SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2001

Commission file number 0-25566

ASML HOLDING N.V.
(Exact Name of Registrant as Specified in Its Charter)

THE NETHERLANDS
(Jurisdiction of Incorporation or Organization)

1110 DE RUN
5503 LA VELDHOVEN
THE NETHERLANDS
(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
None
(Title of Class)
Securities registered or to be registered pursuant to Section 12(g) of the Act:
Ordinary Shares
(nominal value Eur 0.02 per share)
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

466,978,391 Ordinary Shares (nominal value Eur 0.02 per share)
23,100 Priority Shares (nominal value Eur 0.02 per share)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

Name and address of person authorized to receive notices and communications from the Securities and Exchange Commission:

Richard A. Ely
Skadden, Arps, Slate, Meagher & Flom LLP
One Canada Square, Canary Wharf
London E14 5DS England

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Special Note Regarding Forward-Looking Statements

In addition to historical information, this annual report on Form 20-F contains and incorporates by reference statements relating to our future business and/or results. These statements include certain projections and business trends which are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results as a result of certain risks and uncertainties. These risks and uncertainties include, without limitation, those described under Item 3.D. - "Risk Factors" and those detailed from time to time in our other filings with the Commission. These forward-looking statements are made only as of the date of this annual report on Form 20-F. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Presentation of Financial Information

In May 2001, we consummated our merger with Silicon Valley Group, Inc. ("SVG"), now called ASML US, Inc. ("ASML US"). The merger is accounted for under the "pooling of interests" method. Therefore, our Consolidated Financial Statements for each of the three years ended December 31, 2001, the Selected Financial Information for each of the five years ended December 31, 2001 as well as the financial and operation information presented in this annual report on Form 20-F reflect the combination of financial statements for ASML's historical operations with those of SVG. In conformity with accounting principles generally accepted in the United States (US GAAP), the comparative figures for the twelve months ended December 31, 2000 and December 31, 1999 reflect the combined annual results of the fiscal years of ASML and SVG. Because SVG's fiscal reporting period prior to the merger differed from ASML's fiscal reporting period, comparative figures contain the results of ASML's historical operations for the twelve months ended December 31 and the results of SVG's historical operations for the twelve months ended September 30.

ITEM 1. Identity of Directors, Senior Management and Advisors

Not applicable

ITEM 2. Offer Statistics and Expected Timetable

Not applicable

ITEM 3. Key Information

A. Selected Consolidated Financial Data

Our Selected Consolidated financial data is incorporated herein by reference and should be read in conjunction with Item 5—"Operating and Financial Review and Prospects" and Item 18—"Financial Statements".

Five-year
Financial Summary

Year ended December 31 *(in thousands, except per share data)*	**1997** **EUR**	**1998** **EUR**	**1999** **EUR**	**2000** **EUR**	**2001** **EUR**
CONSOLIDATED STATEMENTS OF OPERATIONS DATA					
Net sales	1,363,694	1,326,497	1,635,986	3,062,644	1,844,361
Cost of sales	856,505	892,874	1,117,434	1,842,234	1,792,504
Gross profit on sales	507,189	433,623	518,552	1,220,410	51,857
Research and development costs	189,202	223,794	264,809	392,003	424,447
Research and development credits	(13,613)	(29,964)	(38,815)	(24,983)	(16,223)
Selling, general and administrative expenses	129,035	167,821	210,408	312,991	279,993
Restructuring and merger and acquisition costs	0	13,096	(468)	0	57,259
Operating income (loss)	202,565	58,876	82,618	540,399	(693,619)
Gain on sale of marketable securities	14,130	0	0	0	0
Minority interest in net result from subsidiaries (net of tax)	0	0	0	(3,205)	3,606
Interest income (expense), net	8,355	6,631	1,009	12,593	(7,207)
Income (loss) before income taxes	225,050	65,507	83,627	549,787	(697,220)
Provision (benefit) for income taxes	73,454	15,718	26,439	167,249	(218,228)
Cumulative effect of accounting changes net of tax	0	0	0	4,491	0
Net income (loss)	151,596	49,789	57,188	378,047	(478,992)
Basic net income (loss) per ordinary share[1]	0.33	0.11	0.12	0.82	(1.03)
Number of ordinary shares used in computing per share amount *(in thousands)*	454,682	456,216	458,542	461,887	465,866
CONSOLIDATED BALANCE SHEETS DATA					
Working capital	749,610	939,872	1,515,767	2,107,645	1,770,059
Total assets	1,355,774	1,557,185	2,397,926	3,432,972	3,643,840
Long-term liabilities, less current portion	8,634	281,856	821,201	868,540	1,554,544
Total shareholders’ equity	964,765	978,543	1,129,900	1,666,212	1,226,287
CONSOLIDATED STATEMENTS OF CASH FLOWS DATA					
Capital expenditures	(124,157)	(166,008)	(138,425)	(190,440)	(346,735)
Depreciation and amortization	41,457	67,376	88,029	124,590	158,798
Net cash provided by (used in) operating activities	6,956	(34,555)	40,800	215,129	(235,552)
Net cash used in investing activities	(129,467)	(128,412)	(162,637)	(161,319)	(359,973)
Net cash provided by financing activities	15,163	275,355	553,154	34,198	664,290
Net increase (decrease) in cash and cash equivalents	(107,610)	109,124	430,511	248,812	(73,522)

Year ended December 31 *(in thousands, except per share data)*	**1997** **EUR**	**1998** **EUR**	**1999** **EUR**	**2000** **EUR**	**2001** **EUR**
RATIOS AND OTHER DATA					
Increase (decrease) in net sales (in percent)	23.1	(2.7)	23.3	87.2	(39.8)
Gross profit as a percentage of net sales	38.3	32.7	31.7	39.8	2.8
Operating income (loss) as a percentage of net sales	14.9	4.4	5.0	17.7	(37.6)
Net income (loss) as a percentage of net sales	11.1	3.8	3.5	12.3	(26.0)
Shareholders' equity as a percentage of total assets	71.2	62.8	47.1	48.5	33.7
Backlog of systems (in units) at year-end	377	111	284	556	181
Sales of systems (in units)	557	449	368	783	360
Number of employees at year-end	5,408	5,024	6,061	8,123	7,070

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1 All net income per ordinary share amounts have been retroactively adjusted to reflect the two-for-one stock split in May 1997 and May 1998 and the three-for-one stock split in April 2000, as well as the issuance of shares for the merger with Silicon Valley Group Inc.

Exchange Rate Information

The Company publishes its consolidated financial statements in euros. Prior year balances have been restated based on the fixed exchange rate set by the Council of the European Union (EUR 1.00 to NLG 2.20371). The comparative balances reported in euros depict the same trends as would have been presented if ASML had continued to present balances in Dutch Guilders. Balances for periods prior to January 1, 1999 are not comparable to the balances of other companies that report in euros having restated amounts from a different currency than Dutch Guilders.

In this Annual Report, references to "EUR" or "€" are to euros and references to "$", "dollars", "U.S. dollars" or "USD" are to United States dollars. Solely for the convenience of the reader, certain euro amounts presented as of and for the year ended December 31, 2001 have been translated into United States dollars using the exchange rate in effect on December 31, 2001 of USD 1.00 = EUR 1.1347. These translations should not be construed as representations that the euro amounts could be converted into U.S. dollars at that rate.

Historically, a significant portion of our revenues and expenses has been denominated in currencies other than the euro or the Guilder equivalent. Effective May 1997, we changed our pricing for product sales from the U.S. dollar to the Dutch Guilder. For a discussion of the impact of exchange rate fluctuations on our financial condition and results of operations, see Item 5—"Operating and Financial Review and Prospects—Foreign Exchange Management" and Note 1 to the Consolidated Financial Statements.

The following are the noon buying rates certified by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate") expressed in euro per U.S. dollars.

Calendar Period	Period End	Average(1)	High	Low
1997(2)	0.92	0.88	0.96	0.79
1998(2)	0.85	0.90	0.95	0.83
1999	0.99	0.94	1.00	0.85
2000	1.07	1.09	1.21	0.97
2001	1.12	1.12	1.19	1.05
2002 (through April 26)	1.11	1.14	1.16	1.11

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(1) The average as of Noon Buying Rates on the last business day of each month during the relevant period.

(2) Beginning on January 4, 1999, the Federal Reserve Bank of New York began reporting the euro/dollar exchange rate in place of the individual currencies of the EU members participating in the euro. Prior year data have been restated based on the fixed exchange rate of (EUR 1.00 to NLG 2.20371).

The Noon Buying rate for U.S. dollars expressed in euros was $1.00= €1.11 on April 26, 2002.

Monthly high and low euro per U.S. dollar exchange rates	**High**	**Low**
October 2001	1.12	1.09
November 2001	1.14	1.11
December 2001	1.14	1.10
January 2002	1.16	1.11
February 2002	1.16	1.14
March 2002	1.16	1.13
April 2002 (through April 26)	1.14	1.11

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not applicable

D. Risk Factors

In conducting our business, we face many risks that may interfere with our business objectives as defined in our strategy. Some of those risks relate to our operational processes while others relate to our business environment. It is important to understand the nature of these risks and the impact they may have on our business and results of operations. Some of the more relevant risks are described hereafter.

Risks Related to the Semiconductor Industry

The Semiconductor Industry is Currently Experiencing a Period of Contraction, the Length and Extent of Which Cannot Be Forecast

Adverse conditions in the semiconductor market have caused a number of semiconductor manufacturers to reduce their capital expenditures or delay expansion or construction of manufacturing facilities. This has resulted in decreased demand for our products, unanticipated rescheduling of ordered product, and cancellation of previously placed orders. The performance of the semiconductor market in the short-term is difficult to predict, but continued difficult market conditions would likely have a material adverse effect on our business, financial condition and results of operations.

The Semiconductor Industry is Highly Cyclical and We May Be Adversely Affected by Any Future Downturn

Our business and operating results could be materially adversely affected by any future downturns in the semiconductor industry and related fluctuations in the demand for capital equipment. Sales of our photolithography systems depend in large part upon the level of capital expenditures by semiconductor manufacturers. These capital expenditures depend upon a range of competitive and market factors, including:

- the current and anticipated market demand for semiconductors and for products utilizing semiconductors;
- semiconductor prices;
- semiconductor production costs; and
- general economic conditions.

Historically, the semiconductor market has been highly cyclical and has experienced recurring periods of oversupply, resulting in significantly reduced demand for capital equipment, including advanced photolithography projection systems such as the wafer steppers, Step & Scan systems and Track and Thermal systems we produce. Despite this cyclicality, we must maintain significant levels of research and development expenditures in order to maintain our competitive position. We do not intend to reduce this level of spending in response to the short to medium term cyclical nature of the semiconductor industry.

We expect that the semiconductor industry will experience future downturns. We cannot predict the timing, duration or severity of any future downturn or the corresponding adverse effect on our business, financial condition or results of operations.

Our Business Will Suffer if We Do Not Respond Rapidly to the Commercial and Technological Changes in the Semiconductor Industry

The semiconductor manufacturing industry is subject to:

- rapid technological change;
- frequent product introductions and enhancements;
- evolving industry standards;
- changes in customer requirements; and
- continued shortening of product life cycles.

Our products could become obsolete sooner than anticipated because of a faster than anticipated change in one or more of the technologies related to our products or in market demand for products based on a particular technology. Our success in developing new products and in enhancing our existing products depends on a variety of factors, including the successful integration of SVG, with which we merged in May 2001, the successful management of the combined company's research and development program and timely completion of product development and design relative to competitors. If we do not develop and introduce new and enhanced systems at competitive prices on a timely basis, our customers will not integrate the systems into the planning and design of new fabrication facilities and upgrades of existing facilities.

Our development and initial production and installation of systems and enhancements thereof generally are accompanied by design and production delays and related costs of a nature typically associated with the introduction and full-scale production of very complex capital equipment. While we expect and plan for a corresponding learning curve effect in the product development cycle, the time and expense required to overcome these initial problems cannot be predicted with precision.

We Face Intense Competition

The semiconductor equipment industry is intensely competitive. The principal elements of competition in our markets are the technical performance characteristics of a photolithography system and the cost of ownership of that system based on its purchase price, maintenance costs, productivity and customer service and support. Our

competitiveness will depend upon our ability to develop new and enhanced photolithography equipment that is competitively priced and introduced on a timely basis.

Because the cost to develop new photolithography systems is extremely high, the photolithography equipment industry is characterized by the dominance of a few suppliers. Our primary competitors are Nikon Corporation and Canon Kabushika Kaisha. Nikon and Canon are the dominant suppliers in the Japanese market, which accounts for a significant proportion of worldwide semiconductor production and historically has been difficult for non-Japanese companies to penetrate.

Nikon and Canon each has substantial financial resources and has stated that it will introduce new products with improved price and performance characteristics that will compete directly with our products, which could cause a decline in our sales or loss of market acceptance for our photolithography systems. In addition, adverse market conditions, industry overcapacity or a decrease in the value of the Japanese yen in relation to the Euro or the U.S. dollar could lead to intensified price-based competition in those markets that account for the majority of our sales, resulting in lower prices and margins and a negative impact on our business, financial condition and results of operations.

Risks Related to ASML

Although We Expect that the Merger with SVG Will Result in Benefits, Those Benefits May Not Be Realized

We expect that our merger with SVG will result in benefits, including acceleration of next generation technology through joint research and development and the expansion of our product offerings to include SVG's photoresist processing and thermal product lines. Achieving the benefits of the merger will depend in part on the integration of our technology, operations and personnel in a timely and efficient manner so as to minimize the risk that the merger will result in the loss of customers or key employees or the continued diversion of the attention of management. Among the challenges involved in this integration is demonstrating to our customers that the merger will not result in adverse changes in client service standards or business focus and integrating the business cultures of ASML and SVG. Our failure to successfully integrate SVG or realize the benefits of the merger could have a material adverse effect on our business, financial condition and operating results.

The Number of Systems We Produce is Limited by Our Dependence on a Limited Number of Suppliers of Key Components

We rely on outside vendors for the components and subassemblies used in our systems, each of which is obtained from a single supplier or a limited number of suppliers. Our reliance on a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and the risk of untimely delivery of these subassemblies and components.

The number of photolithography systems we have been able to produce has occasionally been limited by the production capacity of Carl Zeiss SMT AG. Zeiss is our sole supplier of lenses and other critical optical components and is capable of producing these lenses only in limited numbers. The failure of Zeiss to maintain and increase production levels in the future could result in our inability to fulfill orders, which could damage relationships with current and prospective customers and have an adverse effect on our business, financial condition and results of operations. If Zeiss were to terminate its relationship with us or if Zeiss were unable to maintain production of lenses over a prolonged period, we would effectively cease to be able to conduct much of our business.

In addition to Zeiss' current position as our sole supplier of lenses, the excimer laser illumination systems that provide the ultraviolet light source, referred to as "deep UV", used in our high resolution steppers and Step & Scan systems, are available from only a limited number of suppliers.

Although the timeliness, yield and quality of deliveries to date from our remaining subcontractors generally have been satisfactory, manufacturing certain of these components and subassemblies is an extremely complex process and delays caused by suppliers may occur in the future. A prolonged inability to obtain adequate deliveries,

or any other circumstance that requires us to seek alternative sources of supply, could significantly hinder our ability to ship our products in a timely fashion, which could damage relationships with current and prospective customers and have a material adverse effect on our business, financial condition and operating results.

A High Percentage of Net Sales Is Derived from a Few Customers

Historically, ASML has sold a substantial number of lithographic systems to a limited number of customers. In 2001, sales to one customer accounted for €217 million, or 11.8% of net sales. In 2000, sales to three customers accounted for €483 million, €457 million and €442 million or 15.8%, 14.9% and 14.4% of net sales, respectively. While the composition of its largest customers may vary from year to year, ASML expects that sales to relatively few customers will continue to account for a high percentage of net sales in any particular year. The loss of any significant customers or any reduction in orders by a significant customer may have an adverse effect on ASML's business, financial condition, results of operations and the market price of its shares.

The Pace of Introduction of Our New Products Is Accelerating and Is Accompanied by Potential Design and Production Delays and by Significant Costs

The development and initial production, installation and enhancement of the systems we produce are accompanied by design and production delays and related costs of a nature typically associated with the introduction and transition to full-scale manufacture of complex capital equipment. While we expect and plan for a corresponding learning curve effect in our product development cycle, we cannot precisely predict the time and expense required to overcome these initial problems and to ensure reliability and performance to specifications. There is a risk that we may not be able to introduce or bring to full-scale production of new products quickly enough to offset declines in demand for our older products. Moreover, the accelerating pace of technological change and shorter product life cycles are resulting in increases in our expenditures, including greater capital expenditure and working capital requirements, as well as increases in indirect overhead expenses. This, in turn, has made it necessary for us to increase our sales volumes in order to maintain operating margins.

We Derive Most of Our Revenues from the Sale of a Relatively Small Number of Products

We derive most of our revenues from the sale of a relatively small number of Lithographic equipment systems (455 in 2000 and 197 in 2001) typically ranging in price from approximately €0.2 million to €11.9 million. As a result, the timing of recognition of revenue from a small number of transactions may have a significant impact on our net sales and operating results for a particular reporting period. Specifically, the failure to receive anticipated orders, or delays in shipments near the end of a particular reporting period, due, for example, to:

- unanticipated shipment rescheduling;
- cancellation by customers;
- unexpected manufacturing difficulties; and
- delays in deliveries by suppliers

may cause net sales in a particular reporting period to fall significantly below our expectations, which would, in turn, adversely affect our operating results for that period. In addition, the long production lead times for lenses and certain other components and subassemblies used in our photolithography systems could cause shipments of photolithography systems to be delayed from one reporting period to the next, which also would adversely affect our financial condition and results of operations for a particular period.

Failure to Adequately Protect the Intellectual Property Rights upon Which We Depend Could Harm Our Business

We rely on patents, copyrights, trade secrets and other instruments to protect our proprietary technology. We face the risks that:

- competitors will be able to develop similar technology independently;
- our pending patent applications may not be issued;
- the steps we take to prevent misappropriation or infringement of our intellectual property may not be successful; and
- intellectual property laws may not adequately protect our intellectual property.

In addition, we may need to litigate in order to enforce our patents, copyrights or other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. This litigation, or its threat, could result in substantial costs and diversion of our resources and could have a material adverse effect on our business and results of operations.

Defending Against Intellectual Property Claims by Others Could Harm Our Business

In the course of our business, we are subject to claims by third parties alleging that our products or processes infringe upon their intellectual property rights. In particular, in May 2000, Ultratech Stepper Inc. filed a lawsuit in the United States District Court in the Eastern District of Virginia against us and our competitor, Canon. Ultratech Stepper alleges that we and Canon are infringing upon Ultratech Stepper's rights under a United States patent through the commercialization in the United States of advanced photolithography projection systems embodying technology that, in particular, is used in Step & Scan systems. We do not expect that this litigation will have a material adverse effect on our future operating results or financial position.

In addition, some of our customers have received notice of infringement from third parties alleging that the manufacture of semiconductor products and/or the equipment used to manufacture semiconductor products infringes patents issued to those third parties. We have been advised that we could be obligated to pay damages to customers if use of our photolithography systems by those customers were found to infringe any valid patents issued to third parties. If these claims were successful, we could be required to indemnify our customers for some or all of any losses incurred as a result of that infringement. We also may incur substantial licensing or settlement costs where doing so would strengthen or expand our intellectual property rights or limit our exposure to intellectual property claims of others.

On December 21, 2001, Nikon filed a complaint against ASML with the United States International Trade Commission ("ITC") under Section 337 of the United States trade laws. On the same day, Nikon also filed a separate patent infringement action in the United States District Court for the Northern District of California. On January 23, 2002, the ITC instituted an investigation based on Nikon's complaint, which alleges that ASML's photolithography machines imported into the United States infringe seven United States patents held by Nikon. The original complaint in the California action alleges infringement of four other Nikon patents. A fifth patent was added by Nikon to the California action before ASML answered the complaint. Nikon's patents relate to several different aspects of photolithography equipment. In the ITC proceeding, Nikon seeks to exclude the importation of infringing products. The California complaint seeks injunctive relief and damages.

On February 25, 2002, ASML answered the complaint in the ITC investigation, denied that it infringed any of Nikon's patents, and asserted that Nikon's patents were invalid and unenforceable. On April 5, 2002, ASML filed a counterclaim in the ITC investigation alleging that Nikon has infringed five United States Patents owned by ASML. ASML's patents also relate to various aspects of photolithography equipment. Pursuant to ITC rules, ASML removed its counterclaim on the same day to the United States District Court for the District of Arizona.

Also on April 5, 2002, ASML answered Nikon's complaint in California, denied that it infringed Nikon's patents and brought a counterclaim against Nikon alleging that its patents are invalid and unenforceable and that Nikon has committed anti-trust violations.

It is very early in the process and therefore the outcome of the various proceedings between ASML and Nikon cannot be predicted at this stage.

Furthermore, we rely on a number of patents owned by Royal Philips Electronics, our former parent company. While Philips has granted us, without charge, a worldwide, irrevocable, non-exclusive license under those patents, they remain subject to the same risks regarding validity, scope and enforceability that relate to our patents. In addition, Philips has no obligation to defend or enforce such patents against third parties.

Disruption in Taiwan's Political Environment Could Seriously Harm Our Business and the Market Price of Our Shares

Approximately 24% of our 2000 revenues and approximately 14% of our 2001 revenues was derived from customers in Taiwan. Accordingly, our business and financial condition and the market price of our shares may be affected by changes in Taiwanese government policies and political, economic or social instability.

Taiwan has unique international political status. The People's Republic of China asserts sovereignty over Taiwan and does not recognize the legitimacy of the Taiwan government. Relations between Taiwan and the People's Republic of China and other factors affecting Taiwan's political environment could affect our business and the market price of our ordinary shares.

We Are Dependent on the Continued Operation of a Limited Number of Manufacturing Facilities

All of our manufacturing activities, including subassembly, final assembly and system testing, takes place in three separate clean room facilities located in Veldhoven, The Netherlands, one clean room facility in Wilton, Connecticut, and one facility in Scots Valley, California. A major catastrophe, such as a natural disaster, could result in significant interruption of our business and potential loss of customers and sales.

We Are Dependent on the Attraction and Retention of Key Personnel and Highly Qualified Professionals

Our future operating results depend in significant part upon the continued contributions of our officers and key employees, including a number of systems development specialists with advanced qualifications in engineering, optics and computing. In addition, our future operating results depend in part on our ability to attract, train and retain other qualified management, technical, sales and support personnel for our operations. The competition for these people in the semiconductor industry has become increasingly intense in recent years. In addition, due to the accelerating pace of technological change, it has become increasingly difficult to train new personnel in time to meet product development and sales growth requirements. The loss of key employees or our inability to attract, retain and motivate qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

As a Result of the Merger with SVG, We May Have Greater Exposure to Fluctuations in Foreign Exchange Rates, Which Could Harm our Financial Condition

ASML adopted the Euro as its functional currency for reporting in its consolidated financial statements effective beginning in fiscal 1999. Because of the merger with SVG, a substantial portion of the Company's assets, liabilities and operating results are denominated in U.S. dollars. Therefore, ASML is exposed to fluctuations in the value of the U.S. dollar against the Euro. The foreign currency translation exposure of the net investment in SVG is hedged by the U.S. dollar denominated 5.75% convertible subordinated notes due 2006. Our financial and risk management policy is to match the currency distribution of our borrowings to the denomination of our assets. As a result, fluctuations in our balance sheet ratios resulting from changes in exchange rates are generally limited. Forecasted transactions that are exposed to foreign currency risk are monitored periodically and hedged where necessary.

Risks Related to an Investment in the Ordinary Shares

The Price of Our Ordinary Shares is Very Volatile

The current market price of our ordinary shares may not be indicative of prices that will prevail in the trading market in the future. In particular, since our March 1995 initial public offering, the market price of the

ordinary shares has experienced significant appreciation, as have price levels for equity securities generally and price levels for equity securities of companies associated with the semiconductor industry and other high technology fields. In addition, since our initial public offering, the market price of the ordinary shares has experienced significant fluctuation, including fluctuation that is unrelated to our performance. We expect that this fluctuation will continue in the future.

Restrictions on Shareholder Rights May Dilute Voting Power

Our articles of association reflect that we are subject to the provisions of the Netherlands law applicable to large corporations, called *structuurregime*. These provisions have the effect of concentrating control over significant corporate decisions and transactions in the hands of our Supervisory Board, which has the power to appoint its own members. In addition, the provisions in our articles of association relating to our Priority Shares have the effect of taking control over certain significant corporate decisions away from holders of ordinary shares. As a result, holders of ordinary shares may have more difficulty in protecting their interests in the face of actions by management or members of our Supervisory Board than if we were incorporated in the United States.

We also have a class of protective Cumulative Preference Shares and have granted to Stichting Preferente Aandelen ASML, a Netherlands foundation (the "Preference Share Foundation"), an option to acquire from us, at their nominal value of €0.02 per share, a number of preference shares equal to the number of ordinary shares held by the Preference Share Foundation at the time of option exercise. This effectively would dilute by one-half the voting power of the outstanding ordinary shares. The potential issuance of preference shares may discourage or significantly impede a third party from acquiring a majority of our voting shares.

ITEM 4. Information on the Company

A. History and Development of the Company

The Company commenced business operations in 1984. ASML Holding N.V. was incorporated in The Netherlands on October 3, 1994 to serve as the holding company for the Company's worldwide operations, which include operating subsidiaries in The Netherlands, the United States, Hong Kong, Italy, France, Germany, the United Kingdom and the Republic of Korea. In June 2001, we changed our name from ASM Lithography Holding N.V. to ASML Holding N.V. Our registered office is located at 1110 DeRun, 5503 LA Veldhoven, The Netherlands. On May 21, 2001, we merged with SVG.

Capital Expenditure

Our principal capital expenditures over the past three years amounted to approximately €346.7 million for 2001, €190.4 million for 2000 and €138.4 million for 1999.

B. Business Overview

ASML is one of the world's leading providers of advanced technology systems for the semiconductor industry. The Company offers an integrated portfolio of lithography, track and thermal systems mainly for manufacturing complex integrated circuits. The Company supplies systems to integrated circuit ("semi conductors" or "ICs") manufacturers throughout the United States, Asia and Western Europe and also provides its customers with a full range of support from advanced process and product applications knowledge to complete round-the-clock service support.

Market and Technology Overview

The worldwide electronics and computer industries have experienced dramatic growth since the commercialization of ICs in the 1960s, largely due to the continual reduction in the cost per function performed by ICs. Improvement in the design and manufacture of ICs with higher circuit or "packing" densities has resulted in smaller, lower cost ICs capable of performing a greater number of functions at higher speeds and with lower power

consumption. ASML believes that these long-term trends will continue for the foreseeable future and will be accompanied by a growing demand, subject to ongoing cyclical variations, for production equipment that can accurately produce advanced ICs in high volumes at the lowest possible cost. Photolithography is used to imprint complex circuit patterns onto the wafers that are the primary raw material for ICs and is one of the most critical and expensive steps in their fabrication. It is therefore a significant focus of the IC industry's demand for cost-efficient enhancements to production technology.

ASML primarily designs, manufactures, markets and services semiconductor processing equipment used in the fabrication of integrated circuits. The strategic rationale for the acquisition involves:

- Broadened access to leading technologies
- Increased R&D presence and production capabilities in the United States
- Expanded supply base
- Access to new customers and markets

ASML's principal product groups focus primarily on photolithography, photoresist processing, oxidation/diffusion, low-pressure chemical vapor deposition and atmospheric pressure chemical vapor deposition. ASML's photolithography equipment includes Step & Scan systems (which combine stepper technology with a photoscanning method). As a result of the merger, ASML is now positioned as a multi-product, global corporation with manufacturing plants on two continents and increased presence in other geographies, specifically Asia. Our product portfolio expanded significantly from imaging tools alone to photoresist processing tracks and thermal equipment, giving us access to a broader range of sales opportunities. On October 16, 2001, ASML announced accelerated integration with SVG as a consequence of the continuing downturn in the semiconductor industry.

ASML's newest product platform, TWINSCAN™, was introduced in July 2000 and leverages the production-proven elements from the Company's PAS 5500 product family to address the industry shift toward larger (300 mm) wafers. We shipped the first systems during 2001. The Company's PAS 5500 product family comprises advanced wafer steppers and Step & Scan systems suitable for i-line and deep UV processing of wafers up to 200mm in diameter. The most advanced Step & Scan system, the PAS 5500/950, utilizes the shorter wavelength of an argon fluoride laser at 193 nm to further improve imaging resolution.

On June 20, 2001, ASML announced that it had reached agreement in principle to enter into a strategic alliance with Micronic Laser Systems AB ("Micronic") to enhance both companies' positions as leading suppliers of advanced lithography equipment to the display and semiconductor industry.

The Company also completed the divestment of Tinsley Laboratories Inc. ("Tinsley"), in December 2001, to SSG Precision Optronics Inc. ("SSG"), a Massachusetts, U.S.A. corporation that specializes in the design, fabrication and testing of space-based and other high performance optical subsystems. Certain assets and employees of Tinsley, which were not transferred to SSG, were transferred to ASML Optics LLC. Tinsley was an optical polishing subsidiary of SVG that merged with ASML in May 2001. In conjunction with the merger with SVG, ASML agreed with the Committee on Foreign Investment in the United States (CFIUS) to make a good-faith effort to sell Tinsley. The Tinsley lithography activity that relates to semiconductor manufacturing equipment transferred to ASML. Tinsley's total sales in 2001 were $14 million.

Products

Lithography

The Company's product development strategy focuses on the development of product families based on a modular, upgradeable design. ASML's most advanced product family, PAS 5500, comprises advanced wafer steppers and Step & Scan systems suitable for i-line and deep UV processing of wafers up to 200mm in diameter. In mid-1997 ASML introduced the PAS 5500 Step & Scan systems with improved resolution and overlay. Since then, ASML has further developed and expanded this Step & Scan family. This modular upgradeable design philosophy has been further refined and applied in the design of ASML's Twinscan™ platform, which is the basis for the Company's next generation Step & Scan systems, producing 300 mm wafers capable of extending shrink technology beyond 100 nanometers.

The older PAS 2500 and PAS 5000 families are suitable for g-line and i-line processing of wafers up to 150 mm in diameter and are employed in manufacturing environments and in special applications for which design resolutions no more precise than 0.5 microns are required.

On August 9, 2001, the Company announced it had shipped the first of its new PAS 5500/800™ KrF Step & Scan lithography systems, which offer the industry's highest numerical aperture (NA) of 0.80, to leading-edge DRAM memory manufacturers. The systems, with resolution specified for 120nm, are used for volume production of 256MB DRAMs and other advanced memory devices such as Flash and very fast SRAMs. Announced in January 2001, the PAS 5500/800 has a throughput specification of 115 200mm wafers per hour. The system is designed for high-volume processing of today's most advanced ICs, as well as R&D and pilot production for next-generation logic, ASIC and advanced memory devices.

In September 2001, the Company also shipped the first production unit of its dual wafer stage TWINSCAN™ 300mm lithography system.

In November 2001, the Company announced the convergence of its 193nm wavelength product offering onto a single platform, the TWINSCAN™ AT:1100, the industry's first high-productivity, dual-stage ArF (193nm) lithography system for 300, wafer processing with 100nm resolution. ASML discontinued the development and shipment of its Micrascan V product, a 193nm wavelength system acquired through the company's merger in May 2001 with SVG.

On December 5, 2001, the Company introduced the industry's first KrF (248nm) Step & Scan 300mm dual stage lithography system capable of 110nm resolution. The TWINSCAN AT:850B™ features Carl Zeiss Starlith™ 850 advanced projection optics with a numerical aperture (NA) of 0.80, which is the highest NA available in a KrF system.

Finally, on December 21, 2001, the Company announced the first shipment of its dual-stage ArF (193nm) lithography system for 300mm wafer processing. Introduced in July 2001, the AT:1100™ system builds upon ASML's successful 300mm TWINSCAN™ dual-stage platform and was developed as the industry's first high-productivity ArF lithography system for volume production applications of 300mm wafers at the 100nm technology node.

The Company also continually develops and sells a range of product options and enhancements designed to increase productivity and optimize cost of ownership over the entire life of the Company's systems.

SVG, now called ASML US, Inc., with which the Company merged in May 2001, primarily designs, manufactures, markets and services semiconductor processing equipment used in the fabrication of integrated circuits. ASML US, Inc.'s principal product groups focus primarily on photolithography, photoresist processing, oxidation/diffusion, low-pressure chemical vapor deposition and atmospheric pressure chemical vapor deposition. ASML US, Inc.'s photolithography equipment, like that of ASML, includes Step & Scan products.

CURRENT ASML LITHOGRAPHY PRODUCT PORTFOLIO*

Feature Size	Wavelength of Light			
Feature size = Resolution = Size of line width	Wavelength = length of light going through projection lens; the shorter the wavelength, the smaller the line width and the finer the pattern on the IC			**Notes:** 1000 nanometer = 1 micron (µ) = 0.001 mm = one millionth of a meter
	365 nm (i-line)	**248 nm (KrF)**	**193 nm (ArF)**	ASML Steppers and Step & Scan Systems
0.35 µ 0.30 µ 0.28 µ	PAS 5500/150 PAS 5500/250 PAS 5500/400 and AT:400			PAS 5500/150/250/300 = Stepper system and wafer size is 200 mm
0.25 µ 0.13 µ 0.12 µ 0.11 µ		PAS 5500/300 PAS 5500/750 and AT:750 PAS 5500/800 PAS 5500/850 and AT:850		PAS 5500/400 and up = Step & Scan system and wafer size is 200 mm
0.10 µ			PAS 5500/1100 and AT:1100	AT = TWINSCAN system and wafer size is 300 mm

*This table does not include products sold on the PAS 2500 and PAS 5000 platforms.

Track and Thermal

Track systems are photoresist processing equipment which perform steps necessary to process semiconductor wafers prior to photolithography exposure. We refer to these products as our Track or Track Systems products. Track products perform steps such as adhesion promotion and photoresist coating, and all the steps required to treat wafers after photolithography exposure prior to etching, including developing and baking. As photoresist-processing technology has evolved, we have developed increasingly advanced products capable of handling integrated circuits with line widths as narrow as 0.18 micron. Each of our Track products include the principal processing capabilities described above and are generally sold in customer-specified configurations that can include specially engineered features and process capabilities. All of our Track products are modular in design and are available in fully automated cassette-to-cassette configurations either as stand-alone processing stations or as in-line integrated manufacturing systems.

Because we are able to supply our customers with both Micrascan photolithography systems and Track photoresist processing products, we believe we offer the only clustered solution manufactured by a single supplier. Additionally, our Track 90 Series is designed to interface with all other manufacturer's photolithography exposure products.

Our Track products correspond to the development of successive generations of wafer processing technologies. It has been our experience that the introduction of new Track products has been followed by lower customer orders for older products. The major Track product lines are described hereafter.

ProCell. The ProCell is designed for advanced fabrication processes with line widths of .18 micron and below. The ProCell, which can process more than 40 wafers simultaneously offers scalability from 200-mm to-300-mm wafers and significant productivity improvement for the coat and develop process through the use of ProCell's symmetrical cluster configuration.

90 Series. The 90 Series, the 90-S and the 90-SE photoresist processing systems are designed for use in fabrication processes for integrated circuits with line widths as narrow as 0.25 micron, such as is required for 64 megabit DRAMs.

Our Thermal product lines include large batch thermal processing products that address the oxidation/diffusion steps of the semiconductor fabrication process. Oxidation is the process by which insulating layers are grown on the surface of the silicon wafers and diffusion is the process by which chemicals called dopants are diffused into the silicon structure of the wafer. Our Thermal product offerings also include single wafer thermal

technology that provide for the cost-effective processing of a single wafer. Our products are used for a broad range of processing applications required in the fabrication of most semiconductor devices, including growing insulating layers on wafers, diffusing dopants into the silicon structure and depositing insulating or conducting films on the wafer surface. Our products incorporate proprietary technology we have developed or acquired in the areas of thermal control, gas handling, particle control and automated wafer handling.

Our customers have begun to move their next-generation Chemical Vapor Deposition, or CVD, thermal processing requirements away from batch to single wafer processing. Chemical Vapor Deposition is the process by which chemical compounds are applied to the silicon wafer. We have product offerings that provide a combined single wafer furnace based rapid thermal processing solution. Single wafer processing generally utilizes vertically stacked process chambers that enhance wafer uniformity, while increasing wafer throughput at reduced cost of ownership. ASML has a wide product range in Thermal. Some of our latest Thermal systems are described hereafter.

Introduced in July 2000, our Xcelerate product is designed for critical front-end process steps utilizing single wafer thermal technology in a single platform solution. Our Xcelerate product is designed for both 200mm and 300mm wafers and can process 120 wafers per hour with a footprint that is optimized by use of a vertically stacked process chamber. The Xcelerate heats the wafer in an "isothermal black body" chamber without the use of conventional heat lamps reducing the absorption of heat by the wafer and increasing wafer uniformity.

APNext CVD System. Introduced in fiscal 1999, is designed as a single wafer processing tool for 200mm or 300mm wafers. Our APNext product utilizes our patented Multiblok linear injector technology which controls the uniform flow of gas. This technology assists with depositing high quality doped and undoped
films. The system has been designed with process chambers utilizing an automated front end to load and unload each chamber, a unique cluster configuration to achieve a high volume of wafer production and incorporates a minimal foot print.

Sales and Customer Support

The Company markets and sells its products in the United States and Europe principally through its direct sales organization. In Asia, the Company sells its products primarily by means of independent sales agents, supported by the Company's own direct sales staff.

The Company supports its customers with applications, service and technical support. The Company's field engineers and applications, service and technical support specialists are based throughout the United States, Western Europe and Asia. The Company's customer support employees in Asia typically work out of the offices of local outside sales agents, some of whom also provide service support to the Company's customers.

Strategic Cooperation with Micronic Laser Systems A.B.

In June 2001, ASML and Micronic entered into a strategic alliance to enhance the companies' positions as suppliers of lithography equipment to the display and semiconductor industry. The companies will start a joint development program to develop new tools in the area of lithography applications. The alliance also involves an interest free convertible loan in the amount of Swedish Kroner 320 million ($30.3 million). The loan has a term of three years and can be converted into 1 million shares of Micronic at the option of ASML.

Customers and Geographic Markets

In 2001, the Company shipped 360 systems to a limited number of customers. The Company expects that sales to relatively few customers will continue to account for a high percentage of its net sales in any particular year for the foreseeable future. ASML markets and sells its products in the United States and Europe principally through its direct sales organization and in Asia by means of independent sales agents. ASML makes all its sales into the United States through its U.S. operations and its sales into Asia through its Hong Kong operation. Intra-area sales are accounted for at prices that provide a profit and take into consideration the rules and regulations of the respective governing authorities.

Manufacturing, Logistics and Suppliers

The Company's manufacturing activities consist of testing and assembling into a finished system components and subassemblies that are manufactured to its specifications by third parties. All of the Company's manufacturing activities (subassembly, final assembly and system testing) are performed in three separate clean room facilities located in Veldhoven, The Netherlands, one clean room facility in Wilton, Connecticut, and one facility in Scotts Valley, California. The Company depends on these facilities. A major catastrophe (such as a natural disaster) could result in significant interruption of the Company's business and potential loss of customers and sales.

The Company procures each of its stepper and Step & Scan system components and subassemblies from a single supplier or a limited group of suppliers in order to ensure overall quality and timeliness of delivery. Reliance on a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and the risk of untimely delivery of these subassemblies and components. Disruption or termination of certain of the Company's supply arrangements, in particular its arrangements with Carl Zeiss SMT AG, described below, could have an adverse effect on the Company's business, financial condition and results of operations. The Company attempts to identify and qualify alternative suppliers capable of manufacturing to the Company's specifications. A prolonged inability to obtain certain components and subassemblies could damage relationships with current and prospective customers. See Note 22 to the Consolidated Financial Statements.

Zeiss is the Company's sole supplier of lenses and other critical optical components, which collectively account for over 35 percent of the Company's cost of sales. The Company and Zeiss have structured their relationship as an exclusive strategic alliance pursuant to an agreement that sets forth a framework for cooperation in the areas of product research, design, planning and manufacturing and pricing, as well as customer support and warranty service. Dr. Ing. Peter H. Grassmann, Chief Executive Officer of Zeiss, is a member of ASML's Supervisory Board. See Item 6—"Directors, Senior Management and Employees".

From time to time, the number of systems the Company has been able to produce has been limited by the capacity of Zeiss to provide the Company with lenses and optical components. Zeiss currently is capable of manufacturing only a limited number of lenses and optical components for the Company's wafer steppers and Step & Scan systems and is highly dependent on its manufacturing and testing facility in Oberkochen, Germany. The failure of Zeiss to maintain and increase production levels could result in the Company being unable to fulfill orders for its systems, which could damage relationships with current and prospective customers and have an adverse effect on the Company's business, financial condition and results of operations. See Item 3D, "Risk Factors".

Zeiss and the Company have agreed to continue their strategic alliance on an exclusive basis until either party provides at least three years' notice of its intent to terminate. Although the Company believes such an outcome is unlikely, if Zeiss were to terminate its relationship with the Company or if Zeiss were unable to maintain production over a prolonged period (such as because of a catastrophe affecting Zeiss' Oberkochen facility), the Company effectively would cease to be able to conduct its business.

Research and Development

The semiconductor manufacturing industry is subject to rapid technological changes and new product introductions and enhancements. The Company believes that continued and timely development and introduction of new and enhanced systems are essential for the Company to maintain its competitive position. To meet this ongoing requirement, the Company has established sophisticated development centers in The Netherlands and the United States.

The Company historically has devoted a significant portion of its financial resources to research and development programs and expects to continue to allocate significant resources to these efforts. The Company also applies for subsidy payments in connection with specific development projects under programs sponsored by The Netherlands government and the European Community. Amounts received under these programs generally are not required to be repaid, except for technical development credits (*Technische Ontwikkelingskredieten*, or "TOK") received from the Netherlands Ministry of Economic Affairs. See Item 5—"Operating and Financial Review and

Prospects—Operating Results—Results of Operations 2001 compared with 2000—Research and Development Costs" and "—Research and Development Credits", and Notes 1 and 18 to the Consolidated Financial Statements.

ASML made substantial investments in research and development during 2001, with a total of EUR 408 million - an 11.2 percent increase over the previous year. ASML is also involved in joint R&D programs with both public and private partnerships and consortiums, involving leading chip manufacturers, as well as Dutch government and European Union programs like EUREKA and ESPRIT.

In 2001, ASML's R&D resources propelled development for the TWINSCAN platform along with several leading edge technologies, such as 248 nm, 193 nm, 157 nm and Extreme Ultraviolet (EUV).

Research and development expenditure for Track and Thermal is minimal compared to the Lithography segment. In the Track and Thermal segment, ASML focuses on further alignment of these systems with ASML's lithography tools.

Intellectual Property

ASML relies on patents, copyrights, trade secrets and other measures to protect its proprietary technology. However, it may be unable to protect its technology completely. Competitors may be able to develop similar technology independently. ASML's pending patent applications may not be issued, and intellectual property laws may not sufficiently support ASML's proprietary rights. In addition, litigation may be necessary in order to enforce ASML's intellectual property rights, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Any such litigation may result in substantial costs and a diversion of resources, and could have a materially adverse effect on ASML's business and results of operations. ASML also may incur substantial licensing or settlement costs where doing so would strengthen or expand its intellectual property rights or limit its exposure to intellectual property claims of third parties.

Some of our customers have received notice of infringement from third parties alleging that the manufacture of semiconductor products and/or the equipment used to manufacture semiconductor products infringes patents issued to those third parties. We have been advised that we could be obligated to pay damages to customers if use of our photolithography systems by those customers were found to infringe any valid patents issued to third parties. If these claims were successful, we could be required to indemnify our customers for some or all of any losses incurred as a result of that infringement. We also may incur substantial licensing or settlement costs where doing so would strengthen or expand our intellectual property rights or limit our exposure to intellectual property claims of others.

On December 21, 2001, Nikon filed a complaint against ASML with the United States International Trade Commission ("ITC") under Section 337 of the United States trade laws. On the same day, Nikon also filed a separate patent infringement action in the United States District Court for the Northern District of California. On January 23, 2002, the ITC instituted an investigation based on Nikon's complaint, which alleges that ASML's photolithography machines imported into the United States infringe seven United States patents held by Nikon. The original complaint in the California action alleges infringement of four other Nikon patents. A fifth patent was added by Nikon to the California action before ASML answered the complaint. Nikon's patents relate to several different aspects of photolithography equipment. In the ITC proceeding, Nikon seeks to exclude the importation of infringing products. The California complaint seeks injunctive relief and damages.

On February 25, 2002, ASML answered the complaint in the ITC investigation, denied that it infringed any of Nikon's patents, and asserted that Nikon's patents were invalid and unenforceable. On April 5, 2002, ASML filed a counterclaim in the ITC investigation alleging that Nikon has infringed five United States Patents owned by ASML. ASML's patents also relate to various aspects of photolithography equipment. Pursuant to ITC rules, ASML removed its counterclaim on the same day to the United States District Court for the District of Arizona.

Also on April 5, 2002, ASML answered Nikon's complaint in California, denied that it infringed Nikon's patents and brought a counterclaim against Nikon alleging that its patents are invalid and unenforceable and that Nikon has committed anti-trust violations.

It is very early in the process and therefore the outcome of the various proceedings between ASML and Nikon cannot be predicted at this stage.

Furthermore, we rely on a number of patents owned by Royal Philips Electronics, our former parent company. While Philips has granted us, without charge, a worldwide, irrevocable, non-exclusive license under those patents, they remain subject to the same risks regarding validity, scope and enforceability that relate to our patents. In addition, Philips has no obligation to defend or enforce such patents against third parties.

Competition

The photolithography equipment industry is intensely competitive. The principal elements of competition in the Company's markets are the technical performance characteristics of a photolithography system and the cost of ownership of that system based on system purchase price, system maintenance costs, productivity factors, including throughput, capability, yield, quality and reliability, and customer service and support. The Company's ability to remain competitive will depend in part upon its ability to develop new and enhanced photolithography equipment and to introduce these systems at competitive prices and on a timely basis that will enable customers to integrate the systems into the planning and design of new fabrication facilities. In order to retain its customers, the Company also is required to effect continuing enhancements in the performance of its existing photolithography systems.

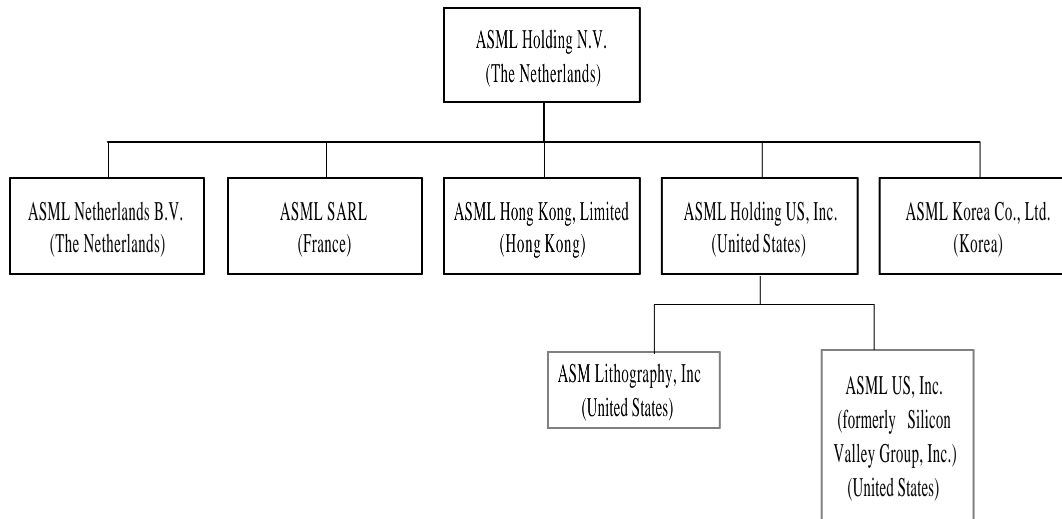
Because the cost to develop new photolithography systems is extremely high, the photolithography equipment industry is characterized by the dominance of a few suppliers. The Company's primary competitors are Nikon Corporation and Canon Kabushika Kaisha. Nikon and Canon are the dominant suppliers in the Japanese market segment, which accounts for a significant proportion of worldwide IC production and historically has been difficult for non-Japanese companies to penetrate.

Nikon and Canon are both vertically integrated manufacturers with substantial financial resources. Each has stated that it will introduce new products with improved price and performance characteristics that will compete directly with the Company's products, which could cause a decline in sales or loss of market acceptance of the Company's photolithography systems. In addition, adverse market conditions or industry overcapacity could lead to intensified, price-based competition in those markets that account for the majority of the Company's sales, resulting in lower prices and margins and a negative impact on the Company's business, financial condition and results of operations.

In Track systems we face intense competition by Tokyo Electron, Ltd. and DaiNippon Screen Mfg. Co., Ltd. In Thermal systems we face intense competition by Tokyo Electron, Ltd.and Kokusai Electric Co., Ltd. in oxidation/diffusion, LPCVD equipment; Applied Materials, ASM International and Quester in our APCVD products.

C. Organizational Structure

ASML is a holding company which operates through its subsidiaries. Our material subsidiaries, each of which is a direct or indirect wholly-owned subsidiary of ours, are as follows:



D. Property, Plants and Equipment

As of the date of this Annual Report, the Company owns several facilities, including office facilities, in the Netherlands and the United States. The Company also owns and leases sales offices in several countries. The book value of the buildings owned by the company amounts to EUR 152 million. The Company leases its headquarters, applications laboratory and research and development, manufacturing (assembly and testing) and some of its office facilities in Veldhoven, The Netherlands. The operational leases of all major facilities are long term and contain purchase options.

In 2001, the Company further expanded its research and developments and office facilities in Veldhoven. The Company also maintains regional sales and service offices and manufacturing facilities that are located worldwide near its customers' premises.

The Company expects to further expand its facilities during 2002. The Company expects, from total budgeted capital expenditure in 2002 of approximately EUR 191 million, approximately EUR 2.9 million to be allocated to the further expansion of its research and development, manufacturing and office facilities. Furthermore, the Company expects to spend approximately EUR 16 million of its total budgeted capital expenditure on leasehold improvements. See Item 5—"Operating and Financial Review and Prospects—Liquidity and Capital Resources", Item 4—"Information on the Company—Business Overview—Manufacturing, Logistics and Suppliers " and Note 10 to the Consolidated Financial Statements.

ITEM 5. Operating and Financial Review and Prospects

A. Operating Results

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, investments, intangible assets, income taxes, financing operations, warranty and installation obligations, excess component order cancellation costs, restructuring, long-term service contracts, pensions and other post-retirement benefits, and contingencies and litigation. We base our estimates on historical experience and on various

other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We have identified the policies below as critical to our business operations and the understanding of our results of operations.

Accounting for pooling of interests

As reported, ASML merged with SVG. The merger with SVG is accounted for under the "pooling of interests" method. In conformity with US GAAP reporting guidelines, the comparative figures for the twelve months ended December 31, 2000 and December 31, 1999 reflect the combined annual results of the fiscal years of both. Because SVG's fiscal reporting period prior to the merger differed from that of ASML, the comparative figures for 2000 and prior years incorporate the results of heritage ASML for the twelve months ended December 31, and the results of heritage SVG for the twelve months period ended September 30.

Revenue Recognition

Under the guidance set forth in SAB 101, ASML's practice is to recognize revenues based upon shipment. ASML defers the fair value of the installation service yet to be performed on delivered equipment. Furthermore, revenues of initial shipments of new technology systems are deferred until customer acceptance.

Revenues from services are recognized when performed. Revenue from prepaid service contracts is recognized over the life of the contract. Advance payments received from customers are deferred and recognized upon product shipment.

Income tax

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carry forwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. If it is more likely than not that carrying amounts of deferred tax assets will not be realized, a valuation allowance will be recorded to reduce the carrying amounts of such assets.

Euro

On January 1, 1999, The Netherlands and eight other member countries of the European Union adopted the euro as their new common currency. Effective January 1, 2002, the euro became legal tender of The Netherlands for both cash and non-cash electronic money transfers between ASML and its business partners.

For external reporting purposes, effective January 1, 1999, ASML adopted the euro as reporting currency. Prior year balances have been restated based on the fixed exchange rate EUR 1.00 to NLG 2.20371. The comparative balances reported in euros depict the same trends as would have been presented if ASML had continued to present balances in Dutch Guilders. Balances for periods prior to January 1, 1999 are not comparable to the balances of other companies that report in euros, having restated amounts from a different currency than Dutch Guilders.

Business strategy

ASML's strategic objective is to realize profitable and sustainable growth by providing leading edge manufacturing solutions to the worldwide semiconductor industry that continually improve customers' competitiveness by enhancing the value of their ownership of ASML equipment.

The principal elements of ASML's value of ownership strategy are:

? maintaining significant levels of research and development spending in order to offer customers, at the earliest possible date, the most advanced technology suitable for high-throughput, low-cost volume production;

? offering customers continuing improvements in productivity and value by introducing advanced technology, based on the modular, upgradeable design of ASML's families of tools;

? pursuing continuing reductions in the cycle time between a customer's order of a tool and the use of that tool in volume production at the customer site;

? providing superior customer support services that ensure rapid and efficient installation, as well as continuing on-site support and training to optimize the manufacturing process and improve customers productivity; and

? expanding operational flexibility in research and manufacturing by reinforcing strategic alliances with world-class partners.

Results of Operations

The following discussion and analysis of results of operations should be viewed in the context of the risks affecting ASML's business strategy. See Item 3D – "Risk Factors". The merger with SVG is accounted for under the "pooling of interests" method. Therefore, ASML's Consolidated Financial Statements for each of the three years ended December 31, 2001 reflect the combination of financial statements for ASML's historical operations with those of SVG. In conformity with U.S. generally accepted accounting principles (GAAP) reporting guidelines, the comparative figures for the twelve months ended December 31, 2000 and December 31, 1999 reflect the combined annual results of the fiscal years of ASML and SVG. Because SVG's fiscal reporting period prior to the merger differed from ASML's fiscal reporting period, comparative figures contain the results of ASML's historical operations for the twelve months ended December 31 and the results of SVG's historical operations for the twelve months ended September 30.

Following is ASML's consolidated statements of operations data for the last three years expressed as a percentage of total net sales:

Year ended December 31	**1999**	**2000**	**2001**
Total net sales	**100%**	**100%**	**100%**
Cost of sales	68.3	60.1	97.2
Gross profit on sales	31.7	39.9	2.8
Gross profit excluding restructuring charges and additional obsolescence costs*	31.7	39.9	28.1
Research and development costs	16.2	12.8	23.0
Research and development credits	(2.4)	(0.8)	(0.9)

Year ended December 31	1999	2000	2001
Selling, general and administrative expenses	12.9	10.2	15.2
Restructuring and merger and acquisition charges	0.0	0.0	3.1
Operating income (loss)	5.0	17.7	(37.6)
Operating income (loss) excluding restructuring charges	5.0	17.7	(9.4)
Interest (income) expense, net	(0.1)	(0.3)	0.4
Income (loss) before income taxes	5.1	18.0	(37.8)
Provision for income taxes	1.6	5.7	(11.8)
Net income (loss)	3.5	12.3	(26.0)
Sales of systems (in units)	368	783	360

Although not a measure of financial performance under US GAAP, we also provided extra lines marked with * and **:

* Excluded are charges that are comprised of:
- restructuring EUR 408 million
- additional costs for obsolete inventory EUR 56 million

** Excluded are charges as explained under the restructuring paragraph totaling EUR 521 million

Results of Operations 2001 compared with 2000

During 2001, the semiconductor industry faced its worst downturn in history. Despite some positive signs in the industry, ASML sees no clear indication that an upturn will happen before the second half of 2002. ASML will closely monitor developments of the semiconductor market in general and development of its customers' business in particular.

Restructuring

ASML implemented a restructuring plan including workforce reduction, fixed asset write-off and building closure costs as well as inventory write-off due to discontinued product lines. The restructuring costs amounted to EUR 411 million, of which EUR 408 million is included in cost of sales. The number of employees actually terminated pursuant to the restructuring plan as of December 31, 2001, is approximately 1,100 (including temporary workforce). Furthermore, ASML incurred additional merger related expenses and other one-time charges of:

- Merger and acquisition expenses EUR 54 million.
- Additional reserve for obsolete inventory EUR 56 million.
- Other EUR 3 million.

EITF 94-3 "Liability recognition for certain employee termination benefits and other costs to exit an activity (including certain costs incurred in a restructuring)" addresses when a liability for costs associated with an exit plan or restructuring activity should be recognized. Expenses totaling approximately 78 million, consisting of building closure costs, severance payments and non-cancelable purchase commitments were recognized in accordance with EITF 94-3. As of October 16, 2001, the company announced a global work force reduction by approximately 1,400 positions (17 percent) which is expected to result in a total work force of 6,600 by the end of the first half of 2002. The reduction will mainly affect employees involved in manufacturing facilities. The actual amount of termination benefits paid and charged against the liability as of December 31, 2001, is approximately EUR 3 million and the number of employees actually terminated pursuant to the exit plan as of December 31, 2001 amounts to approximately 1,100.

ARB 43 "Restatement and Revision of Accounting Research Bulletins" chapter 4 addresses the valuation of inventory when the market value has decreased. Resulting from the plan of restructuring, the Company has stopped developing and/or selling its Micrascan product line except for Micrascan VII. The related inventory has no estimated residual value and therefore has been written off. The expense recognized in accordance with ARB 43 totalled approximately EUR 300 million.

The following table shows a break down of the total restructuring charge recognized;

	Cost of Sales	Selling, general and administrative expenses	Total
Inventory write-off	300,443	0	300,443
Purchase Commitments	51,761	0	51,761
Fixed assets write-off	32,242	462	32,704
Building closure costs	6,053	865	6,918
Severance payments	16,972	1,755	18,727
Total restructuring charges	**407,471**	**3,082**	**410,553**

Consolidated Sales

Consolidated sales consist of revenues from (i) sales of wafer steppers, Step & Scan systems, Photoresist processing systems (track) and Thermal systems, (ii) sales of equipment and options, which may occur in conjunction with the initial sale of a system or after its installation, and (iii) service. Consolidated net sales decreased from EUR 3,063 million in 2000 to EUR 1,844 million in 2001, a decrease of EUR 1,219 million or 39.8 percent. Currently, more than 50 percent of the top 20 IC manufacturers are ASML customers.

In 2001, sales to one customer accounted for EUR 217 million, or 11.8 percent of net sales. In 2000, sales to three customers accounted for EUR 483 million, EUR 457 million and EUR 442 million or 15.8, 14.9 and 14.4 percent of net sales, respectively.

ASML recognizes the business segments, Lithography and Track & Thermal activities. The following discussion reviews net sales and gross margin per business segment.

Lithography sales and gross profit

The following table shows a summary of sales and gross profit on a semi-annual basis:

	Year ended December 31,			
	2000		2001	
	First Half	Second Half	First Half	Second Half
Total units shipped	207	248	120	77
Net sales (EUR million)	1,189	1,444	811	743
Gross profit on sales of new systems (% of sales)	41.5	43.6	30.4	(42.7)
Overall gross profit (% of sales)	39.6	42.3	28.4	(28.9)
Gross profit excluding restructuring and additional cost for obsolete* inventories (% of sales)	39.6	42.3	35.3	24.7
Average unit sales price for new systems (EUR million)	5.7	5.9	5.9	8.1

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* is not a measure of financial performance under accounting principles generally accepted in the United States of America

Net sales in the Lithography segment consist of revenue from sales of wafer steppers and Step & Scan systems, sales of equipment and options, which may occur in conjunction with the initial sale of a system or after its installation, and revenue from service.

Total net sales for Lithography decreased from EUR 2,633 million in 2000 to EUR 1,554 million in 2001, a decrease of EUR 1,079 million or 41.0 percent. The decrease in sales was caused by a decrease in shipments from 455 units in 2000 to 197 units in 2001. This decrease was partly offset by an increase (17.9 percent) in the average unit sales price for new systems. The 56.7 percent decrease in the number of systems shipped is a result of the worst year-on-year decline in sales in the history of the semiconductor industry. The 17.9 percent increase in the average unit sales price of new systems reflects the introduction and shipment of ASML's most advanced technology products in 2001. These products include the leading edge, high numerical aperture lens products for the 248 nanometer and 193 nanometer technology node, as well as those for 300 millimeter TWINSCAN™ systems.

The decrease in total net sales in 2001 included an increase in net service sales of 28.8 percent from EUR 170 million in 2000 to EUR 219 million in 2001, reflecting the continued increase in the size of the installed base of ASML's lithography tools at customer production facilities.

Total net sales for 2000 and 2001 include EUR 67 million and EUR 19 million, respectively, relating to the sale of 53 and 17 pre-owned systems. These systems were reacquired from existing customers and then resold, primarily to other customers utilizing these systems in areas requiring the less critical resolution capabilities provided by these machines. ASML will engage in similar repurchase and resale transactions in the future; however, it does not anticipate that the impact of those transactions will be significant.

Gross profit as a percentage of net sales decreased from 41.1 percent in 2000 to 1.0 percent in 2001. Excluding the gross profit service sales, gross profit on system sales including field upgrades decreased from 41.2 percent to (1.0) percent. The gross profit was negatively affected by the costs associated with the restructuring plan, under-utilization of production facilities and pressure on discount levels. Excluding the restructuring costs for inventory write-offs, costs for factory closure and severance payments, the overall lithography gross profit in 2001 was 30.2 percent, compared to 41.1 percent in 2000.

The gross profit on service sales decreased to 13.0 percent in 2001 from 14.4 percent in 2000, due to provisions for excess and obsolete spare parts.

Lithography order backlog

In 2001 the Lithography division started the year with an order backlog of 365 systems and orders for delivery of 223 systems were received in 2001. Combined with 197 new systems sales and 274 order cancellations or push-outs beyond twelve months, this resulted in an order backlog of 117 systems as of December 31, 2001. This backlog includes 13 systems delivered in 2001 for which revenue will be recognized in 2002. The total value of the backlog as of December 31, 2001 amounts to €1.16 billion compared to approximately €2.67 billion at December 31, 2000.

Track and Thermal sales and gross profit

The following table shows a summary of sales and gross profit on a semi-annual basis:

	Year ended December 31,			
	2000		2001	
	First half	Second half	First half	Second half
Total units shipped	115	213	130	33
Net sales (EUR million)	175	255	205	85
Gross profit (% of sales)	31.0	33.2	25.2	(17.6)
Gross profit excluding restructuring charges (% of sales) *	31.0	33.2	25.2	(3.1)
Average unit sales price for new systems (EUR million)	0.9	0.9	1.2	1.4

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* is not a measure of financial performance under accounting principles generally accepted in the United States of America.

Net sales in the Track and Thermal segment consist of revenue from sales of photoresist processing systems (track) and thermal systems and options, which may be sold in conjunction with the initial sale of a system or after its installation, and revenue from service.

Total net sales for track and thermal systems decreased from EUR 430 million in 2000 to EUR 290 million in 2001, a decrease of EUR 140 million or 32.6 percent. The decrease in sales was caused by a decrease in shipments from 328 units in 2000 to 163 units in 2001. This decrease was partly offset by an increase in the average unit sales price for new systems.

The 50.3 percent decrease in the number of systems shipped reflects the worst overall decline in sales in the semiconductor industry. Sales in this segment primarily depend on systems for adding manufacturing capacity. In view of the downturn, the demand for such capacity tools fell sharply. The 35.4 percent increase in the average unit sales price of new systems reflects increased demand in 2001 for new technology including 200 millimeter and 300 millimeter thermal bridge-tools. The service sales decreased from EUR 118 million in 2000 to EUR 87 million in 2001, a decrease of EUR 31 million or 26.3 percent, largely due to lower demand for consumables and other products relating to the utilization of track and thermal equipment installed in customer production facilities.

Overall gross profit as a percentage of total net sales decreased from 32.3 percent in 2000 to 12.7 percent in 2001. Excluding the gross profit on service sales, gross profit on system sales decreased from 23.9 percent to a loss of 7.0 percent. Severe under-utilization of production capacity, the costs associated with the introduction of new technology and the costs for restructuring of production facilities have caused this major decrease in gross profit. Excluding the restructuring costs, total gross profit as a percentage of total sales for the Track and Thermal segment in 2001 was 16.9 percent compared to 32.3 percent in 2000.

The gross profit for service sales improved to 58.8 percent in 2001 from 54.5 percent in 2000, mainly as a result of rationalization and cost control measures.

Track and Thermal order backlog

The backlog for the Track and Thermal segment as of December 31, 2001 included 64 systems with a total value of €83 million. In 2001 orders for delivery of 71 systems were received, 163 systems were sold and 35 systems were cancelled or pushed out beyond twelve months. The backlog as of December 31, 2000 included 191 systems.

Research and development costs

The nature of research and development costs and selling, general and administrative costs does not differ significantly between business segments. These items will be discussed on a consolidated basis.

Research and development costs

Research and development costs increased from EUR 392 million (12.8 percent of total net sales) in 2000 to EUR 424 million (23.0 percent of total net sales) in 2001. The increase in research and development costs reflects ASML's continuing effort to introduce several leading edge lithography products for 248 nanometer and 193 nanometer applications and the newest versions of the TWINSCAN™ platform, combined with continued investments in next generation 157 nanometer lithography solutions and Extreme UV (EUV). Furthermore, ASML increased its research and development activities relating to 300 millimeter ProCell™ track systems and the leading edge APNext™ and Xcelerate™ thermal systems.

ASML foresees further long-term growth in research and development, staffing and other costs. However, for 2002, ASML expects a decrease of research and development expenditure due to more cost efficient programs as a result of the restructuring.

Research and development credits

Research and development credits decreased from EUR 25 million in 2000 to EUR 16 million in 2001. The decrease in research and development credits in 2001 in comparison to 2000 is a direct result of decreased research and development efforts qualifying for credits.

Management anticipates receiving research and development credits in 2002, approximately equal to the amounts received in 2001, although the precise amount remains subject to further negotiation with the relevant granting authorities.

Selling, general and administrative Costs

Selling, general and administrative expenses decreased by 10.5 percent from EUR 313 million in 2000 to EUR 280 million in 2001 as a result of accelerated cost reduction measures in both segments, including workforce reduction activities. Because net sales decreased by 39.8 percent, selling, general and administrative expenses increased as a percentage of net sales from 10.2 percent in 2000 to 15.2 percent in 2001.

Income taxes

Income taxes represented 30.2 and 31.3 percent of income before taxes in 2000 and 2001 respectively. This increase results from a change in distribution of pre-tax income between geographical areas.

Results of operations 2000 compared with 1999

Consolidated net sales were EUR 3,063 million in 2000 compared to EUR 1,636 million in 1999. In 2000, sales to three customers accounted for EUR 483 million, EUR 457 million and EUR 442 million or 15.8, 14.9 and 14.4 percent of net sales, respectively. In 1999, sales to three customers accounted for EUR 244 million, EUR 242 million and EUR 165 million or 14.9, 14.8 and 10.1 percent of net sales respectively.

Lithography sales and gross profit

The following table shows a summary of sales and gross profit on a semiannual basis:

	Year ended December 31,			
	1999		2000	
	First half	Second half	First half	Second half
Total units shipped	93	174	207	248
Net sales (EUR million)	494	995	1,189	1,444
Gross profit on sales of new systems (% of sales)	29.1	34.4	41.5	43.6
Overall gross profit (% of sales)	28.3	33.9	39.6	42.3
Average unit sales price for New systems (EUR million)	5.0	5.7	5.7	5.9

Total net sales increased from EUR 1,489 million in 1999 to EUR 2,633 million in 2000, an increase of EUR 1,144 million or 76.8 percent. The increase in sales was caused by an increase in shipments of both lithography divisions from 267 units in 1999 to 455 units in 2000, as well as an increase in the average unit sales price for new systems. The 70 percent increase in the number of systems shipped reflects the strong customer demand in 2000 in the semiconductor industry and the equipment industry in particular, as well as ASML's strong position in the fastest growing markets. ASML expanded its sales to the Asian market including its first ever shipment to the important Japanese market. ASML's sales to fast growing markets like Taiwan, Singapore and Malaysia increased significantly. The 5 percent increase in the average unit sales price of new systems was due to a further shift in customer demand towards ASML's most advanced technology products. In 2000, ASML successfully launched its first 300 millimeter TWINSCAN™ product. ASML's balanced product offering in i-line and DeepUV Step & Scan systems as well as the introduction of the 300 millimeter TWINSCAN™ in 2000 also accounted for important new customer wins.

The increase in total net sales in 2000 included an increase in net service sales of 54.5 percent from EUR 110 million in 1999 to EUR 170 million in 2000, reflecting the continued increase in the installed base of ASML's products at customer manufacturing facilities.

Total net sales for 1999 and 2000 include EUR 42 million and EUR 67 million, respectively, relating to the sale of 25 and 53 pre-owned systems. These systems were reacquired from existing customers and then resold.

Gross profit as a percentage of total net sales increased from 32.1 percent in 1999 to 41.1 percent in 2000. Excluding the gross profit on service sales, gross profit on system sales increased by 9.7 percent to 41.2 percent in 2000. Cost control measures, learning curve benefits at ASML's production sites and in its supply chain, and the improved utilization rates that accompanied ASML's higher sales volumes, significantly improved gross profit throughout the year. In 1999, especially the first half of the year, gross profit was negatively affected by significantly higher costs for production and the introduction of newly developed products. Furthermore, the under-utilization of ASML's manufacturing capacity during the first half of 1999 affected gross profit adversely.

Track and Thermal net sales and gross profit

The following table shows a summary of sales and gross profit on a semi-annual basis:

	Year ended December 31,			
	1999		2000	
	First half	Second half	First half	Second half
Total units shipped	32	69	115	213
Net sales (EUR million)	50	97	175	255
Gross profit (% of sales)	20.3	32.1	31.0	33.2
Average unit sales price for new systems (EUR million)	0.7	1.0	0.9	0.9

Net sales increased from EUR 147 million in 1999 to EUR 430 million in 2000, an increase of EUR 283 million or 192.5 percent. The increase in sales was caused by an increase in shipments from 101 units in 1999 to 328 units in 2000, as well as an increase in the average unit sales price. The 225 percent increase in the number of systems shipped reflected the strong customer demand in the year 2000 for track and thermal systems. Thermal systems in particular accounted for a strong increase in net sales including thermal products resulting from the July 1999 acquisition of the Semiconductor Equipment Group of Watkins-Johnson Company ("SEG"). The increase of net sales occurred across most geographies.

The average selling price of units shipped increased by 1.6 percent. This 1.6 percent consists of a decrease in the average unit selling price, due to a relatively stronger growth of the number of thermal systems shipped, more than fully offsetting the exchange rate of the euro versus the U.S. dollar. The increase in total net sales in 2000 included an increase in net service sales of 129.4 percent, reflecting the continued increase in the installed base of ASML's products at customer manufacturing facilities as well as the increase in sales due to the July 1999 acquisition of SEG.

Gross profit as a percentage of total net sales increased from 28.1 percent in 1999 to 32.3 percent in 2000. Excluding gross profit on service sales, gross profit on system sales increased from 18.8 percent in 1999 to 23.9 percent in 2000, due to increased sales volumes and therefore better utilization of manufacturing capacity.

Gross profit on service sales increased from 45.4 percent in 1999 to 54.5 percent in 2000.

The portion of service revenues derived from the sale of higher margin yielding spare parts grew relative to overall service sales.

Research and development costs

The nature of research and development costs, and selling, general and administrative costs does not differ significantly between business segments and will be discussed on a consolidated basis.

Research and development costs

Research and development costs increased from EUR 265 million (16.2 percent of total net sales) in 1999 to EUR 392 million (12.8 percent of total net sales) in 2000. The increase in research and development costs resulted from an increase in staffing levels from 1,714 at the end of 1999 to 2,214 at the end of 2000. The increase in research and development costs reflects ASML's continuing efforts to develop its 300 millimeter TWINCAN™ platform and to expand its PAS 5500 family of Step & Scan systems, its high throughput cross-performance Micrascan platform and its 300 millimeter ProCell™ track system. The increase also relates to its research into next-generation lithography, 157 nanometer and Extreme UV (EUV). Furthermore, research and development expenses increased due to increased spending on the leading edge APNextTm and Xcelerate™ thermal systems.

Research and development credits

Research and development credits decreased from EUR 39 million in 1999 to EUR 25 million in 2000, almost entirely attributable to a re-alignment of subsidy priorities within the European technology subsidy agencies.

Selling, general and administrative expenses

Selling, general and administrative expenses increased from EUR 210 million in 1999 to EUR 313 million in 2000. Both segments have contributed to this increase. However, as a percentage of net sales, selling, general and administrative expenses decreased from 12.8 percent in 1999 to 10.2 percent in 2000. To cope with its growth, ASML increased its number of employees from 6,061 at year end 1999 to 8,123 at year end 2000. To support this strong growth, costs for information technology, facilities, recruiting and general support functions, such as financial services, increased. Customer service costs increased primarily due to training and build up of support not directly related to service sales. This increase also reflects ASML's efforts to support its customers when introducing the more complex Step & Scan and 300 millimeter TWINSCAN™ and ProCell™ systems.

Income taxes

Income taxes represented 31.6 and 30.2 percent of income before taxes in 1999 and 2000, respectively. In 1999 and 2000, ASML recorded tax rate benefits resulting from a program operated by the government of the Netherlands pursuant to which eligible companies may seek a reduction in their effective tax rate. The implementation of this program reduced the effective tax rate by approximately 2.0 percent in 1999, and by approximately 0.7 percent in 2000. ASML recorded additional non-recurring permanent differences in the calculation of income tax for the year 2000, which accounted for an additional 1.2 percent reduction in the effective tax rate. The decrease in 2000 results from a change in distribution of pre-tax income between geographical areas.

Foreign Exchange Management

Foreign currency translations exposure regarding U.S. dollar denominated equity investments are hedged by U.S. dollar denominated convertible subordinated notes. Certain transactions and assets and liabilities are exposed to foreign currency risk. The Company monitors its foreign currency exposures periodically to maximize the overall effectiveness of its foreign currency hedge positions. Principal currencies hedged include the U.S. dollar and the British pound. Forwards and options used to hedge a portion of forecasted international sales and purchases for up to one year in the future are designated as cash flow hedging instruments. Forwards and options used to hedge the impact of the variability in exchange rates on accounts receivable and accounts payable denominated in certain foreign currencies are designated as fair value hedges. ASML also uses forwards to hedge its loan to Micronic which is denominated in Swedish kroner.

On December 31, 2001, ASML was a party in open forward contracts to hedge sales transactions in U.S. dollars up to an amount of USD 37 million. Furthermore, ASML was a party in an open forward contract to hedge purchase transactions up to an amount of USD 15 million. The Company estimates that on December 31, 2001, a 10 percent strengthening in the value of the euro relative to the U.S. dollar would have increased the fair value of the existing forward contracts by EUR 2 million as compared to EUR 5 million increase in the fair value of existing forward contracts on December 31, 2000.

The Company estimates that on December 31, 2001, a 10 percent strengthening in the value of the euro relative to the Swedish kroner would have increased the fair value of the existing forward contracts by EUR 2 million.

On December 31, 2001, ASML was a party in option contracts to hedge purchase transactions up to an amount of USD 36 million.

B. Liquidity and Capital Resources

Financial Condition, Liquidity and Capital Resources

The following discussion and analysis of financial condition should also be viewed in the context of the risks affecting ASML's business strategy, described above in Item 3- "Key Information – Risk Factors".

ASML's balance of cash and cash equivalents amounted to EUR 984 million and EUR 911 million at December 31, 2000 and 2001, respectively. Net cash flows used by operating activities were EUR 236 million in 2001. Net cash flows provided by operating activities were EUR 215 million in 2000.

The cash management arrangement with Morgan Stanley & Company International, that was consolidated during fiscal 2000, was dissolved during 2001. ASML's share in the investments of the fund were sold and transferred as cash to ASML.

Negative cash used in operating activities during 2001 was due to the company's net operating losses. ASML's results from operations were negatively affected by a restructuring charge and other one-time charges of EUR 521 million. The net operating loss included a cash charge due to the restructuring of approximately EUR 57 million, (including merger and acquisition costs of EUR 54 million). The expected cash impact in 2002 from the 2001 restructuring charge is estimated to amount to EUR 74 million.

The decrease in accounts receivable of EUR 356 million reflects the decline in the number of shipments during 2001 as well as more effective collection procedures. However ASML's ratio of average accounts receivable to total net sales was 24.9 and 40.6 percent in 2000 and 2001, respectively, due to the sharp decline in sales and a significant amount of new technology shipments in the fourth quarter of 2001.

ASML generally ships its systems on payment terms requiring 90 to 100 percent of the sales price to be paid within 30 days after shipment. The remainder of the purchase price for ASML's systems is due within 90 days after shipment or within 30 days after completion of the installation process and subsequent customer testing.

The gross inventory level increased by 42.3 percent as a consequence of the sudden downturn. The Company has increased the provision for obsolete inventory from EUR 177 million in 2000 to EUR 561 million in 2001, mainly due to discontinued product lines and far lower than expected demand. The ratio of average inventory to total net sales increased from 22.7 percent in 2000 to 46.7 percent in 2001.

In 2000 and 2001 ASML paid EUR 147 million and EUR 74 million in taxes, respectively. As of December 31, 2001, ASML had current tax assets of EUR 50 million. This primarily consists of U.S. tax assets.

Net cash used in investing activities was EUR 161 million and EUR 360 million in 2000 and 2001, respectively.

The 2000 and 2001 amounts primarily reflect the further expansion of production facilities as well as significant investments in ASML's own equipment (including prototypes, training and demonstration systems), largely to support sales, production, training and demonstration capabilities that relate to new 300 millimeter product lines. Furthermore, in June 2001, the Company invested in a convertible loan to Micronic. ASML expects capital expenditure in 2002 will decrease significantly.

Net cash provided by financing activities amounted to EUR 34 million and EUR 664 million in 2000 and 2001, respectively. The 2001 amount primarily reflects the net proceeds from the offering of convertible subordinated notes in October 2001 of EUR 638 million. Furthermore, the Company received EUR 26 million proceeds from the exercise of stock options and conversion of convertible notes.

On December 31, 2001, the Company had available credit lines of EUR 288 million, all of which expire in 2005. No amounts were outstanding under these facilities at the end of 2001.

Management believes that its operating cash flows and working capital, together with existing cash balances and the availability of existing credit facilities, will be sufficient to finance its scheduled capital expenditures for 2002 and to fund its working capital for next year. Also see Risk Factors, beginning on page 4.

On April 3, 2002, the Company announced it would redeem all of its 2.5% convertible subordinated notes due 2005 (the "2.5% Notes") outstanding on May 3, 2002. Prior to May 3, 2002, substantially all the holders of the 2.5% Notes converted their notes into ordinary shares of the Company at a conversion price of EUR 19.4657 per share, pursuant to the terms of the 2.5% Notes. As a result of the conversions that occurred between April 3 and May 2, 2002, the Company will issue approximately 13.6 million ordinary shares, resulting in an aggregate issuance of approximately 13.8 million shares pursuant to the terms of the 2.5% Notes. On May 3, 2002, the Company redeemed the outstanding 2.5% Notes that had not been converted for an aggregate redemption price of approximately EUR 3.1 million.

New Accounting Pronouncements

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards no. 133 (as amended by SFAS 137 and SFAS 138), Accounting for Derivative Instruments and Hedging Activities, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective parts of changes in the fair value of cash flow hedges are recognized in earnings.

Implementation of this standard as of January 1, 2001, has increased net assets and other comprehensive income by EUR 0.5 million.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, “Business Combinations” (“SFAS 141”), which is effective for all business combinations completed after June 30, 2001. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations initiated prior to July 1, 2001. In addition, SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. ASML does not expect a material impact on its consolidated financial position, results of operations or cash flows as a result of adopting SFAS 141. The merger with SVG was completed in May, 2001.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), which establishes new rules on the accounting for goodwill and other intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized; however, they will be subject to annual impairment tests as prescribed by the Statement. Intangible assets with definite lives will continue to be amortized over their estimated useful lives. The amortization provisions of SFAS 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001. SFAS 142 will be effective for ASML beginning in its fiscal year 2002. At that time, ASML will perform the required impairment tests on those intangibles deemed to have indefinite lives. ASML estimates that the impact of these impairment tests will be minor to its consolidated financial position or result of operations. The goodwill as of December 31, 2001 amounted to EUR 2.1 million compared to EUR 2.3 million at December 31, 2000.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”), which is effective for years beginning after June 15, 2002, which will be the Company's fiscal year 2003. SFAS 143 addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. The standard requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived

asset and expensed over the life of the asset. The Company has not yet determined the effect of SFAS 143 on its earnings and financial position.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations," for a disposal of a segment of a business. SFAS 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. ASML will adopt SFAS 144 as of January 1, 2002 and does not expect the adoption of the Statement will have a significant impact on its financial position and results of operations.

C. Research and Development, Patents and Licenses etc.

See Item 5 section A—"Operating and Financial Review and Prospects—Operating Results".

Intellectual Property Matters

See Item 4—"Information on the Company—Business Overview—Intellectual Property".

D. Trend Information

On May 21, 2001, ASML completed its merger with SVG. As a result of this merger, ASML has become a multi-product semiconductor equipment company supplying lithography, photoresist processing (track) and thermal systems to the world's leading semiconductor manufacturers.

On October 16, 2001, as a consequence of the ongoing downturn in the semiconductor industry, ASML announced cost reductions and a restructuring plan which will result in the consolidation of manufacturing facilities and discontinuance of product lines related to SVG. The restructuring costs totaled approximately EUR 411 million, of which approximately EUR 408 million are classified in the income statement as cost of sales.

The Company expects to pay full accrual balance in fiscal 2002. Substantially all employee terminations will be effective before or at June 30, 2002.

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The members of our Supervisory Board and our Board of Management and our senior management are as follows:

Name	Title	Member Since	Term Expires
Henk Bodt	Chairman of the Supervisory Board, Member of the Audit and Remuneration Committees	January 1995	2004
Jan A. Dekker	Member of the Supervisory Board, Member of the Audit Committee	April 1997	2003
Peter H. Grassmann	Member of the Supervisory Board	April 1996	2003
Syb Bergsma	Member of the Supervisory Board, Member of the Audit and	April 1998	2004

	Remuneration Committees		
J.W.B. Westerburgen*	Member of the Supervisory Board	March 2002	2005
Michael J. Attardo	Member of the Supervisory Board	May 2001	2004
Doug J. Dunn	President and Chief Executive Officer, Chairman of the Board of Management	April 1999	n.a.**
Stuart K. McIntosh	Executive Vice President Operations and President of the Lithography Division, Member of the Board of Management	April 2001	n.a.**
Peter T.F.M. Wennink	Executive Vice President Finance and Chief Financial Officer, Member of the Board of Management	July 1999	n.a.**
Martin A. van den Brink	Executive Vice President Marketing & Technology and Member of the Board of Management	July 1999	n.a.**
David P. Chavoustie	Executive Vice President Sales, Member of the Board of Management	April 2000	n.a.**

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* J.W.B. Westerburgen replaced A. Westerlaken, who retired from ASML's Supervisory Board by rotation at the Annual General Meeting on March 21, 2002.

** There are no specified terms for members of the Board of Management.

Director and Officer Biographies

Henk Bodt. Mr. Bodt was appointed as Chairman of our Supervisory Board in 1995. Mr. Bodt is a former Executive Vice President of Philips. In addition to other positions, including Chairman of the Consumer Electronics Division, he also served on the Board of Management of Philips and on the Group Management Committee of Philips. He currently serves on the Supervisory Boards of DSM N.V., Delft Instruments N.V. and Neo-Post SA.

Jan A. Dekker. Mr. Dekker has served on our Supervisory Board since 1997. Mr. Dekker also serves currently as the Chief Executive Officer of TNO and on the Supervisory Boards of H.E.S. Beheer N.V., of which he is the Chairman, Gamma Holding N.V. and Koninklijke BAM-NBM N.V.

Peter H. Grassmann. Mr. Grassmann has served on our Supervisory Board since 1996. Mr. Grassman is a former President and Chief Executive Officer of Carl Zeiss. He currently serves on the Supervisory Boards of Gambro B.V., Max-Planck-Gesellschaft, Aradex AG, Febit AG, and GAP AG. In addition, he serves as a member of the Advisory Boards of Allianz, Deutsche Bank Baden-Württemberg and EQT Private Equity Funds GmbH.

Syb Bergsma. Mr. Bergsma has served as a member of our Supervisory Board since 1998. Mr. Bergsma is a former Executive Vice President Financial Affairs of Akzo Nobel N.V. Mr. Bergsma serves currently as the Chairman of the Supervisory Boards of UPM Holding B.V. and Generali Verzekeringsgroep N.V. Mr. Bersgma also serves on the Supervisory Boards of Van de Moolen Holding N.V. and European Assets Trust N.V. In addition, Mr. Bergsma is a Professor of Financial Management at the University of Amsterdam and serves on the Board of External Advisors of Ernst & Young.

J.W.B. Westerburgen. Mr. Westerburgen was appointed to our Supervisory Board in March 2002. Mr Westerburgen has extensive experience in the field of corporate law and tax. Mr. Westerburgen currently serves as a member of the Supervisory Boards of Gamma Holding N.V. and Unilever Nederland B.V., and is also a member of the Association Aegon. In addition, Mr. Westerburgen is former Company Secretary and Head of Tax of Unilever, and a former member of the Committee on Corporate Governance in the Netherlands.

Michael J. Attardo. Mr. Attardo was appointed to our Supervisory Board during 2001. He is the former President and CEO of IBM Microelectronics.

Doug J. Dunn. Mr. Dunn was appointed to our Board of Management in 1999 and has served as our President, Chief Executive Officer and Chairman of the Board of Management since January 2000. Prior to joining the Board of Management, Mr. Dunn served as Vice-Chairman of our Supervisory Board. Previously, Mr. Dunn also served on the Board of Philips as CEO of the Consumer Division, as a member of the Group Management Committee of Philips and as a Chairman and CEO of the Management Committee of the Philips Semiconductors Division and, from 1969 to 1980, held numerous positions at Motorola and the General Electric Company. Mr. Dunn is currently on the board of ARM Holdings PLC and on the Supervisory Board of STMicroelectronics N.V.

Stuart K. McIntosh. Mr. McIntosh was appointed as Executive Vice President Operations and President Lithography Division during 2000 and was appointed as a member of our Board of Management effective April 1, 2001.

Peter T.F.M. Wennink. Mr. Wennink was appointed as Executive Vice President and CFO of ASML in 1999. Mr. Wennink has an extensive background in finance and accounting. Prior to his employment with ASML, Mr. Wennink worked as a partner at Deloitte & Touche, specializing in the high technology industry with an emphasis on the semiconductor equipment industry. Mr. Wennink is a member of the Dutch Institute of Registered Accountants.

Martin A. van den Brink. Mr. van den Brink was appointed as Executive Vice President Marketing & Technology during 1999. Before then, he served as Vice President Technology since 1995. Mr. van den Brink was appointed as a member of our Board of Management in July 1999.

David P. Chavoustie. Mr. Chavoustie has served as Executive Vice President Sales since 1998. He was appointed as a member of our Board of Management in April 2000.

B. Compensation

In 2001 the aggregate cash compensation paid or accrued for its executive officers, including the members of the Board of Management of ASML, was EUR 2.8 million (eleven individuals). The aggregate additional amount set aside by the Company in 2001 to provide pension, retirement or similar benefits for these individuals as a group was EUR 0.2 million. In addition, the aggregate compensation for the members of the Supervisory Board amounted to EUR 0.1 million.

During 2001, the Company granted options to purchase 232,520 ordinary shares to the Board of Management. No options were exercised during 2001 by members of the Board of Management. The following table shows options granted to the Board of Management in 2001:

Number of Grants	Exercise price (in euro)	Expiration Date
75,000	29.92	January 22, 2007
65,520	40.39	January 22, 2007
91,500	22.12	July 20, 2007

Profit-sharing plan

During 1995, heritage ASML established a profit-sharing plan (the "Plan") covering all eligible employees. Under the Plan, which was revised in 1999 and is effective as of January 1999, employees who are eligible will receive an annual profit-sharing bonus, based on a percentage of net income to sales ranging from 0 to 20 percent of annual salary.

SVG provided a profit-sharing plan with quarterly distributions to eligible employees as determined by the Board of Directors. Profit-sharing expense was EUR 8 million in fiscal 2000, and EUR 3 million in the quarter ended December 31, 2000. No profit-sharing distributions were made in fiscal years 1999 and 2001. Under the Company's Cash or Deferred Profit Sharing Plan (401k Plan), the Company may make contributions, depending on the amount of the employee's contribution, up to a maximum of 3 percent of compensation. The Company's contributions were EUR 4 million in 1999, and EUR 5 million in 2000 and 2001.

C. Board Practices

Responsibility for the management of the Company lies with the Board of Management of ASML. The Supervisory Board monitors the policy of the Board of Management and the general course of corporate affairs. The Board of Management must keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its prior approval. The members of the Board of Management are appointed by the Supervisory Board, and serve until suspended by the Supervisory Board upon consultation with the General Meeting of Shareholders. Future appointments to the Supervisory Board will be made by the Supervisory Board itself subject to certain rights of objection retained by the General Meeting of Shareholders and Works Council. Individuals may be recommended by the General Meeting of Shareholders, the Works Council or the Board of Management. Members of the Supervisory Board generally serve for a term of four years from the date of their appointment and may be reappointed. Members of management are appointed by, and serve at the discretion of, the Board of Management, without a fixed term of office.

The Board of Management and Supervisory Board do not have service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

The Supervisory Board has a Remuneration Committee and an Audit Committee. In 2001, the Remuneration Committee met twice and the Audit Committee met three times in the presence of the external auditor.

The Remuneration Committee reviews and recommends the compensation of our Supervisory Board members and the salaries and bonuses of members of our Supervisory Board and Board of Management as well as our officers and certain key employees, recommends compensation and incentive plans, authorizes, reviews and recommends the granting of share options and determines other fringe benefits. The current members of our Remuneration Committee are Henk Bodt, Syb Bergsma and one other individual who, as of May 6, 2002, had not yet been selected.

The Audit Committee verifies the independence of the external auditors of our financial statements and determines whether to recommend the acceptance of their report or the extension of their mandate. The Audit Committee reviews the audited annual consolidated financial statements as well as the interim consolidated financial statements before it gives its recommendation to the board of directors. The current members of our Audit Committee are Henk Bodt, Syb Bergsma and Jan Dekker. The members of the audit committee are all non-employee directors.

D. Employees

As of December 31, 2001, the Company had 7,070 employees, including temporary contract employees employed primarily in product development activities at the Company's headquarters in Veldhoven. As of December 31, 1999 and December 31, 2000, the total number of employees was 6,061 and 8,123, respectively. For a more detailed description of employee data, see Note 13 and Note 21 to the Consolidated Financial Statements,

which is incorporated herein by reference. The Company relies on its ability to vary the number of contract employees on its roll to respond to fluctuating market demand for its products.

The Company's future success will depend on its ability to attract, train, retain and motivate highly qualified employees, who are in great demand. The Company is particularly reliant for its continued success on the services of several key employees, including a number of systems development specialists with advanced university qualifications in engineering, optics and computing.

To manage the effects of the industry's worst downturn during 2001, we reduced our worldwide work force and reconstructed our U.S. operations to balance the size of our company with the lower demand for our products due to the semi-conductor industry downturn, and implemented company-wide cost reduction measures that, for instance, helped decrease our general, administrative and sales expenses sharply. As of October 16, 2001, these work force reductions amounted to approximately 1,400 positions (17 percent) which is expected to result in a total work force of 6,600 by the end of the first half of 2002.

E. Share Ownership

The Company established an Ordinary Share Option Scheme pursuant to which options covering up to 232,520 ordinary shares were granted in 2001. Options granted under the scheme are subject to certain minimum vesting requirements. As of December 31, 2001, a total of 21,199,270 options were outstanding under the Ordinary Share Option Scheme. See Note 13 to Consolidated Financial Statements, which is incorporated herein by reference.

In 1999, a stock option plan was issued by the Board of Management, with the approval of the Supervisory Board and the holders of priority shares. The plan is effective as of the year 2000 and will remain in place until revoked by the Board of Management. The Board of Management determined, by category of ASML personnel, the total available number of options that can be granted in a certain year on an annual basis. The determination is subject to approval of the Supervisory Board and the holders of priority shares of the Company.

For the year 2000, 4,500,000 stock options were authorized to purchase ordinary shares. For each of the years 2001 and 2002, 6,000,000 stock options were authorized.

For the 2002 plan, the employees will have the right to receive options to purchase ordinary shares in lieu of a percentage of their salary. For the stock options granted in 2000, the exercise period was extended from 2006 to 2012.

The Company does not report to its shareholders, or otherwise make public, the information specified in this Item for individually named directors and officers.

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth the total number of ordinary shares owned by each shareholder whose ownership of ordinary shares exceeds 5 percent of the ordinary shares issued and outstanding, as well as the ordinary shares owned by the members of Supervisory Board, the Board of Management, and the Senior Management Group (which includes those persons specified in Item 6—"Directors, Senior Management and Employees") as a group as of May 1, 2002:

Identity of Person or Group	Amount Owned	Percent of Class[1]
Capital Group International, Inc[2]	50,352,530	10.8%
Royal Philips Electronics N.V.	27,000,000	5.8%
Members of the Company's Board of management and senior management group (5 persons)[4]	1,519,060[3]	*

____

* Less than 1 percent.

(1) Based on 466,978,391 shares outstanding as of December 31, 2001.

(2) Based solely on the Schedule 13-G jointly filed by Capital Group International, Inc. and Capital Guardian Trust Company with the Commission on February 16, 2001.

(3) Represents stock option grants in respect of 1,504,180 ordinary shares held by 5 persons.

(4) Four members of our Board of Management and one member of senior management own 1,504,180 options to purchase ASML shares. None of the other members of the Supervisory Board hold any of our outstanding shares or options on shares.

Our major shareholders do not have voting rights different from other shareholders.

Until our public offering in 1995, we were a wholly-owned subsidiary of Royal Philips Electronics, in which Philips' ownership was reduced to approximately 56.6 percent. In public offerings in March 1996, February 1997 and June 2000, Philips ownership was further reduced to approximately 35.3 percent, 23.9 percent and 7.2 percent, respectively. Philips subsequently lowered its share ownership to 5.8%.

Ordinary shares are held by shareholders throughout the world in bearer and registered form. Although ordinary shares held outside the United States are held primarily in bearer form, a small number of those ordinary shares are held in the form of registered shares of the Veldhoven register. As of March 31, 2002, approximately 5.9% percent of the outstanding ordinary shares were held in the form of Bearer Shares or registered shares of the Veldhoven register. Ordinary shares held in the United States are held primarily in the form of registered New York Shares, of which Morgan Guaranty Trust Company of New York is the transfer agent and registrar. As of May 3, 2002, approximately 28.81 percent of the total outstanding ordinary shares were represented by New York Shares issued in the name of 594 holders of record.

Since certain ordinary shares are held by brokers and other nominees these numbers may not be representative of the actual number of U.S. beneficial holders or number of New York Shares beneficially held by U.S. persons. Bearer Shares and New York Shares may be exchanged for each other upon payment of an exchange fee of USD 0.05 per Share.

At the Company's Annual General Meeting held on March 21, 2002, an amendment the Company's Articles of Association was approved to allow for the conversion of bearer shares into registered shares. Pursuant to the amendment, which will be effective in May 2002, all of the Company's bearer shares will be converted registered shares. Share certificates will not be issued except for shares listed on the Nasdaq.

B. Related Party Transactions

Other than as set forth below, there have been no material transactions during the Company's most recent fiscal year, nor are there presently any proposed additional material transactions to which the Company or any of its subsidiaries was or is a party and in which any director or officer or any relative or spouse thereof had or will have a direct or indirect material interest. During the Company's most recent fiscal year, there has been no, and at present there is no, outstanding indebtedness to the Company owed or owing by any Director or officer of the Company or any association thereof.

Pursuant to a public offering in June 2000, the ownership of the Company’s shares owned by Philips decreased from 23.9 percent to 7.2 percent. Philip's share ownership has subsequently decreased to 5.8%. For a description of ASML's transactions with Philips, see Note 14 to the Consolidated Financial Statements, which is incorporated herein by reference.

C. Interests of Experts & Counsel

Not applicable

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

See Item 18—"Financial Statements".

B. Significant Changes

As reported, ASML merged with SVG. The merger with SVG is accounted for under the "pooling of interests" method. In conformity with US GAAP reporting guidelines, the comparative figures for the twelve months ended December 31, 2000 and December 31, 1999 reflect the combined annual results of the fiscal years of both. Because SVG's fiscal reporting period prior to the merger differed from that of ASML, the comparative figures for 2000 and prior years incorporate the results of heritage ASML for the twelve months ended December 31, and the results of heritage SVG for the twelve months ended September 30.

ITEM 9. The Listing

A. Listing Details

The ordinary shares are listed for trading in the form of New York shares on the NASDAQ National Market ("NASDAQ") and in the form of Bearer Shares on the Official Segment of the stock market of Euronext Amsterdam N.V. ("Euronext Amsterdam"). The principal trading market of the ordinary shares is Euronext Amsterdam.

Historical information relating to the ordinary shares contained in this Annual Report has been adjusted to give retroactive effect to the two-for-one stock split in both May 1997 and May 1998 and the three-for-one stock split in April 2000.

The following table contains high and low sales prices of the ordinary shares on NASDAQ, as furnished by NASDAQ, as well as high and low prices of the ordinary shares on Euronext Amsterdam, as reported in the Official Price List of Euronext Amsterdam.

Annual High and Low Prices of Shares
on NASDAQ and Euronext Amsterdam

	NASDAQ USD		Euronext Amsterdam EUR[1]	
	High	Low	High	Low
1997	17.96	4.10	16.03	3.22
1998	16.35	4.31	15.35	3.33
1999	38.29	10.42	38.00	8.77
2000	50.25	19.31	52.00	22.20
2001	30.62	9.51	32.32	9.70
2002 (through April 26)	25.80	17.14	29.79	18.90

(1) Prior year data have been restated based on fixed Euro / Guilder exchange rate as of January 1, 1999 (EUR 1.00 to NLG 2.20371).

Quarterly High and Low Prices of Shares
on NASDAQ and Euronext Amsterdam

	NASDAQ USD		Euronext Amsterdam EUR	
	High	Low	High	Low
1st quarter 2000	50.25	31.31	52.00	30.33
2nd quarter 2000	45.63	31.88	49.43	32.00
3rd quarter 2000	47.50	31.50	50.80	34.80
4th quarter 2000	33.88	19.31	38.77	22.20
1st quarter 2001	29.81	19.63	32.32	20.25
2nd quarter 2001	28.05	18.94	31.64	20.80
3rd quarter 2001	22.26	9.51	26.93	9.70
4th quarter 2001	20.29	10.75	22.80	11.53
1st quarter 2002	25.61	17.14	29.18	18.90
2nd quarter 2002 (through April 26)	25.80	21.70	29.79	25.06

Monthly High and Low Prices of Shares
on NASDAQ and Euronext Amsterdam

	NASDAQ USD		Euronext Amsterdam EUR	
	High	Low	High	Low
October 2001	15.59	10.75	17.70	11.53
November 2001	19.88	14.44	22.80	15.81
December 2001	20.29	16.12	22.68	17.80
January 2002	20.25	17.14	23.54	18.90
February 2002	20.73	17.36	24.00	20.50
March 2002	25.61	19.80	29.18	23.36
April 2002 (through 26)	25.80	21.70	29.79	25.06

Obligations of Shareholders to Disclose Holdings

The Netherlands' Act on Disclosure of Holdings in Listed Companies (the "Major Holdings Act") applies to any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of a public limited company incorporated under the laws of The Netherlands that is officially listed on a stock exchange within the EU. Disclosure is required in case as a result of acquisition or disposal the percentage of voting rights or capital interest acquired or disposed reaches, exceeds or falls below 5, 10, 25, 50 or 66 percent. With respect to ASML, the Major Holdings Act would require any person whose interest in the voting rights and/or capital of ASML reached, exceeded or fell below those percentage interests to notify in writing both ASML and the Securities Board of The Netherlands *(Stichting Toezicht Effectenverkeer)* immediately after the acquisition or disposal of the triggering interest in ASML's share capital.

Upon receipt of the notification, ASML is required to disclose the information, as notified, forthwith to the public by means of an advertisement in a newspaper distributed throughout The Netherlands. Noncompliance with the obligations of the Major Holdings Act can lead to criminal prosecution. In addition, a civil court can issue orders against any person who fails to notify or incorrectly notifies in accordance with the Major Holdings Act, including suspension of the voting right in respect of such person's ordinary shares.

B. Plan of Distribution

Not applicable

C. Markets

See Item 9A—"Listing Details."

D. Selling Shareholder

Not applicable

E. Dilution

Not applicable

F. Expenses of the Issue

Not applicable

ITEM 10. Additional Information

A. Share Capital

Not applicable

B. Memorandum and Articles of Association

Incorporated by reference to ASML's Form 6-K, filed with the Commission on June 15, 2000.

C. Material Contracts

Zeiss Agreement

On March 17, 2000, ASM Lithography BV entered into a supplier agreement with Carl Zeiss, the optics arm of Carl Zeiss-Stiftung, a German foundation. The Company and Zeiss have structured the agreement and their relationship as an exclusive strategic alliance to set forth a comprehensive framework for cooperation in the areas of product research, design, planning and manufacturing and pricing, as well as customer support and warranty service. In particular, the agreement embodies the cooperation agreement between the parties, whereby Zeiss agrees to be the sole supplier of certain lenses and other critical optical components necessary for the production of the Company's photolithography systems, including its wafer steppers and Step & Scan systems.

Paying Agent, Conversion Agent, Conversion Calculation Agent and Registrar Agreement between ASML Holding N.V. and the Bank of New York relating to $575,000,000 5.75% Convertible Subordinated Notes due 2006

On October 23, 2001, the Company entered into an agreement with certain underwriters which contained the terms and conditions of the Company's 5.75% Convertible Subordinated Notes due October 2006 (the "5.75% Notes"). In October 2001, the Company issued $575,000,000 of 5.75% Notes in an offering that included a Regulation S offering outside the United States and an offering pursuant to Rule 144A in the United States. The 5.75% Notes pay interest at a annual rate of 5.75% with interest payable semi-annually on April 15 and October 15 of each year, commencing on April 15, 2002, and are convertible into an aggregate of 30,814,576 of the Company's ordinary shares at a conversion price of $18.66 per share, subject to adjustment, at any time prior to maturity. At any time on or after October 22, 2004 the Notes are redeemable at the option of ASML, in whole or in part at the redemption price of 100% of their principal amount together with accrued interest.

Registration Rights Agreement dated as of October 23, 2001, between ASM Lithography Holding N.V. and Morgan Stanley and Co. International Limited

On October 23, 2001, the Company entered a Registration Rights Agreement in respect of the ordinary shares issuable upon conversion of the 5.75% Notes. Pursuant to the terms of the Registration Rights Agreement, ASML is obligated to keep effective, until October 26, 2003, a Shelf Registration Statement registering sale of the ordinary shares issuable upon conversion of the 5.75% Notes under the Securities Act of 1933.

Merger Agreement with ASML US, Inc.

On October 1, 2000, the Company and SVG, now called ASML US, Inc. entered into a merger agreement, pursuant to which SVG became an indirect wholly-owned subsidiary of ASML. In the merger, holders of outstanding shares of common stock of SVG received 1.286 ordinary shares of ASML for each share of SVG common stock held by them. The merger was completed on May 21, 2001.

D. Exchange Controls

There are currently no limitations, either under the laws of The Netherlands or in the Articles of Association of ASML, to the rights of non-residents to hold or vote ordinary shares. Cash distributions, if any, payable in euros on bearer shares (and on Veldhoven registered shares) may be officially transferred from The Netherlands and converted into any other currency without being subject to any Dutch legal restrictions. Except for statistical purposes, such payments and transactions must be reported by ASML to the Dutch Central Bank. Furthermore, no payments, including dividend payments, may be made to jurisdictions subject to certain sanctions, adopted by the government of The Netherlands, implementing resolutions of the Security Council of the United Nations. Cash distributions, if any, on New York Shares shall be paid in U.S. dollars, converted at the rate of exchange on Euronext Amsterdam Exchange at the close of business on the date fixed for that purpose by the Board of Management in accordance with the Articles of Association. ASML has no current intention to pay dividends on its ordinary shares.

E. Taxation

Netherlands Taxation

The statements below represent a broad analysis of the present Netherlands tax laws. The description is limited to the material tax implications for a holder of ordinary shares who is not, or is not deemed to be, a resident of The Netherlands for Netherlands tax purposes (a ''Nonresident Holder''). They do not address special rules that may apply to special classes of holders of ordinary shares and are not to be read as extending by implication to matters not specifically referred to herein. As to individual tax consequences, each investor in ordinary shares should consult his or her tax counsel.

Withholding Tax

Withholding Tax on Dividends

In general, a dividend distributed by us in respect of ordinary shares will be subject to a withholding tax imposed by The Netherlands at a statutory rate of 25%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognized as capital for Netherlands dividend withholding tax purposes and liquidation proceeds in excess of the average paid-in capital recognized as capital for Netherlands dividend withholding tax purposes. Ordinary share dividends paid out of our paid-in-share premium, recognized as capital for Netherlands dividend withholding tax purposes, will not be subject to this withholding tax.

A Nonresident Holder of ordinary shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax under a tax convention that is in effect between The Netherlands and the Nonresident Holder's country of residence. The Netherlands has concluded such conventions with the United States, Canada, Switzerland, Japan, all European Union member states, and other countries.

Under the Convention Between the United States of America and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the ''U.S. Tax Treaty''), dividends paid by us to a Nonresident Holder that is a resident of the United States as defined in the U.S. Tax Treaty (other than an exempt organization or exempt pension trust, as discussed below) are generally eligible for a reduction of the 25% Netherlands withholding tax to 15% or, in the case of certain U.S. corporate shareholders owning at least 10% of our voting power, to 5%, provided that the shareholder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or permanent representative in The Netherlands to which the dividends are attributable. The U.S. Tax Treaty provides for a complete exemption from tax on dividends received by exempt pension trusts and exempt organizations, as defined therein. Except in the case of exempt organizations, the reduced dividend withholding rate (or exemption from withholding) can be applied at the source upon payment of the dividends, provided that the proper forms have been filed in advance of the payment. Exempt organizations remain subject to the statutory withholding rate of 25% and are required to file for a refund of such withholding.

A Nonresident Holder may not claim the benefits of the U.S. Tax Treaty unless (i) it is a resident of the United States as defined therein and (ii) its entitlement to those benefits is not limited by the provisions of article 26 ("limitation on benefits") of the U.S. Tax Treaty.

Withholding Tax on Sale or Other Dispositions of Ordinary Shares

Payments on the sale or other dispositions of ordinary shares will not be subject to Netherlands withholding tax, unless the sale or other disposition is, or is deemed to be, made to us or our direct or indirect subsidiary. A redemption or sale to a direct or indirect subsidiary of ASML will be treated as dividend and will be subject to the rules set forth in *"Withholding Tax on Dividends"* above.

Taxes on Income and Capital Gains

A Nonresident Holder who receives dividends distributed by us on ordinary shares or who realizes a gain from the sale or disposition of ordinary shares, will not be subject to Netherlands taxation on the income or gain unless:

(1) the income, dividend or capital gain is attributable to an enterprise or part thereof that is carried on through a permanent establishment or permanent representative in The Netherlands; or

(2) the Nonresident Holder holds, directly or indirectly, a substantial interest or a deemed substantial interest in the company that does not form part of the assets of an enterprise; or

(3) the Nonresident Holder is an individual not holding a substantial interest or a deemed substantial interest in us, but certain persons related to the Nonresident Holder have a substantial interest or a deemed substantial interest in us that does not form part of the assets of an enterprise.

Generally, a holder of ordinary shares will not have a substantial interest in our share capital if the holder, the holder's spouse, certain other relatives (including foster children) or certain other persons sharing the holder's household do not, jointly or severally, whether directly or indirectly, hold the ownership of profit participating certificates *(''Winstbewijzen'')* as defined for Netherlands tax purposes as an interest entitling the holder to at least 5% of either our annual profit or the liquidation proceeds upon our liquidation, or certain other rights in shares representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares) or the right to acquire shares, whether or not issued and outstanding, that represent 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares). A deemed substantial interest exists if all or part of a substantial interest has been disposed of, or is deemed to have been disposed of, with application of roll-over relief. Under the U.S. Tax Treaty, a person who is a resident of the United States and who has a substantial or deemed substantial interest in our share capital will be exempt from income tax imposed by The Netherlands, unless such person is an individual who has, at any time during the five-year period preceding the sale or disposition of ordinary shares, been a resident of The Netherlands, and at the time of the sale or disposition owns, either alone or together with related individuals, at least 25% of any class of our shares.

Taxation of Capital Yield

Corporate Nonresident Holders are not subject to Netherlands taxation of capital yield. Netherlands taxation of capital yield in respect of ordinary shares will not be levied on an individual Nonresident Holder unless the ordinary shares are attributable to an enterprise or part thereof that is carried on through a permanent establishment or a permanent representative in the Netherlands.

Gift or Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the transfer of ordinary shares by way of gift, or upon the death of a Nonresident Holder, unless:

(1) the transfer is made by on or behalf of a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands; or

(2) the ordinary shares are attributable to an enterprise or part thereof that is carried on through a permanent establishment or a permanent representative in The Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual of Netherlands nationality is deemed to be a resident of The Netherlands if he has been a resident thereof at any time during the ten years preceding the time of the gift or death. For purposes of Netherlands gift tax, a person not possessing Netherlands nationality is deemed to be a resident of The Netherlands if he has resided therein at any time in the twelve months preceding the time of the gift.

Value Added Tax

No Netherlands value added tax is imposed on dividends under the ordinary shares or on the transfer of the ordinary shares.

Residence

A Nonresident Holder will not become resident, or deemed to be resident, in The Netherlands solely as a result of holding an ordinary share or of the execution, performance, delivery and/or enforcement of rights in respect of the ordinary shares.

United States Taxation

The following is a discussion of the material U.S. federal income tax consequences relating to the acquisition, ownership and disposition of ordinary shares by a U.S. Holder (as defined below). This discussion deals only with ordinary shares held as capital assets and does not deal with the tax consequences applicable to all categories of investors, some of which (such as tax-exempt entities, banks, broker-dealers, investors owning directly, indirectly or constructively 10% or more of our outstanding voting shares, investors who hold ordinary shares as part of hedging or conversion transactions and investors whose functional currency is not the U.S. dollar) may be subject to special rules. The following discussion is based on U.S. tax laws, and judicial and administrative interpretations thereof as in effect on the date hereof, all of which are subject to change, potentially retroactively. Prospective purchasers of ordinary shares are advised to consult their tax advisers with respect to their particular circumstances and with respect to the effects of U.S. federal, state, local or non-U.S. tax laws to which they may be subject.

As used herein, the term ''U.S. Holder'' means a beneficial owner of ordinary shares that for U.S. federal income tax purposes is

(1) an individual citizen or resident of the United States,

(2) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof,

(3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or

(4) a trust whose administration is subject to the primary supervision of a court within the United States and which has one or more U.S. persons who have the authority to control all of its substantial decisions.

If an entity treated as a partnership for U.S. federal income tax purposes owns ordinary shares, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns ordinary shares and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of holding and disposing of the ordinary shares.

Taxation of Dividends

U.S. Holders will include in gross income as foreign-source dividend income the gross amount of any distribution (before reduction for Netherlands withholding taxes) ASML makes out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) when the distribution is actually or constructively received by the U.S. Holder. Distributions will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution includible in income of a U.S. Holder should be the U.S. dollar value of the foreign currency (e.g. Netherlands guilders or Euros) paid, determined by the spot rate of exchange on the date of the distribution, regardless of whether the payment is in fact converted into U.S. dollars.

Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for U.S. foreign tax credit purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the ordinary shares and thereafter as taxable capital gain. ASML does not maintain calculations of its earnings and profits under United States federal income tax principles.

Subject to limitations provided in the U.S. Internal Revenue Code, a U.S. Holder may generally deduct from its United States federal taxable income, or credit against its United States federal income tax liability, the amount of any Netherlands withholding taxes. However, Netherlands withholding tax may be deducted only if the U.S. Holder does not claim a credit for any Netherlands or other non-U.S. taxes paid or accrued in that year. In addition, Netherlands dividend withholding taxes will likely not be creditable against the U.S. Holder's United States tax liability to the extent ASML is not required to pay over the amount withheld to the Netherlands Tax Administration. Currently, a Netherlands corporation that receives dividends from qualifying non-Netherlands subsidiaries may credit source country tax withheld from those dividends against Netherlands withholding tax imposed on a dividend paid by a Netherlands corporation, up to a maximum of 3% of the dividend paid by the Netherlands corporation. The credit reduces the amount of dividend withholding that ASML is required to pay to the Netherlands Tax Administration but does not reduce the amount of tax ASML is required to withhold from dividends.

Taxation on Sale or Other Disposition of Ordinary Shares

Upon a sale or other disposition of ordinary shares, a U.S. Holder will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized, if paid in U.S. dollars, or the U.S. dollar value of the amount realized if proceeds are paid in currency other than the U.S. dollar, as the case may be, and the U.S. Holder's tax basis (determined in U.S. dollars) in such ordinary shares, except that the portion of such gain or loss attributable to changes in currency exchange rates will be treated as ordinary income or loss. Generally, the capital gain or loss will be long-term capital gain or loss if the holding period of the U.S. Holder in the ordinary shares exceeds one year at the time of the sale or other disposition. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes. Gain or loss from the sale or other disposition of ordinary shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Each U.S. Holder should consult its tax advisor with regard to the translation rules of its adjusted basis and the amount realized upon a sale or other disposition of its ordinary shares if purchased in, or sold or disposed of for, a currency other than U.S. dollar.

Information Reporting and Backup Withholding

Information returns may be filed with the Internal Revenue Service ("IRS") in connection with payments on the ordinary shares or proceeds from a sale, redemption or other disposition of the ordinary shares. A "backup withholding" tax may apply to these payments if the beneficial owner fails to provide a correct taxpayer identification number to the paying agent and to comply with certain certification procedures or otherwise establish an exemption from backup withholding. Any amounts withheld under the backup withholding rules will be refunded (or credited against the beneficial owner's U.S. federal income tax liability, if any) provided that the required information is furnished to the IRS.

F. Dividends and Paying Agents

Not applicable

G. Statement by Experts

Not applicable

H. Documents on Display

We are subject to certain of the informational requirements of the Securities Exchange Act of 1934. We, as a "foreign private issuer", are exempt from the rules under the Securities Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file annual, quarterly and current reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as U.S. companies whose securities are registered under the Securities Exchange Act. However, we will file with the Securities and Exchange Commission, within 180 days after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We will also publish unaudited interim financial information after the end of the first half of each year. We furnish this financial information to the SEC under cover of a Form 6-K.

You may read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, NW, Washington, DC 20549, Woolworth Building, 233 Broadway, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

I. Subsidiary Information

See Item 4—"Information on the Company—Organizational Structure".

ITEM 11. Quantitative and Qualitative Disclosures About Market Risk

Although in May 1997 the Company changed its pricing for product sales from the U.S. dollar to the Dutch Guilder (to the Euro in 2002), Management anticipates that a portion of the Company's revenues from net sales, cost of sales and expenses will remain denominated in U.S. dollars for the foreseeable future. However, the carrying value of the Company's accounts receivable and accounts payable approximate fair value due to the short-term nature of those instruments. Based on current rates for similar instruments with the same maturities, the fair value of the Company's long term debt approximates its carrying amount. See Item 5—"Operating and financial review and prospects—Foreign Exchange Management" and Notes 4 and 15 to the Consolidated Financial Statements, which is incorporated herein by reference. The Company does not have any other material market risk exposure.

ITEM 12. Description of Securities Other Than Equity Securities

Not applicable

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

None

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

ITEM 15. Reserved

ITEM 16. Reserved

PART III

ITEM 17. Financial Statements

Not applicable

ITEM 18. Financial Statements

In response to this item, the Company incorporates herein by reference the Financial Statements of the Company set forth on pages F-2 through F-38 hereto.

ITEM 19. Exhibits

Exhibit No.	Description
1	Articles of Association of ASML Holding N.V. (English translation) (Incorporated by reference to the Registrant's Registration Statement on Form 8-A, as amended, filed with the Commission on June 6, 2000 (File No. 0-25566))
2.1	Paying Agent, Calculation Agent, Conversion Calculation Agent and Registrar Agreement, dated April 9, 1998 among ASM Lithography Holding N.V., The Bank of New York and ABN AMRO Bank N.V. relating to NLG 600,000,000 2.5 percent Convertible Subordinated Bonds due 2005 (Incorporated by reference to Exhibit 2.1 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 1998)
2.2	Paying Agent, Calculation Agent, Conversion Calculation Agent and Registrar Agreement, dated November 30, 1999 among ASM Lithography Holding N.V., The Bank of New York and ABN AMRO Bank N.V. relating to US$520,000,000 4.25 percent Convertible Subordinated Bonds due 2004 (Incorporated by reference to Exhibit 1.1 to the Registrant's Annual Report on Form 20-F, for the fiscal year ended December 31, 1999)
2.3	Paying Agent, Conversion Agent, Conversion Calculation Agent and Registrar Agreement between ASML Holding N.V. and the Bank of New York relating to $575,000,000 5.75 percent Convertible Subordinated Notes due 2006*
2.4	Registration Rights Agreement, dated as of October 23, 2001, by and among ASML Holding N.V. and Morgan Stanley & Co. International Limited, on behalf of several managers named therein (Incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form F-3 (File No. 333-83266))
4.1	Agreement and Plan of Merger, dated as of October 1, 2000, by and among ASM Lithography Holding N.V., ALMA Holding, Inc., ALMA (Merger), Inc. and Silicon Valley Group, Inc. (Incorporated by reference to Exhibit 2 to the Registrant's Registration Statement on Form S-4 (File No. 333-12816))
4.2	Agreement between ASML Lithography B.V. and Carl Zeiss, dated March 17, 2000 (Incorporated by reference to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2000)
8	List of Subsidiaries*
10	Consent of Deloitte & Touche*

____

*Filed herewith

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASML Holding N.V.
(Registrant)

By: /s/ Peter T.F.M. Wennink
Peter T.F.M. Wennink
Principal Accounting and
Chief Financial Officer

Dated: May 7, 2002

EXHIBIT INDEX

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Consolidated Statements of Operations[1]

For the year ended December 31 *(Amounts in thousands, except per share data)*	**1999** **EUR**	**2000** **EUR**	**2001** **EUR**	**2001[2]** **USD**
Net product sales	1,474,557	2,775,024	1,538,758	1,356,092
Net service sales	161,429	287,620	305,603	269,325
Total net sales	1,635,986	3,062,644	1,844,361	1,625,417
Cost of product sales	998,684	1,643,120	1,504,186	1,325,624
Cost of service sales	118,750	199,114	288,318	254,092
Total cost of sales	1,117,434	1,842,234	1,792,504	1,579,716
Gross profit on sales	518,552	1,220,410	51,857	45,701
Research and development costs	264,809	392,003	424,447	374,061
Research and development credits	(38,815)	(24,983)	(16,223)	(14,297)
Selling, general and administrative expenses	210,408	312,991	279,993	246,755
Merger and acquisition costs	0	0	54,177	47,746
Restructuring charges	(468)	0	3,082	2,716
Operating income (loss)	82,618	540,399	(693,619)	(611,280)
Interest income	16,846	61,869	41,786	36,826
Interest expense	(15,837)	(49,276)	(48,993)	(43,177)
Minority interest in net results from subsidiaries, net of tax	0	(3,205)	3,606	3,179
Income (loss) before income taxes	83,627	549,787	(697,220)	(614,452)
Provision (benefits) for income taxes	26,439	167,249	(218,228)	(192,322)
Net income (loss) before effect of accounting changes	57,188	382,538	(478,992)	(422,130)
Cumulative effect of change in accounting principle net of tax[3]	0	4,491	0	0
Net income (loss)	57,188	378,047	(478,992)	(422,130)
Basic net income per ordinary share	0.12	0.82	(1.03)	(0.91)
Diluted net income per ordinary share	0.12	0.78	(1.03)	(0.91)
Number of ordinary shares used in computing per share amounts (in thousands):				
Basic[4]	458,542	461,887	465,866	
Diluted[4]	462,682	483,127	465,866	

1 See footnote 2 to the consolidated financial statements and notes to the consolidated financial statements.
2 Solely for the convenience of the reader, certain euro amounts presented as of and for the year ended December 31, 2001, have been translated into U.S. dollars using the exchange rate on December 31, 2001, of USD 1.00 = Eur 1.1347
3 The cumulative effect for change in accounting principles reflects the adjustment for SAB 101 revenue recognition.
4 All net income per Ordinary Share amounts have been retroactively adjusted to reflect the three-for-one stock split in April 2000 as well as the issuance of shares to merge with SVG.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME[1]

For the year ended December 31 *(Amounts in thousands)*	**1999** **EUR**	**2000** **EUR**	**2001** **EUR**	**2001** **USD**
Net income (loss)	57,188	378,047	(478,992)	(422,130)
Foreign currency translation	44,128	118,782	26,744	23,569
Comprehensive income (loss)	101,316	496,829	(452,248)	(398,561)

[1] See Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS[1]

As of December 31 *(Amounts in thousands, except share and per share data)*	2000 EUR	2001 EUR	2001 USD
ASSETS			
Cash and cash equivalents	863,081	910,678	802,572
Restricted cash	121,119	0	0
Accounts receivable, net	926,525	570,118	502,439
Inventories, net	827,568	868,888	765,742
Current tax assets	3,330	50,107	44,159
Deferred tax assets	41,210	362	319
Other current assets	98,711	198,613	175,036
Total current assets	2,881,544	2,598,766	2,290,267
Deferred tax assets	3,173	262,091	230,978
Other assets	30,051	91,260	80,427
Intangible assets	20,187	18,376	16,195
Property, plant and equipment, net	498,017	673,347	593,414
Total assets	3,432,972	3,643,840	3,211,281
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable	257,307	290,264	255,807
Accrued liabilities and other	458,244	537,778	473,938
Current tax liability	48,766	0	0
Deferred tax liability	9,582	665	586
Total current liabilities	773,899	828,707	730,331
Deferred tax liability	3,202	34,302	30,230
Other deferred liabilities	11,767	19,111	16,842
Convertible subordinated debt	828,730	1,510,902	1,331,543
Other long term debt	28,043	24,531	21,619
Total liabilities	1,645,641	2,417,553	2,130,565
Minority interest	121,119	0	0
Cumulative Preference Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; none outstanding as of December 31, 2001	0	0	0
Priority Shares, EUR 0.02 nominal value; 23,100 shares authorized, issued and outstanding at December 31, 2000 and 2001	1	1	1
Ordinary Shares, EUR 0.02 nominal value; 900,000,000 shares authorized; 463,395,369 shares issued and outstanding as of December 31, 2000 and 466,978,391 as of December 31, 2001	9,268	9,339	8,230
Share premium	551,343	579,564	510,764
Retained earnings	944,609	484,149	426,676
Accumulated other comprehensive income	160,991	153,234	135,045
Total shareholders' equity	1,666,212	1,226,287	1,080,716
Total liabilities and shareholders' equity	3,432,972	3,643,840	3,211,281

[1] See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY[1]

As of December 31 *(Amounts in thousands, except share data)*	1999 EUR	2000 EUR	2001 EUR	2001 USD
PRIORITY SHARES:				
Balance, end of year	1	1	1	1
ORDINARY SHARES:				
Balance, beginning of year	8,995	9,069	9,268	8,168
Adjustment for pooling of interests fourth quarter 2000 SVG	0	0	7	6
Balance, beginning of year, as restated	8,995	9,069	9,275	8,174
Issuance of ordinary shares	74	199	64	56
Balance, end of year	9,069	9,268	9,339	8,230
SHARE PREMIUM:				
Balance, beginning of year	462,089	512,060	551,343	485,893
Adjustment for pooling of interests fourth quarter 2000 SVG	0	0	6,636	5,848
Balance, beginning of year, as restated	462,089	512,060	557,979	491,741
Issuance of ordinary shares	49,971	39,283	21,585	19,023
Balance, end of year	512,060	551,343	579,564	510,764
RETAINED EARNINGS:				
Balance, beginning of year	509,377	566,562	944,609	832,474
Adjustment for pooling of interests fourth quarter 2000 SVG	0	0	18,532	16,332
Balance, beginning of year, as restated	509,377	566,562	963,141	848,806
Net income	57,185	378,047	(478,992)	(422,130)
Balance, end of year	566,562	944,609	484,149	426,676
COMPREHENSIVE INCOME:				
CUMULATIVE TRANSLATION ADJUSTMENTS:				
Balance, beginning of year	(1,919)	42,209	160,991	141,880
Adjustment for pooling of interests fourth quarter 2000 SVG	0	0	(34,501)	(30,405)
Balance, beginning of year, as restated	(1,919)	42,209	126,490	111,475
Exchange rate adjustments for pooling of interests	44,069	114,128	54,450	47,986
Exchange rate changes for the year	59	4,654	(27,706)	(24,416)
Balance, end of year	42,209	160,991	153,234	135,045
NUMBER OF ORDINARY SHARES OUTSTANDING (IN THOUSANDS):				
Number of ordinary shares beginning of year	456,699	460,412	463,395	
Adjustment for pooling of interests fourth quarter 2000 SVG	0	0	365	
Issuance of ordinary shares	3,713	2,983	3,218	
Number of ordinary shares outstanding, end of year	460,412	463,395	466,978	

[1] See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS[1]

For the year ended December 31 *(Amounts in thousands)*	1999 EUR	2000 EUR	2001 EUR	2001 USD
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	57,188	378,047	(478,992)	(422,130)
Adjustments to reconcile net income to net cash flows from operating activities:				
Depreciation and amortization	88,029	124,590	158,798	139,947
Allowance for doubtful debts	(2,325)	835	3,310	2,917
Allowance for obsolete inventory	17,531	10,215	374,140	329,726
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	(273,395)	(297,946)	390,761	344,374
Deferred income taxes	(6,765)	(9,647)	(195,887)	(172,633)
Inventories, gross	20,069	(231,905)	(376,702)	(331,984)
Other assets	23,265	(63,283)	(108,872)	(95,948)
Accrued liabilities	24,063	193,217	64,387	56,744
Accounts payable	85,906	79,938	25,745	22,688
Income tax payable	7,234	31,068	(92,240)	(81,290)
Net cash provided by (used in) operating activities	40,800	215,129	(235,552)	(207,589)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(138,425)	(190,440)	(346,735)	(305,574)
Proceeds from sale of property, plant and equipment	2,889	3,030	21,672	19,099
Investments in financial fixed assets	0	0	(34,404)	(30,320)
Purchases of short-term investments, available for sales	(50,703)	(18,744)	0	0
Maturities of short-term investments, available for sales	36,635	44,835	0	0
Purchase of intangible assets	(21,020)	0	(506)	(446)
Other investing activities	7,987	0	0	0
Net cash used in investing activities	(162,637)	(161,319)	(359,973)	(317,241)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of convertible subordinated Notes	516,765	0	652,176	574,756
Payment of underwriting commission	(12,860)	0	(14,237)	(12,546)
Net proceeds from issuance of shares, stock options and conversion	50,045	35,948	26,351	23,222
Other financing activities	(796)	(1,750)	0	0
Net cash provided by financing activities	553,154	34,198	664,290	585,432
Net cash flows	431,317	88,008	68,765	60,602
Minority interest	0	121,119	(121,119)	(106,741)
Effect of changes in exchange rates on cash	(806)	39,685	17,604	15,514
Net cash used by SVG for the quarter ended December 31, 2000[2]	0	0	(38,772)	(34,169)
Net increase (decrease) in cash and cash equivalents	430,511	248,812	(73,522)	(64,794)
Cash and cash equivalents at beginning of the year	304,877	735,388	984,200	867,366
Cash and cash equivalents at end of the year	735,388	984,200	910,678	802,572

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for:				
Interest	8,021	18,427	33,444	29,474
Taxes	11,940	146,520	73,922	65,147

[1] See Notes to the Consolidated Financial Statements.

[2] The decrease in net cash used by SVG for the quarter ended December 31, 2000 consists of EUR (24,975) used for operating activities, EUR (18,132) used for investing activities and EUR 4,335 provided by financing activities.

Notes to the Consolidated

Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated Financial Statements include the Financial Statements of ASML Holding N.V. Veldhoven, the Netherlands (the "Company"), and its consolidated subsidiaries. ASML, operating under a single management, is a worldwide business engaged in the development, production, marketing, sale and servicing of advanced semiconductor equipment systems, consisting of lithography systems and track and thermal systems. ASML's principal operations are in the Netherlands, the United States of America and Asia. On December 31, 2001 and 2000, Royal Philips Electronics ("Philips") owned less than 10 percent of the Company's shares. In addition, one of the five members of the Company's Supervisory Board is a Philips employee.

ASML follows accounting principles generally accepted in the United States of America (" US GAAP"). Effective as of the beginning of fiscal year 1999, ASML changed its reporting currency from Dutch guilders to euros. The accompanying Consolidated Financial Statements are stated in thousands of euros ("EUR") except that, solely for the convenience of the reader, certain euro amounts presented as of and for the year ended December 31, 2001 have been translated into United States dollars ("USD") using the exchange rate in effect on December 31, 2001 of USD1.00 = EUR 1.1347. These translations should not be construed as representations that the euro amounts could be converted into U.S. dollars at that rate.

On May 21, 2001, ASML merged with SVG. The merger with SVG is accounted for under the "pooling of interests" method. For accounting and financial reporting purposes, the companies will be treated as if they had always been combined. Therefore the Consolidated Financial Statements for each of the three years ended December 31, 2001 reflect the combination of financial statements for ASML's historical operations with those of SVG for all periods presented. In conformity with US GAAP reporting guidelines, the comparative figures for the twelve months ended December 31, 2000 and December 31, 1999 reflect the combined annual results of the fiscal years of both. Because SVG's fiscal reporting period prior to the merger differed from ASML's fiscal reporting period, comparative figures contain the results of ASML's historical operations for the twelve months ended December 31, and the results of SVG's historical operations for the twelve months ended September 30. As a consequence, net sales and net income for the quarter ended December 31, 2000, of USD 247 million and USD 17 million respectively, were excluded.

Details of the results of operations of the previously separate companies for the period January 1st, 2001 to May 21, 2001 are (APB 16):
(all amounts are in thousands)

	ASML (EUR)	SVG (USD)
Revenue	378	266
Net income	(34)	(17)
Equity	948	627

Principles of consolidation

The consolidated Financial Statements include the accounts of ASML Holding N.V. and all of its majority-owned subsidiaries. All intercompany profits, transactions and balances have been eliminated in consolidation.

Foreign currency

Foreign currency translation

The financial information for subsidiaries outside the Netherlands is measured using local currencies as the functional currency. Assets and liabilities are translated into euros at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into euros based on the average rate of exchange for the corresponding period. Exchange rate differences resulting from the translation of the net investment in subsidiaries outside the Netherlands into euros are accounted for directly into shareholders' equity. Exchange rate differences on translations of other transactions in foreign currencies are accounted for in compliance with the rules of Statement of Financial Accounting Standards ("SFAS") 52.

Foreign currency management

Certain forecasted transactions and assets and liabilities are exposed to foreign currency risk. The Company monitors its foreign currency exposures periodically to maximize the overall effectiveness of its foreign currency hedge positions. Principal currencies hedged include the U.S. dollar and British pound. Forwards and options used to hedge a portion of forecasted international sales and purchases for up to one year in the future are designated as cash flow hedging instruments. Forwards and options used to hedge the impact of the variability in exchange rates on accounts receivable and accounts payable denominated in certain foreign currencies are designated as fair value hedges. Furthermore, the Company uses forwards to hedge the loan to Micronic, denominated in Swedish Kroner. The currency exposure relating to the U.S. dollar denominated 520 million 4.25 percent convertible notes is naturally hedged by U.S. dollar denominated non-current assets. The U.S. dollar denominated current assets are partly naturally hedged by the USD 575 million 5.75 percent convertible notes.

Cash and cash equivalents

Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits and commercial paper and with insignificant interest rate risk and original maturities of three months or less at the date of acquisition.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Cost includes net prices paid for materials purchased, charges for freight and customs duties, production labor cost and factory overhead. Allowances are made for slow moving, obsolete or unsaleable stock.

Intangible assets

Intangible assets include intellectual property rights that are valued at cost and are amortized straight-line over the estimated useful life of 10 years.

Goodwill

The Company amortizes goodwill on a straight-line basis over the estimated life of twenty-five years. If an evaluation is required, the estimated future undiscounted cash flow associated with the underlying business operation are compared to the carrying amounts of goodwill to determine if a write down is required. If such an assessment indicates that the undiscounted cash flows will not be recovered, the carrying amount is reduced to the estimated fair value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets. In the case of leasehold improvements, the estimated useful lives of the related assets do not exceed the remaining term of the corresponding lease. The following table presents the assigned economic lives of ASML's property, plant and equipment:

Category	Assigned economic life
Buildings and constructions	5 – 40 years
Machinery and equipment	2 – 5 years
Office furniture/equipment	3 – 5 years
Leasehold improvements	5 – 10 years

ASML also leases certain buildings, machinery and equipment under arrangements accounted for as operational leases.

Certain internal and external costs associated with the purchase and/or development of internally used software are capitalized in accordance with Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." These costs are amortized straight-line over periods of related benefit ranging primarily from two to five years and are included in machinery and equipment.

Evaluation of Long-Lived Assets for Impairment

The Company evaluates its long-lived assets, including intellectual property, for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of any asset to future net cash flows expected to be generated by the asset. If those assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. Impairment charges recognized in 2001, including retirements, totaled approximately 45 million, 33 million of which is included in the restructuring provision (see Note 2 to the Consolidated Financial Statements) and 12 million resulting from the impairment of buildings not used and designated for sale. There were no impairment charges in 2000 or 1999.

Recognition of revenues, income and expenses

Under the guidance set forth in SAB 101, ASML's practice is to recognize revenues based upon shipment.

ASML defers the fair value of the installation service yet to be performed on delivered equipment. Furthermore, revenues of initial shipments of new technology systems are deferred until customer acceptance.

Revenues from services are recognized when performed. Revenue from prepaid service contracts is recognized over the life of the contract. Advance payments received from customers are deferred and recognized upon product shipment. Operating expenses and other income and expense items are recognized in the income statement as incurred or earned. No significant returns have occurred during the past three years.

Cost of sales

Cost of sales consists of direct product costs such as materials, labor, cost of warranty, depreciation and related overhead costs. Repayments of certain technical development credits are also charged to cost of sales (see "research and development credits", below). ASML accrues installation and warranty expenses for every system shipped. The amount accrued is based on actual historical expenses incurred and on estimated probable future expenses related to current sales. Warranty costs are charged against this reserve. Costs associated with service revenue are expensed as incurred.

Research and development costs

Costs relating to research and development are charged to operating income as incurred.

Research and development credits

Subsidies and other governmental credits for research and development costs relating to approved projects are recorded as research and development credits in the period when the research and development cost to which such subsidy or credit relates occurs. Technical development credits (Technische Ontwikkelingskredieten or "TOKs") received from the Dutch government to offset the cost of certain research and development projects are contingently repayable as a percentage of the sales price to the extent future sales of equipment developed in such projects. Such repayments are charged to cost of sales at the time such sales are recorded (see Note 17 to the Consolidated Financial Statements). No such repayments are required if such sales do not occur. TOKs claimed for the production of prototypes are used to reduce the capitalized cost of such prototypes. The remaining capital cost of such prototypes is then depreciated on a straight-line basis. Prototypes are not intended for sale or for use in ASML's manufacturing process. If such a sale or use occurs, however, ASML is obligated to repay the related TOKs, and such repayment amount is accrued in an amount based on the net book value of the prototype sold or used.

Stock options

ASML applies Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensations" ("SFAS 123") allows companies to elect to account for stock options under the new accounting standard, or continue to account for stock option plans using the intrinsic method under APB 25, and provide pro forma disclosure of net income and earnings per share as if SFAS 123 were applied. ASML has chosen to continue to account for its stock options under the provisions of APB 25 and disclose the pro forma effects of SFAS 123 in the Notes to the Consolidated Financial Statements.

Net income (loss) per ordinary share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average ordinary shares outstanding. Diluted net income per share reflects the potential dilution that could occur if options issued under ASML's stock compensation plan were exercised, and if ASML's convertible loans were converted. There is no difference between diluted earnings and the basic computation for the year 2001 because such conversions and stock compensation plan would have an antidilutive effect.

A summary of the weighted average number of shares and ordinary equivalent shares is as follows:

Year ended December 31 (Amounts in thousands)	**1999**	**2000**	**2001**
Basic weighted average shares outstanding	458,542	461,887	465,866
Weighted average ordinary equivalent shares	4,140	21,240	0
Diluted weighted average shares outstanding	**462,682**	**483,127**	**465,866**

Excluded from the diluted weighted average share outstanding calculation are cumulative preference shares contingently issuable to the preference share foundation as they represent a different class of stock than the ordinary shares. See further discussion in Note 13 to the Consolidated Financial Statements.

Use of estimates

The preparation of ASML's Consolidated Financial Statements in conformity with US GAAP necessarily requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the balance sheet dates and the reported amounts of revenue and expense during the reported periods. Actual results could differ from those estimates.

Comprehensive income

ASML has applied the requirements of SFAS No. 130, "Reporting Comprehensive Income," in its Consolidated Statements of Comprehensive Income and Consolidated Statements of Shareholders' Equity.

Segment disclosure

As ASML operates in two major segments, and in three general geographic locations, ASML defines its operational segment by geographical location and segments and has combined the two smaller segments Track and Thermal (see Note 20 to the Consolidated Financial Statements).

Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carry forwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. If it is more likely than not that the carrying amount of deferred tax assets will not be realized, a valuation allowance will be recorded.

Recent accounting pronouncements

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 (as amended by SFAS 137 and SFAS 138), "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

Implementation of SFAS 133 as of January 1, 2001, has increased net assets and other comprehensive income by an amount of approximately EUR 0.5 million.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), which is effective for all business combinations completed after June 30, 2001. SFAS 141 eliminates the pooling of interests method of accounting for business combinations except for qualifying business combinations initiated prior to July 1, 2001. In addition, SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. ASML does not expect a material impact on its consolidated financial position, results of operations or cash flows as a result of adopting SFAS 141. Prior poolings, as the pooling transaction with SVG, are not affected by Statement 141.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which establishes new rules on the accounting for goodwill and other intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized; however, they will be subject to annual impairment tests as prescribed by SFAS 142. Intangible assets with definite lives will continue to be amortized over their estimated useful lives. The amortization provisions of SFAS 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, companies are required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001. SFAS 142 will be effective for ASML beginning in its fiscal year 2002. At that time, ASML will perform the required impairment tests on those intangibles deemed to have indefinite lives. Given the current valuation of the related assets, ASML expects that the impact of these impairment tests on its consolidated financial position or result of operations will be minor. The goodwill as of December 31, 2001, amounted to EUR 2.1 million compared to EUR 2.3 million at December 31, 2000.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which is effective for fiscal years beginning after June 15, 2002, which will be the Company's fiscal year 2003. SFAS 143 addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. The Company has not yet determined what the effect of SFAS 143 will be on the earnings and financial position.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the Impairment or Disposal of Long-Lived Assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations, for a disposal of a segment of a business." SFAS 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. ASML will adopt SFAS 144 as of January 1, 2002, and does not expect the adoption of the Statement will have a significant impact on its financial position and results of operations.

2. SIGNIFICANT EVENTS

On May 21, 2001, ASML completed its merger with SVG. As a result of this merger, ASML has become a multi-product semiconductor equipment company supplying lithography, photoresist processing (track) and thermal systems to the world's leading semiconductor manufacturers.

On October 16, 2001, as a consequence of the ongoing downturn in the semiconductor industry, ASML announced cost reductions and a restructuring plan which will result in the related to SVG. The restructuring costs totaled approximately EUR 411 million, of which approximately EUR 408 million are classified in the income statement as cost of sales.

EITF 94-3 "Liability recognition for certain employee termination benefits and other costs to exit an activity (including certain costs incurred in a restructuring)" addresses when a liability for costs associated with an exit plan or restructuring activity should be recognized. Expenses totaling approximately 78 million, consisting of building closure costs, severance payments and non-cancelable purchase commitments were recognized in accordance with EITF 94-3. As per October 16, 2001, the company announced a global work force reduction by approximately 1,400 positions (17 percent) which will result in a total work force of 6,600 by the end of the first half of 2002. The reduction will mainly affect employees involved in manufacturing facilities. The actual amount of involuntary termination benefits paid and charged against the liability as of December 31, 2001, is approximately EUR 3 million and the number of employees actually terminated pursuant to the exit plan as of December 31, 2001 amounts to approximately 1,100.

ARB 43 "Restatement and Revision of Accounting Research Bulletins" chapter 4 addresses the valuation of inventory when the market value has decreased. Resulting from the plan of restructuring, the Company has stopped developing and/or selling Micrascan product line excluding Micrascan VII. The related inventory has no estimated residual value and therefore has been written off. The expense recognized in accordance with ARB 43 totaled approximately EUR300 million.

SFAS no. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" addresses the valuation of property when evidence of impairment is present. Resulting from the plan of restructuring, the Company has evaluated certain fixed assets for impairment, and the resulting impairment expense under SFAS 121 totaled approximately EUR 33 million.

	Cost of Sales	Selling, general and administrative expenses	Total
Inventory write-off	300,443	0	300,443
Purchase Commitments	51,761	0	51,761
Fixed assets write-off	32,242	462	32,704
Building closure costs	6,053	865	6,918
Severance payments	16,972	1,755	18,727
Total restructuring charges	**407,471**	**3,082**	**410,553**

The restructuring provision as of December 31, 2001, is as follows:

	Inventory write-off	Purchase Commitments	Fixed Asset write-off	Building closure costs	Severance payments	Total
Restructure provision	300,443	51,761	32,704	6,918	18,727	410,553
Incurred to date	(300,443)	0	(32,704)	0	(2,979)	(336,126)
Balance at December 31, 2001	**0**	**51,761**	**0**	**6,918**	**15,748**	**74,427**

The Company expects to pay the full accrual balance in fiscal 2002. Substantially all employee terminations will be effective before or at June 30, 2002.

On October 17, 2001, ASML launched an offering of convertible subordinated notes with an aggregate principal amount of USD575 million.

On December 19, 2001, ASML announced that it completed the divestment of Tinsley Laboratories Inc. ("Tinsley") to another U.S. company. ASML agreed with the Committee on Foreign Investments in the United States ("CFIUS") to make a good faith effort to sell Tinsley.

On June 20, 2001, ASML announced that it had reached agreement in principle to enter into a strategic alliance with Micronic to enhance the companies' positions as leading suppliers of advanced lithography equipment to the display and semiconductor industry. Furthermore, the Company invested in a noninterest-bearing EUR 34 million convertible loan to Micronic. The loan has a three year term.

3. MERGER AND ACQUISITION COSTS

The merger and acquisition (M&A) costs include the M&A costs of the regions USA and Europe (total amount EUR 54 million), relating to the merger of ASML with SVG.

4. DERIVATIVES

Hedges of Forecasted Transactions Denominated in Foreign Currencies
The Company uses forward and option foreign exchange contracts to hedge certain operational cash flow exposures resulting from changes in foreign currency exchange rates. These have a duration of up to twelve months. Such exposures result from portions of the Company's forecasted revenues and purchases denominated in currencies other than the euro, primarily the U.S. dollar and British pound. The Company enters into these foreign exchange contracts to hedge forecasted sales and purchases in the normal course of business, and accordingly, they are not speculative in nature.

The Company records changes in the fair value of the derivative instruments designated as cash flow hedges of forecasted non-euro revenue and purchases in accumulated other comprehensive income (loss), until the forecasted transaction occurs. When the forecasted transaction occurs, the related gain or loss on the cash flow hedge will be reclassified to cost of sales. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the gain or loss on the related cash flow hedge will be reclassified from accumulated other comprehensive income (loss) to cost of sales on the consolidated statement of income as incurred. During the twelve months ended December 31, 2001, EUR 3 million of net gain was recognized in cost of sales relating to hedges of forecasted transactions that did not occur.

The critical terms of the hedging instruments are the same as the underlying forecasted transactions. Accordingly, all changes in fair value of these derivative instruments (including the time value portion of purchased options) are recorded through other comprehensive income. The changes in fair value of the derivatives are intended to offset changes in the expected cash flows from the forecasted transactions. The Company records any ineffective portion of the hedging instruments in cost of sales on the consolidated statement of income. To determine the fair value of these instruments we use data obtained from external brokers. Ineffectiveness of hedging instruments had no impact on earnings in 2001.

As of December 31, 2001, EUR 0.7 million of other comprehensive income represents the total anticipated loss to be reclassified to cost of sales, and EUR 0.6 million is the total anticipated gain to be reclassified to cost of sales over the next twelve months as the forecasted revenue and purchase transactions occur.

Hedges of Foreign Currency Assets and Liabilities
Furthermore, the Company continues to hedge its net recognized foreign currency assets and liabilities with forward and option foreign exchange contracts to reduce the risk that earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These derivative instruments hedge assets and liabilities that are denominated in foreign currencies and are market-to-market through other income. These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives offset gains and losses on the assets and liabilities being hedged. On December 31, 2001, forward foreign exchange contracts outstanding had maturities of six months or less.

For instruments designated as fair value hedges, hedge ineffectiveness, determined in accordance with SFAS 133, had no impact on earnings for the twelve months ended December 31, 2001.

5. RESTRICTED CASH

During 2000, ASML entered into a cash management arrangement with Morgan Stanley & Company International Ltd. This arrangement has been terminated in 2001. As a consequence, there was no outstanding balance at year-end.

6. ACCOUNTS RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31	**2000**	**2001**
Gross accounts receivable	932,156	579,059
Allowance for doubtful debts	(5,631)	(8,941)
Net accounts receivable	**926,525**	**570,118**

A summary of activity in the allowance for doubtful debt:

FOR THE YEAR ENDED DECEMBER 31	**2000**	**2001**
Balance at beginning of year	(835)	(5,631)
Allowance for doubtful debts	(4,796)	(3,310)
Net accounts receivable	**(5,631)**	**(8,941)**

7. INVENTORIES

Inventories consist of the following:

For the year ended December 31	**2000**	**2001**
Raw materials	410,225	643,640
Work-in-process	383,903	493,371
Finished products	210,364	292,605
Allowance for obsolescence	(176,924)	(560,728)
Total inventories, net	**827,568**	**868,888**

A summary of activity in the allowance for obsolescence is as follows:

For the year ended December 31	**2000**	**2001**
Balance at beginning of year	191,746	176,924
Adjustment for pooling of interests	0	9,664
Balance at beginning of year as restated	191,746	186,588
Addition	22,881	409,621
Inventory written off	(37,703)	(35,481)
Balance at end of year	**176,924**	**560,728**

8. OTHER CURRENT ASSETS

Other assets consist of the following:

For the year ended December 31	2000	2001
Loan to Zeiss	19,167	95,925
Other	79,544	102,688
Total other assets	**98,711**	**198,613**

The noninterest-bearing loan to Zeiss is repaid by future shipments of lenses.

9. INTANGIBLE ASSETS

In July 1999, ASML obtained, through its purchase of the business of MaskTools, the intellectual property rights relating to Optical Proximity Correction technology. This technology enhances leading edge lithography systems to accurately and reliably print line widths below 0.2 micron. These rights have been valued at cost and are amortized straight-line over the estimated useful life of 10 years. The following table shows intellectual property and other minor intangibles including goodwill of EUR 2 million.

	2000	2001
COST:		
Balance, January 1	25,404	25,404
Effect of exchange rates	0	10
Additions	0	506
Balance, December 31	**25,404**	**25,920**
ACCUMULATED DEPRECIATION:		
Balance, January 1	2,851	5,217
Adjustment for pooling of interests	0	55
Balance, January 1 as restated	2,851	5,272
Amortization	2,366	2,272
Balance, December 31	**5,217**	**7,544**
NET BOOK VALUE:		
December 31	**20,187**	**18,376**

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consist of the following:

	Buildings & Constructions	Machinery and equipment	Leasehold improve-ments and fixtures	Office furniture	Total
COST:					
Balance, January 1	161,536	478,172	115,918	165,271	920,897
Adjustment for pooling of interests	(7,182)	2,621	(1,306)	(8,260)	(14,127)
Balance, January 1, as restated	154,354	480,793	114,612	157,011	906,770
Additions	50,855	253,617	20,455	21,808	346,735
Reclassifications	1,603	0	(1,603)	0	0
Disposals	(278)	(51,393)	(2,083)	(5,044)	(58,798)
Effect of exchange rates	6,560	21,029	2,280	3,793	33,661
Balance, December 31, 2001	**213,094**	**704,046**	**133,661**	**177,567**	**1,228,368**
ACCUMULATED DEPRECIATION:					
Balance, January 1	33,753	244,764	49,056	95,307	422,880
Adjustment for pooling of interests	843	(1,796)	(937)	(3,754)	(5,644)
Balance, January 1 as restated	34,596	242,968	48,119	91,553	417,236
Depreciation	11,297	83,763	13,150	32,319	140,529
Reclassifications	53	0	(53)	0	0
Impairment	12,200	0	0	0	12,200
Disposals	(278)	(30,297)	(2,083)	(4,469)	(37,127)
Effect of exchange rates	2,885	14,404	1,956	2,938	22,183
Balance, December 31, 2001	**60,753**	**310,838**	**61,089**	**122,341**	**555,021**
NET BOOK VALUE:					
December 31, 2000	**127,783**	**233,408**	**66,862**	**69,964**	**498,017**
December 31, 2001	**152,341**	**393,208**	**72,572**	**55,226**	**673,347**

11. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consist of the following:

For the year ended December 31	**2000**	**2001**
Deferred revenue	92,665	69,392
Warranty and installation	112,692	92,056
Materials and costs to be paid	88,572	73,756
Advances from customers	54,650	77,545
Personnel related items	80,123	67,751
Restructuring charges	0	74,427
Other	29,542	82,851
Total accrued liabilities and other	**458,244**	**537,778**

12. LONG-TERM DEBT AND BORROWING ARRANGEMENTS

ASML currently holds three convertible debts amounting to:

For the year ended December 31	2000	2001
2.5 percent convertible	268,796	268,519
4.25 percent convertible	559,934	589,931
5.75 percent convertible	0	652,452
Total convertible debts	**828,730**	**1,510,902**

In April 1998, ASML completed an offering of EUR 272 million principal amount of its 2.5 percent Convertible Subordinated Bonds due 2005, with interest payable annually commencing April 9, 1999. Unless previously redeemed or repurchased by ASML, the bonds are convertible into 13,987,080 ordinary shares at EUR 19.47 per share at any time prior to maturity. At any time on or after April 9, 2001, the bonds are redeemable at the option of ASML, in whole or in part, at 100 percent of the principal amount, together with accrued interest. During 2001, bonds were converted into 14,266 ordinary shares. The bonds will mature on April 9, 2005, and be payable at a price of 100 percent of the principal amount thereof.

Subsequent to December 31, 2002, on April 2, 2002, the company announced it would redeem all of its 2.5% convertible subordinated notes due 2005 (the "2.5% Notes") outstanding on May 3, 2002. On April 3, 2002, the Company announced it would redeem all of its 2.5% convertible subordinated notes due 2005 (the "2.5% Notes") outstanding on May 3, 2002. Prior to May 3, 2002, substantially all the holders of the 2.5% Notes converted their notes into ordinary shares of the Company at a conversion price of EUR 19.4657 per share, pursuant to the terms of the 2.5% Notes. As a result of the conversions that occurred between April 3 and May 2, 2002, the Company will issue approximately 13.6 million ordinary shares, resulting in an aggregate issuance of approximately 13.8 million shares pursuant to the terms of the 2.5% Notes. On May 3, 2002, the Company redeemed the outstanding 2.5% Notes that had not been converted for an aggregate redemption price of approximately EUR 3.1 million.

In November 1999, ASML completed an offering of USD 520 million principal amount of its 4.25 percent Convertible Subordinated Notes due November 30, 2004, with interest payable semi-annually on November 30 and May 30 of each year, commencing on May 30, 2000. The Notes are convertible into 13,959,660 ordinary shares at USD 37.25 (EUR 42.27) per share at any time prior to maturity. At any time on or after December 5, 2002, the notes are redeemable at the option of ASML, in whole or in part, at the prices specified below, together with accrued interest. During the year 2001, none of the notes were converted into ordinary shares. The redemption prices, expressed as a percentage of the outstanding principal amount of the Notes being redeemed are:

	Redemption Price

December 5, 2002, through December 4, 2003	101.70%
December 5, 2003, through November 29, 2004	100.85%
November 30, 2004, and thereafter	100.00%

In October 2001, ASML completed an offering of USD 575 million principal amount of its 5.75 percent Convertible Subordinated Notes due October 15, 2006, with interest payable semi-annually April 15 and October 16 of each year, commencing on April 15, 2002. The Notes are convertible into 30,814,576 ordinary shares at USD 18.65 (EUR 21.17) per share at any time prior to maturity. At any time on or after October 22, 2004 the Notes are redeemable at the option of ASML, in whole or in part at the redemption price of 100 percent of their principal amount together with accrued interest.

Other long term debt

In February 1997, the Company received a EUR 7 million loan from the Connecticut Development Authority. The loan has a ten year term, bears interest at 8.25 percent, and is secured by the Company's Wilton, Connecticut facility.

In 1999, the Company assumed three Yen-denominated loans in connection with the acquisition of SEG. Approximately EUR 8 million (JPY 734 million), which is secured by land and buildings in Japan, is payable in monthly installments through the year 2011, bearing interest at 2.5 percent. Approximately EUR 14 million (JPY 1,350 million) and EUR 2 million (JPY 200 million) are unsecured and are repayable in 2006 and 2007, respectively, bearing interest at 3.1 percent and 2.2 percent, respectively, payable semiannually.

Lines of credit

At December 31, 2001, the Company had available credit facilities for a total of EUR 288 million (2000, EUR 227 million), all of which expire in 2005. These credit lines bear interest at the European Interbank Offered Rate (EURIBOR) plus a margin. No amounts were outstanding under these credit facilities at the end of the year.

13. EMPLOYEE BENEFITS

Deferred compensation plan

In February 1997, SVG adopted a non-qualified deferred compensation plan that allowed a select group of management or highly compensated employees and directors to defer a portion of their salary, bonus and other benefits. The plans allowed SVG to credit additional amounts to participants' account balances, depending on the amount of the employee's contribution, up to a maximum of 5 percent of an employee's annual salary and bonus. In addition, interest is credited to the participants' account balances at 120 percent of the average Moody's corporate bond rate. For calendar years 2000 and 2001, participants' accounts are credited at 9.52 percent and 9.54 percent respectively. SVG's contributions and related interest became 100 percent vested five years after the year in which the contribution was made or in the event of a change in control of SVG or retirement, death or disability of the participant. The plan became fully vested in May 2001 with the merger of SVG and ASML. During fiscal years 1999, 2000 and 2001, the expense incurred under this plan was EUR 1 million, EUR 2 million and EUR 2 million, respectively, and at December 31, 2001, the Company's liability under the deferred compensation plan was EUR 17 million.

In connection with the merger with SVG, ASML assumed unfunded salary continuation agreements with certain key executives and employees of ASML Optics LLC, formerly Tinsley Laboratories Inc. Under the terms of the agreements, the Company has agreed to pay certain fixed amounts over a ten year period after the employees reach the age of 65. Payments began vesting December 1990 and become fully vested only if the participants remain employed by the Company through the age of 65. The present value of these payments, calculated using a discount rate of 6 percent is being charged ratably to expense over the vesting period. During 1999, 2000 and 2001, the Company had minor related expenses. At December 31, 2001, the Company's liability under these agreements was EUR 1 million.

Pension plans

ASML and its consolidated subsidiaries maintain various retirement plans covering substantially all of its employees. Employees in the Netherlands are participating in a multi-employer union plan, that consists of defined benefits determined in accordance with the respective collective bargaining agreements. This plan is subject to a salary cap. Employees with a salary exceeding the aforementioned salary cap are also participating in the ASML defined contribution based pension plan. The employer pension costs for the aforementioned pension plans were EUR 8 million, EUR 12 million and EUR 19 million during 1999, 2000 and 2001, respectively.

For employees working outside the Netherlands, ASML maintains a defined contribution based pension plan. The employer contribution is based on a percentage of the salaries. For employees participating in the United States pension plan, the Company may make, at its sole discretion, an additional contribution to this U.S. plan if the Company meets certain financial performance criteria. No such contributions were made in 1999, 2000 and 2001. The employer pension costs for the aforementioned pension plans amounted to EUR 1 million, EUR 4 million, and EUR 10 million during 1999, 2000 and 2001, respectively and are accounted for under cost of sales and selling, general and administrative expense.

In connection with the merger with SVG, ASML has assumed the defined benefit pension plan for ASML Optics LLC, formerly Tinsley Laboratories Inc. As previously mentioned, Tinsley has been divested. The company no longer has a commitment under this plan for these employees. As of December 31, 1999, 2000, and 2001, the Company had recorded minor pension liabilities, within stockholders' equity. These liabilities are based upon the excess of the estimated accumulated benefit obligation of EUR 2 million each for the three years ended December 31, 2001, over the fair market value of plan assets (primarily corporate bond mutual funds).

Stock option plans

In 1997, the Company issued stock option plans, in which 2,590,722 stock options were authorized to purchase 2,590,722 ordinary shares. The stock option plans provide for the issuance of up to 2,137,722 options to purchase ordinary shares for eligible employees of ASML and up to 453,000 options to purchase ordinary shares for certain key personnel and management. In 1998, the company issued stock option plans, in which 3,348,576 options were authorized to purchase ordinary shares. The stock option plans provide for the issuance of up to 2,097,831 options to purchase ordinary shares for eligible employees of ASML and up to 1,250,745 options to purchase ordinary shares for key personnel and management. These plans, set up for eligible employees, include a feature whereby eligible employees will have the right to elect to receive options to purchase ordinary shares in lieu of distribution under the profit sharing plan. Options granted under these plans have fixed exercise prices equal to the closing price of the Company's ordinary shares on Euronext Amsterdam N.V. on the applicable grant dates. Stock options granted to eligible employees in 1997 vest over a period of two years, and any unexercised options outstanding expire five years after the grant date. In 1998, stock options granted vest over a three year period with any unexercised stock options expiring six years after the grant date. Stock options granted to key personnel in 1998 vest over a three and four year period with any unexercised stock options expiring six years after the grant date. For the year 1999, a number of 3,000,000 stock options was authorized to purchase ordinary shares.

In 1999, a stock option plan was issued by the Board of Management, with the approval of the Supervisory Board and the holders of priority shares. The plan is effective as of the year 2000 and will remain in place until revoked by the Board of Management. The Board of Management determined, by category of ASML personnel, the total available number of options that can be granted in a certain year on an annual basis. The determination is subject to approval of the Supervisory Board and the holders of priority shares of the Company.

For the year 2000, a total number of 4,500,000 stock options was authorized to purchase ordinary shares, and for the year 2001 and 2002, a total number of 6,000,000 has been authorized.

The vesting and exercise periods for the plans of 1999, 2000 and 2001 are similar to the plan of 1998, with the exception of a designated part of grants performed in July 2001 which have a graded vest of 1/3 (one third) after the first year, 1/3 (one third) after the second year and 1/3 (one third) in the third year.

During 2001, 232,520 options to purchase ordinary shares were granted to the Board of Management. No options were exercised during 2001 by Members of the Board of Management.

For the 2002 plan, the employees will have the right to receive options to purchase ordinary shares in lieu of a percentage of their salary. For the stock options granted in 2000, the exercise period was extended from 2006 to 2012.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price per share (EUR)
Outstanding December 31, 1998	10,411,972	10.46
Granted	5,280,148	12.61
Exercised	(2,229,430)	3.84
Cancelled	(295,666)	13.70
Outstanding, December 31, 1999	13,167,024	12.68
Granted	6,959,868	37.43
Exercised	(2,630,710)	12.82
Cancelled	(427,143)	18.90
Outstanding, December 31, 2000	17,069,039	28.84
Granted	5,883,550	32.78
Exercised	(1,488,107)	9.75
Cancelled	(265,212)	23.22
Outstanding, December 31, 2001	**21,199,270**	**26.01**
Exercisable, December 31, 2001	**6,870,466**	**15.22**
Exercisable, December 31, 2000	**6,138,839**	**12.57**
Exercisable, December 31, 1999	**3,535,929**	**14.14**

Information with respect to stock options outstanding at December 31, 2001 is as follows:

Options outstanding Range of exercise prices (EUR)	Number outstanding December 31, 2001	Weighted average remaining contractual life (years)	Weighted average exercise price (EUR)
2.36–8.98	610,198	0.93	5.22
9.37–12.36	5,320,231	2.41	11.03
12.87–31.75	9,005,805	4.28	22.30
35.45–47.15	6,263,036	3.78	44.06
Total	**21,199,270**	**3.57**	**25.41**

Under the provisions of APB 25, no compensation expense was recorded for ASML's stock-based compensation plans. Had compensation cost been determined based upon the fair value at the grant date for awards under the plan consistent with the methodology prescribed under SFAS 123, ASML's net income and calculation for net income per ordinary share would have been as follows:

	1999	2000	2001
NET INCOME (LOSS)			
As reported	57,188	378,047	(478,992)
Pro forma	38,122	345,835	(508,534)
BASIC NET INCOME (LOSS) PER ORDINARY SHARE			
As reported	0.12	0.82	(1.03)
Pro forma	0.08	0.75	(1.09)
DILUTED NET INCOME (LOSS)PER ORDINARY SHARE			
As reported	0.12	0.78	(1.03)
Pro forma	0.08	0.74	(1.09)

The estimated weighted average fair value of options granted during 1999, 2000 and 2001 was EUR 6.86, EUR 20.91 and EUR 20.68 respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions in 1999, 2000 and 2001, respectively: no dividend yield, volatility of 50.0, 73.0 and 74.0 percent, risk-free interest rate of 5.75, 7.2 and 7.0 percent, no assumed forfeiture rate and an expected life of 2 years after the vesting period.

14. RELATED PARTIES (SEE ALSO NOTES 2 AND 20)

Transactions between ASML and Philips are effected at market value prices.

ASML has several agreements with Philips that set forth the parties' respective responsibility for certain matters arising out of the historical operations of ASML and the formation of the Company as a holding company for ASML's operations: establish certain rights and obligations of the Company, Philips and their respective subsidiaries on a prospective basis; afford the Company continued access to Philips' research and development resources in return for fees and provide for the parties' respective rights to certain items of intellectual property.

In its ordinary course of business, ASML engages in sales and purchase transactions with various companies within Philips.

As mentioned in Note 1 to the Consolidated Financial Statements, the ownership of the company's shares owned by Philips decreased to less than 10 percent in 2000. Therefore, Philips is no longer regarded as a related party for 2000 and 2001, and no additional disclosures for the year 2000 and 2001 have been presented.

The following table summarizes transactions between ASML and Philips:

Year ended December 31	1999	2000	2001
ACTIVITIES:			
Purchases of goods and services	75,213	NA*	NA
Research and development expenses	38,163	NA	NA
Total purchases from Philips	**113,376**	**NA**	**NA**
Sales to Philips	**57,065**	**NA**	**NA**

* NA = Not applicable

15. FINANCIAL INSTRUMENTS

Financial instruments recorded on the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and convertible subordinated loans. The carrying amounts of all financial instruments approximates fair value due to the short-term nature of these instruments. The fair value of ASML's long-term debt, based on current rates for similar instruments with the same maturities, approximates the carrying amount. As of December 31, 2001 ASML was a party in open forward contracts to hedge sales transactions in U.S. dollars up to an amount of USD 37.0 million. Furthermore, ASML was a party in an open forward contract to hedge purchase transactions up to an amount of USD 15.0 million and in option contracts to hedge purchase transactions up to an amount of USD 35.5 million. Also, ASML was a party in open forward contracts to hedge the loan to Micronic up to an amount of SEK 320 million.

16. COMMITMENTS AND CONTINGENCIES

ASML leases facilities and certain equipment under operational leases. As of December 31, 2001, the minimum annual rental commitments are as follows:

2002	37,010
2003	34,650
2004	39,949
2005	23,413
2006	18,020
Thereafter	135,140
Total	**288,182**

Rental expense was EUR 53 million, EUR 59 million and EUR 80 million for the years ended December 31, 1999, 2000 and 2001, respectively.

Liabilities

ASML terminated sale and leaseback transactions to lease, for testing and training purposes, systems manufactured by ASML.

The Company is party to various legal proceedings generally incidental to its business. As is the case with other companies in similar industries, ASML faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a materially adverse effect on the consolidated financial condition but could materially affect consolidated results of operations in a given year.

On occasion, certain of ASML's customers have received notices of infringement from third parties, alleging the ASML equipment used by such customers in the manufacture of semiconductor products and/or the methods relating to use of the ASML equipment infringes one or more patents issued to such parties. ASML has been advised that, if claims were successful, ASML could be required to indemnify such customers for some or all of any losses incurred or damages assessed against them as a result of that infringement.

In 1998, Fullman International Inc., and Fullman Company LLC ("Fullman") initiated a lawsuit in the United States District Court for the District of Oregon alleging claims for fraudulent conveyance, constructive trust and declaratory relief in connection with a settlement the Company had previously entered into resolving our claims against a Thailand purchaser of the Company's equipment. In its complaint against the Company, Fullman, allegedly another creditor of the Thailand purchaser, alleges damages of approximately EUR 13 million plus interest. The Company has successfully moved to transfer the case to the United States District Court for the Northern District of California. The district court has dismissed the case. However, subsequently Fullman appealed the judgement to the 9th Circuit Court of Appeals in San Francisco. The appeal is still pending. While the outcome of such litigation is uncertain, the Company believes it has meritorious defenses to the claims and intends to conduct a vigorous defense.

On May 23, 2000, Ultratech Stepper, Inc. ("Ultratech"), filed a lawsuit in the United States District Court for the Eastern District of Virginia (which has subsequently been transferred to the United States District Court for the Northern District of California) against ASML. Ultratech alleges in the complaint of the lawsuit that the defendants are infringing Ultratech's rights under a United States patent, through the manufacture and commercialization in the United States of advanced photolithography equipment embodying technology that, in particular, is used in Step & Scan equipment. Ultratech's complaint seeks injunctive relief and damages. Management believes, based on current information and, in particular, recent favorable interpretation by the Court as to the scope and meaning of the asserted patent, that meritorious defenses are available, which ASML intends to vigorously assert. On October 12, 2001, ASML filed a lawsuit in the United States District Court for the District of Massachusetts against Ultratech. ASML's complaint alleges that Ultratech's manufacture, use, offer for sale and sale of certain of its photolithography stepper devices in the United States infringe six United States patents held by ASML. ASML's complaint seeks injunctive relief and damages. ASML intends to vigorously pursue these claims.

On December 21, 2001, Nikon filed a complaint against ASML with the United States International Trade Commission ("ITC") under Section 337 of the United States trade laws. On the same day, Nikon also filed a separate patent infringement action in the United States District Court for the Northern District of California. On January 23, 2002, the ITC instituted an investigation based on Nikon's complaint, which alleges that ASML's photolithography machines imported into the United States infringe seven United States patents held by Nikon. The original complaint in the California action alleges infringement of four other Nikon patents. A fifth patent was added by Nikon to the California action before ASML answered the complaint. Nikon's patents relate to several different aspects of photolithography equipment. In the ITC proceeding, Nikon seeks to exclude the importation of infringing products. The California complaint seeks injunctive relief and damages.

On February 25, 2002, ASML answered the complaint in the ITC investigation, denied that it infringed any of Nikon's patents, and asserted that Nikon's patents were invalid and unenforceable. On April 5, 2002, ASML filed a counterclaim in the ITC investigation alleging that Nikon has infringed five United States Patents owned by ASML. ASML's patents also relate to various aspects of photolithography equipment. Pursuant to ITC rules, ASML removed its counterclaim on the same day to the United States District Court for the District of Arizona.

Also on April 5, 2002, ASML answered Nikon's complaint in California, denied that it infringed Nikon's patents and brought a counterclaim against Nikon alleging that its patents are invalid and unenforceable and that Nikon has committed anti-trust violations.

It is very early in the process and therefore the outcome of the various proceedings between ASML and Nikon cannot be predicted at this stage.

17. COST OF SALES

ASML has research and development agreements with the Government of the Netherlands, Ministry of Economic Affairs. In 1999, 2000 and 2001, credits were received for research and development projects relating to a new generation of semiconductor lithography systems. The agreements require that the majority of the amounts received are to be repaid, with interest, to the extent product sales occur which relate to the research. The amount of the repayment due is based on a percentage of the selling price of the product and is charged to cost of sales when such a sale is recorded. In 1999, 2000 and 2001, no repayment obligations were outstanding. In 2001, the first repayment of these credits was recorded.

As of December 31, 2000 and 2001, ASML has contingent obligations totaling EUR 46 million and EUR 49 million to repay TOK credits received in 2000. The increase in this liability was caused by added interest. Restructuring costs included in cost of sales are disclosed in footnote 2.

18. RESEARCH AND DEVELOPMENT CREDITS

ASML receives subsidies and credits for research and development from various sources as follows:

Year ended December 31	1999	2000	2001
European Community/Dutch technology (EUREKA) subsidy	9,688	5,941	9,872
Netherlands Ministry of Economic Affairs (TOKs) credits*	17,073	8,176	0
Netherlands Ministry of Economic Affairs subsidy (WBSO / BTS / Stimulus)	5,066	4,101	6,009
European Community technology (ESPRIT-EUCLIDES / ELLIPSE) subsidy & other subsidies	6,988	6,765	342
Total subsidies and credits received	**38,815**	**24,983**	**16,223**

* See Note 17 of the Notes to the Consolidated Financial Statements.

19. INCOME TAXES

The components of income (loss) before income taxes are as follows:

Year ended December 31	1999	2000	2001
Domestic	92,796	406,559	(36,486)
Foreign	(9,169)	143,228	(660,734)
Total	**83,627**	**549,787**	**(697,220)**

The foreign component relates almost entirely to the U.S.A.

The Dutch domestic statutory tax rate is 35 percent. The reconciliation between the provision (benefit) for income taxes shown in the consolidated statement of operations, based on the effective tax rate, and expense based on the domestic tax rate, is as follows:

Year ended December 31	1999	2000	2001
Income tax expense based on domestic rate	29,269	192,425	(244,027)

Different foreign tax rates	(2,506)	(19,936)	25,974
Other credits and non-taxable items	(324)	(5,240)	(175)
Provision (benefit) for income taxes shown in the income statement	**26,439**	**167,249**	**(218,228)**

ASML's provision (benefit) for income taxes consists of the following:

Year ended December 31	1999	2000	2001
CURRENT:			
Domestic			
	41,207	136,881	(28,343)
Foreign	310	40,015	6,002
DEFERRED:			
Domestic	(9,052)	(9,061)	0
Foreign	(6,026)	(586)	(195,887)
Total	**26,439**	**167,249**	**(218,228)**

Deferred tax assets (liabilities) consist of the following:

December 31	2000	2001
Tax effect carry forward losses	8,420	176,959
Inventories	(9,582)	(22,692)
Other	32,761	73,219
Total	**31,599**	**227,486**

Deferred tax assets (liabilities) are classified in the Consolidated Financial Statements as follows:

December 31	2000	2001
Deferred tax assets – current	41,210	362
Deferred tax assets – non-current	3,173	262,091
Deferred tax liabilities – current	(9,582)	(665)
Deferred tax liabilities – non-current	(3,202)	(34,302)
Total	**31,599**	**227,486**

As it is more likely than not that the defined tax asset will be realized, a valuation allowance is not recorded. The net operating losses carry forwards have an expiration date between 5-20 years.

20. SEGMENT DISCLOSURE

Segment information has been prepared in accordance with Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." Management has identified two business segments based on products and services provided by each segment which are Lithography and Track and Thermal. Track and Thermal are aggregated when evaluated by management, as the segments have similar economic characteristics, the nature of products are similar and the customers serviced are similar. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Performance of the segments is evaluated on operating income (loss). All interest income (expense) and minority interest in net income (loss) from subsidiaries are evaluated on a consolidated basis. The Company does not have sales between segments, and transactions between segments have been eliminated.

For year ended December 31,	Lithography		Track and Thermal		Total	
	2000	**2001**	**2000**	**2001**	**2000**	**2001**
Net product sales	2,462,538	1,335,480	312,487	203,278	2,775,025	1,538,758
Net service sales	169,995	218,825	117,624	86,778	287,619	305,603
Total net sales	**2,632,533**	**1,554,305**	**430,111**	**290,056**	**3,062,644**	**1,844,361**
Cost of product sales	1,405,471	1,348,837	237,648	217,604	1,643,119	1,566,441
Cost of service sales	145,576	190,331	53,539	35,732	199,115	226,063
Total costs of sales	1,551,047	1,539,168	291,187	253,336	1,842,234	1,792,504
Gross profit on sales	1,081,486	15,137	138,924	36,720	1,220,410	51,857
Research and development costs	327,015	347,333	64,988	77,114	392,003	424,447
Research and development credits	(24,983)	(16,223)	–	–	(24,983)	(16,223)
Selling, general and administrative expenses	247,221	237,549	65,770	42,444	312,991	279,993
Merger and acquisition costs	–	44,559	–	12,700	–	57,259
Operating income (loss)	**532,233**	**(598,081)**	**8,166**	**(95,538)**	**540,399**	**(693,619)**

ASML markets and sells its products in the United States and Europe principally through its direct sales organization and in Asia by means of independent sales agents. ASML makes all its sales into the United States through its U.S. operation and as from January 1st, 1999, its sales into Asia through its Hong Kong operation. Intra-area sales are accounted for at prices that provide a profit and take into consideration the rules and regulations of the respective governing authorities.

The following table summarizes net sales, operating income and identifiable assets of ASML's operations in the Netherlands, the United States and Asia, the significant geographic areas in which ASML operates.

	Asia	Netherlands	United States	Eliminations	Consolidated
1999					
Net sales to					
unaffiliated customers	623,749	125,725	829,447	0	1,578,921
Net sales to Philips	0	35,688	21,377	0	57,065
Intra-area sales	0	899,097	0	(899,097)	0
Total net sales	**623,749**	**1,060,510**	**850,824**	**(899,097)**	**1,635,986**
Operating income	34,113	80,986	(32,710)	229	82,618
Identifiable assets	248,450	1,389,361	896,555	(177,359)	2,357,007
2000					
Net sales to					
unaffiliated customers	1,237,170	339,795	1,485,679	0	3,062,644
Intra-area sales	0	1,688,960	0	(1,688,960)	0
Total net sales	**1,237,170**	**2,028,755**	**1,485,679**	**(1,688,960)**	**3,062,644**
Operating income	122,830	357,605	60,252	(288)	540,399
Identifiable assets	414,570	2,043,212	1,230,166	(289,250)	3,398,698
2001					
Net sales to					
unaffiliated customers	742,697	150,127	951,537	0	1,844,361
Intra-area sales	0	1,106,485	0	(1,106,485)	0
Total net sales	**742,697**	**1,256,612**	**951,537**	**(1,106,485)**	**1,844,361**
Operating income	(48,024)	39,634	(647,812)	(37,417)	(693,619)
Identifiable assets	382,907	3,149,982	1,013,696	(945,945)	3,600,640

Assets, liabilities and capital expenditures by segment are not evaluated by the chief operating decision maker and are not used for the purpose of making decisions about allocating resources to the segment or assessing its performance.

21. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Aggregate cash compensation paid or accrued, including amounts accrued to provide pension, retirement or similar benefits by ASML for its management including members of the Board of Management of the Company, was EUR 2 million in 1999, EUR 3 million in 2000 and EUR 3 million in 2001. Aggregate compensation for the members of the Supervisory Board amounted to EUR 0.1 million in 1999, 2000 and 2001. Personnel expenses for all employees were:

For year ended December 31	1999	2000	2001
Wages and salaries	259,409	387,287	483,522
Social security expenses	22,472	34,077	39,116
Pension and retirement expenses	13,391	22,111	28,258
Total	**295,272**	**443,475**	**550,896**

The average number of employees during 1999, 2000 and 2001 was 5,736, 7,513 and 7,673 respectively.

The total number of personnel employed per sector was:

For year ended December 31	1999	2000	2001
Marketing & Technology	1,714	2,214	2,028
Goodsflow	2,033	2,663	1,872
Customer Support	1,583	2,296	2,228
General	554	743	794
Sales	177	207	148
Total	**6,061**	**8,123**	**7,070**

In 1999, 2000 and 2001, a total of 2,393, 3,329 and 2,972 personnel, respectively, were employed in the Netherlands.

22. VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

ASML relies on outside vendors to manufacture the components and subassemblies used in its systems, each of which is obtained from a sole supplier or a limited number of suppliers. ASML's reliance on a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and reduced control over pricing and timely delivery of these subassemblies and components. In particular, the number of systems ASML has been able to produce has occasionally been limited by the production capacity of Zeiss. Zeiss currently is ASML's sole supplier of lenses and other critical optical components and is capable of producing these lenses only in limited numbers and only through

the use of its manufacturing and testing facility in Oberkochen, Germany. In addition to Zeiss' position as ASML's sole supplier of lenses, the Excimer laser illumination systems for Deep UV systems are available from a very limited number of suppliers. Additionally, certain raw materials and minerals necessary for the manufacture of certain components supplied by outside vendors may occasionally be limited. Any prolonged inability to obtain adequate deliveries from its suppliers, or any other circumstance that would require ASML to seek alternative sources of supply, could adversely impact ASML's future operating results.

Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains a policy providing for the diversification of cash and cash equivalent investments and places its investments in high quality financial institutions to limit the amount of credit risk exposure.

23. CAPITAL STOCK

Cumulative Preference Shares

In April 1998, the Company has granted to the preference share foundation Stichting Preferente Aandelen ASML ("the Foundation") an option to acquire cumulative preference shares in the capital of the Company (the "Preference Share Option"). The object of the Foundation is to protect the interests of the Company and the enterprises maintained by it. The cumulative preference shares have a higher liquidity preference for dividends payable and the same voting rights as ordinary shares. Additionally, cumulative preference shares are entitled to dividends at a percentage based on the average official interest rate determined by Euribor plus 2 percent.

The Preference Share Option gives the Foundation the right to acquire a number of Cumulative Preference Shares equal to the number of ordinary shares outstanding held by the Foundation at the time of exercise of the Cumulative Preference Share Option for a subscription price equal to their EUR 0.02 nominal value. Only one-fourth of this subscription price is payable at the time of initial issuance of the cumulative preference shares. The cumulative preference shares may be cancelled and repaid by the Company upon the authorization by the General Meeting of the Shareholders of a proposal to do so by the Board of Management that receives the prior approval of the Supervisory Board and of the Meeting of Priority Shareholders.

Exercise of the Preference Share Option would effectively dilute the voting power of the ordinary shares then outstanding by one-half. The practical effect of any such exercise could be to prevent attempts by third parties to acquire control of the Company.

Declaration of Independence as defined in "Bijlage X van het Fondsenreglement"

The Board of Directors of the Foundation and the Board of Management of the Company together declare that the Foundation is not a "committed person" with the Company as defined in article A 2 B II of "Bijlage X van het Fondsenreglement van Euronext Amsterdam N.V.". The Board of the Foundation comprises three voting members from the Dutch business and academic communities, Mr. R. Selman, Mr. F. Grapperhaus and Mr. M den Boogert, and two non-voting members the Chairman of the Company's Supervisory Board and the Chairman of the Company's Board of Management, Mr. H. Bodt and Mr. D. Dunn respectively.

Priority Shares

The priority shares are held by a foundation, having an elected board that consists solely of members of the Company's Supervisory Board and Board of Management.

As of December 31, 2001, the board members were:

– Doug J. Dunn
– Henk Bodt
– Arie Westerlaken
– Syb Bergsma
– Jan A. Dekker
– Peter T.F.M. Wennink

An overview of the other functions held by above persons can be obtained at the Company's office. Furthermore, the Company, as well as the members of the board, declare in accordance with Article 11 under C of the "Bijlage X van het Fondsenreglement van Euronext Amsterdam N.V." that in their opinion the composition of the board conforms with Article 10 under C of the above mentioned "Bijlage."[1]

With respect to the priority shares, they are not entitled to dividends but have a preferred right over all other outstanding preferred and ordinary shares on the return of their nominal value in the case of winding up the Company. Holders of the priority shares of the Company have the effective power to control significant corporate decisions and transactions of the Company. These decisions and transactions encompass, but are not limited to, amendment of the Articles of Association, winding up of the Company, issuance of shares, limitation of pre-emptive rights and repurchase and cancellation of shares.

[1] Article 10 states that the issuing entity takes care that not more than half of the priority shares are being held by Board members of the issuing entity or, in case the priority shares are being held by a legal entity, that not more than half of the amount of votes to be exercised in meetings of the foundation in which decisions are made about the exercise of the voting rights of the priority shares, can be exercised, directly or indirectly, by persons who are also Board members of the issuing entity.

Independent Auditors' Report

To the Supervisory Board, Board of Management and Shareholders of ASML Holding N.V. Veldhoven, the Netherlands

We have audited the accompanying consolidated balance sheets of ASML Holding N.V. and its subsidiaries (collectively, the "Company") as of December 31, 2000 and 2001, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 2001, and the results of its operations, comprehensive income and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of euro amounts into U.S. dollar amounts, and, in our opinion, such translation has been made in conformity with the basis stated in Note 1 of the Notes to the Consolidated Financial Statements. Such U.S. dollar amounts are presented mainly for the convenience of readers outside the Economic and Monetary Union (EMU).

Eindhoven, the Netherlands
January 17, 2002 (except for Note 12 dated May 3, 2002 and Note 16 dated April 5, 2002)