**Earnings growth continues, driven by strong sales across full product**

Continued EUV progress enables ASML roadmap acceleration

VELDHOVEN, the Netherlands, July 18, 2018 - ASML Holding N.V. (ASML) today’s Investor Call - 2018 second-quarter results.

**Peter Wennink**

Good morning / good afternoon ladies and gentlemen and thank you for joining us for our Q2 2018 results conference call.

Before we begin the Q & A session Roger and I would like to provide an overview and some commentary on the second quarter, as well as provide our view of the coming quarters. Roger will start with a review of our Q2 financial performance with added comments on our short-term outlook. I will complete the introduction with some additional comments on the current business environment and on our future business outlook.

Roger.

**Roger Dassen**

Thank you Peter and welcome everyone.

I will first highlight some of the second-quarter accomplishments and then provide our guidance for the third-quarter of 2018.

Q2 net sales came in at 2.74 billion Euros, somewhat higher than guided driven by strong demand across our full product portfolio.

Net system sales of 2.09 billion Euros was nicely balanced between memory, at 54%, and Logic, at 46%. EUV revenue of 667 million Euros, was a combination of revenue from four shipments, one more than previously guided, and deferred revenue from previous quarters. As you know, we are now recognizing the majority of revenue for an EUV system at the time of shipment.

Installed Base Management sales for the quarter came in at 654 million Euros.

Overall gross margin for the quarter came in at 43.3%, which was just above our guidance, reflecting the strength of our DUV and Holistic Lithography business as well as progress in EUV profitability.

Overall OPEX came in slightly above guidance, with R&D expenses at 380 million Euros and SG&A expenses at 117 million Euros.

Turning to the balance sheet, after paying a total amount of 866 million Euros on dividend and share buybacks, we ended last quarter with cash, cash equivalents and short-term investments at a level of 2.98 billion Euros.

Moving to the order book, Q2 system bookings came in at 1.95 billion Euros. 45% of the order in-take was from logic customers. Memory made up the remaining 55% of order volume. The bookings are mainly driven by the strong DUV business. We took one new EUV order in this quarter.

€ 269 million Euros worth of shares were repurchased in Q2. This leaves around 2 billion Euros of the 2018/2019 share buyback remaining. Additionally, we paid a dividend of 1.40 Euros per share, valued at 597 million Euros. With that I would like to turn to our expectations and guidance for the third-quarter of 2018.

We expect Q3 total net sales to be similar to Q2 at between 2.7 billion and 2.8 billion Euros. Our total net sales forecast includes around 500 million Euros of EUV system revenue from five EUV systems, which we target to ship in the quarter.

Our EUV shipment plan is still 20 systems for 2018. We expect healthy EUV order flow in the second half of the year in support of our 2019 shipment plan of at least 30 systems.

We expect our Q3 Installed Base Management revenue to step up a bit from previous quarters to around 700 million Euros. The service portion of this business is pretty stable whereas the upgrade revenue is more dependent on system utilization. In the current business environment, when systems are running at high utilizations, customers are less willing to take systems down for upgrades.

Gross margin for Q3 is expected to be between 47% and 48%, reflecting the growth in profitability across all products. The higher R&D expenses for Q3 of about 395 million Euros are due to an acceleration of the NXE:3400 roadmap and the high NA EUV program. SG&A is expected to come in at about 120 million Euros.

We remain excited about the balance of 2018. Customers' demand for our products continues to be strong. We look forward to a year of continued strong growth in both revenue and profitability.

With that Peter back to you.

**Peter Wennink**

Thank you, Roger.

As Roger has highlighted, we had a good first half of the year and our business continues to perform very well. The positive industry environment and increasing litho intensity continues to drive strong demand in both logic and memory markets as customers migrate to more advanced nodes, requiring our full suite of products. For the second half of the year we see strength in DUV driven by memory and EUV driven by logic.

After an excellent first half of 2018, we expect the second half to be stronger, with improved sales and profitability as well as continued growth from Q3 to Q4.

Logic demand continues to be solid as both existing and new market applications require more high-performance compute power. Customers are preparing the ramp of the 7nm node which is driving a significant increase in EUV demand. Given the progress made in EUV execution, there is now increased customer confidence in the future logic roadmap. Furthermore, plans are being put in place to secure the next generation High-NA EUV. Progress in high performance compute requires similar advances in the memory roadmap execution for both volatile and non-volatile memory.

Memory strength in both DRAM and NAND is driven by increasing content per device as well as expanding end market applications. In DRAM, to meet the current bit growth demand expectations of between 20-25%, we see customers continuing with technology migrations and wafer capacity additions. As fewer bits are being supplied via technology node migrations, it drives an increased need for wafer capacity additions. In NAND, with planned 2D to 3D NAND conversions nearly finished, customers require new greenfield fab capacity. This along with vertical scaling via stack of stacks, drives additional lithography demand. Significant investments in greenfield fabs, although dampened by high NAND growth rates which are expected to stay in the 40-45% range, may create some short-term volatility. In memory overall, we don't see any structural supply imbalance concerns that would significantly change our positive view of this market segment.

On the ASML product side let me start with an update of our EUV business.

- In EUV, we continue to make good progress as this technology ramps in volume production. Priority continues to be on productivity or wafers per day, which is a combination of system throughput and availability. On availability, we have made significant improvements that have enabled four-week availability above 85% on a number of systems with the latest configuration, our NXE:3400. On throughput, we have customer systems running at 125 wafers per hour and have demonstrated performance beyond 140 wafers per hour. Focused execution of our EUV program is enabling an acceleration of our roadmap in terms of throughput, availability and overlay creating the opportunity for value creation for both our customers and ASML. With this in mind, we decided to accelerate some of the R&D spending to pull in these benefits. We are working to finalize the configuration and specifications of this accelerated roadmap and will provide an update later this year. These improvements will provide an even stronger foundation for our EUV business going forward.

- In DUV, we are now shipping the NXT:2000i system, which delivers increased customer value via improved lithography performance. We are planning an aggressive ramp of these systems in the second half of the year, driven by strong customer demand in both memory and logic.

- In Holistic Lithography, we continue to see growth across our full portfolio of software and metrology products enabled by the continued integration of HMI's e-beam technology and ASML's computational and control products.

To summarize 2018, we expect continued solid growth in both sales and profitability vs 2017. After an excellent first half, we expect revenue in the second half to be stronger with an improved profitability. We furthermore expect the growth to continue from Q3 to Q4.

Regarding 2019, it is a bit too early to provide quantitative guidance but I will provide some comments regarding our initial view on high level trends going into the start of next year. In memory, we see strong DUV demand continuing with an initial EUV opportunity at more advanced nodes. In logic, 7nm node will continue to ramp driving a further increase in EUV demand, on top of solid demand in DUV. In our install base management segment, we expect continued growth via service revenue from a growing install base as well as upgrade business opportunity, although the latter is somewhat dependent on the customer's willingness to sacrifice utilization in the period during upgrade. In summary, at present we currently expect the strong growth that we experience this year to continue into 2019.

We are well on track to achieve our 2020 targets with significant growth potential beyond 2020. We plan to communicate our growth opportunity through 2025 at our Investor Day on November 8th this year.

With that we would be happy to take your questions.