

**ASML HOLDING N.V.**

**REMUNERATION REPORT  
FY 2008**

## Introduction

The Remuneration Committee of the Supervisory Board of ASML Holding N.V. ("ASML" or the "Company") recommends reviews and authorizes specific compensation and benefits levels for members of the Board of Management. Furthermore, the Remuneration Committee reviews and proposes the general compensation and benefits programs for the Board of Management. The members of our Remuneration Committee are Jos W.B. Westerburgen (chairman), Rolf Deusinger (resigned per June 4, 2008) and Ieke C.J. van den Burg.

The Remuneration Committee prepares and the Supervisory Board establishes the Company's remuneration philosophy and related policy for members of the Board of Management, and oversees the development and implementation of compensation and benefits programs for members of the Board of Management. Furthermore, the Remuneration Committee reviews and proposes the corporate goals and objectives relevant to the compensation of all members of the Board of Management. The Committee evaluates the performance of members of the Board of Management in view of these goals and objectives, and makes recommendations to the Supervisory Board regarding the resulting compensation levels of the members of the Board of Management, based on this evaluation. The remuneration packages of senior and executive management are aligned with these recommendations.

In proposing to the Supervisory Board the actual remuneration elements and levels applicable to members of the Board of Management, the Remuneration Committee considers, among other factors, whether these elements in the Remuneration Policy as adopted by the General Meeting of Shareholders on April 3, 2008, are still competitive. This 2008 Policy is a revision of the formerly adopted policies of 2004 and 2006. External compensation survey data for 2008 and, insofar as necessary, Towers Perrin as external advisor were used to benchmark our remuneration levels and structures.

## Remuneration Report 2008

In this report we will account for the remuneration of the Board of Management over 2008 according to the Remuneration Policy for the Board of Management 2008. This policy results in a transparent and robust remuneration program which is in compliance with the applicable Corporate Governance guidelines. The results of the 2008 remuneration for the Board of Management have been influenced by the special business circumstances, mainly in the fourth quarter of 2008. In 2009 the Remuneration Committee will study the amended principles and recommendations of the new Dutch Corporate Governance Code as stated by the Frijns Committee in more detail, and, if necessary, come up with proposals for amendments of the Policy in the AGM of 2010.

### Total remuneration

The total remuneration contains base salary, a short-term performance cash bonus and performance stock options, long-term performance stock and benefits. It aims to balance and align the remuneration with short-term execution and long-term elements of the managerial tasks of Management.

### Balance between remuneration elements

Whilst referencing to the relevant market on the one hand, the aim is to find a balance between guaranteed base salary and variable performance related incentives on the other hand. This is achieved by using for the CEO the ratio of 100 – 75 – 25 – 55 between base salary, performance bonus, performance stock options and performance stock. For the other members of the Board of Management this ratio is 100 – 60 – 25 – 55. This differentiation was introduced to better reflect the competitiveness of the remuneration. Furthermore, overachievement on targets set for performance stock options and performance stock will be rewarded. The package for Mr. Fuchs was kept at the ratio of the 2006 policy (being 100 – 50 – 25 – 50).

### Benchmark

Given the international composition of ASML's business as well as ASML's staff, the base salary and short- and long-term incentives will be measured against the market median of the appropriate top executive reference market.

### Base salary

The level of base salary is derived from the median level of the appropriate top executive reference market.

### Performance Bonus

The annual performance bonus has an 'on target' level of 75% (for the CEO), 60% (for the other members of the Board of Management) or 50% (for Mr. Fuchs) of base salary. The bonus payouts are pro-rated linearly to the level of achievement of six performance criteria. Four of these performance criteria are based on the achievement of measurable financial targets and one criterion is based on technology related objectives. The weighting of each of these five criteria is equal. A sixth target is set on annual qualitative objectives. The target setting and measuring period of the first five targets is semi-annual; the target setting and measuring period of the sixth target is annual. The payout of the Performance Bonus is annual.

The short-term performance criteria for 2008 are<sup>1</sup>:

1. Market Share in Euro (half year Moving Monthly Average)
2. Gross Margin % of Sales

<sup>1</sup> For 2009 these criteria will be amended in view of the present economic downturn.

3. Operating Income % of Sales
4. Operating Cash flow in Euro
5. Numerical score on the Technology Leadership Index
6. A qualitative target based on agreed key objectives

The cash bonus is accrued during the performance period.

In view of the present exceptional economic circumstances, the Remuneration Committee has decided, in order to prevent cash outflow, to pay the performance bonus FY 2008 partly in the form of shares. No performance condition will be applied on these shares, but a restriction period will apply until December 31, 2009. The Board of Management Member will be allowed to sell part of this stock with a value equal to the amount of tax due.

### **Performance Stock Options**

Performance stock options are granted under the condition of fulfilment of predetermined performance targets measured over a period of one calendar year. The performance measure for obtaining performance stock options is the meeting of a Return on Average Invested Capital (ROAIC) target over a one year period.

ROAIC shows ASML's cash rate of return on capital it has put to work, regardless of the capital structure of the Company. In other words ROAIC is a fundamental metric to measure the value creation of the Company. In order to calculate ROAIC two components are used: net operating profit (NOP) and average invested capital (AIC). ROAIC is then defined as:

$$\text{ROAIC} = \text{NOP} / \text{Average IC.}$$

Depending on the actual improvement versus the predetermined level of improvement to be achieved, a number of stock options is granted.

The number of performance stock options which can be granted for 'on target' achievement equals 25% of base salary divided by the value of one performance stock option. Although ASML defines stretching targets, there is also a possibility to reward overachievement. In case of higher achievements than 'on target', the number of performance stock options for such overachievement can reach 50% of base salary. The exact number of performance stock options to be granted unconditionally, is calculated at the end of the performance period, pro-rated linearly to the level of achievement of actual ROAIC. The number of performance stock options is accrued during the calendar year in which the conditional award is done.

The value of the performance stock option is determined by using the objective binomial Cox Ross Rubinstein valuation method in line with US GAAP guidelines and a performance discount of 30% in line with market practice. The value is calculated at the beginning of the performance period, on the day of publication of ASML's annual results in the year in which the targets are set, using the market value of the underlying stock during the three preceding years.

Whilst employed with ASML the performance stock options will not be exercised in the three years after the date of conditional grant.

### **Performance Stock**

Performance stock will be awarded yearly under the condition of fulfilment of a predetermined performance target, which is measured over a period of three calendar years. The performance measure for obtaining performance stock is ASML's relative Return on Average Invested Capital (ROAIC) position compared to the Peer Group at the end of the three years.

The Peer Group which is used for the measurement of ASML's relative ROAIC position contains KLA-Tencor, Varian Semiconductor, Applied Materials, Novellus, Cymer, Lam Research, MKS Instruments, Advanced Energy, Asyst and ASMI.

The number of performance stock is awarded relative to the targeted ROAIC position and the ultimately obtained ROAIC position at the end of the three year performance period.

The number of performance stock to be awarded in case of 'on target' achievement equals 55% of base salary divided by the value of one performance stock. Although ASML defines stretching targets, there is also a possibility to reward overachievement. In case of higher achievements than the 'on target' performance the number of performance stock for such overachievement can reach 175% of the 'on target' level, meaning 96.25% of base salary. The exact number of performance stock to be awarded unconditionally, is calculated at the end of the performance period, pro-rated linearly to the level of the actual versus targeted ROAIC position obtained after three years. The number of performance stock is accrued during the calendar year in which the conditional award is done.

The target setting is done every year based on the circumstances and expectations then prevailing for a three year period. In very exceptional cases, where unforeseen business circumstances require and justify an adaptation of the ultimate target originally set, the Supervisory Board will have the discretion to do so.

The value of the performance stock is determined by using the market value of the stock on the day of publication of ASML's annual results in the year in which the targets are set in line with US GAAP and applying a performance discount of 30% in line with market practice. The value is determined at the beginning of the performance period, on the day of publication of ASML's annual results in the year in which the targets are set, using the market value of the underlying stock during the three preceding years.

Once the stock is released after fulfilment of the performance condition, the stock is retained by the Board of Management member for a certain minimum period. This period is at least two years after the date of the unconditional award or until the termination of employment, whichever period is shorter. As the date of the unconditional award lies three years after the date of conditional award and the Board of Management member has to retain the stock for at least two subsequent years, the period before one obtains full rights to the stock will be five years in total. The Remuneration Committee considers the total period to be in compliance with the Dutch Corporate Governance Code. In so far as taxation is due in respect of the released stock, the Board of Management Member will be allowed to sell unconditionally awarded stock with a value equal to the amount of tax due.

### **Benefits**

ASML offers its Board of Management members a pension plan based on a defined contribution. The total defined contribution is a percentage of the pensionable salary and is dependent on the participant's age at the beginning of the year. The total contribution percentage lies between 5.91% and 26.94%. The participant pays 30% of this contribution, whilst ASML pays the remaining 70%.

## 2008 Board of Management Remuneration

### 1. Base salary, short-term performance cash bonus, excluding Performance Stock & Performance Stock Options

1.1. The total remuneration amount of the Board of Management in terms of base salary, bonus, pension cost and other benefits in 2008 compared to 2007 was as follows:

Year ended December 31	2007 EUR	2008 EUR
Salaries	2,010,000	2,073,000
Bonuses	940,781	988,236
Pension cost	221,958	249,072
Other benefits <sup>1</sup>	245,968	266,625
<i>Total</i>	3,418,707	3,576,933

<sup>1</sup> Other benefits include housing costs, company cars, social security costs, health and disability insurance and representation allowances.

1.2. The 2008 remuneration of the individual members of the Board of Management, excluding performance stock and performance stock options, was as follows:

	Received Base Salary EUR	Earned Cash <sup>1</sup> Bonus EUR	Other benefits <sup>2</sup> EUR	Total EUR
E. Meurice	735,000	414,569	102,434	1,252,003
P.T.F.M. Wennink	455,000	205,311	49,209	709,520
M.A. van den Brink	483,000	217,945	43,686	744,631
K.P. Fuchs	400,000	150,411	71,296	621,707

<sup>1</sup> The consolidated income statement for the year ended December 31, 2008 includes the actual short-term performance cash bonus of 75.2 % (of the maximum) of base salary earned over the year 2008 which will be payable in the first quarter of 2009. For Mr. Meurice this means a payout of 56.4% of his base salary, for Mr. Wennink and Mr. Van den Brink a payout of 45.1% of their base salary and for Mr. Fuchs a payout of 37.6% of his base salary.

<sup>2</sup> Other benefits include housing costs, company cars, social security costs, health and disability insurance and representation allowances.

1.3. The 2007 and 2008 vested pension benefits<sup>1</sup> (in Euros) of individual members of the Board of Management was as follows:

	2007	2008
E. Meurice	88,844	91,982
P.T.F.M. Wennink	45,073	56,350
M.A. van den Brink	47,179	59,913
K.P. Fuchs	40,862	40,827

<sup>1</sup> Since the pension arrangement for members of the Board of Management is a defined contribution plan, the Company does not have further pension obligations beyond the annual premium contribution.

## 2. Performance Stock Options

2.1. Details of stock options held per December 31, 2008 by the members of the Board of Management to purchase ordinary shares of ASML Holding N.V are set forth below:

	Jan. 1, 2008	Exercised during 2008	Expired during 2008	Dec. 31, 2008	Exercise price	Share price on exercise date	Expiration date
E. Meurice	125,000	-		125,000	10.62	-	15-10-2014
	12,500	-		12,500	11.52	-	21-01-2015
	57,770	-		57,770	11.53	-	19-01-2015
	88,371	-		88,371	17.90	-	18-01-2016
	95,146	-		95,146	20.39	-	17-01-2017
P.T.F.M. Wennink	31,500	-		31,500	58.00	-	20-01-2012
	20,000	-	20,000	0	20.28	-	21-01-2008
	32,379	-		32,379	11.53	-	19-01-2015
	56,236	-		56,236	17.90	-	18-01-2016
	58,964	-		58,964	20.39	-	17-01-2017
M.A. van den Brink	31,500	-		31,500	58.00	-	20-01-2012
	40,473	-		40,473	11.53	-	19-01-2015
	59,098	-		59,098	17.90	-	18-01-2016
	61,644	-		61,644	20.39	-	17-01-2017
K.P. Fuchs	6,113	-		6,113	11.53	-	19-01-2015
	22,000	-		22,000	17.61	-	21-04-2016
	53,558	-		53,558	17.90	-	18-01-2016
	53,604	-		53,604	20.39	-	17-01-2017

2.2. The actual number of performance stock options which will be granted unconditionally in 2009 in relation to performance achievements over 2008 is as follows.

**Actual number of performance stock options which will be awarded in 2009 for 2008 actual achievement**

E. Meurice	42,448
P.T.F.M. Wennink	26,277
M.A. van den Brink	27,894
K.P. Fuchs	23,101

### 3. Performance Stock

Details of performance stock awarded (un-)conditionally to members of the Board of Management are set forth below.

	Conditional Award Date	Number	Unconditional Award Date	Actual number <sup>2</sup>	Share price	Restricted until
E. Meurice	20/10/04	5,845	20/10/07	5,845	16,76	20/10/2009
	19/01/05	36,972	19/01/08	36,972	11,53	19/01/2010
	18/01/06	72,136	18/01/09		17,90	18/01/2011
	17/01/07	66,338	17/01/10		20,39	17/01/2012
	04/02/08	57,002	04/02/11		17.20	04/02/2013
P.T.F.M. Wennink	19/01/05	20,721	19/01/08	20,721	11,53	19/01/2010
	18/01/06	45,905	18/01/09		17,90	18/01/2011
	17/01/07	41,111	17/01/10		20,39	17/01/2012
	04/02/08	35,287	04/02/11		17.20	04/02/2013
M.A. van den Brink	19/01/05	25,902	19/01/08	25,902	11,53	19/01/2010
	18/01/06	48,241	18/01/09		17,90	18/01/2011
	17/01/07	42,980	17/01/10		20,39	17/01/2012
	04/02/08	37,458	04/02/11		17.20	04/02/2013
K.P. Fuchs <sup>3</sup>	19/01/05	3,912	19/01/08	3,912	11,53	01/01/2009
	18/01/06	43,719	18/01/09		17,90	18/01/2009
	17/01/07	37,374	17/01/10		20,39	17/01/2010
	04/02/08	28,201	04/02/11		17.20	04/02/2011

<sup>2</sup> The actual number of performance stock to be awarded unconditionally will depend on the level of achievement of the performance target.

<sup>3</sup> The restriction on the shares awarded unconditionally to Mr. Fuchs in 2008 ended at the moment he left ASML. No restriction is applicable to the shares that will be awarded unconditionally to Mr. Fuchs in 2009 and later years, according to the regulations of the underlying plans.

### **Benefits upon termination of employment**

The employment agreements with Messrs. Wennink and Van den Brink do not contain specific provisions regarding benefits upon termination of those agreements. Potential severance payments will be according to applicable law.

Employment agreements for members of the Board of Management appointed after March 31, 2004 contain specific provisions regarding severance payments. If ASML gives notice of termination of the employment agreement for reasons which are not exclusively or mainly found in acts or omissions of the board member concerned, a severance payment equal to one year base salary will be made available upon the effective date of termination. This severance payment will also be made available in case a board member gives notice of termination of the employment agreement in connection with a substantial difference of opinion between the respective executive and the Supervisory Board regarding her / his employment agreement, her / his function or the Company's strategy.

In 2008, Mr. K. Fuchs received a payment of one year salary (EUR 400,000) in connection with his resignation, which payment was in accordance with the terms of Mr. Fuchs' employment contract.

Board members appointed after March 31, 2004 shall also be entitled to the aforementioned severance payments in the event ASML or its legal successor gives notice of termination in connection with a Change of Control (as defined in the employment agreement) or if such board member gives notice of termination directly related to such Change of Control, and such notice is given within twelve months from the date on which the Change of Control occurs.

## Acknowledgement

ASML is well aware of the effects of the current economic downturn on most or all its stakeholders and the increased scrutiny this causes on the level of remuneration of the Board of Management. Therefore, given these special circumstances, the Supervisory Board feels obliged to provide further acknowledgement as to the remuneration of the Board of Management over the year 2008 as well as 2009.

### Base Salary

As announced in the AGM of 2008 it was decided that the increase of the base salaries for the members of the Board of Management for 2009 would be fixed at 5%. Given the current economic and business situation and the measures ASML is taking to reduce the cost base, the Board of Management has waived this 5% base salary increase.

### Performance Bonus

As compared to 2007 the total value of the performance bonuses for the Board of Management increased from Euro 940,781 with Euro 47,455 to Euro 988,236. This is the combined result of on the one hand the positive effects of a change in the policy as approved by the AGM in 2008 and on the other hand a negative effect of a lower performance on the targets set for H2 (54.6% of maximum) compared to H1 (95.8% of maximum). This leads to a total performance bonus percentage over 2008 of 75.2% of maximum compared to 93.6% of maximum for 2007.

### Performance Stock Options

As a result of ASML's lower performance in 2008, only half of the maximum number of conditionally awarded performance stock options over the performance year 2008 will vest unconditionally in 2009. This is less than half of the number of stock options vested in 2007.

	2007	2008
E. Meurice	95,146	42,448
P.T.F.M. Wennink	58,964	26,277
M.A. van den Brink	61,644	27,894
K.P. Fuchs	53,604	23,101
Total	269,358	119,720

### Total Short Term Remuneration

The overview below of the total Short Term Remuneration expressed per half year shows the impact of ASML's lower performance in the second half of 2008 on the remuneration of the Board of Management.

Short Term Remuneration	H1 2007	H2 2007	H1 2008	H2 2008
Total Accrued Salaries	1,005,000	1,005,000	1,036,500	1,036,500
Total Accrued Cash Bonus	438,227	502,554	629,255	358,981
Total Accrued Options	452,250	502,500	518,250	0
Total Short Term Remuneration	1,895,477	2,010,054	2,184,005	1,395,481

### Performance Stock

The performance criterion for ASML's performance stock is the ROAIC as compared to the peer group. Since the economic downturn hits not only ASML, but the peer group companies as well, ASML expects that in general the downturn will not influence the relative position of ASML compared to the peers. Peer group figures over 2008 are not available yet.