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 ASMLs 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.moodys.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.

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