

Financial Model

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Overview ...

Past investments created shareholder value

- We have **invested significantly into technology leadership** over the last five years and have thereby created **significant shareholder value**

Continuing growth

- We service a **growing industry** that is expected to keep innovating and expanding
- We will **continue to add value** through the delivery of our products and services roadmap enabling our customers to achieve cost effective shrink

Financial opportunity

- We have an opportunity (excl. HMI) to grow our annual **revenue to ~10B€ in 2020** and **raise EPS to >8€** driven by leverage in our financial model
- Including HMI and associated new products the **revenue opportunity in 2020 increases to ~11B€ with an EPS opportunity of >9€**

Continued shareholder value creation

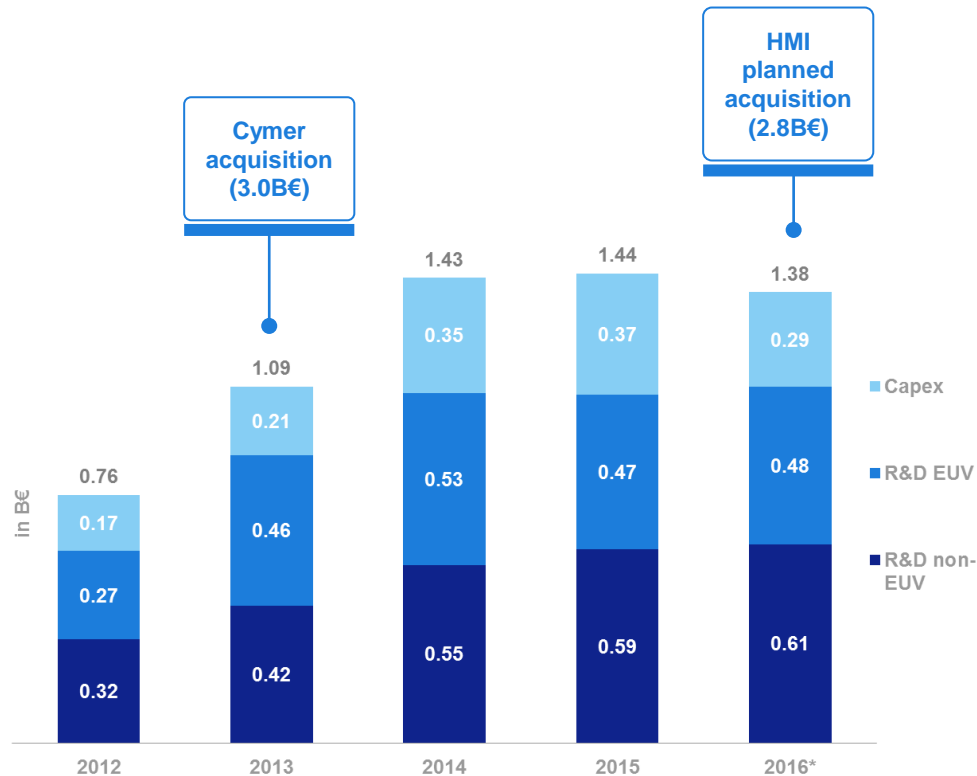
- We expect to continue to **return excess cash to our shareholders** through dividends that are stable or growing and regularly timed share buybacks in line with our policy

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Past investments created shareholder value ...

ASML invests in Technology Leadership to enable shrink with resulting cost reduction for our customers ...

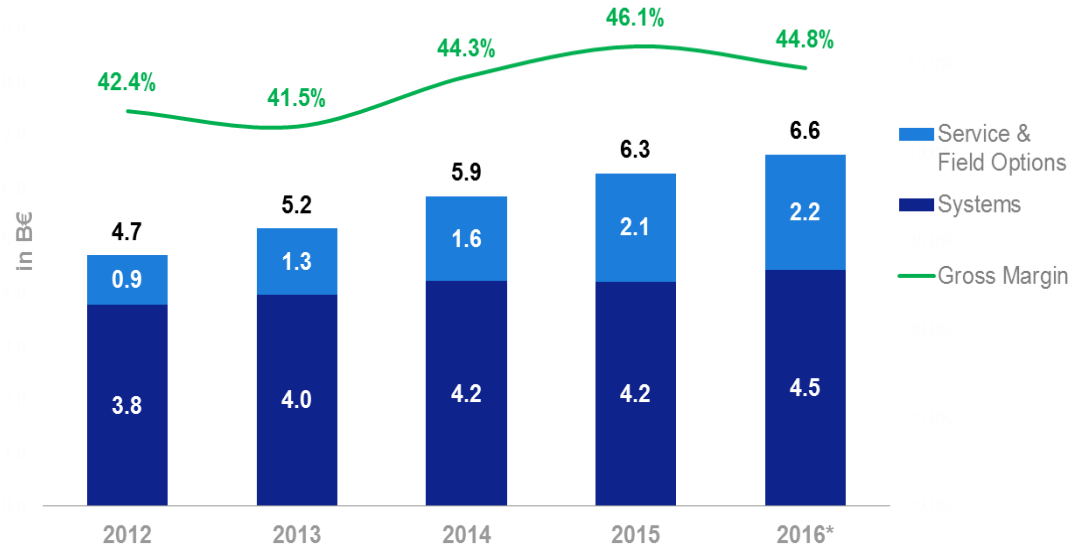
- **Investments** in R&D and CAPEX grew at a **CAGR of 16%** over the past 5 years
- In addition: **strategic acquisitions** enabling **EUV and Holistic Lithography**



* 2016 estimate includes Q4 guidance

ASML revenues grew at a CAGR of 9% since 2012 ...

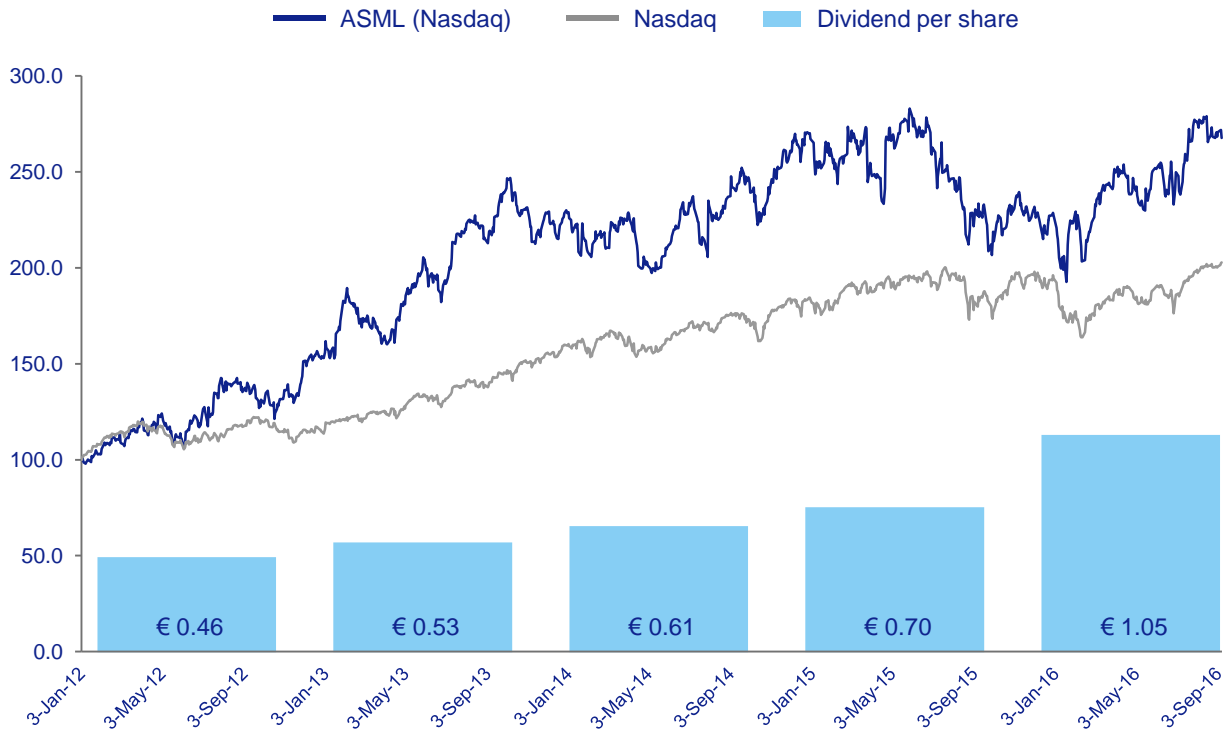
- **Systems revenue** grew at a 4% CAGR since 2012
- **Services and Field Options**
 - 24% CAGR since 2012 driven by holistic lithography, upgrades and growing installed base
 - Now approximately one third of our total revenue
- **2016 gross margin** impacted by increasing EUV revenue



* 2016 estimate includes Q4 at mid point of revenue and gross margin guidance

ASML created significant shareholder value over the past five years ...

- **ASML (Nasdaq)**
Stock price
CAGR 30% versus
NASDAQ
at 21%
- Supplemented
by **progressive**
dividends,
including a 50%
step up in 2016



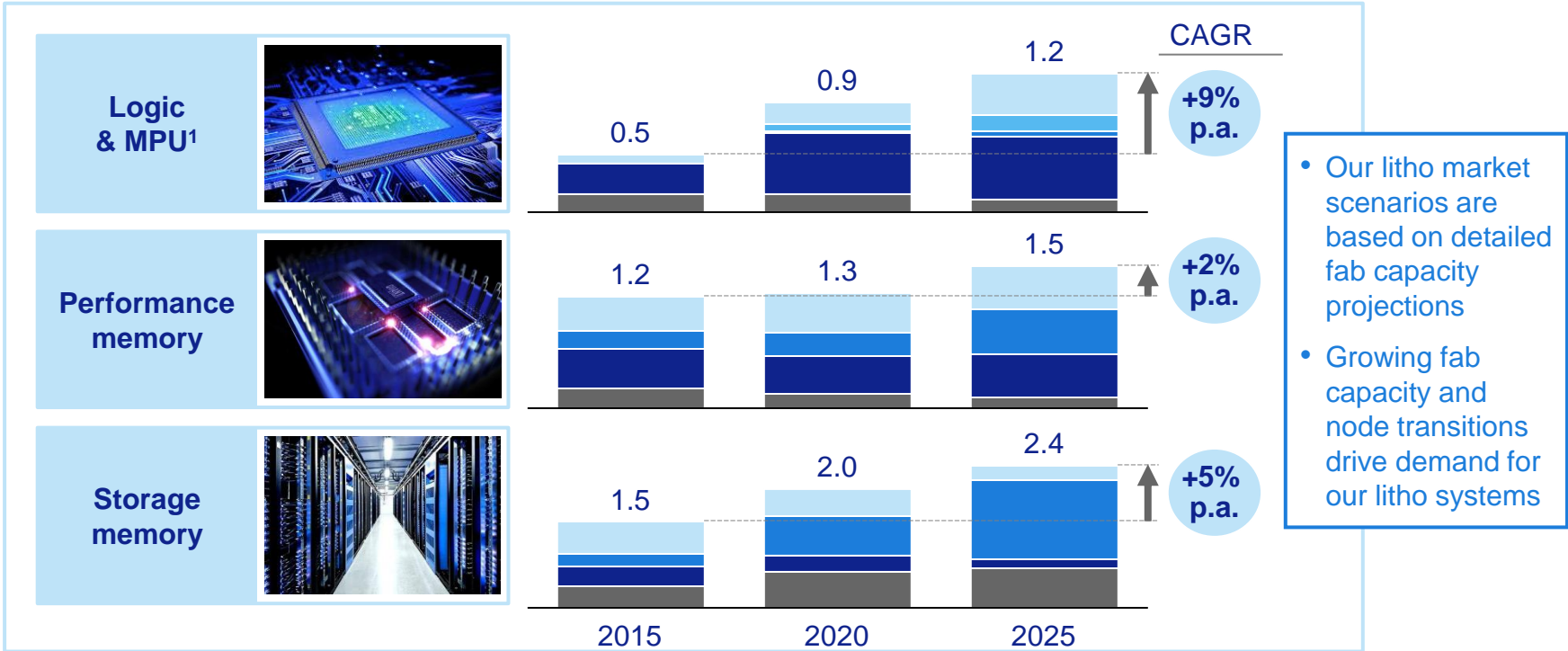
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Continuing growth ...

Growing end markets require growth of fab capacity ...

Worldwide fab capacity in million wafers per month

■ PCs and laptops ■ Smartphones and tablets ■ Servers ■ IoT ■ Other²



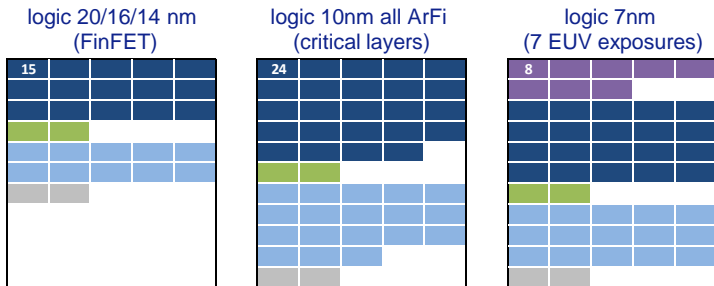
1 Advanced Logic and MPU nodes only ≤ 32nm; 2 Including but not limited to: Consumer, Automotive, Industrial, Computer graphics, FPGA
Source: Gartner, ASML model

Lithography Intensity is increasing ...

Required number of systems per node for a given capacity

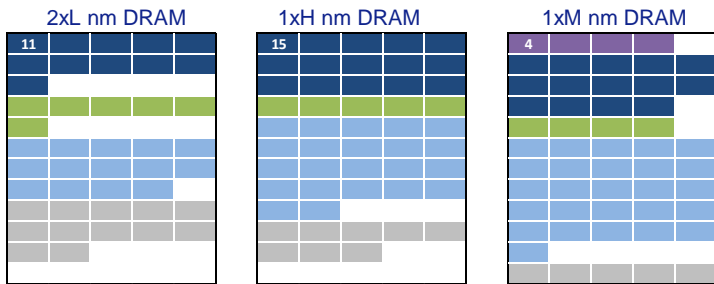
Logic / MPU

45K wafers/month



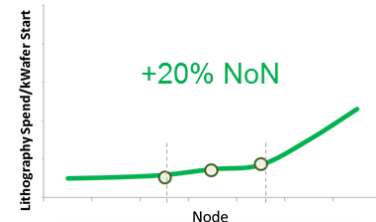
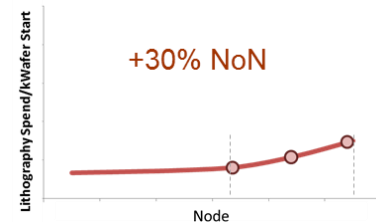
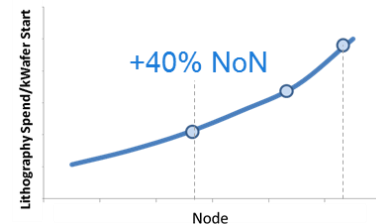
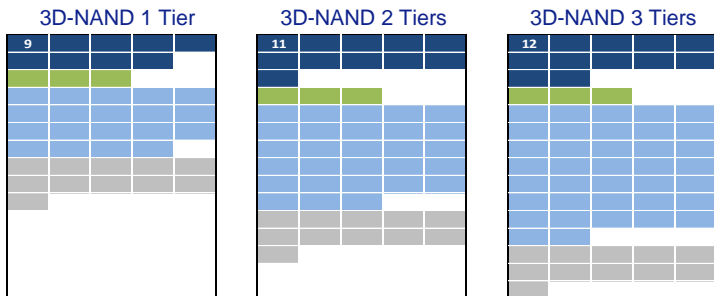
Performance memory

100K wafers/month



Storage memory

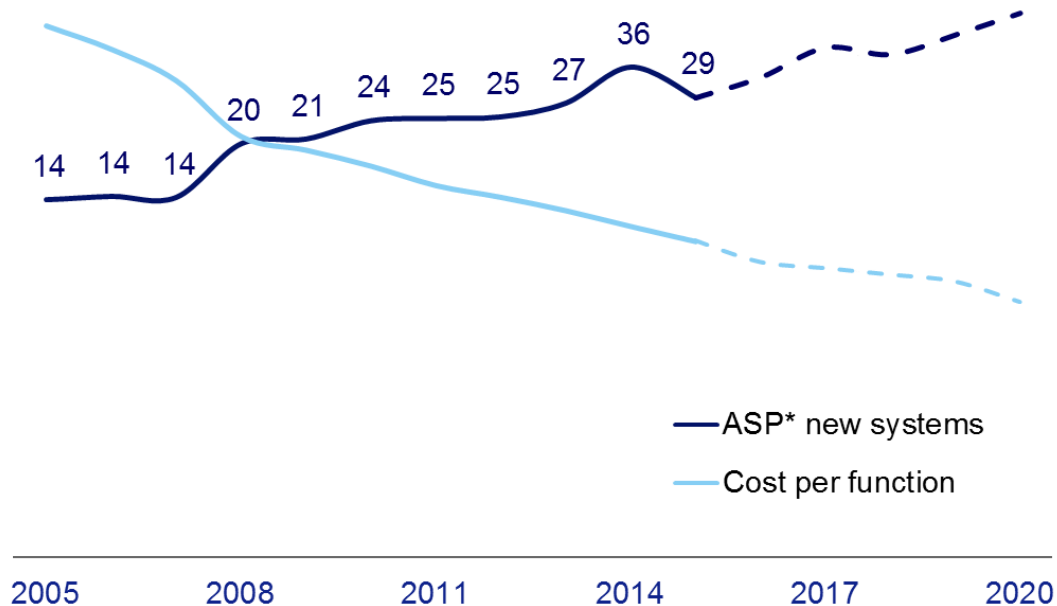
120K wafers/month



A Win/Win Situation ...

Delivering value to customers drives ASML System ASP

- **Lithography revenue is increasing** (driven by number of wafer starts and higher lithography intensity) **while reducing the cost per function**
- For customers: **Cost per function reduction** (Logic): -21% CAGR 2005-2015
- For ASML: **System ASP***: 8% CAGR 2005-2015



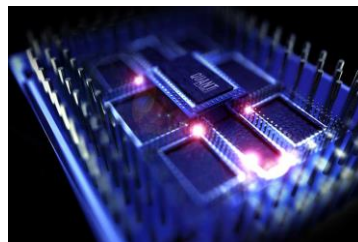
Source: ASML

* ASML new systems revenue divided by new units recognized in a year

Model assumptions ...



Logic / MPU



Performance Memory



Storage Memory

Market share: EUV 100%, ArFi 80%, Dry 50%

General

- EUV insertion 2018
- 3 year cadence

- EUV insertion 2018

- EUV insertion 2020 for storage class memory
- 3D NAND: stack of stacks

Market (low/high)

- -20% to flat wafer starts per month, node on node, starting at 16/14nm (270kwsps)

- Bit growth: 20-30%

- Bit growth 40-50%

EUV Insertion (low/high)

- EUV initial layer range: 6-10, growing at subsequent nodes

- EUV initial layer range: 1-2, growing at subsequent nodes

- EUV layers for storage class memory: 0 or 9

Sensitivities on 2020 sales ambition ...

Target: 10B€ in 2020

ASML Sales in 2020

(in B€/ ASP in m€)

Market demand

based on average layer count

Worldwide units

High demand	EUV	50	Systems Service & Options	9.9
	ArFi	80		3.2
	Dry	145		
	Total	275	Total	13.1
			ASP new systems	52
Low demand	EUV	20	Systems Service & Options	4.9
	ArFi	50		2.8
	Dry	90		
	Total	160	Total	7.7
			ASP new systems	45

EUV insertion

based on moderate market

Worldwide units

High insertion	EUV	45	Systems Service & Options	8.0
	ArFi	50		3.1
	Dry	115		
	Total	210	Total	11.1
			ASP new systems	55
Low insertion	EUV	25	Systems Service & Options	6.5
	ArFi	75		3.0
	Dry	115		
	Total	215	Total	9.5
			ASP new systems	45

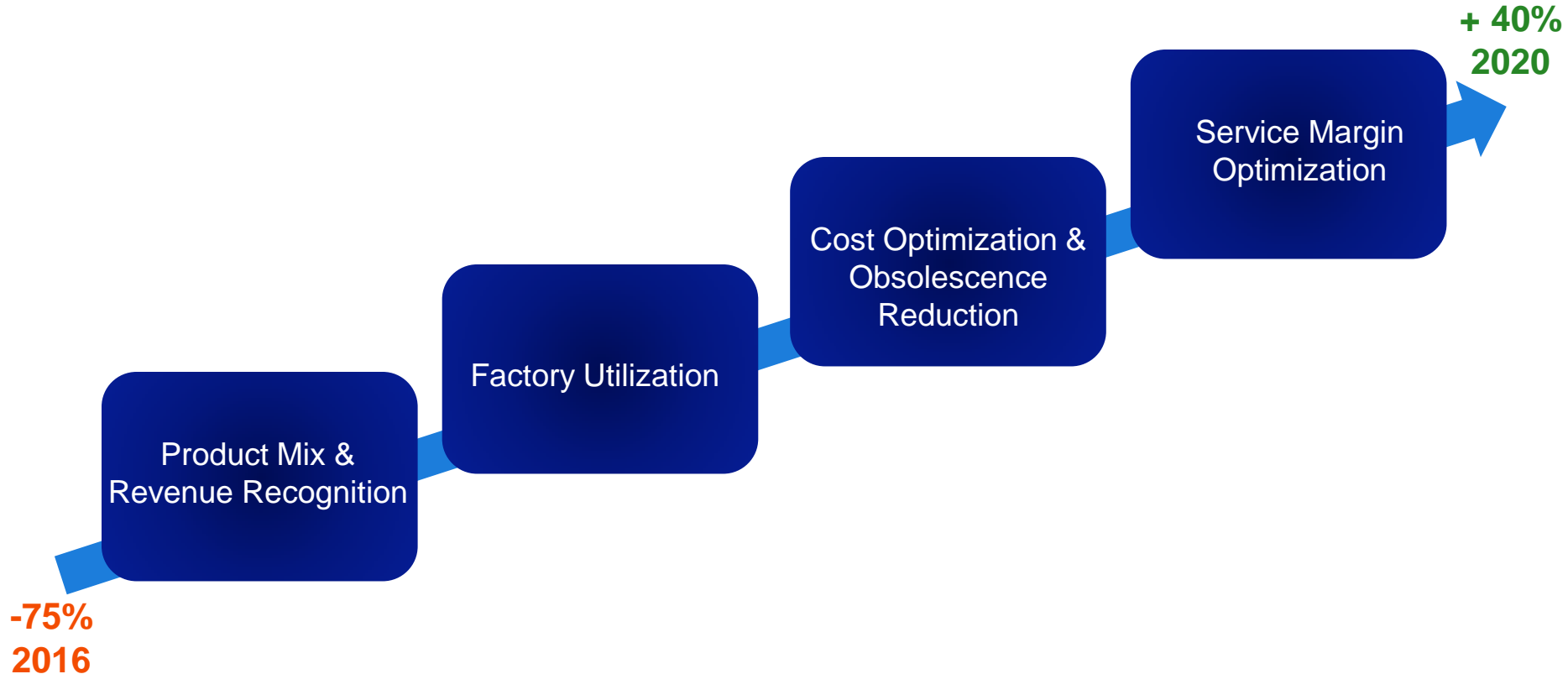
Financial opportunity ...

We have significant leverage in our Financial Model ...

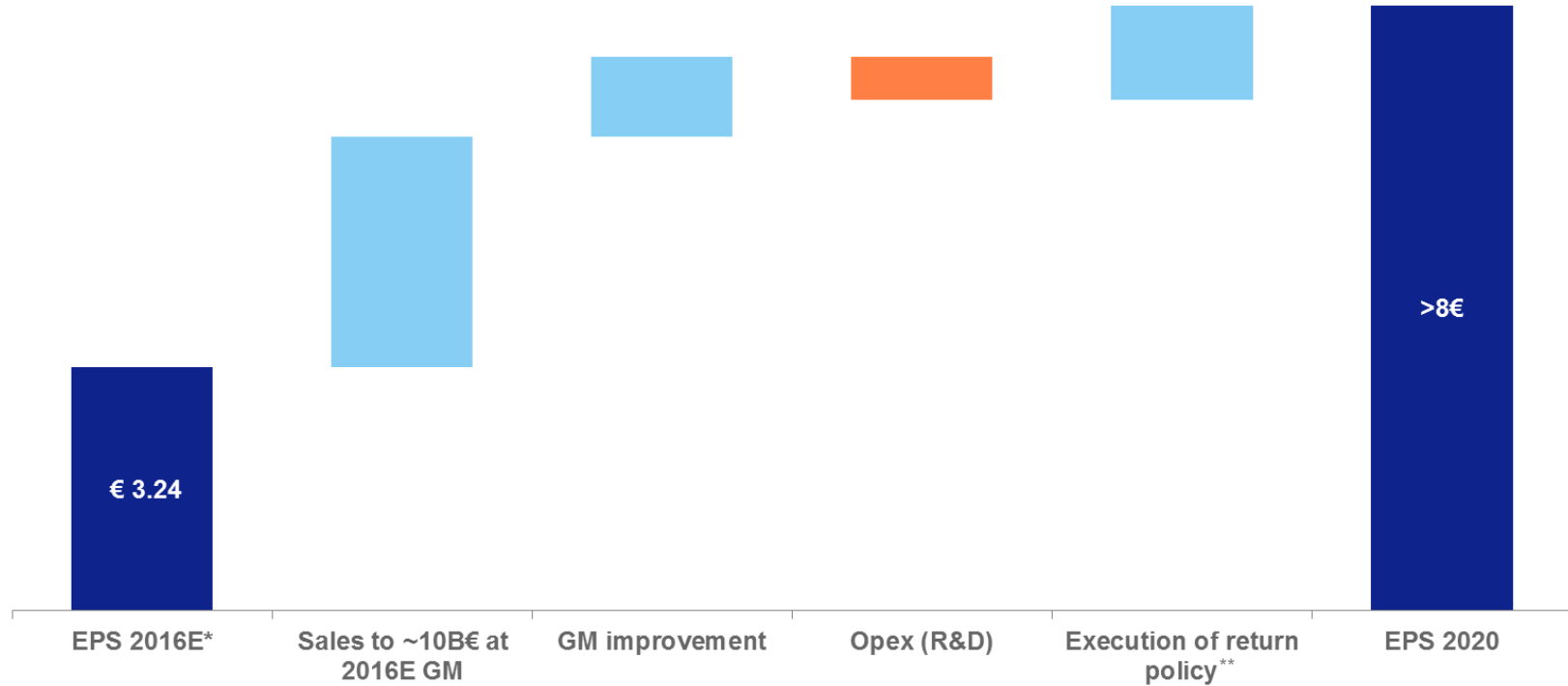
	2014 (Actual)	2016* (Guidance)	2020 (Model)	Driver
Total Sales	5.9B€	~6.6 B€	~10B€	
Gross margin %	44.3%	~45%	~50%	
R&D % sales	18%	~16%	~13%	
SG&A % sales	5%	~6%	~4%	
Capex % sales	6%	~4%	~4%	Reflecting changes in long-term capex outlook
Cash Conversion Cycle	309 days	~280 days	<200 days	
Effective Tax Rate	6%	~13%	~13%	Reflecting changes in tax legislation and rulings
EPS	€ 2.74	€ 3.24	>8€	

* FY 2016 estimated revenue and gross margin based on mid point of Q4 guidance / EPS based on Street expectation

Drivers to 40% Gross Margin in 2020 for EUV business (includes systems, field options and services)



Path to FY2020 EPS ...



* 2016 EPS based on Street expectation

** Share buybacks modelled at price of €96

Financial opportunity including HMI ...

HMI acquisition status ...

HMI shareholders

- HMI shareholders voted in favor for the acquisition during the HMI EGM

Regulatory Authority approvals

- All regulatory approvals received :
 - CFIUS (US),
 - Competition Commission Singapore
 - Taiwan Fair Trade Commission
 - Taiwan Investment Commission Inbound
 - Taiwan Investment Commission Outbound (private placement)
 - Korea Fair Trade Commission

Closing

- Funds available to close transaction
- Closing of transaction and delisting of HMI expected in **Q4 2016**

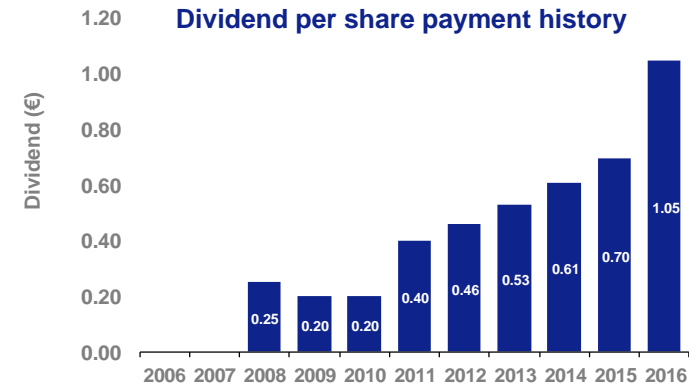
ASML and HMI combined Financial Model

	2020 (Model)	2020 ASML/HMI combined (Model)	Driver HMI impact
Total Sales	~10B€	~11B€	Combination of ASML/HMI, including associated new products, expected to increase our revenues in 2020 at higher than average ASML gross margin
Gross margin %	~50%	>50%	
R&D % sales	~13%	~13%	HMI product development supported by our current model
SG&A % sales	~4%	~4%	
Capex % sales	~4%	~4%	Integration of HMI business not expected to have a significant impact on our Opex, Capex and Working Capital model
Cash Conversion Cycle	<200 days	<200 days	
Effective Tax Rate	~13%	~14%	Reflecting different tax jurisdiction HMI
EPS	>8€	>9€	Combination of ASML/HMI expected to have a positive impact on EPS

Continued shareholder value creation ...

Returned >7B€ since 2006 and expect to continue to return excess cash to our shareholders in line with our policy ...

- First priority: **liquidity** and maintaining **financial stability** throughout the cycle
- Maintain strong gross cash balance (currently minimum 2.0 - 2.5B€)
- Maintain a capital structure that supports a solid **investment grade** credit rating
- Consider M&A with a clear value proposition to our stakeholders
- **Return excess cash** to our shareholders through dividends, preferably stable or growing over time and regular share buybacks in line with our policy



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 expected customer demand in specified market segments (and underlying assumptions) including memory, logic and foundry, expected sales levels, trends, including trends towards 2020 and beyond and expected industry growth, and outlook, systems backlog, expected or indicative market opportunity, financial results and targets, including, for ASML and ASML and HMI combined, expected sales, other income, gross margin, R&D and SG&A expenses, capital expenditures, cash conversion cycle, EPS and effective annualized tax rate, annual revenue opportunity and EPS potential by end of decade and growth opportunity beyond 2020 for ASML and ASML and HMI combined, cost per function reduction and ASML system ASP, goals relating to gross cash balance and ASML's capital structure, customer, partner and industry roadmaps, productivity of our tools and systems performance, including EUV system performance (such as endurance tests), expected industry trends and expected trends in the business environment, the addition of value through delivery of lithography products and the achievement of cost-effective shrink, expected continued lithography demand and increasing lithography spend, the main drivers of lithography systems, lithography intensity for all market segments, customer execution of shrink roadmaps, future memory application distribution, expected addressable markets, including the market for lithography systems and service and options, expected manufacturing and process R&D, statements with respect to growing end markets that require fab capacity driving demand for ASML's tools, statements with respect to the acquisition of HMI by ASML, including market opportunity, the expected timing of completion of the HMI acquisition and delisting of HMI, the expected benefits of the acquisition of HMI by ASML, including expected continuation of year on year growth, the provision of e-beam metrology capability and its effect on holistic lithography solutions, including the introduction of a new class of pattern fidelity control and the improvement of customers' control strategy, statements with respect to EUV, including targets, such as availability, productivity, facilities and shipments, including the number of EUV systems expected to be shipped and timing of shipments, and roadmaps, shrink being key driver to industry growth, expected industry adoption of EUV and statements with respect to plans of customers to insert EUV into production and timing, the benefits of EUV, including expected cost reduction and cost-effective shrink, the expected continuation of Moore's law, without slowing down, and that EUV will continue to enable Moore's law and drive long term value, goals for holistic lithography, including pattern fidelity control, expectations relating to double patterning, immersion and dry systems, intention to return excess cash to shareholders, statements about our proposed dividend, dividend policy and intention to repurchase shares and statements with respect to the current share repurchase plan. 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 any 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 including EUV, 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 timing of resumption of the share repurchase plan, 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.

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