ASML HOLDING NV
Form 20-F
February 12, 2014
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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2013

Commission file number 025566

ASML HOLDING N.V.

(Exact Name of Registrant as Specified in Its Charter)

THE NETHERLANDS

(Jurisdiction of Incorporation or Organization)

DE RUN 6501

5504 DR VELDHOVEN

THE NETHERLANDS

(Address of Principal Executive Offices)

Craig DeYoung

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E-mail: craig.deyoung@asml.com

2650 W Geronimo Place

Chandler, AZ 85224, USA

(Name, Telephone, E-mail, and / or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Ordinary Shares (nominal value EUR 0.09 per share)	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of

capital or common stock as of the close of the period covered by the annual report.

440,852,334 Ordinary Shares

(nominal value EUR 0.09 per share)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes (x) No ( )

If this report is an annual or transition report, indicate by check mark if the registrant

is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ( ) No (x)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant

was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (x) No ( )

Indicate by check mark whether the registrant has submitted electronically

and posted on its corporate web site, if any, every Interactive

Data File required to be submitted and posted pursuant to Rule

405 of Regulation S-T (§232.405 of this chapter) during the

preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes (x) No ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer (x) Accelerated filer ( ) Non-accelerated filer ( )

Indicate by check mark which basis of accounting the registrant has used to prepare

the financial statements included in this filing:

U.S. GAAP (x) International Financial Reporting Standards as issued by the

International Accounting Standards Board ( ) Other ( )

If Other has been checked in response to the previous question, indicate by checkmark

which financial statement item the registrant has elected to follow.

Item 17 ( ) Item 18 ( )

If this is an annual report, indicate by check mark whether the registrant is a

shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ( ) No (x)

Name and address of person authorized to receive notices and communications

from the Securities and Exchange Commission:

James A. McDonald

Skadden, Arps, Slate, Meagher & Flom (UK) LLP

40 Bank Street, Canary Wharf London E14 5DS England

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Part I

Special Note Regarding Forward-Looking Statements

In addition to historical information, this Annual Report contains statements relating to our future business and/or results. These statements include certain projections and business trends that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify these statements by the use of words like may , will , could , should , project , believe , anticipate , expect , plan , estimate , forecast , potential , i variations of these words or comparable words. They appear in a number of places throughout this report and include statements with respect to expected financial results, including expected sales levels made on expected gross margin and expenses, realization of systems backlog, expected shipment of tools, productivity of our tools, purchase commitments, IC unit demand, statements about our CCIP, the expected benefits of the Cymer acquisition and the development of EUV technology and the number of EUV systems expected to be shipped and recognized in revenue and the timing of shipments, our dividend policy and our intention to repurchase shares. 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. Actual results may differ materially from projected results as a result of certain risks and uncertainties. These risks and uncertainties include, without limitation, those described under Item 3.D. Risk Factors . These forward-looking statements are made only as of the date of this Annual Report. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1 Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 Offer Statistics and Expected Timetable

Not applicable.

Item 3 Key Information

A. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with Item 5 Operating and Financial Review and Prospects and Item 18 Financial Statements .

On May 30, 2013, we acquired 100 percent of the issued share capital of Cymer. Comparative financial information presented in our Annual Report does not include Cymer, unless indicated otherwise.

A summary of all abbreviations and technical terms used in this Annual Report is set forth on pages D-1 through D-4.

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Five-Year Financial Summary

Year ended December 31	2013	2012	2011 [1]	2010	2009
(in thousands, except per share data)	**EUR**	EUR	EUR	EUR	EUR
Consolidated Statements of Operations data					
Net sales	**5,245,326**	4,731,555	5,651,035	4,507,938	1,596,063
Cost of sales	**(3,068,064)**	(2,726,298)	(3,201,645)	(2,552,768)	(1,137,671)
Gross profit	**2,177,262**	2,005,257	2,449,390	1,955,170	458,392
Other income	**64,456**	-	-	-	-
Research and development costs	**(882,029)**	(589,182)	(590,270)	(523,426)	(466,761)
Selling, general and administrative costs	**(311,741)**	(259,301)	(217,904)	(181,045)	(154,756)
Income (loss) from operations	**1,047,948**	1,156,774	1,641,216	1,250,699	(163,125)
Interest and other, net	**(24,471)**	(6,196)	7,419	(8,176)	(8,425)
Income (loss) before income taxes	**1,023,477**	1,150,578	1,648,635	1,242,523	(171,550)
(Provision for) benefit from income taxes	**(7,987)**	(4,262)	(181,675)	(220,703)	20,625
Net income (loss)	**1,015,490**	1,146,316	1,466,960	1,021,820	(150,925)
Earnings per share data					
Basic net income (loss) per ordinary share	**2.36**	2.70	3.45	2.35	(0.35)
Diluted net income (loss) per ordinary share[2]	**2.34**	2.68	3.42	2.33	(0.35)
Number of ordinary shares used in computing per share amounts (in thousands)					
Basic	**429,770**	424,096	425,618	435,146	432,615
Diluted[2]	**433,446**	426,986	429,053	438,974	432,615

1 As of January 1, 2011, we adopted ASU 2009-1 3, Sales Arrangements with Multiple Deliverables which amended ASC 605-25. The ASU was adopted prospectively and had an insignificant impact on timing and allocation of revenues. See Note 1 to the Financial Statements.

2 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.

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Five-Year Financial Summary

As of December 31 (in thousands, unless otherwise indicated)	2013 EUR	2012 EUR	2011 [1] EUR	2010 EUR	2009 EUR
Consolidated Balance Sheets data					
Cash and cash equivalents	**2,330,694**	1,767,596	2,731,782	1,949,834	1,037,074
Short-term investments	**679,884**	930,005	-	-	-
Working capital[2]	**4,156,917**	3,745,559	3,473,767	2,787,220	1,704,714
Total assets	**11,513,730**	7,410,478	7,260,815	6,180,358	3,764,151
Long-term debt[3]	**1,074,570**	759,490	736,368	710,060	699,756
Total shareholders equity	**6,922,427**	4,066,893	3,444,154	2,773,908	1,774,768
Share capital	**40,092**	37,470	38,354	39,293	39,028
Consolidated Statements of Cash Flows data					
Depreciation and amortization	**228,775**	186,620	165,185	151,444	141,631
Impairment	**13,057**	3,234	12,272	8,563	15,896
Net cash provided by (used in) operating activities	**1,054,173**	703,478	2,070,440	940,048	99,194
Purchase of property, plant and equipment[4]	**(210,804)**	(171,878)	(300,898)	(128,728)	(104,959)
Purchase of available for sale securities	**(904,856)**	(1,379,997)	-	-	-
Maturity of available for sale securities	**1,195,031**	449,992	-	-	-
Acquisition of subsidiary (net of cash acquired)	**(443,712)** [5]	(10,292)	-	-	-
Net cash provided by (used in) investing activities	**(368,341)**	(1,119,833)	(300,898)	(124,903)	(98,082)
Net proceeds from issuance of shares	**31,822**	3,907,666 [6]	34,084	31,000	11,073
Capital repayment	**-**	(3,728,324) [7]	-	-	-
Dividend paid	**(216,085)**	(188,892)	(172,645)	(86,960)	(86,486)
Deposits from customers	**-**	-	(150,000)	150,000	-
Purchase of shares	**(300,000)**	(535,373)	(700,452)	-	-
Net proceeds from issuance of notes	**740,445** [8]	-	-	-	-
Repurchase of notes	**(368,303)** [9]	-	-	-	-
Net cash provided by (used in) financing activities	**(113,111)**	(545,583)	(991,561)	92,702	(74,874)
Net increase (decrease) in cash and cash equivalents	**563,098**	(964,186)	781,948	912,760	(72,110)
Ratios and other data					
Gross profit as a percentage of net sales	**41.5**	42.4	43.3	43.4	28.7
Income (loss) from operations as a percentage of net sales	**20.0**	24.4	29.0	27.7	(10.2)
Net income (loss) as a percentage of net sales	**19.4**	24.2	26.0	22.7	(9.5)
Shareholders equity as a percentage of total assets	**60.1**	54.9	47.4	44.9	47.1
Income taxes as a percentage of income (loss) before income taxes	**0.8**	0.4	11.0	17.8	12.0
Sales of systems (in units)	**157**	170	222	197	70
ASP of system sales (in millions)	**25.4**	22.4	22.0	19.8	16.8
Value of systems backlog excluding EUV (in millions)[10,11]	**1,953.3**	1,214.1	1,732.5	3,855.7	2,113.7
Systems backlog excluding EUV (in units)[10,11]	**56**	46	71	157	69
ASP of systems backlog excluding EUV (in millions)[10,11]	**34.9**	26.4	24.4	24.6	30.6
Value of booked systems excluding EUV (in millions)[10,11]	**4,644.0**	3,312.3	2,909.3	6,212.7	2,535.4
Net bookings excluding EUV (in units)[10,11]	**166**	144	134	285	98
ASP of booked systems excluding EUV (in millions)[10,11]	**28.0**	23.0	21.7	21.8	25.9
Number of payroll employees (in FTEs)	**10,360**	8,497	7,955	7,184	6,548
Number of temporary employees (in FTEs)	**2,865**	2,139	1,935	2,061	1,137
Increase (decrease) net sales in percentage	**10.9**	(16.3)	25.4	182.4	(46.0)
Number of ordinary shares issued and outstanding (in thousands)	**440,852**	407,165	413,669	436,593	433,639
ASML share price in EUR[12]	**68.04**	48.00	32.48	28.90	24.00
Volatility 260 days in percentage of our shares listed at NYSE Euronext Amsterdam[13]	**23.98**	28.64	32.46	30.25	38.45
ASML share price in USD[14]	**93.70**	64.39	41.79	38.34	34.09
Volatility 260 days in percentage of our shares listed at NASDAQ[15]	**24.01**	30.05	41.83	35.25	44.82

Dividend per ordinary share in EUR	**0.61** [16]	0.53	0.46	0.40	0.20
Dividend per ordinary share in USD	**0.00** [16,17]	0.73	0.60	0.54	0.27

1 As of January 1, 2011, we adopted ASU 2009-1 3, Sales Arrangements with Multiple Deliverables which amended ASC 605-25. The ASU was adopted prospectively and had an insignificant impact on timing and allocation of revenues. See Note 1 to the Financial Statements.
2 Working capital is calculated as the difference between total current assets and total current liabilities.
3 Long-term debt includes the current portion of long-term debt.
4 An amount of EUR 115.9 million (2012: EUR 204.8 million, 2011: EUR 300.5 million, 2010: EUR 214.1 million, 2009: EUR 159.0 million) of the additions in property, plant and equipment relates to non-cash transfers from inventory, an amount of EUR 12.5 million (2012: EUR 9.6 million, 2011: EUR 17.7 million, 2010 and 2009: EUR nil million) relates to other non-cash movements (mainly investments not yet paid and inceptions of finance lease arrangements). For further details see Note 12 to the Financial Statements.
5 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.
6 The 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.
7 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 also part of the Synthetic Share Buyback in November 2012.
8 Net proceeds from issuance of notes relate to the total cash proceeds of EUR 740.4 million (net of incurred transaction costs) from the offering of our EUR 750 million 3.375 percent senior notes due 2023.
9 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 and partial unwinding of the related interest rate swaps.
10 Our systems backlog and net bookings include only orders for which written authorizations have been accepted and system shipment and revenue recognition dates within the following 12 months have been assigned.

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11 From January 1, 2011, we value our net bookings and systems backlog at system sales value including factory options. Before January 1, 2011, we valued net bookings and systems backlog at full order value (i.e. including factory options, field options and services). The comparative figures for prior periods have not been adjusted because the impact on the comparative figures is insignificant (approximately EUR 20.0 million negative impact on backlog value as of December 31, 2010).
12 Closing ASML share price on NYSE Euronext Amsterdam of the relevant year (source: Bloomberg Finance LP).
13 Volatility represents the variability in our share price on NYSE Euronext Amsterdam as measured over the 260 business days of each year presented (source: Bloomberg Finance LP).
14 Closing ASML share price on NASDAQ of the relevant year (source: Bloomberg Finance LP).
15 Volatility represents the variability in our share price on NASDAQ as measured over the 260 business days of each year presented (source: Bloomberg Finance LP).
16 Subject to approval of the AGM to be held on April 23, 2014.
17 The exchange rate used to convert the proposed dividend per ordinary share is the exchange rate at February 5, 2014.

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Exchange Rate Information

We publish our Financial Statements in euro. A portion of our net sales and costs is, and historically has been, denominated in currencies other than the euro. For a discussion of the impact of exchange rate fluctuations on our financial condition and results of operations, see Item 5.A. Operating Results Foreign Exchange Management .

The following are the Noon Buying Rates certified by the Federal Reserve Bank for customs purposes, expressed in U.S. dollars per euro.

Calendar year	2014 (through January 31, 2014)	2013	2012	2011	2010	2009
Period End	**1.35**	**1.38**	1.32	1.30	1.33	1.43
Period Average [1]	**1.35**	**1.33**	1.29	1.40	1.33	1.39
Period High	**1.37**	**1.38**	1.35	1.49	1.45	1.51
Period Low	**1.35**	**1.28**	1.21	1.29	1.20	1.25

1 The average of the Noon Buying Rates on the last business day of each month during the period presented.

Months of	January 2014	December 2013	November 2013	October 2013	September 2013	August 2013
Period High	**1.37**	1.38	1.36	1.38	1.35	1.34
Period Low	**1.35**	1.36	1.34	1.35	1.31	1.32

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

In conducting our business, we face many risks that may interfere with our business objectives. Some of these risks relate to our operational processes, while others relate to our business environment. It is important to understand the nature of these risks and the impact they may have on our business, financial condition and results of operations. Some of the more relevant risks are described below. These risks are not the only ones that we face.

Risks Related to the Semiconductor Industry

The Semiconductor Industry is Highly Cyclical and We May Be Adversely Affected by Any Downturn

As a supplier to the global semiconductor industry, we are subject to the industry s business cycles, of which the timing, duration and volatility are difficult to predict. The semiconductor industry has historically been cyclical. Sales of our lithography systems depend in large part upon the level of capital expenditures by semiconductor manufacturers. These capital expenditures depend upon a range of competitive and market factors, including:

- The current and anticipated market demand for semiconductors and for products utilizing semiconductors;
- Semiconductor prices;
- Semiconductor production costs;
- Changes in semiconductor inventory levels;
- General economic conditions; and
- Access to capital.

Reductions or delays in capital equipment purchases by our customers could have a material adverse effect on our business, financial condition and results of operations.

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In an industry downturn, our ability to maintain profitability will depend substantially on whether we are able to lower our costs and break-even level, which is the level of sales that we must reach in a year to achieve positive net income. If sales decrease significantly as a result of an industry downturn and we are unable to adjust our costs over the same period, our net income may decline significantly or we may suffer losses. As we need to keep certain levels of inventory on hand to meet anticipated product and service demand, we may also incur increased costs related to inventory obsolescence in an industry downturn. In addition, industry downturns generally result in overcapacity, resulting in downward pressure on sales prices and impairment of machinery and equipment, which in the past has had, and in the future could have, a material adverse effect on our business, financial condition and results of operations.

The ongoing financial crises that have affected the international banking system and global financial markets since 2008 have been in many respects unprecedented. Concerns persist over the debt burden of certain Eurozone countries and their ability to meet future obligations, the overall stability of the euro, and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These potential developments or market perceptions concerning these and related issues, remaining concerns over the effect of this financial crisis on financial institutions in Europe and globally, and the instability of the financial markets and the global economy in general could result in a number of follow-on effects on our business, including (i) declining business and consumer confidence resulting in reduced, or delayed purchase of our products or shorter-term capital expenditures for our products; insolvency of key suppliers resulting in product delays, (ii) an inability of customers to obtain credit to finance purchases of our products, delayed payments from our customers and/or customer insolvencies and (iii) other adverse effects that we cannot currently anticipate. If global economic and market conditions deteriorate, we are likely to experience material adverse impacts on our business, financial condition and results of operations.

Conversely, in anticipation of periods of increasing demand for semiconductor manufacturing equipment, we must maintain sufficient manufacturing capacity and inventory and we must attract, hire, integrate and retain a sufficient number of qualified employees to meet customer demand. Our ability to predict the timing and magnitude of industry fluctuations is limited and our products require significant lead-time to successfully complete. Accordingly, we may not be able to effectively increase our production capacity to respond to an increase in customer demand in an industry upturn resulting in lost sales, damage to customer relationships and we may lose market share.

Our Business Will Suffer If We Do Not Respond Rapidly to Commercial and Technological Changes in the Semiconductor Industry

The semiconductor manufacturing industry is subject to:

- Rapid change towards more complex technologies;
- Frequent new product introductions and enhancements;
- Evolving industry standards;
- Changes in customer requirements; and
- Continued shortening of product life cycles.

Our products could become obsolete sooner than anticipated because of a faster than anticipated change in one or more of the technologies related to our products or in market demand for products based on a particular technology. Our success in developing new products and in enhancing our existing products depends on a variety of factors, including the successful management of our R&D programs and the timely completion of product development and design relative to competitors. If we do not develop and introduce new and enhanced systems at competitive prices and on a timely basis, our customers will not integrate our systems into the planning and design of new production facilities and upgrades of existing facilities, which would have a material adverse effect on our business, financial condition and results of operations.

In particular, we are investing considerable financial and other resources to develop and introduce new products and product enhancements, such as EUV, Immersion and holistic lithography. If we are unable to successfully develop and introduce these products and technologies, or if our customers do not fully adopt the new technologies, products or product enhancements due to a preference for more established or alternative new technologies and products or for any other reason, we may not recoup all of our investments in these technologies or products, which could have a material adverse effect on our business, financial condition and results of operations.

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The success of EUV remains particularly dependent on light source availability and continuing related technical advances by us and our suppliers, as well as infrastructure developments in masks and photoresists, without which EUV tools cannot achieve the productivity and yield required to economically justify the higher price of these tools. A delay in the developments of these tools could discourage or result in much slower adoption of this technology. If the technologies that we pursue to assist our customers in producing smaller and more efficient chips, are not as effective as those developed by our competitors, or if our customers adopt new technological architectures that are less focused on lithography, this may adversely affect our business, financial condition and results of operations.

We Face Intense Competition

The semiconductor equipment industry is highly competitive. The principal elements of competition in our market are:

- The technical performance characteristics of a lithography system;
- The value of ownership of that system based on its purchase price, maintenance costs, productivity, and customer service and support costs;
- The exchange rate of the euro particularly against the Japanese yen which results in varying prices and margins;
- The strength and breadth of our portfolio of patents and other intellectual property rights; and
- Our customers desire to obtain lithography equipment from more than one supplier.

Our competitiveness increasingly depends upon our ability to develop new and enhanced semiconductor equipment that is competitively priced and introduced on a timely basis, as well as our ability to protect and defend our intellectual property rights. See Item 4.B. Business Overview Intellectual Property , Note 11 and Note 19 to the Financial Statements.

We compete primarily with Nikon and to a lesser degree with Canon. Both Nikon and Canon have substantial financial resources and broad patent portfolios. Each continues to introduce new products with improved price and performance characteristics that compete directly with our products, which may cause a decline in our sales or a loss of market acceptance for our lithography systems. In addition, adverse market conditions, industry overcapacity or a decrease in the value of the Japanese yen in relation to the euro or the U.S. dollar, could further intensify price-based competition in those regions that account for the majority of our sales, resulting in lower prices and margins which could have a material adverse effect on our business, financial condition and results of operations.

In addition to competitors in lithography, we may face competition with respect to alternative technologies for the non- critical layers or for all layers. If we fail to keep pace with Moore s law, which postulates that the number of transistors on a chip doubles approximately every 18 to 24 months at equivalent marginal costs, or in the event the delivery of new technology is delayed, our customers may opt for other solutions in IC manufacturing as a substitute for purchasing our products.

Also, in the future the IC industry may not find it economically feasible to maintain the pace of Moore s law through the use of lithography systems, which could result in our customers choosing other solutions than lithography for IC manufacturing. If the pace of Moore s law is not maintained, this could also result in the IC industry utilizing fewer leading technology systems, which could result in lower sales and margins.

Risks Related to ASML

The Number of Systems We Can Produce Is Limited by Our Dependence on a Limited Number of Suppliers of Key Components

We rely on outside vendors for the components and subassemblies used in our systems, 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 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, collectors and other critical optical components. If Zeiss were unable to maintain and increase production levels or if we are unable to maintain our business relationship with Zeiss in the future we could be unable to fulfill orders, which could damage relationships with current and prospective customers and have a material adverse effect on our business, financial condition and results of operations. If Zeiss were to terminate its relationship with us or if Zeiss were unable to maintain production of lenses over a prolonged period, we would effectively cease to be able to conduct our business. See Item 4.B. Business Overview Manufacturing, Logistics and Suppliers . In addition to Zeiss current position, the CO_2 lasers used in our third-generation (NXE:3300B) EUV systems are available from only a limited number of suppliers.

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Manufacturing some of these components and subassemblies that we use in our manufacturing processes is an extremely complex process and could result in delays by our suppliers. A prolonged inability to obtain adequate deliveries of components or subassemblies, or any other circumstance that requires us to seek alternative sources of supply, could significantly hinder our ability to deliver our products in a timely manner, which could damage relationships with current and prospective customers and have a material adverse effect on our business, financial condition and results of operations.

A High Percentage of Net Sales Is Derived from a Few Customers

Historically, we have sold a substantial number of lithography systems to a limited number of customers. We expect customer concentration to increase because of continuing consolidation in the semiconductor manufacturing industry. Consequently, while the identity of our largest customers may vary from year to year, we expect sales to remain concentrated among relatively few customers in any particular year. In 2013, recognized sales to our largest customer accounted for EUR 2,058.6 million, or 39.2 percent of net sales, compared with EUR 1,236.1 million, or 26.1 percent of net sales, in 2012. The loss of any significant customer or any significant reduction in orders by a significant customer may have a material adverse effect on our business, financial condition and results of operations.

Additionally, as a result of our limited number of customers, credit risk on our receivables is concentrated. Our three largest customers (based on net sales) accounted for EUR 861.4 million, or 73.3 percent of accounts receivable and finance receivables at December 31, 2013, compared with EUR 535.1 million, or 58.9 percent at December 31, 2012. As a result, business failure or insolvency of one of our main customers may have a material adverse effect on our business, financial condition and results of operations.

We Derive Most of Our Revenues from the Sale of a Relatively Small Number of Systems

We derive most of our revenues from the sale of a relatively small number of lithography equipment systems (157 units in 2013 and 170 units in 2012), with an ASP per system in 2013 of EUR 25.4 million (EUR 27.4 million for new systems and EUR 6.9 million for used systems) and an ASP per system in 2012 of EUR 22.4 million (EUR 24.8 million for new systems and EUR 7.6 million for used systems). As a result, the timing of recognition of revenue for a particular reporting period from a small number of system sales may have a material adverse effect on our business, financial condition and results of operations in that period. Specifically, the failure to receive anticipated orders, or delays in shipments near the end of a particular reporting period, due, for example, to:

- A downturn in the highly cyclical semiconductor industry;
- Unanticipated shipment rescheduling;
- Cancellation or order push-back by customers;
- Unexpected manufacturing difficulties; or
- Delays in deliveries by suppliers

may cause net sales in a particular reporting period to fall significantly below net sales in previous periods or below our expected net sales, and may have a material adverse effect on our results of operations for that period. In particular, our published quarterly earnings may vary significantly from quarter to quarter and may vary in the future for the reasons discussed above.

The Pace of Introduction of Our New Products Is Accelerating and Is Accompanied by Potential Design and Production Delays and by Significant Costs

The development and initial production, installation and enhancement of the systems we produce is often accompanied by design and production delays and related costs of a nature typically associated with the introduction and transition to full-scale manufacturing of complex capital equipment. While we expect and plan for a corresponding learning-curve effect in our product development cycle, we cannot predict with precision the time and expense required to overcome these initial problems and to ensure full performance to specifications. Moreover, we anticipate that this learning-curve effect will continue to present increasingly difficult challenges with each new generation of our products as a result of increasing technological complexity. In particular, the development of an EUV volume production system is dependent on, and subject to the successful implementation of, technology related to the light source and other technologies specific to EUV. There is a risk that we may not be able to introduce or bring to full-scale production new products as quickly as we anticipate in our product introduction plans, which could have a material adverse effect on our business, financial condition and results of operations.

For the market to accept technology enhancements, our customers, in many cases, must upgrade their existing technology capabilities. Such upgrades from established technology may not be available to our customers to enable volume production using our new technology enhancements. This could result in our customers not purchasing, or pushing back or canceling orders for our technology enhancements, which could negatively impact our business, financial condition and results of operations.

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As Lithography Technologies become More Complex, our R&D Programs become More Risky and More Expensive

Our lithography systems have become increasingly complex, and accordingly, the costs to develop new products and technologies have increased, and we expect such costs to continue to increase. This increase in costs requires us to continue obtaining sufficient funding for our R&D programs. For example, we obtained funding for our 450mm and EUV R&D programs through the CCIP. We may however, be unable to obtain this type of funding from customers in the future, in which case we may be unable to fund R&D investments necessary to maintain our technological leadership. The increasing cost of R&D programs for new technologies also increases the risk that a new product or technology may not be successful, which could result in significant costs not being recovered.

Furthermore, as the innovation cycle becomes more complex, developing new technology requires increased R&D investments by our suppliers in order to meet the technology demands of us and our customers. Our suppliers may not have, or may not be willing to invest, the resources necessary to continue the development of the new technologies to the extent such investments are necessary, which may result in our contributing funds to such R&D programs or limiting the R&D programs we undertake.

Failure to Adequately Protect the Intellectual Property Rights Upon Which We Depend Could Harm Our Business

We rely on intellectual property rights such as patents, copyrights and trade secrets to protect our proprietary technology. However, we face the risk that such measures could prove to be inadequate because:

- Intellectual property laws may not sufficiently support our proprietary rights or may change in the future in a manner adverse to us;
- Patent rights may not be granted or construed as we expect;
- Patents will expire which may result in key technology becoming widely available that may hurt our competitive position;
- The steps we take to prevent misappropriation or infringement of our proprietary rights may not be successful; and
- Third parties may be able to develop or obtain patents for similar competing technology.

In addition, litigation may be necessary to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. Any such litigation may result in substantial costs and diversion of management resources, and, if decided unfavorably to us, could have a material adverse effect on our business, financial condition and results of operations.

Defending Against Intellectual Property Claims Brought by Others Could Harm Our Business

In the course of our business, we are subject to claims by third parties alleging that our products or processes infringe upon their intellectual property rights. If successful, such claims could limit or prohibit us from developing our technology and manufacturing our products, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our customers may be subject to claims of infringement from third parties, alleging that our products used by such customers in the manufacture of semiconductor products and/or the processes relating to the use of our products infringe one or more patents issued to such parties. If such claims were successful, we could be required to indemnify customers for some or all of any losses incurred or damages assessed against them as a result of such infringement, which could have a material adverse effect on our business, financial condition and results of operations.

We also may incur substantial licensing or settlement costs, which although potentially strengthening or expanding our intellectual property rights or limiting our exposure to intellectual property claims of third parties, may have a material adverse effect on our business, financial condition and results of operations.

From late 2001 through 2004, ASML was 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. Beginning on January 1, 2015, the parties may bring suit for infringement of patents subject to the Nikon Cross-License Agreement, including any infringement that occurred during the Cross-License Transition Period. 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 products found to infringe valid and enforceable patents.

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We Are Subject to Risks in Our International Operations

The majority of our sales are made to customers outside Europe. There are a number of risks inherent in doing business in some of those regions:

- Potentially adverse tax consequences;
- Unfavorable political or economic environments;
- Unexpected legal or regulatory changes;
- An inability to effectively protect intellectual property; and
- Adverse effects of foreign currency fluctuations.

If we are unable to manage successfully the risks inherent in our international activities, our business, financial condition and results of operations could be materially and adversely affected.

In particular, 42.4 percent of our 2013 net sales and 31.3 percent of our 2012 net sales were derived from customers in Taiwan. Taiwan has a unique international political status. The People s Republic of China asserts sovereignty over Taiwan and does not recognize the legitimacy of the Taiwanese government. Changes in relations between Taiwan and the People s Republic of China, Taiwanese government policies and other factors affecting Taiwan s political, economic or social environment could have a material adverse effect on our business, financial condition and results of operations.

In addition, the installation and servicing of our products requires us to travel to our customers premises. Natural disasters could affect our ability to do so. For example, the Japanese earthquake in 2011 resulted in the disruption of our installation and servicing of systems for our customers in Japan. Natural disasters in areas where our customers are located could prevent or disrupt the installation or servicing of our systems.

We Are Dependent on the Continued Operation of a Limited Number of Manufacturing Facilities

All of our manufacturing activities, including subassembly, final assembly and system testing, take place in clean room facilities in Veldhoven, the Netherlands, in Wilton, Connecticut and in San Diego, California, both in the United States, in Pyongtaek-City, South-Korea and in Linkou, Taiwan. These facilities may be subject to disruption for a variety of reasons, including work stoppages, fire, energy shortages, flooding or other natural disasters. We cannot ensure that alternative production capacity would be available if a major disruption were to occur or that, if such capacity was available, it could be obtained on favorable terms. Such a disruption could have a material adverse effect on our business, financial condition and results of operations. In addition, some of our key suppliers, including Zeiss, have a limited number of manufacturing facilities, the disruption of which may significantly and adversely affect our production capacity.

Because of Labor Laws and Practices, Any Workforce Reductions That We May Seek to Implement in Order to Reduce Costs Company-Wide May Be Delayed or Suspended

The semiconductor market is highly cyclical and as a consequence we may need to implement workforce reductions in case of a downturn, in order to adapt to such market changes. In accordance with labor laws and practices applicable in the jurisdictions in which we operate, a reduction of any significance may be subject to formal procedures that can delay or may result in the modification of our planned workforce reductions. For example, ASML Netherlands B.V., our operating subsidiary in the Netherlands, has a Works Council, as required by Dutch law. If the Works Council renders contrary advice in connection with a proposed workforce reduction in the Netherlands, but we nonetheless determine to proceed, we must temporarily suspend any action while the Works Council determines whether to appeal to the Enterprise Chamber of the Amsterdam Court of Appeal. This appeal process can cause a delay of several months and may require us to address any procedural inadequacies identified by the Court in the way we reached our decision. Such delays could impair our ability to reduce costs company-wide to levels comparable to those of our competitors. Also see Item 6.D Employees .

Fluctuations in Foreign Exchange Rates Could Harm Our Results of Operations

We are exposed to currency risks. We are particularly exposed to fluctuations in the exchange rates between the U.S. dollar, Japanese yen and the euro, as we incur manufacturing costs for our systems predominantly in euros while portions of our net sales and cost of sales are denominated in U.S. dollars and Japanese yen.

In addition, a portion of our assets and liabilities and operating results are denominated in U.S. dollars, and a small portion of our assets, liabilities and operating results are denominated in currencies other than the euro and the U.S. dollar. Our Financial Statements are expressed in euros. Accordingly, our results of operations and assets and liabilities are exposed to fluctuations in exchange rates between the euro and such other currencies. In general, our customers generally run their businesses in U.S. dollars and therefore a weakening of the U.S. dollar against the euro might impact the ability or desire of our customers to purchase our products.

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Furthermore, a strengthening of the euro particularly against the Japanese yen could further intensify price-based competition in those regions that account for the majority of our sales, resulting in lower prices and margins and a material adverse effect on our business, financial condition and results of operations.

Changes in currency exchange rates also affect the carrying value of assets on our Consolidated Balance Sheets, which depending on the balance sheet classification of the relevant asset, can result in losses on our Consolidated Balance Sheets. In particular, the Cymer acquisition has significantly increased our U.S. dollar denominated assets, and as a result, we are more exposed to fluctuations in the U.S. dollar.

See Item 5.A. Operating Results Foreign Exchange Management .

We May Be Unable to Make Desirable Acquisitions or to Integrate Successfully Any Businesses We Acquire

Our future success may depend in part on the acquisition of businesses or technologies intended to complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities. Our ability to complete such transactions may be hindered by a number of factors, including potential difficulties in obtaining government approvals.

Any acquisition that we do make would pose risks related to the integration of the new business or technology with our business. We cannot be certain that we will be able to achieve the benefits we expect from a particular acquisition or investment. Acquisitions may also strain our managerial and operational resources, as the challenge of managing new operations may divert our management from day-to-day operations of our existing business. Our business, financial condition and results of operations may be materially and adversely affected if we fail to coordinate our resources effectively to manage both our existing operations and any businesses we acquire.

In May 2013, we acquired all of the outstanding shares of Cymer, a light source supplier. We expect that the acquisition of Cymer will make EUV technology more efficient, prevent additional delays in the introduction of EUV technology, and simplify the supply chain of EUV modules. However, achieving the benefits of the acquisition will depend in part on the integration of our operations and employees with those of Cymer in a timely and efficient manner, and if we fail to do so, this may result in a delay in the development of EUV. There can be no assurance that Cymer will be successfully integrated in our business or that any of the anticipated benefits will be realized. Even if we are able to successfully integrate Cymer, there is no assurance that this transaction will result in successful development of our EUV technology.

In addition, in connection with acquisitions, anti-trust regulators may impose conditions on us, including requirements to divest assets or other conditions that could make it difficult for us to integrate the businesses that we acquire. For example, in connection with the Cymer Acquisition we have agreed to maintain Cymer Light Sources as a stand-alone business which will make it more difficult to integrate Cymer Light Sources into our business operations.

Our Business and Future Success Depend on Our Ability to Attract and Retain a Sufficient Number of Adequately Educated and Skilled Employees

Our business and future success significantly depend upon our employees, including a large number of highly qualified professionals, as well as our ability to attract and retain employees. Competition for such personnel is intense, and we may not be able to continue to attract and retain such personnel. The R&D programs associated with the commitments made under the NRE funding arrangements signed in relation to the CCIP, require a significant number of qualified employees. If we are unable to attract sufficient numbers of qualified employees, this could affect our ability to conduct our research programs on a timely basis, which could adversely affect our business, financial condition and results of operations.

In addition, the increasing complexity of our products results in a longer learning-curve for new and existing employees and suppliers leading to an inability to decrease cycle times and may result in the incurrence of significant additional costs, which could adversely affect our business, financial condition and results of operations.

See Item 4.B. Business Overview Customer Co-Investment Program .

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Risks Related to Our Ordinary Shares

We May Not Declare Cash Dividends at All or in Any Particular Amounts in Any Given Year

We aim to pay an annual dividend that will be stable or growing over time. Annually, the Board of Management 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 Board of Management 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, the Board of Management may decide to propose not to pay a dividend or pay a lower dividend with respect to any particular year in the future, which could have a negative effect on our share price.

Restrictions on Shareholder Rights May Dilute Voting Power

Our Articles of Association provide that we are subject to the provisions of Dutch law applicable to large corporations, called structuurregime . These provisions have the effect of concentrating control over certain corporate decisions and transactions in the hands of our Supervisory Board. As a result, holders of ordinary shares may have more difficulty in protecting their interests in the face of actions by members of our Supervisory Board than if we were incorporated in the United States or another jurisdiction.

Our authorized share capital also includes a class of cumulative preference shares and we have granted Stichting Preferente Aandelen ASML , a Dutch foundation, an option to acquire, at their nominal value of EUR 0.09 per share, such cumulative preference shares. Exercise of the preference share option would effectively dilute the voting power of our outstanding ordinary shares by one-half, which may discourage or significantly impede a third party from acquiring a majority of our voting shares.

See Item 6.C. Board Practices and Item 10.B. Memorandum and Articles of Association .

Participating Customers in our Customer Co-Investment Program Together Own a Significant Amount of our Ordinary Shares

In the CCIP, the Participating Customers, through certain wholly-owned subsidiaries, acquired 15 percent, 5 percent and 3 percent, of our then outstanding shares, respectively (after giving effect to our Synthetic Share Buyback conducted in November 2012).

The interests of the Participating Customers may not always coincide with the interests of other holders of our shares. The shares acquired by the Participating Customers are held by Dutch foundations which have issued depositary receipts in respect thereof and the participating customers may only vote those shares in General Meetings in exceptional circumstances, including the authorization of certain significant share issuances and share repurchases, the approval of a significant change in the identity or nature of ASML or its business, any amendment to ASML s Articles of Association that would materially affect the specific voting rights of the Participating Customers or that would cause a significant change in the identity or nature of ASML or its business, the dissolution of ASML, and any merger or demerger which would result in a material change in the identity or nature of ASML or its business. When such exceptional circumstances occur, the Participating Customers, and in particular Intel (due to the percentage of our shares that Intel owns), will be able to influence matters requiring approval by the General Meeting and may vote their ordinary shares in a way with which other shareholders may not agree.

The Participating Customers have also agreed that they will not, without our prior written consent, transfer any of the ordinary shares they acquired in the CCIP (or depositary receipts representing those shares) until two years and six months after the date they acquired such shares (September 12, 2012 for Intel and Samsung; October 31, 2012 for TSMC). Upon expiry of such period, the ordinary shares held by Participating Customers are freely transferable, subject to orderly market arrangements and certain other restrictions. Any sales of significant amounts of shares by Participating Customers in the CCIP could have a negative effect on our share price.

See Item 4.B. Business Overview Customer Co-Investment Program .

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Item 4 Information on the Company

A. History and Development of the Company

We commenced business operations in 1984. ASM Lithography Holding N.V. was incorporated in the Netherlands on October 3, 1994 to serve as the holding company for our worldwide operations, which include operating subsidiaries in the Netherlands, the United States, Italy, France, Germany, the United Kingdom, Ireland, Belgium, Korea, Taiwan, Singapore, China (including Hong Kong), Japan, Malaysia and Israel. In 2001, we changed our name to ASML Holding N.V. Our registered office is located at De Run 6501, 5504 DR Veldhoven, the Netherlands, telephone number +31 40 268 3000.

From time to time, we pursue acquisitions of businesses that we believe will complement or enhance our core lithography business: the acquisition of MaskTools (business unit of MicroUnity Systems Engineering, Inc.) in 1999, Silicon Valley Group, Inc. in 2001, Brion Technologies, Inc. in 2007 and the acquisition of Wijdeven Motion Holding B.V. and Wijdeven Motion B.V. in 2012. On May 30, 2013, we completed the acquisition of Cymer, Inc. a San Diego, California, the United States based light source supplier. See Note 2 to our Financial Statements for more information on the acquisition of Cymer.

Capital Expenditures and Divestures

Our capital expenditures (purchases of property, plant and equipment) for 2013, 2012 and 2011 amounted to EUR 210.8 million, EUR 171.9 million and EUR 300.9 million, respectively. Our capital expenditures in these years mainly related to (i) the construction of our production facilities in Veldhoven, the Netherlands, for our latest technologies such as EUV and Immersion platform, (ii) information technology investments, and (iii) machinery and equipment for our facilities. Capital expenditures are primarily financed through cash provided by operating activities. See item 4.D. Business Overview Property, Plant and Equipment for our expected capital expenditures in 2014.

Divestures, mainly consisting of machinery and equipment, amounted to EUR 2.8 million for 2013, EUR 2.3 million for 2012 and EUR 3.4 million for 2011. See Consolidated Statements of Cash Flows to our Financial Statements.

B. Business Overview

ASML makes possible affordable microelectronics that improve the quality of life. ASML invents and develops complex technology for high-tech lithography, metrology and software solutions for the semiconductor industry. ASML s guiding principle is continuing Moore s Law towards ever smaller, cheaper, more powerful and energy-efficient semiconductors. Our success is based on three pillars: technology leadership combined with customer and supplier intimacy, highly efficient processes and entrepreneurial people. We are a multinational company with over 70 locations in 16 countries, headquartered in Veldhoven, the Netherlands. As of December 31, 2013, we employed 10,360 payroll employees (2012: 8,497) and 2,865 temporary employees (2012: 2,139), measured in FTEs. ASML is traded on NYSE Euronext Amsterdam and NASDAQ under the symbol ASML.

Our Business Model

Our business model is derived from our Value of Ownership concept which is based on the following principles:

- Offering ongoing improvements in throughput, imaging and overlay by introducing advanced technology based modular platforms, advanced applications and holistic lithography solutions outside the traditional lithography business, each resulting in lower costs or higher value per product for our customers;
- Providing customer services that ensure rapid, efficient installation, superior support and training to optimize manufacturing processes of our customers;
- Maintaining appropriate levels of R&D to offer the most advanced technology suitable for high-throughput and low-cost volume production at the earliest possible date enhancing/following Moore s law;
- Enhancing the capabilities of the installed base of our customers through ongoing field upgrades of throughput, imaging and overlay, based on further technology developments;
- Reducing the cycle time between a customer s order of a system and the use of that system in volume production;
- Expanding operational flexibility in research and manufacturing by reinforcing strategic alliances with world class partners, including outsourcing companies;
- Improving the reliability and uptime of our installed system base; and
- Providing refurbishing services that effectively increase residual value by extending the life of equipment.

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Market and Technology Overview

The chip-making business is focused on shrink or reducing the size of chip designs as a driver of cost reduction and increased functionality. The worldwide electronics and computer industries have experienced significant growth since the commercialization of ICs in the 1960s, largely due to the continuous reduction of the cost per function performed by ICs. Improvement in the design and manufacture of ICs with higher circuit or packing densities has resulted in smaller and lower cost ICs, capable of performing a greater number of functions at higher throughput levels and with reduced power consumption. We believe that these long-term trends will continue for the foreseeable future and will be accompanied by a continuing demand, subject to ongoing cyclical variation, for production equipment that can accurately produce advanced ICs in high volumes at the lowest possible cost. Lithography is used to print complex circuit patterns onto the wafers that are the primary raw material for ICs and is one of the most critical and expensive steps in their fabrication. It is therefore a significant focus of the IC industry s demand for cost-efficient enhancements to production technology.

We primarily design, manufacture, market and service semiconductor processing equipment used in the fabrication of ICs. Our lithography equipment includes Step & Scan systems, which combine stepper technology with a photo-scanning method.

Our systems use a mask to achieve the required chip pattern. A mask is a flat, transparent quartz plate containing an opaque microscopic pattern: an image of the electronic circuitry for one layer of a chip. The mask is placed in a scanner where intense light passing through it projects the pattern, via a series of reducing lenses, onto part of the wafer. Before exposure, the wafer is coated with photo resist and positioned so that the projected pattern aligns with existing features on the wafer. After exposure and developing, the pattern left on the wafer surface is used to selectively process and build up the next layer.

Customer Roadmaps

The four major customer sectors to which we sell our products are Integrated Device Manufacturers (IDM) and Foundries (together Logic), NAND-Flash memory and DRAM memory chipmakers (together Memory).

Supported by their technology roadmaps, IC manufacturers continue to show interest in shrinking resolution as a means to lower manufacturing costs per unit or adding value through more functional integration. We believe that the leading IC manufacturers have plans to migrate their production capabilities in the foreseeable future to imaging at a resolution beyond 10 nm, for which they will require state-of-the-art lithography equipment.

Products

We develop lithography systems and related products for the semiconductor industry and related patterning applications. Our product development strategy focuses on the development of product families based on a modular, upgradeable design.

Our older PAS 2500 and PAS 5000 lithography systems, which we no longer manufacture but continue to refurbish, are used with g-line and i-line light sources for processing wafers up to 150 mm in diameter and are employed in manufacturing environments and in special applications for which design resolutions of 0.5 microns and above are required.

Our PAS 5500 product family comprises advanced wafer steppers and Step & Scan systems equipped with i-line, KrF and ArF light sources for processing wafers up to 200 mm in diameter and are employed in volume manufacturing to achieve design nodes requiring imaging at a resolution down to 90 nm.

We offer TWINSCAN systems, equipped with i-line, KrF and ArF light sources for processing wafers up to 300 mm in diameter for manufacturing environments for which imaging at a resolution down to 38 nm are required. The modular upgradeable design philosophy of the PAS 5500 product family has been further refined and applied in the design TWINSCAN. Introduced in 2000, the TWINSCAN platform, is the basis for our current and next-generation Step-and Scan systems, which are capable of extending shrink technology down to 38 nm and beyond with multiple patterning techniques.

We are one of the world s leaders (measured in revenues) in the innovation of immersion technologies and we were the world s first producer of dual-stage design TWINSCAN systems. With a TWINSCAN system, wafer measurement, including focus and alignment, is completed on the dry stage, while the imaging process, using water applied between the wafer and the lens, is completed on the wet stage. The dual-stage advantage of TWINSCAN immersion systems enables our customers to benefit from the process enhancements of immersion while continuing to use familiar and proven metrology technology.

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Furthermore, we continuously develop and sell a range of product options and enhancements designed to increase productivity and improve imaging and overlay to optimize value of ownership over the entire life of our systems.

NXE is based on a new platform utilizing the concepts of the NXT platform. NXE extends the industry proven modularity of our NXT, with new innovative technologies to support EUV imaging in several system critical areas, including the EUV light source, the reflective mirror optical system and all encompassed within a vacuum system. NXE is targeted for production of ICs down to 13 nm and beyond. It is equipped with EUV light source technology, based upon tin plasma, producing light at a wavelength of 13.5 nm. In addition, the NXE system has an innovative optical technology utilizing reflective mirrors rather than the traditional refractive optics with a NA of 0.25 0.33. The light in NXE operates in a vacuum environment, through the entire optical train to wafer level. With the combination of these revolutionary technologies, EUV offers the potential to provide our customers a roadmap for future shrink, and we expect it to become the predominant lithography technology for the coming years. The success of EUV remains particularly dependent on light source (laser) availability and on maintaining EUV-related technical advances by us and our suppliers, as well as infrastructure developments in masks and photoresists. In order to accelerate the availability and integration of the light source for EUV in 2013 we acquired Cymer, the industry leading supplier of laser light sources for lithography applications.

Product Development

Our customers optimize their scanner performance by taking into account the entire chip creation process, from design to volume manufacturing, we call this approach holistic lithography . We complement our scanner products with a rapidly expanding holistic lithography portfolio of software and metrology products to help our customers optimize semiconductor scanner performance, provide a faster start to chip production and achieve better imaging at higher resolutions. Semiconductor manufacturers face increasingly smaller margins of error as they shrink chip features. Holistic lithography provides a way to shrink within these margins, offering significant revenue-generating and cost-saving opportunities to our customers.

Our current computational lithography portfolio comprises both traditional products (such as RET/OPC/DPT/SMO), as well as solutions that directly interface with the numerous calibration controls in our scanner to optimize performance. Our computational lithography products capture detailed knowledge of scanner design and real performance, which enables them to accurately predict real-life manufacturing performance. These predictions are essential in addressing possible ramp-up and yield problems in advance, potentially avoiding months of delay in time-to-market for our customers. The same prediction capabilities allow our scanners to be optimally calibrated for improved performance in production, given specific chip designs or masks, thereby achieving improved yield.

Once a scanner is optimally set-up for a given application, we also offer scanner control solutions that ensure that the performance of the lithographic process remains optimal and stable throughout production. These scanner control solutions leverage the scanner controls to compensate for potential performance drifts in the scanner itself, as well as in other steps of the device manufacturing process, such as mask deterioration, resist coating fingerprints, etching fingerprints, or chemical-mechanical polishing fingerprints. To provide a total solution for scanner control we offer our own advanced wafer metrology system (YieldStar).

We have been developing YieldStar for overlay and CD measurements by using scatterometry technology. YieldStar scatterometry provides high overlay and low cost wafer metrology data that can be used for further improving the NXT/ NXE performance.

In 2012, ASML began shipment of the third generation YieldStar Metrology system, the S200C, which featured higher throughput and measurement overlay to support tighter on product wafer overlay and focus control performance of the NXT:19X0 systems. In 2013, we completed shipment of our 100th YieldStar metrology system.

We have developed different immersion systems for different customer needs. The TWINSCAN NXT platform enables next generations of semiconductors through the so-called DPT which requires two exposures per layer on a chip, enabling precise imaging patterns and lines by using our TWINSCAN NXT planar wafer stage and breakthrough grid metrology. In 2013, we shipped our first five NXT:1970Ci systems, which offer overlay below 20 nm, focus control of less than 20 nm and throughput of more than 250 wafers per hour. Approximately 250 NXT:1950i and NXT:1960Bi systems are currently in use by our customers, which are field-upgradeable to the same performance level as our NXT:1970Ci system.

In 2010, we achieved a major milestone with EUV lithography when we shipped our first NXE:3100. The NXE:3100 combined a wavelength of 13.5 nm and an optical system with a NA of 0.25 to provide imaging at a resolution of 27 nm. Through 2013, our NXE:3100 pre-production systems exposed a cumulative total of more than 44,000 wafers at customers sites, enabling successful recipe developments for the sub 14 nm Logic and 22 nm DRAM nodes.

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The successor of the NXE:3100, the NXE:3300B combines a wavelength of 13.5 nm and an optical system with a NA of 0.33 to provide imaging at a resolution of 22 nm. The enhancements of the NXE:3300B enable the improved performance, in the same manner that upgrades to the NXT platform improve its productivity. In 2013, the first of our third-generation EUV scanners has been recognized in sales. As per year end 2013, the second and third NXE:3300B systems are being installed at customer sites.

ASML Lithography Product Portfolio of Step & Scan Systems

System	Resolution	Wavelength	Light source	Numerical aperture
PAS 5500 SYSTEMS[1,2]				
PAS 5500/4X0	280 nm	365 nm	i-line	0.48-0.65
PAS 5500/750	130 nm	248 nm	KrF	0.50-0.70
PAS 5500/850	110 nm	248 nm	KrF	0.55-0.80
PAS 5500/1150	90 nm	193 nm	ArF	0.50-0.75
TWINSCAN SYSTEMS[2]				
TWINSCAN XT:400	350 nm	365 nm	i-line	0.48-0.65
TWINSCAN XT:450	220 nm	365 nm	i-line	0.48-0.65
TWINSCAN XT:8X0	110 nm	248 nm	KrF	0.55-0.80
TWINSCAN XT:1000	80 nm	248 nm	KrF	0.50-0.93
TWINSCAN XT:1450	65 nm	193 nm	ArF	0.65-0.93
TWINSCAN XT:1700 immersion	45 nm	193 nm	ArF	0.75-1.20
TWINSCAN XT:1900 immersion	40 nm	193 nm	ArF	0.85-1.35
TWINSCAN XT:1950 immersion	38 nm	193 nm	ArF	0.85-1.35
TWINSCAN NXT:19X0 immersion	38 nm	193 nm	ArF	0.85-1.35
EUV				
NXE:3100	27 nm	13.5 nm	EUV	0.25
NXE:3300B	22 nm	13.5 nm	EUV	0.33

1 This table does not include older (including used) products sold on the PAS 2500, PAS 5000 and PAS 5500 platforms or system enhancements on steppers and scanners and other products (e.g. YieldStar or computational lithography products).
2 The X in the product number represents different models in the product portfolio within the same resolution. For example, XT:8X0 can either represent XT:800 or XT:850.

Sales, Customer Support and Customers

We support our customers with a broad range of applications, services, and technical support products to maintain and maximize the performance of our sources and systems at customer sites. We also offer refurbished and remanufactured tools, system upgrades and enhancements, and technical training.

We market and sell our products through our direct sales force.

Our field sales, field engineers and applications, service and technical support specialists are located throughout Asia, the United States and Europe. We have established ACE in Taiwan, Asia. The primary goal of ACE is to serve as a supplementary engine to propel ASML s long-term growth. ACE features customer support and training, logistics, refurbishment, technology, application development and also produces all YieldStar systems. ACE also enables sourcing of selected equipment modules, components and services in the region. Finally, ACE is also used as a training center to develop worldwide talent for our workforce.

Furthermore, as a consequence of the acquisition of Cymer, we are now able to offer our customers OnPulse contracts. These contracts offer a comprehensive approach to enhancing light source productivity, offering our customers predictable light source running costs that scale directly with pulse utilization. We provide our OnPulse contract customers on-site support from certified service engineers and continuous real-time light source monitoring. Replacement parts and support

are covered under the OnPulse contract, which facilitates cost savings for our customers as well as simplified order and asset management. We believe that our OnPulse contracts offer our customers many compelling benefits, and this product has been well-received by our customers.

Customers and Geographic Regions

In 2013, net sales to our largest customer accounted for 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; 2011: EUR 1,311.7 million or 23.2 percent, of net sales). We expect that the sales to a limited number of customers will continue to account for a high percentage of our net sales in any particular period for the foreseeable future.

In 2013, we derived 82.5 percent of net sales from Asia, 13.7 percent from the United States and 3.8 percent from Europe (2012: Asia: 70.7 percent; US: 23.9 percent and Europe: 5.4 percent; 2011: Asia: 66.5 percent; US: 24.6 percent and Europe: 8.9 percent). See Note 21 to our Financial Statements.

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Manufacturing, Logistics and Suppliers

Our business model is based on outsourcing production of a significant part of the components and modules that comprise our lithography systems and sources, working in partnership with suppliers from all over the world. Our manufacturing activities comprise the subassembly and testing of certain modules and the final assembly and fine tuning/testing of a complete system from components and modules that are manufactured to our specifications by third parties and by us. All of our manufacturing activities (subassembly, final assembly and system fine tuning/testing) are performed in clean room facilities in Veldhoven, the Netherlands, in Wilton, Connecticut and in San Diego, California, both the United States, in Pyongtaek, South Korea and in Linkou, Taiwan. We procure stepper, source and scanner system components and subassemblies from a single supplier or a limited group of suppliers in order to ensure overall quality and timeliness of delivery. We jointly operate a formal strategy with suppliers known as value sourcing , which is based on competitive performance in quality, logistics, technology and total cost. The essence of value sourcing is to maintain a supply base that is world class, globally competitive and globally present.

Our value sourcing strategy is based on the following strategic principles:

- Maintaining long-term relationships with our suppliers;
- Sharing risks and rewards with our suppliers;
- Dual sourcing of knowledge, globally, together with our suppliers; and
- Single sourcing of products, where possible or required.

Value sourcing is intended to align the performance of our suppliers with our requirements on quality, logistics, technology and total costs.

Zeiss is our single supplier of lenses, collectors and other critical optical components. In 2013, 27.4 percent of our aggregate cost of sales was purchased from Zeiss (2012: 28.0 percent; 2011: 28.7 percent).

Zeiss is highly dependent on its manufacturing and testing facilities in Oberkochen and Wetzlar, Germany, and its suppliers. Moreover, Zeiss has a finite capacity for production of lenses and optical components for our systems and of collectors for our EUV sources. The expansion of this production capacity may require significant lead-time. From time to time, the number of systems we are able to produce may be limited by the capacity of Zeiss to provide us with lenses, collectors and other critical optical components. In 2013 our production was not limited by the deliveries from Zeiss.

Our relationship with Zeiss is structured as a strategic alliance pursuant to several agreements executed in 1997 and subsequent years. These agreements define a framework in all areas of our business relationship. The partnership between ASML and Zeiss is focused on continuous improvement of operational excellence.

Pursuant to these agreements, ASML and Zeiss have agreed to continue their strategic alliance until either party provides at least three years notice of its intent to terminate.

In addition to Zeiss, we also rely on other outside vendors for the components and subassemblies used in our systems and light sources, each of which is obtained from a limited number of suppliers.

See Item 3.D. Risk Factors The Number of Systems We Can Produce is Limited by Our Dependence on a Limited Number of Suppliers of Key Components .

We have a flexible labor model with a mix of fixed and flexible contracted labor in our manufacturing and R&D facilities in Veldhoven, the Netherlands, and payroll employees compensated under a partly variable salary structure through ASML s profit sharing plan. Furthermore in other facilities outside the Netherlands, the applicable local labor laws and regulations provide sufficient flexibility. Both models reinforce our ability to adapt more quickly to semiconductor market cycles, including support for potential 24-hour, seven days-a-week production activities. By maximizing the flexibility of our technically skilled workforce, we can shorten lead-times: a key driver of added value for our customers.

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Research and Development

The semiconductor manufacturing industry is subject to rapid technological changes and new product introductions and enhancements. We believe that continued and timely development and introduction of new and enhanced systems are essential for us to maintain our competitive position. As a result, we have historically devoted a significant portion of our financial resources to R&D programs, and we expect to continue to allocate significant resources to these efforts. In addition, we have established sophisticated development centers in Veldhoven, the Netherlands, in Wilton, Connecticut, in San Diego, California, both in the United States, in Pyongtaek-City, South-Korea and in Linkou, Taiwan. We are also involved in joint R&D programs with both public and private partnerships and consortiums, involving independent research centers, leading chip manufacturers and governmental programs. We aim to own or license our jointly developed technology and designs of critical components. During 2013, together with imec (an independent research partner), we announced the establishment of an advanced patterning center located at the imec campus in Leuven, Belgium. Together we plan to tackle upcoming scaling challenges due to the chip industry s move towards single digit nanometer dimensions. Furthermore we plan to establish an Institute for Nanolithography in Amsterdam together with FOM/NWO and UvA/VU. This institute will conduct fundamental and applied research in areas that are key to unlocking innovation in the global semiconductor industry.

We apply for subsidy payments in connection with specific development projects under programs sponsored by the Dutch government, the European Union and the Taiwanese government. These direct government grants are designed to stimulate high-risk research for the medium and long term future. R&D costs include credits for an amount of EUR 16.0 million, EUR 17.9 million and EUR 25.1 million in 2013, 2012 and 2011 respectively. R&D credits relate to worldwide (inter-)governmental funding for certain strategic development programs. The decrease in R&D credits is the result of a change in government programs from subsidy payments to fiscal incentives. These incentives lead to tax deductions in mainly Dutch and United States tax jurisdictions.

Our R&D efforts have led to immersion technology. Our innovative immersion lithography systems place a fluid between the wafer and a system s projection lens to enhance focus and enable circuit line-width to shrink to smaller dimensions than what is possible with dry lithography systems. ASML pioneered this wet technology and has experienced strong demand for immersion-based systems, which have been adopted by most of our customers.

We have developed different immersion systems for different customer needs. The TWINSCAN NXT platform enables next generations of semiconductors through the so-called DPT which requires two exposures per layer on a chip, enabling precise imaging patterns and lines by using our TWINSCAN NXT planar wafer stage and breakthrough grid metrology. In 2013, we shipped our first five NXT:1970Ci systems, which offer overlay below 2 nm, focus control of less than 20 nm and throughput of more than 250 wafers per hour. Approximately 250 NXT:1950i and NXT:1960Bi systems are currently in use by our customers, which are field-upgradeable to the same performance level as our NXT:1970Ci system.

In 2010, we achieved a major milestone with EUV lithography when we shipped our first NXE:3100. The NXE:3100 combined a wavelength of 13.5 nm and an optical system with a NA of 0.25 to provide imaging at a resolution of 27 nm. Through 2013, our NXE:3100 pre-production systems exposed a cumulative total of more than 44,000 wafers at customers sites, enabling successful recipe developments for the sub 14 nm Logic and 22 nm DRAM nodes.

The successor of the NXE:3100, the NXE:3300B combines a wavelength of 13.5 nm and an optical system with a NA of 0.33 to provide imaging at a resolution of 22 nm. The enhancements of the NXE:3300B enable the improved performance, in the same manner that upgrades to the NXT platform improve its productivity. In 2013, the first of our third-generation EUV scanners has been recognized in sales. As per year end 2013, the second and third NXE:3300B systems are being installed at customer sites.

Our customers optimize their scanner performance by taking into account the entire chip creation process, from design to volume manufacturing, we call this approach holistic lithography . We complement our scanner products with a rapidly expanding holistic lithography portfolio of software and metrology products to help our customers optimize semiconductor scanner performance, provide a faster start to chip production and achieve better imaging at higher resolutions. Semiconductor manufacturers face increasingly smaller margins of error as they shrink chip features. Holistic lithography provides a way to shrink within these margins, offering significant revenue-generating and cost-saving opportunities to our customers.

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Customer Co-Investment Program

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. The Participating Customers agreed to fund EUR 1.38 billion of our research and development projects from 2013 through 2017. This program creates risk sharing with some of our largest customers while the results of ASML s development programs will be available to every semiconductor manufacturer with no restrictions. The R&D funding program in the CCIP consist of two funding projects: a 450mm technology development project and a next-generation EUV development project. ASML has entered into NRE Funding Agreements with the Participating Customers.

See Item 5.A. Operating Results Results of Operations 2013 Compared with 2012, Other Income .

In addition, the Participating Customers also agreed to invest in ordinary shares equal to an aggregate for all Participating Customers of 23 percent of ASML s issued share capital (calculated giving effect to our Synthetic Share Buyback in November 2012) with the proceeds of the share issuance, EUR 3.85 billion, being returned to the holders of ordinary shares (excluding the Participating Customers) through a Synthetic Share Buyback, executed in November 2012.

See Item 10.C. Material Contracts Customer Co-Investment Program .

Development 450mm silicon wafer technology

In November 2013, following our customers decision, ASML decided to pause the development of 450mm lithography systems until customer demand and the timing related to such demand is clear. We believe that our 450mm development activities can be restarted if and when the industry demands the introduction of 450mm. Since 450mm requires both generic developments and wafer size-specific developments, many of our employees involved in the 450mm project are doing work that is just as relevant for future DUV and EUV platforms. The teams and people have therefore been reassigned to different projects.

Under our CCIP, we are party to a 450mm NRE Funding Agreement with Intel for a total NRE funding commitment of EUR 553 million. We are currently in discussions with Intel to determine appropriate projects to which to apply the 450mm NRE funding.

Under the CCIP, we are also party to EUV NRE agreements with Intel (total funding of EUR 276 million), TSMC (total funding of EUR 276 million) and Samsung (total funding of EUR 276 million), all of which funding is being used for EUV projects.

Intellectual Property

We rely on intellectual property rights such as patents, copyrights and trade secrets to protect our proprietary technology. We aim to obtain ownership rights on technology developed by or for us, alternatively, to have license rights in place with respect to such technology.

In 2004, the Nikon Cross-License Agreement was signed. The license period for certain patents subject to the Nikon Cross-License Agreement, which were not perpetually licensed, ended on December 31, 2009. Pursuant to the terms of the Nikon Cross-License Agreement, the parties have agreed, during the Cross-License Transition Period, not to bring suit for claims related to infringement of patents issued and not perpetually licensed. Beginning on January 1, 2015 the parties may bring suit for infringement of patents subject to the Nikon Cross-License Agreement, including any infringement that occurred during the Cross-License Transition Period. 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 products found to infringe valid and enforceable patents.

In 2007, ASML and Canon signed the Canon Cross-License Agreement, used to manufacture ICs. The Canon Cross-License Agreement ends on December 31, 2016.

See Item 3.D. Risk Factors Failure to Adequately Protect the Intellectual Property Rights Upon Which We Depend Could Harm Our Business and Risk Factors Defending Against Intellectual Property Claims Brought by Others Could Harm Our Business.

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Competition

The semiconductor equipment industry is highly competitive. The principal elements of competition in our market are:

- The technical performance characteristics of a lithography system;
- The value of ownership of that system based on its purchase price, maintenance costs, productivity, and customer service and support costs;
- The exchange rate of the euro particularly against the Japanese yen which results in varying prices and margins;
- The strength and breadth of our portfolio of patents and other intellectual property rights; and
- Our customers desire to obtain lithography equipment from more than one supplier.

We believe that the market for lithography systems and the investments required to be a significant competitor in this market segment has resulted in increased competition for market share through the aggressive prosecution of patents. Our competitiveness will increasingly depend upon our ability to protect and defend our patents, as well as our ability to develop new and enhanced semiconductor equipment that is competitively priced and introduced on a timely basis.

Government Regulation

Our business is subject to direct and indirect regulations in each of the countries in which our customers or we do business. As a result, changes in various types of regulations could affect our business adversely. The implementation of new technological, safety or legal requirements could impact our products, or our manufacturing or distribution processes, and could affect the timing of product introductions, the cost of our production, and products as well as their commercial success. Moreover, environmental and other regulations that adversely affect the pricing of our products could adversely affect our financial condition and our results of operations. The impact of these changes in regulation could adversely affect our business even where the specific regulations do not directly apply to us or to our products.

C. Organizational Structure

ASML Holding N.V. is a holding company that operates through its subsidiaries. Our major operating subsidiaries, each of which is a wholly-owned (direct or indirect) subsidiary, are ASML Netherlands B.V., ASML Systems B.V., ASML Hong Kong Limited and ASML US Inc.

See Exhibit 8.1 for a list of our main subsidiaries.

D. Property, Plant and Equipment

We lease a number of our facilities under operating leases. We also own a number of buildings, mainly consisting of production facilities in Veldhoven, the Netherlands, in Wilton, Connecticut, in San Diego, California, both in the United States, in Pyongtaek-City, South-Korea and in Linkou, Taiwan. The book value of land, buildings and constructions owned amounted to EUR 797.5 million as of December 31, 2013 compared with EUR 659.8 million as of December 31, 2012. See Note 12 to our Financial Statements.

Subject to market conditions, we expect that our capital expenditures (purchases of property, plant and equipment) in 2014 will be about EUR 480 million (2013: EUR 210.8 million). These expenditures will mainly consist of investments used for the further expansion of our EUV production facilities enabling us to meet future demand for EUV systems and of investments in our other strategic programs (e.g. Immersion). We expect to finance these capital expenditures through cash generated by operations and cash and cash equivalents, as well as NRE funding.

Facilities in Europe

Our headquarters, main manufacturing facilities, applications laboratory and R&D facilities are located at a single site in Veldhoven, the Netherlands. This state-of-the-art facility includes 65 thousand square meter of office space and 42 thousand square meters of buildings used for manufacturing and R&D activities and 24 thousand square meters of warehouses. Our facilities in Veldhoven, the Netherlands are partly owned and partly leased through long-term operating leases that contain purchase options. Some of our office facilities at our headquarters in Veldhoven, the Netherlands, are financed through a special purpose vehicle that is a VIE. We also lease several sales and service facilities at locations across Europe.

Facilities in the United States

Our United States head office is located in a 5 thousand square meter office building in Chandler, Arizona. We maintain lithography research, development and manufacturing operations in a 28 thousand square meter facility in Wilton, Connecticut, and a 5 thousand square meter facility in Santa Clara, California. As a result of the acquisition of Cymer, we acquired various facilities, mainly located in San Diego, California. Cymer s San Diego facilities include 44 thousand square meters of buildings used for manufacturing, R&D activities, warehousing and office space.

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Facilities in Asia

Our Asian headquarters is located in a 425 square meter office space in Hong Kong, The People s Republic of China. In addition, our ACE facility in Linkou, Taiwan comprises clean room (approximately 3 thousand square meters) and office space (approximately 6 thousand square meters). The ACE facility supports customers in the Asia-Pacific region by focusing on technology and applications development, equipment support, training, logistics and refurbishment. ACE also enables local sourcing of equipment, components, services and will produce all YieldStar systems. Our facility in Korea comprises a clean room (approximately 700 square meters) and office space (approximately 6 thousand square meters). The purpose of this facility is to support a closer working relationship with our customers in Korea. We also lease and own several sales, service and training facilities at locations across Asia. As a result of the Cymer acquisition we acquired a manufacturing facility in Pyongtaek-city, South Korea of 3 thousand square meters mainly used for refurbishment activities of light sources. Additionally, Cymer leases various smaller locations across Asia which are mainly used for local sales and service activities.

Item 4A Unresolved Staff Comments

Not applicable.

Item 5 Operating and Financial Review and Prospects

In the Executive Summary as included below, we provide an update of the Semiconductor Equipment Industry, followed by a discussion of our Business Strategy and an explanation of our Operating Results and Liquidity and Capital Resources. All information disclosed in this section is provided as a supplement to, and should be read in conjunction with, our Financial Statements and the accompanying Notes to the Consolidated Financial Statements included in Item 18 Financial Statements .

Executive Summary

Introduction

ASML makes possible affordable microelectronics that improve the quality of life. ASML invents and develops complex technology for high-tech lithography, metrology and software solutions for the semiconductor industry. ASML s guiding principle is continuing Moore s Law towards ever smaller, cheaper, more powerful and energy-efficient semiconductors. Our success is based on three pillars: technology leadership combined with customer and supplier intimacy, highly efficient processes and entrepreneurial people. We are a multinational company with over 70 locations in 16 countries, headquartered in Veldhoven, the Netherlands. As of December 31, 2013, we employed 10,360 payroll employees (2012: 8,497) and 2,865 temporary employees (2012: 2,139), measured in FTEs. ASML is traded on NYSE Euronext Amsterdam and NASDAQ under the symbol ASML.

Semiconductor Equipment Industry

The chip-making business is focused on shrink , or reducing the size of chip designs. Historically the semiconductor industry has experienced significant growth largely due to the continual reduction of cost per function performed by ICs. Improvement in the design and manufacture of ICs with higher circuit densities resulted in smaller and cheaper ICs capable of performing a larger number of functions at higher speeds with lower power consumption. We believe that these long-term trends will continue for the foreseeable future and will be accompanied by a continuing demand for production equipment that is capable of accurate production of advanced ICs in high volumes at the lowest possible cost.

Lithography equipment is used to print complex circuit patterns onto silicon wafers, which are the primary raw materials for ICs. The printing process is one of the most critical and expensive steps in wafer fabrication. Lithography equipment is therefore a significant focus of the IC industry s demand for cost-efficient enhancements to production technology.

The costs to develop new lithography equipment are high. Accordingly, the lithography equipment industry is characterized by the presence of only a few suppliers: ASML, Nikon, and (to a lesser degree) Canon. In 2013, ASML was one of the world s leading providers of lithography equipment (measured in revenues based upon Gartner Dataquest fourth quarter 2013 report).

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Total lithography equipment shipped by the industry as a whole in the six years ended December 31, 2013, is set out in the following table:

Year ended December 31	2013 [1]	2012 [2]	2011 [2]	2010 [2]	2009 [2]	2008 [2]
Total units shipped	238	251	376	304	128	344
Total value (in millions USD)	5,641	6,002	8,225	6,416	2,485	5,388

1 Historical data and full-year 2013 estimates as reported by Gartner Dataquest in its fourth quarter 2013 report.
2 Historical data are based on figures as included in the Gartner Dataquest fourth quarter 201 3 report. Where appropriate, the estimates as included in the Gartner Dataquest reports in prior years have been updated based on this fourth quarter 2013 report.

For the year 2013, the latest indications of independent market analysts show a decrease in total lithography equipment shipped to the market by the industry of 5.2 percent in unit volume and 6.0 percent in value. In 2013, the value of our net systems sales increased by 5.0 percent compared to 2012.

Business Strategy

General

The long-term growth of the semiconductor industry is the result of the principle that the power, cost and time required for every computation on a digital electronic device can be reduced by shrinking the size of transistors on chips. In 2013, chip makers routinely produced electronic chip features with geometries of 28 nm, compared to typical geometries of 10,000 nm in the early 1970s, resulting in an increase in the number of transistors on leading chips from several thousand to over two billion. This trend was first observed by Intel co-founder Gordon Moore in 1965, and is referred to as Moore s Law . Moore s Law has resulted in our information society with fast wired and wireless communications built on affordable chips. Moore s Law also has an impact on the energy usage of chips. Smaller geometries allow for much lower electrical currents to operate the chip. This has helped to contain the world s energy consumption despite the proliferation of affordable computing. Using advanced semiconductors in industrial and consumer products often provides economic benefits, user-friendliness and increased safety. The technology revolution powered by semiconductors has brought many advantages: not only can information be more widely disseminated than ever before, affordable chip intelligence has also enabled industry and service sectors to create and distribute products and ideas at lightning speed.

Smarter, smaller and more energy-efficient chips are made with increasingly sophisticated lithography systems produced by ASML. Lithography systems are crucial to the roadmaps of chipmakers to make smaller transistors on chips. Our business strategy is based on maintaining and further developing our position as a technology leader in semiconductor lithography. When executed, this strategy results in the delivery of lithography systems which enable customers to produce the highest performance and lowest cost chips. The superior value of ownership offered to customers as a result of our strategy also maximizes our own financial performance, aligning the interests of ASML and our customers.

Corporate Responsibility

Corporate Responsibility Strategy: Our customers want lithography systems that produce more chips faster, using less energy and fewer natural resources, at a similar cost. Customers also want us, as their supplier, to operate according to the highest environmental, social and governance standards. ASML s corporate responsibility strategy is based on and fully aligned to our business strategy, aimed at maintaining and further developing our position as a technology leader in the semiconductor industry.

In 2013, we performed a comprehensive and structured materiality assessment in order to identify the non-financial themes that are most relevant to our stakeholders and for our sustained long-term business success.

Most of the material themes identified are already included in our strategy and high on our priority list. We identified eight material non-financial themes validated by the CRSB:

- Innovation;
- Knowledge & intellectual property management;
- Sustainable relationship with our suppliers;

Sustainable relationship with our customers;
Product stewardship;
Talent management;
Training & development; and
Sustainable relationship with our employees.

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In addition, we recognize that there are certain other themes on which our stakeholders expect us to act as a responsible corporate citizen. These themes have been labeled as responsible business themes. The outcome of the materiality assessment will be used in 2014 to refocus our corporate responsibility strategy.

Corporate Responsibility Governance: Corporate responsibility is driven by the Executive Vice President Operations and Order Fulfillment Process, Frederic J.M. Schneider-Maunoury, who chairs the CRSB, which supervises the execution of our corporate responsibility strategy. The CRSB is made up of senior management representatives from all sectors within ASML. It is the mission of the CRSB to monitor the realization of our corporate responsibility targets and KPIs, and to review and approve related policy changes and improvement activities. The CRSB met four times in 2013. The meetings focused on reviewing the progress of ASML s non-financial performance indicators with respect to our corporate responsibility targets, KPIs and projects.

The Corporate Risk & Assurance department coordinates the day-to-day implementation of the corporate responsibility strategy, policies and improvement activities, while business owners have the operational responsibility to implement the corporate responsibility policies.

Customer Focus

Ensuring customers are served with the right products at the right time and supported by excellent service, is key to our commitment to a long-term relationship. With high-valued products, customers expect high-quality support customized to their specific requirements. This support includes service engineers, equipped with the latest technical information, to ensure the highest levels of system performance, as well as applications specialists who support optimal system processing and new product implementation.

ASML aims to deliver lithography systems with the lowest cost of ownership.

Customer satisfaction is a critical objective of ASML. We have account teams that are specifically dedicated to customer satisfaction throughout the lifecycle of our products.

Through 2013, all of the top 10 chip makers worldwide, in terms of semiconductor capital expenditure, were our customers. We also have a significant share of customers outside the top 10. We strive for continued business growth with all our customers. We expect that customer concentration might increase because of continuing consolidation in the semiconductor manufacturing industry.

In 2013, our satisfaction ratings by customers surpassed every lithography competitor, according to VLSI Research, ASML ranks third in the semiconductor industry equipment suppliers and first among lithography competitors. Our performance has consistently been good: for eleven years in a row we have both ranked among the top 5 semiconductor industry suppliers and our ranking surpassed that of any of our lithography competitors.

Technology Leadership

Our customers need lithography scanners that continuously improve performance in three areas: imaging, throughput and overlay. The image of the electronic chip circuit must be extremely small (currently the smallest features have a size of less than 30 nm), the system must be able to image billions of these features every second and it must be able to do that with extreme precision of just a few nm (one nm is four silicon atoms). To realize and improve this system performance for our customers, ASML needs to deliver the right technology at the right time to meet long- term roadmaps which often extend many years into the future. Therefore, ASML is committed to significant long-term investments in R&D. In 2013, our R&D investments (net of credits) amounted to EUR 882.0 million (2012: EUR 589.1 million; 2011: EUR 590.3 million). A significant part of our R&D-budget was used for R&D jointly developed with our suppliers and technology partners. Furthermore, in 2013, we recognized Other Income in relation to the contributions made by our Participating Customers of EUR 64.4 million.

Our lithography scanners are based on our dual-stage wafer imaging platform, the TWINSCAN system, which we introduced in 2000 and which allows exposure of one wafer while simultaneously measuring the wafer which will be exposed next. Our strong leadership in this capability has allowed us to achieve the industry s highest productivity, enabling reduced cost-per-exposure per wafer. Dual-stage lithography also supports the required overlay to position electronic features on the wafer, as it allows for more time to measure the wafer prior to exposure. We are the only lithography manufacturer that enables volume production based on dual-stage systems.

In order to meet the imaging, overlay and throughput demands of our customers, we have focused our R&D investments on three core programs: EUV, Immersion and holistic lithography solutions.

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Our innovative immersion lithography systems place a fluid between the wafer and a system s projection lens to enhance focus and enable circuit line-width to shrink to smaller dimensions than what is possible with dry lithography systems. ASML pioneered this wet technology and has experienced strong demand for immersion-based systems, which have been adopted by most of our customers.

We have developed different immersion systems for different customer needs. The TWINSCAN NXT platform enables next generations of semiconductors through the so-called DPT which requires two exposures per layer on a chip, enabling precise imaging patterns and lines by using our TWINSCAN NXT planar wafer stage and breakthrough grid metrology. In 2013, we shipped our first five NXT:1970Ci systems, which offer overlay below 2 nm, focus control of less than 20 nm and throughput of more than 250 wafers per hour. Approximately 250 NXT:1950i and NXT:1960Bi systems are currently in use by our customers, which are field-upgradeable to the same performance level as our NXT:1970Ci system.

In 2010, we achieved a major milestone with EUV lithography when we shipped our first NXE:3100. The NXE:3100 combined a wavelength of 13.5 nm and an optical system with a NA of 0.25 to provide imaging at a resolution of 27 nm. Through 2013, our NXE:3100 pre-production systems exposed a cumulative total of more than 44,000 wafers at customers sites, enabling successful recipe developments for the sub 14 nm Logic and 22 nm DRAM nodes.

The successor of the NXE:3100, the NXE:3300B combines a wavelength of 13.5 nm and an optical system with a NA of 0.33 to provide imaging at a resolution of 22 nm. The enhancements of the NXE:3300B enable the improved performance, in the same manner that upgrades to the NXT platform improve its productivity. In 2013, the first of our third-generation EUV scanners has been recognized in sales. As per year end 2013, the second and third NXE:3300B systems are being installed at customer sites.

On May 30, 2013, we concluded the acquisition of Cymer for a total consideration of EUR 3.1 billion (USD 4.0 billion). See Note 2 to the Financial Statements. We expect that the acquisition of Cymer will help us to achieve 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. This integration work on our NXE:3300B scanners and light sources is progressing steadily. We remain on target to deliver systems with a throughput of 70 wafers per hour in 2014, upgradeable to 125 wafers per hour in 2015.

Furthermore, as a consequence of the acquisition of Cymer, we are now able to offer our customers OnPulse contracts. These contracts offer a comprehensive approach to enhancing light source productivity, offering our customers predictable light source running costs that scale directly with pulse utilization. We provide our OnPulse contract customers on-site support from certified service engineers and continuous real-time light source monitoring. Replacement parts and support are covered under the OnPulse contract, which facilitates cost savings for our customers as well as simplified order and asset management. We believe that our OnPulse contracts offer our customers many compelling benefits, and this product has been well-received by our customers.

Also, we complement our scanner products with a rapidly expanding holistic lithography portfolio of software and metrology products to help our customers optimize semiconductor scanner performance, provide a faster start to chip production and achieve better imaging at higher resolutions. Semiconductor manufacturers face increasingly smaller margins of error as they shrink chip features. Holistic lithography provides a way to shrink within these margins, offering significant revenue-generating and cost-saving opportunities to our customers. In 2013, we boosted sales of YieldStar metrology systems to our leading edge customers. These machines generate the data used by our holistic lithography products to control overlay, CD and focus for the most advanced process nodes.

Operational Excellence

We strive to sustain our business success based on our technological leadership by continuing to execute our fundamental operating strategy, including reducing lead-times while improving our cost competitiveness. Lead-time is the time from a customer s order to a tool delivery.

Our business strategy includes outsourcing the manufacturing of the majority of components and subassemblies that make up our products. We work in partnership with suppliers, collaborating on quality, logistics, technology and total cost. By operating our strategy of value sourcing, we strive to attain flexibility and cost efficiencies from our suppliers through mutual commitment and shared risk and reward. Value sourcing also allows the flexibility to adapt to the cyclicality of the world market for semiconductor lithography systems.

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We have a flexible labor model with a mix of fixed and flexible contracted labor in our manufacturing and R&D facilities in Veldhoven, the Netherlands, and payroll employees compensated under a partly variable salary structure through ASML s profit sharing plan. Furthermore in other facilities outside the Netherlands, the applicable local labor laws and regulations provide sufficient flexibility. Both models reinforce our ability to adapt more quickly to semiconductor market cycles, including support for potential 24-hour, seven days-a-week production activities. By maximizing the flexibility of our technically skilled workforce, we can shorten lead-times: a key driver of added value for our customers.

In view of the economic volatility of the semiconductor industry, we continue to strive to achieve more efficiencies in our operations by addressing our cost structure and strengthening our capability to generate cash.

ASML Operations Update on Key Performance Indicators

The following table presents the key performance indicators used by our Board of Management and senior management to measure performance in our monthly operational review meetings.

Year ended December 31	**2013**		**2012**		**2011**	
(in millions)	**EUR**	%[1]	EUR	%[1]	EUR	%[1]
Sales						
Net sales	**5,245.3**		4,731.5		5,651.0	
Increase (decrease) in net sales (%)	**10.9**		(16.3)		25.4	
Net system sales	**3,993.1**		3,801.6		4,883.9	
Net service and field option sales	**1,252.2**		929.9		767.1	
Sales of systems (in units)	**157**		170		222	
ASP of total system sales	**25.4**		22.4		22.0	
ASP of new system sales	**27.4**		24.8		24.5	
ASP of used system sales	**6.9**		7.6		3.8	
Value of systems backlog excluding EUV [2]	**1,953.3**		1,214.1		1,732.5	
Systems backlog excluding EUV (in units) [2]	**56**		46		71	
ASP of systems backlog excluding EUV [2]	**34.9**		26.4		24.4	
ASP of systems backlog excluding EUV (New) [2]	**41.4**		29.8		27.9	
ASP of systems backlog excluding EUV (Used) [2]	**4.7**		4.0		3.0	
Immersion systems recognized (in units)[3]	**77**		72		101	
NXE systems recognized (in units)[4]	**1**		1		3	
Profitability						
Gross profit	**2,177.2**	41.5	2,005.2	42.4	2,449.4	43.3
Income from operations	**1,047.9**	20.0	1,156.8	24.4	1,641.2	29.0
Net income	**1,015.5**	19.4	1,146.3	24.2	1,467.0	26.0
Liquidity						
Cash and cash equivalents	**2,330.7**		1,767.6		2,731.8	
Short-term investments	**679.9**		930.0		-	
Operating cash flow	**1,054.2**		703.5		2,070.4	

1 As a percentage of net sales.

2 Our systems backlog and net bookings include only orders for which written authorizations have been accepted and system shipment and revenue recognition dates within the following 12 months have been assigned.

3

Included in the total number of immersion systems recognized in 201 3 is 4 units of our most advanced immersion technology NXT:1 970Ci systems (2012: nil and 2011: nil)

4 In 2013, the first of our third-generation EUV scanners has been recognized in sales. As per year end 2013, the second and third NXE:3300B systems are being installed at customer sites.

Backlog

We started 2013 with a systems backlog excluding EUV of 46 systems. In 2013, we booked orders for 166 systems excluding EUV, and recognized sales for 156 systems excluding EUV. This resulted in a systems backlog excluding EUV of 56 as of December 31, 2013.

As of December 31, 2013, our systems backlog excluding EUV was valued at EUR 1,953.3 million and includes 56 systems with an ASP of EUR 34.9 million. As of December 31, 2012, the systems backlog excluding EUV was valued at EUR 1,214.1 million and included 46 systems with an ASP of EUR 26.4 million. The ASP of our systems backlog excluding EUV increased in 2013 compared to 2012 as a result of a shift in the mix of systems towards more high-end system types (e.g. NXT:1970Ci).

For discussion on the main key performance indicators indicated above, we refer to Item 5.A. Operating Results and Item 5.B. Liquidity and Capital Resources .

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A. Operating Results

Critical Accounting Policies Using Significant Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Financial Statements, which have been prepared in conformity with US GAAP. The preparation of our Financial Statements requires us 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. We evaluate our estimates continually and we base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates if the assumptions prove incorrect. To the extent there are material differences between actual results and these estimates, our future results could be materially and adversely affected. We believe that the accounting policies described below require us to make significant judgments and estimates in the preparation of our Financial Statements.

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 Factory Acceptance Test in our clean room 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 our second- and third-generation EUV systems (NXE:3100 and NXE:3300B), we initially defer revenue recognition until acceptance of the new technology based system and completion of installation at the customer 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: 1999 (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 driven by market demand expressed by other customers and not 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, 2013 and 2012, 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. In addition, we offer volume discounts to customers. 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 shipment. From time to time, we offer free or discounted products or services (award credits) to our customers as part of a volume purchase agreement. 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. 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).

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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 derecognize 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 prepaid extended and enhanced (optic) warranty contracts. As of January 1, 2011, we have adopted ASU 2009-13, Sales Arrangements with Multiple Deliverables which amended the guidance on arrangements with multiple deliverables in ASC 605-25. 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: the delivered products or services have value to the customer on a standalone basis; and 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 elements arrangements, we establish VSOE of the selling price for installation, training services and prepaid 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 prepaid extended and enhanced (optic) warranty contracts is determined on the basis of similar 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 prepaid 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. We review selling prices annually and maintain internal controls over the establishment and updates of these estimates.

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.

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 end of the third 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 reporting unit. The test is based on a two-step approach for each reporting unit (being an operating segment or one level below an operating segment) in which goodwill has been recorded. First, recoverability is tested by comparing the carrying amount of the reporting unit including goodwill

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with the fair value of the reporting unit. If the carrying amount of the reporting unit is higher than the fair value of the reporting unit, 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 reporting unit in the same manner as goodwill is determined in a business combination.

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. Other intangible assets and property, plant and equipment are tested for impairment based on a two-step approach. First, the recoverability is tested by comparing the carrying amount of the other intangible assets and property, plant and equipment with their fair value, being the sum of the related undiscounted future cash flows. Second, if the carrying amount of the other intangible assets and property, plant and equipment is higher than this fair value the assets are considered to be impaired. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In determining the fair value of a long-lived asset (other than goodwill), we make estimates about future cash flows. These estimates are based on our financial plan updated with the latest available projection of the semiconductor market conditions and our sales 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 WACC and future inflation rates. It is possible that actual results may differ from our plans, estimates and assumptions, which may require impairment of certain long-lived assets (other than goodwill). Future adverse changes in market conditions may also require impairment of certain long-lived assets (other than goodwill), which could have a material adverse effect on our financial condition and results of operations.

Inventories

Inventories, including spare parts and lenses, are stated at the lower of cost (first-in, first-out method) or market value. Costs include 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 and are reviewed on a quarterly basis. Our methodology involves matching our on-hand and on-order inventory with our requirements based on the expected demand and resulting manufacturing forecast. In determining inventory allowances, we evaluate inventory in excess of our forecasted needs on both technological and economic criteria and make appropriate provisions to reflect the risk of obsolescence. This methodology is significantly affected by our forecasted needs for inventory. If actual requirements were to be lower than estimated, additional inventory allowances for excess or obsolete inventory may be required, which could have a material adverse effect on our business, financial condition and results of operations.

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Income Taxes

We operate in various tax jurisdictions in Europe, Asia, and the United States and must comply with the tax laws and regulations of each of these jurisdictions.

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

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.

Results of Operations 2013 Compared with 2012

The following discussion and analysis of Results of Operations should be viewed in the context of the risks that may interfere with our business objectives, described in Item 3.D. Risk Factors .

Set out below our Consolidated Statements of Operations data for the years ended December 31, 2013 and 2012:

Year ended December 31	**2013**	**2012**
(in millions)	EUR	EUR
Total net sales	**5,245.3**	4,731.5
Cost of sales	**(3,068.1)**	(2,726.3)
Gross profit	**2,177.2**	2,005.2
Other income	**64.4**	-
Research and development costs	**(882.0)**	(589.1)
Selling, general and administrative costs	**(311.7)**	(259.3)
Income from operations	**1,047.9**	1,156.8
Interest and other, net	**(24.4)**	(6.2)
Income before income taxes	**1,023.5**	1,150.6
Provision for income taxes	**(8.0)**	(4.3)
Net income	**1,015.5**	1,146.3

Set out below are our Consolidated Statements of Operations data for the years ended December 31, 2013 and 2012 expressed as a percentage of our total net sales:

Year ended December 31	**2013**	**2012**
	%	%

Total net sales	**100.0**	100.0
Cost of sales	**(58.5)**	(57.6)
Gross profit	**41.5**	42.4
Other income	**1.2**	-
Research and development costs	**(16.8)**	(12.5)
Selling, general and administrative costs	**(5.9)**	(5.5)
Income from operations	**20.0**	24.4
Interest and other, net	**(0.5)**	(0.1)
Income before income taxes	**19.5**	24.3
Provision for income taxes	**(0.1)**	(0.1)
Net income	**19.4**	24.2

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Net Sales and Gross Profit

The following table shows a summary of net sales, units sold, gross profit and ASP data for the years ended December 31, 2013 and 2012:

Year ended December 31	2013	2012
(in millions EUR, unless otherwise indicated)		
Net sales	**5,245.3**	4,731.5
Net system sales	**3,993.1**	3,801.6
Net service and field option sales	**1,252.2**	929.9
Total sales of systems (in units)	**157**	170
Total sales of new systems (in units)	**142**	146
Total sales of used systems (in units)	**15**	24
Gross profit as a percentage of net sales	**41.5**	42.4
ASP of system sales	**25.4**	22.4
ASP of new system sales	**27.4**	24.8
ASP of used system sales	**6.9**	7.6

Net sales increased by EUR 513.8 million, or 10.9 percent, to EUR 5,245.3 million in 2013 from EUR 4,731.5 million in 2012, mainly driven by the increase in net service and field option sales of EUR 322.3 million, or 34.7 percent to EUR 1,252.2 million in 2013 from EUR 929.9 million in 2012. The increase in net service and field option sales is mainly caused by the expansion of Holistic Lithography through increased sales of integrated metrology and feedback loop technology and by OnPulse revenues as a result of the acquisition of Cymer.

The increase in net system sales of EUR 191.5 million, or 5.0 percent, to EUR 3,993.1 million in 2013 from EUR 3,801.6 million in 2012 is mainly caused by an increased ASP which more than offsets the lower amount of systems sold.

The increase of the ASP of our systems sold can mainly be explained by the ASP of our new systems sold which increased to EUR 27.4 million in 2013 from EUR 24.8 million in 2012, which was the result of a shift in the mix of systems sold towards more high-end system types, NXT:1960Bi and NXT:1970Ci and including one NXE:3300B.

Through 2013, all of the top 10 chipmakers worldwide, in terms of semiconductor capital expenditure, were our customers. In 2013, recognized sales to our largest customer accounted for EUR 2,058.6 million, or 39.2 percent of our net sales. In 2012, recognized sales to our largest customer accounted for EUR 1,236.1 million, or 26.1 percent of our net sales.

Gross profit increased by EUR 172.0 million to EUR 2,177.2 million or 41.5 percent of net sales in 2013 from EUR 2,005.2 million or 42.4 percent of net sales in 2012. Higher gross profit was mainly driven by the increased net system sales. Gross profit as a percentage of net sales in 2013 decreased compared to 2012, mainly due to a 1.6 percent impact from non-cash purchase price accounting adjustments related to the Cymer acquisition.

Other Income

Other income consists of contributions for R&D programs under the NRE funding arrangements from Participating Customers of the CCIP and amounted to EUR 64.4 million for 2013 (2012:nil).

Research and Development Costs

R&D costs (net of credits and excluding contributions under the NRE funding agreements from Participating Customers of 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).

Selling, General and Administrative Costs

SG&A costs increased by EUR 52.4 million, or 20.2 percent, to EUR 311.7 million in 2013, from EUR 259.3 million in 2012. The increase was mainly driven by the acquisition and subsequent integration of Cymer and incurred restructuring expenses.

Profitability

Our target is to achieve annual income from operations as percentage of net sales of greater than 20 percent. However in exceptional circumstances, as evidenced by the financial and economic crisis in 2009, we could see periods with income from operations that are substantially below our minimum target level.

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Interest and Other, Net

Interest and other, net increased by EUR 18.2 million to EUR 24.4 million expense in 2013 from EUR 6.2 million expense in 2012. This increase is mainly explained by the loss on the partial extinguishment of our EUR 600 million 5.75 percent senior notes due 2017 and a lower yield generated on our cash and cash equivalents and short-term investments.

Income Taxes

The effective tax rate increased to 0.8 percent of income before income taxes in 2013 compared to 0.4 percent in 2012. In 2013, the effective tax rate was impacted by the settlement of the favorable pre-existing relationships between Cymer and ASML. This settlement 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. In 2012, the effective tax rate was amongst others impacted by a one-time tax benefit resulting from successful conclusion of tax audits. The movement in the liability for unrecognized tax benefits in 2013 is considered to be limited compared to 2012.

Net Income

Net income in 2013 amounted to EUR 1,015.5 million, or 19.4 percent of net sales, representing EUR 2.36 basic net income per ordinary share, compared with net income in 2012 of EUR 1,146.3 million, or 24.2 percent of net sales, representing EUR 2.70 basic net income per ordinary share.

Results of Operations 2012 Compared with 2011

The following discussion and analysis of Results of Operations should be viewed in the context of the risks that may interfere with our business objectives, described in Item 3.D. Risk Factors .

Set out below our Consolidated Statements of Operations data for the years ended December 31, 2012 and 2011:

Year ended December 31	**2012**	**2011**
(in millions)	**EUR**	EUR
Total net sales	4,731.5	5,651.0
Cost of sales	(2,726.3)	(3,201.6)
Gross profit	2,005.2	2,449.4
Research and development costs	(589.1)	(590.3)
Selling, general and administrative costs	(259.3)	(217.9)
Income from operations	1,156.8	1,641.2
Interest and other, net	(6.2)	7.4
Income before income taxes	1,150.6	1,648.6
Provision for income taxes	(4.3)	(181.6)
Net income	1,146.3	1,467.0

Set out below are our Consolidated Statements of Operations data for the years ended December 31, 2012 and 2011 expressed as a percentage of our total net sales:

Year ended December 31	**2012**	**2011**
	%	%
Total net sales	100.0	100.0
Cost of sales	(57.6)	(56.7)
Gross profit	42.4	43.3
Research and development costs	(12.5)	(10.4)
Selling, general and administrative costs	(5.5)	(3.9)
Income from operations	24.4	29.0

Interest and other, net	(0.1)	0.2
Income before income taxes	24.3	29.2
Provision for income taxes	(0.1)	(3.2)
Net income	24.2	26.0

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Net Sales and Gross Profit

The following table shows a summary of net sales, units sold, gross profit and ASP data for the years ended December 31, 2012 and 2011:

Year ended December 31	2012	2011
(in millions EUR, unless otherwise indicated)		
Net sales	**4,731.5**	5,651.0
Net system sales	**3,801.6**	4,883.9
Net service and field option sales	**929.9**	767.1
Total sales of systems (in units)	**170**	222
Total sales of new systems (in units)	**146**	195
Total sales of used systems (in units)	**24**	27
Gross profit as a percentage of net sales	**42.4**	43.3
ASP of system sales	**22.4**	22.0
ASP of new system sales	**24.8**	24.5
ASP of used system sales	**7.6**	3.8

Net sales decreased by EUR 919.5 million, or 16.3 percent, to EUR 4,731.5 million in 2012 from EUR 5,651.0 million in 2011. The decrease in net sales mainly resulted from a decrease in net system sales of EUR 1,082.3 million, or 22.2 percent, to EUR 3,801.6 million in 2012 from EUR 4,883.9 million in 2011, partly offset by an increase in net service and field option sales of EUR 162.8 million or 21.2 percent to EUR 929.9 million in 2012 from EUR 767.1 million in 2011, mainly due the further expansion of Holistic Lithography, integrated metrology and feedback loops. The number of total systems sold decreased by 23.4 percent to 170 systems in 2012 from 222 systems in 2011, mainly caused by decreased demand in Memory, as its major driver, the PC business shrunk compared to 2011. During 2012, the majority of the system sales were generated from Logic.

The ASP of our new systems in 2012 EUR 24.8 million was in line with 2011 EUR 24.5 million.

From time to time, we repurchase systems that we have manufactured and sold and, following factory-rebuild or refurbishment, resell those systems to other customers. This repurchase decision is mainly driven by market demand for capacity expressed by other customers and not by explicit or implicit contractual arrangements relating to the initial sale. The number of used systems sold in 2012 decreased to 24 from 27 in 2011. The ASP of our used systems increased by 100.0 percent to EUR 7.6 million in 2012 from EUR 3.8 million in 2011, which was the result of a shift in the mix of used systems sold toward more high-end system types.

Through 2012, all of the top 10 chipmakers worldwide, in terms of semiconductor capital expenditure, were our customers. In 2012, recognized sales to our largest customer accounted for EUR 1,236.1 million, or 26.1 percent of our net sales. In 2011, recognized sales to our largest customer accounted for EUR 1,311.7 million, or 23.2 percent of our net sales.

Gross profit decreased to EUR 2,005.2 million or 42.4 percent of net sales in 2012 from EUR 2,449.4 million or 43.3 percent of net sales in 2011. Lower gross profit was mainly driven by the decreased number of total systems sold. Gross profit as a percentage of net sales in 2012 decreased compared to 2011, mainly due to increased infrastructure and manufacturing cost, driven primarily by EUV production, lower utilization of our production capacity and higher cost incurred in relation to excess and obsolete inventory as result of technological developments and design changes.

Research and Development Costs

R&D costs (net of credits) in 2012 (EUR 589.1 million) were in line with 2011 (EUR 590.3 million). R&D spending remained stable and mainly related to our strategic programs, in particular EUV, immersion and holistic lithography.

Selling, General and Administrative Costs

SG&A costs increased by EUR 41.4 million, or 19.0 percent, to EUR 259.3 million in 2012, or 5.5 percent of net sales, from EUR 217.9 million in 2011, or 3.9 percent of net sales. The increase was mainly driven by transaction costs incurred of EUR 26.1 million related to the CCIP and transaction costs related to the proposed acquisition of Cymer and costs to implement and support IT solutions of EUR 10.2 million.

Interest and Other, Net

Interest and other, net decrease by EUR 13.6 million to EUR 6.2 million expense in 2012 from EUR 7.4 million income in 2011. Interest income relates to interest earned on our cash and cash equivalents and short-term investments; interest income declined in 2012 due to a lower yield earned on cash and cash equivalents and short-term investments, and was more than offset by the interest expense on our outstanding debt.

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Income Taxes

The effective tax rate was 0.4 percent of income before income taxes in 2012, compared with 11.0 percent of income before income taxes in 2011. The change in the effective tax rate is mainly due to a release of our liability for unrecognized tax benefits of EUR 92.5 million after successful conclusion of tax audits in different jurisdictions which almost completely offset the tax expenses, resulting in an income tax expense of EUR 4.3 million (2011: EUR 181.6 million).

Foreign Exchange Management

See Item 3.D. Risk Factors Fluctuations in Foreign Exchange Rates Could Harm Our Results of Operations , Item 11 Quantitative and Qualitative Disclosures About Market Risk , Note 1 and Note 4 to our Financial Statements.

B. Liquidity and Capital Resources

Our cash and cash equivalents increased to EUR 2,330.7 million as of December 31, 2013 from EUR 1,767.6 million as of December 31, 2012 and our short-term investments decreased to EUR 679.9 million as of December 31, 2013 from EUR 930.0 million as of December 31, 2012.

We generated net cash from operating activities of EUR 1,054.2 million, EUR 703.5 million and EUR 2,070.4 million in 2013, 2012 and 2011, respectively. Higher net cash provided by operating activities in 2013 compared to 2012 relates to increased sales levels and a decrease of our working capital, mainly due to an increase in accounts payable. Lower net cash provided by operating activities in 2012 compared to 2011 relates to decreased sales levels and decreased accrued and other liabilities mainly as a result of lower amounts of EUV down payments received in 2012.

We used EUR 368.4 million for investing activities in 2013, EUR 1,119.8 million in 2012 and EUR 300.9 million in 2011. In 2013, our investing activities mainly related to the cash consideration paid for the acquisition of Cymer of EUR 443.7 million and the purchase of property, plant and equipment of EUR 210.8 million, mainly related to further expansion of our EUV production facilities. This was to a large extent offset by the decrease of short-term investments, mainly in Dutch Treasury Certificates and deposits with the Dutch government, of EUR 290.2 million. In 2012, our investing activities primarily related to our short-term investments in Dutch Treasury Certificates and deposits with the Dutch government of EUR 930.0 million and purchases of property, plant and equipment of EUR 171.9 million. In 2011, our investing activities mainly related to machinery and equipment, EUV and NXT production facilities in Veldhoven, the Netherlands, information technology and leasehold improvements to our facilities.

Net cash used in financing activities was EUR 113.1 million in 2013, EUR 545.6 million in 2012, and EUR 991.6 million in 2011. In September 2013, we completed an offering of EUR 750 million 3.375 percent senior notes due 2023 with interest payable annually on September 19 and, simultaneously, we repurchased a nominal amount of EUR 361.8 million of our EUR 600 million 5.75 percent senior notes due 2017 in a tender offer.

In 2013, net cash used in financing activities included the net cash proceeds of EUR 740.4 million from our notes offering and net cash proceeds of EUR 31.8 million from the issuance of shares in connection with the exercise and purchase of employee stock options, mainly offset by net cash outflows of EUR 368.3 million for our notes tender offer and unwinding of related interest rate swaps, EUR 300.0 million for our regular share buyback program and EUR 216.1 million for our annual dividend payment. In 2012, net cash used in financing activities includes the net cash outflow of EUR 3,728.3 million for the Synthetic Share Buyback, EUR 535.4 million for our regular share buyback programs and EUR 188.9 million for our annual dividend payment, to a large extent offset by the proceeds of EUR 3,853.9 million from issuance of shares under the CCIP and EUR 53.8 million net proceeds from issuance of shares in connection with the exercise and purchase of employee stock options. In 2011, net cash used in financing activities included the cash outflow of EUR 700.5 million used in our regular share buyback program, our annual dividend payment of EUR 172.6 million and a repayment of deposits from our customers of EUR 150.0 million, partly offset by the net proceeds from issuance of shares in connection with the exercise and purchase of employee stock options of EUR 34.1 million.

Our principal sources of liquidity consist of cash flows from operations, cash and cash equivalents as of December 31, 2013 of EUR 2,330.7 million, short-term investments as of December 31, 2013 of EUR 679.9 million and available credit facilities as of December 31, 2013 of EUR 700.0 million. In addition, we may from time to time raise additional capital in debt and equity markets. Our goal is to remain an investment grade rated company and maintain a capital structure that supports this.

We invest our cash and cash equivalents and short-term investments in short-term deposits with financial institutions that have good credit ratings and 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. Our investments are predominantly denominated in euros and partly in U.S. dollars.

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Our available credit facility consists of an EUR 700.0 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 committed capital to net total assets ratio of 40.0 percent calculated in accordance with contractually agreed definitions. At the end of 2013, we were in compliance with the covenant. Outstanding amounts under this credit facility will bear interest at EURIBOR or LIBOR plus a margin that depends on our liquidity position. No amounts were outstanding under the credit facility as of the end of 2013.

We have repayment obligations in 2017, amounting to EUR 238.2 million and in 2023, amounting to EUR 750.0 million, both relating to our Eurobonds.

ASML seeks to ensure that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents and short-term investments and its borrowing capability, will be sufficient to satisfy its liquidity requirements throughout every phase of the industry cycles.

Our liquidity needs are affected by many factors, some of which are based on the normal on-going operations of the business, and others that relate to the uncertainties of the global economy and the semiconductor industry. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents and short-term investments and our borrowing capability are sufficient to satisfy our current requirements, including our expected capital expenditures in 2014. We intend to return cash to our shareholders on a regular basis in the form of dividend payments and, subject to our actual and anticipated liquidity requirements and other relevant factors, share buybacks or capital repayment.

See Notes 4, 5, 15, 16, 26 and 27 to our Financial Statements for further reference.

C. Research and Development, Patents and Licenses, etc.

Research and Development

See Item 4.B. Business Overview Research and Development and Item 5.A. Operating Results Results of Operations .

Intellectual Property Matters

See Item 3.D. Risk Factors Failure to Adequately Protect the Intellectual Property Rights Upon Which We depend Could Harm Our Business and Risk Factors Defending Against Intellectual Property Claims by Others Could Harm Our Business and Item 4.B. Business Overview Intellectual Property .

D. Trend Information

In 2013, our business was supported by continuing momentum in the Logic segment with customers starting to add capacity at the 20nm node, driven by the mobile applications market. The memory segment continued to pick up in light of tight mobile DRAM capacity. NAND memory bit demand is on a steady growth path with a stable market outlook, underpinning technology and capacity investments in 2014.

The following table sets forth our systems backlog, excluding EUV, as of December 31, 2013 and 2012.

Year ended December 31	**2013**	**2012**
	(in millions EUR, unless otherwise indicated)	
New systems backlog excluding EUV (in units)	**46**	40
Used systems backlog excluding EUV (in units)	**10**	6
Total systems backlog excluding EUV (in units)	**56**	46
Value of new systems backlog excluding EUV	**1,906.2**	1,190.1
Value of used systems backlog excluding EUV	**47.1**	24.0
Total value of systems backlog excluding EUV	**1,953.3**	1,214.1
ASP of new systems backlog excluding EUV	**41.4**	29.8
ASP of used systems backlog excluding EUV	**4.7**	4.0
ASP of total systems backlog excluding EUV	**34.9**	26.4

Our systems backlog includes only orders for which written authorizations have been accepted and system shipment and revenue recognition dates within 12 months have been assigned. Historically, orders have been subject to cancellation or delay by the customer. Due to possible customer changes in delivery schedules and to cancellation of orders, our systems backlog at any particular date is not necessarily indicative of actual sales for any succeeding period.

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For the first quarter of 2014, we expect net sales of around EUR 1.4 billion, a gross margin of around 42 percent, R&D costs of about EUR 280 million, other income of about EUR 20 million, which consists of contributions from participants of the CCIP and SG&A costs of about EUR 85 million.

The trends discussed in this Item 5.D. Trend information are subject to risks and uncertainties. See Part I Special Note Regarding Forward Looking Statements and item 3.D. Risk Factors .

E. Off-Balance Sheet Arrangements

We have various contractual obligations, some of which are required to be recognized 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 balance sheet but are required to be disclosed.

F. Tabular Disclosure of Contractual Obligations

Our contractual obligations as of December 31, 2013 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]	**1,341,380**	45,079	44,952	44,907	275,640	54,155	876,647
Operating Lease Obligations	**74,946**	30,293	21,543	14,081	4,803	2,539	1,687
Purchase Obligations	**2,012,913**	1,894,455	85,548	16,223	13,772	2,382	533
Unrecognized Tax Benefits, including interest expense	**74,069**	580	945	7,680	26,105	785	37,974
Total Contractual Obligations	**3,503,308**	1,970,407	152,988	82,891	320,320	59,861	916,841

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 42.0 million, EUR 41.6 million and EUR 40.6 million for the years ended December 31, 2013, 2012 and 2011, 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, 2013 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, 2013 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 cyclicality of the semiconductor equipment 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.

G. Safe Harbor

See Part I Special Note Regarding Forward-Looking Statements .

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Item 6 Directors, Senior Management and Employees

A. Directors and Senior Management

The members of our Supervisory Board and our Board of Management are as follows:

Name	Title	Year of Birth	Term Expires
Arthur P.M. van der Poel[1,2,3]	Chairman of the Supervisory Board	1948	2016
Fritz W. Fröhlich[1,2]	Vice Chairman and Member of the Supervisory Board	1942	2014
Hendrika (leke) C.J. van den Burg[4]	Member of the Supervisory Board	1952	2015
OB Bilous[2,3]	Member of the Supervisory Board	1938	2014
Pauline F.M. van der Meer Mohr[4]	Member of the Supervisory Board	1960	2017
Wolfgang H. Ziebart[3,4]	Member of the Supervisory Board	1950	2017
Clara (Carla) M.S. Smits-Nusteling[1]	Member of the Supervisory Board	1966	2017
Douglas A. Grose[2,3]	Member of the Supervisory Board	1950	2017
Peter T.F.M. Wennink	President, Chief Executive Officer and member of the Board of Management	1957	N/A [5]
Martin A. van den Brink	President, Chief Technology Officer and member of the Board of Management	1957	N/A [5]
Frits J. van Hout	Executive Vice President, CPO and member of the Board of Management	1960	2017
Frédéric J.M. Schneider-Maunoury	Executive Vice President Operations and Order Fulfillment Process and Member of the Board of Management	1961	2014
Wolfgang U. Nickl[6]	Executive Vice President, CFO and Member of the Board of Management	1969	2018

1 Member of the Audit Committee.
2 Member of the Selection and Nomination Committee.
3 Member of the Technology and Strategy Committee.
4 Member of the Remuneration Committee.
5 The appointment term will be changed from an indefinite term to a definite term of four years upon notification to the AGM, scheduled on April 23, 2014.
6 Mr. Nickl s appointment to ASML s Board of Management is subject to the notification of the AGM, scheduled to be held on April 23, 2014.
Mmes. Van den Burg and Van der Meer Mohr and Messrs. Siegle, Westerburgen and Ziebart retired by rotation in 2013. Mr. Siegle and Mr. Westerburgen retired from the Supervisory Board per the AGM of April 24, 2013. In 2013, Ms. Van den Burg was reappointed for a maximum period of two years in line with the Supervisory Board s profile; Ms. Van der Meer Mohr and Mr. Ziebart were reappointed for a maximum period of four years in line with the Supervisory Board s profile. Ms. Smits-Nusteling and Mr. Grose were appointed as member of the Supervisory Board in 2013 for a maximum period of four years.

Since 2005, the Works Council of ASML Netherlands B.V. has an enhanced right to make recommendations for nomination of one-third of the members of the Supervisory Board, which recommendations may be rejected by the Supervisory Board in limited circumstances. See Item 6.C. Board Practices Supervisory Board . At the 2005 AGM, Ms. Van den Burg was appointed pursuant to this recommendation right, and at the 2009 AGM and the 2013 AGM she was reappointed in accordance with this recommendation right. At the 2009 AGM, Ms. Van der Meer Mohr was appointed pursuant to this recommendation right, and at the 2013 General Meeting of Shareholders she was reappointed in accordance with this recommendation right.

There are no family relationships among the members of our Supervisory Board and Board of Management.

Director and Officer Biographies

Arthur P.M. van der Poel

Mr. Van der Poel was appointed to our Supervisory Board in March 2004 and was appointed as Chairman in 2007. Until 2001, he was the CEO of Philips Semiconductors. Mr. Van der Poel is a former member of the Board of Management (until April 2003) and a former member of the Group Management Committee of Royal Philips Electronics N.V. Mr. Van der Poel currently serves as a member of the Board of Directors of Gemalto Holding N.V., as a member of the Supervisory Board of Royal HaskoningDHV B.V. and as the chairman of the Supervisory Board of BDR Thermea.

Fritz W. Fröhlich

Mr. Fröhlich was appointed to our Supervisory Board in March 2004. He is the former Deputy Chairman and CFO of Akzo Nobel N.V. Mr. Fröhlich is the Chairman of the Supervisory Board of Randstad Holding N.V. Mr. Fröhlich also serves as a member of the Supervisory Boards of Allianz Nederland N.V. and Rexel S.A. and as a member of the Board of Directors of Prysmian Group.

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Hendrika (leke) C.J. van den Burg

Ms. Van den Burg was appointed to our Supervisory Board in March 2005. Ms. Van den Burg was a member of the European Parliament from 1999 until 2009. She was a member of the Supervisory Board of APG Group N.V. until May 15, 2013. Ms. Van den Burg was recently appointed for a new four-year mandate in the Dutch Monitoring Committee Corporate Governance Code. She also serves as chairperson of the Monitoring Foundation Dutch Insurance Companies (*Stichting Toetsing Verzekeraars*) and is a member of the Advisory Boards of the Dutch Data Protection Authority (*College Bescherming Persoonsgegevens*) and Dutch National Register of Supervisory Directors (*Nationaal Register Commissarissen en Toezichthouders*). Ms. Van den Burg is also a member of the Advisory Scientific Systemic Committee European Risk Board (ECB Frankfurt) and as a member of the Advisory Council International Affairs Commission Human Rights (Dutch Ministry Foreign Affairs).

OB Bilous

Mr. Bilous was appointed to our Supervisory Board in March 2005. From 1960 until 2000 Mr. Bilous held various management positions at IBM, including General Manager and Vice President Worldwide Manufacturing of IBM s Microelectronics Division. Mr. Bilous also served on the Boards of SMST, ALTIS Semiconductor, Dominion Semiconductor and was chairman of the Board of Sematech from 2000 to 2009. Mr. Bilous currently serves as Board member of Nantero, Inc.

Pauline F.M. van der Meer Mohr

Ms. Van der Meer Mohr was appointed to our Supervisory Board in March 2009. Since January 1, 2010, Ms. Van der Meer Mohr serves as President of the Executive Board of the Erasmus University Rotterdam, the Netherlands. Prior to 2010 she was managing partner of the Amstelbridge Group, Senior Executive Vice President at ABN AMRO Bank, Head of Group Human Resources at TNT N.V., and held several senior executive roles at the Royal/Dutch Shell Group of Companies in various areas. Currently, Ms. Van der Meer Mohr is a member of the Supervisory Boards of Royal DSM N.V. and Duisenberg School of Finance and chairperson of the Executive Board of the Fulbright Center.

Wolfgang H. Ziebart

Mr. Ziebart was appointed to our Supervisory Board in March 2009. Mr. Ziebart is the Group Engineering Director of Jaguar Land Rover Ltd. Until May 2008, he was President and CEO of Infineon Technologies A.G. Before Infineon, Mr. Ziebart was on the Boards of Management of car components manufacturer Continental A.G. and automobile producer BMW A.G. Mr. Ziebart is the chairman of the Supervisory Board of Nordex S.E.

Carla M.S. Smits-Nusteling

Ms. Smits-Nusteling was appointed to our Supervisory Board in April 2013. Ms. Smits-Nusteling was CFO and member of the Board of Management of Royal KPN N.V. until 2012, and also held several finance and business related positions in Royal KPN N.V. and PostNL. Ms. Smits-Nusteling is a member of the Supervisory Board of Tele2 AB.

Douglas A. Grose

Mr. Grose was appointed to our Supervisory Board in April 2013. Mr. Grose was CEO of GlobalFoundries from its inception in 2009 until 2011 and before that, Mr. Grose served as senior vice president of technology development, manufacturing and supply chain for AMD. Prior to joining AMD in 2007, Mr. Grose spent 25 years at IBM as general manager of technology development and manufacturing for the systems and technology group. Currently, Mr. Grose is a director of SBA Materials.

Peter T.F.M. Wennink

Mr. Wennink joined ASML on January 1, 1999 and was appointed as Executive Vice President, CFO of ASML and member of our Board of Management on July 1, 1999. He was appointed as President and CEO on July 1, 2013. Mr. Wennink has an extensive background in finance and accounting. Prior to his employment with ASML, Mr. Wennink worked as a partner at Deloitte Accountants, specializing in the high technology industry with an emphasis on the semiconductor equipment industry. Mr. Wennink is a member of the Dutch Institute of Registered Accountants. Mr. Wennink is currently a member of the Supervisory Board of Bank Insinger de Beaufort N.V.

Martin A. van den Brink

Mr. Van den Brink joined ASML when the company was founded in 1984. He held several positions in engineering and from 1995 he served as Vice President Technology and member of the Board of Management. Mr. Van den Brink was appointed as Executive Vice President Product & Technology and member of the Board of Management in 1999. On July 1, 2013, Mr. Van den Brink was appointed as President and CTO. Mr. Van den Brink has earned a degree in Electrical Engineering from HTS Arnhem (HAN University), and a degree in Physics (1984) from the University of Twente, the Netherlands. In 2012, he was awarded an honorary doctorate in physics by the University of Amsterdam, the Netherlands.

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Frits J. van Hout

Mr. Van Hout was appointed as Executive Vice President and Chief Program Officer on July 1, 2013. Prior thereto he served as Executive Vice President, CMO and Member of our Board of Management since 2009. Mr. Van Hout was previously an ASML employee from its founding in 1984 to 1992, in various roles in engineering and sales. From 1998 to 2001, Mr. Van Hout served as CEO of the Beyeler Group, based in the Netherlands and Germany. After rejoining ASML in 2001, he served as Senior Vice President Customer Support and two Business Units. In 2008, Mr. Van Hout was appointed Executive Vice President Integral Efficiency.

Frédéric J.M. Schneider-Maunoury

Mr. Schneider-Maunoury joined ASML on December 1, 2009, as Executive Vice President and Chief Operations Officer and was appointed to ASML s Board of Management on March 24, 2010. Before joining ASML, Mr. Schneider-Maunoury served as Vice President Thermal Products Manufacturing of the power generation and rail transport equipment group ALSTOM. Previously, he ran the worldwide Hydro Business of ALSTOM as general manager. Before joining ALSTOM in 1996, Mr. Schneider-Maunoury held various positions at the French Ministry of Trade and Industry.

Wolfgang U. Nickl

Mr. Nickl joined ASML on December 1, 2013, as Executive Vice President and CFO. He will be appointed as member of ASML s Board of Management upon the notification to the AGM, scheduled on April 23, 2014. Prior to joining ASML, Mr. Nickl served as Executive Vice President and CFO at Western Digital Corporation, a U.S.-headquartered, NASDAQ-listed developer and manufacturer of storage devices, where he held several financial and operational leadership roles since joining Western Digital in 1995. Before Western Digital, Mr. Nickl gained experience in finance and IT consulting. He earned a BA in Business from the University of Cooperative Education in Stuttgart, Germany, and an MBA from the University of Southern California s Marshall School of Business in Los Angeles, United States.

B. Compensation

The information required by Item 6.B. is incorporated by reference from pages 16, 17, 18, 19, 21 and 22 of ASML s 2013 Remuneration Report which is included as exhibit 99.2 on Form 6-K furnished with the Commission on February 12, 2014.

C. Board Practices

General

We endorse the importance of good corporate governance, in which independent supervision, accountability and transparency are the most significant elements. Within the framework of corporate governance, it is important that a relationship of trust exists between the Board of Management, the Supervisory Board, our employees and our shareholders.

We pursue a policy of active communication with our shareholders. In addition to the exchange of ideas at the General Meeting of Shareholders, other important forms of communication include the publication of our annual and quarterly financial results as well as press releases and publications posted on our website.

Our corporate governance structure is intended to:

- Provide shareholders with regular, reliable, relevant and transparent information regarding our activities, structure, financial condition, performance and other information, including information on our social, ethical and environmental records and policies;
- Apply high-quality standards for disclosure, accounting and auditing; and
- Apply stringent rules with regard to insider securities trading.

Two-Tier Board Structure

ASML is incorporated under Dutch law and has a two-tier board structure. Responsibility for the management of ASML lies with the Board of Management. Independent, non-executive members serve on the Supervisory Board, which supervises and advises the members of the Board of Management in performing their management tasks. The Board of Management has the duty to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval. The Supervisory Board is responsible for supervising, monitoring and advising the Board of Management on: (i) the achievement of ASML s objectives, (ii) the corporate strategy and management of risks inherent to ASML s business activities, (iii) the structure and operation of internal risk management and control systems, (iv) the financial reporting process and (v) compliance with applicable legislation and regulations.

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Supervisory Board members are prohibited from serving as officers or employees of ASML, and members of the Board of Management cannot serve on the Supervisory Board.

Board of Management

The Board of Management consists of at least two members or such larger number of members as determined by the Supervisory Board. Members of the Board of Management are appointed by the Supervisory Board. The Supervisory Board must notify the General Meeting of Shareholders of the intended appointment of a member of the Board of Management. As a result of our compliance with the Dutch Corporate Governance Code, members of the Board of Management that are initially appointed in 2004 or later shall be appointed for a maximum period of four years, but may be re-appointed. Members of the Board of Management serve until the end of the term of their appointment, voluntary retirement, or suspension or dismissal by the Supervisory Board. In the case of dismissal, the Supervisory Board must first inform the General Meeting of Shareholders of the intended removal.

The Supervisory Board determines the remuneration of the individual members of the Board of Management, in line with the remuneration policy adopted by the General Meeting of Shareholders, upon a proposal of the Supervisory Board. ASML s remuneration policy is included in the Remuneration Report.

For details of the terms of office of the current members of the Board of Management, see Item 6.A Directors and Senior Management . Further information relating to the Board of Management required by Item 6.C. is incorporated by reference from pages 16, 17, 18 and 19 of ASML s 2013 Remuneration Report which is included as exhibit 99.2 on Form 6-K, furnished with the Commission on February 12, 2014.

Supervisory Board

The Supervisory Board consists of at least three members or such larger number as determined by the Supervisory Board. The Supervisory Board prepares a profile in relation to its size and composition; ASML s Supervisory Board profile is posted on ASML s website.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders from nominations of the Supervisory Board. Nominations must be reasoned and must be made available to the General Meeting of Shareholders and the Works Council simultaneously. Before the Supervisory Board presents its nominations, both the General Meeting of Shareholders and the Works Council may make recommendations (which the Supervisory Board may reject). In addition, the Works Council has an enhanced right to make recommendations for nomination of at least one-third of the members of the Supervisory Board, which recommendation may only be rejected by the Supervisory Board: (i) if the relevant person is unsuitable or (ii) if the Supervisory Board would not be duly composed if the recommended person were appointed as a Supervisory Board member. If no agreement can be reached between the Supervisory Board and the Works Council on these recommendations, the Supervisory Board may request the Enterprise Chamber of the Amsterdam Court to declare its objection legitimate. Any decision of the Enterprise Chamber on this matter is non-appealable.

Nominations of the Supervisory Board may be rejected by the General Meeting of Shareholders by an absolute majority of the votes representing at least one-third of the total outstanding capital. If the votes cast in favor of such resolution do not represent at least one-third of the total outstanding capital, a new meeting can be convened at which the nomination can be rejected by an absolute majority. If a nomination is rejected, the Supervisory Board must make a new nomination. If a nomination is not rejected and the General Meeting of Shareholders does not appoint the nominated person, the Supervisory Board will appoint the nominated person.

Members of the Supervisory Board serve for a maximum term of four years from the date of their appointment, or a shorter period as set out in the rotation schedule as adopted by the Supervisory Board. They may be re-appointed, provided that their entire term of office does not exceed twelve years. The General Meeting of Shareholders may, with an absolute majority of the votes representing at least one-third of the total outstanding capital, dismiss the Supervisory Board in its entirety for lack of confidence. In such event, the Enterprise Chamber of the Amsterdam Court shall appoint one or more members of the Supervisory Board at the request of the Board of Management.

Upon the proposal of the Supervisory Board, the General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. A member of the Supervisory Board may not be granted any shares or option rights by way of remuneration.

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For details of the terms of office of the current members of the Supervisory Board, see Item 6.A Directors and Senior Management . Further information relating to the Supervisory Board required by Item 6.C. is incorporated by reference from pages 21 and 22 of ASML s 2013 Remuneration Report which is included as exhibit 99.2 on Form 6-K, furnished with the Commission on February 12, 2014.

Approval of Board of Management Decisions

The Board of Management requires prior approval of the General Meeting of Shareholders for resolutions concerning an important change in the identity or character of ASML or its business, including:

- A transfer of all or substantially all of the business of ASML to a third party;
- Entering into or the termination of a long-term material joint venture between ASML and a third party; and
- An acquisition or divestment by ASML of an interest in the capital of a company with a value of at least one-third of ASML s assets (determined by reference to ASML s most recently adopted Statutory Annual Report).

Rules of Procedure

The Board of Management and the Supervisory Board have adopted Rules of Procedure for each of the Board of Management, Supervisory Board and the four Committees of the Supervisory Board. These Rules of Procedure are posted on our website.

Directors and Officers Insurance and Indemnification

Members of the Board of Management and Supervisory Board, as well as certain senior management members, are insured under ASML s Directors and Officers Insurance Policy. Although the insurance policy provides for a wide coverage, our directors and officers may incur uninsured liabilities. ASML has agreed to indemnify its Board of Management and Supervisory Board against any claims arising in connection with their position as director and officer of ASML, provided that such claim is not attributable to willful misconduct or intentional recklessness of such officer or director.

Corporate Governance Developments

ASML continuously monitors and assesses applicable corporate governance rules, including recommendations and initiatives regarding principles of corporate governance. These include rules that have been promulgated in the United States both by NASDAQ and by the SEC. See also Item 16.G. Corporate Governance .

The Dutch Corporate Governance Code came into effect on January 1, 2004 and was amended as of January 1, 2009. Dutch listed companies are required to either comply with the principles and the best practice provisions of the Code, or to explain on which points they deviate from these best practice provisions and why.

ASML reports on its compliance with the Dutch Corporate Governance Code in its Statutory Annual Report for the year ended December 31, 2013.

Committees of ASML s Supervisory Board

While retaining overall responsibility, the Supervisory Board assigns certain of its tasks to its four committees: the Audit Committee, the Remuneration Committee, the Selection and Nomination Committee and the Technology and Strategy Committee. Members of these committees are appointed from among the Supervisory Board members.

The chairman of each committee reports to the Supervisory Board verbally and when deemed necessary in writing, the issues and items discussed in each meeting. In addition, the minutes of each committee are available to all members of the Supervisory Board, enabling the Supervisory Board to make the appropriate decisions.

Audit Committee

ASML s Audit Committee is composed of three members of the Supervisory Board. The current members of our Audit Committee are Fritz Fröhlich (chairman), Arthur van der Poel and Carla Smits-Nusteling, each of whom is an independent, non-executive member of our Supervisory Board. The Supervisory Board has determined that Fritz Fröhlich qualifies as the Audit Committee financial expert pursuant to Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. Our external auditor, our CEO, our CFO, our Corporate Controller, our Corporate Chief Accountant, our Senior Director Corporate Risk and Assurance (Internal Audit), as well as other ASML employees invited by the chairman of the Audit Committee may also attend the meetings of the Audit Committee.

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The Audit Committee assists the Supervisory Board in:

- Overseeing the integrity of our Financial Statements and related financial and non-financial disclosures;
- Overseeing the qualifications, independence and performance of the external auditor; and
- Overseeing our disclosure controls and procedures (as defined in the Exhange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting.

In 2013, the Audit Committee held eight scheduled meetings, either in person or via conference call.

Remuneration Committee

ASML s Remuneration Committee is composed of three members of the Supervisory Board. The current members of our Remuneration Committee are Wolfgang Ziebart (chairman), leke van den Burg and Pauline van der Meer Mohr. The Remuneration Committee advices the Supervisory Board and preparers resolutions with respect to the review and execution of the Remuneration Policy as adopted by General Meeting of Shareholders.

The Remuneration Committee prepares and the Supervisory Board establishes ASML s general compensation philosophy for members of the Board of Management, and oversees the development and implementation of compensation programs for members of the Board of Management. The Remuneration Committee reviews and proposes to the Supervisory Board corporate goals and objectives relevant to the compensation of members of the Board of Management. The committee further evaluates the performance of members of the Board of Management in view of those goals and objectives, and makes recommendations to the Supervisory Board on the compensation levels of the members of the Board of Management based on this evaluation.

In proposing to the Supervisory Board the actual remuneration elements and levels applicable to the members of the Board of Management, the Remuneration Committee considers, among other factors, the remuneration policy, the desired levels of and emphasis on particular aspects of ASML s short and long-term performance, as well as current compensation and benefits structures and levels benchmarked against relevant peers. External compensation survey data and, where necessary, external consultants are used to benchmark ASML s remuneration levels and structures.

In 2013, the Remuneration Committee held five scheduled meetings and several ad hoc meetings, either in person or via conference call.

Selection and Nomination Committee

ASML s Selection and Nomination Committee is composed of four members of the Supervisory Board. The current members of our Selection and Nomination Committee are OB Bilous (chairman), Arthur van der Poel, Fritz Fröhlich and Douglas Grose.

The Selection and Nomination Committee assists the Supervisory Board in:

- Preparing the selection criteria and appointment procedures for members of ASML s Supervisory Board and Board of Management;
- Periodically evaluating the scope and composition of the Board of Management and the Supervisory Board, and proposing the profile of the Supervisory Board in relation thereto;
- Periodically evaluating the functioning of the Board of Management and the Supervisory Board and the individual members of those boards and reporting the results thereof to the Supervisory Board; and
- Proposing (re-)appointments of members of the Board of Management and the Supervisory Board, and supervising the policy of the Board of Management in relation to the selection and appointment criteria for senior management.

In 2013, the Selection and Nomination Committee held three scheduled meetings and several ad hoc meetings, either in person or by conference call.

Technology and Strategy Committee

ASML s Technology and Strategy Committee is composed of four members of the Supervisory Board. The current members of our Technology and Strategy Committee are OB Bilous (chairman), Arthur van der Poel, Douglas Grose and Wolfgang Ziebart. In addition, the Technology and Strategy Committee may appoint one or more advisors from within and/or from outside ASML. The advisors to the Technology and Strategy Committee may be invited as guests to the meetings, or parts thereof, of the committee but are not entitled to vote in the meetings.

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The Technology and Strategy Committee assists the Supervisory Board in relation to the following responsibilities and may prepare resolutions for the Supervisory Board related thereto:

- Familiarization with and risk assessment and study of potential strategies, required technical resources, technology roadmaps and product roadmaps; and
- Providing advice to the Supervisory Board with respect to matters related thereto.

In 2013, the Technology and Strategy Committee held five scheduled meetings, either in person or via conference call.

Disclosure Committee

ASML has a Disclosure Committee to ensure compliance with applicable disclosure requirements arising under US and Dutch law and applicable stock exchange rules. The Disclosure Committee is composed of various members of senior management, and reports to the CEO and CFO. The Disclosure Committee informs the Audit Committee about the outcome of the Disclosure Committee meetings. Furthermore, members of the Disclosure Committee are in close contact with our external legal counsel and our external auditor.

The Disclosure Committee gathers all relevant financial and non-financial information and assesses materiality, timeliness and necessity for disclosure of such information. In addition the Disclosure Committee assists the CEO and CFO in the maintenance and evaluation of disclosure controls and procedures.

During 2013, the Disclosure Committee reviewed the quarterly financial result announcements, the Statutory Interim Report, the Annual Report on Form 20-F, the Statutory Annual Report, and the prospectus in connection with the offering for the EUR 750 million 3.375 percent senior notes due 2023 issued on September 12, 2013. The Committee also advises the CEO and CFO on the assessment of ASML s disclosure controls and procedures and on the assessment of ASML s internal control over financial reporting.

D. Employees

The following table presents our total numbers of payroll employees and temporary employees as of December 31, 2013, 2012 and 2011 (in FTEs), primarily in manufacturing, product development and customer support activities:

As of December 31	2013	2012	2011
Payroll Employees	**10,360**	8,497	7,955
Temporary Employees	**2,865**	2,139	1,935
Employees (in FTEs)	**13,225**	10,636	9,890

During 2013, the average number of payroll employees in FTEs employed was 9,540, and the average number of temporary employees in FTEs employed was 2,546. The increase in employees expressed in FTEs is mainly explained by the acquisition of Cymer as per May 30, 2013.

For a more detailed description of payroll employee information, including a breakdown of our employees in FTEs by sector, see Notes 18 and 22 to our Financial Statements. We rely on our ability to vary the number of temporary employees to respond to fluctuating market demand for our products.

Our future success will depend on our ability to attract, train, retain and motivate highly qualified, skilled and educated employees, who are in great demand. We are particularly reliant for our continued success on the services of several key employees, including a number of systems development specialists with advanced university qualifications in engineering, optics and computing. See Item 3.D. Risk Factors Our Business and Future Success Depend on Our Ability to Attract and

Retain a Sufficient Number of Adequately Educated and Skilled Employees.

ASML Netherlands B.V., our operating subsidiary in the Netherlands, has a Works Council, as required by Dutch law. A Works Council is a representative body of the employees of a Dutch company elected by the employees. The Board of Management of any Dutch company that runs an enterprise with a Works Council must seek the non-binding advice of the Works Council before taking certain decisions with respect to ASML, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the Board of Management. In case the Works Council renders a contrary advice on a particular decision and the Board of Management nonetheless wishes to proceed, the Board of Management must temporarily suspend any further action while the Works Council determines whether to appeal to the Enterprise Chamber of the Amsterdam Court of Appeal. Other decisions directly involving employment matters that apply either to all employees, or certain groups of employees, may only be taken with the Works Council s approval. Failing approval of the Works Council, the decision first has to be submitted to the Enterprise

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Chamber for mediation. If no resolution has been reached, the decision can only be taken by with the approval of the Dutch District Court.

E. Share Ownership

Information with respect to share ownership of members of our Supervisory Board and Board of Management is included in Item 7A Major Shareholders . Further information required by Item 6.E. is incorporated by reference from page 20 of ASML s 2013 Remuneration Report which is included as exhibit 99.2 on Form 6-K, furnished with the Commission on February 12, 2014. Information with respect to the grant of shares and stock options to employees is included in Note 18 to our Financial Statements.

Item 7 Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth the total number of ordinary shares owned by each shareholder whose beneficial ownership of ordinary shares is at least 3.0 percent of our ordinary shares issued and outstanding, as well as the ordinary shares (including options) owned by members of the Board of Management (which includes those persons specified in Item 6 Directors, Senior Management and Employees), as a group, as of December 31, 2013. The information set out below is solely based on public filings with the SEC and AFM on February 5, 2014.

Identity of Person or Group	Shares Owned	Percent of Class[9]
Stichting Administratiekantoor MAKTSJAB/Intel [1]	62,977,877	14.29%
Capital Group International, Inc [2]	51,453,097	11.67%
BlackRock Inc. [3]	22,982,001	5.21%
Stichting Administratiekantoor TSMC/TSMC [4]	20,992,625	4.76%
FMR LLC [5]	19,537,364	4.43%
Members of ASML s Board of Management and its Chief Financial Officer, as a group (5 persons) [6,7,8]	99,678	0.02%

1 Stichting Adminstratiekantoor MAKTSJAB owns the stated percentage of our ordinary shares and has issued corresponding depository receipts to Intel.
2 As reported to the Dutch Authority for the Financial Markets on September 3, 2012, Capital Group International, Inc. indirectly has voting rights related to 51,453,097 shares of our ordinary shares but does not have ownership rights related to those shares. In addition, CRMC, which we believe to be an affiliate of Capital Group International, Inc., reported to the Dutch Authority for the Financial Markets on August 2, 2011, that it holds voting rights related to 44,579,832 shares of our ordinary shares but does not have ownership rights related to those shares. Capital World Investors reported on a Schedule 13-G/A filed with the Commission on June 10, 2013, that it is the beneficial owner of 45,026,116 shares of our ordinary shares as a result of its affiliation with CRMC.
3 Based solely on the Schedule 13-G/A filed by BlackRock Inc. with the Commission on February 3, 2014. The July 2, 2013 public filing with the AFM shows aggregate holdings of various BlackRock funds of (based on total number of issued shares as per 2 July 2013) 3.68% in shares and 4.42% in voting rights.
4 Stichting Administratiekantoor TSMC owns the stated percentage of ordinary shares and has simultaneously issued corresponding depository receipts to TSMC.
5 Based solely on the Schedule 13-G/A filed by FMR LLC with the Commission on February 14, 2013. FMR LLC previously reported on the Schedule 13-G/A filed with the Commission on February 12, 2012 that it owned 36,311,008 of our ordinary shares.
6 Mr. Nickl s appointment to ASML s Board of Management is subject to the notification of the AGM, scheduled to be held on April 23, 2014.
7 Does not include unvested shares and shares underlying options granted to members of ASML s Board of Management. Further information required by Item 7.A. is incorporated by reference from page 20 of ASML s 2013 Remuneration Report which is included as exhibit 99.2 on Form 6-K, furnished with the Commission on February 12, 2014.
8 No shares are owned by members of the Supervisory Board.
9 As a percentage of the total number of ordinary shares outstanding (440,852,334) as of December 31, 2013.

The Intel Stichting and the TSMC Stichting acquired the shares indicated above as part of our CCIP in the second half of 2012. The Customer Stichtingen do not vote on the ordinary shares held by them, unless instructed to do so by Intel and TSMC in accordance with their respective shareholder agreements. Intel and TSMC, are not entitled to vote on the ASML shares held by the Customer Stichtingen, except in certain exceptional circumstances, including the authorization of

certain significant share issuances and share repurchases, any amendment to the Articles of Association that would materially affect the specific voting rights of Intel or TSMC or any significant change in the identity or nature of ASML or its business, the dissolution of ASML, and any merger or demerger which would result in a material change in the identity or nature of ASML or its business (see Item 10.C. Material Contracts Customer Co-Investment Program).

We do not issue share certificates. For more information see Item 10.B. Memorandum and Articles of Association .

As of December 31, 2013, 91,263,480 NASDAQ shares were held by 379 registered holders with a registered address in the United States. Since certain of our ordinary shares were held by brokers and nominees, the number of record holders in the United States may not be representative of the number of beneficial holders or of where the beneficial holders are resident.

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Obligations of Shareholders to Disclose Holdings under Dutch Law

Holders of our shares may be subject to reporting obligations under the FMSA.

The disclosure obligations under the FMSA apply to any person or entity that acquires, holds or disposes of an interest in the voting rights and/or the capital of a public limited company incorporated under the laws of the Netherlands whose shares are admitted to trading on a regulated market within the European Union, such as ASML. Disclosure is required when the percentage of voting rights or capital interest of a person or an entity reaches, exceeds or falls below 3.0, 5.0, 10.0, 15.0, 20.0, 25.0, 30.0, 40.0, 50.0, 60.0, 75.0 or 95.0 percent (as a result of an acquisition or disposal by such person, or as a result of a change in our total number of voting rights or capital issued). With respect to ASML, the FMSA requires any person or entity whose interest in the voting rights and/or capital of ASML reached, exceeded or fell below those percentage interests to notify the AFM immediately.

ASML is required to notify the AFM immediately if our voting rights and/or capital have changed by 1.0 percent or more since its previous notification on outstanding voting rights and capital. In addition, ASML must notify the AFM of changes of less than 1.0 percent in ASML s outstanding voting rights and capital at least once per calendar quarter, within eight days after the end of the quarter. Any person whose direct or indirect voting rights and/or capital interest meets or passes the thresholds referred to in the previous paragraph as a result of a change in the outstanding voting rights or capital must notify the AFM no later than the fourth trading day after the AFM has published such a change.

Once every calendar year, within four weeks after the end of the calendar year, holders of an interest of 3.0 percent or more in ASML s voting rights or capital must notify the AFM of any changes in the composition of their interest resulting from certain acts (including, but not limited to, the exchange of shares for depositary receipts and vice versa, and the exercise of rights to acquire shares).

Subsidiaries, as defined in the FMSA, do not have independent reporting obligations under the FMSA, as interests held by them are attributed to their (ultimate) parents. Any person may qualify as a parent for purposes of the FMSA, including an individual. A person who ceases to be a subsidiary and who disposes of an interest of 3.0 percent or more in ASML s voting rights or capital must immediately notify the AFM. As of that moment, all notification obligations under the FMSA become applicable to the former subsidiary.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, among other arrangements, be taken into account: shares and votes (i) directly held by any person, (ii) held by such person s subsidiaries, (iii) held by a third party for such person s account, (iv) held by a third party with whom such person has concluded an oral or written voting agreement (including on the basis of an unrestricted power of attorney), (v) held by a third party with whom such person has agreed to temporarily transfer voting rights against payment, (vi) financial instruments of which the increase in value is wholly or partially dependent on an increase in value of our shares or distributions in respect thereof (including certain cash settled financial instruments such as contracts for difference and total return swaps), (vii) put options pursuant to which a person can be required to purchase our shares, and (vii) other contracts under which a person has a position economically comparable to having our shares. Interests held jointly by multiple persons are attributed to those persons in accordance with their entitlement. A holder of a pledge or right of usufruct in respect of shares can also be subject to these reporting obligations if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. The managers of certain investment funds are deemed to hold the capital interests and voting rights in the funds managed by them.

For the same purpose, the following instruments qualify as shares : (i) shares, (ii) depositary receipts for shares (or negotiable instruments similar to such receipts), (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds), and (iv) options for acquiring the instruments under (i) or (ii).

Since July 1, 2013, a requirement to notify the AFM of any gross short position in our shares applies. For the notification of gross short positions the same thresholds apply as for notifying an actual or potential interest in the capital and/or or voting rights of a Dutch listed company, as referred to above. In addition, pursuant to Regulation (EU) No 236/2012, each person holding a net short position amounting to 0.2 percent of the issued share capital of a Dutch listed company is required to report it to the AFM. Each subsequent increase of this position by 0.1 percent above 0.2 percent will also need to be reported. Each net short position equal to 0.5 percent of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1 percent will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set-off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

The AFM keeps a public registry of and publishes all notifications made pursuant to the FMSA.

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Non-compliance with the reporting obligations under the FMSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the FMSA may lead to civil sanctions, including (i) suspension of the voting rights relating to the shares held by the offender, for a period of not more than three years, (ii) nullification of any resolution of our general meeting of shareholders to the extent that such resolution would not have been approved if the votes at the disposal of the person or entity in violation of a duty under the FMSA had not been exercised and (iii) a prohibition on the acquisition by the offender of our shares or the voting on our ordinary shares for a period of not more than five years.

Since July 1, 2013, we may request Euroclear Nederland and its admitted institutions as well as intermediaries, institutions and custodians of investment funds (in the Netherlands and abroad) of which we reasonably expect that they hold our shares other than as beneficial owner, to provide certain details on the identity and number of shares held, of their clients for whom they hold our shares. We must keep the information received confidential. We may only make such requests during a period of 60 days prior to the day on which our general meeting of shareholders will be held. No details are required to be given in respect of shareholders with an interest of less than 0.5 percent of our issued share capital. A shareholder who, individually or together with other shareholders, holds an interest of at least 10 percent of the issued share capital may request us to establish the identity of our shareholders in this manner so that we can forward to them information provided by such shareholder in respect of an item on the agenda for the general meeting. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the general meeting of shareholders will be held.

B. Related Party Transactions

Intel Agreements under Customer Co-Investment Program

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. The Participating Customers collectively agreed to fund EUR 1.38 billion of our research and development projects from 2013 through 2017. This program creates risk sharing with some of our largest customers while the results of ASML s development programs will be available to every semiconductor manufacturer with no restrictions. The R&D funding program in the CCIP consists of two funding projects: a 450mm technology development project and a next-generation EUV development project. ASML has entered into NRE Funding Agreements with the Participating Customers.

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.

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 (after giving effect to the Synthetic Share Buyback in November 2012).

Please see Item 10.C Material Contracts Customer Co-Investment Program and Note 28 to our Financial Statements for more information about the CCIP. See Note 29 to our Financial Statements for details on sales to Intel in 2013 and outstanding balances as of December 31, 2013.

There have been no other transactions during our most recent fiscal year, and there are currently no transactions, between ASML or any of its subsidiaries, and any 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, other than the virtual financing arrangement with respect to shares and stock options described under Note 18 to our Financial Statements. Furthermore, ASML has not granted any personal loans, guarantees, or the like to members of the Board of Management or Supervisory Board.

C. Interests of Experts & Counsel

Not applicable.

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Item 8 Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

See Item 18 Financial Statements .

Export Sales

See Note 21 to our Financial Statements.

Legal Proceedings

See Item 4.B. Business Overview Intellectual Property and Note 19 to our Financial Statements.

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 Board of Management 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 Board of Management 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 2013, a proposal to declare a dividend of EUR 0.61 per ordinary share of EUR 0.09 nominal value will be submitted to the AGM to be held on April 23, 2014.

B. Significant Changes

No significant changes have occurred since the date of our Financial Statements. See Item 5.D. Trend Information and Note 30 to the Financial Statements.

Item 9 The Offer and Listing

A. Offer and Listing Details

Our ordinary shares are listed for trading in the form of registered ASML NASDAQ shares and in the form of registered ASML shares NYSE Euronext Amsterdam. The principal trading market of our ordinary shares is NYSE Euronext Amsterdam. Our ordinary shares also trade on NASDAQ. For more information see Item 10.B. Memorandum and Articles of Association .

Our shares listed at NASDAQ are registered with J.P. Morgan, the New York Transfer Agent, pursuant to the terms of the Transfer Agent Agreement between ASML and the New York Transfer Agent. Our shares listed at NYSE Euronext Amsterdam are held in dematerialized form through the facilities of Euroclear Nederland, the Dutch centralized securities custody and administration system. The New York Transfer Agent charges shareholders a fee of USD 5.00 per 100 shares for the exchange of our shares listed at NASDAQ for our shares listed at NYSE Euronext Amsterdam and vice versa.

Dividends payable on our shares listed at NASDAQ are declared in euro and converted to U.S. dollars at the rate of exchange at the close of business on the date determined by the Board of Management. The resulting amounts are distributed through the New York Transfer Agent and no charge is payable by holders of our shares listed at NASDAQ in connection with this conversion or distribution.

Pursuant to the terms of the Transfer Agent Agreement, we have agreed to reimburse the New York Transfer Agent for certain out of pocket expenses, including in connection with any mailing of notices, reports or other communications made generally available by ASML to holders of ordinary shares and the New York Transfer Agent has waived its fees associated with routine services to ASML associated with our shares listed at NASDAQ. In addition, the New York Transfer Agent has agreed to reimburse certain reasonable expenses incurred by ASML in connection with the issuance and transfer of our shares listed at NASDAQ. In the year ended December 31, 2013, the Transfer Agent reimbursed USD 2,495,352 of expenses incurred by ASML, which mainly comprised of legal and listing fees incurred due to the existence of our shares listed at NASDAQ.

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The following table sets forth, for the periods indicated, the high and low closing prices of our shares listed at NASDAQ and our shares listed at NYSE Euronext Amsterdam.

	ASML shares NASDAQ		ASML shares NYSE Euronext Amsterdam	
	USD		EUR	
	High	Low	High	Low
Annual Information				
2013	100.96	63.08	74.30	47.20
2012	64.68	40.91	49.36	31.81
2011	45.82	31.08	32.81	22.28
2010	38.45	24.73	29.26	19.68
2009	34.67	14.28	24.24	11.35
Quarterly Information				
4th quarter 2013	100.96	86.94	74.30	63.87
3rd quarter 2013	98.76	78.40	73.00	60.66
2nd quarter 2013	84.08	66.08	65.55	50.62
1st quarter 2013	78.21	63.08	56.80	47.20
4th quarter 2012	64.68	50.08	49.36	39.15
3rd quarter 2012	58.86	48.46	48.14	39.75
2nd quarter 2012	51.54	43.80	40.88	35.17
1st quarter 2012	50.14	40.91	37.48	31.81
Monthly Information				
February (through February 4) 2014	84.56	84.09	62.86	62.53
January 2014	92.36	84.40	67.76	62.05
December 2013	94.07	87.91	69.25	63.87
November 2013	93.59	86.94	69.11	64.54
October 2013	100.96	92.84	74.30	67.40
September 2013	98.76	88.39	73.00	66.79
August 2013	92.99	87.06	70.33	65.94

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A. Offer and Listing Details .

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10 Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our Articles of Association included as Exhibit 99.1 to our form 6-K filed furnished with the SEC on February 8, 2013 (the Articles of Association).

Current Authorizations to Issue and Repurchase Ordinary Shares

Our Board of Management has the power to issue ordinary shares and preference shares if and insofar as the Board of Management has been authorized to do so by the General Meeting of Shareholders (whether by means of an authorizing resolution or by an amendment to our Articles of Association). The Board of Management requires the approval of the Supervisory Board for such an issue. An authorization of the Board of Management to issue ordinary shares or preference shares may be effective for a specified period of up to five years and may be renewed. In the absence of

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such authorization, the General Meeting of Shareholders has the power to authorize the issuance of ordinary shares or preference shares, upon the proposal of the Board of Management, which proposal must be authorized by the Supervisory Board.

At our AGM on April 24, 2013, our shareholders authorized the Board of Management to issue shares and/or rights thereto through October 24, 2014, up to an aggregate maximum of 10.0 percent of ASML s issued share capital. At our AGM to be held on April 23, 2014, our shareholders will be asked to extend this authority through October 23, 2015.

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. Ordinary shareholders 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 Board of Management has the power subject to approval of the Supervisory Board, to restrict or exclude the preemptive rights of holders of ordinary shares. At our AGM on April 24, 2013, our shareholders authorized the Board of Management through October 24, 2014, 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 AGM to be held on April 23, 2014, our shareholders will be asked to extend this authority through October 23, 2015.

In addition, the articles of association provide for 9,000 ordinary shares B with a nominal value of EUR 0.01 to allow holders of fractional shares, created as a result of the Synthetic Share Buyback, to obtain voting rights with respect to those fractional shares.

We may repurchase our issued ordinary shares at any time, subject to compliance with the requirements of Dutch law and our Articles of Association. Any such repurchases are subject to the approval of the Supervisory Board and the authorization of shareholders at our General Meeting of Shareholders, which authorization may not be for more than 18 months. The Board of Management is currently authorized, subject to Supervisory Board approval, to repurchase as of April 24, 2013 through October 24, 2014, up to a maximum of two times 10.0 percent of ASML s issued share capital as of April 24, 2013, at a price between the nominal value of the ordinary shares purchased and 110.0 percent of the market price of these securities on NYSE Euronext Amsterdam or NASDAQ. At our AGM to be held on April 23, 2014, our shareholders will be asked to extend this through October 23, 2015.

C. Material Contracts

Overview

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. The Participating Customers collectively agreed to fund EUR 1.38 billion of our research and development projects from 2013 through 2017. This program created risk sharing with some of our largest customers while the results of ASML s development programs will be available to every semiconductor manufacturer with no restrictions. The R&D funding program in the CCIP consists of two funding projects: a 450mm technology development project and a next-generation EUV development project. ASML entered into NRE Funding Agreements with the Participating Customers.

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 to our Financial Statements.

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 program 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.

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Investment Agreement

Pursuant to the Intel Investment Agreement between ASML and Intel, dated July 9, 2012, ASML agreed to issue to a foundation established for the Intel Stichting ordinary shares equal to 15 percent of ASML s issued ordinary shares; the Intel Stichting issued to Intel depositary receipts representing the ordinary shares. The subscription price for the ordinary shares issued to Intel was EUR 39.91 per ordinary share, which is the average of the volume weighted average price of our shares listed at NYSE Euronext Amsterdam for the twenty trading days up to and including July 6, 2012.

Under the Intel Investment Agreement, ASML has agreed to indemnify Intel, and its 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 Agreement

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.

Voting Restrictions

Pursuant to the Intel 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 Board of Management 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 its business, including a transfer of all or substantially all business or assets of ASML and its 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 its 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

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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 Management Board, except in limited circumstances.

In addition, Intel may not (even after the Lock-Up Restriction has ended), without written consent of ASML, transfer on NYSE Euronext Amsterdam, NASDAQ or another securities exchange more than (i) in respect of Intel, 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). 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 were 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 NYSE 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 (vi) 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

Intel NRE Funding Agreements

On July 9, 2012, ASML and Intel entered into two NRE Funding Agreements pursuant to which Intel has agreed to fund certain of 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 funding in an aggregate amount of EUR 553 million under the Intel 450mm NRE Funding Agreement and funding in an aggregate amount of EUR 276 million under the Intel EUV NRE Funding Agreement, payable over the term of the relevant agreements (2013-2017). Under the agreements, ASML retains 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. If no alternative is agreed, ASML may invoice Intel 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 relevant Intel NRE Funding Agreement.

The NRE Funding Agreements will terminate on December 31, 2017 or upon pre-payment by Intel of the aggregate amount of funding owed under the Intel NRE Funding Agreements.

Development 450mm silicon wafer technology

In November 2013, following our customers decision, ASML decided to pause the development of 450mm lithography systems until customer demand and the timing related to such demand is clear. We believe that our 450mm development activities can be restarted if and when the industry demands the introduction of 450mm. Since 450mm requires both generic developments and wafer size-specific developments, many of our employees involved in the

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450mm project are doing work that is just as relevant for future DUV and EUV platforms. The teams and people have therefore been reassigned to different projects.

Under our CCIP, we are party to a 450mm NRE Funding Agreement with Intel for a total NRE funding commitment of EUR 553 million. We are currently in discussions with Intel to determine appropriate projects to which to apply the 450mm NRE funding.

Under the CCIP, we are also party to EUV NRE agreements with Intel (total funding of EUR 276 million), TSMC (total funding of EUR 276 million) and Samsung (total funding of EUR 276 million), all of which funding is being used for EUV projects.

Cymer Merger Agreement

On October 16, 2012, ASML entered into a merger agreement with Cymer, a company engaged in the development, manufacturing and marketing of light sources for sale to customers who manufacture photolithography tools in the semiconductor equipment industry (the Merger Agreement). The Merger Agreement provided for the acquisition of all outstanding shares of Cymer by a wholly-owned subsidiary, ASML US inc., an indirect wholly-owned subsidiary of ASML. The Merger Agreement also contained certain customary representations and warranties, covenants and indemnities. The transaction was completed on May 30, 2013, in accordance with the terms of the Merger Agreement, for a total consideration of EUR 3.1 billion (USD 4.0 billion). See Note 2 to the Financial Statements.

D. Exchange Controls

There are currently no limitations, either under the laws of the Netherlands or in the Articles of Association of ASML, to the rights of non-residents to hold or vote ordinary shares. Cash distributions, if any, payable in euros on our shares listed at NYSE Euronext Amsterdam may be officially transferred by a bank from the Netherlands and converted into any other currency without being subject to any Dutch legal restrictions. However, for statistical purposes, such payments and transactions must be reported by ASML to the Dutch Central Bank. Furthermore, no payments, including dividend payments, may be made to jurisdictions subject to certain sanctions, adopted by the government of the Netherlands, implementing resolutions of the Security Council of the United Nations. Cash distributions, if any, on our shares listed at NASDAQ shall be declared in euros but paid in U.S. dollars, converted at the rate of exchange at the close of business on the date fixed for that purpose by the Board of Management in accordance with the Articles of Association.

E. Taxation

Dutch Taxation

The statements below represent a summary of current Dutch tax laws, regulations and judicial interpretations thereof. The description is limited to the material tax implications for a Non-Resident Holder. This summary does not address special rules that may apply to special classes of holders of ordinary shares and should not be read as extending by implication to matters not specifically referred to herein. As to individual tax consequences, each investor in ordinary shares should consult his or her tax counsel.

General

The acquisition of ordinary shares by a non-resident of the Netherlands should not be treated as a taxable event for Dutch tax purposes. The income consequences in connection with owning and disposing of our ordinary shares are discussed below.

Substantial Interest

A person that, (inter alia) directly or indirectly, and either independently or jointly with his partner (as defined in the Dutch Personal Income Tax Act 2001), owns 5.0 percent or more of our share capital, owns profit participating rights that correspond to at least 5.0 percent of the annual profits of a Dutch company or to at least 5.0 percent of the liquidation proceeds of such company or holds options to purchase 5.0 percent or more of our share capital, is deemed to have a substantial interest in our shares, or our options, as applicable. Specific rules apply in case certain family members of the Non-Resident Holder hold a substantial interest. A deemed substantial interest also exists if (part of) a substantial interest has been disposed of, or is deemed to be disposed of, in a transaction where no taxable gain has been recognized. Special attribution rules exist in determining the presence of a substantial interest.

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Income Tax Consequences for Individual Non-Resident Holders on Owning and Disposing of the Ordinary Shares

An individual who is a Non-Resident Holder will not be subject to Dutch income tax on received income in respect of our ordinary shares or capital gains derived from the sale, exchange or other disposition of our ordinary shares, provided that such holder:

- Does not carry on and has not carried on a business in the Netherlands through a permanent establishment or a permanent representative to which the ordinary shares are attributable;
- Does not hold and has not held a (deemed) substantial interest in our share capital or, in the event the Non-Resident Holder holds or has held a (deemed) substantial interest in our share capital, such interest is, or was, a business asset in the hands of the holder;
- Does not share and has not shared directly (through the beneficial ownership of ordinary shares or similar securities) in the profits of an enterprise managed and controlled in the Netherlands which (is deemed to) own(s), or (is deemed to have) has owned, our ordinary shares;
- Does not carry out and has not carried out any activities which generate taxable profit or taxable income to which the holding of our ordinary shares was connected; and
- Is not an individual that has elected to be taxed as a resident of the Netherlands.

Corporate Income Tax Consequences for Corporate Non-Resident Holders

Income derived from ordinary shares or capital gains derived from the sale, exchange or disposition of ordinary shares by a corporate Non-Resident Holder is taxable if:

- The holder carries on a business in the Netherlands through a permanent establishment or a permanent agent in the Netherlands (Dutch enterprise) and the ordinary shares are attributable to this permanent establishment or permanent agent, unless the participation exemption (discussed below) applies; or
- The holder is a resident of Aruba, Curacao or Saint Martin with a permanent establishment or permanent representative in Bonaire, Eustatius or Saba to which out ordinary shares are attributable, while the profits of such holder are taxable in the Netherlands pursuant to article 17(3)(c) of the Dutch Corporate Income Tax Act 1969; or
- The holder has a substantial interest in our share capital, which is held with the primary aim or one of the primary aims to evade the levy of income tax or dividend withholding tax at the level of another person and which is not attributable to his enterprise; or
- Certain assets of the holder are deemed to be treated as a Dutch enterprise under Dutch tax law and the ordinary shares are attributable to this Dutch enterprise.

To qualify for the Dutch participation exemption, the holder must generally hold at least 5.0 percent of our nominal paid- in capital and meet certain other requirements.

Dividend Withholding Tax

In general, a dividend distributed by us in respect of our ordinary shares will be subject to a withholding tax imposed by the Netherlands at the statutory rate of 15.0 percent.

Dividends include:

- Dividends in cash and in kind;
- Deemed and constructive dividends;
- Consideration for the repurchase or redemption of ordinary shares (including a purchase by a direct or indirect ASML subsidiary) in excess of qualifying average paid-in capital unless such repurchase is made for temporary investment purposes or is exempt by law;
- Stock dividends up to their nominal value (unless distributed out of qualifying paid-in capital);
- Any (partial) repayment of paid-in capital not qualifying as capital for Dutch dividend withholding tax purposes; and
- Liquidation proceeds in excess of qualifying average paid-in capital for Dutch dividend withholding tax purposes.

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A reduction of Dutch dividend withholding tax can be obtained if:

- The participation exemption applies and the ordinary shares are attributable to a business carried out in the Netherlands;
- The dividends are distributed to a qualifying EU corporate holder satisfying the conditions of article 4(2) and 4(3) of the Dutch Dividend Withholding Tax Act 1965; or
- The rate is reduced by a Tax Treaty.

A Non-Resident Holder of ordinary shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax under a Tax Treaty that is in effect between the Netherlands and the Non-Resident Holder s country of residence. The Netherlands has concluded such treaties with the United States, Canada, Switzerland, Japan, most European Union member states, as well as many other countries. Under the Treaty , dividends paid by us to a Non- Resident Holder that is a resident of the United States as defined in the Tax Treaty (other than an exempt organization or exempt pension trust, as discussed below) are generally liable to 15.0 percent Dutch withholding tax or, in the case of certain United States corporate shareholders owning at least 10.0 percent of our voting power, a reduction to 5.0 percent, provided that the Holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands to which the dividends are attributable. The Tax Treaty also provides for a dividend withholding tax exemption on dividends, but only for a shareholders owning at least 80.0 percent of our voting power and meeting all other requirements. The Tax Treaty provides for a complete exemption from tax on dividends received by exempt pension trusts and exempt organizations, as defined therein. Except in the case of exempt organizations, the reduced dividend withholding tax rate (or exemption from withholding) can be applied at the source upon payment of the dividends, provided that the proper forms have been filed in advance of the payment. Exempt organizations remain subject to the statutory withholding rate of 15.0 percent and are required to file for a refund of such withholding.

A Non-Resident Holder may not claim the benefits of the Tax Treaty unless (i) he/she is a resident of the United States of America as defined therein, or (ii) he/she is deemed to be a resident on the basis of the provisions of article 24(4) of the Tax Treaty, and (iii) his or her entitlement to those benefits is not limited by the provisions of article 26 (limitation on benefits) of the Tax Treaty.

Dividend Stripping Rules

Under Dutch tax legislation regarding anti-dividend stripping, no exemption from, or refund of, Dutch dividend withholding tax is granted if the recipient of dividends paid by us is not considered the beneficial owner of such dividends.

Gift or Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the transfer of ordinary shares by way of gift, or upon the death of a Non-Resident Holder, unless:

(1) The transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death, is deemed to be, resident of the Netherlands; or

(2) The ordinary shares are attributable to an enterprise or part thereof that is carried on through a permanent establishment or a permanent representative in the Netherlands.

Gift tax and inheritance tax are levied on the beneficiary. For purposes of Dutch gift and inheritance tax, an individual of Dutch nationality is deemed to be a resident of the Netherlands if he has been a resident thereof at any time during the ten years preceding the time of the gift or death. For purposes of Dutch gift tax, a person not possessing Dutch nationality is deemed to be a resident of the Netherlands if he/she has resided therein at any time in the twelve months preceding the gift.

Value Added Tax

No Dutch value added tax is imposed on dividends in respect of our ordinary shares or on the transfer of our shares.

Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding our ordinary shares or of the execution, performance, delivery and/or enforcement of rights in respect of our ordinary shares.

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United States Taxation

The following is a discussion of the material United States federal income tax consequences relating to the acquisition, ownership and disposition of Ordinary Shares by a United States Holder (as defined below) acting in the capacity of a beneficial owner who is not a tax resident of the Netherlands. This discussion deals only with Ordinary Shares held as capital assets and does not deal with the tax consequences applicable to all categories of investors, some of which (such as tax-exempt entities, financial institutions, regulated investment companies, dealers in securities/traders in securities that elect a mark-to-market method of accounting for securities holdings, insurance companies, investors owning directly, indirectly or constructively 10.0 percent or more of our outstanding voting shares, investors who hold Ordinary Shares as part of hedging or conversion transactions and investors whose functional currency is not the U.S. dollar) may be subject to special rules. In addition, the discussion does not address any alternative minimum tax or any state, local, FIRPTA related United States federal income tax consequences, or non-United States tax consequences.

This discussion is based on the Tax Treaty and the Internal Revenue Code of 1986, as amended to the date hereof, final, temporary and proposed Treasury Department regulations promulgated, and administrative and judicial interpretations thereof, changes to any of which subsequent to the date hereof, possibly with retroactive effect, may affect the tax consequences described herein. In addition, there can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the United States federal income tax consequences of acquiring or holding shares. Prospective purchasers of Ordinary Shares are advised to consult their tax advisers with respect to their particular circumstances and with respect to the effects of United States federal, state, local or non-United States tax laws to which they may be subject.

As used herein, the term United States Holder means a beneficial owner of Ordinary Shares for United States federal income tax purposes whose holding of such Ordinary Shares does not form part of the business property or assets of a permanent establishment or fixed base in the Netherlands; who is fully entitled to the benefits of the Treaty in respect of such Ordinary Shares; and is:

- An individual citizen or tax resident of the United States;
- A corporation or other entity treated as a corporation for United States federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof;
- An estate of which the income is subject to United States federal income taxation regardless of its source; or
- A trust whose administration is subject to the primary supervision of a court within the United States and which has one or more United States persons who have the authority to control all of its substantial decisions.

If an entity treated as a partnership for United States federal income tax purposes owns ordinary shares, the United States federal income tax treatment of a partner in such partnership will generally depend upon the status and tax residency of the partner and the activities of the partnership. A partnership that owns Ordinary Shares and the partners in such partnership should consult their tax advisors about the United States federal income tax consequences of holding and disposing of the ordinary Shares.

Passive Foreign Investment Company Considerations

We believe we were not a PFIC for US federal income tax purposes in 2012 and that it will not be a PFIC in 2013. However, as PFIC status is a factual matter that must be determined annually at the close of each taxable year, there can be no certainty as to our actual PFIC status in any particular year until the close of the taxable year in question. We have not conducted a detailed study at this time to confirm its non-PFIC status. If we were treated as a PFIC in any year during which a United States Holder owned common shares, certain adverse tax consequences could apply. Investors should consult their tax advisors with respect to any PFIC considerations.

Taxation of Dividends

United States Holders should generally include in gross income, as foreign-source dividend income the gross amount of any non-liquidating distribution (before reduction for Dutch withholding taxes) we makes out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) when the distribution is actually or constructively received by the United States Holder. Distributions will not be eligible for the dividends- received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution includible in income of a United States Holder should be the U.S. dollar value of the foreign currency (e.g. euros) paid, determined by the spot rate of exchange on the date of the distribution, regardless of whether the payment is in fact converted into U.S. dollars. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the United States Holder s US tax basis in the Ordinary Shares and thereafter as taxable capital gain. We presently do not maintain calculations of our earnings and profits under United States federal income tax principles. If we do not report to a United States Holder the portion of a distribution that

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exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Subject to limitations provided in the United States Internal Revenue Code, a United States Holder may generally deduct from its United States federal taxable income, or credit against its United States federal income tax liability, the amount of qualified Dutch withholding taxes. However, Dutch withholding tax may be credited only if the United States Holder does not claim a deduction for any Dutch or other non-United States taxes paid or accrued in that year. In addition, Dutch dividend withholding taxes will likely not be creditable against the United States Holder s United States tax liability to the extent we are not required to pay over the amount withheld to the Dutch Tax Administration. Currently, a Dutch corporation that receives dividends from qualifying non-Dutch subsidiaries may credit source country tax withheld from those dividends against Dutch withholding tax imposed on a dividend paid by a Dutch corporation, up to a maximum of 3.0 percent of the dividend paid by the Dutch corporation. The credit reduces the amount of dividend withholding that we are required to pay to the Dutch Tax Administration but does not reduce the amount of tax we are required to withhold from dividends.

For US foreign tax credit purposes, dividends paid by us generally will be treated as foreign-source income and as passive category income (or in the case of certain holders, as general category income). Gains or losses realized by a United States Holder on the sale or exchange of Ordinary Shares generally will be treated as US-source gain or loss. The rules governing the foreign tax credit are complex and we suggest that each United States Holder consult his or her own tax advisor to determine whether, and to what extent, a foreign tax credit will be available.

Dividends received by a United States Holder will generally be taxed at ordinary income tax rates. However, the Jobs and Growth Tax Reconciliation Act of 2003, as amended by the Tax Increase and Prevention Act of 2005 and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reduce to 15.0 percent the maximum tax rate for certain dividends received by individuals through taxable years beginning on or before December 31, 2012, so long as certain exclusions do not apply and the stock has been held for at least 60 days during the 121- day period beginning 60 days before the ex-dividend date. Dividends received from qualified foreign corporations generally qualify for the reduced rate. A non-United States corporation (other than a PFIC) generally will be considered to be a qualified foreign corporation if: (i) the shares of the non-United States corporation are readily tradable on an established securities market in the United States or (ii) the non-United States corporation is eligible for the benefits of a comprehensive income tax treaty with the United States that has been identified as a qualifying treaty and contains an exchange of information program. Individual United States Holders should consult their tax advisors regarding the impact of this provision on their particular situations.

Dividends paid by us generally will constitute portfolio income for purposes of the limitations on the use of passive activity losses (and, therefore, generally may not be offset by passive activity losses) and as investment income for purposes of the limitation on the deduction of investment interest expense.

Taxation on Sale or Other Disposition of Ordinary Shares

Upon a sale or other disposition of Ordinary Shares, a United States Holder will generally recognize capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the amount realized, if paid in US dollars, or the U.S. dollar value of the amount realized (determined at the spot rate on the settlement date of the sale) if proceeds are paid in currency other than the U.S. dollar, as the case may be, and the United States Holder s US tax basis (determined in U.S. dollars) in such Ordinary Shares. Generally, the capital gain or loss will be long-term capital gain or loss if the holding period of the United States Holder in the Ordinary Shares exceeds one year at the time of the sale or other disposition. The deductibility of capital losses is subject to limitations for United States federal income tax purposes. Gain or loss from the sale or other disposition of Ordinary Shares generally will be treated as United States source income or loss for United States foreign tax credit purposes. Generally, any gain or loss resulting from currency fluctuations during the period between the date of the sale of the Ordinary Shares and the date the sale proceeds are converted into U.S. dollars will be treated as ordinary income or loss from sources within the United States. Each United States Holder should consult his or her tax advisor with regard to the translation rules applicable when computing its adjusted US tax basis and the amount realized upon a sale or other disposition of its Ordinary Shares if purchased in, or sold or disposed of for, a currency other than U.S. dollar.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Ordinary Shares or proceeds from a sale, redemption or other disposition of the Ordinary Shares. A backup withholding tax may be applied to, and withheld from, these payments if the beneficial owner fails to provide a correct taxpayer identification number to the paying agent and to comply with certain certification procedures or otherwise establish an exemption from backup withholding. Any amounts withheld under the backup withholding rules might be refunded (or credited against the beneficial owner s

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United States federal income tax liability, if any) depending on the facts and provided that the required information is furnished to the IRS.

The discussion set out above is included for general information only and may not be applicable depending upon a holder s particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of shares including the tax consequences under state, local and other tax laws and the possible effects of changes in United States federal and other tax laws.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain reporting requirements of the Exchange Act. As a foreign private issuer , we are exempt from the rules under the Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and Financial Statements with the Commission as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. However, we are required to file with the Commission, within four months after the end of each fiscal year, an Annual Report on Form 20- F containing Financial Statements audited by an independent accounting firm and interactive data comprising Financial Statements in extensible business reporting language. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the Commission under cover of a Form 6-K.

Documents we file with the Commission are publicly available at its public reference room at 100 F Street, N.E., Washington, DC 20549. The Commission also maintains a website that contains reports and other information regarding registrants that are required to file electronically with the Commission. The address of this website is http:// www.sec.gov. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

I. Subsidiary Information

See Item 4.C. Organizational Structure .

Item 11 Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain financial risks such as market risk (including foreign currency exchange risk and interest rate risk), credit risk, liquidity risk and capital risk. Our 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. To mitigate the risk that any of our counterparties in hedging transactions is unable to meets 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 risk management program focuses appropriately on the current environment of uncertainty in the financial markets, especially in the euro-zone.

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 expenses are mainly denominated in euros, to a certain extent in U.S. dollars and Japanese Yen and to a limited extent in other currencies. Therefore, we are exposed to foreign currency exchange risks.

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. It is our policy not to hedge currency translation exposures resulting from net equity investments in foreign subsidiaries.

Details of the forward foreign exchange contracts and hedging activities are included in Note 4 to the Financial Statements.

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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.

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.

Details of the interest rate swaps and hedging activities are included in Note 4 to the Financial Statements.

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:

	2013		2012	
As of December 31	**Notional amount**	**Fair Value**	**Notional amount**	**Fair Value**
(in thousands)	**EUR**	**EUR**	EUR	EUR
Forward foreign exchange contracts[1]	**986,986**	**8,583**	262,146	16,805
Interest rate swaps[2]	**1,013,053**	**51,385**	624,900	124,050

1 Relates to forward contracts assigned as a hedge to forecasted sales and purchase transactions and to monetary assets and liabilities, mainly in U.S. dollar and Japanese Yen.

2 Relates to interest rate swaps assigned as a hedge to interest bearing assets and liabilities, mainly related to our Eurobonds. The fair value of the interest rate swaps includes accrued interest. The increase in notional amount is mainly explained by the net increase in our Eurobonds which serve as hedged items. The net decrease in fair value is mainly explained by the unwinding of part of the Interest rate swaps relating to our EUR 600 million 5.75 percent senior notes. See note 15 to the Financial Statements.

The valuation technique used to determine the fair value of forward foreign exchange contracts (used for hedging purposes) approximates the Net Present Value 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 Net Present Value 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.

Sensitivity Analysis Financial Instruments

Foreign Currency Sensitivity

We are mainly exposed to fluctuations in exchange rates between the euro and the U.S. dollar and the euro and the Japanese Yen. The following table details our sensitivity to a 10.0 percent strengthening of foreign currencies against the euro. The sensitivity analysis includes foreign currency denominated monetary items outstanding and adjusts their translation at the period end for a 10.0 percent strengthening in foreign currency rates. A positive amount indicates an increase in income before income taxes or OCI, as shown.

(in thousands)	2013 Impact on income before income taxes EUR	2013 Impact on OCI EUR	2012 Impact on income before income taxes EUR	2012 Impact on OCI EUR
U.S. dollar	**(15,801)**	**21,059**	(5,646)	13,669
Japanese yen	**183**	**913**	465	(3,218)
Taiwanese dollar	**(7,692)**	**-**	(4,956)	-
Other currencies	**(9,281)**	**-**	(2,718)	-
Total	**(32,591)**	**21,972**	(12,855)	10,451

It is our policy to limit the effects of currency exchange rate fluctuations on our Consolidated Statements of Operations. The increased effect on income before income taxes in 2013 compared with 2012 reflects our higher net exposure at year end. The negative effect on income before income taxes as presented in the table above for 2013 is mainly attributable to timing differences between the arising and hedging of exposures.

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The effects of the fair value movements of cash flow hedges, entered into for U.S. dollar and Japanese yen transactions are recognized in OCI. The increased U.S. dollar and Japanese yen effect on OCI in 2013 compared with 2012 is the result of an increase in outstanding purchase hedges.

For a 10.0 percent weakening of the foreign currencies against the euro, there would be approximately an equal but opposite effect on the income before income taxes and OCI.

Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative financial and non-derivative financial instruments at the balance sheet date with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The table below shows the effect of a 1.0 percentage point increase in interest rates on our income before income taxes and OCI. A positive amount indicates an increase in income before income taxes and OCI.

	2013		**2012**	
	Impact on income before income taxes	**Impact on OCI**	**Impact on income before income taxes**	**Impact on OCI**
(in thousands)	**EUR**	**EUR**	EUR	EUR
Effect of a 1.0 percent point increase in interest rates	**19,969**	**1,183**	20,706	1,488

The positive effect on income before income taxes mainly relates to our cash and cash equivalents and short-term investments. The positive effect on OCI, is mainly attributable to the fair value movements of the interest rate swaps designated as cash flow hedges.

For a 1.0 percentage point decrease in interest rates there would be a lower opposite effect on income before income taxes and OCI due to the current interest rates.

See notes 4 and 5 to our Financial Statements for more information on our Financial Risk Management including Credit Risk Management.

Item 12 Description of Securities Other Than Equity Securities

Not applicable.

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Part II

Item 13 Defaults, Dividend Arrearages and Delinquencies

None.

Item 14 Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15 Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2013, ASML s senior management conducted an evaluation, under the supervision and with the participation of ASML s CEO and CFO, of the effectiveness of the design and operation of ASML s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on such evaluation, ASML s CEO and CFO have concluded that, as of December 31, 2013, ASML s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by ASML in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by ASML is accumulated and communicated to ASML s management, including ASML s CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control over Financial Reporting

ASML s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of ASML s CEO and CFO, ASML s management conducted an evaluation of the effectiveness of ASML s internal control over financial reporting as of December 31, 2013 based upon the framework in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that ASML s internal control over financial reporting was effective as of December 31, 2013 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in conformity with US GAAP.

Deloitte Accountants B.V., an independent registered public accounting firm, has audited the Financial Statements included in Item 18 Financial Statements and, as part of the audit, has issued a report, included herein, on the effectiveness of ASML s internal control over financial reporting.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2013 there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures in Internal Control over Financial Reporting

It should be noted that any system of controls, however well-designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

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Item 16

A. Audit Committee Financial Expert

Our Supervisory Board has determined that effective March 18, 2004, Mr. Fritz Fröhlich, an independent member of the Supervisory Board, qualifies as the Audit Committee Financial Expert. See also Item 6.A. Directors and Senior Management and Item 6.C. Practices .

B. Code of Ethics

Code of Conduct

We strive to do business on the basis of fairness, good faith and integrity. Our Code of Conduct, which amongst others applies to all our employees sets out our ethical position on topics such as:

- Respect for the different cultural identities of our employees, stakeholders and customers;
- Zero tolerance of any form of discrimination or harassment;
- Promoting honest, ethical and transparent conduct, including in the handling of actual or apparent conflicts of interest between personal and professional relationships;
- Conducting our business in good faith and with integrity; and
- Complying with all applicable laws and regulations.

The complete Code of Conduct can be found in the corporate governance section of our corporate website.

Business Principles

The Code of Conduct has been translated into an internal set of practical Business Principles which contain rules for day-to-day operations for employees. These Business Principles focus on five areas:

- Show respect for people and the planet;
- Operate with integrity;
- Preserve intellectual Property and other assets;
- Manage exposures by following processes; and
- Adhere to our Business Principles and applicable laws.

Code of Conduct Complaints

We encourage our employees to discuss or report any behavior that may violate our Code of Conduct. ASML has a procedure for reporting issues breaching the Code of Conduct including complaints of a financial nature (Whistleblower s policy). We encourage our employees to speak up and feel free to raise ethical issues without the fear of retaliation. For those who feel more comfortable speaking up anonymously, there is an external hotline (phone and webmail). The reporting procedures for Code of Conduct violations can be found in the corporate governance section of our corporate website.

C. Principal Accountant Fees and Services

Deloitte Accountants B.V. has served as our independent registered public accounting firm for the years ending December 31, 2013 and 2012. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its member firms and/or affiliates in 2013 and 2012:

Year ended December 31						
(in thousands)	2013	Deloitte Network	Total EUR	2012	Deloitte Network	Total EUR
	Deloitte Accountants B.V.	EUR		Deloitte Accountants B.V.	EUR	

EUR

Audit fees in relation to annual reports	**1,559**	**-**	**1,559**	1,002	-	1,002
Other audit fees	**-**	**364**	**364**	-	352	352
Audit-related fees	**120**	**-**	**120**	149	-	149
Tax fees	**-**	**347**	**347**	-	353	353
Other	**-**	**-**	**-**	-	247	247
Principal accountant fees and services	**1,679**	**711**	**2,390**	1,151	952	2,103

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Audit Fees and Other Audit Fees

Audit fees primarily relate to the audit of our Financial Statements as set out in our Annual Report, our Statutory Annual Report, agreed upon procedures on our quarterly financial results and services related to statutory and regulatory filings of ASML and its subsidiaries.

Audit-related Fees

Audit-related fees mainly related to various audit services not related to our Financial Statements.

Tax Fees

Tax fees can be detailed as follows:

	Year ended December 31	
	2013	**2012**
(in thousands)	**EUR**	EUR
Corporate Income Tax compliance services	**186**	123
Tax assistance for expatriate employees	**2**	79
Other tax advisory and compliance	**159**	151
Tax fees	**347**	353

The Audit Committee has approved the external audit plan and related audit fees for the year 2013.

The Audit Committee will monitor compliance with the Dutch rules on non-audit services provided by our independent registered public accounting firm, which outlines strict separation of audit and advisory services for Dutch public interest entities. Furthermore, we will start our audit proposal process (mandatory firm rotation, not applicable to financial years before January 1, 2016) in 2014.

D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

E. 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 purchase up to an amount of EUR 1.0 billion of our own shares within the 2013-2014 timeframe, starting April 18, 2013. Up to December 31, 2013, we had purchased 4,614,179 of our shares at an average price of EUR 65.02 per share. The shares purchased are intended to be cancelled in 2014.

The following tables provide a summary of shares repurchased by ASML in 2013 and a historic overview of previous share buyback programs, respectively:

Period	**Total number**	**Average price paid per Share**	**Total number of shares**	**Maximum value**

	of shares purchased	(EUR)	purchased as part of publicly announced plans or programs	of shares that may yet be purchased under the program (EUR)
April 18 - 30, 2013	297,500	55.35	297,500	983,534,770
May 2 - 31, 2013	389,974	61.76	687,474	959,449,401
June 1 - 30, 2013	749,434	60.39	1,436,908	914,192,630
July 1 - 31, 2013	321,486	65.20	1,758,394	893,232,250
August 1 - 31, 2013	283,097	67.83	2,041,491	874,028,834
September 1 - 30, 2013	179,146	69.06	2,220,637	861,656,533
October 3 - 31, 2013	556,443	69.34	2,777,080	823,072,791
November 1 - 30, 2013	962,146	66.76	3,739,226	758,841,727
December 1 - 31, 2013	874,953	67.25	4,614,179	700,000,036
Total	**4,614,179**	**65.02**		

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Period	Year	Total amount paid (in EUR millions)	Total Number of Shares Purchased	Average Price Paid per Share (EUR)	Reduction of Shares Outstanding vs Beginning of Year (Percentage)
Share Buybacks	2006	677.2	40,385,139	16.77	8.3
Synthetic Share Buyback	2007	1,011.9	55,093,409	18.37	11.5
Share Buybacks	2007	359.8	17,000,000	21.16	3.6
Share Buybacks	2008	87.6	5,000,000	17.52	1.1
Share Buybacks	2011	700.0	25,674,576	27.26	5.9
Synthetic Share Buyback	2012	3,728.3	93,411,216	39.91	22.6
Share Buybacks	2012	535.2	13,478,058	39.71	3.3
Share Buybacks	2013	300.0	4,614,179	65.02	1.1
Total / Average[1]		**3,671.7**	**161,245,361**	**22.77**	**33.3**

1 Totals, average and percentage are excluding the synthetic share buyback executed in 2012 as part of our CCIP. The percentage represents the reduction of shares outstanding compared to January 1, 2006.

F. Change in Registrant s Certifying Accountant

Not applicable.

G. Corporate Governance

NASDAQ rules provide that foreign private issuers may follow home country practice in lieu of the NASDAQ corporate governance standards subject to certain exceptions and except to the extent that such exemptions would be contrary to US federal securities laws. The practices followed by ASML in lieu of NASDAQ rules are described below:

ASML does not follow NASDAQ s quorum requirements applicable to meetings of ordinary shareholders. In accordance with Dutch law and Dutch generally accepted business practice, ASML s Articles of Association provide that there are no quorum requirements generally applicable to General Meetings of Shareholders.

ASML does not follow NASDAQ s requirements regarding the provision of proxy statements for General Meetings of Shareholders. Dutch law does not have a regulatory regime for the solicitation of proxies: the solicitation of proxies is not a generally accepted business practice in the Netherlands. ASML does provide shareholders with an agenda and other relevant documents for the General Meeting of Shareholders.

Dutch law requires that ASML s external auditors be appointed by the AGM and not by the Audit Committee as contemplated by NASDAQ rules.

ASML does not follow NASDAQ s requirement regarding distribution to shareholders of copies of an Annual Report containing audited Financial Statements prior to our AGM. The distribution of Annual Reports to shareholders is not required under Dutch corporate law or Dutch securities laws, or by NYSE

Euronext Amsterdam. Furthermore, it is generally accepted business practice for Dutch companies not to distribute Annual Reports. In part, this is because the Dutch system of bearer shares has made it impractical to keep a current list of holders of the bearer shares in order to distribute the Annual Reports. Instead, we make our Annual Report available at our corporate head office in the Netherlands (and at the offices of our Dutch listing agent as stated in the convening notice for the meeting) approximately two weeks prior to convocation of the AGM. In addition, we post a copy of our Annual Report on our website prior to the AGM.

ASML does not follow NASDAQ s requirement to obtain shareholder approval of stock option or purchase plans or other equity compensation arrangements available to officers, directors or employees. It is not required under Dutch law or generally accepted practice for Dutch companies to obtain shareholder approval of equity compensation arrangements available to officers, directors or employees. The AGM adopts the remuneration policy for the Board of Management, approves equity compensation arrangements for the Board of Management and approves the remuneration for the Supervisory Board. The actual total remuneration (including equity compensation) for individual members of the Board of Management is determined by the Supervisory Board. Equity compensation arrangements for employees are adopted by the Board of Management within limits approved by the AGM.

H. Mine Safety Disclosure

Not applicable.

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Part III

Item 17 Financial Statements

Not applicable.

Item 18 Financial Statements

In response to this item, we incorporate herein by reference our Financial Statements set out on pages F-2 through F-54 hereto.

Item 19 Exhibits

Exhibit No.	Description
1	Articles of Association of ASML Holding N.V. (English translation) (Incorporated by reference to Amendment No. 13 to the Registrant s, Registration Statement on Form 8-A/A, filed with the SEC on February 8, 2013)
4.1	Agreement between ASM Lithography B.V. and Carl Zeiss, dated March 17, 2000 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the fiscal year ended December 31, 2000)[1]
4.2	Agreement between ASML Holding N.V. and Carl Zeiss, dated October 24, 2003 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2003)[1]
4.3	Form of Indemnity Agreement between ASML Holding N.V. and members of its Board of Management (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2003)
4.4	Form of Indemnity Agreement between ASML Holding N.V. and members of its Supervisory Board (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2003)
4.5	Form of Employment Agreement for members of the Board of Management (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the fiscal year ended December 31, 2003)
4.6	Nikon-ASML Patent Cross-License Agreement, dated December 10, 2004, between ASML Holding N.V. and Nikon Corporation (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the fiscal year ended December 31, 2004)
4.7	ASML/Zeiss Sublicense Agreement, 2004, dated December 10, 2004, between Carl Zeiss SMT AG and ASML Holding N.V. (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the fiscal year ended December 31, 2004)
4.8	ASML New Hires and Incentive Stock Option Plan For Management (Version 2003) (Incorporated by reference to the Registrant s Statement on Form S-8, filed with the SEC on September 2, 2003 (File No. 333-109154))
4.9	ASML Incentive and New Hire Option Plan for Board of Management (Incorporated by reference to the Registrant s Registration Statement on Form S-8, filed with the SEC on June 9, 2004 (File No. 333-116337))
4.10	ASML Option Plan for Management of ASML Holding Group Companies (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on June 30, 2005 (file No. 333-126340))
4.11	ASML Stock Option Plan for New Hire Options granted to Members of the Board of Management (Version April 2006) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on August 7, 2006 (file No. 333-136362))
4.12	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version April 2006) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on August 7, 2006 (file No. 333-136362))
4.13	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version July 2006) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on August 7, 2006 (file No. 333-136362))
4.14	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version October 2006) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on August 7, 2006 (file No. 333-136362))
4.15	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version January 2007) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.16	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version April 2007) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.17	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version July 2007) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.18	

	ASML Stock Option Plan for Incentive or New Hire Options granted to Senior and Executive Management (Version October 2007) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.19	ASML Performance Stock Plan for Members of the Board of Management (Version 1) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.20	ASML Performance Stock Option Plan for Members of the Board of Management (Version 2) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on July 5, 2007 (file No. 333-144356))
4.21	ASML Stock Option Plan from Base Salary for Senior & Executive Management (Version October 2007) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on November 2, 2007 (file No. 333-147128))
4.22	ASML Performance Stock Option Plan for Senior and Executive Management (version 1) (Incorporated by reference to the Registrant s. Registration Statement on Form S-8 filed with the SEC on August 29, 2008 (file No. 333-153277))
4.23	ASML Performance Share Plan for Senior and Executive Management (version 1) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on August 29, 2008 (file No. 333-153277))

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Exhibit No.	Description
4.24	ASML Performance Stock Plan for Members of the Board of Management (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on October 13, 2009 (file No. 333-162439))
4.25	ASML Performance Stock Option Plan for Senior and Executive Management (version 1) (Incorporated by reference to the Registrant s. Registration Statement on Form S-8 filed with the SEC on October 13, 2009 (file No. 333-162439))
4.26	ASML Performance Share Plan for Senior and Executive Management (version 1) (Incorporated by reference to the Registrant s Registration Statement on Form S-8 filed with the SEC on October 13, 2009 (file No. 333-162439))
4.27	Investment Agreement between ASML Holding N.V. and Intel Corporation, dated July 9, 2012 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2012)
4.28	450mm NRE Funding Agreement between ASML Holding N.V., and Intel Corporation, dated July 9, 2012 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2012[1])
4.29	EUV NRE Funding Agreement between ASML Holding N.V., and Intel Corporation, dated July 9, 2012 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2012[1])
4.30	Shareholder Agreement between ASML Holding N.V. and Intel Holdings B.V., Intel Corporation and Stichting Administratiekantoor MAKTSJAB dated September 12, 2012 (Incorporated by reference to the Registrant s Annual Report on Form 20-F for the year ended December 31, 2012)
4.31	Agreement and Plan of Merger by and among ASML Holding N.V., Kona Acquisition Company, Inc. Cymer, Inc. and certain other parties set forth therein, date October 16, 2012 (incorporated by reference to Annex A to the Registrant s Registration Statement on Form F-4 filed with the SEC on November 21, 2012 (file No. 333-185120))
8.1	List of Main Subsidiaries[2]
12.1	Certification of CEO and CFO Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934[2]
13.1	Certification of CEO and CFO Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[2]
15.1	Consent of Deloitte Accountants B.V.[2]
101.INS	XBRL Instance Document[2]
101.SCH	XBRL Taxonomy Extension Schema Document[2]
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document[2]
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document[2]
101.LAB	XBRL Taxonomy Extension Label Linkbase Document[2]
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document[2]

1 Certain information omitted pursuant to a request for confidential treatment filed separately with the SEC.

2 Filed at the SEC herewith.

ASML is party to two debt instruments under which the total amount of securities under each debt instrument does not exceed 10 percent of the total assets of ASML and its subsidiaries on a consolidated basis. Pursuant to paragraph 2(b)(i) of the instructions to the exhibits to Form 20-F, ASML agrees to furnish a copy of such instruments to the Commission upon request.

ASML Holding N.V. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

ASML Holding N.V. (Registrant)

/s/ Peter T.F.M. Wennink
Peter T.F.M. Wennink
President, CEO and member of the Board of Management
Dated: February 11, 2014

/s/ Wolfgang U. Nickl
Wolfgang U. Nickl
Executive Vice President and CFO
Dated: February 11, 2014

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Consolidated Statements of Operations

Notes	Year ended December 31 (in thousands, except per share data)	2013 EUR	2012 EUR	2011 EUR
21	Net system sales	**3,993,129**	3,801,632	4,883,913
	Net service and field option sales	**1,252,197**	929,923	767,122
21	**Total net sales**	**5,245,326**	4,731,555	5,651,035
	Cost of system sales	**(2,233,621)**	(2,198,921)	(2,793,931)
	Cost of service and field option sales	**(834,443)**	(527,377)	(407,714)
22	**Total cost of sales**	**(3,068,064)**	(2,726,298)	(3,201,645)
	Gross profit	**2,177,262**	2,005,257	2,449,390
28	Other income	**64,456**	-	-
22, 23	Research and development costs	**(882,029)**	(589,182)	(590,270)
22	Selling, general and administrative costs	**(311,741)**	(259,301)	(217,904)
	Income from operations	**1,047,948**	1,156,774	1,641,216
24	Interest and other, net	**(24,471)**	(6,196)	7,419
	Income before income taxes	**1,023,477**	1,150,578	1,648,635
20	Provision for income taxes	**(7,987)**	(4,262)	(181,675)
	Net income	**1,015,490**	1,146,316	1,466,960
1	Basic net income per ordinary share	**2.36**	2.70	3.45
1	Diluted net income per ordinary share[1]	**2.34**	2.68	3.42
	Number of ordinary shares used in computing per share amounts (in thousands)			
1	Basic	**429,770**	424,096	425,618
1	Diluted[1]	**433,446**	426,986	429,053

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.

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Consolidated Statements of Comprehensive Income

Notes	Year ended December 31 (in thousands)	2013 EUR	2012 EUR	2011 EUR
	Net income	**1,015,490**	1,146,316	1,466,960
	Other comprehensive income:			
	Foreign currency translation, net of taxes:			
4	Gain (loss) on foreign currency translation	**(113,779)**	8,063	(17,473)
	Financial instruments, net of taxes:			
4	Gain (loss) on derivative financial instruments	**(5,370)**	214	(4,610)
4	Transfers to net income	**(2,276)**	(7,761)	51,963
	Other comprehensive income, net of taxes	**(121,425)**	516	29,880
	Total comprehensive income, net of taxes	**894,065**	1,146,832	1,496,840
	Attributable to equity holders	**894,065**	1,146,832	1,496,840

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Consolidated Balance Sheets

Notes	As of December 31 (in thousands, except share and per share data)	2013 EUR	2012 EUR
	Assets		
5	Cash and cash equivalents	**2,330,694**	1,767,596
5	Short-term investments	**679,884**	930,005
6	Accounts receivable, net	**878,321**	605,288
7	Finance receivables, net	**250,472**	265,167
20	Current tax assets	**32,333**	57,116
8	Inventories, net	**2,393,022**	1,856,970
20	Deferred tax assets	**124,431**	103,695
9	Other assets	**336,421**	246,005
	Total current assets	**7,025,578**	5,831,842
7	Finance receivables, net	**46,017**	38,621
20	Deferred tax assets	**139,513**	39,443
9	Other assets	**298,559**	311,538
10	Goodwill	**2,088,589**	149,168
11	Other intangible assets, net	**697,634**	9,943
12	Property, plant and equipment, net	**1,217,840**	1,029,923
	Total non-current assets	**4,488,152**	1,578,636
	Total assets	**11,513,730**	7,410,478
	Liabilities and shareholders equity		
	Accounts payable	**625,870**	188,961
13	Accrued and other liabilities	**2,216,882**	1,880,370
20	Current tax liabilities	**15,803**	10,791
15	Current portion of long-term debt	**4,385**	3,610
14	Provisions	**2,227**	2,280
20	Deferred and other tax liabilities	**3,494**	271
	Total current liabilities	**2,868,661**	2,086,283
15	Long-term debt	**1,070,185**	755,880
20	Deferred and other tax liabilities	**364,695**	88,307
14	Provisions	**4,620**	7,974
13	Accrued and other liabilities	**283,142**	405,141
	Total non-current liabilities	**1,722,642**	1,257,302
	Total liabilities	**4,591,303**	3,343,585
17, 19	Commitments and contingencies	**-**	-
	Cumulative Preference Shares; EUR 0.09 nominal value; 700,000,000 shares authorized at December 31, 2013 and 2012; none issued and outstanding at December 31, 2013 and 2012;	**-**	-

	Ordinary Shares B; EUR 0.01 nominal value; 9,000 shares authorized at December 31, 2013 and 2012; none issued and outstanding per December 31, 2013 and 2012;	**-**	-
	Ordinary Shares; EUR 0.09 nominal value; 699,999,000 shares authorized at December 31, 2013; 440,852,334 issued and outstanding at December 31, 2013; 699,999,000 shares authorized at December 31, 2012; 407,165,221 issued and outstanding at December 31, 2012;		
	Issued and outstanding shares	**40,092**	37,470
	Share premium	**2,912,862**	483,651
	Treasury shares at cost	**(364,702)**	(464,574)
	Retained earnings	**4,376,613**	3,931,359
	Accumulated other comprehensive income	**(42,438)**	78,987
26	**Total shareholders equity**	**6,922,427**	4,066,893
	Total liabilities and shareholders equity	**11,513,730**	7,410,478

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Consolidated Statements of Shareholders Equity

Notes		Issued and Outstanding Shares Number[1] (in thousands)	Amount EUR	Share Premium EUR	Treasury Shares at cost EUR	Retained Earnings EUR	Accumulated OCI EUR	Total EUR
	Balance at January 1, 2011	**436,593**	**39,293**	**471,253**	**(151,672)**	**2,366,443**	**48,591**	**2,773,908**
	Components of comprehensive income:							
	Net income	-	-	-	-	1,466,960	-	**1,466,960**
4	Foreign Currency Translation, net of taxes	-	-	-	-	-	(17,473)	**(17,473)**
4	Gain on financial instruments, net of taxes	-	-	-	-	-	47,353	**47,353**
	Total comprehensive income	-	-	-	-	1,466,960	29,880	**1,496,840**
26, 27	**Purchase of treasury shares**	(25,675)	-	-	(700,452)	-	-	**(700,452)**
26, 27	**Cancellation of treasury shares**	-	(1,187)	-	373,801	(372,614)	-	**-**
18, 22	**Share-based payments**	-	-	12,430	-	-	-	**12,430**
18	**Issuance of shares**	2,751	248	(10,629)	61,906	(17,441)	-	**34,084**
26	**Dividend paid**	-	-	-	-	(172,645)	-	**(172,645)**
18, 20	**Tax deficit from share-based payments**	-	-	(11)	-	-	-	**(11)**
	Balance at December 31, 2011	**413,669**	**38,354**	**473,043**	**(416,417)**	**3,270,703**	**78,471** [2]	**3,444,154**
	Components of comprehensive income:							