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Sustainability Report 2008

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In this report, "ASML" is sometimes used for convenience in contexts where reference is made to ASML Holding N.V. and/or any of its subsidiaries in general. It is also used where no useful purpose is served by identifying the particular company or companies.

Sustainability Charter ASML

Only sustainable businesses can be long-term businesses, and it is essential that companies and employees understand the fundamental drivers of their industries and derive from that analysis the best solutions to limit the use of scarce resources of our planet and to improve the lives of all individuals affected by our business.

The 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. Today's transistors are around 250 times smaller than they were in the early 1970s. Smaller geometries allow for much lower electrical currents. Unlike conventional industries, there is no linear connection between increasing computer performance and growing energy consumption. ASML's essential contribution to this process of energy efficiency is that our lithography machines are the cornerstone of the roadmap to smaller transistors on chips. Using advanced semiconductors in industrial and consumer products often provides economic benefits, user-friendliness and increased safety. It even enables more environmentally-friendly behavior, as evidenced by the growing popularity of telecommuting from home, which would not be possible without the great strides in computing power made possible by advanced lithography from companies like ASML.

The technology revolution powered by semiconductors has brought many advantages, including ubiquitous wireless and Internet communications which improve trading and living conditions on all continents, as well as improved healthcare to diagnose and treat disease earlier and faster. Not only can information be more widely disseminated than ever before, affordable chip intelligence has created a foundation enabling industry, agriculture and services sectors to create and distribute products and ideas at lightning speed.

Even though these merits are undisputed, this report examines the impact of our business on the planet. The semiconductor manufacturing process requires several steps, the most important of which are the creation of silicon crystal from molten silicon, imaging electronic circuits on the silicon wafer in a lithography machine with the help of laser light, etching and baking, and finally packaging and testing. Each process requires certain amounts of energy and chemicals. ASML's activities are restricted to the design, manufacture and support of lithography machines. This process uses relatively limited amounts of energy, water and chemicals. To put this in perspective, ASML has calculated that the energy used by an ASML machine to produce a microprocessor is less than 0.01 percent of the energy used by that chip over its average five-year lifetime. The lithography steps in the chip manufacturing process make up less than 5 percent of the total energy consumption of a chip fabrication facility.

ASML is a moderate corporate consumer of energy. Within the European emission trade legislation, ASML does not exceed threshold values for greenhouse gases such as carbon dioxide and nitrogen oxide and is therefore not obliged to take part in the emission trade system.

ASML's total waste disposal decreased by 13.6 percent in 2008 despite the construction of new production facilities at our headquarters in Veldhoven, the Netherlands and in Linkou, Taiwan. Non-hazardous waste materials decreased once again, by 17.3 percent in 2008 compared with 2007. The waste efficiency indicator, as a percentage of net sales, showed a slight increase due to increased test activities in the process labs (increasing chemical usages and thus increasing hazardous waste material disposal). Chemicals used by ASML to test its machines are being trapped and recycled, while the use of heavy metals such as lead has been minimized.

Energy use increased in absolute terms and in terms of the energy efficiency indicator (energy use divided by net sales). This was a result of the increase of our workforce by 5.3 percent and expanded production facilities of approximately 25 percent. At the same time sales fell by more than 20 percent due to the cyclical downturn in the light of the current global financial market crisis and economic downturn. The new facilities are state-of-the-art in terms of energy conservation. ASML traditionally continues to invest in new technology and production facilities during cyclical downturns in order to maximize benefits from cyclical upturns.

Smarter, smaller and more energy-efficient chips are made with more sophisticated ASML machines. It is therefore inevitable that as the performance of ASML semiconductor lithography systems continues to increase, they need more energy to operate, due to the increasingly advanced lasers and cooling systems required. However, this further advanced technology enables ASML clients to reduce their energy use, thereby increasing overall energy efficiency. For example, technological evolution in the KrF product family has resulted in a 40 percent lower energy use per wafer pass since 2003.

ASML started a company-wide initiative in 2008 to screen all company processes for potential reductions in their environmental impact. Energy conservation proved possible in the cleanrooms and offices. The measures differ per ASML location around the world, but energy-saving measures include reduction of light in hallways and common areas, switching off lights and shutting down monitors if no employees are present, as well as reducing the speed of exhaust fans by 50 percent on nights and weekends, turning off the coolant system at night and on Sundays and expanding the free cooling exchangers. Energy conservation efforts contributed to an 8 percent reduction of kilowatt hours at some sites.

ASML believes energy conservation is the preferred route to limit the environmental impact of its business, and currently plans no investments in major new systems. However, ASML welcomes and supports any legislation that creates a level playing field for sustainable business practices.

ASML machines comply with standards set by SEMI, the global industry organization serving the advanced manufacturing supply chain, but potential beyond current industry standards will be investigated in 2009. A summary of SEMI's Global Care EHS initiative can be found on www.semi.org/globalcare.

BSI Management Systems, an international auditing company, commented that "ASML implemented an effective environmental management system". Every quarter we compile an Environmental Health and Safety (EHS) report in which EHS figures and Key Performance Indicators (KPIs) are monitored. The month after the end of each quarter an ASML EHS meeting is organized, chaired by a member of the Board of Management, in which trends are discussed and actions are initiated.

ASML is successful as a result of its employees' commitment and creativity. ASML supports and encourages continuous learning and development. In 2008, more than 530 non-product-related training programs were attended by 7,000 employees, compared with 500 training programs attended by 6,300 employees in 2007. This number excludes several broadly implemented computer-based trainings (CBT), in which large groups of employees participated (Anti-Trust: 2,481 participants; Intellectual Property Awareness: 5,100 participants; Code of Conduct: 5,800 participants; Sexual Harassment (in the United States): 1,750 participants). In 2008, ASML spent approximately EUR 5.2 million on training, amounting to approximately EUR 750 per payroll employee. On average, each employee received 32 hours of training. This is up from 2007, when spending on training totaled approximately EUR 4.4 million, amounting to almost EUR 700 per payroll employee (20 hours of training).

ASML also recognizes the contribution of its employees with a profit-sharing plan. Despite ASML's weaker 2008 results as a result of the current global financial market crisis and economic downturn, eligible employees were set to receive a profit-sharing bonus of 6 percent of their annual salary, compared with 14 percent in 2007, 12 percent in 2006 and 8 percent in 2005.

To our stakeholders

We started 2008 with two strong quarters, which confirmed our customers' need for ASML's immersion technology. After the summer, however, the economic climate deteriorated rapidly in the wake of the global banking crisis. As credit became scarce for our customers and as end markets for electronic products softened swiftly, we witnessed an unprecedented drop-off in demand for semiconductor equipment. It now appears the global economy has entered one of its worst downturns.

What is clear, however, is that our long-term sustainability is supported by our strategic operational structure, which can cope with the typical cycles of the capital goods industry. We can be flexible with our payroll staff's working hours and we employ a large pool of contract workers and temporary staff. We finished the year with a strong cash position of EUR 1,1 billion, within our target range of EUR 1 billion to EUR 1,5 billion, which gives our customers a sense of security that we can execute their orders and continue the R&D they rely on for future generations of lithography machines. We have also invested heavily in our supplier base and helped these companies implement systems to overcome economic volatility. Compared with the previous economic crisis in 2001, our suppliers have entered the current downturn with more cash and more flexible labor, and they generate a significant portion of their business outside ASML.

In response to the unprecedented slowdown in orders, ASML has reduced costs through a comprehensive company-wide efficiency program, which has not affected key R&D projects. We have reduced the total workforce by around 12 percent, comprising approximately 1,000 employees who were mainly on flexible temporary contracts. ASML still has an extensive pool of flexible labor. We also participated in the Labor Time Reduction Program, a temporary measure made possible by the Dutch government to help companies reduce working hours for payroll employees without impacting their salaries. In the first quarter of 2009 we expect to have cut our operational expenses by EUR 50 million per quarter compared to the cost level in the second quarter of 2008.

Despite the impact of the recession and a weaker market, we have reinforced our position at the forefront of innovation and technology thanks to the preparation of three major project introductions in 2008: the XT4 new generation TWINSCAN, the new platform for TWINSCAN called NXT and the Extreme Ultraviolet (EUV) platform based on a new light source. We will ramp production of the new XT4 and NXT platforms in 2009, and in 2010 we will ship the first EUV production systems that will enable the progress of Moore's Law well into the next decade. ASML has traditionally invested in new technology and systems during downturns in order to take full advantage from the economic recovery when it comes. We still expect to grow to sales levels of EUR 5 billion during the next business upturn, and we will have production capacity in place to deliver on this expectation.

The decline in net sales does have an unintended impact on our environmental performance indicators. These are sales-based, and the environmental burden of our expanded production facilities needs to be carried by our lower net sales. The expansion includes new cleanrooms to assemble the next generations of immersion and EUV systems. Our environmental footprint, expressed as a percentage of sales, is expected to be better balanced when we return to normal sales levels.

Again, this sustainability report aims to give relevant and high-quality information on our performance and on the relationship with our stakeholders. We strive to give a balanced and complete picture of our "non-financial" performance and objectives, which we have prioritized emphasizing materiality. For the first time, our self-assessment has resulted in an A application level according to the Global Reporting Initiative G3 Guidelines.



Eric Meurice,
President and Chief Executive Officer,
Chairman of the Board of Management

ASML Holding N.V.
Veldhoven, 20 February 2009

Key Performance Indicators 2008

	Economic	2006	2007	2008
Net sales (EUR million)		3,582	3,768	2,954
R&D costs, net of credits / net sales		10.8	12.9	17.5
Diluted net income per ordinary share (EUR)		1.26	1.41	0.74
Market share as reported by SEMI (%)		63	65	65
Suppliers payments covered by ASML Supplier Account Teams (%)		N/A	82	84
Total cash donated to charitable associations (EUR)		420,000	600,000	> 600,000

	Environment	2006	2007	2008
Energy use / net sales (10 ⁶ Joule / EUR)		0.20	0.20	0.26
Total inert gases / net sales (m3 / EUR 1,000)		0.029	0.034	0.057
Water use / net sales (liters / EUR)		0.11	0.12	0.19
Greenhouse emissions / net sales (tons / EUR 1,000)		0.18	0.18	0.24
Total waste materials disposed / net sales (kg / EUR 1,000)		0.29	0.34	0.37
Key-suppliers with an Environmental Management System (%)		N/A	80	90

	Health & Safety	2006	2007	2008
Incidents per 100 FTEs		0.70	0.49	0.46
Key-suppliers with a Health and Safety Management System (%)		N/A	95	97

	Social	2006	2007	2008
Number of payroll employees in FTEs		5,594	6,582	6,930
Number of temporary employees in FTEs		1,486	1,725	1,329
Workforce by gender (Men / Women in %)		88 / 12	88 / 12	89 / 11
Employee turnover (%)		5.7	5.2	6.4
New hires		842	1,170	794
Average training hours per FTE		N/A	20	32
Number of partnerships with universities, colleges, schools		3	9	16

Corporate Profile

In this sustainability report, ASML provides an overview of its policies and programs in 2008. This report is available in digital format only. Visit our website: www.asml.com.

About ASML

ASML is a world leader in the manufacture of advanced technology systems for the semiconductor industry. The company offers an integrated portfolio for manufacturing complex integrated circuits (also called ICs or chips).

ASML designs, develops, integrates, markets and services advanced systems used by customers — the major global semiconductor manufacturers — to create chips that power a wide array of electronic, communication and information technology products.

With every generation, the complexity of producing integrated circuits with more functionality increases. Semiconductor manufacturers need partners that provide technology and complete process solutions. ASML is committed to providing customers with leading edge technology that is production-ready at the earliest possible date. ASML technology is supported by process solutions, enabling customers to gain and sustain a competitive edge in the marketplace.

ASML's corporate headquarters is in Veldhoven, the Netherlands. Manufacturing sites and R&D facilities are located in Connecticut, California and the Netherlands. Technology development centers and training facilities are located in Japan, Korea, the Netherlands, Taiwan and the United States. Additionally, ASML provides optimal service to its customers via over 60 sales and service organizations in 15 countries.

Founded in the Netherlands in 1984, the company is publicly traded on Euronext Amsterdam and NASDAQ under the symbol ASML.

ASML faces several industry and company risks. These risks are described in Item 3D of the company's Annual Report on Form 20-F.

More information about ASML can be found in our Corporate Brochure, which can be downloaded from our website www.asml.com

Principles

We believe in acting as a responsible corporate citizen and subscribe to the view held by the United Nations Commission on Global Governance that "business must be encouraged to act responsibly in the global neighborhood and contribute to its governance."

Our guiding principles are as follows:

- Recognize the importance of sustainable development within our global environment and the need to respect people and preserve our planet while earning a fair profit.
- Embrace that Human Rights as proclaimed by the United Nations in the Universal Declaration of Human Rights are a common standard of achievement for all members of the global community. We encourage respect for these rights and freedoms.
- Respect the rule of law and comply with the national laws, regulations, and administrative practices of the countries and communities in which we operate.
- Support the general principles laid down by the Organization for Economic Cooperation and Development in its Guidelines for Multinational Enterprises and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Organization (ILO).

ASML is a member of the Semiconductor Equipment Manufacturing Institute (SEMI), the global industry association serving the advanced semiconductor manufacturing supply chain, and subscribes to the SEMI standards in the area of Environment, Health and Safety (EHS). ASML is one of 65 member companies of Global Care, an initiative of SEMI based on five principles:

1. Workplace health and safety: Seek to prevent injury and illness in the workplace; provide safeguards and training for employees and contractors within the workplace.
2. Resource conservation: Seek to design, build and operate manufacturing and office facilities that optimize water, energy, chemical and material use and reduce waste generation and emissions to the air, water and land.
3. Product stewardship: Seek to minimize the environmental impact of products and/or services.

4. Community service: Seek to positively impact and strengthen the quality of life within the communities and neighborhoods in which we live and work. Through outreach, education, participation and compliance with relevant laws and regulations, we seek to govern and manage our operations consistent with the foregoing commitments to workplace health and safety; resource conservation; and product stewardship.
5. Excellence: Systematically set company goals and measure performance related to Global Care principles and excellence in EHS management practices.

The SEMI standards and Global Care initiative represent a practical framework for ASML for putting its guiding principles into action. For more information on SEMI and the Global Care initiative, visit the website: www.semi.org.

Approach to Sustainability

Chips produced with ASML machines can be found in a wide array of products that people use every day: computers, mobile telephones, memory cards etc. ASML's technology leadership enables these chips to become ever smaller and thereby ever more powerful, versatile and energy-efficient. It is through innovation that ASML contributes most towards more energy-efficient technology products. Notwithstanding that, reducing the energy use associated with ASML's operations and products is an important component of the company's approach to sustainability. And since innovation relies on professionals developing ideas and building complex machines, talent attraction and development is the second component of ASML's approach to sustainability. Lastly, ASML relies almost entirely on its suppliers to deliver the components from which it assembles lithography systems. The third component therefore involves working closely with suppliers on many aspects, including sustainability. Throughout this report, these three aspects are covered in more detail.

Governance and Management

Organization

ASML Holding N.V. is incorporated under Dutch law and has a two-tier board structure. Responsibility for the management of ASML lies with the Board of Management; the Supervisory Board, composed of independent, non-executive members, in turn supervises and advises the members of the Board of Management in performing their management tasks. More information on ASML's legal regime and corporate structure can be found in Item 6.C of the company's Annual Report on Form 20-F.

Governance

ASML endorses the importance of good corporate governance, the most significant elements of which are independence, accountability and transparency. These are also the elements on which a relationship of trust between ASML and all its stakeholders is built. ASML's objective is to be open and transparent about its structure, financial reporting, internal controls and procedures as well as its decision-making process.

ASML continuously monitors and assesses applicable corporate governance codes, rules, and regulations in the Netherlands, United States, and other relevant areas. ASML is subject to the Dutch Corporate Governance Code, as the company is registered in the Netherlands and is listed on Euronext Amsterdam. On December 10, 2008 the Dutch Corporate Governance Code Monitoring Committee presented an amended Code to the special interest groups that have requested the changes and to the Ministers of Finance, Justice and Economic Affairs. The amended Code will come into force from the financial year starting on January 1, 2009. Because ASML is also listed on NASDAQ, it is required to comply with the United States Sarbanes-Oxley Act of 2002, as well as NASDAQ listing rules, and the rules and regulations promulgated by the U.S. Securities and Exchange Commission ("SEC").

ASML has a Code of Conduct containing the company's Principles of Ethical Business Conduct, Internal Guidelines, Complaints Procedure and Whistleblower's Policy. The Principles contain ASML's ethical values in relation to various issues and have been the basis for ASML's Internal Guidelines on Ethical Business Conduct. The Internal Guidelines apply to ASML employees worldwide and contain rules, guidelines and practical examples. The Internal Guidelines also contain certain specific obligations/requirements, stemming from the Dutch Corporate Governance Code and/or Sarbanes-Oxley Act of 2002. These specific obligations and requirements mainly concern the issues of conflicts of interest, financial reporting and the Whistleblower's Policy.

In 2008, ASML implemented a mandatory Code of Conduct training course for all employees. Four years ago, in 2004 (or upon joining ASML), employees were requested to read the Code of Conduct and sign an acknowledgement stating that they will adhere to it. As time goes by, it is important to refresh their practical ethical knowledge. To that end, ASML developed a one-hour computer-based course, addressing many topics in the Code of Conduct. This training is mandatory for all employees.

The Code of Conduct includes support for the principles of the ILO. The non-discrimination principle was already explicitly mentioned in the Code of Conduct. ASML supports the freedom of association and respects the right of employees to organize and form employers' and workers' organizations, which also is included in the Code of Conduct. No action in response to incidents of corruption was taken in 2008 as no such incidents were reported.

All documents encompassing the Code of Conduct can be found on the Corporate Governance section of ASML's website: www.asml.com.

As a global business organization, ASML respects the rule of law and complies with the national laws, regulations and administrative practices of the countries and communities in which it operates. ASML conducts its activities in a competitive manner, within the framework of applicable laws and regulations, and applies its principles of ethical business conduct. One of the elements of responsible behavior in society is our continuous compliance with competition law. In 2008, no legal action was taken by the competent authorities in relation to anti-competitive behavior.

Roles and responsibilities regarding sustainability

ASML is committed to world-class performance when it comes to environmental, health, safety and social (EHSS) issues. To that end, ASML has integrated policies that apply to its activities around the globe. By focusing on regional initiatives guided by central directives, ASML ensures that its global commitment to sustainability performance meets local requirements.

ASML has established an EHSS Board to steer regional EHSS management issues and work towards a global EHSS management system. The EHSS Board comprises senior management members from each ASML site and members of the human resources and facilities departments. The company has a dedicated worldwide EHSS coordinator who reports to the EHSS Board, which is chaired by ASML's Executive Vice President of Operations.

At the regional level, EHS managers and Human Resources and Organization (HR&O) officers are assigned to each of our production sites in Europe and the United States. An overall EHS manager coordinates activities for the Customer Support organization through local EHS facilitators. ASML employs 14 EHS specialists to monitor and manage EHS issues, including product safety engineers based in Wilton (Connecticut), Richmond (California) and Veldhoven (the Netherlands). Within Customer Support, EHS management in the field is carried out by EHS managers, coordinators and facilitators as part of their engineering role. Social aspects at all sites are monitored by HR&O employees.

Stakeholder dialogue

ASML strives to consult parties that have a relevant stake in the company. Stakeholder dialogue is conducted regularly by senior and executive managers on a proactive and reactive basis, across a range of business and company topics, subject to materiality. In addition to customers and suppliers, relevant stakeholders include:

- Shareholders, bondholders and analysts, including socially responsible investors and analysts
- Works councils and unions whose membership includes ASML employees
- Industry peers and organizations, e.g. SEMI
- Local governments, e.g. the municipality of Veldhoven, the state of Arizona and the state of Connecticut
- National governments
- Universities, such as Eindhoven Technical University, the University of Twente, Delft Technical University and the Erasmus University Rotterdam in the Netherlands; Wuhan University in China; Rochester Institute of Technology, the University of Connecticut, the University of Arizona, Stanford University and the DeVry University in the United States.

About this report

This report is ASML's fourth sustainability report, which was previously published as the Environment, Health, Safety and Social (EHSS) report. The report covers the entire organization. The report is based on the GRI G3 Guidelines. Apart from the following, no major changes have been made to the reporting process relative to 2007:

- Measurement techniques for environmental and safety data have not changed relative to 2007, except where indicated, and are documented in detail in the internal Administrative Organization and Internal Control (AO/IC) manual. Health and social data have been consolidated on a company-wide basis by the Human Resources & Organization (HR&O) department.
- The accounting policies applied in financial year 2008 are unchanged compared to the previous financial year except for the accounting of free or discounted products or services (award credits) offered to ASML's customers as part of a volume purchase agreement. The prior period information regarding net system sales, cost of systems sales and provision for income taxes has been adjusted to reflect the changes. Because of the changes in the net sales, the KPIs have also changed slightly in a few cases. More information can be found in the Annual Report.
- The content of the report was determined along the same lines as last year, based on the GRI G3 guidelines. However, the structure has changed slightly and nearly all sections throughout the report contain more information. Therefore, this 2008 report provides broader coverage of the GRI guidelines while assuring consistency and comparability with last year's report.
- In a few cases, data may differ from last year's report due to revised calculations. This prompted only minor changes and did not significantly affect the outcome.
- The EHSS policy is posted on the Investors section of ASML's website: www.asml.com. More information regarding the EHS management system can be found in the environmental section of this report.

In the interest of conciseness, selected disclosures appear in the GRI table included in this report.

Based on the Application Level system of GRI G3 and the reported content, ASML's self-assessment of the application level of the G3 guidelines for this sustainability report is A (last year B). This report has not been independently audited, with the exception of the financial figures reported which are subject to a financial audit.

The entire ASML organization is covered by an ISO 14001 environmental management system. Furthermore, the entire organization is ISO 9001 certified, which assures that ASML's primary and support processes meet strict quality standards. In preparing the data, EHSS staff make estimates and assumptions, so actual figures may differ from estimates.

Economic

Financial flows

The consolidated financial statements include the accounts of ASML Holding N.V. and all of its majority-owned subsidiaries. All intercompany profits, balances and transactions have been eliminated in the consolidation. The table below details the consolidated statements of operations.

Five-year overview (in accordance with U.S. GAAP)

Consolidated statements of operations (EUR million)	2004	2005	2006	2007	2008
Net sales	2,465	2,529	3,582	3,768	2,954
Gross profit on sales	906	974	1,454	1,550	1,016
R&D costs, net of credits	331	324	387	486	516
Amortization of in-process R&D costs	0	0	0	23	0
SG&A costs	202	201	205	226	212
Restructuring costs (credits)	(6)	0	0	0	0
Income from operations	379	449	862	815	288
Net income	235	311	619	671	322
Gross profit as a% of net sales	37%	39%	41%	41%	34%
Income from operations as a% of net sales	15%	18%	24%	22%	10%

Consolidated balance sheet (EUR million)	2004	2005	2006	2007	2008
Cash & cash equivalents	1,228	1,905	1,656	1,272	1,109
Working capital(*)	1,869	1,786	2,236	1,998	1,965
Total assets	3,244	3,756	3,954	4,073	3,939
Long-term liabilities	1,039	624	613	855	942
Shareholders' equity	1,392	1,712	2,148	1,891	1,989

* Working capital is defined as current assets less current liabilities.

Return of capital to stakeholders

In January 2008, ASML bought back 5,000,000 shares for a total amount of EUR 88 million. The aggregate number of shares bought back up to and including January 2008 represents 100 percent of the announced objective of 14,000,000 shares.

In 2008, the company revised its reserves and dividend policy, resulting in dividend payments for 2007, starting with a pay out of EUR 0.25 per ordinary share of EUR 0.09. Management will annually assess the dividend amount to be proposed to the Annual General Meeting of Shareholders. A proposal will be submitted to the Annual General Meeting of Shareholders on March 26, 2009 to declare a dividend for 2008 of EUR 0.20 per ordinary share of EUR 0.09.

Environment-related expenditure

ASML's commitment to continuously improving its environmental performance means that environmental considerations are part of day-to-day business decisions. Environment-related expenditures are likewise included in normal procurement and investment decisions.

ASML is currently exempt from the Dutch government's greenhouse gas allocations, because the CO₂ emissions of ASML's cogeneration plant fall below the criteria. It is not anticipated that carbon emissions trading would have a substantial impact on ASML's cost levels if it were not exempt. Based on the level of ASML's greenhouse gas emissions (described later in this report), and assuming that all emissions need to be neutralized at current forward prices between EUR 15 and EUR 20 for CO₂ emission certificates, it is estimated that the financial impact of climate change will amount to approximately EUR 1,5 million. While there

may be additional effects due to the potential financial impact of climate change on the pricing levels of some suppliers, the overall effect will be negligible.

ASML will always search for the best — but affordable — solutions with a reasonable payback to reduce its energy use. ASML has chosen to invest in energy efficiency and conservation as the preferable option to achieve this. The company is not currently planning to purchase green energy because this only leads to financial compensation instead of a real reduction in energy consumption.

As of January 2009, ASML Netherlands B.V. (Veldhoven) falls within the scope of the NOx emission trade. In 2008 ASML drafted a NOx monitoring plan and presented a license application to the Dutch government. From January 2009 ASML must work in accordance with the NOx emission license, which implies more stringent criteria for the reporting of gas and electricity use, as well as NOx emissions. Although this system could have financial implications, ASML does not anticipate significant costs, if any.

Government-related payments

Income taxes represented -4.1 percent of income before taxes in 2008, compared to 20.9 percent in 2007. The decrease in income taxes in 2008 is primarily related to three main items on which we reached agreement with the Netherlands tax authorities. These items are the treatment of taxable income related to ASML's patent portfolio, the valuation of intellectual property rights acquired in the past against historical exchange rates, and the treatment of taxable income related to a temporarily depreciated investment in ASML's United States subsidiary. All of these had a favorable impact on the company's effective tax rate. As a result of these three items, ASML recognized exceptional tax income of approximately EUR 70 million in 2008.

In 2008, ASML received EUR 22 million in government grants to help pay for R&D spending. This represented 4.3 percent of the total R&D costs, net of credits in 2008.

Labor Time Reduction Program

In December 2008, ASML received approval to participate in the Labor Time Reduction Program, a temporary measure made possible by the Dutch government that helps companies to reduce working hours for employees without impacting their salaries. Employees receive part of their pay from the national unemployment fund on condition that they spend non-working hours on training and schooling. The plan is designed to protect employment in viable industries during an exceptionally severe downturn such as the current one. It is a temporary measure consisting of an initial period of six weeks that can be renewed up to

three times, pending government approval for each period. The effect of this measure is a 50 percent reduction in the working hours of 1,100 employees in the Netherlands for six weeks as of January 5, 2009. This measure will decrease our salary expenses by 35 percent for this group of employees in the applicable period, amounting to EUR 1,5 million per approved six-week period in 2009. Dutch Social Affairs Minister Piet Hein Donner visited ASML on December 15, 2008 to discuss the benefits of the scheme with ASML employees, works council representatives and senior management.

Products

Overview of products

ASML technology transfers circuit patterns onto silicon wafers to make integrated circuits. This technology is central to making integrated circuits smaller, faster and cheaper. Our technology is known as optical lithography. ASML systems are called steppers and Step & Scan systems (scanners). They use a photographic process to image nanometric circuit patterns onto a silicon wafer, much like a traditional camera prints an image on film.

Most of the major semiconductor manufacturers are ASML customers. We are committed to providing customers with the right technology that is production-ready at the right time. Doing so enables our customers and their customers to maintain a competitive edge.

ASML's lithography systems are using different light sources and techniques to print the semiconductor design onto a silicon wafer. Due to the trend to make smaller, more complicated and faster chips at a lower price, ASML designs and delivers more advanced machines every year. Currently, the most advanced machine which can print the smallest features is using an ArF (Argon Fluoride) laser source which projects the patterns through a thin layer of very clean water (immersion technology). Larger features can be imaged using ArF and KrF (Krypton Fluoride) light sources (lasers) providing light with a larger wavelength. Finally, features that do not require the small scales of ArF(i) and KrF systems are imaged using an i-line light bulb. The table below shows the percentual breakdown of ASML stepper sales for each of these techniques. The trend towards more advanced techniques is clear.

Technique	2006	2007	2008
ArF immersion	17%	29%	64%
ArF	45%	38%	23%
KrF	31%	24%	9%
i-line	7%	9%	4%
Total	100%	100%	100%

ASML Customized Imaging Solutions focuses on solutions for application markets, where it has evolved as the lithography market leader in the Microsystems (Thin Film Head and Microelectromechanical Systems or MEMS) and Compound Semiconductor industry. Our Remarketing Service has developed industry-leading expertise to remanufacture and re-launch pre-owned ASML equipment on the market.

ASML's subsidiary Brion Technologies is the leader in computational lithography. Brion's Tachyon™ platform enables a unique set of capabilities that address the interrelated challenges of design, photomask making and wafer printing for semiconductor manufacturing.

ASML Optics provides precision optical systems for ASML's advanced scanners. ASML Optics also offers design-to-image solutions in optical design and manufacturing, room assembly, systems engineering and metrology for a broad range of commercial applications, serving customers worldwide.

ASML systems are critical to semiconductor producers and maintain a high value over a long lifespan. This is illustrated by the fact that ASML sold 36 refurbished lithography systems in 2008. Refurbished systems represented 24 percent of total unit sales in that year. The majority of systems that ASML has shipped to customers in its 24-year history are still in operation.

Energy efficiency

The fact that improvements in lithography can contribute to more energy-efficient electronics was proven by a global manufacturer of consumer electronics products when it adopted ASML's immersion technology in 2007. Within a few months, this company was producing chips for television sets and DVD players in time for the end-of-year holiday shopping season. The chips boasted 45 nanometer technology that offered substantial energy savings of 50 percent or more. Lithography from ASML enabled a new generation of digital consumer products to be created that require high functionality, high speed, and low power consumption. Demand for the new home electronics products outpaced supply in the company's home market that Christmas.

Innovation

ASML's largest business focuses on lithography systems for 200- and 300-millimeter diameter wafer manufacturing. An example of ASML's technology leadership is our immersion lithography system. It replaces the air over the wafer with fluid to enhance focus and shrink circuit dimensions. Using this technology, smaller semiconductors can be manufactured at lower cost. In 2008, ASML developed the TWINSCAN NXT, with the first shipments expected in 2009. This offers significant improvements in overlay and productivity, enabling the semiconductor industry to continue its roadmap for more advanced and affordable chips. The TWINSCAN NXT platform is also suited for emerging double patterning techniques, which manufacturers need to shrink the smallest chip features by up to 42 percent. These developments again prove ASML's leading position, which is largely due to ASML's significant R&D budget which, net of credits, totaled EUR 516 million (17.5 percent of net sales) in 2008. This is 6 percent increase compared to 2007.

Customers

ASML's commitment to outstanding customer support is second to none. ASML has a well-established network of highly knowledgeable professionals committed to providing high-quality support customized to the specific requirements of our customers. This support includes service engineers, armed with the latest technical information, to ensure the highest levels of machine performance, as well as applications specialists who support optimal (system) processing and new product implementation. Combine this with comprehensive training programs and you have a professional support organization that is clearly focused on "putting the customer first".

TSMC's Supplier Excellence Award

On October 22, our offices in Taiwan won TSMC's Supplier Excellence Award. This award recognizes the outstanding performance of ASML's support teams for Argon Fluoride machines (ArF) in 2008, especially in

the areas of downtime improvement, rework rate reduction and reduction of mean time between automatic recovery.

Geographic breakdown of revenues

The table below provides the breakdown of ASML's machine sales related revenues. Since most of the chip manufacturers are based in Asia, 72 percent of the revenues come from that region. Clearly remarkable is ASML's success in recent years in Japan, the home country of the company's competition.

Region	2006	2007	2008
Asia	66%	71%	72%
China	7%	8%	8%
Japan	4%	8%	16%
Korea	31%	27%	33%
South East Asia	3%	6%	3%
Taiwan	21%	22%	12%
Europe	10%	9%	9%
USA	24%	20%	19%
Total	100%	100%	100%

Deshima Award

In Asia, our company's success in the Japanese market was recognized by the Netherlands Chamber of Commerce in Japan. Dutch Minister of Foreign Affairs Maxime Verhagen presented our colleagues from the Tokyo office with the Deshima Award. The annual award was established in 2000 and recognizes Dutch

companies for their achievement in successful business development in the Japanese market. It was named after the famous island in Nagasaki's harbor, which housed an isolated Dutch trading post from the 17th to the 19th centuries.

Customer relation management

Customer satisfaction is all important to ASML. The company has Account Teams that specifically look after customer satisfaction and the sustainability aspects in the lifecycle of our products.

First, Account Teams support the sales and customer service of ASML equipment for optimal performance of its scanners with minimum waste and maximum yield.

Second, ASML's Account Teams organize a number of programs and activities. These include:

- Technical Symposia near customer facilities in order to give engineers without travel budgets access to new technologies being driven by ASML. In 2008, we organized four seminars in North America and five in Asia, where we also organized two User Meetings.

- Advanced Technology Review, an annual conference near our headquarters in Veldhoven. Customers and key suppliers are invited to send R&D engineers to get an update about lithography roadmaps.
- Every year ASML invites a Chief Technology Officer from one of its customer companies to present the keynote speech at the two-day seminar known as the internal ASML Advanced Technology Review in Veldhoven. At this seminar, internal papers from ASML employees and key suppliers are solicited and chosen for presentation. This event has grown to become the world's second biggest Semiconductor Lithography Conference, drawing over 2,000 participants.
- An annual meeting called the Advanced Manufacturing Review in which customers' manufacturing and operational engineers are invited to Veldhoven to share best practices on lowering cost of ownership and maximizing machine output in the working factories.

Third, with regard to sustainability and the life cycle of our products, ASML has programs that are unique in the stepper / scanner world. We keep track of ASML scanners in production, and when a customer no longer needs a system, ASML can upgrade, rebuild and refurbish the scanner. The scanners can then be either sold "like new" or "in good condition" with modified specifications. In addition, in some cases this program allows customers to take an older i-Line system and upgrade it to a system with a different, more advanced lightsource such as KrF.

Refurbishing scanners

Giving a scanner an extra lease on life is good for everyone. If a system can be re-used, a customer receives a payment or a credit. The refurbishing itself involves additional highly-skilled labor. Re-furbishing a scanner also prevents waste and saves resources otherwise needed to build new scanners. Our suppliers,

such as Zeiss, are a critical component of this program. Zeiss takes back the lenses that are out of specification, re-uses good lens elements and replaces elements that are damaged. As a result of this program there are a lot of systems still operating in the field that would have otherwise been retired.

Suppliers

Supplier-related payments

In 2008, ASML engaged over 3,000 suppliers from which it purchased EUR 2,010 million in products and services, down from purchases totaling EUR 2,700 million in 2007 (the number of suppliers remained the same). In 2007, ASML spent EUR 2,050 million on products and EUR 650 million for services, compared to EUR 1,350 million and EUR 660 million, respectively, in 2008. The geographic distribution of ASML's suppliers and purchases is as follows:

Region	Percentage of suppliers 2007	Percentage of purchasing cost 2007	Percentage of suppliers 2008	Percentage of purchasing cost 2008
Asia	0.5%	3.7%	0.8%	3.7%
Europe	49.1%	82.3%	49.0%	81.3%
Netherlands	39.8%	38.9%	38.2%	42.2%
Rest of Europe	9.3%	43.4%	10.8%	39.1%
USA	50.4%	14.0%	50.2%	15.0%
Total	100%	100%	100%	100%

The geographic consistency of the distribution of suppliers in 2008 compared to 2007 can be explained by ASML's focus on long-term supplier relation management.

Value Sourcing: Working with suppliers

In order to optimize customer and shareholder value, ASML recognizes the need to continuously improve the performance of our suppliers on Quality, Logistics, Technology and total Cost (QLTC). In 2008, ASML continued executing the Supplier Performance Management System and improved the Risk Assessment process and content. These systems provide ASML with insight into the supply chain on the following issues: Corporate Social Responsibility (including Labor Issues and Human Rights), Long-term Material Availability, Technology Capability and alignment with ASML's Roadmap, Technology Availability, Business Continuity (including financial stability) and the Performance of the Second Tier Suppliers.

Sustainability topics are a prerequisite to being an ASML supplier and are important aspects of the Quality performance. Within the mandate of the ISO 14001 Environmental Management System, ASML periodically reviews significant environmental aspects of the goods and services it uses. The company communicates all relevant procedures and requirements to suppliers and contractors.

As a part of supplier performance management our key suppliers are assessed quarterly on:

- *Health & Safety performance:* Key suppliers are assessed on their implementation of an adequate Health & Safety Policy, Health & Safety audits and the availability of an emergency response team.
- *Environmental performance:* Compliance with legal requirements, periodic internal audits, waste disposal policies, availability of Environmental Awareness Training for employees and a policy for achieving energy savings.
- As of 2008, we also started monitoring our suppliers' Corporate Social Responsibility performance: respect for Human Rights, compliance with legal aspects of working hours compensation, wages and benefits and checking that the Code of Conduct has been signed by all employees.

ASML works closely with 43 product-related key suppliers in a Supplier Account Team. These suppliers are responsible for 84 percent of total product-related spending. In these multi-disciplinary teams, the supplier performance is managed based on achieving a world class performance on all QLTC-aspects and their contribution to the success of our customers.

When gaps are discerned between the required and measured supplier performance, improvement plans are initiated and actively followed up. As we strive for long-term relationships we encourage suppliers to spread risk and to be active in different markets as well. Many ASML suppliers use knowledge and expertise learned from ASML in other markets. This mitigates risk for both parties and the supplier can increase its share of other markets.

Over the years we have seen an increase in product-related ASML suppliers with an Environmental Management System and a Health & Safety Management System. The 2008 Supplier Performance Measurement revealed that 97 percent of the key suppliers have an implemented and documented Health & Safety Management System, an increase of 2 percent compared to 2007. In addition, 90 percent have an implemented and documented Environmental Management System, up 10 percent compared to 2007, while 100 percent of these suppliers respect Human Rights. In 2008, no sustainability-related incidents were reported by our suppliers.

“Point One” program

A good example of ASML's social engagement with small and medium-sized enterprises is “Point One”. Two years ago this program of the Ministry of Economic Affairs was initiated to better align small and medium sized enterprises with the requirements of large firms. ASML is a company that intensively interacts with its suppliers and therefore embraced this program with the goal of structurally improving the performance of these firms. This will be realized by developing and implementing a generic Value Sourcing instrument, which will be a joint interface between the OEM and small and medium-sized companies.

Current small and medium-sized ASML suppliers use expertise and knowledge learned from our company to increase their market share in other markets. These suppliers are also translating ASML requirements to their own supply chain in order to develop a robust and sustainable supply chain that can deal with the volatility of the semiconductor market. These are important examples of Value Sourcing instruments that lead to shared success.

Society

Knowledge economy

One important contribution ASML makes to the society in which it operates is its active role in the development of the knowledge economy. Because of ASML's highly innovative character, Research and Development represents a substantial share of its cost base. R&D costs, net of credits, amounted to EUR 516 million in 2008. This amounts to EUR 74,477 of R&D investments per ASML payroll employee (in FTEs), which is the highest among large cap companies in the European Union. A large proportion of this R&D spending was generated in the Netherlands, which makes ASML the company with the second highest budget reserved for R&D in the private sector in the Netherlands. To develop new products, ASML recruits employees who meet our high standards. ASML also contributes to the local knowledge infrastructure with the intention of creating synergy between fundamental research and business opportunities. For example, the research conducted to design and develop our lithography machines resulted in several doctorates and many publications in prominent journals.

ASML also actively engages with universities in the Netherlands. As a tribute to retiring Supervisory Board Chairman Henk Boddé, a special Scholarship program was started in March 2007. A special fund provides 40 scholarships to outstanding Master's degree students at Eindhoven Technical University, covering tuition fees, living expenses and other costs. Throughout the two-year Master's program, ASML cooperates in student projects and joint research. After graduation, scholarship students are offered a three-year contract for a high technology job at ASML. A selection committee with representatives from Eindhoven Technical University and ASML awarded 32 scholarships in 2008. The students began their program in September 2008. 28 students started the program in 2007; this group is expected to start at ASML in the summer of 2009.

In the course of 2008 ASML expanded its scholarship program to other countries, including Japan, Taiwan, South Korea and China. The company has scholarship programs with Shanghai Jiao Tong University, Zhe Jiang University, Harbin Institute of Technology, Dalian University of Technology, Northwest Polytechnical University and Wuhan University (all in China), Kyungpook University, Hanyang University and POSTECH University (all in Korea). In Japan, ASML is working with the renowned Waseda and Keio Universities and offers students the opportunity of a brief internship at ASML during their studies. The first group of Japanese students have visited ASML in the spring of 2009.

In November 2008, ASML organized the 'ASML meets science' event, focused on Dutch university professors, to improve innovation and cooperation between a commercial industrial organization such as ASML and the academic world. The top technical scientists in the Netherlands gathered to get a taste of what ASML has in store and to brainstorm on the technical challenges we face. Building and improving relationships with professors makes ASML a more widely-known company, makes professors ambassadors for ASML and creates joint research and PhD projects within ASML.

Sharing knowledge is an essential element of ASML's company culture and we extend this culture through our contacts with universities. On a structural basis, we organize open days for students. We also sponsor programming contests on an ad hoc basis, such as Benelux Algorithm Programming Contest (BAPC); this is an annual algorithm programming contest organized by a Dutch university. To promote high-tech innovations, we take part in BiELat ("Business in the Eindhoven-Leuven-Aachen Triangle"). BiELat is a foundation that aims to create awareness of the need for innovation and creativity to stimulate strong economic progress and become a top technological region in the future. These sponsorships are just a few examples of the initiatives in which we are currently involved.

Recognition in the Netherlands

ASML was spotlighted in the Netherlands by the magazine *Bedrijvig Brabant (Entrepreneurial Brabant)*, which conducted a survey among 1,000 business leaders in the country's high-tech southern region. Some 27 percent of these business leaders chose

ASML as the best regional company, placing it well ahead of peers such as VDL Group (17 percent), a major industrial manufacturer, and Philips (10 percent), one of the world's leading electronics companies.

Corporate citizenship

ASML Foundation, which was established in December 2001, is an independent foundation that is registered in the Netherlands. The aim of ASML Foundation is to support efforts worldwide in the area of education and related activities in order to improve the quality of life of children and the underprivileged. In 2008, ASML Foundation donated over EUR 600,000 to more than 30 non-profit organizations in America, Asia, Africa and Europe. The foundation's total assets amount to approximately EUR 8 million.

The creation of this internationally-oriented foundation supports ASML's long-term commitment to the community by sponsoring initiatives that strengthen the ability of those groups that need support to improve their social and economic opportunities. ASML Foundation therefore funds defined education-related projects in line with its mission. Donations granted by ASML Foundation enable underprivileged groups to broaden their horizons, build better lives and become more self-reliant.

"Project Hope"

During 2008 several projects in China were supported by ASML Foundation. Two of these projects were executed under the China Youth Development Foundation via their program "Project Hope". This program covers several education-related initiatives. Among other efforts, ASML Foundation donated a grant

to improve IT facilities at a school in Ninxia Province. The funds will support the realization of both an IT education room and a Multimedia learning facility. With these facilities the students will be offered modern opportunities to improve their IT and international communication skills.

Environment

Management system

In conducting our business, we want to contribute to the sustainable development of our planet while maximizing the value of our shareholders' investment in the company. An Environment Management System (EMS) has been written, implemented and is maintained in compliance with the international ISO 14001 standard. The EMS of ASML is used as a tool for managing the impact of ASML's activities on the environment. It has provided us with a structured approach to planning and implementing environmental protection measures.

Apart from the assessment of the environmental impact of ASML's activities and the accompanying environmental protection measures, the most important component of the EMS is commitment of those at the very top of the organization. This commitment of ASML's CEO and Chairman of the Board of Management is recorded in our EHSS Policy. To achieve the EHSS objectives, ASML has integrated Environmental Management into its business planning and decision-making. Targets have been established and environmental performance is monitored on an ongoing basis. These targets include further investigations into improvements of energy management, noise levels, soil risk management, management of transportation, as well as improved training provisions and communication on environmental matters.

To check compliance with those standards, regular audits are performed by independent experts. We adopt new technologies and operating procedures with a view to improving environmental performance. ASML is subject to environmental regulations in areas such as energy resource management, the use, storage, discharge and disposal of hazardous substances, recycling, clean air, water protection and waste disposal. We have taken measures to comply with these regulations in the course of our business operations.

Since January 1, 2003, ASML has implemented an ISO 14001 certified environmental management system, starting with ASML locations in the Netherlands. From April 1, 2004, this system was applied to ASML activities worldwide. During global ISO 14001 re-certification audits in 2005, it was established that ASML complies with the new ISO 14001:2004 standard. The ISO 14001 certificate was granted to ASML on January 1, 2006.

Because the ISO 14001 certificate was due to expire on January 1, 2009, a recertification audit was performed in 2008. All production locations of ASML and a number of Customer Support / Sales locations worldwide were visited by the external audit company BSI-Global. During the 2008 ISO 14001 recertification audits, no major non-conformities were found. Continuous compliance with the ISO 14001 standard was confirmed by the external auditors. The certificate will be extended for another three years to January 1, 2012.

The ISO 14001 certificate covers all worldwide activities and locations, including marketing, design, sales, installation, product support and manufacturing of wafer steppers, scanners, optics and customized lithographic equipment.

ASML monitors international developments in occupational health and safety management systems and integrates common elements of these systems into its worldwide ISO 14001 certified environmental management systems. These elements include the environmental portion of the EHSS policy and corresponding policy manual, audits, training, standard procedures and reporting systems. Every ASML site shares its experiences. Based on these insights, best practices and procedures are adopted worldwide.

ASML has all the necessary environmental and safety permits for its buildings and operations at all locations. These permits are maintained, updated and checked for compliance in consultation with local authorities. No major non-compliance was found in 2008. ASML remains fully compliant with local legal requirements on environment and safety.

ASML has applied for new environmental permits for our location in Veldhoven (Environmental Management Act and Surface Water Pollution Act). In October 2008, ASML submitted an admissible application to the local authorities (Province of Noord-Brabant). Based on this application it is expected that new environmental permits will be granted in early 2009.

ASML enables its employees to gain awareness of environmental topics. More information on the combined EHS training can be found in the Health and Safety chapter.

Audit

Accountability and transparency can only be guaranteed by a well-designed audit process. ASML conducts annual routine EHS assessments, followed by corrective actions and regular management reviews, to monitor and ensure that our EHS procedures are operating effectively and efficiently.

In the countries in which we operate, our environmental management system is based on and certified according to ISO 14001. ASML regularly conducts both internal and independent external EHS audits to monitor compliance with EHS standards.

Internal audits

Internal ISO 14001 and EHS audits are performed regularly at ASML sites according to a worldwide audit schedule, and our internal auditors are trained to accepted standards. Audits are coordinated centrally but where possible, are conducted by local auditors. All non-compliances found during these internal audits have been properly addressed.

Much time was spent to investigate EHS aspects to fulfill applicable legal requirements during new construction activities at ASML in Veldhoven and at ACE in Linkou, Taiwan. We therefore reduced the number of internal audits in 2008 to a level which is sufficient to comply with ISO 14001.

	Number of internal ISO 14001 audits	2007	2008
	Asia	13	12
	Europe	18	10
	USA	15	12
	Total	46	34

	Number of internal EHS compliance audits	2007	2008
	Asia	0	6
	Europe	1	2
	USA	2	2
	Total	3	10

External audits

External audits are conducted by local authorities and by an external certification body (within the scope of ASML's ISO 14001 certified environmental management system). External auditors are accompanied by local EHS staff. In 2008, 16 external audits were performed. Two minor non-conformities were found which are currently being addressed, but no major non-compliance was found during these audits.

	Number of external audits	2007	2008
	Asia	3	3
	Europe	4	7
	USA	5	6
	Total	12	16

Environmental performance indicators

An aspect of the industry is the ever-increasing resource use of more advanced technologies. Not only do the technologies used in our lithography systems require more resources (e.g. more powerful lasers and cooling systems require more energy, immersion technology requires more water) but the manufacturing of the systems also requires more resources.

In 2008, we expanded our production facilities (cleanroom) in Veldhoven by approximately 25 percent. Furthermore, ASML's workforce grew by 5.3 percent in 2008. This has increased our consumption of resources and emissions.

Each year, the environmental indicators are calculated as the total resource use or total emissions divided by the total sales in the reporting year. The above-explained increase in resource consumption and emissions, coupled with the 21 percent decrease in sales in 2008 due to cyclical downturn and credit crisis, has led to a deterioration in the environmental indicators. This is illustrated in the figures below.

Consumption of resources

Materials used

ASML does not purchase many materials, as we assemble our systems mainly from pre-built components or refurbish old machines. ASML therefore does not keep track of the total of all material flows by weight. However, ASML does use some chemicals, mainly during the cleaning and testing processes. Cleaning at ASML is performed primarily with the help of solvents, but also by using ultrasonic water baths. Recently, a new cleaning material was introduced within ASML, which we expect will lead to a reduction in the use of solvents.

ASML machines are tested by processing wafers as if in a real semiconductor factory. For the coating and development of these wafers, chemicals are used in Process Labs on ASML premises. The use of these chemicals is monitored.

Optimizing the wafer cleaning machine

In 2008, ASML's Equipment Support production department conducted an investigation to optimize the working of the wafer cleaning machine. The purpose of this investigation was to minimize the amount of chemicals used and to improve wafer recycling efficiency. ASML tests its machines by coating, illuminating and developing wafers and checking

patterns on the wafers with the help of electron microscopes. At ASML, wafers are recycled (the coatings are removed with the help of wafer cleaning machines). The outcome of the investigation resulted in a 57 percent decrease in the use of chemicals during the cleaning of wafers within the wafer cleaning machine (this is about 10 ml / 25 wafers).

Electricity and fuel consumption

The total number of systems shipped by ASML decreased by 42 percent to 151 in 2008 from 260 in 2007, while total energy use increased by 3.2 percent year-on-year in 2008. The company's worldwide electricity consumption increased by 12.8 percent while fuel use decreased by 11.8 percent. The total energy consumption figure is calculated by taking the sum of energy from fuel consumption and energy from electricity consumption, minus the energy from electricity production in Veldhoven.

	Energy consumption (x 10 ¹² Joule)	2006	2007	2008
Electricity used		425	447	504
Fuels purchased		330	357	315
Subtotal		755	804	819
Energy cogeneration plant		48	54	45
Total		707	750	774
Energy use / net sales (10 ⁶ Joule / EUR)		0.20	0.20	0.26

Energy use and the energy efficiency indicator (energy use divided by net sales) both increased. As explained earlier, this was a result of the increased workforce, the expanded production facilities and the lower sales. The new facilities are state-of-the-art in terms of energy conservation. ASML traditionally continues to invest in new technology and production facilities during cyclical downturns in order to maximize benefit from cyclical upturns.

Energy consumption per region (percent of total energy consumption)	2006	2007	2008
Asia	0%	0%	0%
Europe	70%	70%	72%
USA	30%	30%	28%

Energy-saving measures

In 2008, energy conservation efforts were undertaken in Wilton and Richmond. Overviews were prepared of energy-saving measures already implemented. Audits were also performed to investigate additional energy reduction opportunities. Energy-saving measures include reduction of light in hallways and common areas, switching off lights and shutting down monitors

if no employees are present, as well as reducing the speed of exhaust fans by 50 percent on nights and weekends, turning off the coolant system at night and on Sundays and expanding the free cooling exchangers. In Richmond, the energy conservation efforts contributed to a 10 percent reduction in kilowatt hours compared with electricity use in 2007.

Cogeneration plant in Veldhoven

In Veldhoven, natural gas is used for the production of electricity in a cogeneration plant, which is also used as an emergency power plant and for cooling purposes. During several weeks in April and May 2008, one of the cogeneration plants was turned off in order to perform extra maintenance activities. In addition, the relatively high gas prices made it cheaper to buy electricity instead of producing it. This explains the decrease in production.

Cogeneration plant (x 10 ¹² Joule)	2006	2007	2008
Natural gas used	113	126	95
Electricity produced	48	54	45

Inert gas consumption

Total inert gas consumption increased by 31.4 percent in 2008 compared to 2007 due to the start-up of a new nitrogen plant in Veldhoven. The new immersion machine requires more nitrogen during operation, and the new plant was installed to assure continuous delivery of nitrogen to the ASML production facilities (including the new cleanroom). The new nitrogen plant is expected to deliver enough nitrogen to meet the needs of future ASML machines.

Inert gases (x 10 ⁶ m3)	2006	2007	2008
Nitrogen produced	6.23	7.77	10.91
Nitrogen bulk purchased	4.27	4.98	5.84
Specialty gases purchased	0.03	0.04	0.05
Total	10.53	12.79	16.80
Total inert gases / net sales (m3 / EUR 1,000)	0.029	0.034	0.057

Inert gas consumption per region (percent of total inert gas consumption)	2006	2007	2008
Asia	0%	0%	0%
Europe	61%	71%	80%
USA	39%	29%	20%

Water consumption

ASML is committed to containing and reducing its water consumption through comprehensive state-of-the-art re-use, recycling and other water reduction projects. All water used is tap water. Total water consumption at ASML increased by 27.1 percent in 2008 compared to 2007, while the number of employees at ASML increased by 5.3 percent in 2008 compared to the previous year. Water efficiency has deteriorated as a result of an increase in the workforce, as well as the mass adoption of immersion lithography machines (see economics — products section) which use ultrapure water between the lens and the wafer. In addition, extra ultra-pure water is also being used as we expand our production capacity in the new production building. Extra ultra-pure water is produced by extreme filtering of demineralized water. Due to this filtering, a relatively large amount of surplus water is sludged.

Tap Water	2006	2007	2008
Tap water consumption (x 1,000 m ³)	379	451	573
Water use / net sales (liters / EUR)	0.11	0.12	0.19

Tap water consumption per region (percent of total tap water consumption)	2006	2007	2008
Asia	0%	0%	0%
Europe	65%	70%	77%
USA	35%	30%	23%

Emissions

ASML monitors emissions and seeks to minimize or eliminate any adverse impact on the environment. The fluorine is captured from the specialty gases used in our lithography systems and the inert gases are emitted into the atmosphere. The fluorine traps are subsequently returned to the manufacturer for recycling. No ozone-depleting substances are used anywhere in the production process.

ASML's influence on energy consumption and therefore on the emission of greenhouse gases is threefold. First and foremost, the chips manufactured with its lithography systems consume energy when they are used. Secondly, the ASML systems use energy in the chip manufacturing process. And thirdly, the assembly and testing of these systems by ASML requires energy. The possibilities for reducing the amount of energy used by the systems themselves and their assembly and testing phase are constrained by the fact that the more advanced techniques require substantially more energy. The most important aspect of ASML's climate strategy is our R&D efforts aimed at minimizing this increase. But as shown by the energy consumption figures above, ASML's energy use and greenhouse gas emissions have still increased.

Air

Greenhouse gas emissions (most relevant gases are carbon dioxide and nitrogen oxide) are by-products of our combustion installations. The emissions of greenhouse gases are calculated directly from the consumption of fuels (direct emissions) and electricity (indirect emissions). Overall, greenhouse gas emissions increased by 6.3 percent in 2008 compared to 2007. The explanation for the increase in CO₂ emissions is the same as for the increase in energy use. The carbon emissions indicator (greenhouse gas emissions divided by net sales) increased, due in part to the lower sales.

	Emissions to air (x 10 ⁶ kilogram)	2006	2007	2008
CO ₂ direct (from purchased fuels)		24.89	26.94	24.33
CO ₂ indirect (from purchased electricity)		38.65	40.38	47.25
NOx direct (from purchased fuels)		0.01	0.02	0.01
Total emissions of greenhouse gases		63.55	67.34	71.59
Greenhouse emissions / net sales (tons / EUR 1,000)		0.18	0.18	0.24

	Emissions of greenhouse gases per region (percent of total emissions of greenhouse gases)	2006	2007	2008
Asia		0%	0%	0%
Europe		60%	68%	65%
USA		40%	32%	35%

ASML also measures the number of kilometers traveled by employees. However, these figures are not included in the total emission of greenhouse gases presented in the table above. The total amount of CO₂ emissions produced by employee travel is estimated to be 13,445 metric tons compared with 12,449 metric tons in 2007. Air travel accounted for 6,479 metric tons while 6,966 metric tons resulted from car travel.

Water

Production waste water in Veldhoven and Wilton is discharged via neutralization units. The level of acidity in the waste water after passing through the neutralization units is continuously monitored. In Veldhoven, the quality of discharged waste water is checked annually by an independent expert, according to legal requirements. There was no violation of the legal waste water quality standards in 2008.

In Veldhoven, approximately 15 percent of the total amount of discharged waste water is from toilets, sinks, etc; 35 percent is production waste water (discharged via neutralizing units) and 50 percent is displacement water from the cooling towers.

Waste

ASML strives to minimize waste and enhance efficiency in the use of materials throughout our operations. By maximizing our recycling efforts, we promote sustainable production practices and reduce landfill. ASML facilities in Veldhoven, Wilton and Tempe operate glass, paper and plastic collection and recycling programs. In addition, product shipping containers are returned to the company for re-use. At our Veldhoven facility, we separate foil from plastic waste and use a compressing machine that bales the foil. The foil is then separated by type of polymer (polyethylene and polypropylene) and recycled into granules ready for use by the plastic processing industry.

Non-hazardous waste materials decreased by 17.3 percent in 2008 compared to 2007. The 19.5 percent increase in hazardous waste can be explained by the increased use of chemicals due to extra testing activities in our process labs in Veldhoven mainly by the Technical Department. ASML's total waste disposal decreased by 13.6 percent in 2008, while the amount of waste disposed per EUR 1,000 of net sales increased by 8.8 percent.

	Waste materials (x 1,000 kilogram)	2006	2007	2008
Non-hazardous waste materials		960	1,149	950
Hazardous waste materials		73	128	153
Total waste materials disposed		1,033	1,277	1,103
Total waste materials disposed/net sales (kg/EUR 1,000)		0.29	0.34	0.37

Of all waste materials disposed in Veldhoven, 60 percent were re-used in 2008, a 4.8 percent decrease in comparison with the previous year. 40 percent is disposed of using energy conversion. ASML Netherlands B.V. is also required to comply with the

Dutch Packaging Decree. According to this decree, the amounts of packaging materials are recorded during importation and disposal.

Disposal of waste materials per region (percent of total disposal of waste materials)	2006	2007	2008
Asia	0%	0%	0%
Europe	97%	95%	94%
USA	3%	5%	6%

Re-use of packaging materials

In 2008, ASML in Veldhoven began donating used packaging materials to the nearby Maxima Medical Center. The packaging materials were obsolete for ASML modules and machines, and would therefore need to be disposed. Re-use of the packaging enables

the Maxima Medical Center to ship refurbished medical equipment to avoid damage to the equipment. This equipment is shipped to countries such as Romania and Ukraine, thereby increasing the use of advanced medical equipment in those countries.

Incidents

In 2008, two environmental incidents were reported. Both incidents took place at the Wilton location and were minor vehicular leaks to impervious asphalt pavement. In the first incident, approximately two liters of automotive antifreeze leaked from the faulty water pump of an employee's private vehicle. The second incident involved a break in a forklift hydraulic hose, from which around two liters of hydraulic fluid sprayed during a lifting operation. Both substances were quickly removed using standard absorbent material and containerized for proper disposal with our regular chemical waste hauler. Each incident was reported to the State of Connecticut's Department of Environmental Protection as required. No follow-up action from the regulatory agency is expected.

In 2006 and 2007, no environmental incidents were reported.

Environmental benefits for ASML customers

ASML's EHS experts investigate new technologies and screen new materials for potential chemical, physical or toxicological hazards to protect people and the environment. ASML strives to ensure that the amount of energy consumed to manufacture its products remains as low as possible. It is, however, inevitable that as the performance of ASML semiconductor lithography systems continues to increase, the systems need more energy to operate due to the more advanced lasers and cooling systems required. However, the continued development of our technology also enables ASML clients to reduce their energy use, thereby increasing overall energy efficiency. For example, technological evolution in the KrF product family has resulted in a 40 percent lower energy use per wafer pass since 2003. In addition, ASML's lithography systems consume less than 5 percent of the total energy needed to produce semiconductors.

The increasingly refined level of ASML's technology enables our customers to produce more advanced semiconductors. Using these semiconductors in industrial and consumer products often provides economic benefits, user-friendliness and increased safety. New generation semiconductors are typically smaller in size (which saves materials) and use less power per transistor (i.e. are more energy-efficient). When measured over the entire lifecycle of a semiconductor, almost all energy is consumed during the use phase. The manufacturing phase accounts for only a very small fraction.

Health and Safety

Management system

ASML strives to be a healthy organization with minimal absenteeism. ASML proactively addresses health issues and takes steps to improve and protect employee health. ASML values the well-being of its employees and acknowledges the importance of a proper work-life balance.

Accountability and transparency can only be guaranteed by a well-designed audit process. ASML conducts annual routine assessments, followed by corrective actions and periodic management reviews, to monitor and ensure that our health and safety procedures are operating effectively and efficiently. These are included in the compiled EHS audits. More information on these audits is presented in the environmental chapter.

Product safety

Product safety is a priority throughout a product's lifecycle. ASML is compliant with the law and ensures that safety measures are incorporated into equipment from the earliest design stage. Where equipment hazards cannot be designed out, steps are taken to integrate safeguards into the system. This is done to ensure that no single failure or operator error can lead to hazardous exposure of the operator, facility personnel or the environment.

ASML's product safety standards include applicable regional regulations and the SEMI S2 Safety Guidelines for semiconductor manufacturing equipment. These standards address chemical, radiation, electrical, physical, mechanical and environmental hazards, as well as fires and explosions, earthquake protection, ventilation, exhaust and ergonomics. In 2008, ASML started a program to comply with Regulations on Hazardous Substances (RoHS) regulations. This program complies with the legal due dates and demands. For new products, multi-discipline EHSS reviews were organized to determine risks in the development process and to determine necessary control measures.

Prevention

Through comprehensive safety training, safety practices, control of workplace hazards and design-for-safety principles, ASML aims to achieve a zero occupational injury rate at its facilities. If an incident does occur, procedures are in place for providing emergency help and effective investigation. The main risks associated with our business are:

- High-intensity laser systems
- High-voltage apparatus
- Packing and transportation of machines and modules (large machines used for lifting heavy equipment)
- Use of hazardous substances (flammable/explosive, toxic and chemically aggressive gases and liquids)

The risks are controlled by several measures, including training, inspections, instructions, risk assessments and communication about risks. Through audits and incident investigations, possibilities for improvement are detected and implemented. State-of-the-art techniques for machine safety have been implemented in the new cleanrooms and in new products.

EHS training

ASML ensures that employees know how to respond in the event of an emergency, such as a fire or earthquake. Designated Emergency Response Teams (ERTs) have been appointed worldwide and are trained to assist and lead other employees during dangerous situations. These teams are trained in first aid, building evacuations and firefighting.

In Veldhoven, the emergency response team has approximately 100 participants. Members are trained and certified to act in the event of fire and evacuations; they can provide first aid, use an automatic external defibrillator and perform reanimation procedures. In 2008, a new emergency response plan for ASML Netherlands B.V. was developed and successfully implemented.

ASML offers two online computer-based training (CBT) courses on EHS subjects that are available for employees via ASML's Online Academy: General Introduction to EHS and Technical EHS Training.

These courses have been developed to execute basic EHS training efficiently, consistently and globally. The CBT General Introduction to EHS is intended for all ASML employees and covers EHS topics for employee awareness. In 2007, the CBT courses for EHS were made obligatory for all employees, which explains the high level of participation in that year and the decrease in numbers in 2008. In 2008, 1,471 ASML employees worldwide were trained in this first course, down from 3,249 in

2007. The second course covers EHS aspects for employees with technical jobs, including those in cleanrooms. In 2008, 1,028 ASML employees worldwide completed the second EHS module, down from 3,066 in 2007. Since the introduction of the CBTs, 6,524 employees have successfully completed the first module and 5,867 employees the second module.

At the main sites, formal health and safety committees supervise health and safety programs. Both management and employees are represented. There are two such committees in Veldhoven, with a total of 15 members.

Incident reporting

Events or situations that must be reported include injuries requiring medical attention, fires and/or explosions and chemical leakages. Near misses, accidents and other incidents are reported by means of an incident report, which is investigated by the EHS department. ASML is also required to report serious incidents to the relevant authorities within 24 hours. In 2008 no major accidents occurred.

ASML increased its workforce by 5.3 percent in 2008, while the number of reported incidents within the company involving payroll and temporary employees during working hours decreased by 14 percent to a total of 60. Of these incidents, 33 were minor, requiring only first aid, while 27 were recordable incidents, none of which were fatal. One of the incidents led to a EUR 18,000 fine. A recordable incident is an event whereby the employee:

- Requires medical treatment beyond first aid
- Has a recordable injury or illness as defined by a physician or other healthcare provider
- Cannot return to work (lost work days)
- Is transferred to another job (restricted work days)
- Loses consciousness
- Is fatally injured.

In 2008, ASML reported an incident rate of 0.46 (incidents per 100 full-time employees working a full year) compared to 0.49 in 2007 and 0.7 in 2006. This means that workplace safety at ASML continues to improve. The downward trend of the company's incident rate can be explained by the higher number of reports describing and analyzing near misses. More time is spent on taking measures and on giving feedback and communication about incidents, with the intention of solving problems before serious accidents can occur. ASML's incident rate is well below the SEMI's average rate.

Illness prevention

Within ASML there are several initiatives to help prevent and reduce illness. ASML seeks to optimize employment conditions worldwide. This is reflected in how it handles issues such as the no-smoking policy, employee fitness promotion, repetitive strain injury prevention, lifting of heavy objects and stress management. Employees are provided with ergonomically-optimized workplaces and workstations and, upon request, ergonomic advice is provided at each of the main sites to any employee suffering from work-related discomfort. Additionally, flu prevention shots have been made available to all employees and administered by the company doctor to minimize sickness during the winter flu season.

For employees reporting ill, ASML focuses on ensuring that they recover as quickly as possible and are able to safely return to work. ASML has a system for sick leave monitoring and active reintegration policies. Wherever necessary, opportunities to adjust employee workloads are provided. In certain cases, systems and equipment are put in place to enable employees to work from home on special assignments.

Company doctors are available on site in Wilton and in Veldhoven. These doctors also play an active role in preventing work-related illnesses and in reintegrating employees who have become injured from work or non-work related accidents. ASML seeks to recognize potential risks to employees in senior and managerial positions at an early stage. Annual voluntary health check-ups are available for those aged 40 and over. Risk assessments are done on a periodic basis to determine work-related risks involving serious diseases. If necessary, risk control programs are implemented.

Absenteeism

Due to different treatments of absenteeism among the countries in which ASML operates, no comparable company-wide figure is available. An overview of absenteeism per region can be seen in the table below:

Absenteeism per region	2006	2007	2008
Asia	0.3%	0.3%	0.7%
Europe(*)	3.0%	2.9%	3.0%
USA	2.7%	2.7%	2.7%

* This number represents 94 percent of the total employees working in Europe

Employees reporting ill in the Netherlands are contacted by phone by a medically qualified absence coordinator from the Dutch Occupational Health and Safety Service, who evaluates the employee's symptoms and estimates his or her recovery time. The coordinator keeps the employee's direct supervisor informed about the status of the absent employee. Coordinators are able to determine whether an employee should be referred to the company doctor. This process helps assess illness-related absences and provides insight into employees' symptoms and complaints. In the United States and Asia, a sick pay benefits policy is in place and benefits are contingent upon the employee maintaining regular contact with his or her supervisor. Absenteeism is well below the Dutch average and the sector's international average.

Social

In the second half of 2008, ASML observed a sharp decline in new orders in addition to requests from customers to postpone backlog system deliveries. This is expected to translate into substantially lower sales in the first six months of 2009. Although ASML had already taken steps to anticipate a sales decline with the Integral Efficiency 2010 and IE² programs, these efficiency and cost-cutting actions were not sufficient in the rapidly deteriorating environment. We needed to cut deeper into our cost base. ASML therefore decided to resize the company, save two strategic parts of the business. All strategic R&D projects will be continued and we plan to maintain a level of manufacturing capacity to ramp production to customer needs without lengthy lead times, as the lithography market may pick up quickly once end-product demand recovers. To achieve these objectives, by the end of the second quarter of 2009 we will have reduced our total workforce by around 12 percent compared to the third quarter of 2008, or approximately 1,000 employees. In Veldhoven, where we have historically voluntarily maintained a very high proportion of temporary workers, we have been able to restrict our restructuring mainly to temporary staff. In our facilities in Wilton and Tempe, where we do not have the same proportion of temporary workers, we were forced to lay off payroll employees. Almost all affected employees in R&D, Manufacturing and Customer Support, where most of the cuts took place, were informed in face-to-face meetings prior to the public announcement. A limited number of jobs within these groups as well as others were still under scrutiny at the time of the announcement and those impacted will be contacted as soon as possible. ASML still has an extensive pool of flexible contracts and we intend to avoid forced redundancies. The most significant effects of the current global financial market crisis and economic downturn for ASML's workforce can be found in the Form 20-F, Item 4A, 'History and development of the company'.

In the Netherlands, ASML is participating in the earlier-mentioned Labor Time Reduction Program. ASML also plans to shut down the production facilities for a total of four weeks, spread over the first and second quarters of 2009. Furthermore, initiatives were taken to postpone salary increases in early 2009 to a later date, in order to protect employment throughout the company. A similar program will be implemented at our Wilton site and at certain field locations. This is referred to as the Shared Work Week program, whereby employees in Manufacturing & Planning adhere to a four-day work week. This has received approval from the State of Connecticut from January until June 2009 and can be extended, upon approval, for another six months.

Employment overview

ASML supports the general principles of the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the ILO. ASML has a zero-tolerance policy on any form of discrimination by any of our employees. We provide equal opportunities in recruiting, hiring, education, promotion and compensation without discrimination for race, color, gender, age, religion, political opinion, nationality or social origin. We only profile employee characteristics to meet established governmental policies for promoting equality of employment opportunities or when it relates to the inherent requirements of a job. We respect the different cultural identities of our employees.

Headcount

As of 31 December, 2008, ASML's workforce totaled 6,930 FTEs worldwide, an increase of 5.3 percent compared to 2007. The table below shows ASML's workforce by region and gender:

	Asia	Europe	USA	Total
Number of payroll employees in FTEs	1,395	3,858	1,677	6,930
Female %	13	10	13	11
Male %	87	90	87	89

Women make up 11 percent of ASML's entire workforce, which is 1 percent below the 2007 level. The so-called gender gap typically found in technology companies worldwide is also present at ASML. The company mainly recruits people with technical backgrounds and women are historically under-represented in technical studies internationally. In accordance with our remuneration policy, male and female employees are equally compensated regarding salary, bonuses and share of dividends.

The table below shows the breakdown by age of the FTEs of ASML:

Age group	Asia	Europe	USA	Total
20-30	489	583	157	1,229
31-40	733	1,785	503	3,021
41-50	152	1,153	554	1,859
51-65	21	337	463	821
Total	1,395	3,858	1,677	6,930

The breakdown of ASML employees is shown below by FTE distribution over the company's main sectors.

Main sectors	Total FTE Asia	Total FTE Europe	Total FTE SA	Total FTE 2008
Business Units	123	98	356	577
Customer Support	1,013	602	701	2,316
Development & Engineering	14	1,321	232	1,567
Manufacturing & Planning	36	1,041	214	1,291
Supply Chain Management	63	294	63	420
Other	146	502	111	759
Total	1,395	3,858	1,677	6,930

In addition to the 6,930 payroll employees in FTEs, there are 1,329 temporary employees in FTEs. The largest group of employees is Customer Support, which provides services 24 hours a day to customers worldwide. Activities include installation of tools, maintenance and repair based upon service contracts and application support.

Employee turnover

In 2008, ASML added 348 new employees. Due to the economic situation, ASML had to cope with significantly lower demand for ASML systems in the third and fourth quarters. The influx of new employees stabilized during these months. In total, ASML recruited 794 new employees in 2008, compared to 1,170 in 2007. ASML achieved this growth without compromising its requirements and standards for new employees.

ASML's employee turnover in 2008 was 6.4 percent, compared to 5.2 percent in 2007. The employee turnover per region is shown in the table below:

	Asia	Europe	USA	Total
Non Voluntary	12	66	60	138
Voluntary	80	129	93	302
Total	92	195	153	440

Talent attraction and retention

From an absolute recruitment peak in 2007, when demand for new employees exceeded supply, ASML faced a decrease in new vacancies in the last quarter of 2008. Meanwhile, job seekers took a cautious stance, which resulted in a lower number of applicants. In 2008, nearly 10 percent of all ASML applicants were hired in the Netherlands.

ASML is a company with a high level of cultural diversity, which attracts talent from all over the world. This is reflected in the pool of newly hired employees. The table below shows the nationalities of the new hires in 2008.

Nationality	Number of employees hired	Percentage
Dutch	370	46.6%
Chinese	85	10.7%
Taiwanese	83	10.5%
American	76	9.6%
Japanese	48	6.0%
Korean	31	3.9%
Rest of World (27 nationalities)	101	12.7%
Total	794	100%

In early 2008, ASML launched a new campaign to maintain the employer brand of ASML and to generate good quality applicants for specific vacancies. An integrated approach took the place of extensive media exposure. The campaign, whose central theme was 'for engineers who think ahead', informs target audiences about ASML's unique technology, culture and opportunities and is aimed at motivating people to learn more about the company. This was considered preferable over a straightforward recruitment campaign which would be ineffective in the current economic downturn. The campaign used a variety of tools to reach qualified candidates, including print and online advertisements, national career events, business days at universities, trade fairs, online job boards, direct email, Google ad words, recruitment and executive search agencies and the www.careers.asml.com website. This multi-channel approach reaches a range of audiences and creates additional awareness of career opportunities at ASML. Tactics such as meet and greet for experienced engineers and the ASML professor day complemented the efforts.

The added value of public relations focused on the ASML employer brand is high. In times of limited budgets, public relations are even more important because of their credibility. Our future employees form their opinion on ASML based on many sources; what they hear from our own employees at exhibitions for instance, but also what they read in the technical journals and in the newspapers. Articles explaining our technology and demonstrating our technological leadership make us an interesting future employer. However, a half-page article in a major newspaper on our advanced technology, for example, will also reinforce their opinion of ASML. In 2008, the number of items and articles covering ASML increased by 50 percent compared with 2007, which was already a top year. In addition, these stories were published in publications with much higher circulations, which means ASML articles were reaching four to five times as many readers, viewers and listeners. Most of the increase was the result of stories focused on ASML's leading and innovative technology, rather than financial results. This resulted in more informative articles, with the added advantage that technology stories have a much bigger effect on our image as an employer of choice for our target audiences than our financial results.

ASML wants to be visible as a company, in order to make technological innovations possible. Cleanroom tours, business cases, lectures at universities and online videos were very much appreciated and helped to explain technical challenges for engineers who think ahead.

ASML's referral program is another component of our recruitment campaign. Current ASML employees often have access to a wide network of potential candidates, and ASML offers a monetary reward to employees who refer a candidate who is hired. The program is one of ASML's most successful channels for hiring. In 2008, 25 percent of all new employees in the Netherlands were hired via the referral program.

ASML uses a web-based recruitment system, Mr. Ted TalentLink, worldwide. This system supports the Candidate Relationship Management approach that enables ASML to build a candidate database of talent in the labor market. The system supports the workflow when filling vacancies. It provides recruitment metrics and helps meet staffing needs worldwide as efficiently as possible by publicizing job openings internally and externally. It also allows consolidation of feedback from interviews.

A qualitative talent pool is essential to develop and sustain long-term relationships with our target audiences in order to create significant value for both parties. Futurescan, a periodical style career newsletter, is aimed at informing the talent pool about technical developments and challenges within ASML in order to make us the employer of choice for better times to come. The focus will be on developing means for attracting the best, followed by messaging and communication with the talent pool.

In addition to recruiting new employees, retaining people who already work for ASML is critically important. The following table breaks down the ASML workforce by years of employment. As can be seen, the ASML workforce is evenly spread in this regard.

Years of employment	Asia	Europe	USA	Total
< 2	535	985	237	1,757
2 — 4	435	616	287	1,338
5 — 9	298	1,095	375	1,768
10 — 14	122	874	493	1,489
15 >	5	288	285	578
Total	1,395	3,858	1,677	6,930

Existing knowledge is leveraged throughout the company but it also increases employee motivation. ASML employees are regularly sent abroad to work temporarily at another facility. An overview of these cross-border assignments is shown below.

Home Region	Host Region			USA	Total
	Asia	The Netherlands	Rest of Europe		
Asia	24	41		3	68
The Netherlands	54		10	12	76
Rest of Europe	3	2			5
USA	14	17	1		32
Total	95	60	11	15	181

Career development

ASML strives to reward employees competitively for their performance and provide motivating working conditions, including coaching, training and personal career development programs. The responsibility for development and learning is shared by employees, managers and HR&O staff. ASML employees are encouraged to take the initiative for their own career development and learning. Managers and HR&O staff are responsible for supporting initiatives towards development and learning within ASML. These include:

- Performance management
- Leadership review process
- Leadership development programs
- Job-oriented training

ASML wins Dutch Employer of the Year award; highest employee satisfaction score ever

Dutch business magazine Incompany has named ASML the best employer of 2008 in the Netherlands. This is the result of its annual survey among over 6,500 employees at the biggest companies in the country. Not only does ASML lead the top hundred, it does so with a new record score: 7.9. Awards like this contribute greatly to ASML's image on the labor market, which helps ASML to attract the right people for its vacancies (now, but certainly in the future). On behalf of Incompany, Blauw Research measures employee satisfaction and the internal reputation of companies on four fronts: job function (ASML score: 7.98), salary

and benefits (ASML score: 7.96), career (ASML score: 7.61) and culture (ASML score: 8.04). ASML's scores are unique. Not only is the company new to the top 10, never before has any company scored higher than 7.6 overall. Employer Branding is all about improving the image of ASML with future employees. In addition to what our own employees said about ASML in the InCompany survey, the Dutch magazine Intermediair (aimed at higher educated professionals up to age 45) investigated which company is seen as the best employer by possible future employees. This year, ASML rose from number 34 on the list to number 25.

Performance management

ASML employees in job grades below director level receive regular performance reviews. This performance management system is supported by a web-based IT application for objective setting, career- and personal development, mid-year reviews and

performance appraisal. This approach also includes the ASML Competency Model that seeks to develop the ability to perform effectively in certain situations or to perform tasks against set targets. This competency set is based on input from 250 managers and employees worldwide and comprises 34 competencies. All jobs are categorized into seven job families: Manager, Project/Program Manager, Engineer, Operations, Business Partner, Expert and Support. For each job family a set of nine competencies is selected from the 34 ASML competencies and is added to the two generic ASML competencies. These sets of competencies are used for objective setting, performance review and development.

In 2008, personal Development Action Plans were developed for most employees below Director level. The plans included such topics as targets and opportunities for development, career direction and job improvement initiatives. Nearly 100 percent of employees received performance appraisals during 2008 (appraisals were not mandatory for employees who joined ASML after September 1).

Leadership review process

The Leadership Review Process identifies leadership talent and potential within ASML. It is used to review employees in senior and executive job grades (i.e., anyone at Director level and above) as well as those in lower job grades who show high leadership potential.

To support this Leadership Review Process, a renewed ASML Leadership Model was defined and piloted in May and June 2008. In this pilot, all Executive Committee members reviewed their direct reports on the four competencies in this Leadership Model, assessed their strengths and development areas (related to leadership behavior), and indicated their potential for growth within ASML. This will result in individual Career and Development Action Plans for all. The four ASML Leadership Competencies include: Achieve Great Results, Shape The Future, Motivate & Lead Others, and Leverage Own Strengths.

Given the positive feedback on this pilot, the Executive Committee confirmed the ASML Leadership Model, as a result of which all employees in tiers one, two and three within ASML will be reviewed (600+ employees). Following calibration meetings at sector level to baseline the assessments by peer-level managers, individual feedback will be given to each employee. This discussion also focuses on finalizing each Career and Development Action Plan and making it specific, measurable and time-bound.

As of 2009, the Leadership Review Process will become an annual process, enabling ASML to:

- Effectively identify and develop internal (and local) talent
- Staff key vacancies more frequently with internal talent
- Drive cross-sector and cross-functional career moves.

In 2007, corporate critical positions were identified and succession plans for these positions were established. Individuals with technical and/or managerial leadership talent were identified and discussed by the executive management of ASML and Development Action Plans were defined for each. The aim is to retain and develop intellectual capital and technical and managerial talent.

Leadership development

As previously stated, the content of the Career and Development Action Plans will address leadership development actions at the individual level. To further facilitate leadership development within ASML in general, a Leadership Program is under development that will be rolled out in the second half of 2009. This program will include everyone in a key leadership role in ASML and is designed to establish a common leadership style, focus and understanding within the company.

Currently (and pending the implementation of the above-mentioned Leadership Program), ASML offers one corporate leadership development program for talented employees who have the potential for growth beyond their current level (i.e. to Manager level or above). This Tactical Leadership Program (TLP) allows participants from many different disciplines, locations and backgrounds to obtain broader knowledge and new skills and to work together in cross-functional project teams for action learning. The program facilitates integration across regions and disciplines within ASML. It is aimed at relatively new managers and includes modules on Self Leadership, Thought Leadership, People Leadership and Results Leadership. In 2008, a total of 53 nominated participants attended three programs in Europe, the United States and Asia.

Job-oriented training

ASML's philosophy on training is that 70 percent takes place "on the job" and 30 percent is achieved through specific training and coaching. ASML encourages employees to enhance their job-oriented skills by attending training workshops or programs at accredited educational institutions. These range from personal effectiveness workshops and personal computer training to technical, non-product-related education.

In 2007, ASML invested in a worldwide learning management system (LMS) to manage functional skills development for large groups of people in Customer Support and Manufacturing sectors.

For the non-product-related training programs more than 530 programs were attended by 7,000 employees in 2008, compared to 500 training programs attended by 6,300 employees in 2007. This number excludes several broadly implemented CBTs, in which large groups of employees participated (Anti-Trust: 2481 participants; Intellectual Property Awareness: 5,100 participants; Code of Conduct: 5,800 participants; Sexual Harassment (in the United States): 1,750 participants).

In the Wilton facility employees were supported by partial funding from the Advanced Manufacturing Grant, a state subsidy from Connecticut for in-state training. In 2008, a total of 1,977 attendees completed a course or worked on a project covered by the grant, up from 1,300 in 2007. Employees were trained in various lean manufacturing techniques as well as Six Sigma quality practices. The Advanced Manufacturing Grant ended in June 2008.

The learning@asml platform, launched in 2005, facilitates the search and selection of training. This platform includes a self-assessment module and a training catalogue with search options. It was used about 26,300 times in 2008, or an average of about four times per employee (payroll only).

In 2008, ASML spent approximately EUR 5.2 million on training, amounting to approximately EUR 750 per payroll employee. On average, each employee received 32 hours of training. The table below shows an overview of the most attended internal courses by ASML employees per region in 2008:

Training	Asia	Europe	USA	Total
1 Project Management — PSI	11	551	142	704
2 Kaizen Quality Training			225	225
3 Complete BOM (new way of working for engineers)			206	206
4 Introduction course Veldhoven		201		201
5 NX3 Ref Sets & Misc. (Bryan Root)			198	198
6 VLSI Lithography		147		147
7 Management 1		144		144
8 Component Design for Vacuum Testing			133	133
9 Introduction on (Ultra) High Vacuum		131		131
10 SPC Statistical Process Control			124	124

Employee involvement

ASML is committed to keeping its workforce involved in its business decisions. In the Netherlands, consultation and negotiation with employee representatives is organized through the works council, as required by law. Our employees are represented in Korea by the Labor Management Council and in France by the Comitée d'Entreprise.

Motivation and performance

ASML's worldwide compensation and benefits framework and benchmarking methods help us to respond effectively to local market trends. It ensures that our employees have competitive and transparent compensation and benefits packages in each country in which we operate. ASML motivates its employees by recognizing and rewarding their performance at a competitive level.

ASML benchmarks compensation packages annually in order to monitor competitiveness on a country-by-country basis. The benchmark focuses on base salary including guaranteed payments, variable payments and long-term incentives. Based on survey findings, ASML has been able to define adjustments to benefits packages if required, as well as the costs of such adjustments and whether a local or international pooling approach would best serve ASML's needs. As a result, ASML can confirm that it offered competitive benefits packages at all locations in 2008.

Share-based payment plans

In 2007 ASML launched new share-based payment plans offering employees a choice between stock, stock options or a combination of both. The new share-based payment plans divide the employees into two categories, senior management excluding the Board of Management and other employees who are not part of the Board of Management or senior management. Each year, the Board of Management determines the total number of awards that can be granted in that year. The determination is subject to the approval of the Supervisory Board of ASML. These plans were continued in 2008.

GRI Information

Disclosure on Management Approach

	Materiality	Responsibility	Objectives and performance
Economic	<ul style="list-style-type: none"> - Economic performance - Market presence - Indirect economic impacts 	<ul style="list-style-type: none"> - Board of Management - Supervisory Board 	<ul style="list-style-type: none"> - AR
Environmental	<ul style="list-style-type: none"> - Energy use - Water use - Emissions - Effluents - Waste 	<ul style="list-style-type: none"> - EVP Operations - EHSS Board 	<ul style="list-style-type: none"> - Section: Environment
Labor	<ul style="list-style-type: none"> - Employment - Labor relations - Occupational Health & Safety - Training & Education; - Diversity 	<ul style="list-style-type: none"> - Board of Management; - HRM Officer 	<ul style="list-style-type: none"> - Section: Corporate Profile — Principles Social
Human Rights	<ul style="list-style-type: none"> - Non-discrimination; - Freedom of Association; - Complaints 	<ul style="list-style-type: none"> - Legal Officer 	<ul style="list-style-type: none"> - Section: Corporate Profile — Principles
Society	<ul style="list-style-type: none"> - Community; - Corruption; - Public policy; - Anti-Competitive behavior; - Compliance 	<ul style="list-style-type: none"> - Board of Management - Legal Officer 	<ul style="list-style-type: none"> - Section: Corporate Profile — Governance and Management — Governance
Product Responsibility	<ul style="list-style-type: none"> - Customer Health & Safety; - Labeling; - Communications; - Compliance 	<ul style="list-style-type: none"> - EVP Operations 	<ul style="list-style-type: none"> - Section: Health and Safety — Product safety

Policy	Training	Monitoring
- AR	Not required by G3	Not required by G3
- Section: Environment - Sustainability charter	- Section: Environment — Management system	- Section: Environment — Audit
- Complaints Procedure	- Section: Health and Safety — EHS training	- Section: Health and Safety — Management system -Whistleblower's Procedure
- Principles of Ethical Business Conduct and Internal Guidelines - Complaints Procedure	- Section: Corporate Profile — Governance and Management — Governance	- Three Complaint Committees
- Anti Fraud Policy - Principles of Ethical Business Conduct and Internal Guidelines - Whistleblower's procedure	-Section: Corporate Profile — Governance and Management — Governance	- Section: Corporate Profile — Governance and Management — Governance
- Section: Health and Safety — Product safety	- Section: Health and Safety — Prevention	- Section: Health and Safety — Management system

GRI Table

Strategy and analyses

1.1	CEO statement	To our stakeholders
1.2	Key impacts, risks, and opportunities	Corporate Profile → About ASML

Organizational profile

2.1	Name of organization	Contents
2.2	Products and services	Corporate Profile → About ASML
2.3	Operational structure	Corporate Profile → About ASML
2.4	Location headquarters	Corporate Profile → About ASML
2.5	Countries where located	Corporate Profile → About ASML
2.6	Nature of ownership and legal form	www.asml.com → Corporate Governance → Corporate Governance Chapter
2.7	Markets	Corporate Profile → About ASML
2.8	Size of operations	Corporate Profile → About ASML / Economic → Financial flows → Five-year overview / Social → Employment overview → Headcount
2.9	Organizational changes	Not applicable
2.10	Awards	Economic → Customers → TSMC's Supplier Excellence Award / Deshima Award / Social → Career development → Dutch Employer of the Year award

Reporting parameters

3.1	Reporting period	Corporate Profile → About this report
3.2	Previous report	Corporate Profile → About this report
3.3	Reporting cycle	Corporate Profile → About this report
3.4	Contact person(s)	ASML Contact Information
3.5	Process report content	Corporate Profile → About this report
3.6	Scope	Corporate Profile → About this report
3.7	Scope limitations	Corporate Profile → About this report
3.8	Basis for reporting on joint ventures	ASML does not participate in any joint ventures
3.9	Data measurement techniques	Corporate Profile → About this report
3.10	Re-statements	Not applicable
3.11	Reporting changes	Corporate Profile → About this report
3.12	Standard Disclosures	Disclosure on Management Approach / GRI Table
3.13	Policy external assurance	Corporate Profile → About this report

Governance, Commitments, and Engagement

4.1	Governance structure	Corporate Profile → Governance and Management → Organization
4.2	Chair of the highest governance body	Corporate Profile → Governance and Management → Organization
4.3	Independent members	www.asml.com → Corporate Governance → Supervisory Board
4.4	Mechanisms for shareholders and employees	www.asml.com → Corporate Governance → Code of Conduct
4.5	Remuneration highest governance body	www.asml.com → Corporate Governance → Board of Management
4.6	Processes to ensure conflicts of interest are avoided	www.asml.com → Corporate Governance → Code of Conduct
4.7	Expertise highest governance body	www.asml.com → Corporate Governance → Board of Management
4.8	Internally developed statements	www.asml.com → Corporate Governance → Code of Conduct
4.9	Procedures of the highest governance body	www.asml.com → Corporate Governance → Board of Management
4.10	Performance highest governance body	www.asml.com → Corporate Governance → Board of Management
4.11	Precautionary approach	Corporate Profile → Principles
4.12	Externally developed principles	Corporate Profile → Principles
4.13	Memberships in associations	Corporate Profile → Principles
4.14	List of stakeholder groups	Corporate Profile → Stakeholder dialogue
4.15	Identification and selection of stakeholders	Corporate Profile → Stakeholder dialogue
4.16	Approaches to stakeholder engagement	Corporate Profile → Stakeholder dialogue
4.17	Key topics through stakeholder engagement	Corporate Profile → Stakeholder dialogue

Economic Performance Indicators

EC 1	Direct economic value	Economic → Financial flows → Five-year overview
EC 2	Financial implications due to climate change	Economic → Financial flows → Environment-related expenditure
EC 3	Coverage benefit plan obligations	Annual Report 2008
EC 4	Financial assistance received from government	Economic → Financial flows → Government-related payments
EC 6	Locally-based suppliers	Economic → Suppliers → Value sourcing: Working with suppliers
EC 7	Local hiring	Not applicable; ASML is a technology-intensive company and sources workforce globally
EC 8	Infrastructure investments and services provided for public benefit	Economic → Society → Corporate citizenship

Environmental Performance Indicators

EN 1	Weight of materials used	Environment → Consumption of resources → Materials used
EN 2	Recycled input materials	Environment → Consumption of resources → Materials used
EN 3	Direct energy consumption	Environment → Consumption of resources → Electricity and fuel consumption
EN 4	Indirect energy consumption	Environment → Consumption of resources → Electricity and fuel consumption
EN 8	Total water use	Environment → Consumption of resources → Water consumption
EN 11	Location land in protected areas	Not applicable
EN 12	Significant impacts on biodiversity	Not applicable
EN 16	Direct and indirect greenhouse gas emissions	Environment → Emissions → Air
EN 17	Other relevant indirect greenhouse gas emissions	Not applicable
EN 19	Emissions of ozone-depleting substances	Environment → Emissions
EN 20	NOx, SOx air emissions	Environment → Emissions → Air
EN 21	Total water discharge	Environment → Emissions → Water
EN 22	Total weight of waste by type and disposal method	Environment → Emissions → Waste
EN 23	Total spills	Environment → Incidents
EN 26	Initiatives to mitigate environmental impacts	Environment → Environmental benefits for ASML customers
EN 27	Products reclaimed at end of products' useful life	Economic → Products → Overview of products
EN 28	Monetary value of significant fines	None in 2008

Social Performance Indicators

Labor Rights and Decent Work

LA 1	Breakdown of total workforce	Social → Employment overview → Headcount
LA 2	Employee turnover	Social → Employment overview → Employee turnover
LA 4	Employees covered by collective bargaining agreements	Social → Employee involvement
LA 5	Minimum notice period(s) regarding operational changes	Compliance with local laws and regulations
LA 7	Rates of injury, occupational diseases, lost days, and Absenteeism	Health and Safety → Incident reporting / Illness prevention / Absenteeism
LA 8	Risk-control programs regarding serious diseases	Health and Safety → Illness prevention
LA 10	Training per employee category	Social → Career development → Job-oriented training
LA 13	Gender breakdown of governance bodies	Supervisory Board has seven members; one is female. All four members of ASML's Board of Management are male.
LA 14	Ratio of basic salary of men to women	Social → Employment overview → Employee turnover

Human Rights

HR 1	Significant investment agreements that include human rights clauses	Not applicable
HR 2	Screening of suppliers on human rights	Economic → Suppliers → Value sourcing: Working with suppliers
HR 4	Incidents of discrimination	None reported
HR 5	Operations identified where freedom of association and collective bargaining may be at risk	None identified
HR 6	Operations identified as carrying risk for incidents of child labor	None identified
HR 7	Operations identified as carrying risk for incidents of forced or compulsory labor	None identified

Society

SO 1	Impact on communities	Economic → Society → Corporate citizenship
SO 2	Number of business units analyzed for risks related to Corruption	All business units analyzed
SO 3	Employees trained in organization's anti-corruption policies and procedures	Corporate Profile → Governance and Management → Governance
SO 4	Actions taken in response to incidents of corruption	Corporate Profile → Governance and Management → Governance
SO 5	Public policy positions and participation in public policy development	Dedicated senior manager performs this function
SO 8	Monetary value of significant fines	Corporate Profile → Governance and Management → Governance / Health and Safety → Incident reporting

Product Responsibility

PR 1	Improving health and safety impacts across the life cycle	Health and Safety → Product safety
PR 3	Product information and labeling	ASML systems have extensive manuals covering all aspects of operation
PR 6	Marketing communications	Practices comply with SEMI industry organization
PR 9	Monetary value of significant fines	None in 2008

ASML Contact Information

Corporate Headquarters

De Run 6501
5504 DR Veldhoven
The Netherlands

Mailing address

P.O. Box 324
5500 AH Veldhoven
The Netherlands

Corporate Communications

Tel: +31 40 268 7870
Fax: +31 40 268 3655
E-mail: corpcom@asml.com

Investor Relations

Tel: +31 40 268 3938
Fax: +31 40 268 3655
E-mail: investor.relations@asml.com

For more information, visit our website: www.asml.com

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