



# ASML

## **ASML 2007 1st Quarter Results Confirming growth for 2007**

April 18, 2007

## Safe Harbor

“Safe Harbor” Statement under the U.S. Private Securities Litigation Reform Act of 1995: the matters discussed in this document may include forward-looking statements that are subject to risks and uncertainties including, but not limited to: economic conditions, product demand and semiconductor equipment industry capacity, worldwide demand and manufacturing capacity utilization for semiconductors (the principal product of our customer base), competitive products and pricing, manufacturing efficiencies, new product development, ability to enforce patents, the outcome of intellectual property litigation, availability of raw materials and critical manufacturing equipment, trade environment, the prevailing market price for ASML shares, and other risks indicated in the risk factors included in ASML’s Annual Report on Form 20-F and other filings with the U.S. Securities and Exchange Commission.

# Agenda

- ASML overview
- Financial summary
- Market
- Accomplishments
- Immersion

# ASML overview

The world's leading supplier of lithography equipment



## Key facts:

Headquarters: Veldhoven,  
the Netherlands

Revenue 2006 ~ €3.6 B

Market cap ~ €9 B

Employees Q1 '07 ~ 6000

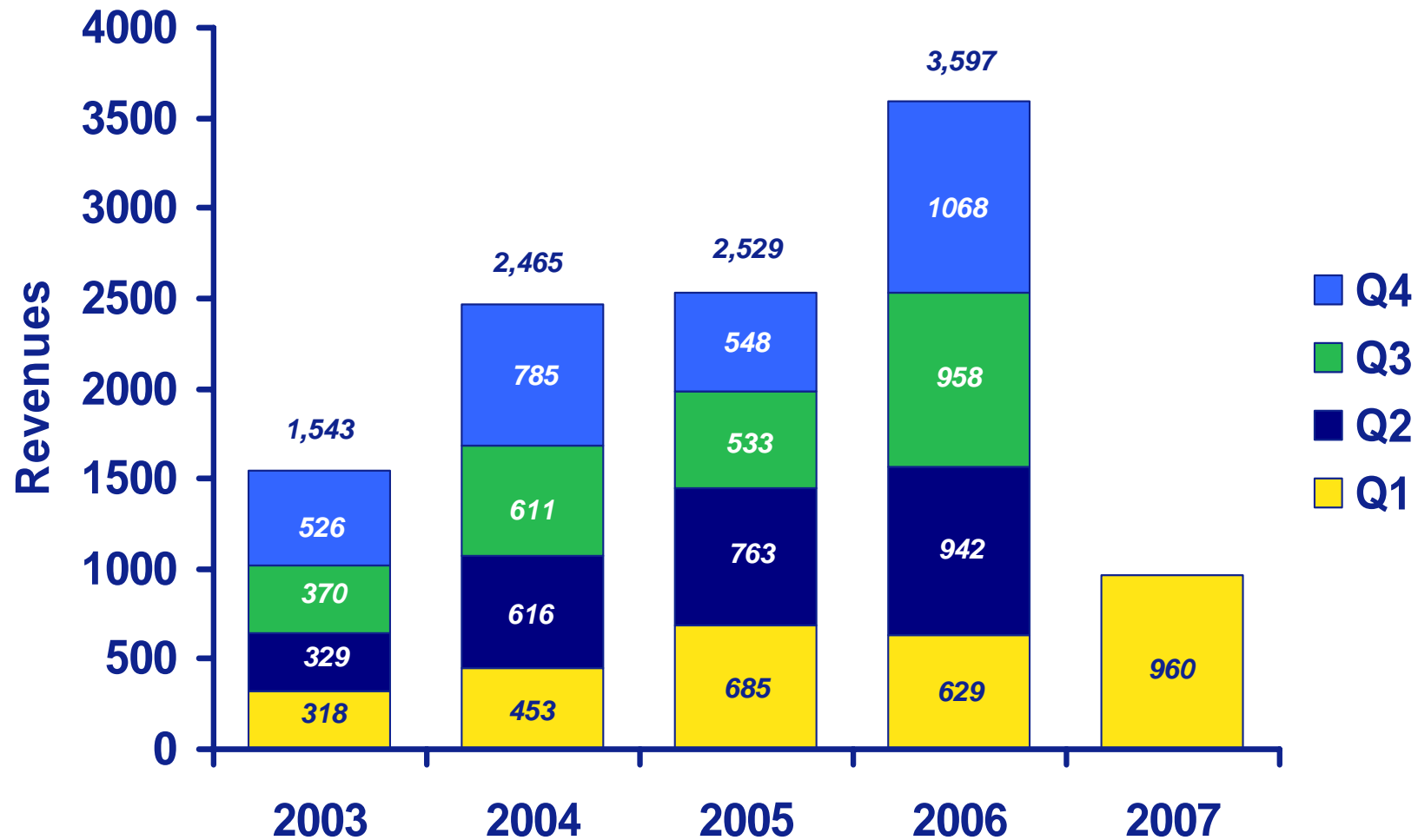
## Customers



Serving 85% of the top 20 IC  
manufacturers in the world

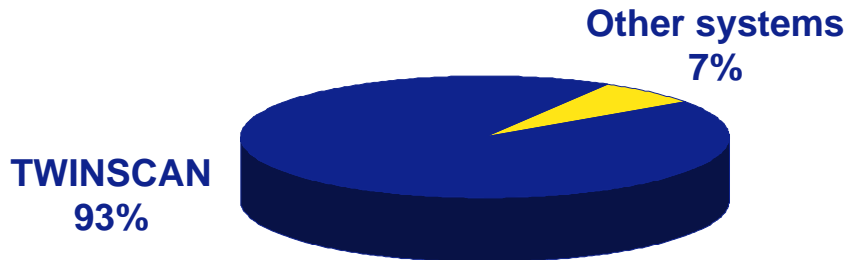
# Financial summary

# Total revenues M€- Record first quarter



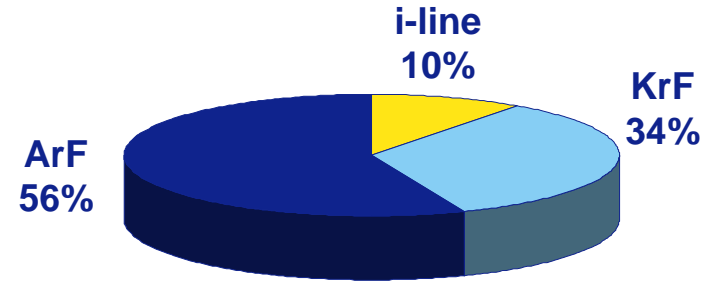
# Revenue breakdown: Q1 2007

## Value per type



TWINSCAN	Others
61	16

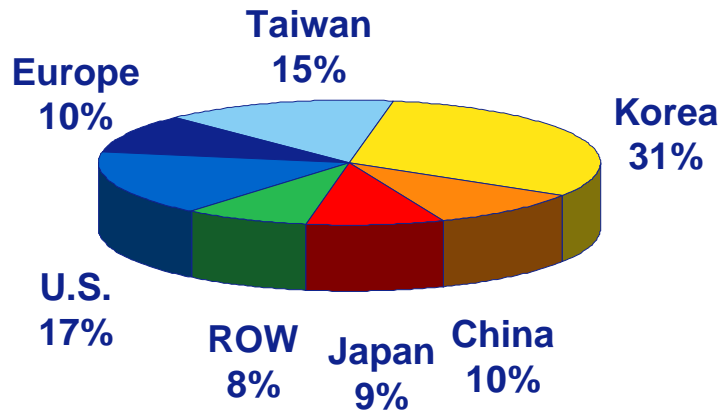
## Value per technology



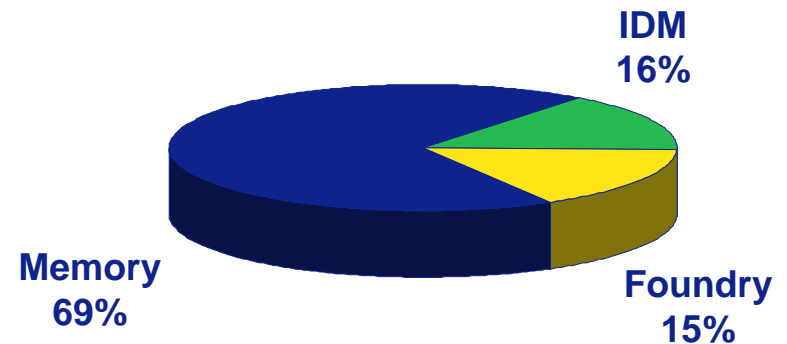
ArF	KrF	i-line
24	30	23

← Units →

## Value per region



## Value per end-use



Numbers have been rounded for readers' convenience

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**ASML**

## Profit & Loss statement M€

	Q4 06	Q1 07
<b>Net sales</b>	1,068	960
<b>Gross profit</b>	439	393
<b>Gross margin %</b>	<b>41.1%</b>	<b>40.9%</b>
<b>R&amp;D costs</b>	107	116
<b>Amortization of in process R&amp;D</b>	0	23
<b>SG&amp;A costs</b>	52	56
<b>Operating income</b>	280	197 *
<b>Operating income %</b>	<b>26.2%</b>	<b>20.5%</b>
<b>Net income</b>	206	153
<b>Net income %</b>	<b>19.3%</b>	<b>16.0%</b>

\* Excluding one-off charge for Brion of € 23 million, operating income is € 220 million or 22.9% of sales

Numbers have been rounded for readers' convenience

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## System average selling price (ASP)

- ASP of all systems decreased to € 11.2 million due to:
  - Mix of shipped tools favoring i-line and KrF due to market share gains in less critical systems
  - High number of used equipment

## Key financial trends 2006 - 2007

Profit & Loss Statement M€					
	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07
Units	51	72	71	72	77
Sales	629	942	958	1068	960
Gross profit	252	381	391	439	393
Gross margin %	<b>40.0%</b>	<b>40.4%</b>	<b>40.8%</b>	<b>41.1%</b>	<b>40.9%</b>
R&D	87	92	100	107	116
Amortization in process R&D					23
SG&A	50	51	51	52	56
Operating income	114	238	239	280	197
Operating income %	<b>18.2%</b>	<b>25.2%</b>	<b>25.0%</b>	<b>26.2%</b>	<b>20.5%</b>
Net income	80	167	172	206	153
Net income %	<b>12.7%</b>	<b>17.7%</b>	<b>17.9%</b>	<b>19.3%</b>	<b>16.0%</b>
ASP New Systems	13.5	13.7	13.8	14.7	12.5
Bookings Units	62	93	95	84	62

Numbers have been rounded for readers' convenience

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## Cash flow M€

	Q4 06	Q1 07
<b>Net income</b>	206	153
<b>Depreciation and amortization</b>	32	50
<b>Changes in tax assets and liabilities</b>	(45)	31
<b>Effects of changes in inventories</b>	51	(109)
<b>Effects of changes in other assets and liabilities</b>	120	48
<b>Cash flow from operations</b>	364	173
<b>Cash flow from investing activities</b>	(21)	(226)
<b>Cash flow from financing activities</b>	(270)	(138)
<b>Effect of changes in exchange rates on cash</b>	2	(2)
<b>Net cash flow</b>	75	(193)

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## Balance sheet as of April 1, 2007 M€

ASSETS	Dec 2006		Apr 2007	
Cash and cash equivalents	1,656	42 %	1,463	36 %
Accounts receivable, net	673	17 %	649	16 %
Inventories, net	809	20 %	907	23 %
Other assets	182	5 %	207	5 %
Tax assets	342	9 %	320	8 %
Fixed assets	289	7 %	483	12 %
<b>TOTAL ASSETS</b>	<b>3,951</b>	<b>100%</b>	<b>4,029</b>	<b>100%</b>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>				
Current liabilities	1,181	30 %	1,221	30 %
Convertible subordinated bonds	380	10 %	380	10 %
Long term debts and deferred liabilities	233	5 %	271	6 %
Shareholders' equity	2,157	55 %	2,157	54 %
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>3,951</b>	<b>100%</b>	<b>4,029</b>	<b>100%</b>

Numbers have been rounded for readers' convenience

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## Backlog as of April 1, 2007

	New Systems Backlog	Used Systems Backlog	Total Backlog
Units	146	2	148
Value	M€ 2,157	M€ 6	M€ 2,163
ASP	M€ 14.8	M€ 3	M€ 14.6

- 78 % of unit backlog carry Q2 + Q3 2007 shipment dates
- Q1 net bookings of 62 systems with a value of €911 million including 59 new tools with an ASP of €15.2 million

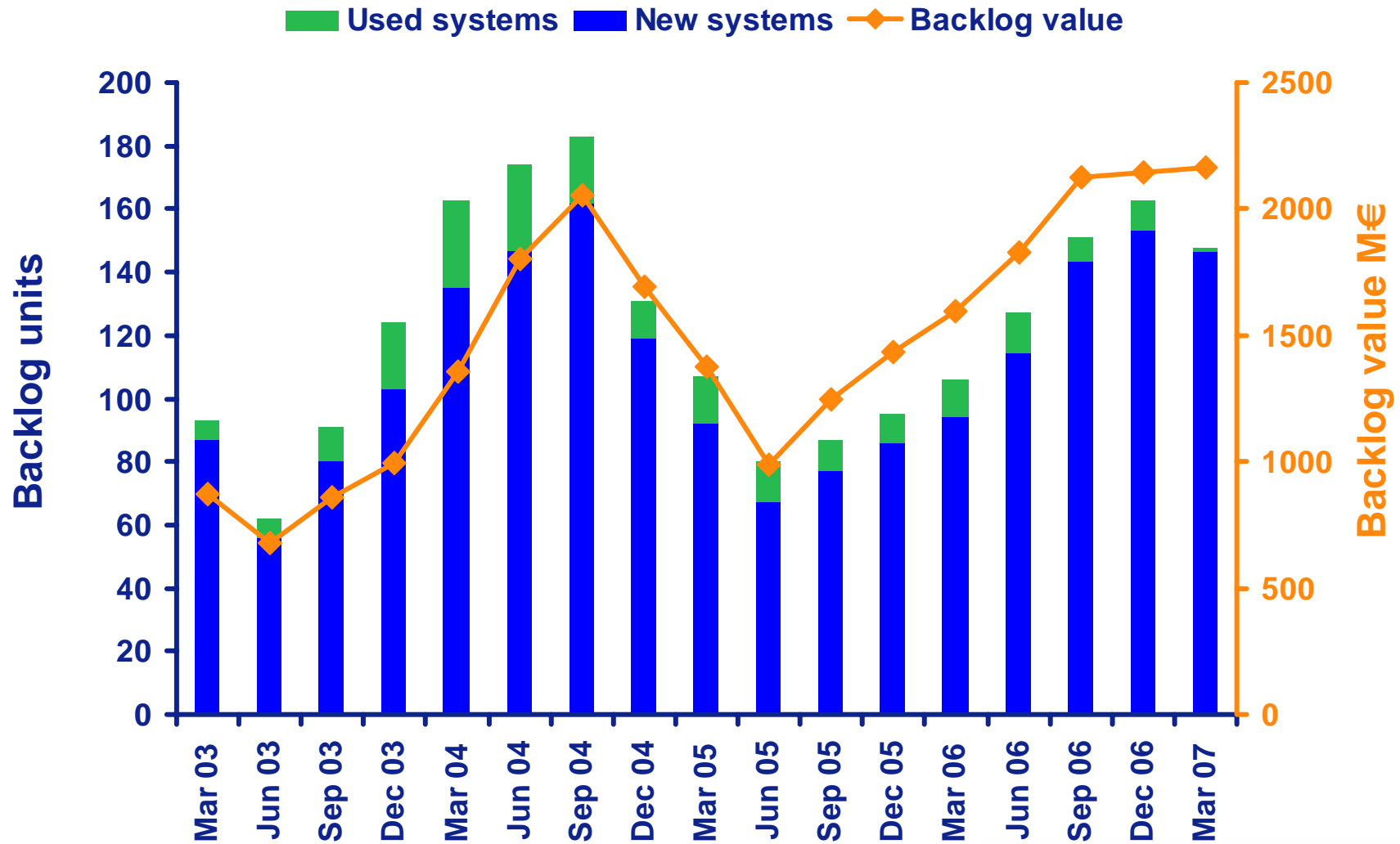
Note: Due to possible customer changes in delivery schedules and to cancellation of orders, our backlog at any particular date is not necessarily indicative of actual sales for any succeeding period

Numbers have been rounded for readers' convenience

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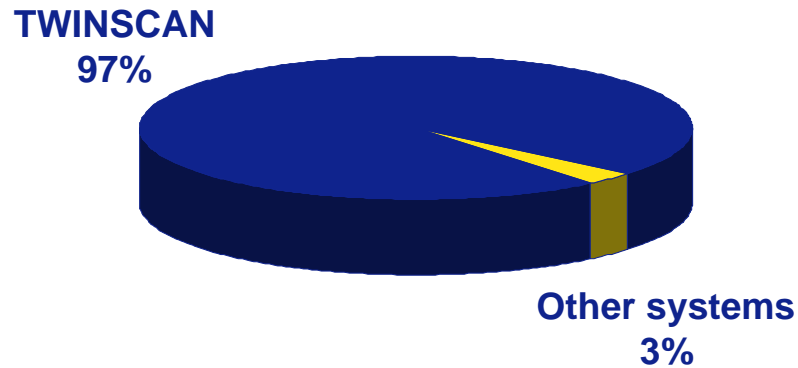
# Backlog: litho units and value



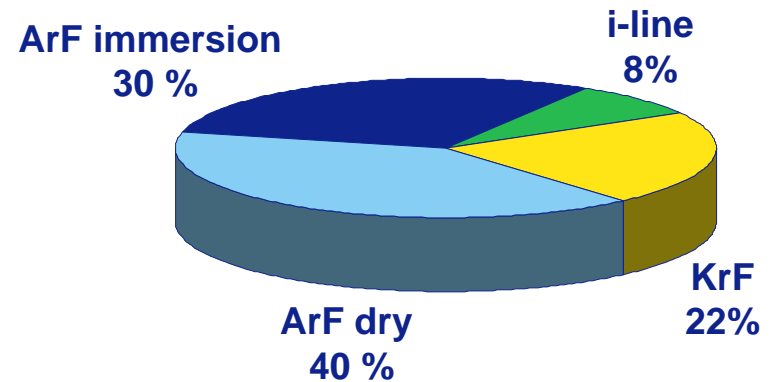
# Backlog lithography per April 1, 2007

Total value €2,163 million

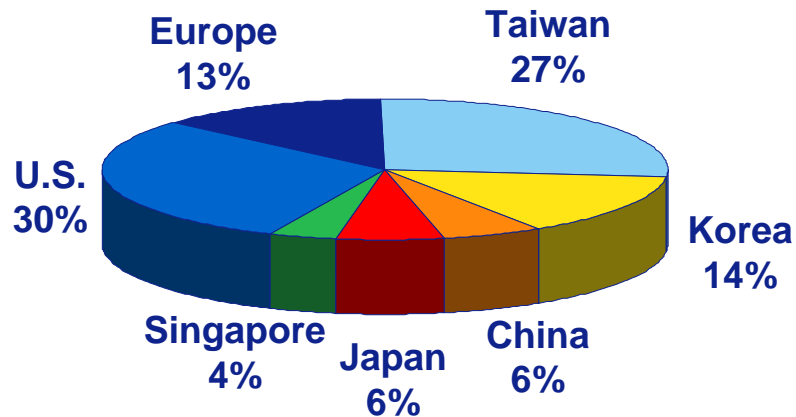
## Value per type



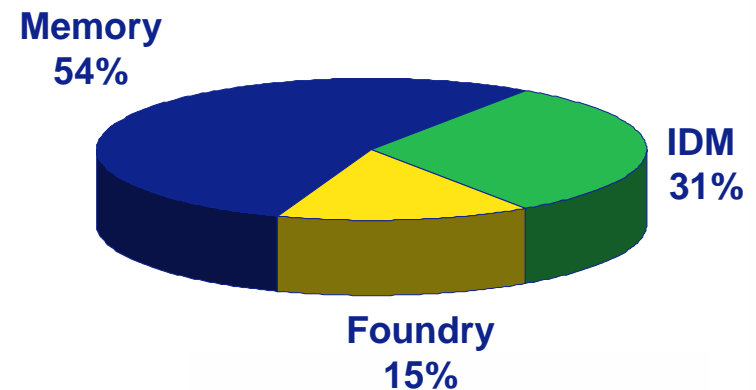
## Value per technology



## Value per region



## Value per end-use



Numbers have been rounded for readers' convenience

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## Backlog summary

- Backlog value increased due to:
  - Immersion bookings (wet ArF) valued at € 197 million or 21% of total bookings
  - Dry ArF bookings valued at € 435 million or 47% of total bookings
- Q1 bookings strength is related to leading edge capacity additions and process development tools for shrink
- Steep increase of backlog ASP from € 13.2 to € 14.6 due to transition to technology buys from general capacity expansion

**Market**

## Trends by sector - Flash

- Gartner Dataquest forecast 48% flash unit growth in 2007
- ASML's current shipment plan supports forecast with no significant overcapacity in flash by the end of 2007
- Sensitivity studies around the forecast indicates that a +/- 10% demand variation results in a +/- 1 calendar quarter shift in supply/demand balance
- Some production capacity reallocated to DRAM due to low flash prices and overcapacity in H1 2007
- Flash is using immersion in production at the 6x node and ramping the 5x node

## Trends by sector - DRAM

- Gartner Dataquest forecast 36% DRAM unit growth in 2007
- ASML's current shipment plan supports forecast with no overcapacity in DRAM by the end of 2007
- Sensitivity studies around the forecast indicates that a +/- 5% demand variation results in a +/- 1 calendar quarter shift in supply/demand balance
- DRAM price pressure forces manufacturers to speed up the ramp of 7x volume manufacturing for 1 Gbit and 2 Gbit products
- Immersion in volume manufacturing will start in 2008/2009 at the 5x node

# Trends by sector - Foundry and IDM

## Foundry

- Utilization in factories appears to have bottomed in Q1
- 16% of Q1 bookings in value are received from foundries
- Announced to ramp immersion by the end of 2007 with volume manufacturing starting in 2008/2009

## IDM

- IDM investment level is in-line with industry analyst forecasted IC unit growth of 10-11%
- 38% of Q1 bookings in value are received from IDM's

# Accomplishments

# Q1 accomplishments

## Growth

- Revenue 960 million, up 53% year-on-year
- Record high backlog at €2,163 million
- Brion acquisition completed

## Profitability

- Recurring net income (excluding amortization in process R&D Brion) at 176 million or 18.3 % of sales
- Gross margin at 40.9%

## Cash

- Cash flow from operations €173 million

# Brion accomplishments

- Integration with ASML has begun and in progress
- Brion leads the worldwide market for optical proximity correction (OPC) verification, and is rapidly expanding in the OPC market
- Over 20 semiconductor manufacturers utilize Tachyon to verify their designs
- With Brion products there is no compromise between accuracy and speed
  - Only commercially available and production proven one-model-across-process-window
  - Fastest time to accurate model in the industry
- Tachyon 2.0 was announced during SPIE
  - Tachyon 2.0 is Brion's 2<sup>nd</sup> generation, image-based hardware-accelerated computational lithography platform

## Excess cash strategy – improving shareholder value

- ASML is a growth company
- Regular share buybacks is optimum instrument to create significant value
- Dividend is certainly an option in slower growth model
- ASML will maintain a strong gross cash liquidity buffer of M€1,000 to M€1,500 and use upside cash for buy backs
- Efficiency of capital structure is regularly reviewed
  
- Repurchased approx. 8 million shares in Q1 2007
- Received authorization from shareholders to buy back additional shares

## Q2 2007 outlook

- ASML expects to ship 69 systems
- ASP for new + refurbished systems expected to be € 12.0 million
- Gross margin will range between 40 - 41%
- R&D is expected to increase to € 120 million net of credit (including Brion) to strengthen technology leadership and enabling lithography growth
- SG&A will remain at € 56 million
  
- Continuous focus on flexibility of OPEX costs
  - ASML can scale back on R&D by 30% and SG&A by 10% within a quarter

# Immersion

## XT:1700i performance

- XT:1700i's are now running in production
  - Imaging down to 45 nm
  - Overlay less than 7 nm
  - Productivity greater than 122 wafers per hour
- Defect levels improving continuously
- Proven production machine output well over 1000 wafers per day per machine with a clear roadmap to 2000 wafers per day
- XT:1700i is the only immersion tool in the world capable of printing 45nm resolution in production

## Knowledge gathered with over 40 machines at 19 customers

The large installed base has enabled ASML to:

- Build knowledge on immersion process specifics for all customer segments (logic, foundry, memory, microprocessors)
- Develop best practices for immersion related defect optimization to enable high yield manufacturing at our customers
- Use customer feedback to improve on tool performance to ensure volume manufacturing stability and productivity requirements

## XT:1900i – 5<sup>th</sup> generation immersion

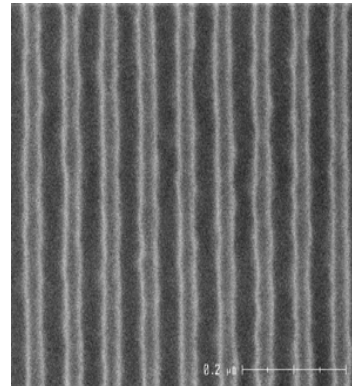
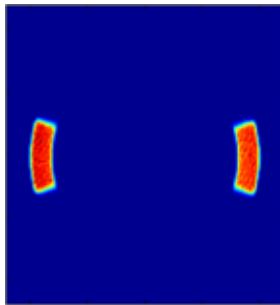
- Only system available specified at 40 nm resolution and below in volume manufacturing
- First shipment planned for early Q3 2007
- Evolutionary single barrel catadioptric lens shows excellent performance



# XT:1900i resolution performance of 36.5 nm

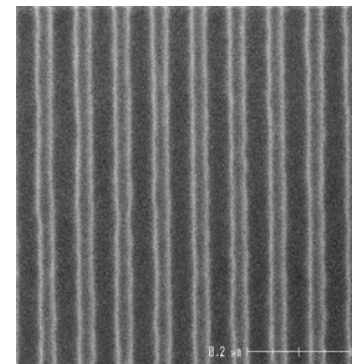
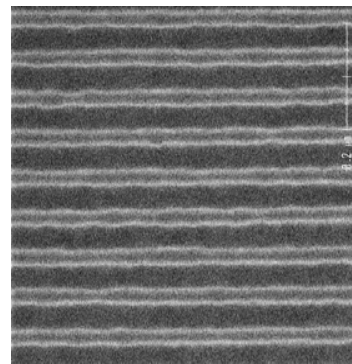
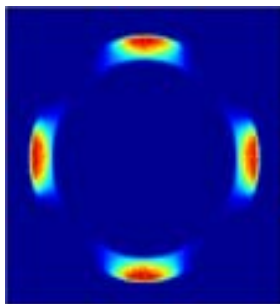
Near perfect image contrast at max. scan speed of 600 mm/s

Dipole Illumination  
 $k_1 = 0.255$



36.5 nm dense lines

C-quad Illumination  
 $k_1 = 0.258$



37 nm  
horizontal  
and vertical  
dense lines

## 2007 Outlook

- Industry Analysts forecast about €5.5 billion (\$ 6.8 Billion) litho investment in 2007 (source: Gartner Dataquest and VLSI Research)
- We expect overall increased market share and ramp of the XT:1900i in H2 2007
- ASML's record current backlog of € 2.163 billion and Q1 results support a strong 2007

**Confirming Growth for 2007**



**ASML**  
*Commitment*