.

Evaluation of Long-lived Assets for Impairment

Long-lived assets include goodwill, other intangible assets and property, plant and equipment.

Goodwill is tested for impairment annually at the start of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a RU. This test is based on a two-step approach for each RU (being an operating segment or one level below an operating segment) in which goodwill has been recorded. To determine whether it is necessary to perform this two-step approach we may first assess qualitative factors. If we determine that it is more likely than not (a likelihood of more than 50 percent) that the fair value of a RU is less than its carrying amount (including goodwill), the two-step impairment test is performed. In the first step, the recoverability of goodwill is tested by comparing the carrying amount of the RU including goodwill with the fair value of the RU. If the carrying amount of the RU is higher than the fair value of the RU, the second step should be performed. Goodwill impairment is measured as the excess of the carrying amount of the goodwill over its implied fair value. The implied fair value of goodwill is determined by calculating the fair value of the various assets and liabilities included in the RU in the same manner as goodwill is determined in a business combination. Any excess of the carrying amount over the implied fair value is recognized as an impairment loss.

Indefinite-lived other intangibles assets are tested for impairment annually at the start of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of the indefinite-lived other intangible assets may not be recoverable. To determine whether it is necessary to perform a quantitative test, we may first assess qualitative factors. If we determine that it is more likely than not (a likelihood of more than 50 percent) that the fair value of the asset is less than its carrying amount, the quantitative test is performed. We have an unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. The quantitative impairment test for indefinite-lived other intangible assets consists of a comparison of the fair value of these assets with their carrying amounts. Any excess of the carrying amount over the fair value is recognized as an impairment loss.

Finite-lived other intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized only if the carrying amount of finite-lived other intangible assets and property, plant and equipment is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the (un)discounted forecasted cash flows to result from the use and eventual disposition of such asset. An impairment loss is measured as the amount by which the carrying amount exceeds its fair value.

In determining the fair value of long-lived assets, we make estimates about future cash flows. These estimates are based on our strategic plan updated with the latest available projections of the semiconductor industry and our income and cost expectations, which are consistent with the plans and estimates that we use to manage our business. We also make estimates and assumptions concerning our WACC. It is possible that actual results may differ from our plans, estimates and assumptions. Future adverse changes in market conditions may also require impairment of certain long-lived assets, which could have a material adverse effect on our financial condition and results of operations.

Provisions

Provisions for lease contract termination costs are recognized when costs will continue to be incurred under a contract for its remaining term without economic benefit to us and we cease using the rights conveyed by the contract. The provisions are measured at fair value, which for an operating lease contract is determined based on the remaining lease payments reduced by the estimated sublease payments that could be reasonably obtained.

Revenue Recognition

ASML recognizes revenue when all four revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectability is reasonably assured. At ASML this policy generally results in revenue recognition from the sale of a system upon shipment. The revenue from the installation of a system is generally recognized upon completion of that installation at the customer site. Prior to shipment, systems undergo a FAT in our cleanroom facilities, effectively replicating the operating conditions that will be present on the customer's site, in order to verify whether the system will meet its standard specifications and any additional technical and performance criteria agreed with the customer, if any. A system is shipped, and revenue is recognized, only after all contractual specifications are met and customer sign-off is received or waived. In case not all specifications are met and the remaining performance obligation is not essential to the functionality of the system but is substantive rather than inconsequential or perfunctory, a portion of the sales price is deferred. Although each system's performance is re-tested upon installation at the customer's site, we have never failed to successfully complete installation of a system at a customer's premises.

In connection with the introduction of new technology, such as NXE:3300B, we initially defer revenue recognition until acceptance of the new technology based system and completion of installation at the customer's premises. As our systems are based largely on two product platforms that permit incremental, modular upgrades, the introduction of genuinely "new" technology occurs infrequently, and in the past 15 years, has occurred on only two occasions: 2000 (TWINSCAN) and 2010 (EUV).

We have no significant repurchase commitments in our general sales terms and conditions. From time to time we repurchase systems that we have manufactured and sold and, following refurbishment, we resell those systems to other customers. This repurchase decision is mainly driven by market demand expressed by other customers and less frequently by explicit or implicit contractual arrangements relating to the initial sale. We consider reasonable offers from any vendor, including customers, to repurchase used systems so that we can refurbish, resell, and install these systems as part of our normal business operations. Once repurchased, the repurchase price of the used system is recorded in work-in-process inventory during the period it is being refurbished, following which the refurbished system is reflected in finished products inventory until it is sold to the customer. As of December 31, 2014 and 2013, ASML had no repurchase commitments.

We offer customers discounts in the normal course of sales negotiations. These discounts are directly deducted from the gross sales price at the moment of revenue recognition. From time to time, we offer free or discounted products or services (award credits) to our customers as part of a volume purchase agreement. In some instances these volume discounts can be used to purchase field options (system enhancements). The related amount is recorded as a reduction in net sales at time of system shipment. The sales transaction that gives rise to these award credits is accounted for as a multiple element sales transaction as the agreements involve the delivery of multiple products. The consideration received from the sales transaction is allocated between the award credits and the other elements of the sales transaction. The consideration allocated to the award credits is recognized as deferred revenue until award credits are delivered to the customer or earned. The amount allocable to a delivered item is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (the non-contingent amount).

Net sales are recognized excluding the taxes levied on sales (net basis).

In the event of expected losses on executory contracts, we recognize a liability for the amount that the cost of settling the contract exceeds the amount of the contract price. When we satisfy these contracts, we utilize the related liability.

Multiple-Element Arrangements

The main portion of our net sales is derived from contractual arrangements with our customers that have multiple deliverables, which mainly include the sale of our systems, installation and training services and extended and enhanced (optic) warranty contracts. As of January 1, 2011, we adopted ASU 2009-13 "Sales Arrangements with Multiple Deliverables" which converted into ASC 605-25 "Revenue Recognition - Multiple-Element Arrangements". The amended standard changes the requirements for establishing separate units of accounting in a multiple element arrangement and requires the allocation of arrangement consideration to each deliverable to be based on the relative selling price.

Each element in the arrangement is accounted for as a separate unit of accounting provided the following criteria are met: i) the delivered products or services have value to the customer on a standalone basis; and ii) for an arrangement that includes a general right of return relative to the delivered products or services, delivery or performance of the undelivered product or service is considered probable and is substantially controlled by us. We consider a deliverable to have stand-alone value if the product or service is sold separately by us or another vendor or could be resold by the customer. Further, our sales arrangements do not include a general right of return relative to the delivered products. Where the aforementioned criteria for a separate unit of accounting are not met, the deliverable is combined with the undelivered element(s) and treated as a single unit of accounting for the purposes of allocation of the arrangement consideration and revenue recognition.

The hierarchy of evidence to determine a selling price in ASC 605-25 is as follows:

- VSOE – The price at which we sell the element in a separate stand-alone transaction;
- TPE – Evidence from us or other companies of the value of a largely interchangeable element in a transaction;
- BESP – Our best estimate of the selling price of an element in the transaction.

To determine the selling price in multiple element arrangements, we establish VSOE of the selling price for installation, training services and extended and enhanced (optic) warranty contracts. VSOE for installation is determined based on the prices that we charge for billable labor and materials consumed in comparable services (such as relocating a system to another customer site). VSOE for extended and enhanced (optic) warranty contracts is determined on the basis of equivalent products we sell on a standalone basis, such as full service contracts and billable lens swaps, and which are subject to normal price negotiations. Revenue from installation and training services is recognized when the services are completed. Revenue from extended and enhanced (optic) warranty contracts is recognized over the term of the contract. When we are unable to establish the selling price using VSOE or TPE, we use BESP. The objective of using estimated selling price-based methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine BESP considering several internal and external factors including, but not limited to, pricing practices, gross margin objectives, market conditions, competitive environment, internal costs and geographies.

For our NXE:3300B systems, we are unable to determine VSOE for extended, enhanced (optic) warranty contracts and installation. We determined for NXE:3300B systems that BESP is the appropriate reference in the fair value hierarchy for extended and enhanced (optic) warranty contracts. We review selling prices periodically and maintain internal controls over the establishment and updates of these elements.

Lease Arrangements

A lease is classified as a sales-type lease if any of the following lease classification criteria is met at its inception:

1. The lease transfers ownership of the property to the lessee by the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property; or
4. The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessee at lease inception over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

Revenue is recognized at commencement of the lease term of a sales-type lease. The present value of the lease payments is recognized as a finance receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned interest in the Consolidated Statements of Operations.

A lease is classified as an operating lease if the lease classification criteria (as described above) are not met. If ASML has offered its customers an operating lease arrangement, the contract consideration is recognized in the Consolidated Statements of Operations on a straight-line basis over the period of the lease.

Warranty

We provide standard warranty coverage on our systems for 12 months and on certain optic parts for 60 months, providing labor and parts necessary to repair systems during the warranty period. The estimated warranty costs are accounted for by accruing these costs for each system upon recognition of the system sale. The estimated warranty costs are based on historical product performance and service records. We calculate the charge of average service hours and parts per system to determine the estimated warranty costs. On a semi-annual basis, we assess, and update if necessary, our accounting estimates used to calculate the standard warranty.

The extended and enhanced (optic) warranty on our systems is accounted for as a separate element of multiple element revenue recognition transactions.

Customer Co-Investment Program

In connection with the CCIP, we entered into investment agreements, Shareholders Agreements, NRE Funding Agreements and a commercial agreement with Participating Customers.

The investment agreements, Shareholder Agreements, NRE Funding Agreements and commercial agreement are accounted for as a multiple-element arrangement with each of the Participating Customers. Based upon ASC 605-25 Multiple-Element Arrangements guidance, the following two separate elements are identified: (1) the share issuance (governed by the investment agreements and the Shareholder Agreements) and (2) the NRE funding and commercial discounts and credits (governed by the NRE Funding Agreements and the commercial agreement with Intel).

The shares issued to the Participating Customers are recorded at fair value based on quoted share prices (EUR 3,977.4 million) with the remaining aggregate arrangement consideration allocated to the NRE funding and commercial discounts and credits. The difference between the fair value of the shares and the subscription price of the shares (EUR 39.91) was recorded as a deduction from shareholders' equity upon issuance of the shares (EUR 123.4 million). Shareholders' equity is increased to the fair value of the shares as the portion of the NRE funding allocable to the shares is received over the NRE funding period (2013-2017). The amounts are deemed receivables from the Participating Customers in their capacity as shareholders of ASML.

A significant related party relationship exists between ASML and Intel as a result of the equity investment made by Intel as part of the CCIP. Based on the commercial discounts and credits (governed by the Commercial Agreement with Intel) and the significant related party relationship, all NRE funding from Intel will be deferred and recognized in the Consolidated Statement of Operations only when the commercial discounts and credits are earned.

In addition see also other income for further explanation on the accounting policies with respect to CCIP.

Accounting for Shipping and Handling Fees and Costs

ASML bills the customer for, and recognizes as net sales, any charges for shipping and handling costs. The related costs are recognized as cost of sales.

Cost of Sales

Cost of system sales and field option sales comprise direct product costs such as materials, labor, cost of warranty, depreciation, shipping and handling costs and related overhead costs.

Costs of service sales comprise direct service costs such as materials, labor, depreciation and overhead costs.

Other Income

The portion of the NRE funding from TSMC and Samsung not allocable to the shares issued to those Participating Customers under the CCIP is recognized in other income when the R&D costs relating to lithography projects are recognized over the NRE funding period (2013-2017).

R&D Costs and Credits

Costs relating to R&D are charged to operating expenses as incurred. ASML receives subsidies and other grants from several Dutch and international (inter-)governmental institutes ('government grants'). These government grants that cover R&D costs relating to approved projects are recorded as R&D credits in the R&D costs in the Consolidated Statements of Operations.

Government grants are not recognized until there is reasonable assurance that ASML will comply with the conditions and that the grants will be received.

Government grants that are received as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to ASML with no future related costs are recognized in the Consolidated Statements of Operations in the period in which they become receivable.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Share-based Payments

Compensation expenses in relation to share-based payments are recognized based upon the grant-date fair value of stock options and shares. The grant-date fair value of stock options is estimated using a Black-Scholes option valuation model. This Black-Scholes model requires the use of assumptions, including expected share price volatility, the estimated life of each award and the estimated dividend yield. The risk-free interest rate used in the model is determined, based on an index populated with euro-denominated European government agency bond with high credit ratings and with a life equal to the expected life of the equity-settled share-based payments. The grant-date fair value of shares is determined based on the closing price of our shares listed at Euronext Amsterdam on the grant-date.

The grant-date fair value of the equity-settled share-based payments is, based on the terms and conditions, expensed over the vesting period, based on our estimate of equity instruments that will eventually vest. At each balance sheet date, we revise our estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the Consolidated Statements of Operations in the period in which the revision is determined, with a corresponding adjustment to shareholders' equity.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the tax effect of incurred net operating losses and for tax consequences attributable to differences between the balance sheet carrying amounts of existing assets and liabilities and their respective tax bases. If it is more likely than not that the carrying amounts of deferred tax assets will not be realized, a valuation allowance is recorded for the differences.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which 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 Consolidated Statements of Operations in the period that includes the enactment date.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon settlement. While we believe we have appropriate support for the positions taken on our tax returns, we regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes, and adjust the income tax provision, income taxes payable and deferred taxes in the period in which the facts that give rise to a revision become known.

Contingencies and Litigation

In connection with proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavorable outcome and whether the amount of the loss can be reasonably estimated. In most cases, management determined that either a loss was not probable or was not reasonably estimable. Significant subjective judgments were required in these evaluations, including judgments regarding the validity of asserted claims and the likely outcome of legal and administrative proceedings. The outcome of these proceedings, however, is subject to a number of factors beyond our control, most notably the uncertainty associated with predicting decisions by courts and administrative agencies. In addition, estimates of the potential costs associated with legal and administrative proceedings frequently cannot be subjected to any sensitivity analysis, as damage estimates or settlement offers by claimants may bear little or no relation to the eventual outcome. Finally, in any particular proceeding, we may agree to settle or to terminate a claim or proceeding in which we believe that it would ultimately prevail where we believe that doing so, when taken together with other relevant commercial considerations, is more cost-effective than engaging in an expensive and protracted litigation, the outcome of which is uncertain.

We accrue for legal costs related to litigation in our Consolidated Statements of Operations at the time when the related legal services are actually provided.

Net Income per Ordinary Share

Basic net income per ordinary share is calculated by dividing net income by the weighted average number of ordinary shares outstanding for that period. The dilutive effect is calculated using the treasury stock method. Excluded from the diluted weighted average number of shares outstanding calculation are cumulative preference shares contingently issuable to the preference share foundation, since they represent a different class of stock than the ordinary shares.

The basic and diluted net income per ordinary share has been calculated as follows:

Year ended December 31 (in thousands, except per share data)	2014 EUR	2013 EUR	2012 EUR
Net income	1,196,640	1,015,490	1,146,316
Weighted average number of shares outstanding during the year	437,142	429,770	424,096
Basic net income per ordinary share	2.74	2.36	2.70
Weighted average number of shares outstanding:	437,142	429,770	424,096
Plus shares applicable to:			
Options and conditional shares	2,551	3,676	2,890
Dilutive potential ordinary shares	2,551	3,676	2,890
Adjusted weighted average number of shares	439,693	433,446	426,986
Diluted net income per ordinary share¹	2.72	2.34	2.68

¹ The calculation of diluted net income per ordinary share assumes the exercise of options issued under our stock option plans and the issuance of shares under our share plans for periods in which exercises or issuances would have a dilutive effect. The calculation of diluted net income per ordinary share does not assume exercise of such options or issuance of shares when such exercises or issuance would be anti-dilutive.

Comprehensive Income

Comprehensive income consists of net income (loss) and OCI.

OCI refers to gains and losses that are not included in net income (loss), but recorded directly in shareholders' equity. For the years ended December 31, 2014, 2013 and 2012 comprehensive income consists of net income, unrealized gains and losses on financial instruments, being available-for-sale securities and derivative financial instruments designated for hedge accounting, net of taxes, and unrealized gains and losses on foreign currency translation, net of taxes.

New US GAAP Accounting Pronouncements

For the below mentioned ASUs, issued in 2014, the impact on our Financial Statements needs to be assessed:

- In March 2014, FASB issued ASU No. 2014-09 "Revenue From Contracts With Customers". The FASB and the IASB initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for US GAAP and IFRS that would:
 - Remove inconsistencies and weaknesses in previous revenue requirements;
 - Provide a more robust framework for addressing revenue issues;
 - Improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets;
 - Provide more useful information to users of financial statements through improved disclosure requirements; and
 - Simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer.

For public entities, the ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. Early application is not permitted. We are currently in the process of determining the impact of implementing this Standard on our Consolidated Financial Statements.

2. Business Combinations

On May 30, 2013, we concluded the acquisition of Cymer and obtained control through acquiring 100 percent of the issued share capital of Cymer, for a consideration of EUR 3.1 billion. There were no contingent consideration arrangements. The total consideration was allocated to other intangible assets of EUR 751.5 million, other net assets of EUR 287.6 million and goodwill of EUR 2,058.3 million.

Prior to the acquisition, supply and R&D arrangements existed between Cymer and ASML. These pre-existing relationships were effectively settled as a result of the acquisition in 2013. We determined that the R&D arrangement as well as the supply arrangements (excluding EUV) were at current market terms and therefore no gain or loss was recognized. We determined that the EUV supply arrangements were favorable to ASML and therefore a gain of EUR 178.4 million was recognized in cost of sales within our 2013 Consolidated Statements of Operations. This gain was recognized separately from the business combination as it is not part of the assets acquired or liabilities assumed. The approach for quantifying the favorable component to ASML of the EUV supply arrangements is based on the assessment of the prices for such light sources if the EUV supply arrangements would have been renegotiated in May 2013.

The majority of the goodwill arising on the acquisition of Cymer is attributable to the fact that we believe that the acquisition will help us achieving our strategic objective of delivering an economically viable EUV scanner to semiconductor manufacturers as soon as reasonably possible. We believe that combining Cymer's expertise in EUV light sources with our expertise in lithography systems design and integration will reduce the risks related to the successful development of and accelerate the introduction of EUV technology. Without the acquisition, we do not believe that Cymer would have had sufficient resources to complete the development of the EUV light source and as a result, the only way to make the EUV light source development successful without additional delay was through the acquisition of Cymer. We believe that the acquisition allows us to more effectively partition responsibilities between Cymer, its suppliers and us with respect to EUV light source development, thereby reducing risk and increasing development speed. Also, synergies are expected from the combination. None of the goodwill recognized is expected to be deductible for income tax purposes.

In the period between the date of acquisition and December 31, 2013 Cymer contributed EUR 178.7 million to net sales and a loss of EUR 138.5 million to net income (including a charge of EUR 85.5 million related to the purchase price allocation adjustments).

In 2013, we incurred EUR 7.8 million transaction costs relating to the acquisition of Cymer. These costs are included in SG&A.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement hierarchy prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1: Valuations based on inputs such as quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2: Valuations based on inputs other than level 1 inputs such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3: Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's fair value classification is based on the lowest level of any input that is significant in the fair value measurement hierarchy.

Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis

Investments in money market funds (as part of our cash and cash equivalents) have fair value measurements which are all based on quoted prices for identical assets or liabilities.

Our available-for-sale financial instruments consist of Dutch Treasury Certificates and deposits with the Dutch government. Dutch Treasury Certificates are traded in an active market and the fair value is determined based on quoted market prices for identical assets or liabilities. The fair value of deposits is determined with reference to quoted market prices in an active market for similar assets or discounted cash flow analysis.

The principal market in which we execute our derivative contracts is the institutional market in an over-the-counter environment with a high level of price transparency. The market participants usually are large commercial banks. The valuation inputs for our derivative contracts are based on quoted prices and quoting pricing intervals from public data sources; they do not involve management judgement.

The valuation technique used to determine the fair value of forward foreign exchange contracts (used for hedging purposes) approximates the NPV technique which is the estimated amount that a bank would receive or pay to terminate the forward foreign exchange contracts at the reporting date, taking into account current interest rates and current exchange rates.

The valuation technique used to determine the fair value of interest rate swaps (used for hedging purposes) is the NPV technique, which is the estimated amount that a bank would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates.

Our Eurobonds serve as hedged items in fair value hedge relationships in which we hedge the variability of changes in the fair value of our Eurobonds due to changes in market interest rates with interest rate swaps. The fair value changes of these interest rate swaps are recorded on the Consolidated Balance Sheets under derivative financial instruments (within other current assets and other non-current assets) and the carrying amounts of the Eurobonds are adjusted for the effective portion of these fair value changes only. For the actual aggregate carrying amount and the fair value of our Eurobonds, see Note 15.

The following table presents our financial assets and financial liabilities that are measured at fair value on a recurring basis:

As of December 31, 2014 (in thousands)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Assets measured at fair value				
Derivative financial instruments ¹	-	153,803	-	153,803
Money market funds ²	426,742	-	-	426,742
Short-term investments ³	334,864	-	-	334,864
Total	761,606	153,803	-	915,409
Liabilities measured at fair value				
Derivative financial instruments ¹	-	67,755	-	67,755
Assets and Liabilities for which fair values are disclosed				
Long-term debt ⁴	1,139,628	-	-	1,139,628

1 Derivative financial instruments consist of forward foreign exchange contracts and interest rate swaps. See Note 4.

2 Money market funds are part of our cash and cash equivalents.

3 Short-term investments consist of Dutch Treasury Certificates.

4 Long-term debt relates to Eurobonds, further details see Note 15.

As of December 31, 2013 (in thousands)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Assets measured at fair value				
Derivative financial instruments ¹	-	71,620	-	71,620
Money market funds ²	535,000	-	-	535,000
Short-term investments ³	304,884	375,000	-	679,884
Total	839,884	446,620	-	1,286,504
Liabilities measured at fair value				
Derivative financial instruments ¹	-	11,652	-	11,652
Assets and Liabilities for which fair values are disclosed				
Long-term debt ⁴	1,028,238	-	-	1,028,238

1 Derivative financial instruments consist of forward foreign exchange contracts and interest rate swaps. See Note 4.

2 Money market funds are part of our cash and cash equivalents.

3 Short-term investments consist of Dutch Treasury Certificates and deposits with the Dutch government.

4 Long-term debt relates to Eurobonds, further details see Note 15.

There were no transfers between levels during the years ended December 31, 2014 and December 31, 2013.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In 2014, we had no significant fair value measurements on a nonrecurring basis. We did not recognize any impairment charges for goodwill and other intangible assets during 2014. See Notes 10 and 11 for more information.

4. Financial Risk Management

We are exposed to certain financial risks such as market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potentially adverse effects on our financial performance. We use derivative financial instruments to hedge certain risk exposures. None of our transactions are entered into for trading or speculative purposes. We believe that market information is the most reliable and transparent measure for our derivative financial instruments that are measured at fair value.

Foreign Currency Risk Management

Our sales are predominately denominated in euros. Exceptions may occur on a customer by customer basis. Our cost of sales and other costs are mainly denominated in euros, to a certain extent in U.S. dollars, Taiwanese dollars and Japanese yen and to a limited extent in other currencies. Therefore, we are exposed to foreign currency exchange risk.

It is our policy to hedge material transaction exposures, such as forecasted sales and purchase transactions, and material net remeasurement exposures, such as accounts receivable and payable. We hedge these exposures through the use of foreign exchange contracts. In line with our overall risk management program we do not hedge currency translation exposures resulting from net equity investments in foreign subsidiaries.

As of December 31, 2014, accumulated OCI includes EUR 16.3 million (2013: EUR 10.7 million) (net of taxes: EUR 14.5 million; 2013: EUR 9.5 million loss) representing the total anticipated gain to be released to cost of sales, which will offset the EUR equivalent of foreign currency denominated forecasted purchase transactions. All amounts are expected to be released over the next 12 months. As of December 31, 2014, no amount (2013: no amount) was included in accumulated OCI representing the total anticipated gain to be released to sales, which will be offset by the EUR equivalent of foreign currency denominated forecasted sales transactions. The effectiveness of all contracts for which we apply hedge accounting is monitored on a quarterly basis throughout the life of the hedges. During 2013 and 2014, no ineffective hedge relationships were recognized.

Interest Rate Risk Management

We have interest-bearing assets and liabilities that expose us to fluctuations in market interest rates. We use interest rate swaps to align the interest-typical terms of interest-bearing liabilities with the interest-typical terms of interest-bearing assets. There may be residual interest rate risk to the extent the asset and liability positions do not fully offset.

As part of our hedging policy, we use interest rate swaps to hedge changes in fair value of our Eurobonds due to changes in market interest rates, thereby offsetting the variability of future interest receipts on part of our cash and cash equivalents. During 2014, these hedges were highly effective in hedging the fair value exposure to interest rate movements. The changes in fair value of the Eurobonds were included at the same time in the Consolidated Statements of Operations as the changes in the fair value of the interest rate swaps.

Furthermore, as part of our hedging policy, we use interest rate swaps to hedge the variability of future interest cash flows relating to certain of our operating lease obligations. During 2014, these hedges were highly effective in hedging the cash flow exposure to interest rate movements.

Financial Instruments

We use foreign exchange contracts to manage our foreign currency risk and interest rate swaps to manage our interest rate risk. The following table summarizes the notional amounts and estimated fair values of our derivative financial instruments:

As of December 31 (in thousands)	2014		2013		Fair Value EUR
	Notional amount EUR	Fair Value EUR	Notional amount EUR	Fair Value EUR	
Forward foreign exchange contracts	1,219,894	(52,319)	986,986	8,583	
Interest rate swaps	1,013,053	138,367	1,013,053	51,385	

The following table summarizes our derivative financial instruments per category:

As of December 31 (in thousands)	2014		2013	
	Assets EUR	Liabilities EUR	Assets EUR	Liabilities EUR
Interest rate swaps - cash flow hedges	-	3,586	-	3,598
Interest rate swaps - fair value hedges	141,953	-	54,983	-
Forward foreign exchange contracts - cash flow hedges	8,777	36	3	6,039
Forward foreign exchange contracts - other hedges (no hedge accounting)	3,073	64,133	16,634	2,015
Total	153,803	67,755	71,620	11,652
Less non-current portion:				
Interest rate swaps - cash flow hedges	-	2,808	-	2,608
Interest rate swaps - fair value hedges	115,546	-	30,777	-
Total non-current portion	115,546	2,808	30,777	2,608
Total current portion	38,257	64,947	40,843	9,044

The fair value part of a hedging derivative financial instruments that has a remaining term of 12 months or less after balance sheet date is classified as current asset or liability. When the fair value part of a hedging derivative has a term of more than 12 months after balance sheet date, it is classified as non-current asset or liability. The current portion of derivative financial instruments is included in, respectively, other current assets and current accrued and other liabilities in the Consolidated Balance Sheets. The non-current portion of derivative financial instruments is included in, respectively, other non-current assets and non-current accrued and other liabilities in the Consolidated Balance Sheets.

For further information regarding our derivative financial instruments, see Note 3.

Foreign Exchange Contracts

The notional principal amounts of the outstanding forward foreign exchange contracts in the main currencies U.S. dollar, Japanese yen and Taiwanese dollar at December 31, 2014 are USD 958.0 million, JPY 44.8 billion and TWD 6.2 billion (2013: USD 1,144.0 million, JPY 2.2 billion and TWD 2.7 billion).

The hedged highly probable forecasted transactions denominated in foreign currency are expected to occur at various dates during the coming 12 months. Gains and losses recognized in OCI on forward foreign exchange contracts as of December 31, 2014 will be recognized in the Consolidated Statements of Operations in the period during which the hedged forecasted transactions affect the Consolidated Statements of Operations.

In 2014, we recognized a net amount of EUR 6.7 million loss (2013: EUR 2.3 million gain; 2012: EUR 8.7 million gain) in the Consolidated Statements of Operations resulting from effective cash flow hedges for forecasted sales and purchase transactions that occurred in the year. Furthermore, we recognized a net amount of EUR 119.3 million loss in the Consolidated Statements of Operations resulting from derivative financial instruments measured at fair value through profit or loss (2013: EUR 62.5 million gain; 2012: EUR 3.0 million gain).

Interest Rate Swaps

The notional principal amount of the outstanding interest rate swap contracts as of December 31, 2014 was EUR 1,013.1 million (2013: EUR 1,013.1 million).

Credit Risk Management

Financial instruments that potentially subject us to significant concentration of credit risk consist principally of cash and cash equivalents, short-term investments, derivative financial instruments used for hedging activities, accounts receivable and finance receivables.

Cash and cash equivalents, short-term investments and derivative financial instruments contain an element of risk of the counterparties being unable to meet their obligations. Our risk management program focuses appropriately on the current environment of uncertainty in the financial markets, especially in the euro-zone. We invest our cash and cash equivalents and short-term investments in short-term deposits with financial institutions that have good credit ratings and with the Dutch government, in Dutch Treasury Certificates and in AAAm-rated money market funds that invest in high-rated short-term debt securities of financial institutions and governments. To mitigate the risk that any of our counterparties in hedging transactions is unable to meet its obligations, we only enter into transactions with a limited number of major financial institutions that have good credit ratings and closely monitor the creditworthiness of our counterparties. Concentration risk is mitigated by limiting the exposure to a single counterparty.

Our customers consist of IC manufacturers located throughout the world. We perform ongoing credit evaluations of our customers' financial condition. We take additional measures to mitigate credit risk when considered appropriate by means of e.g. down payments, letters of credit or retention of ownership provisions in contracts. Retention of ownership enables us to recover the systems in the event a customer defaults on payment.

5. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents at December 31, 2014 include deposits with financial institutions that have good credit ratings and with the Dutch government of EUR 1,200.0 million (2013: EUR 853.5 million), investments in AAAm-rated money market funds that invest in debt securities of financial institutions that have good credit ratings and governments of EUR 426.7 million (2013: EUR 535.0 million) and interest-bearing bank accounts of EUR 792.8 million (2013: EUR 942.2 million). Our cash and cash equivalents are predominantly denominated in euros and partly in U.S. dollars.

Cash and cash equivalents have insignificant interest rate risk and remaining maturities of three months or less at the date of acquisition. Except for an amount of EUR 5.1 million, no restrictions on usage of cash and cash equivalents exist. The carrying amount of these assets approximates their fair value.

Short-term investments have insignificant interest rate risk and remaining maturities longer than three months but less than one year at the date of acquisition.

Short-term investments (classified as available for sale securities) consist of the following:

As of December 31, 2014 (in thousands)	Cost basis	Unrealized Gains	Unrealized Losses	Recorded Basis
Dutch Treasury Certificates	334,864	-	-	334,864
Deposits	-	-	-	-
Total	334,864	-	-	334,864

As of December 31, 2013 (in thousands)	Cost basis	Unrealized Gains	Unrealized Losses	Recorded Basis
Dutch Treasury Certificates	304,884	-	-	304,884
Deposits	375,000	-	-	375,000
Total	679,884	-	-	679,884

6. Accounts Receivable

Accounts receivable consist of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Accounts receivable, gross	1,054,574	880,169
Allowance for doubtful receivables	(2,070)	(1,848)
Accounts receivable, net	1,052,504	878,321

The increase in accounts receivable as of December 31, 2014 compared to December 31, 2013 was mainly caused by a change in products towards more high-end system types.

The carrying amount of the accounts receivable approximates the fair value. We perform ongoing credit evaluations on our customers' financial condition. We periodically review whether an allowance for credit losses is needed by considering factors such as historical payment experience, credit quality, aging of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

Movements of the allowance for doubtful receivables are as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR
Balance at beginning of year	(1,848)	(2,071)
Addition for the year ¹	(133)	(1,062)
Effect of changes in exchange rates	(98)	128
Utilization of the provision	9	1,157
Balance at end of year	(2,070)	(1,848)

¹ The addition for the year is recorded in the cost of sales.

7. Finance Receivables

Finance receivables consist of receivables in relation to sales-type leases. The following table lists the components of the finance receivables as of December 31, 2014 and 2013:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Finance receivables, gross	256,703	302,977
Unearned interest	(5,355)	(6,488)
Finance receivables, net	251,348	296,489
Current portion of finance receivables, gross	198,803	254,227
Current portion of unearned interest	(2,716)	(3,755)
Non-current portion of finance receivables, net	55,261	46,017

The decrease in finance receivables as of December 31, 2014 compared to December 31, 2013 was caused by a change in products, lower number of high-end system types included at the end of 2014 compared to 2013. At December 31, 2014, finance receivables due for payment in each of the next five years and thereafter are as follows:

(in thousands)	EUR
2015	198,803
2016	6,150
2017	36,450
2018	15,300
2019	-
Thereafter	-
Finance receivables, gross	256,703

We perform ongoing credit evaluations on our customers' financial condition. We periodically review whether an allowance for credit losses is needed by considering factors such as historical payment experience, credit quality, the aging of the finance receivables balances, and current economic conditions that may affect a customer's ability to pay. In 2014, 2013 and 2012 we did not record any expected credit losses from finance receivables. As of December 31, 2014, the finance receivables were neither past due nor impaired.

8. Inventories

Inventories consist of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Raw materials	456,685	438,853
Work-in-process	1,477,041	1,549,119
Finished products	927,493	666,648
Inventories, gross	2,861,219	2,654,620
Allowance for obsolescence and/or lower market value	(311,382)	(261,598)
Inventories, net	2,549,837	2,393,022

The increase in finished products in 2014 compared to 2013 is mainly caused by a change in products towards more high-end system types (NXT:1965Ci and NXT:1970Ci) and the build up of spare parts to service our NXE:3100 and NXE:3300B systems.

A summary of activity in the allowance for obsolescence and/or lower market value is as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR
Balance at beginning of year	(261,598)	(267,366)
Addition for the year	(162,821)	(164,852)
Effect of changes in exchange rates	(8,848)	2,532
Utilization of the provision	121,885	168,088
Balance at end of year	(311,382)	(261,598)

In 2014, the addition for the year is recorded in cost of sales EUR 146.3 million and in R&D costs EUR 16.5 million (2013: cost of sales EUR 155.4 million and R&D costs EUR 9.5 million, 2012: cost of sales EUR 125.2 million and R&D costs EUR 5.7 million). The 2014 addition for the year mainly related to inventory items which ceased to be used due to technological developments and design changes which resulted in obsolescence of certain parts.

Utilization of the provision mainly relates to the sale and scrapping of obsolete inventories. In 2014, 2013 and 2012, ASML made insignificant profit on the sale of inventories that had been previously written down.

9. Other Assets

Other current assets consist of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Advance payments to Zeiss	69,307	99,415
Prepaid expenses	161,482	100,077
Operations to be invoiced	40,912	8,114
Derivative financial instruments	38,257	40,843
VAT	41,121	67,381
Other assets	39,012	20,591
Other current assets	390,091	336,421

Zeiss is our sole supplier of main optical systems (lenses, mirrors, collectors and other critical optical components) and, from time to time, receives non-interest bearing advance payments from us that support Zeiss' work-in-process, thereby securing lens and optical module deliveries to us. Amounts owed under these advance payments are settled through future lens or EUV optical module deliveries which explains the decrease in 2014 compared to 2013.

Prepaid expenses mainly include prepaid income taxes on intercompany profit, not realized by the ASML group of EUR 58.2 million as of December 31, 2014 (2013: EUR 45.4 million). The increase in 2014 mainly relates to prepayments in relation to our joint development projects with one of our research partners.

Derivative financial instruments consist of forward foreign exchange contracts and the current part of the aggregate fair value of interest rate swaps, see Note 4.

Other non-current assets consist of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Advance payments to Zeiss	285,659	224,123
Derivative financial instruments	115,546	30,777
Compensation plan assets ¹	26,172	20,174
Prepaid expenses	6,525	10,950
Subordinated loan granted to lessor in respect of Veldhoven headquarters ²	5,445	5,445
Other	5,473	7,090
Other non-current assets	444,820	298,559

¹ For further details on compensation plan assets see Note 18.

² For further details on the loan granted to lessor in respect of Veldhoven headquarters see Note 12.

The increase in the advance payments to Zeiss in 2014 compared to 2013 is mainly driven by a prepayment under an EUV agreement.

Derivative financial instruments consist of the non-current part of the fair value of interest rate swaps, which increased in value as a result of the decrease in EURIBOR, see Note 4.

10. Goodwill

Changes in goodwill are summarized as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR
Cost		
Balance at beginning of year	2,088,589	149,168
Acquisition through business combinations	-	2,058,285
Effect of changes in exchange rates	268,947	(118,864)
Balance at end of year	2,357,536	2,088,589

Goodwill is tested for impairment annually at the start of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable.

Goodwill mainly relates to the acquisition of Cymer. Within ASML we have identified two RUs, which are RU ASML and RU CLS.

As of December 31, 2014 the goodwill allocated to RU ASML amounts to EUR 1,908.3 million (2013: EUR 1,690.7 million) and for RU CLS this amounts to EUR 449.2 million (2013: EUR 397.9 million).

For 2014 and 2013, the fair value calculations of the RUs were performed by discounting the future cash flows generated from the continuing use of the RUs. Cash flows beyond the forecasted period of five years have been extrapolated using a 0 percent growth rate.

The pre-tax WACC used to determine the expected discounted future cash flows is 10.5 percent for RU ASML and 11.8 percent for RU CLS.

Based on the recoverability testing during the annual goodwill impairment test, we believe that the fair values of the RUs substantially exceed their carrying amounts, and therefore goodwill was not impaired as of December 31, 2014.

11. Other Intangible Assets

Other intangible assets consist of both finite-lived other intangible assets and indefinite-lived other intangible assets. Brands, developed technology, customer relationships, in-process R&D and other were obtained from the acquisitions of Cymer (2013) and Brion (2007).

Finite-lived other intangible assets consist of the following:

(in thousands)	Brands EUR	Intellectual property EUR	Developed technology EUR	Customer relationships EUR	Other EUR	Total EUR
Cost						
Balance, January 1, 2013	-	54,908	49,031	8,733	2,231	114,903
Acquisitions through business combinations	13,280	-	427,797	162,980	-	604,057
Additions	-	4,000	-	-	-	4,000
Effect of changes in exchange rates	(726)	-	(23,380)	(8,907)	-	(33,013)
Balance, December 31, 2013	12,554	58,908	453,448	162,806	2,231	689,947
Additions	-	2,952	-	-	-	2,952
Effect of changes in exchange rates	1,621	-	52,228	19,897	-	73,746
Balance, December 31, 2014	14,175	61,860	505,676	182,703	2,231	766,645
Accumulated amortization						
Balance, January 1, 2013	-	48,028	48,351	6,369	2,212	104,960
Amortization	382	2,135	18,694	6,332	19	27,562
Effect of changes in exchange rates	(13)	-	(596)	(174)	-	(783)
Balance, December 31, 2013	369	50,163	66,449	12,527	2,231	131,739
Amortization	649	2,649	30,593	9,990	-	43,881
Effect of changes in exchange rates	107	-	5,039	1,466	-	6,612
Balance, December 31, 2014	1,125	52,812	102,081	23,983	2,231	182,232
Carrying amount						
December 31, 2013	12,185	8,745	386,999	150,279	-	558,208
December 31, 2014	13,050	9,048	403,595	158,720	-	584,413

Intellectual property relates to licenses and patents purchased from third parties. During 2014, we acquired intellectual property from third parties for an amount of EUR 3.0 million (2013: EUR 4.0 million).

During 2014, we recorded amortization charges of EUR 43.9 million (2013: EUR 27.6 million; 2012: EUR 6.1 million) which were recorded in cost of sales for EUR 41.9 million (2013: EUR 27.0 million; 2012: EUR 6.0 million) and in R&D costs for EUR 2.0 million (2013: EUR 0.6 million and 2012: EUR 0.1 million).

Indefinite-lived other intangible assets consist of the following:

(in thousands)	In-process R&D EUR
Cost	
Balance, January 1, 2013	-
Acquisitions through business combinations	147,485
Additions	-
Effect of changes in exchange rates	(8,059)
Balance, December 31, 2013	139,426
Additions	-
Carrying amount, December 31, 2014	139,426

As of December 31, 2014, the indefinite-lived other intangible assets amount to EUR 139.4 million (2013: EUR 139.4 million) and are allocated to RU ASML.

During 2014, 2013 and 2012, we did not record any impairment charges for other intangible assets.

As at December 31, 2014, the estimated amortization expenses for other intangible assets, for the next five years and thereafter, are as follows:

	(in thousands)	EUR
	2015	46,918
	2016	58,355
	2017	57,558
	2018	56,220
	2019	55,706
	Thereafter	449,082
	Amortization expenses	723,839

12. Property, Plant and Equipment

Property, plant and equipment consist of the following:

(in thousands)	Land, buildings and constructions EUR	Machinery and equipment EUR	Leasehold improvements EUR	Furniture, fixtures and other equipment EUR	Total EUR
Cost					
Balance, January 1, 2013	847,033	690,759	214,852	336,775	2,089,419
Acquisitions through business combinations	71,040	48,965	1,057	3,246	124,308
Additions	123,646	171,895	11,543	32,168	339,252
Disposals	(14)	(90,244)	(336)	(1,925)	(92,519)
Effect of changes in exchange rates	(6,605)	(17,490)	(1,464)	(1,783)	(27,342)
Balance, December 31, 2013	1,035,100	803,885	225,652	368,481	2,433,118
Additions	222,670	191,705	6,137	31,750	452,262
Disposals	(1,557)	(222,836)	(1,208)	(100,485)	(326,086)
Effect of changes in exchange rates	13,275	26,955	1,229	3,344	44,803
Balance, December 31, 2014	1,269,488	799,709	231,810	303,090	2,604,097
Accumulated depreciation and impairment					
Balance, January 1, 2013	187,272	417,982	158,778	295,464	1,059,496
Depreciation	47,791	114,677	12,415	22,170	197,053
Impairment charges	3,619	7,997	1,352	89	13,057
Disposals	(5)	(42,625)	(266)	(1,282)	(44,178)
Effect of changes in exchange rates	(1,116)	(8,068)	(422)	(544)	(10,150)
Balance, December 31, 2013	237,561	489,963	171,857	315,897	1,215,278
Depreciation	52,242	112,090	20,936	24,236	209,504
Impairment charges	7,403	2,983	-	142	10,528
Disposals	(90)	(190,154)	(1,204)	(100,450)	(291,898)
Effect of changes in exchange rates	(1,017)	11,950	654	1,575	13,162
Balance, December 31, 2014	296,099	426,832	192,243	241,400	1,156,574
Carrying amount					
December 31, 2013	797,539	313,922	53,795	52,584	1,217,840
December 31, 2014	973,389	372,877	39,567	61,690	1,447,523

As of December 31, 2014, the carrying amount includes assets under construction for land, buildings and constructions of EUR 201.1 million (2013: EUR 49.3 million), machinery and equipment of EUR 30.2 million (2013: EUR 35.9 million), leasehold improvements of EUR 2.8 million (2013: EUR 1.0 million) and furniture, fixtures and other equipment of EUR 11.2 million (2013: EUR 13.9 million). As of December 31, 2014, the carrying amount of land amounts to EUR 82.9 million (2013: EUR 79.2 million).

The majority of the additions in 2014 in property, plant and equipment relate to the further expansion of EUV production facilities for our newest technology.

The majority of additions in 2014 in machinery and equipment mainly relates to operating leases to customers, prototypes, evaluation and training systems which are similar to those that ASML sells in its ordinary course of business. These systems are capitalized under property, plant and equipment because they are held for own use, for operating lease and for evaluation purposes. These are recorded at cost and depreciated over their expected useful life taking into consideration their residual value. From the time that these assets are no longer held for use but intended for sale in the ordinary course of business, they are reclassified from property, plant and equipment to inventory at the lower of their carrying value or fair market value. Since the transfers between inventory and property, plant and equipment are non-cash events, these are not reflected in the Consolidated Statements of Cash Flows. An amount of EUR 95.5 million (2013: EUR 115.9 million) of the additions relates to non-cash transfers from inventory and an amount of EUR 1.5 million (2013: EUR 12.5 million decrease) relates to other non-cash movements (mainly capital expenditures not yet paid as at December 31, 2014). An amount of EUR 30.7 million (2013: EUR 48.2 million) of the disposals relates to non-cash transfers to inventory. When sold, the proceeds and cost of these systems are recorded as net sales and cost of sales, respectively, identical to the treatment of other sales transactions. The cost of sales for these systems includes the inventory value and the additional costs of refurbishing (materials and labor).

As of December 31, 2014, the carrying amount of machinery and equipment includes an amount of EUR 68.6 million with respect to evaluation and operating lease systems (2013: EUR 36.7 million).

The majority of the disposals during 2014 relate to fully depreciated long-lived assets, in general tooling and other fixtures, which have been retired from active use.

During 2014, we recorded depreciation charges of EUR 209.5 million (2013: EUR 197.1 million; 2012: EUR 179.3 million) of which we recorded EUR 153.9 million (2013: EUR 144.1 million; 2012: EUR 147.7 million) in cost of sales, EUR 36.3 million (2013: EUR 35.0 million; 2012: EUR 15.3 million) in R&D costs and EUR 19.3 million (2013: EUR 18.0 million; 2012: EUR 16.3 million) in SG&A costs.

Variable Interest Entity

The carrying amount of land, buildings and constructions includes an amount of EUR 29.5 million (2013: EUR 30.9 million) relating to our headquarters in Veldhoven, the Netherlands, which is owned by Koppelenweg II B.V., a "VIE".

As of 2003, we are leasing the Veldhoven headquarters for a period of 15 years (starting in 2003) from an entity ("lessor") that was incorporated by the VIE Shareholders. The lessor's shareholders' equity amounts to EUR 1.9 million and has not changed since 2003.

The VIE shareholders each granted a loan of EUR 11.6 million and a fourth bank granted a loan of EUR 12.3 million (EUR 47.1 million in total) to the parent of the lessor. ASML provided the parent of the lessor with a subordinated loan of EUR 5.4 million and has a purchase option that is exercisable either at the end of the lease in 2018, at a price of EUR 24.5 million, or during the lease at a price equal to the book value of the assets. The total assets of the lessor entity amounted to EUR 54.5 million at inception of the lease. The entity is determined to be a VIE because the equity investors do not have sufficient equity at risk for the legal entity to finance its activities without sufficient additional subordinated support.

The primary purpose for which the VIE was created was to provide ASML with use of the building for 15 years, where ASML does not retain substantially all the risks and rewards from changes in value of the building. The main activities of the entity are to rent, re-market and ultimately sell the building that is owned by the VIE. The economic performance of the VIE is most significantly impacted by the ability of the lessee (ASML) to exercise the purchase option at any time during the lease term, and thus we could potentially benefit from increases in the fair value of the building.

While the debt holders have an interest, and may absorb losses, and the equity holders have an interest and may receive benefits, they do not have the power to direct activities that most significantly impact the entity's economic performance and therefore, cannot be the primary beneficiary. Through the pre-determined price of the call option ASML has the power over the VIE, therefore only ASML meets both the power and losses/benefit criterion and consolidates the VIE.

13. Accrued and Other Liabilities

Accrued and other liabilities consist of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Deferred revenue	1,268,633	939,358
Costs to be paid	411,725	440,010
Down payments from customers	647,317	821,959
Personnel related items	301,075	247,246
Derivative financial instruments	67,755	11,652
Standard warranty reserve	41,508	27,475
Other	21,441	12,324
Accrued and other liabilities	2,759,454	2,500,024
Less: non-current portion of accrued and other liabilities ¹	411,655	283,142
Current portion of accrued and other liabilities	2,347,799	2,216,882

¹ The main part of the non-current portion of accrued and other liabilities relates to down payments received from customers regarding future shipments of EUV systems and deferrals with respect to services.

The increase in accrued and other liabilities mainly relates to the increases in deferred revenue, derivative financial instruments and personnel related items, which are partly offset by a decrease in down payments from our customers and costs to be paid.

Deferred revenue as of December 31, 2014 mainly consists of credits regarding free or discounted products or services as part of volume purchase agreements amounting to EUR 925.2 million (2013: EUR 660.1 million) and extended and enhanced (optic) warranty contracts amounting to EUR 313.8 million (2013: EUR 261.2 million). Both include deferrals with respect to our third-generation EUV systems, NXE:3300B. The total deferred revenue of the third-generation EUV systems, NXE:3300B, is EUR 102.5 million (2013: EUR 87.6 million).

We receive down payments from our customers prior to shipment of systems included in our current product portfolio or systems currently under development. The decrease in down payments from our customers is mainly due to the shipment of NXE:3300B systems.

Costs to be paid as of December 31, 2014 include an amount of EUR 124.0 million (2013: EUR 171.2 million) relating to the expected losses to upgrade the first 11 NXE:3300B sources in the field, which was assumed by ASML as a result of the acquisition of Cymer. In addition, costs to be paid include accrued costs for unbilled services provided by suppliers including contracted labor, outsourced services and consultancy.

Personnel related items mainly consist of accrued management bonuses, accrued profit sharing, accrued vacation days, accrued vacation allowance, accrued wage tax, social securities and accrued pension premiums.

Derivative financial instruments consist of the fair value of foreign currency contracts and the aggregate fair value of interest rate swaps which includes accrued interest, see Note 4.

Changes in standard warranty reserve for the years 2014 and 2013 are as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR
Balance at beginning of year	27,475	21,626
Acquisitions through business combinations	-	2,978
Additions for the year	42,420	37,124
Utilization of the reserve	(22,749)	(19,924)
Release of the reserve	(5,468)	(13,076)
Effect of exchange rates	(170)	(1,253)
Balance at end of year	41,508	27,475

The increase of the total standard warranty reserve is mainly related to accrued warranties for NXE:3300B systems. This increase is included in cost of sales.

14. Provisions

The movement in the provision for lease contract termination costs is as follows:

(in thousands)	2014 EUR	2013 EUR
Balance, January 1	6,847	10,254
Utilization of the provision	(2,517)	(2,790)
Release of the provision	-	(1,011)
Unwinding of discount	918	391
Effect of exchange rates	744	3
Provision for lease contract termination costs	5,992	6,847
Less: current portion of provision for lease contract termination costs	2,354	2,227
Non-current portion of provision for lease contract termination costs	3,638	4,620

The provision for lease contract termination costs relates to an operating lease contract for a building for which no economic benefits are expected. The provision for lease contract termination costs is expected to be fully utilized by 2017.

15. Long-term Debt

Long-term debt consists of the following:

As of December 31 (in thousands)	2014 EUR	2013 EUR
EUR 600 million 5.75 percent senior notes due 2017, carrying amount	264,085	270,339
EUR 750 million 3.375 percent senior notes due 2023, carrying amount	841,514	751,591
Loan headquarter building ¹	29,507	30,936
Other	19,031	21,704
Long-term debt	1,154,137	1,074,570
Less: current portion of long-term debt	4,261	4,385
Non-current portion of long-term debt	1,149,876	1,070,185

¹ This loan relates to our VIE, see Note 12.

Our obligations to make principal repayments under our Eurobonds and other borrowing arrangements excluding interest expense as of December 31, 2014, for the next five years and thereafter, are as follows:

(in thousands)	EUR
2015	4,261
2016	4,606
2017	242,361
2018	27,997
2019	1,762
Thereafter	755,705
Long-term debt	1,036,692
Less: current portion of long-term debt	4,261
Non-current portion of long-term debt	1,032,431

Eurobonds

The following table summarizes the carrying amount of our outstanding Eurobonds, including the fair value of interest rate swaps used to hedge the change in the fair value of the Eurobonds:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Amortized cost amount	978,242	981,291
Fair value interest rate swaps ¹	127,357	40,639
Carrying amount	1,105,599	1,021,930

¹ The fair value of the interest rate swaps excludes accrued interest.

In June 2007, we completed an offering of our EUR 600 million 5.75 percent senior notes due 2017, with interest payable annually on June 13. The notes are redeemable at the option of ASML, in whole or in part, at any time by paying a make whole premium, and unless previously redeemed, will be redeemed at 100 percent of their principal amount on June 13, 2017. In September 2013, we repurchased a nominal amount of EUR 361.8 million of these notes in a tender offer for a cash amount of EUR 423.0 million including accrued interest.

In September 2013, we completed an offering of our EUR 750 million 3.375 percent senior notes due 2023, with interest payable annually on September 19. The notes are redeemable at the option of ASML, in whole or in part, at any time by paying a make whole premium, and unless previously redeemed, will be redeemed at 100 percent of their principal amount on September 19, 2023.

The Eurobonds serve as hedged items in fair value hedge relationships in which we hedge the variability of changes in the fair value of our Eurobonds due to changes in market interest rates with interest rate swaps. The fair value changes of these interest rate swaps are recorded on the Consolidated Balance Sheets under derivative financial instruments (within other current assets and other non-current assets) and the carrying amount of the Eurobonds is adjusted for these fair value changes only. Following the repurchase of part of our EUR 600 million 5.75 percent senior notes due 2017, the corresponding part of the interest rate swaps was simultaneously terminated in 2013.

The following table summarizes the estimated fair value of our Eurobonds:

As of December 31 (in thousands)	2014 EUR	2013 EUR
Principal amount	988,153	988,153
Carrying amount	1,105,599	1,021,930
Fair value ¹	1,139,628	1,028,238

¹ Source: Bloomberg Finance LP

The fair value of our Eurobonds is estimated based on quoted market prices as of December 31, 2014. Due to changes in market interest rates and credit spreads since the issue of our Eurobonds which carry a fixed coupon interest rate, the fair value deviates from the principal amount.

16. Lines of Credit

Our available credit facilities amount to EUR 700.0 million as of December 31, 2014 and EUR 700.0 million as of December 31, 2013. No amounts were outstanding under these credit facilities at the end of 2014 and 2013.

The amounts available at December 31, 2014 and 2013 consist of one EUR 700 million committed revolving credit facility from a group of banks that will mature in 2018. The credit facility contains a restrictive covenant that requires us to maintain a minimum long-term committed capital to net total assets ratio of 40.0 percent calculated in accordance with contractually agreed definitions. Long-term committed capital includes, among other things, shareholders' equity and debt maturing at least one year after the maturity date of the credit facility, while net total assets mainly comprises total assets minus cash, cash equivalents and certain short-term investments. Furthermore, adjustments are made for e.g. intangibles and operating leases. As of December 31, 2014 this ratio was 82.8 percent (2013: 89.6 percent). Therefore, we were in compliance with the covenant at the end of 2014 and 2013. Outstanding amounts under this credit facility will bear interest at EURIBOR or LIBOR plus a margin that depends on our liquidity position.

17. Commitments, Contingencies and Guarantees

We have various contractual obligations, some of which are required to be recorded as liabilities in our Financial Statements, including long- and short-term debt. Other contractual obligations, namely operating lease commitments, purchase obligations and guarantees, are generally not required to be recognized as liabilities on our Consolidated Balance Sheets but are required to be disclosed.

Our contractual obligations as of December 31, 2014 can be summarized as follows:

	Payments due by period (in thousands)	Total EUR	1 year EUR	2 year EUR	3 year EUR	4 year EUR	5 year EUR	After 5 years EUR
Long-Term Debt Obligations, including interest expense ¹		1,311,503	44,958	45,302	283,058	54,155	27,075	856,955
Operating Lease Obligations		89,209	29,280	22,590	11,534	8,256	6,961	10,588
Purchase Obligations		1,588,977	1,464,451	113,606	10,186	158	556	20
Unrecognized Tax Benefits, including interest expense		83,738	-	12,813	14,092	2,858	2,367	51,608
Total Contractual Obligations		3,073,427	1,538,689	194,311	318,870	65,427	36,959	919,171

¹ See Note 15 to our Financial Statements for the amounts excluding interest expense.

Long-term debt obligations mainly relate to interest payments and principal amounts of our Eurobonds. See Note 15 to our Financial Statements.

Operating lease obligations include leases of equipment and facilities. Lease payments recognized as an expense were EUR 43.9 million, EUR 42.0 million and EUR 41.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Several operating leases for our buildings contain purchase options, exercisable at the end of the lease, and in some cases, during the term of the lease. The amounts to be paid if ASML should exercise these purchase options at the end of the lease as of December 31, 2014 can be summarized as follows:

	Purchase options due by period (in thousands)	Total EUR	1 year EUR	2 year EUR	3 year EUR	4 year EUR	5 year EUR	After 5 years EUR
Purchase options		13,983	-	13,983	-	-	-	-

Purchase obligations include purchase commitments with suppliers in the ordinary course of business. ASML expects that it will honor these purchase obligations to fulfill future sales, in line with the timing of those future sales. The general terms and conditions of the agreements relating to the major part of our purchase commitments as of December 31, 2014 contain clauses that enable us to delay or cancel delivery of ordered goods and services up to the dates specified in the corresponding purchase contracts. These terms and conditions that we typically agree with our supply chain partners gives us additional flexibility to adapt our purchase obligations to our requirements in light of the inherent cyclicity of the industry in which we operate. We establish a provision for cancellation costs when it is probable that the liability has been incurred and the amount of cancellation fees is reasonably estimable.

We have a non-committed guarantee facility of EUR 25.0 million under which guarantees in the ordinary course of business can be provided to third parties.

18. Employee Benefits

Our bonus expenses for the BoM, former BoM and senior management were as follows:

	Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
Bonus expenses		48,957	32,698	16,474

Bonus expenses include an amount of EUR 3.5 million (2013: EUR 2.1 million; 2012: EUR 1.8 million) in relation to the STI cash bonus for our BoM and former BoM. The increase in bonus expenses in 2014 compared to 2013 is mainly attributable to the full year inclusion of Cymer.

We have a performance related bonus plan for our senior management, who are not members of the BoM. Under this plan, the bonus amounts depend on actual performance against corporate and personal targets. Within ASML, the bonus for members of senior management can range between 0.0 percent and 75.0 percent of their annual salaries. Within Cymer, bonuses can range between 0.0 percent and 200.0 percent of their annual salary. The performance targets are set for a whole year. The bonuses over 2014 are accrued for in the Consolidated Balance Sheets as of December 31, 2014 and are expected to be paid in the first quarter of 2015.

Our bonus expenses under these plans were as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
Bonus expenses	45,462	30,631	14,588

Profit-sharing Plan

We have a profit-sharing plan covering all European and US non-sales employees who are not members of the BoM or senior management. Under the plan, eligible employees receive an annual profit-sharing, based on a percentage of net income relative to total net sales ranging from 0.0 to 20.0 percent of their annual salary. The profit sharing for the years 2014, 2013 and 2012 was 16.0 percent or EUR 71.3 million, 14.0 percent or EUR 55.9 million and 18.0 percent or EUR 64.5 million, respectively. Our profit is also one of the criteria for the individual variable pay programs for employees in Asia and employees eligible to the sales reward plan, which amount to EUR 28.0 million for 2014 (including EUR 2.1 million for the sales reward plan), EUR 25.8 million (including EUR 2.3 million for the sales reward plan) for 2013 and EUR 24.4 million (including EUR 2.6 million for the sales reward plan) for 2012.

Share-based Compensation

In the past we have adopted various share and option plans for our employees. Starting January 1, 2014 the Employee Umbrella Share Plan has become effective, covering all grants made as of that date for our employees. The AGM approves each year the maximum number of shares that can be used by ASML to execute share-based incentives. Within this limit, the Supervisory Board determines the maximum number of shares that is granted to the BoM in line with the 2014 Remuneration Policy and the BoM determines the total maximum of shares that can be granted in that year for eligible employees in line with existing policies. Our current share-based compensation plans do not provide cash settlement of options and shares.

The total gross amount of recognized compensation expenses associated with share-based payments (including share-based payments to the BoM) was EUR 63.4 million in 2014, EUR 52.4 million in 2013 and EUR 18.7 million in 2012. The tax benefit recognized related to the recognized share-based compensation costs amounted to EUR 14.9 million in 2014, EUR 10.7 million in 2013 and EUR 0.9 million in 2012.

Total compensation costs to be recognized in future periods amount to EUR 69.8 million as of December 31, 2014 (2013: EUR 78.9 million; 2012: EUR 30.4 million). The weighted average period over which these costs are expected to be recognized is calculated at 1.6 years (2013: 1.6 years; 2012: 2.0 years).

Employee Umbrella Share Plan

The Employee Umbrella Share Plan, effective as of January 1, 2014 covers all employees. Within this plan, we distinguish between performance and incentive shares. Within the incentive category, employees can choose, at inception, to convert the shares into options. All grants under the Employee Umbrella Share Plan typically have a three year vesting period.

Share plans

Our current share plans typically include a three year service period and some plans have vesting conditions which are based on performance. The fair value of shares is determined on the closing trading price of our shares listed at Euronext Amsterdam on the grant date.

Details with respect to shares granted during the year are set out in the following table:

Year ended December 31	EUR-denominated			USD-denominated		
	2014	2013	2012	2014	2013	2012
Total fair value at vesting date of shares vested during the year (in thousands)	56,214	38,280	16,179	76,605	51,798	5,392
Weighted average fair value of shares granted	65.71	55.83	36.15	84.62	83.58	47.71

A summary of the status of conditionally outstanding shares as of December 31, 2014, and changes during the year ended December 31, 2014, is presented below:

	EUR-denominated		USD-denominated	
	Number of shares	Weighted average fair value at grant date (EUR)	Number of shares	Weighted average fair value at grant date (USD)
Conditional shares outstanding at January 1, 2014	1,544,332	40.21	1,380,320	79.55
Granted	409,626	65.71	475,146	84.62
Vested	(847,131)	34.78	(872,231)	79.56
Forfeited	(13,649)	40.83	(62,020)	79.57
Conditional shares outstanding at December 31, 2014	1,093,178	53.96	921,215	82.16

Option Plans

Our current option plans typically vest over a three year service period with any unexercised stock options expiring ten years after the grant date. Options granted have fixed exercise prices equal to the closing price of our shares listed at Euronext Amsterdam on grant date. The fair value of stock options is determined using a Black-Scholes option valuation model.

The Black-Scholes option valuation of our stock options is based on the following assumptions:

Year ended December 31	2014	2013	2012
Weighted average share price (in EUR)	65.0	60.6	39.2
Volatility (in percentage)	23.5	27.0	25.6
Expected life (in years)	5.6	5.6	5.0
Risk free interest rate	0.5	0.8	2.1
Expected dividend yield (in EUR)	2.25	2.00	1.45
Forfeiture rate ¹	-	-	-

¹ For the years ending December 31, 2014, 2013 and 2012, forfeitures are estimated to be nil.

When establishing the expected life assumption we annually take into account the contractual terms of the stock options as well as historical employee exercise behavior.

Details with respect to stock options are set out in the following table:

Year ended December 31	EUR-denominated			USD-denominated		
	2014	2013	2012	2014	2013	2012
Weighted average fair value of stock options granted	13.94	14.22	8.97	18.57	21.74	11.87
Weighted average share price at the exercise date of stock options	71.69	59.53	40.45	93.19	77.25	50.88
Aggregate intrinsic value of stock options exercised (in thousands)	12,098	15,924	71,331	9,497	11,086	12,684
Aggregate remaining contractual term of currently exercisable options (years)	2.94	3.09	3.59	3.79	3.12	3.17
Aggregate intrinsic value of exercisable stock options (in thousands)	39,020	37,441	34,438	17,942	22,781	21,882
Aggregate intrinsic value of outstanding stock options (in thousands)	40,428	38,718	35,671	19,171	25,369	22,433

The number and weighted average exercise prices of stock options as of December 31, 2014, and changes during the year then ended are presented below:

	EUR-denominated		USD-denominated	
	Number of options	Weighted average exercise price per ordinary share (EUR)	Number of options	Weighted average exercise price per ordinary share (USD)
Outstanding, January 1, 2014	782,302	18.55	406,635	31.31
Granted	32,672	65.68	20,654	87.98
Exercised	(212,530)	14.77	(129,530)	19.87
Forfeited	(1,350)	21.48	(12,587)	31.51
Expired	(1,338)	14.70	-	-
Outstanding, December 31, 2014	599,756	22.09	285,172	40.60
Exercisable, December 31, 2014	559,556	19.77	246,285	34.98

Details with respect to the stock options outstanding are set out in the following table:

Range of exercise prices (EUR)	EUR-denominated		Range of exercise prices (USD)	USD-denominated	
	Number of outstanding options at December 31, 2014	Weighted average life of outstanding options (years)		Number of outstanding options at December 31, 2014	Weighted average life of outstanding options (years)
0 - 10	-	-	0 - 10	14,543	1.07
10 - 15	220,179	2.28	10 - 15	48,397	0.18
15 - 20	160,772	2.15	15 - 20	3,911	3.80
20 - 25	126,712	2.94	20 - 25	66,462	2.97
25 - 40	16,736	6.77	25 - 40	58,168	3.87
40 - 50	23,959	7.80	40 - 50	1,082	6.59
50 - 60	13,593	8.88	50 - 60	8,382	7.73
60 - 70	27,239	8.93	60 - 70	1,281	8.07
70 - 80	10,566	9.81	70 - 80	43,860	8.14
80 - 90	-	-	80 - 90	15,005	9.22
90 - 100	-	-	90 - 100	24,081	9.11
Total	599,756	3.31	Total	285,172	4.41

Employee Purchase Plan

Every quarter, we offer our worldwide payroll employees the opportunity to buy our shares or our stock options against fair value using their net salary. The BoM is excluded from participation in this plan. The fair value for shares is based on the closing price of our shares listed at Euronext Amsterdam on grant date. Within the employee purchase plan employees can choose to convert the shares into options. The fair value of the stock options is determined using a Black-Scholes option valuation model. The assumptions on which the Black-Scholes option valuation model is used, see the disclosure above under the caption "Option Plans". The maximum net amount for which employees can participate in the plan amounts to 10.0 percent of their annual gross base salary. When employees retain the shares and/or stock options for a minimum of 12 months, we will pay out a 20.0 percent cash bonus on the initial participation amount.

Deferred Compensation Plans

In July 2002, we adopted a non-qualified deferred compensation plan for our US employees that allows a select group of management or highly compensated employees to defer a portion of their salary, bonus, and commissions. The plan allows us to credit additional amounts to the participants' account balances. The participants divide their funds among 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 three years after deferral. There were minor expenses relating to this plan in 2014, 2013 and 2012. Cymer has a similar non-qualified deferred compensation plan for a selected group of management level employees in the US in which the employee may elect to defer receipt of current compensation in order to provide retirement and other benefits on behalf of such employee backed by Cymer owned life insurance policies.

As of December 31, 2014, and 2013, our liability under deferred compensation plans was EUR 29.4 million and EUR 23.5 million, respectively.

Pension Plans

We maintain various pension plans covering substantially all of our employees. Eligible employees in the Netherlands, 5,802 FTEs, participate in a multi-employer union plan (PME) determined in accordance with the collective bargaining agreements effective for the industry in which we operate. This collective bargaining agreement has no expiration date. This multi-employer union plan covers approximately 1,259 companies and approximately 144,000 contributing members. Our contribution to the multi-employer union plan was 5.7 percent of the total contribution to the plan as per the Annual Report for the year ended December 31, 2013. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. As of January 1, 2015 new pension legislation has been enacted. This legislation results in amongst others, an increase of legally required coverage levels. The coverage percentage is calculated by dividing the funds capital by the total sum of pension liabilities and is based on actual market interest rates. The coverage ratio as per December 31, 2014 of 102.0 percent (December 31, 2013: 103.4 percent) is calculated giving consideration to the new pension legislation and is below the legally required level. We have however no obligation whatsoever to pay off any deficits the pension fund may incur, nor have we any claim to any potential surpluses.

Every company participating in the multi-employer union plan (PME) contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. Although the premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan, for the 5-year period 2015-2019 the contribution percentage has been fixed at 23.6 percent (2014: 24.1 percent). The pension rights of each employee are based upon the employee's average salary during employment.

Our net periodic pension cost for this multi-employer union plan for any period is the amount of the required employer contribution for that period.

We also participate in several defined contribution pension plans, with our expenses for these plans equaling the employer contributions made in the relevant period.

Our pension and retirement expenses for all employees for the years ended December 31, 2014, 2013 and 2012 were:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
Pension plan based on multi-employer union plan	46,542	40,476	34,525
Pension plans based on defined contribution	24,774	19,799	15,773
Pension and retirement expenses	71,316	60,275	50,298

19. Legal Contingencies

ASML is party to various legal proceedings generally incidental to our business. ASML also faces exposures from other actual or potential claims and legal proceedings. In addition, ASML's customers may be subject to claims of infringement from third parties alleging 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. If these claims were successful, ASML could be required to indemnify such customers for some or all of the losses incurred or damages assessed against them as a result of that infringement.

We accrue for legal costs related to litigation and legal proceedings in our Consolidated Statements of Operations at the time when the related legal services are actually provided to ASML. In 2014, EUR 12.9 million estimated losses were recorded as a charge to our Consolidated Statements of Operations (2013: EUR 3.2 million and 2012: no estimated losses were recorded).

From late 2001 through 2004, ASML was a party to a series of civil litigations and administrative proceedings in which Nikon alleged ASML's infringement of Nikon patents relating to lithography. ASML in turn filed claims against Nikon. Pursuant to agreements executed on December 10, 2004, ASML and Nikon agreed to settle all pending worldwide patent litigation between the companies. The settlement included an exchange of releases, a patent cross-license agreement related to lithography equipment used to manufacture semiconductor devices, and payments to Nikon by ASML.

In 2004, the Nikon Cross-License Agreement was signed. Under the Nikon Cross-License Agreement, (i) ASML granted Nikon a non-exclusive license to manufacture and sell lithography equipment under patents owned or otherwise sublicensable by ASML and (ii) Nikon granted ASML a non-exclusive license to manufacture and sell lithography equipment under patents owned or otherwise sublicensable by Nikon. These license grants cover patents having an effective application date before December 31, 2002 ("Class A Patents"), as well as patents with an effective application date after December 31, 2002 that were issued worldwide before the end of 2009 ("Class B Patents"), but exclude certain specified patents set forth in the Nikon Cross-License Agreement. The license period is perpetual for Class A Patents, and the licenses for Class B Patents terminated at the end of 2009.

At any time until June 30, 2015, each of ASML and Nikon has a right to designate up to five Class B patents (or patents related to lithography issued from 2010 to 2015) of the other party as Class A patents. Any patents acquired after the date of the Nikon Cross-License Agreement are deemed Class B Patents. In addition, pursuant to the terms of the Nikon Cross-License Agreement, the parties have agreed, from January 1, 2010 through December 31, 2014, not to bring suit for claims related to infringement of patents issued and not perpetually licensed, including the Class B Patents. Under the terms of the Nikon Cross-License Agreement, beginning on January 1, 2015, the parties may bring suit for infringement of certain patents subject to the agreement, including any infringement that occurred from January 1, 2010 through December 31, 2014. Damages resulting from claims for patent infringement occurring during the Cross-License Transition Period are limited to three percent of the net sales price of applicable licensed products or optical components.

Accordingly, from January 1, 2015, both Nikon and we are no longer prohibited under the agreement from bringing claims against each other on the basis of infringement of certain patents subject to the Nikon Cross-License Agreement.

If Nikon files suit against us alleging patent infringement, we may incur substantial legal fees and expenses, and we may not prevail. Similarly, if we file suit against Nikon alleging patent infringement, we may incur substantial legal fees and expenses, and we may not prevail. Patent litigation is complex and may extend for a protracted period of time, giving rise to the potential for both substantial costs and diverting the attention of key management and technical personnel. Potential adverse outcomes from patent litigation may include, without limitation, payment of significant monetary damages, injunctive relief prohibiting the sale of products, and/or settlement involving significant costs to be paid by us, any of which may have a material adverse effect on our business, financial condition and/or results of operations. We are unable to predict at this time whether any such patent suit will in fact materialize, or, if so, what its outcome might be.

20. Income Taxes

The components of the provision for income taxes are as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
Current tax	(130,425)	(52,753)	(79,255)
Deferred tax	53,430	44,766	74,993
Provision for income taxes	(76,995)	(7,987)	(4,262)

The Dutch statutory tax rate was 25.0 percent in 2014, 2013 and 2012. Tax amounts in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation of the provision for income taxes is as follows:

Year ended December 31 (in thousands)	2014 EUR	%	2013 EUR	%	2012 EUR	%
Income before income taxes	1,273,635	100.0	1,023,477	100.0	1,150,578	100.0
Income tax provision based on ASML's domestic rate	(318,409)	25.0	(255,869)	25.0	(287,644)	25.0
Effects of tax rates in foreign jurisdictions	(1,580)	0.1	23,459	(2.3)	9,786	(0.9)
Adjustments in respect of tax exempt income	23,899	(1.9)	29,430	(2.9)	23,532	(2.0)
Adjustments in respect of tax incentives	159,728	(12.5)	120,751	(11.7)	143,160	(12.4)
Adjustments in respect of prior years' current taxes	(6,474)	0.5	5,155	(0.5)	18,275	(1.6)
Adjustments in respect of prior years' deferred taxes	1,325	(0.1)	16,164	(1.6)	-	-
Movements in the liability for unrecognized tax benefits	(9,669)	0.8	(7,588)	0.7	95,465	(8.3)
Tax effects in respect of Cymer acquisition related items	77,909	(6.1)	67,730	(6.6)	-	-
Other credits and non-taxable items	(3,724)	0.3	(7,219)	0.7	(6,836)	0.6
Provision for income taxes	(76,995)	6.0	(7,987)	0.8	(4,262)	0.4

Income Tax Provision Based on ASML's Domestic Rate

The provision for income taxes based on ASML's domestic rate is based on the Dutch statutory income tax rate. It reflects the provision for income taxes that would have been applicable assuming that all of our income is taxable against the Dutch statutory tax rate and there were no permanent differences between taxable base and financial results and no Dutch tax incentives are applied.

Effects of Tax Rates in Foreign Jurisdictions

A portion of our results is realized in countries other than the Netherlands where different tax rates are applicable. In 2013, the distribution effect of tax rates in foreign jurisdictions was impacted by a shift in the mix of taxable income across tax jurisdictions as a result of the acquisition of Cymer as per May 30, 2013.

Adjustments in Respect of Tax Exempt Income

In certain jurisdictions part of the income generated is tax exempted.

Adjustments in Respect of Tax Incentives

Adjustments in respect of tax incentives relate to reduced tax rates in several jurisdictions, mainly consisting of the Dutch "Innovation Box" and the RDA. The Innovation box is a facility under Dutch corporate tax law pursuant to which income associated with R&D is partially exempted from taxation. The RDA is a tax incentive providing for an additional tax deduction for qualified (non-labor) cost incurred for R&D activities performed in the Netherlands.

Adjustments in Respect of Prior Years' Current Taxes

In 2012, we recognized a tax benefit of EUR 18.3 million or 1.6 percent of income before income taxes mainly attributable to the application of tax exemptions for prior years, which had a favorable effect on the effective tax rate for 2012..

Adjustments in Respect of Prior Years' Deferred Taxes

In 2013, we recognized a tax benefit of EUR 16.2 million or 1.6 percent of income before income taxes as result of a partly release of a valuation allowance for NID credits or NID stock to the extent we expect future taxable profits to realize these NID credits before expiration of those credits.

Movements in the Liability for Unrecognized Tax Benefits

In 2012, the effective tax rate was impacted by a tax benefit of EUR 95.5 million or 8.3 percent of income before income taxes mainly as a result of the successful conclusion of tax audits in different jurisdictions (EUR 92.5 million) whereas the movements in the liability for unrecognized tax benefits in 2014 and 2013 are considered to be limited.

Tax effects in respect of Cymer Acquisition related items

In 2014 the tax rate was favorably impacted by settling agreements entered into by ASML Netherlands B.V. and Cymer LLC., prior to our acquisition of Cymer in May 2013, at different tax rates. In 2013 we recognized a gain as a result of the accounting for business combinations Cymer. This gain is not recognized for tax purposes and was, apart from the R&D tax incentives, the major driver for the change in the effective tax rate in 2013.

Other Credits and Non-taxable Items

Other credits and non-taxable items reflect the impact on statutory rates of permanent non-taxable items such as non-deductible taxes, non-deductible interest expense, and non-deductible meals and entertainment expenses, as well as the impact of (the reversal of) various tax credits on our provision for income taxes.

Income Taxes Recognized Directly in Shareholders' Equity

Income taxes recognized directly in shareholders' equity (including OCI) are as follows:

Income tax recognized in shareholders' equity (in thousands)	2014 EUR	2013 EUR	2012 EUR
Current tax			
OCI (financial instruments)	2,977	(759)	(1,066)
Tax (benefit) deficit from share-based payments	(3,972)	(3,110)	(2,116)
Total income tax recognized in shareholders' equity	(995)	(3,869)	(3,182)

Liability for Unrecognized Tax Benefits and Deferred Taxes

The liability for unrecognized tax benefits and total deferred tax position recorded on the Consolidated Balance Sheets are as follows:

	As of December 31 (in thousands)	2014 EUR	2013 EUR
Liability for unrecognized tax benefits		(83,738)	(74,069)
Deferred tax position		32,715	(30,176)
Total		(51,023)	(104,245)

Liability for Unrecognized Tax Benefits

The calculation of our liability for unrecognized tax benefits involves uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is highly judgmental. We conclude that we have adequately provided for uncertain tax positions. However, settlement of these uncertain tax positions in a manner inconsistent with our expectations could have a material impact on our Financial Statements.

Consistent with the provisions of ASC 740, as of December 31, 2014, ASML has a liability for unrecognized tax benefits of EUR 83.7 million (2013: EUR 74.1 million) which is classified as non-current deferred and other tax liabilities. The total liability for unrecognized tax benefits, if reversed, would have a favorable effect on our effective tax rate.

Expected interest and penalties related to income tax liabilities have been accrued for and are included in the liability for unrecognized tax benefits and in the provision for income taxes. The balance of accrued interest and penalties recorded in the Consolidated Balance Sheets as of December 31, 2014 amounted to EUR 24.7 million (2013: EUR 22.9 million). Accrued interest and penalties recorded in the Consolidated Statement of Operations of 2014 amounted to a tax charge of EUR 1.7 million (2013: tax charge of EUR 4.1 million; 2012: tax benefit of EUR 3.1 million).

A reconciliation of the beginning and ending balance of the liability for unrecognized tax benefits is as follows:

	As of December 31 (in thousands)	2014 EUR	2013 EUR
Balance, January 1		74,069	59,967
Gross increases – tax positions in prior period		10,185	6,045
Gross decreases – tax positions in prior period		(12,743)	(2,025)
Gross increases – tax positions in current period		12,227	6,796
Acquisitions through business combinations		-	6,514
Settlements		-	(2,964)
Lapse of statute of limitations		-	(264)
Total liability for unrecognized tax benefits		83,738	74,069

We conclude our allowances for tax contingencies to be appropriate. Based on the information currently available, we do not anticipate a significant increase or decrease in our liability for unrecognized tax benefits within the next 12 months.

We are subject to tax audits in certain of our major tax jurisdictions, for years from and including 2009 onwards in Korea and for years from and including 2007 onwards in the US. In the course of such audits, local tax authorities may challenge the positions taken by us.

Deferred taxes

The composition of total deferred tax assets and liabilities reconciled to the classification in the Consolidated Balance Sheets is as follows:

	January 1, 2014 EUR	Consolidated Statements of Operations in exchange rates EUR	Effect of changes in exchange rates EUR	December 31, 2014 EUR
Deferred tax assets:				
Capitalized R&D expenditures	20,888	(8,186)	1,891	14,593
R&D credits	11,242	29,496	2,623	43,361
Inventories	46,661	10,639	5,712	63,012
Deferred revenue	16,409	3,061	1,779	21,249
Accrued and other liabilities	45,460	(3,630)	5,520	47,350
Installation and warranty reserve	6,702	5,821	1,147	13,670
Tax effect carry-forward losses	67,282	(33,465)	5,289	39,106
Property, plant and equipment	11,785	(6,102)	612	6,295
Restructuring and impairment	3,361	(1,442)	364	2,283
Alternative minimum tax credits ¹	6,342	(1,467)	630	5,505
Share-based payments	16,151	(9,203)	2,417	9,365
Other temporary differences	11,661	14,099	638	26,398
Total deferred tax assets²	263,944	(379)	28,622	292,187
Deferred tax liabilities:				
Intangible fixed assets	(261,905)	68,719	(25,955)	(219,141)
Property, plant and equipment	(17,592)	(9,232)	(2,611)	(29,435)
Borrowing costs	(1,823)	(64)	-	(1,887)
Other temporary differences	(12,800)	4,055	(264)	(9,009)
Total deferred tax liabilities	(294,120)	63,478	(28,830)	(259,472)
Net deferred tax assets (liabilities)	(30,176)	63,099	(208)	32,715
Classified as:				
Deferred tax assets - current	124,431			159,460
Deferred tax assets - non-current	139,513			28,760
Deferred tax liabilities - current	(3,494)			(1,928)
Deferred tax liabilities - non-current	(290,626)			(153,577)
Net deferred tax assets (liabilities)	(30,176)			32,715

¹ Alternative minimum tax credits relate to prepaid US taxes which are credited against future taxable profits after the carry-forward losses used.

² Valuation allowances recognized in relation to deferred tax assets as of December 31, 2014 amounted to EUR 25.4 million (2013: EUR 25.0 million)

Deferred taxes (in thousands)	January 1, 2013 EUR	Acquisitions through business combinations EUR	Consolidated Statements of Operations EUR	Effect of changes in exchange rates EUR	December 31, 2013 EUR
Deferred tax assets:					
Capitalized R&D expenditures	27,403	-	5,882	(1,155)	32,130
Inventories	28,167	10,258	9,269	(1,033)	46,661
Deferred revenue	20,572	41,679	(43,035)	(2,807)	16,409
Accrued and other liabilities	21,528	7,148	17,960	(1,176)	45,460
Installation and warranty reserve	7,151	-	(174)	(275)	6,702
Tax effect carry-forward losses	5,557	754	61,551	(580)	67,282
Property, plant and equipment	7,798	4,140	325	(478)	11,785
Restructuring and impairment	4,336	-	(791)	(184)	3,361
Alternative minimum tax credits ¹	5,227	-	1,349	(234)	6,342
Share-based payments	1,433	9,365	5,939	(586)	16,151
Other temporary differences	13,966	16,701	(14,487)	(4,519)	11,661
Total deferred tax assets²	143,138	90,045	43,788	(13,027)	263,944
Deferred tax liabilities:					
Intangible fixed assets	-	(286,337)	8,730	15,702	(261,905)
Property, plant and equipment	(25,890)	(4,786)	12,517	567	(17,592)
Borrowing costs	(1,958)	-	135	-	(1,823)
Other temporary differences	(763)	(303)	(12,086)	352	(12,800)
Total deferred tax liabilities	(28,611)	(291,426)	9,296	16,621	(294,120)
Net deferred tax assets (liabilities)	114,527	(201,381)	53,084	3,594	(30,176)
Classified as:					
Deferred tax assets - current	103,695				124,431
Deferred tax assets - non-current	39,443				139,513
Deferred tax liabilities - current	(271)				(3,494)
Deferred tax liabilities - non-current	(28,340)				(290,626)
Net deferred tax assets (liabilities)	114,527				(30,176)

1 Alternative minimum tax credits relate to prepaid US taxes which are credited against future taxable profits after the carry-forward losses used.

2 Valuation allowances recognized in relation to deferred tax assets as of December 31, 2013 amounted to EUR 25.0 million (2012: EUR 30.5 million)

Tax Effect Carry-forward Losses

Deferred tax assets from carry-forward losses recognised as per December 31, 2014 result predominantly from net operating loss carry-forwards incurred relating to NID stock in Belgium and various qualifying state tax losses in the US.

NID stock in Belgium can generally be offset against future profits realized in the 7 years following the year in which the NID stock occurs. The total amount of NID stock is EUR 37.5 million (2013: 47.6 million) taxable base and EUR 12.7 million (2013: EUR 16.2 million) tax effect.

Net operating losses qualifying as tax losses under US federal tax laws 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 losses carried forward under US federal tax laws as of December 31, 2014, is EUR 44.6 million (2013: EUR 67.5 million) tax basis or EUR 15.6 million (2013: EUR 23.6 million) tax effect. The total amount of losses carried forward under US state tax laws as of December 31, 2014, is EUR 77.7 million (2013: EUR 254.3 million) tax basis or EUR 3.7 million (2013: EUR 7.9 million) tax effect. Our ability to use US state tax loss carry forwards in existence at December 31, 2014, is subject to varying state statutes (providing for periods of between 5 and 20 years).

21. Segment Disclosure

ASML has one reportable segment, for the development, production, marketing, sale and servicing of advanced semiconductor equipment systems exclusively consisting of lithography related systems. Its operating results are regularly reviewed by the CODM in order to make decisions about resource allocation and assess performance.

Management reporting includes net system sales figures of new and used systems and includes sales by technology.

Net system sales for new and used systems were as follows:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
New systems	4,127,433	3,890,154	3,620,260
Used systems	115,357	102,975	181,372
Net system sales	4,242,790	3,993,129	3,801,632

Net system sales per technology were as follows:

Year ended December 31 (in thousands)	Net system sales in units	Net system sales in EUR
2014		
EUV	5	299,845
ArFi	76	3,477,718
ArF dry	3	32,611
KrF	38	381,436
I-line	14	51,180
Total	136	4,242,790
2013		
EUV	1	60,100
ArFi	77	3,120,719
ArF dry	2	38,019
KrF	64	720,053
I-line	13	54,238
Total	157	3,993,129
2012		
EUV	1	43,700
ArFi	72	2,715,221
ArF dry	4	81,428
KrF	78	908,244
I-line	15	53,039
Total	170	3,801,632

The increase in net system sales of EUR 249.7 million, or 6.3 percent, to EUR 4,242.8 million in 2014 from EUR 3,993.1 million in 2013 (2012: EUR 3,801.6 million) was mainly caused by higher NXE:3300B system sales.

For geographical reporting, net sales are attributed to the geographic location in which the customers' facilities are located. Long-lived assets are attributed to the geographic location in which these assets are located.

Net sales and long-lived assets (consisting of property, plant and equipment) by geographic region were as follows:

Year ended December 31 (in thousands)	Net sales EUR	Long-lived assets EUR
2014		
Japan	477,110	3,695
Korea	1,624,059	16,684
Singapore	132,593	879
Taiwan	1,124,883	60,241
Rest of Asia	405,576	3,807
Netherlands	1,334	1,124,632
Rest of Europe	196,332	1,322
United States	1,894,390	236,263
Total	5,856,277	1,447,523
2013		
Japan	201,664	3,340
Korea	1,286,509	16,155
Singapore	139,313	1,109
Taiwan	2,221,426	48,427
Rest of Asia	478,234	3,742
Netherlands	11,525	969,192
Rest of Europe	187,030	2,600
United States	719,625	173,275
Total	5,245,326	1,217,840
2012		
Japan	292,309	19,585
Korea	1,276,304	17,664
Singapore	98,554	968
Taiwan	1,479,768	50,372
Rest of Asia	197,262	2,073
Netherlands	-	869,736
Rest of Europe	256,192	1,571
United States	1,131,166	67,954
Total	4,731,555	1,029,923

In 2014, net sales to the largest customer accounted for EUR 1,532.1 million, or 26.2 percent, of net sales (2013: EUR 2,058.6 million, or 39.2 percent, of net sales; 2012: EUR 1,236.1 million, or 26.1 percent, of net sales). Our three largest customers (based on net sales) accounted for EUR 643.2 million, or 49.3 percent, of accounts receivable and finance receivables at December 31, 2014, compared with EUR 861.4 million, or 73.3 percent, at December 31, 2013.

Substantially all of our sales were export sales in 2014, 2013 and 2012.

22. Selected Operating Expenses and Additional Information

Personnel expenses for all payroll employees were:

Year ended December 31 (in thousands)	2014 EUR	2013 EUR	2012 EUR
Wages and salaries	985,883	835,563	711,039
Social security expenses	81,721	69,839	58,180
Pension and retirement expenses	71,316	60,275	50,298
Share-based payments	63,380	52,371	18,714
Personnel expenses	1,202,300	1,018,048	838,231

The average number of payroll employees in FTEs during 2014, 2013 and 2012 was 10,942, 9,540 and 8,140, respectively.

The total number of payroll and temporary employees in FTEs per sector was:

As of December 31	2014	2013	2012
Customer Support	3,289	2,949	2,538
SG&A	1,240	1,098	869
Industrial Engineering ¹	-	785	637
Manufacturing & Logistics	3,846	3,658	2,856
R&D	5,697	4,735	3,736
Total employees (in FTEs)	14,072	13,225	10,636
Less: Temporary employees (in FTEs)	2,754	2,865	2,139
Payroll employees (in FTEs)	11,318	10,360	8,497

¹ As of January 1, 2014, our industrial engineering department has been incorporated into R&D

The average number of payroll employees in FTEs in our operations in the Netherlands during 2014, 2013 and 2012 was 5,589, 5,112 and 4,620, respectively. The increase in 2014 compared to 2013 in payroll employees in FTEs is in line with our net sales growth.

23. Research and Development Costs

R&D costs (net of credits and excluding contributions under the NRE Funding Agreements from certain Participating Customers in the CCIP) increased by EUR 192.1 million, or 21.8 percent, to EUR 1,074.1 million in 2014 from EUR 882.0 million in 2013. R&D costs increased mainly due to the acceleration of certain R&D programs, primarily EUV and next-generation immersion.

R&D costs (net of credits and excluding contributions under the NRE funding agreements from Participating Customers in the CCIP) increased by EUR 292.9 million, or 49.7 percent, to EUR 882.0 million in 2013 from EUR 589.1 million in 2012. R&D spending mainly increased due the additional investments in EUV source development as a result of the acquisition of Cymer and further investments in our other strategic programs (Immersion and holistic lithography).

R&D costs include credits of EUR 24.1 million, EUR 16.0 million and EUR 17.9 million in 2014, 2013 and 2012 respectively. R&D credits relate to worldwide (inter-)governmental funding for certain strategic development programs designed to stimulate high-risk research for the medium and long term future. The increase relates to entering into a number of strategic development programs providing funding for the next generation immersion and EUV lithography systems during 2014.

24. Interest and Other, Net

Interest and other income of EUR 14.5 million (2013: EUR 9.2 million and 2012: EUR 16.6 million) mainly relates to interest income on deposits, short-term investments, money market funds, bank accounts and on finance receivables.

Interest and other expense of EUR 23.1 million (2013: EUR 33.6 million and 2012: EUR 22.8 million) mainly consists of net interest expense on our Eurobonds and related interest rate swaps, interest on lease obligations and amortized financing costs of a total of EUR 19.9 million (2013: EUR 16.2 million and 2012: EUR 10.8 million). In 2013, there was a one-off loss of EUR 8.9 million relating the partial extinguishment of our EUR 600 million 5.75 percent senior notes due 2017.

Interest on cash pools is reported on a gross basis in the Consolidated Statements of Operations under both interest income and interest expense. From an economic and legal perspective, the interest on cash pools of EUR 3.2 million (2013: EUR 1.9 million and 2012: EUR 4.2 million) recorded in interest income nets off against the same amount recorded in interest expense.

25. Vulnerability Due to Certain Concentrations

We rely on outside vendors for components and subassemblies used in our systems including the design thereof, each of which is obtained from a single supplier or a limited number of suppliers. Our reliance on a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components, reduced control over pricing and the risk of untimely delivery of these components and subassemblies.

The number of lithography systems we are able to produce may be limited by the production capacity of Zeiss. Zeiss is our single supplier of lenses, mirrors, collectors and other critical optical components (which we refer to as optics) and is capable of producing these items only in limited numbers and only through the use of its manufacturing and testing facility in Oberkochen and Wetzlar, Germany. During 2014, our production was not limited by the deliveries from Zeiss.

26. Shareholders' Equity

Share Capital

ASML's authorized share capital amounts to EUR 126,000,000 and is divided into:

- 700,000,000 Cumulative Preference Shares with a nominal value of EUR 0.09 each;
- 699,999,000 Ordinary Shares with a nominal value of EUR 0.09 each; and
- 9,000 Ordinary Shares B with a nominal value of EUR 0.01 each.

As at December 31, 2014, 438,073,643 ordinary shares with a nominal value of EUR 0.09 each were issued and fully paid up, of which 5,138,355 ordinary shares are held by us in treasury. No ordinary shares B and no cumulative preference shares are issued.

Our BoM has the power to issue ordinary shares and cumulative preference shares insofar as the BoM has been authorized to do so by the General Meeting of Shareholders (either by means of a resolution or by an amendment to our Articles of Association). The BoM requires approval of the Supervisory Board for such an issue. The authorization by the General Meeting of Shareholders can only be granted for a certain period not exceeding five years and may be extended for no longer than five years on each occasion. In case the General Meeting of Shareholders has not authorized the BoM to issue shares, the General Meeting of Shareholders shall have the power to issue shares upon the proposal of the BoM, provided that the Supervisory Board has approved such proposal.

Shares Issued as a Result of the Acquisition of Cymer

A subsidiary of ASML and Cymer completed a merger pursuant to which ASML acquired Cymer on May 30, 2013. As a result of the merger, each share of Cymer common stock outstanding immediately prior to the completion of the merger was converted into the right to receive USD 20.00 in cash plus 1.1502 ASML ordinary shares. As of December 31, 2014, we have issued 36,468,733 ordinary shares for an aggregate amount of EUR 2,347.0 million in relation to the acquisition of Cymer.

Shares Issued in Relation to Share-based Compensation

We have adopted various share and option plans for our employees. Whenever ordinary shares have to be delivered pursuant to these plans, we typically deliver treasury shares that we purchase in share buy-back programs for this purpose. Because these treasury shares were no longer available in the course of 2014, we issued new ordinary shares from time to time to meet our delivery obligations under the plans. As of December 31, 2014, we issued 707,195 ordinary shares with an aggregate fair value of EUR 51.3 million (2013: EUR nil million; 2012: EUR nil million) in relation to our share (option) plans for our employees. Fair value is determined on the closing price of our ordinary shares at Amsterdam Euronext at the date of respective issuance.

Synthetic Share Buyback

At the EGM held on September 7, 2012, several changes in the Articles of Association of ASML were adopted, in connection with the synthetic share buyback effectuated in connection with the CCIP.

Consequently, on November 24, 2012, the Articles of Association were amended as follows. Upon the first amendment, the ordinary shares to be held for the benefit of the participants to the CCIP were converted into ordinary shares M and all other ordinary shares were converted into ordinary shares A. Upon the second amendment, the par value per ordinary share A was increased from EUR 0.09 to EUR 9.24 at the expense of the share premium reserve. Upon the third amendment, the nominal value per ordinary share A was reduced to an amount of EUR 0.06, by decreasing the nominal value per ordinary share A by an amount of EUR 9.18, which resulted in a repayment of the same amount per share to holders of ordinary shares into which the ordinary shares A were converted. The fourth amendment provided for the consolidation of the ordinary shares A through the exchange of each 100 ordinary shares for 77 ordinary shares, resulting in an increase of the nominal value per ordinary share from EUR 0.06 to EUR 0.09, whereby the aggregate difference was booked at the expense of the share premium reserve. The fifth and last amendment provided for the deletion of the share class M for participants to the CCIP and the share class A for the other shareholders. The ordinary shares M and A were converted thereafter into ordinary shares without a specific letter mark attached to it.

These amendments in substance constitute a synthetic share buyback in which we effectively repurchased 93,411,216 shares at an average price of EUR 39.91 for a total amount of EUR 3,728.3 million. The difference of EUR 125.6 million between the capital repayment of EUR 3,728.3 million and the net proceeds from issuance of shares of EUR 3,853.9 million relates to the capital repayment on ASML's treasury shares which were part of the synthetic share buyback.

Shares Issued in Customer Co-Investment Program

In connection with the CCIP, on September 12, 2012, we issued 62,977,877 ordinary shares to the Stichting that holds shares on behalf of Intel and 12,595,575 ordinary shares to the Stichting that holds shares on behalf of Samsung and on October 31, 2012, ASML issued 20,992,625 ordinary shares to the Stichting that holds shares on behalf of TSMC. We received an amount of EUR 3,853.9 million in relation to the shares issued under the CCIP. For further details on our CCIP see Note 28.

Ordinary Shares

Each ordinary share consists of 900 fractional shares. Fractional shares entitle the holder thereof to a fractional dividend but do not entitle the holder thereof to voting rights. Only those persons who hold shares directly in the share register in the Netherlands, held by us at our address at 5504 DR Veldhoven, de Run 6501, the Netherlands, or in the New York share register, held by JP Morgan Chase Bank, N.A., P.O. Box 64506, St. Paul, MN 55164-0506, United States, can hold fractional shares. Persons who hold ordinary shares through the deposit system under the Dutch Securities Bank Giro Transactions Act (*Wet giraal effectenverkeer*; the "Giro Act") maintained by the Dutch central securities depository Euroclear Nederland or through the DTC cannot hold fractional shares. An ordinary share entitles the holder thereof to cast nine votes in the General Meeting of Shareholders. At our 2014 AGM, the BoM was authorized from April 23, 2014 through October 23, 2015, subject to the approval of the Supervisory Board, to issue shares and/or rights thereto representing up to a maximum of 5.0 percent of our issued share capital at April 23, 2014, plus an additional 5.0 percent of our issued share capital at April 23, 2014 that may be issued in connection with mergers, acquisitions and/or (strategic) alliances.

Holders of ASML's ordinary shares have a preemptive right of subscription, in proportion to the aggregate nominal amount of the ordinary shares held by them, to any issuance of ordinary shares for cash, which right may be restricted or excluded. Holders of ordinary shares have no pro rata preemptive right of subscription to any ordinary shares issued for consideration other than cash or ordinary shares issued to employees. If authorized for this purpose by the General Meeting of Shareholders (either by means of a resolution or by an amendment to our Articles of Association), the BoM has the power subject to approval of the Supervisory Board, to restrict or exclude the preemptive rights of holders of ordinary shares. At our 2014 AGM, our shareholders authorized the BoM through October 23, 2015, subject to approval of the Supervisory Board, to restrict or exclude preemptive rights of holders of ordinary shares up to a maximum of 10 percent of our issued share capital. At our 2015 AGM, our shareholders will be asked to extend this authority through October 22, 2016.

Ordinary Shares B

In 2012, the 9,000 ordinary shares B with a nominal value of EUR 0.01 were introduced. Every holder of an ordinary share B is entitled to one-ninth (1/9) of a dividend. Each ordinary share B entitles the holder thereof to cast one vote at the General Meeting of Shareholders.

Cumulative Preference Shares

In 1998, we granted the Preference Share Option to the Foundation. This option was amended and extended in 2003 and 2007. A third amendment to the option agreement between the Foundation and ASML became effective on January 1, 2009, to clarify the procedure for the repurchase and cancellation of the preference shares when issued.

The nominal value of the cumulative preference shares amounts to EUR 0.09 and the number of cumulative preference shares included in the authorized share capital is 700,000,000. A cumulative preference share entitles the holder thereof to cast nine votes in the General Meeting of Shareholders.

The Foundation may exercise the Preference Share Option in situations where, in the opinion of the Board of Directors of the Foundation, ASML's interests, ASML's business or the interests of ASML's stakeholders are at stake. This may be the case if a public bid for ASML's shares has been announced or has been made, or the justified expectation exists that such a bid will be made without any agreement having been reached in relation to such a bid with ASML. The same may apply if one shareholder, or more shareholders acting in concert, hold a substantial percentage of ASML's issued ordinary shares without making an offer or if, in the opinion of the Board of Directors of the Foundation, the (attempted) exercise of the voting rights by one shareholder or more shareholders, acting in concert, is materially in conflict with ASML's interests, ASML's business or ASML's stakeholders.

The objectives of the Foundation are to look after the interests of ASML and of the enterprises maintained by ASML and of the companies which are affiliated in a group with ASML, in such a way that the interests of ASML, of those enterprises and of all parties concerned are safeguarded in the best possible way, and influences in conflict with these interests which might affect the independence or the identity of ASML and those companies are deterred to the best of the Foundation's ability, and everything related to the above or possibly conducive thereto. The Foundation seeks to realize its objects by the acquiring and holding of cumulative preference shares in the capital of ASML and by exercising the rights attached to these shares, particularly the voting rights attached to these shares.

The Preference Share Option gives the Foundation the right to acquire a number of cumulative preference shares as the Foundation will require, provided that the aggregate nominal value of such number of cumulative preference shares shall not exceed the aggregate nominal value of the ordinary shares that have been issued at the time of exercise of the Preference Share Option for a subscription price equal to their nominal value. Only one-fourth of the subscription price is payable at the time of initial issuance of the cumulative preference shares, with the other three-fourths of the nominal value only being payable when we call up this amount. Exercise of the preference share option could effectively dilute the voting power of the outstanding ordinary shares by one-half.

Cancellation and repayment of the issued cumulative preference shares by ASML requires the authorization by the General Meeting of Shareholders of a proposal to do so by the BoM approved by the Supervisory Board. If the Preference Share Option is exercised and as a result cumulative preference shares are issued, ASML, at the request of the Foundation, will initiate the repurchase or cancellation of all cumulative preference shares held by the Foundation. In that case ASML is obliged to effect the repurchase and cancellation respectively as soon as possible. A cancellation will have as a result a repayment of the amount paid and exemption from the obligation to pay up on the cumulative preference shares. A repurchase of the cumulative preference shares can only take place when such shares are fully paid up.

If the Foundation does not request ASML to repurchase or cancel all cumulative preference shares held by the Foundation within 20 months after issuance of these shares, we will be obliged to convene a General Meeting of Shareholders in order to decide on a repurchase or cancellation of these shares.

The Foundation is independent of ASML. The Board of Directors of the Foundation comprises four independent members from the Dutch business and academic communities. The members of the Board of Directors of the Foundation are: Mr. H. Bodt, Mr. M.W. den Boogert, Mr. J.M. de Jong and Mr. A.H. Lundqvist.

Dividend Policy

As part of our financing policy, we aim to pay an annual dividend that will be stable or growing over time. Annually, the BoM will, upon prior approval from the Supervisory Board, submit a proposal to the AGM with respect to the amount of dividend to be declared with respect to the prior year. The dividend proposal in any given year will be subject to the availability of distributable profits or retained earnings and may be affected by, among other factors, the BoM's views on our potential future liquidity requirements, including for investments in production capacity, the funding of our R&D programs and for acquisition opportunities that may arise from time to time; and by future changes in applicable income tax and corporate laws. Accordingly, it may be decided to propose not to pay a dividend or to pay a lower dividend with respect to any particular year in the future.

For 2014, a proposal to declare a dividend of EUR 0.70 per ordinary share of EUR 0.09 nominal value will be submitted to the 2015 AGM.

27. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In addition to dividend payments, we intend to return cash to our shareholders on a regular basis through share buybacks or capital repayment, subject to our actual and anticipated level of liquidity requirements, our current share price, other market conditions and other relevant factors.

On April 17, 2013 we announced our intention to repurchase up to EUR 1.0 billion of our own shares within the 2013-2014 timeframe. During the period from January 20, 2014 up to and including December 22, 2014, when the program was completed, we had purchased 9,981,375 shares at an average price of EUR 70.13 per share. Furthermore 9,464,503 shares have been cancelled in 2014 and the remainder (5,131,051) is intended to be cancelled in 2015.

The following table provides a summary of shares repurchased by ASML in 2014:

Period	Total number of shares purchased	Average price paid per Share (EUR)	Total number of shares purchased as part of publicly announced plans or programs	Maximum value of shares that may yet be purchased under the program (EUR)
January 20 - 31, 2014	547,500	64.44	547,500	664,718,936
February 1 - 28, 2014	962,536	63.92	1,510,036	603,190,359
March 1 - 31, 2014	765,284	65.55	2,275,320	553,029,170
April 1 - 30, 2014	739,855	63.23	3,015,175	506,251,123
May 2 - 31, 2014	783,500	59.98	3,798,675	459,253,716
June 1 - 30, 2014	1,061,649	66.52	4,860,324	388,627,554
July 1 - 31, 2014	1,048,739	66.71	5,909,063	318,664,411
August 1 - 31, 2014	602,125	70.14	6,511,188	276,431,931
September 1 - 30, 2014	736,294	76.62	7,247,482	220,019,568
October 1 - 31, 2014	1,004,378	74.58	8,251,860	145,116,399
November 1 - 30, 2014	883,971	81.85	9,135,831	72,765,162
December 1 - 22, 2014	845,544	86.06	9,981,375	-
Total	9,981,375	70.13		

28. Customer Co-Investment Program

Overview

On July 9, 2012, we announced our CCIP to accelerate our development of EUV technology and our development of future 450mm silicon wafer technology. The Participating Customers collectively agreed to fund EUR 1.38 billion of our R&D projects from 2013 through 2017. This program created risk sharing with some of our largest customers while the results of our development programs will be available to every semiconductor manufacturer with no restrictions.

Development 450mm silicon wafer technology

As previously disclosed, in November 2013, ASML decided to pause the development of 450mm lithography systems until customer demand and the timing related to such demand is clear. We have agreed with Intel that the 450mm NRE funding will be applied to other lithography projects, including generic developments applicable to both 300mm and 450mm. We believe that our 450mm development activities can be restarted if and when the industry demands the introduction of 450mm.

In addition to the funding commitments described above, the Participating Customers have invested in ordinary shares equal, in aggregate, to 23 percent of ASML's issued share capital (calculated giving effect to our synthetic share buyback in November 2012). The proceeds of the share issuance, EUR 3.85 billion, were returned to the holders of ordinary shares (excluding the Participating Customers) through a synthetic share buyback executed in November 2012.

For further information regarding the synthetic share buyback, see Note 26.

Description of Investment Agreements, Shareholder Agreements and NRE Funding Agreements

In connection with the CCIP, ASML entered into an investment agreement, a shareholder agreement and NRE funding agreements with each of the Participating Customers. Intel is the largest participant in the program, with an aggregate funding commitment of EUR 829 million and an investment in 15 percent of our ordinary shares (calculated giving effect to our synthetic share buyback in November 2012). A description of the investment agreement, shareholders agreement and NRE funding agreements between ASML and Intel is set out below. The agreements between ASML and the other participants - TSMC (which acquired 5 percent of our shares and made an EUR 276 million funding commitment) and Samsung (which acquired 3 percent of our shares and made an EUR 276 million funding commitment) are on substantially the same terms as those agreed with Intel. Shares were acquired by Dutch foundations ("Stichtingen") established for each participant.

Investment Agreements

Pursuant to the Intel Investment Agreement, dated July 9, 2012, ASML issued to Intel Stichting ordinary shares equal to 15 percent of the issued and outstanding ordinary shares with simultaneous issuance by the Intel Stichting to Intel of the corresponding depositary receipts.

Pursuant to the TSMC Investment Agreement, dated August 5, 2012, ASML issued to TSMC Stichting ordinary shares equal to 5 percent of the issued and outstanding ordinary shares with simultaneous issuance by the TSMC Stichting to TSMC of the corresponding depositary receipts.

Pursuant to the Samsung Investment Agreement, dated August 27, 2012 ASML issued to the Samsung Stichting ordinary shares equal to 3 percent of the issued and outstanding ordinary shares with simultaneous issuance by the Samsung Stichting to Samsung of the corresponding depositary receipts.

The subscription price for the ordinary shares under the Investment Agreements was EUR 39.91 per ordinary share, which is the average of the volume weighted average price of our shares listed at Euronext Amsterdam for the twenty trading days up to and including July 6, 2012.

Based upon the subscription price (EUR 39.91) included in the Investment Agreements, the equity participation of Intel (15 percent), TSMC (5 percent) and Samsung (3 percent) amount to EUR 2,513 million, EUR 838 million and EUR 503 million, respectively.

Under the Intel Investment Agreements, ASML has agreed to indemnify the Participating Customers and their affiliates for certain losses and expenses related to breaches of representations, warranties, covenants and agreements in the Investment Agreements and with respect to certain legal proceedings related thereto, subject to certain limitations.

Shareholder Agreements

In connection with the issuance of shares pursuant to the Intel Investment Agreement, on September 12, 2012 ASML, Intel and the Intel Stichting entered into a Shareholder Agreement which governs certain matters relating to the holding of and further investment by Intel in ordinary shares of ASML, directly and indirectly through the Intel Stichting, including the matters described below.

The Shareholder Agreements between ASML and the other program participants (TSMC and Samsung) are on substantially the same terms as those agreed with Intel.

Voting Restrictions

Pursuant to the Shareholder Agreement, Intel (and the Intel Stichting) will not be entitled to vote the ordinary shares that were acquired by the Intel Stichting as part of the CCIP or any other ordinary shares otherwise transferred to the Intel Stichting (under the circumstances described under "Standstill; Additional Purchases" below) prior to a Shareholder Agreement Termination Event (as defined below), except when a Suspension Event (as described below) occurs and is continuing or where the following matters are proposed at any General Meeting (the "Voting Restrictions"): (i) an issuance of ASML shares or grant of rights to subscribe for ASML shares representing 25 percent or more of the issued and outstanding share capital of ASML or the restriction or exclusion of pre-emption rights relating thereto (in each case, on an aggregate basis during the preceding 12 months) or the designation of the BoM as the authorized body to resolve on these matters; (ii) an authorization to repurchase 25 percent or more of ASML's issued and outstanding share capital on an aggregate basis during the preceding 12 months; (iii) the approval of a significant change in the identity or nature of ASML or our business, including a transfer of all or substantially all business or assets of ASML and our subsidiaries to a third party, the establishment or cancellation of a long-lasting cooperation of essential importance with a third party and an acquisition or disposition of an interest in the capital or assets of a person with a value of at least one third of the assets of ASML (on a consolidated basis); (iv) an amendment to ASML's Articles of Association that would materially affect the specific voting rights of Intel, would materially affect the identity or nature of ASML or our business, or would disproportionately (or uniquely) and adversely affect the rights or benefits attached to or derived from the ordinary shares held by Intel through the Intel Stichting as compared to the shareholders; (v) the dissolution of ASML; and (vi) any merger or demerger which would result in a material change in the identity or nature of ASML or its business.

Standstill, Lock-up and Orderly Market Arrangements

Standstill; Additional Purchases

Subject to certain exceptions, pursuant to the Shareholder Agreement, Intel (or its affiliates) may not, prior to the six-year anniversary of the date of the Intel Shareholder Agreement (the "Standstill Period"), acquire more than 19.9 percent of the outstanding share capital of ASML without ASML's prior approval (the "Standstill Restriction"). There is an exception from the Standstill Restriction in the case of a 'suspension event', which includes certain circumstances where a third party has acquired or made an offer to acquire at least 20 percent of ASML's outstanding shares, and the Standstill Restriction will terminate upon the occurrence of a Shareholder Agreement Termination Event.

The Shareholder Agreement permits Intel (and its affiliates) to acquire up to 4.99 percent of ASML's outstanding shares (other than shares acquired through the CCIP) that may be held outside the Intel Stichting. For any additional ASML shares that Intel (or its affiliates) acquires in excess of 4.99 percent of the outstanding shares of ASML, Intel is required to deposit such shares with the Intel Stichting in exchange for Depositary Receipts. Shares held directly by Intel or its affiliates (and which not required to be deposited with the Intel Stichting) are not subject to the Voting Restrictions, or Lock-Up Restrictions (as defined below), but are subject to the Standstill Restriction.

The Intel Stichting will continue to hold ASML shares owned by Intel (notwithstanding termination of the Standstill Period) until the earlier of (i) such time as Intel owns (directly or through the Intel Stichting) less than 2 percent of ASML's outstanding shares (the relevant percentage is 1 percent for the other Participating Customers) (ii) the date of notification to ASML by Participating Customers that the aggregate amount of ASML's outstanding shares owned by Intel and the other Participating Customers represents less than 5 percent of ASML's outstanding shares and (iii) a Shareholder Agreement Termination Event (as defined below), following which time Depositary Receipts will be exchanged for the underlying ASML shares. In case Intel would acquire ASML shares within 18 months after an event described under (i) or (ii) above, any ASML shares held by Intel in excess of 4.99 percent of the outstanding shares of ASML must be transferred to (and held by) the Intel Stichting.

Lock-up; Orderly Sell Down

Intel may not, without prior written consent of ASML, transfer any ordinary shares or Depositary Receipts until the earliest of (i) two years and six months after the date of the Intel Shareholder Agreement, (ii) termination of the NRE Funding Agreements, and (iii) the occurrence of a Shareholder Agreement Termination Event ((i), (ii) and (iii) together, the "Lock-Up Restriction"). The Lock-Up Restriction does not apply in certain circumstances where a third party offers to acquire at least 20 percent of ASML's shares. Intel is not permitted to transfer the ASML ordinary shares it acquired in the program in connection with an offer (before the end of the offer), or make any public statement in support of such offer, that is not recommended by the ASML Supervisory Board or BoM, except in limited circumstances.

In addition, Intel may not (even after the Lock-Up Period has ended), without written consent of ASML, transfer on Euronext Amsterdam, NASDAQ or another securities exchange more than 4 percent of the outstanding shares of ASML during any six month period (the relevant percentage is 1.5 percent for Samsung and 2.5 percent for TSMC); the foregoing restriction does not apply to block trades or underwritten offers. There are also restrictions on Intel's ability to transfer ASML shares to certain competitors or customers of ASML.

Termination

The Intel Shareholder Agreement will terminate upon the occurrence of the following events (each a "Shareholder Agreement Termination Event") (i) certain change of control transactions where the shareholders of ASML prior to such a transaction are no longer entitled to exercise at least 50 percent of the votes in the General Meeting following such transaction, (ii) in the event of a delisting of our shares listed at Euronext Amsterdam or delisting of our shares listed at NASDAQ (except for certain voluntary delistings from NASDAQ), (iii) the winding up or liquidation of ASML, or (iv) in the event that all Depositary Receipts are exchanged for ASML shares and Intel does not acquire ASML shares in excess of 4.99 percent of the outstanding ASML shares within 18 months of such exchange (see "Standstill; Additional Purchases" above).

NRE Funding Agreements

On July 9, 2012, ASML and Intel entered into two NRE Funding Agreements pursuant to which Intel will support ASML's R&D costs and project expenditures. One agreement relates to the Intel 450mm NRE Funding Agreement and the other relates to the Intel EUV NRE Funding Agreement (together the "Intel NRE Funding Agreements"). Intel has committed to provide EUR 553 million in funding under the Intel 450mm NRE Funding Agreement and EUR 276 million in funding under the Intel EUV NRE Funding Agreement, payable over the respective terms (2013-2017) of the Intel NRE Funding Agreements.

On August 5, 2012, ASML and TSMC entered into the TSMC NRE Funding Agreement pursuant to which TSMC will support ASML's R&D costs and project expenditures relating to the development of 450mm lithography equipment and EUV platforms. TSMC has committed to provide EUR 276 million in funding payable over the term (2013-2017) of the TSMC NRE Funding Agreement.

On August 27, 2012, ASML and Samsung entered into the Samsung NRE Funding Agreement pursuant to which Samsung will support ASML's R&D costs and project expenditures relating to the development of 300mm/450mm and EUV platforms. Samsung has committed to provide EUR 276 million in funding payable over the term (2013-2017) of the Samsung NRE Funding Agreement.

Under the NRE Funding Agreements, ASML will retain sole control over the development of 450mm photo lithography equipment and EUV platforms and will own all intellectual property created by ASML in connection therewith. The NRE Funding Agreements provide that if ASML, in its reasonable discretion, determines to abandon either the 450mm or EUV development project, as a result of technical infeasibility or lack of sufficient industry demand, or if the then remaining funding exceeds the expenditure estimate for the development project (450mm or EUV) then the parties may agree on an alternative development project, and if no alternative is agreed, ASML may invoice the Participating Customers for the remaining due portion of committed funding during each year of the remaining funding period in which ASML's actual gross R&D expenditures exceed a minimum threshold specified in the NRE Funding Agreements. The NRE Funding Agreements will terminate on December 31, 2017 or upon pre-payment by the Participating Customer of the aggregate amount of funding owed under its respective NRE Funding Agreement.

Commercial Agreement

On July 9, 2012, ASML and Intel entered into a Commercial Agreement, pursuant to which ASML and Intel established a contractual framework for Intel to purchase equipment related to the 450mm and EUV next-generation lithography equipment. Under this agreement, Intel has committed to purchase specified numbers of 450mm and EUV systems. In April of 2014, ASML and Intel amended the commercial agreement so that Intel would have an option of purchasing either 450mm systems or 300mm systems in addition to EUV systems. The agreement and amendment set forth pricing terms for the systems as well as milestones related to product deliveries, and provides for certain commercial discounts in the form of credits in exchange for Intel's early purchase commitments and volume purchase commitments and for specified additional credits in the event that certain schedules are not met. In addition, subject to certain conditions, ASML has agreed to install sufficient capacity to meet Intel's potential forecasted 450mm lithography equipment needs through 2022.

For further details regarding the share issuances to the Participating Customers and the synthetic share buyback effectuated in connection with our CCIP, see Note 26.

29. Related Party Transactions

On July 9, 2012, we announced our CCIP to accelerate our development of EUV technology beyond the current generation and our development of future 450mm silicon wafer technology. One of the Participating Customers, Intel, agreed to fund EUR 829 million for our R&D projects. In addition Intel also agreed to invest in ordinary shares equal to 15 percent of our issued share capital (calculated giving effect to our synthetic share buyback in November 2012). Due to the equity investment, Intel is considered a related party of ASML as of July 9, 2012.

The total net sales to Intel (and its affiliates) in 2014 amounted to EUR 1,007.6 million (2013: EUR 494.7 million), whereas the outstanding liability as of December 31, 2014 amounted to EUR 386.8 million (December 31, 2013: EUR 182.3 million).

There have been no transactions during our most recent fiscal year, and there are currently no transactions, between ASML or any of its subsidiaries, and any other significant shareholder and any director or officer or any relative or spouse thereof other than ordinary course compensation arrangements. During our most recent fiscal year, there has been no, and at present there is no, outstanding indebtedness to ASML owed or owing by any director or officer of ASML or any associate thereof.

30. Subsequent Events

Subsequent events were evaluated up to February 10, 2015, which is the issuance date of this 2014 Annual Report. There are no subsequent events to report.

Veldhoven, the Netherlands

February 10, 2015

/s/ Peter T.F.M. Wennink

Peter T.F.M. Wennink

President, CEO and member of the Board of Management

/s/ Wolfgang U. Nickl

Wolfgang U. Nickl

Executive Vice President, CFO and member of the Board of Management

Report of Independent Registered Public Accounting Firm

To: the Supervisory Board and Shareholders of ASML Holding N.V.:

We have audited the accompanying balance sheets of ASML Holding N.V. and subsidiaries (collectively, the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASML Holding N.V. and its subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte Accountants B.V.

Eindhoven, The Netherlands

February 10, 2015