

Public

**ASML**

**ASML reports Q2 results in line with guidance  
on track for record 2015 sales**

ASML 2015 Second Quarter Results

Veldhoven, the Netherlands

July 15, 2015

# Forward looking statements

This document contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to our outlook, including expectations for the third quarter and second half of 2015, backlog, expected customer demand in specified market segments including memory, logic and foundry, expected trends, expected levels of service sales, systems backlog, expected financial results, including expected sales, other income, gross margin, earnings per share and R&D and SG&A expenses and effective tax rate, annual revenue opportunity for ASML, productivity of our tools and systems performance, TWINSCAN and EUV system performance (such as endurance tests), expected industry trends, statements with respect to expected system shipments, including the number of EUV systems expected to be shipped and timing of shipments and other EUV targets (including availability, productivity and shipments), the expected continuation of Moore's law, expected annual revenue growth and goals for holistic lithography, intention to return excess cash to shareholders, and statements about our dividend policy and intention to repurchase shares. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words.

These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about the business and our future financial results and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, economic conditions, product demand and semiconductor equipment industry capacity, worldwide demand and manufacturing capacity utilization for semiconductors (the principal product of our customer base), including the impact of general economic conditions on consumer confidence and demand for our customers' products, competitive products and pricing, the impact of manufacturing efficiencies and capacity constraints, performance of our systems, the continuing success of technology advances and the related pace of new product development and customer acceptance of new products, the number and timing of EUV systems expected to be shipped and recognized in revenue, our ability to enforce patents and protect intellectual property rights, the risk of intellectual property litigation, availability of raw materials and critical manufacturing equipment, trade environment, changes in exchange rates, changes in tax rates, available cash, distributable reserves for dividend payments and share repurchases, and other risks indicated in the risk factors included in ASML's Annual Report on Form 20-F and other filings with the US Securities and Exchange Commission. These forward-looking statements are made only as of the date of this document. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

## Agenda

- Investor key messages
- Business highlights
- Business environment
- Outlook
- Technology highlights
- Financial statements

The background of the slide features a series of light blue, wavy lines that originate from the left side and curve towards the right, creating a sense of motion and depth. The lines are thin and closely spaced, fading out as they move towards the right.

# Investor key messages

# Investor key messages

- Shrink is the key industry driver supporting innovation and providing long term industry growth
- Moore's Law will continue and be affordable
- Lithography enables affordable shrink and therefore delivers compelling value for our customers
- ASML's strategy of large R&D investments in lithography product roadmaps supports future industry needs
- DUV product improvement roadmaps and Holistic Litho enable multi-pass immersion patterning today, with Holistic Litho supporting EUV in future. These highly differentiated products provide unique value drivers for us and our customers
- EUV faces normal new technology introduction challenges but its adoption is now a matter of WHEN not IF. EUV will continue to enable Moore's Law and will drive long term value for ASML
- ASML models an annual revenue opportunity of €10 billion by 2020 and given the significant leverage in our financial model this will allow a potential tripling of EPS by the end of this decade thereby creating significant value for all stakeholders
- We expect to continue to return excess cash to our shareholders through dividends that are stable or growing and regularly timed share buybacks in line with our policy

# Business highlights

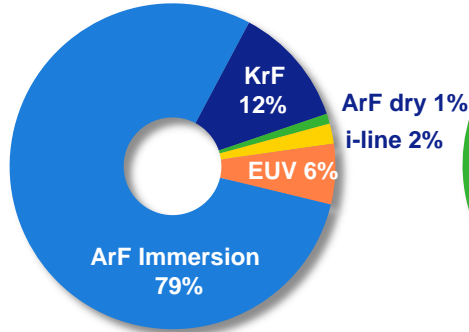
# Q2 results

- Net sales of € 1,654 million, 41 litho systems sold, valued at € 1,134 million, net service and field option sales at € 520 million
- Average selling price of € 27.7 million per system
- Gross margin of 45.6%
- Operating margin of 25.3%
- Net bookings of € 1,523 million, including 6 EUV systems
- Backlog at € 3,015 million

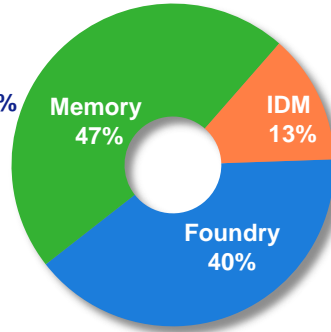
# Net system sales breakdown in value

## Technology

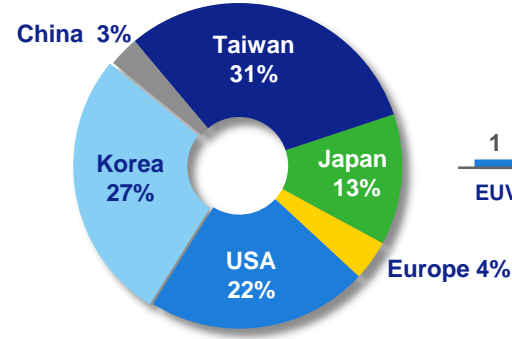
Q2'15  
total value  
€ 1,134  
million



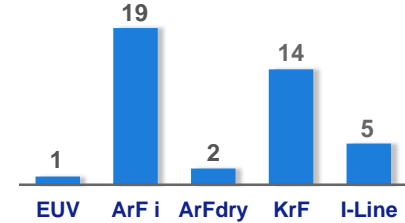
## End-Use



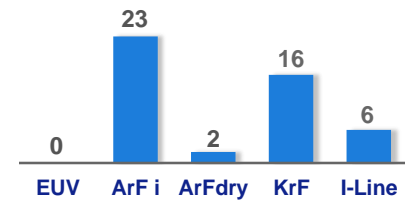
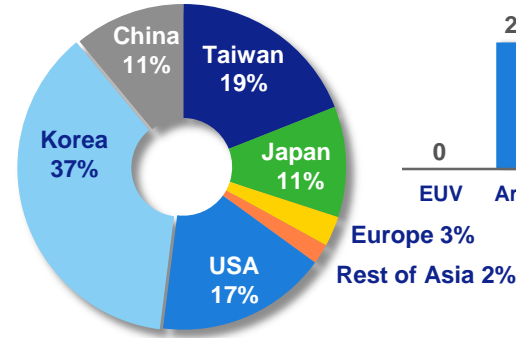
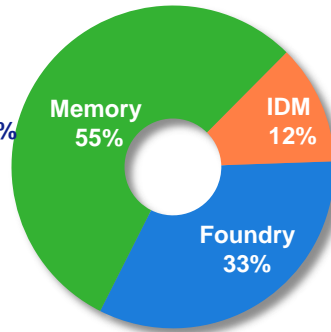
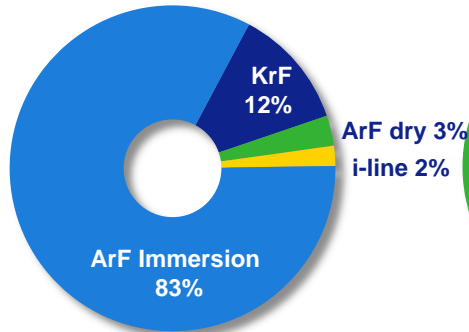
## Region (ship to location)



## Sales in Units



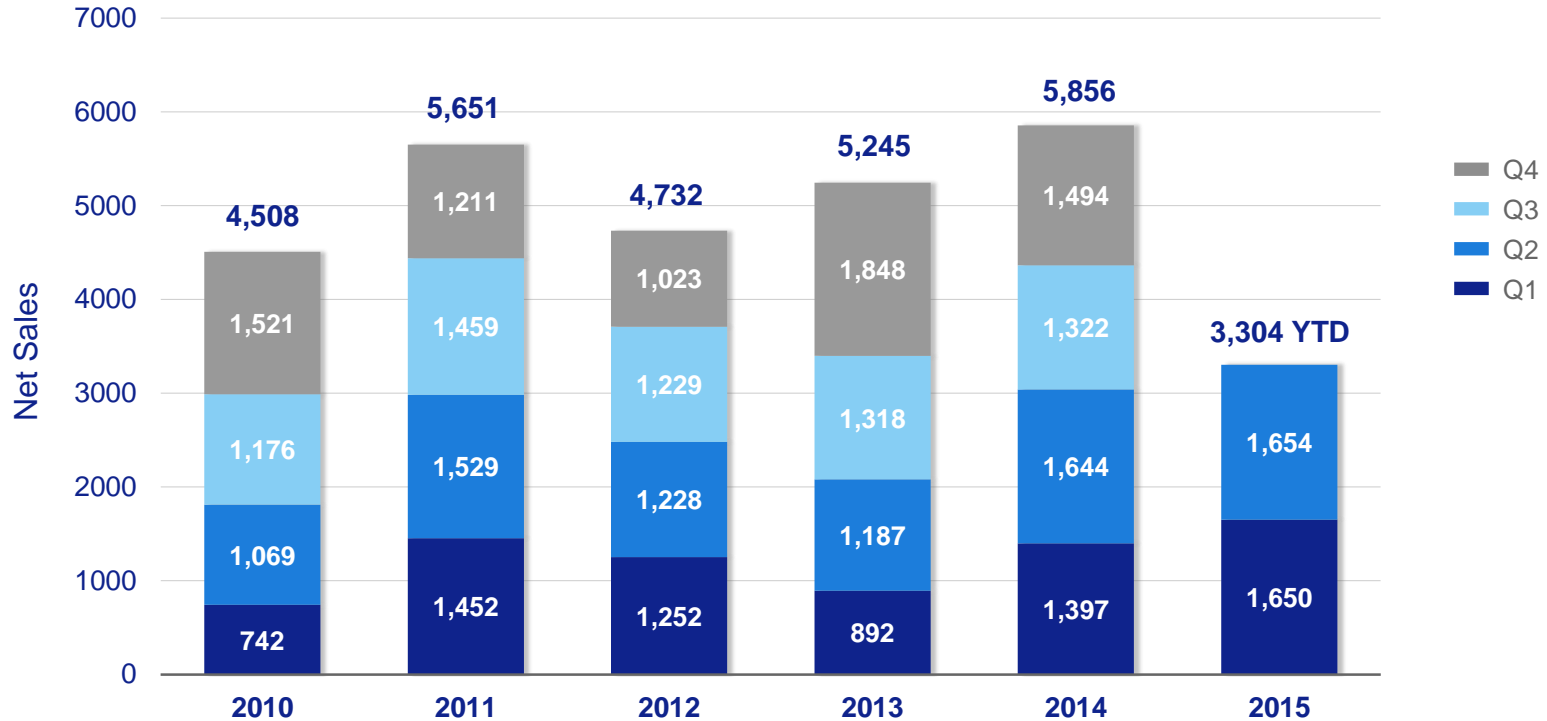
Q1'15  
total value  
€ 1,247  
million



Numbers have been rounded for readers' convenience

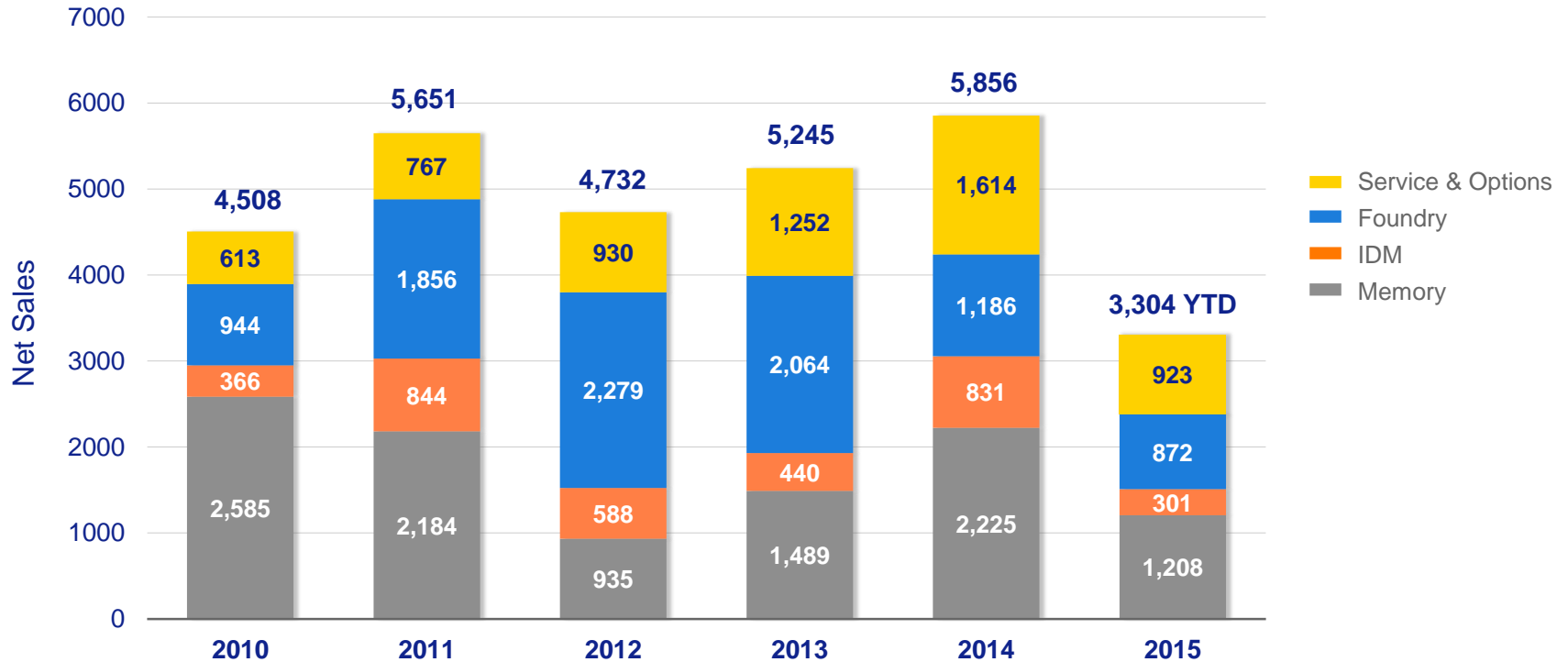


# Total net sales million € by quarter



Numbers have been rounded for readers' convenience

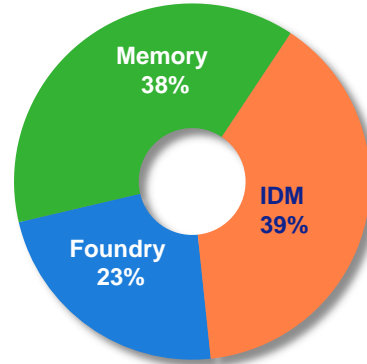
# Total net sales million € by End-use



Numbers have been rounded for readers' convenience

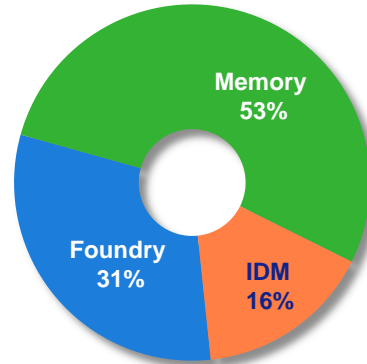
# Bookings activity by sector

**Q2'15 total value  
€ 1,523 million**



	New systems	Used systems
Units	41	5
Value M€	1,494	29

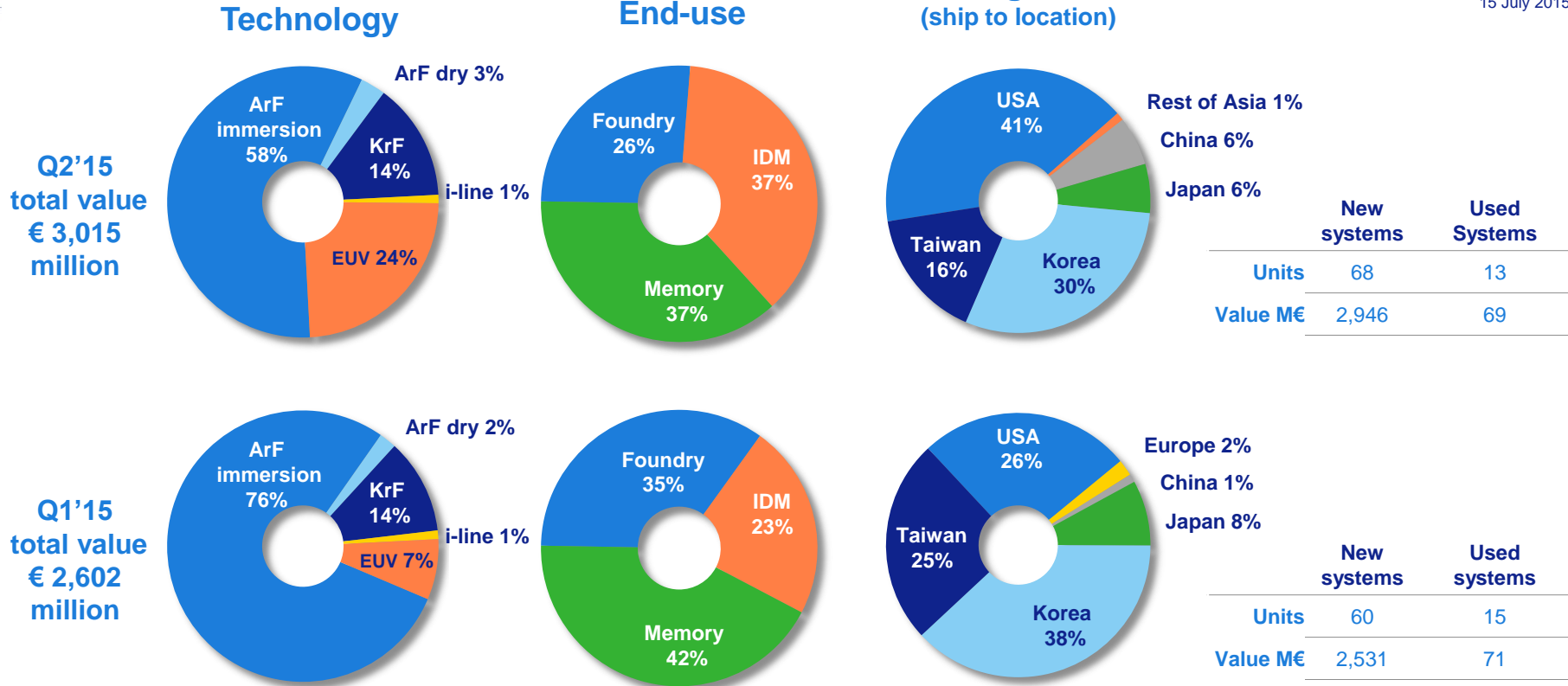
**Q1'15 total value  
€ 1,028 million**



	New systems	Used systems
Units	35	5
Value M€	998	30

As of Q2 2015, our systems backlog and net bookings include all system sales orders for which written authorizations have been accepted (for EUV starting as of the NXE:3350B). This change has no impact on the comparative figures. Numbers have been rounded for readers' convenience

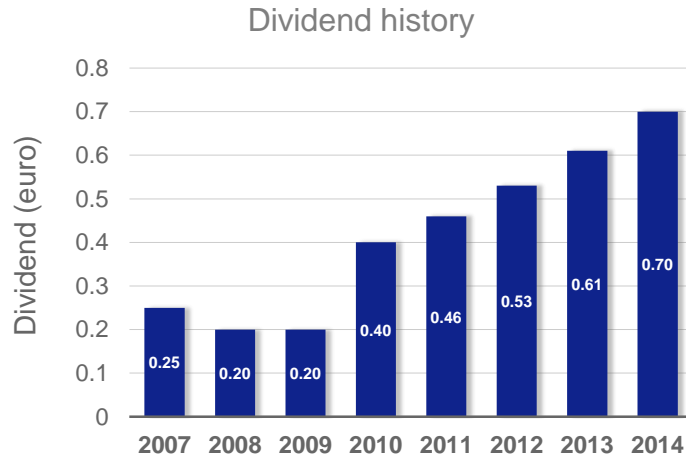
# Systems backlog in value



Backlog definition see page 11  
Numbers have been rounded for readers' convenience

# Capital return to shareholders

- ASML paid € 302 million in dividend or € 0.70 per ordinary share
- Purchased € 285 million worth of shares in Q1 and Q2 as part of our 2015/2016 approx. € 1 billion share buy back program



# Business environment



Memory

- 2 new DRAM fabs ramping capacity into H2
- 2xH and 2xL nm DRAM node transitions progressing
- Increased NAND litho tool demand in H2 supporting planar 1xM nm shrinks and 3D capacity increases
- 2 new NAND fabs under construction



Logic

- 2 new foundry fabs accepting equipment in H2
- Stable business throughout 2015
  - Modest tool shipments at 28nm node continue
  - 20nm node conversions to 16nm node started
  - 16/14nm nodes shipments ongoing
  - Next node process development accelerating with initial tools delivered/planned



Service &  
field options

- High demand for service and field options continues driven by Holistic litho and upgrade products which allows for improved process control and capital efficiency

A decorative graphic on the left side of the slide consists of numerous thin, light blue lines that curve and flow from the bottom left towards the top right, creating a sense of movement and depth. The lines are more densely packed on the left and become more sparse as they curve towards the right.

# Outlook



# Outlook

- Q3 net sales between € 1.5 and €1.6 billion
  - Gross margin around 45%
  - R&D costs of about € 275 million
  - SG&A costs of about € 90 million
  - Other income (Customer Co-Investment Program) of about € 20 million
  - Effective tax rate approx. 11%

# Technology highlights

# EUV program: priorities for 2015



In 2015, we will focus on:

- Improving stability and availability
- Continuing progress on productivity
- Shipping the NXE:3350B, our 4<sup>th</sup> generation EUV tool

# EUV 2015 targets and status at a glance

## Productivity – Target: 1000 wafers per day

- 1022 wafers exposed in 24 hours at customer site
- Upgrade to same configuration completed at multiple customer sites, in progress at others
- 130W dose-controlled source power demonstrated at ASML

## Availability – Target: 70%

- 55% availability on average for all NXE:3300B sites
- Multiple sites achieved average availability of >70% for 1 week
- One customer has achieved a 4-week average availability of 70%

## NXE:3350B shipments – Target: 6

- Integration of multiple NXE:3350B systems ongoing at ASML
- 4 NXE:3350B systems on order for production use
- Discussions with several customers are ongoing

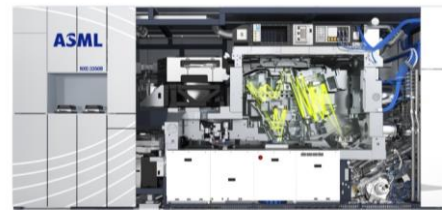
# Shipment, orders, factory opened



NXE:3300B #7 passed site acceptance  
NXE:3300B #8 recognized in Q2 revenue  
= Total of 8 NXE:3300B installed

6 orders received in Q2 for EUV systems as part of volume purchase agreement with U.S. customer

NXE:3350B: first shipment in Q3



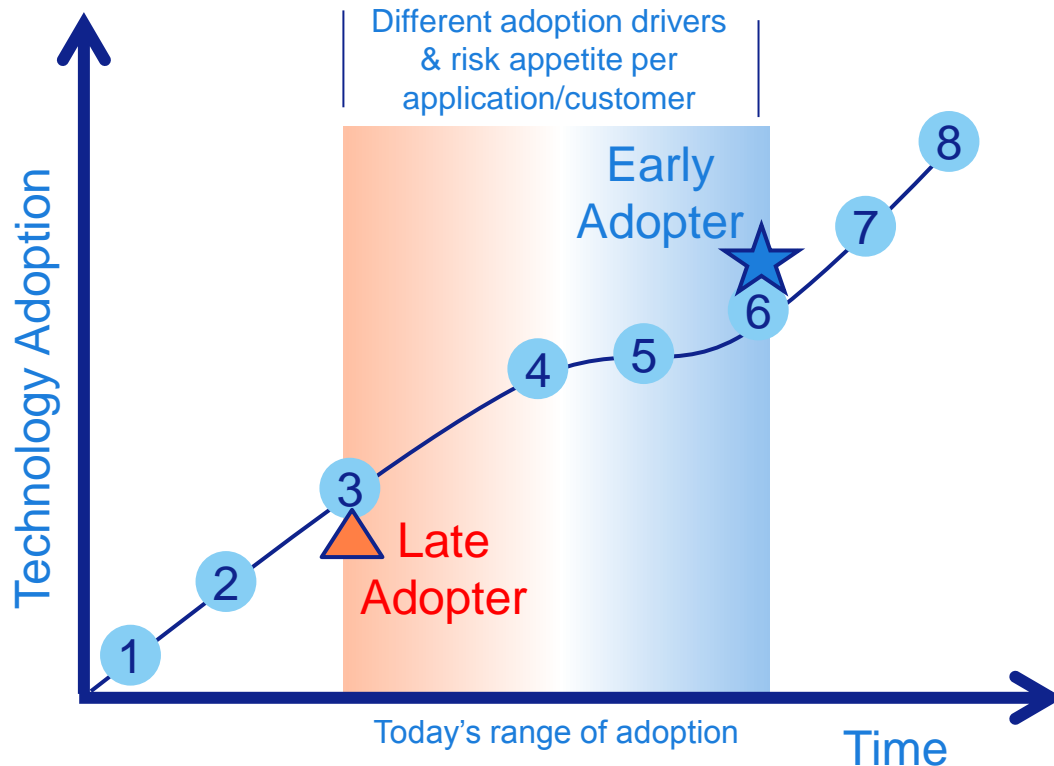
New EUV factory opened,  
enabling an output of 24 systems  
in 2017

# EUV shipments and revenue recognition

<b>EUV shipments &amp; revenue 2015</b>		
<b>NXE:3300B</b>	<b>Shipment plan</b>	<b>2</b>
	<b>Revenue</b>	<b>1</b>
<b>NXE:3300B → 3350B</b>	<b>Shipment plan</b>	<b>0</b>
	<b>Revenue</b>	<b>0</b>
<b>NXE:3350B</b>	<b>Shipment plan</b>	<b>5</b>
	<b>Revenue</b>	<b>0</b>

- 1 NXE:3300B shipped in Q1, revenue recognized in Q2

# Customers have different decision processes for new technology adoption → differences in timing of “WHEN”



## Typical customer steps towards new technology adoption:

- ① Technology champion in R&D
- ② Value demonstration
- ③ “Should we go for this?”
- ④ Manufacturing readiness? Tough criteria, entrance hurdles
- ⑤ Dynamics of progress to performance requirements
- ⑥ Decision for production ramp with 1–2 year lead time
- ⑦ Performance improvements with cycles of learning in volume
- ⑧ Full technology adoption in volume production

# Q2 product highlights DUV and Holistic Litho

## DUV

- We have demonstrated a 30% overlay improvement with our TWINSCAN NXT:1980Di system, which will ship this year. The system will also offer a step up in productivity from 250 to 275 wafers per hour
- Average availability of our world-wide installed base of more than 300 TWINSCAN NXT tools increased to above 96%, demonstrating ASML's focus on extending the performance of systems already in production

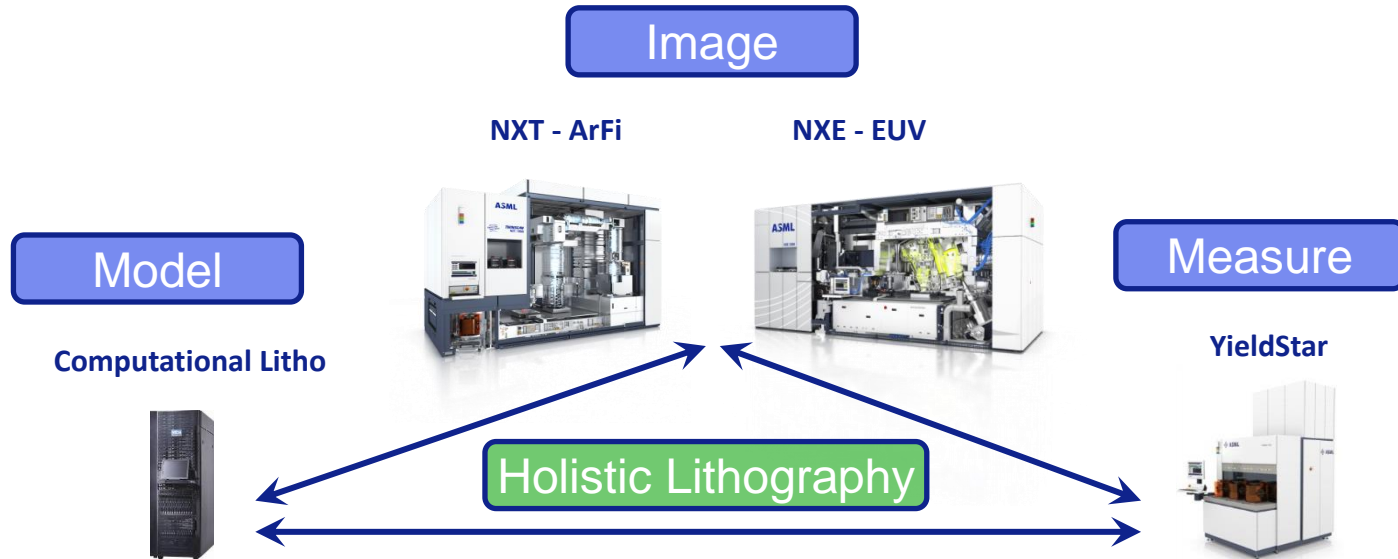
## Holistic Litho

- All immersion systems shipped during the quarter had one or several Holistic Lithography products attached. The integrated YieldStar metrology system is well established, contributing to a total installed base of more than 250 YieldStar systems
- ASML application experts are engaged at all major customers to assist with the production ramp of 10nm logic node and 1x nm memory nodes



# Holistic Lithography: Image, Measure, Model

- Adoption continues across all market segments
- YieldStar installed base now >250 systems
- EUV will continue to drive Holistic Litho as we move to 7nm node & below
- Annual revenue growth >20%, on track towards goal ~1B€ by 2017



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# Financial statements

# Consolidated statements of operations M€

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Slide 27  
15 July 2015

	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
<b>Net sales</b>	<b>1,644</b>	<b>1,322</b>	<b>1,494</b>	<b>1,650</b>	<b>1,654</b>
<b>Gross profit</b>	<b>752</b>	<b>578</b>	<b>657</b>	<b>779</b>	<b>754</b>
<b>Gross margin %</b>	<b>45.7%</b>	<b>43.7%</b>	<b>44.0%</b>	<b>47.2%</b>	<b>45.6%</b>
<b>Other income*</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>21</b>
<b>R&amp;D costs</b>	<b>(267)</b>	<b>(260)</b>	<b>(268)</b>	<b>(261)</b>	<b>(267)</b>
<b>SG&amp;A costs</b>	<b>(80)</b>	<b>(77)</b>	<b>(79)</b>	<b>(82)</b>	<b>(88)</b>
<b>Income from operations</b>	<b>425</b>	<b>261</b>	<b>330</b>	<b>456</b>	<b>419</b>
<b>Operating income %</b>	<b>25.9%</b>	<b>19.8%</b>	<b>22.1%</b>	<b>27.6%</b>	<b>25.3%</b>
<b>Net income</b>	<b>399</b>	<b>244</b>	<b>305</b>	<b>403</b>	<b>370</b>
<b>Net income as a % of net sales</b>	<b>24.3%</b>	<b>18.5%</b>	<b>20.4%</b>	<b>24.4%</b>	<b>22.4%</b>
<b>Earnings per share (basic) €</b>	<b>0.91</b>	<b>0.56</b>	<b>0.70</b>	<b>0.93</b>	<b>0.86</b>
<b>Earnings per share (diluted) €</b>	<b>0.90</b>	<b>0.56</b>	<b>0.70</b>	<b>0.93</b>	<b>0.85</b>
<b>Litho units sold</b>	<b>31</b>	<b>30</b>	<b>35</b>	<b>47</b>	<b>41</b>
<b>ASP new litho systems</b>	<b>45.2</b>	<b>35.9</b>	<b>34.7</b>	<b>30.8</b>	<b>32.5</b>
<b>Net booking value**</b>	<b>1,048</b>	<b>1,397</b>	<b>1,387</b>	<b>1,028</b>	<b>1,523</b>

Numbers have been rounded for readers' convenience

\* Customer Co-Investment Program (CCIP)

\*\* As of Q2 2015, our systems backlog and net bookings include all system sales orders for which written authorizations have been accepted (for EUV starting as of the NXE:3350B). This change has no impact on the comparative figures.

# Cash flows M€

	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Net income	399	244	305	403	370
Net cash provided by (used in) operating activities	198	214	409	337	284
Net cash provided by (used in) investing activities	(74)	(24)	77	124	(107)
Net cash provided by (used in) financing activities	(414)	(161)	(213)	(112)	(458)
Net increase (decrease) in cash & cash equivalents	(287)	34	275	359	(284)
Free cash flow *	125	130	281	250	205

\* Free cash flow is defined as net cash provided by (used in) operating activities minus investments in Capex (Purchase of PPE and intangibles), see US GAAP Consolidated Financial Statements

Numbers have been rounded for readers' convenience

# Balance sheets M€

Assets	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Cash & cash equivalents and short-term investments	2,711	2,685	2,754	2,838	2,520
Net accounts receivable and finance receivables	1,429	1,336	1,304	1,510	1,589
Inventories, net	2,616	2,677	2,550	2,607	2,592
Other assets	727	712	835	929	871
Tax assets	329	337	232	299	264
Goodwill	2,116	2,265	2,358	2,611	2,569
Other intangible assets	686	713	724	774	751
Property, plant and equipment	1,275	1,372	1,447	1,523	1,519
<b>Total assets</b>	<b>11,889</b>	<b>12,097</b>	<b>12,204</b>	<b>13,091</b>	<b>12,675</b>
<b>Liabilities and shareholders' equity</b>					
Current liabilities	3,065	2,926	2,889	3,194	2,854
Non-current liabilities	1,743	1,847	1,802	1,820	1,859
Shareholders' equity	7,081	7,324	7,513	8,077	7,962
<b>Total liabilities and shareholders' equity</b>	<b>11,889</b>	<b>12,097</b>	<b>12,204</b>	<b>13,091</b>	<b>12,675</b>

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