

Public

# ASML

## **ASML reports Q3 results as guided and remains on track for record 2015 sales Two new lithography scanners launched**

ASML 2015 Third Quarter Results

Veldhoven, the Netherlands

October 14, 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 fourth quarter, expected customer demand in specified market segments including memory, logic and foundry, expected trends, expected liquidity and capital structure, 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, roadmaps and growth of the semiconductor industry, 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) and roadmaps, 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, delays in EUV systems production and development, 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 and liquidity, our ability to refinance our indebtedness, 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

# 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, compared to calendar year 2014, 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

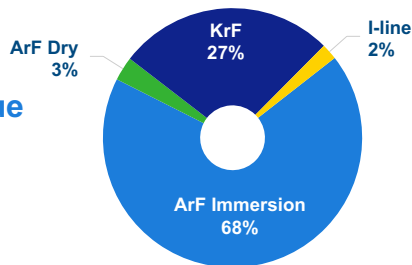
## Q3 results

- Q3 sales and gross margin were in line with our guidance, with a strong showing of the memory segment at more than 50% of system sales as well as record service and field option sales
- Net sales of € 1,549 million, 44 litho systems sold, valued at € 975 million, net service and field option sales at € 574 million
- Average selling price of € 22.2 million per system
- Gross margin of 45.4%
- Operating margin of 24.0%
- Net bookings of € 904 million
- Backlog at € 2,880 million

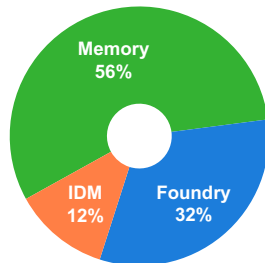
## Net system sales breakdown in value

Q3'15  
total value  
€ 975  
million

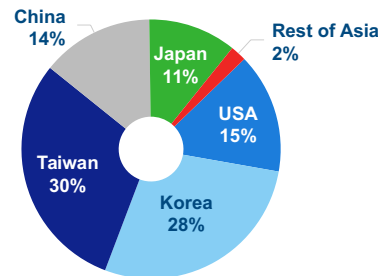
### Technology



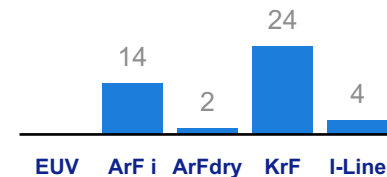
### End-Use



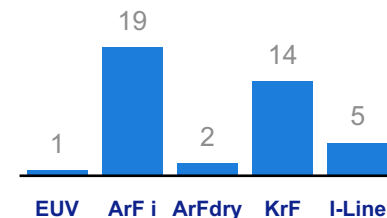
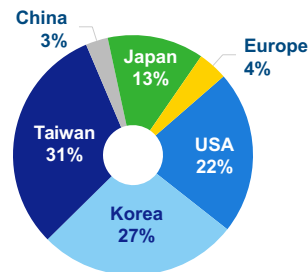
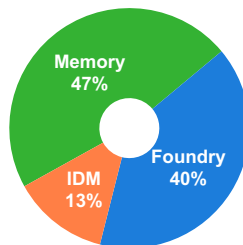
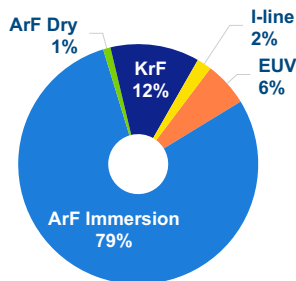
### Region (ship to location)



### Sales in Units



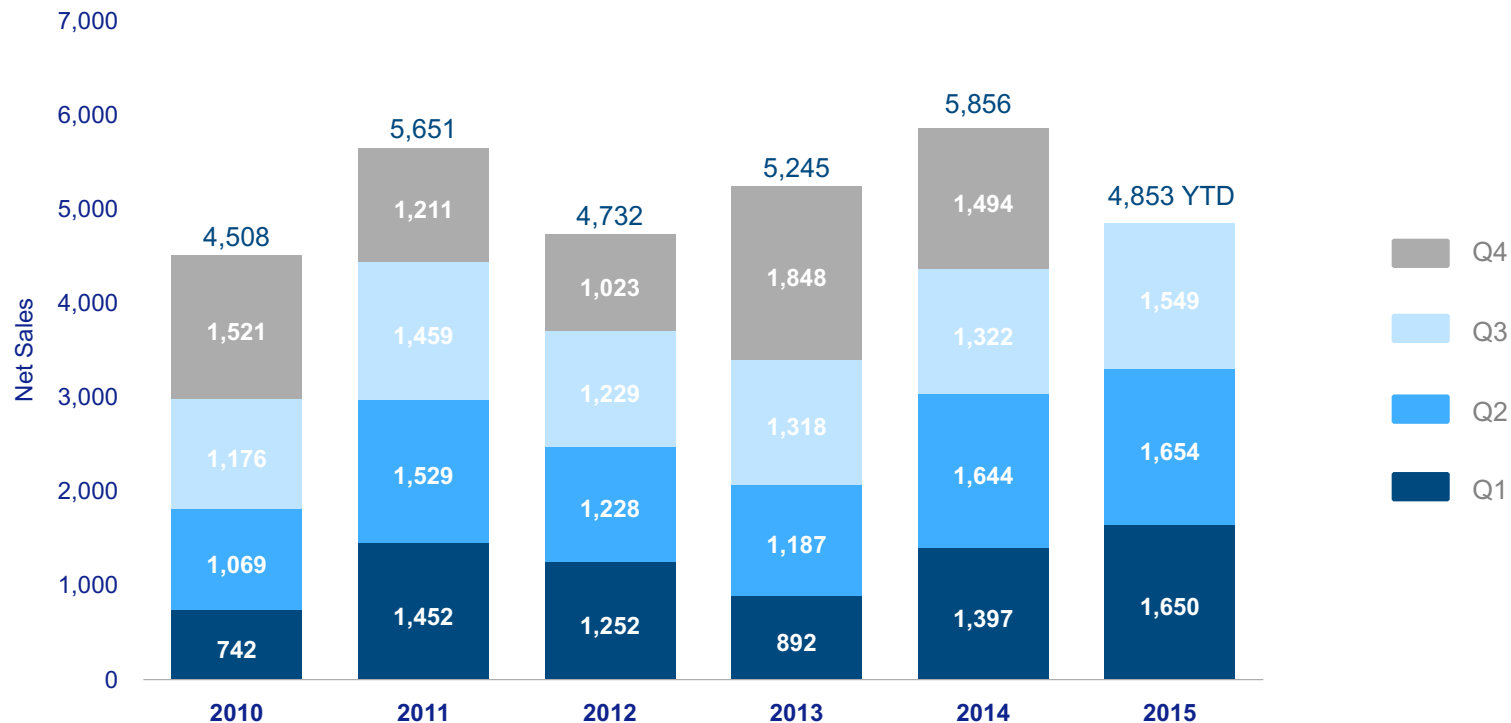
Q2'15  
total value  
€ 1,134  
million



Numbers have been rounded for readers' convenience

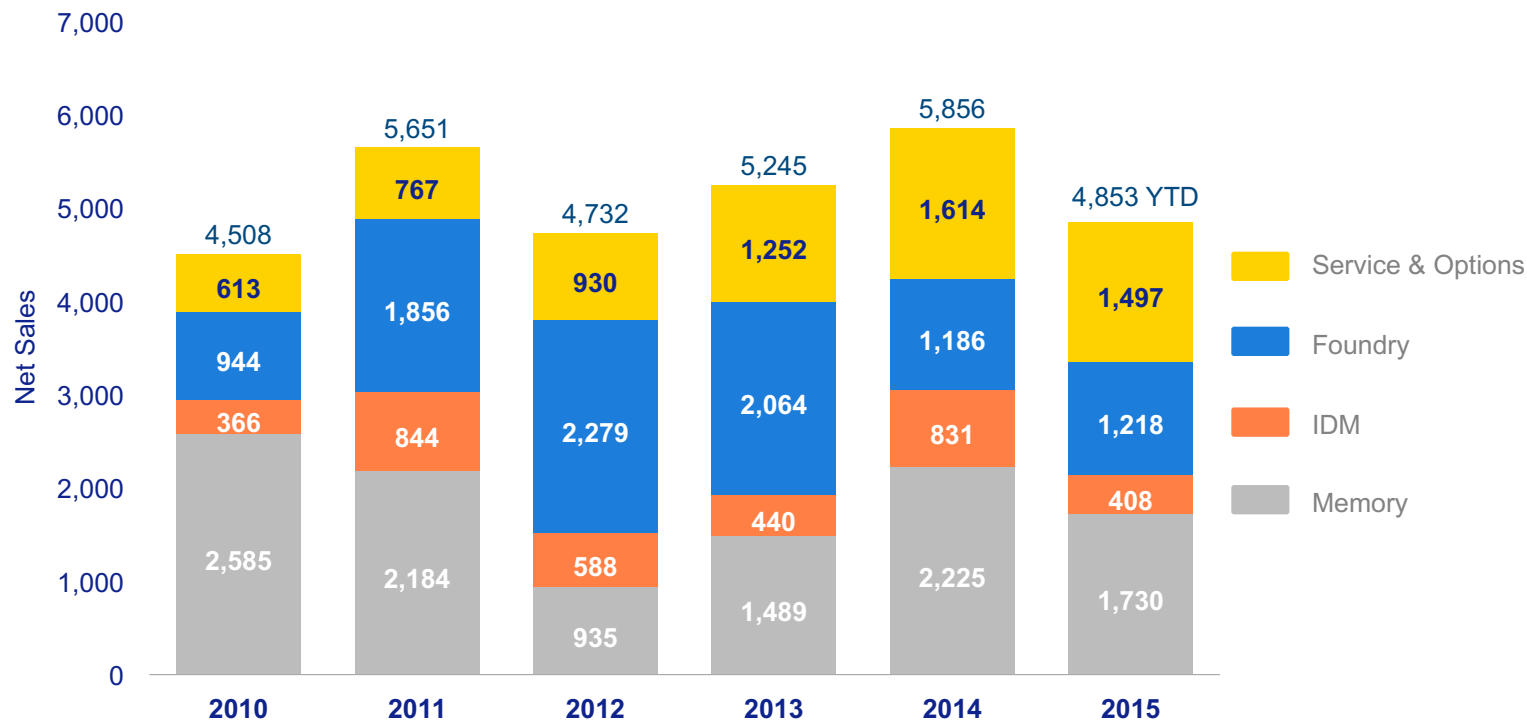


# Total net sales million € by quarter



Numbers have been rounded for readers' convenience

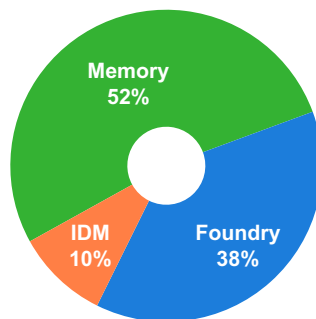
# Total net sales million € by End-use



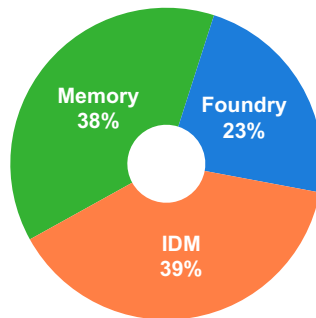
Numbers have been rounded for readers' convenience

# Bookings activity by sector

Q3'15 total value  
€ 904 million



Q2'15 total value  
€ 1,523 million



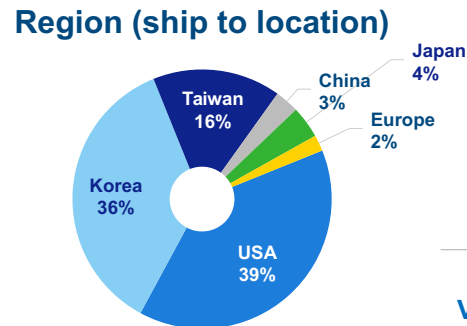
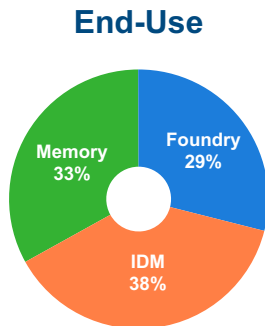
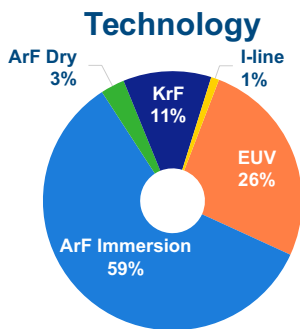
	New systems	Used systems
Units	32	3
Value M€	899	5

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

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)  
Numbers have been rounded for readers' convenience

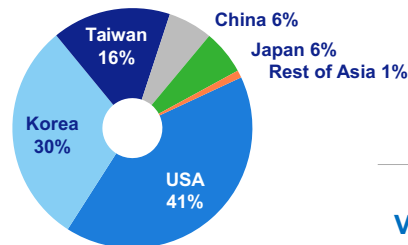
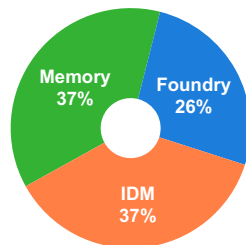
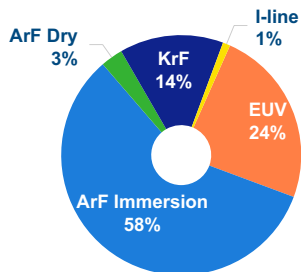
## System backlog in value

Q3'15  
total value  
€ 2,880  
million



	New systems	Used systems
Units	61	11
Value M€	2,835	45

Q2'15  
total value  
€ 3,015  
million



	New systems	Used systems
Units	68	13
Value M€	2,946	69

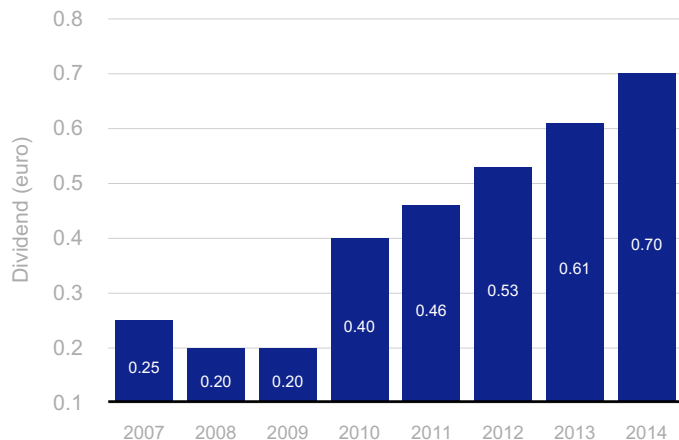
Backlog definition see slide 11

Numbers have been rounded for readers' convenience

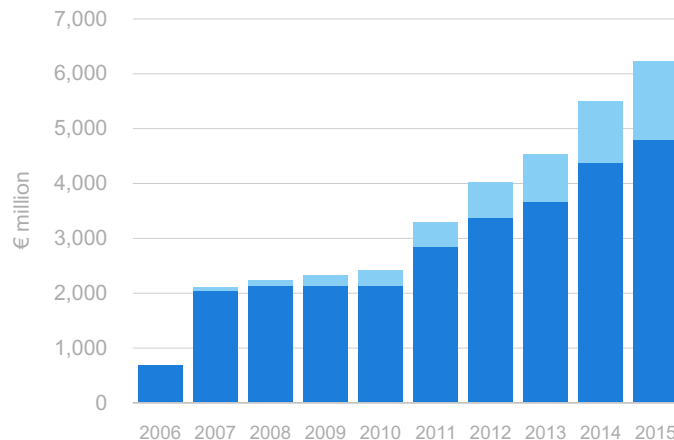
# Capital return to shareholders

- ASML paid € 302 million in dividend or € 0.70 per ordinary share
- Purchased € 426 million worth of shares in Q1, Q2 and Q3 as part of our 2015/2016 approx. € 1 billion share buyback program

## Dividend history



## Cumulative capital return



Dividend

Share buyback

Year paid is offset by 1 year

# Business environment



Memory

- 2 DRAM fabs continue to ramp capacity
- 2x nm DRAM node progressing and 1x nm node development started
- Limited NAND litho tool demand awaiting completion of new 3D NAND fabs



Logic

- 2 new foundry fabs accepting equipment in 2016
- Continued demand for litho tools for several nodes
  - Modest tool shipments continue for 28 nm and 16/14 nm nodes
  - Shipments for development / pilot production of next nodes in progress
  - Shipments for 10 nm volume ramp expected to start in Q2 2016



Service &  
field options

- High demand for service and field options continues to be driven by Holistic litho, growing installed base and upgrade products which allows for improved process control and capital efficiency

# Outlook



# Outlook

- Compared to our expectation 3 months ago, foundries are slightly more cautious with their investment plans. As a result, we expect Q4 sales below the Q3 level, but we remain on track for a record year in terms of sales
- Despite slightly lower deliveries to logic in Q3 and Q4, this segment clearly remains committed to ramp the 10 nm node, which we expect to start in Q2 2016
- Memory customers indicate that their system demand will continue at healthy level throughout H1 2016, albeit somewhat below the Q3 level
  - Q4 net sales approximately € 1.4 billion
  - Gross margin around 45%
  - R&D costs of about € 270 million
  - SG&A costs of about € 90 million
  - Other income (Customer Co-Investment Program) of about € 20 million
  - Effective annualized tax rate for 2015 around 11%

# Technology highlights

# EUV 2015 targets and status at a glance

## Productivity - Target: 1000 wafers per day

- Capability proven: 1022 wafers exposed in 24 hours and more than 15,000 wafers in 4-week manufacturing readiness test at customer site
- Comparable results achieved using same power configuration at multiple customers

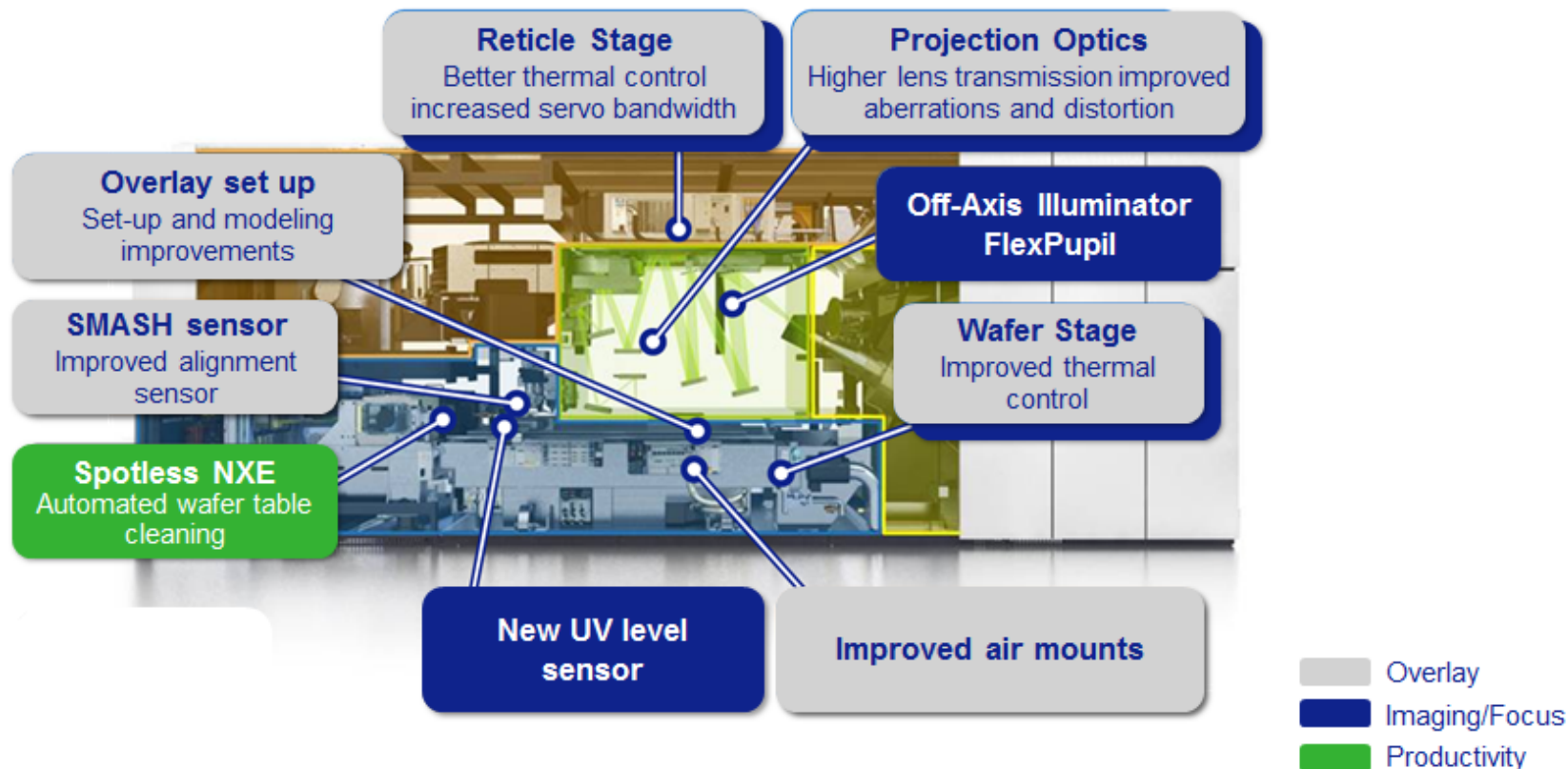
## Availability - Target: 70%

- Capability proven: Several customers achieved 4-week average availability of > 70%
- Worldwide average availability is lower, showing consistency needs to be improved further

## NXE:3350B shipments - Target: 6

- First shipment of NXE:3350B in process with an additional 3 NXE:3350B systems on order with 2 shipments expected in Q4 2015 and 1 in 2016

# NXE:3350B supports 7 nm logic insertion with significantly improved overlay and resolution











# EUV expected shipments and revenue recognition

<b>EUV shipments &amp; revenue 2015</b>		
<b>NXE:3300B</b>	<b>Shipment plan</b>	<b>1</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>3</b>
	<b>Revenue</b>	<b>0</b>

- 1 NXE:3300B shipped in Q1, revenue recognized in Q2
- Revenue recognition of the NXE 3350B depends on the terms and conditions agreed upon with customers
- For the NXE:3350 that is being shipped right now we expect to recognize approx. € 60 million by mid 2016 with the remaining balance deferred to 2017

# Good progress on EUV industrialization roadmap

## Current status

Timing	Source power [W]	Throughput [Wafers/hr]	System availability [%]	Productivity* [Wafers/day]
Today	80 	>55 	>60% 	>500 
2015	125 	>75 	>70% 	>1000 
2016	250	>125	>80%	>1500



Done



Capability demonstrated



On track

\* Includes efficiency and utilization of customers

## Q3 product highlights

### EUV

- First NXE:3350B is being shipped. System achieves an overlay of 1.0 nm, a 50% improvement over the NXE:3300B, and also features a lens with a higher transmission, generating higher throughput from a given EUV power source

### DUV

- Shipment of the first 2 TWINSKAN NXT:1980 systems supporting increasingly demanding multiple patterning performance requirements

### Holistic litho

- Leading customers are using our full suite of process window enhancement solutions to optimize both scanner settings and full-chip mask patterns in immersion multiple patterning for the best yield in 1x nm node production. They have also evaluated our NXE source-mask optimization software for EUV imaging of critical layers in development of the next generation devices. It has demonstrated substantial improvement in process window, CD uniformity and pattern placement for both 7 and 5 nm node logic and 1x nm node memory

# Shipping NXT:1980 for volume production of next Logic and DRAM nodes



NXT:1980 supports increasingly demanding multiple-patterning performance requirements

- 30% improvement in overlay to 1.2 nm
- 40% improvement in focus uniformity to less than 10 nm
- 10% improvement in throughput to 275 wafers per hour



# Financial statements

# Consolidated statements of operations M€

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Net sales	1,322	1,494	1,650	1,654	1,549
Gross profit	578	657	779	754	703
Gross margin %	43.7%	44.0%	47.2%	45.6%	45.4%
Other income*	20	20	21	21	21
R&D costs	(260)	(268)	(261)	(267)	(267)
SG&A costs	(77)	(79)	(82)	(88)	(86)
Income from operations	261	330	456	419	372
Operating income %	19.8%	22.1%	27.6%	25.3%	24.0%
Net income	244	305	403	370	322
Net income as a % of net sales	18.5%	20.4%	24.4%	22.4%	20.8%
Earnings per share (basic) €	0.56	0.70	0.93	0.86	0.75
Earnings per share (diluted) €	0.56	0.70	0.93	0.85	0.75
Litho units sold	30	35	47	41	44
ASP new litho systems	35.9	34.7	30.8	32.5	24.2
Net booking value**	1,397	1,387	1,028	1,523	904

\* 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.

Numbers have been rounded for readers' convenience

# Cash flows M€

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Net income	244	305	403	370	322
Net cash provided by (used in) operating activities	214	409	337	284	420
Net cash provided by (used in) investing activities	(24)	77	124	(107)	(99)
Net cash provided by (used in) financing activities	(161)	(213)	(112)	(458)	(133)
Net increase (decrease) in cash & cash equivalents	34	275	359	(284)	186
Free cash flow*	130	281	250	205	333

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

Numbers have been rounded for readers' convenience

# Balance sheets M€

<b>Assets</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>
Cash & cash equivalents and short-term investments	2,685	2,754	2,838	2,520	2,681
Net accounts receivable and finance receivables	1,336	1,304	1,510	1,589	1,593
Inventories, net	2,677	2,550	2,607	2,592	2,537
Other assets	712	835	929	871	846
Tax assets	337	232	299	264	203
Goodwill	2,265	2,358	2,611	2,569	2,574
Other intangible assets	713	724	774	751	739
Property, plant and equipment	1,372	1,447	1,523	1,519	1,533
<b>Total assets</b>	<b>12,097</b>	<b>12,204</b>	<b>13,091</b>	<b>12,675</b>	<b>12,706</b>
<b>Liabilities and shareholders' equity</b>					
Current liabilities	2,926	2,889	3,194	2,854	2,711
Non-current liabilities	1,847	1,802	1,820	1,859	1,850
Shareholders' equity	7,324	7,513	8,077	7,962	8,145
<b>Total liabilities and shareholders' equity</b>	<b>12,097</b>	<b>12,204</b>	<b>13,091</b>	<b>12,675</b>	<b>12,706</b>

Numbers have been rounded for readers' convenience

**ASML**

The ASML logo is rendered in a bold, dark blue, sans-serif font. It is positioned on the left side of the image. Behind the logo, there are several decorative elements: a large, light blue curved shape that starts from the top left and curves towards the center; a series of thin, white, wavy lines that originate from the right side of the logo and extend across the bottom half of the image; and a solid light blue background with a subtle gradient.