



Moody's Investors Service

Rating Action: **Moody's stabilizes ASML's outlook for Baa3 rating**

Global Credit Research - 24 Nov 2009

Approximately €600 million senior notes affected

Frankfurt, November 24, 2009 -- Moody's Investors Service today affirmed the Baa3 rating for senior bonds of ASML Holding N.V. (ASML) and changed the outlook for the rating to stable from negative. The outlook stabilization reflects improved visibility of order flow at a level well above ASML's break-even point with the potential for a relatively fast return to double-digit operating margins, and the fact that ASML has been able to contain cash consumption during the severe business downturn such that management's target of a minimum €1.0 billion cash balance was met with a material net cash (net of debt) position.

ASML's order bookings have accelerated in Q3, 2009 to EUR777 million giving management confidence that sales will increase significantly from the Q3 level of EUR555 million through at least the first half 2010. Lithography orders in excess of EUR500 million per quarter, to which service and field option sales of around EUR100 million have to be added to reach ASML's net sales level, can be achieved already from the regular upgrade investments of the leading memory and foundry companies to lower cash cost per chip and to stay competitive. Capital expenditures to increase wafer capacity would add to ASML's revenue outlook, but are currently not expected. ASML has achieved its goal to lower its sales break-even level to around EUR450 million per quarter and consequently returned to profitability in Q3, 2009 with an operating margin of 6.9%. At the sales levels indicated by current order flow and a backlog of EUR1.4 billion, the company is well positioned to enhance its profitability back into the double-digit range.

Apart from the brighter outlook for profitability, Moody's outlook stabilization fundamentally reflects ASML's cash flow performance and resilience of credit metrics through the recent sharp downcycle caused by capacity corrections in the semiconductor industry as well as market uncertainty and financial constraints for the leading manufacturers. Given a relatively lean and flexible cost base and management's fast response to weakening orders, ASML was able to contain cumulative cash consumption below EUR320 million in the last twelve month and to keep its cash balances above EUR1.0 billion. ASML's conservative liquidity strategy has provided the financial flexibility to sustain this period and is an important factor in the rating.

Going forward, Moody's expects a limited build-up of working capital to accommodate the roll-out of the new generation of immersion tools funded by improved profitability. Medium term, the risk of revenue and profit volatility will remain pronounced for ASML, given its concentrations in product (lithography tools), customers (leading edge semiconductor companies), suppliers (e.g Carl Zeiss), and manufacturing sites (Veldhoven). However, these risks are well mitigated by the flexible operations and robust financial flexibility.

Issuer: ASML Holding N.V.

..Outlook Actions:

....Outlook, Changed To Stable From Negative

The principal methodology used in rating ASML was Moody's Global Semiconductor Industry Methodology, published in November 2009 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was implemented on 18 December 2008, when Moody's changed the outlook on ASML's Baa3 rating to negative from stable.

ASML is the world's leading provider of lithography systems for the semiconductor industry, manufacturing complex machines that are critical to the production of integrated circuits or chips. Headquartered in Veldhoven, the Netherlands, ASML generated €1.0 billion revenues in the first nine months 2009.

Paris
Eric de Bodard
Managing Director
Corporate Finance Group
Moody's France S.A.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Frankfurt
Wolfgang Draack
Senior Vice President
Corporate Finance Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



CREDIT RATINGS ARE MIS'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."