Rationale for Updating the Remuneration Policy

For the Board of Management of
ASML Holding N.V.

Introduction

The Supervisory Board of ASML Holding N.V. ("ASML"), upon recommendation of its Remuneration Committee, has developed an update of the Remuneration Policy for the Board of Management which it intends to effectuate as per the calendar year 2010, subject to the approval of the Annual General Meeting of Shareholders on March 24, 2010. This document is intended to provide the rationale for updating this policy. It clarifies the proposed changes on Board of Management remuneration.
The Remuneration Policy (version 2010) is compliant with the Dutch Corporate Governance Code.

The Remuneration Policy 2008 refers to Total Direct Compensation at median market level to be reviewed every two years. Based on the current review, the Supervisory Board is of the opinion that no adjustment of the Remuneration Policy with regard to Total Direct Compensation is required to anticipate on the 2010 compensation levels in the current economic and political situation in the executive market place.

Based on a review of the amendments in the Dutch Corporate Governance Code and other external developments in the market place, the Remuneration Committee has formulated some adjustments that reflect:

1. The shifting focus from the short term to the long term
2. Further improved alignment of the performance criteria to the business needs
3. Alignment of the pension arrangement to the adjustments that will be made for the excedent pension arrangement for ASML employees in The Netherlands and to the median market level of executive pensions in The Netherlands

With respect to the best practice provisions Ultimum Remedium (II.2.10) and Claw Back (II.2.11) of the Dutch Corporate Governance Code, the Supervisory Board of ASML – per the recommendation of its Remuneration Committee - has decided to implement these provisions in the contractual relationship between the individual Board members and ASML. The Supervisory Board anticipates that, given the legal implications and the need for a diligent process, the actual implementation of these provisions will be finalized in the course of 2010.

Rationale for an Updated Remuneration Policy

The Supervisory Board of ASML has concluded that there is no significant gap between the current Total Direct Compensation and the 2009 median market level in the Reference Market. This finding was confirmed by the results of a benchmark among the AEX listed companies, taking into account ASML's relative position on three parameters: market capitalisation, number of employees and revenues. Therefore, the Supervisory Board has decided to maintain the current level of Total Direct Compensation for the Board of Management of ASML.

Within this level of Total Direct Compensation, the Supervisory Board has the opinion that several adjustments could better express the current situation in the market place.

1. Shift focus from short term to long term

To shift the focus from the short term to the long term, the short term incentive in options will be ended. The value of this part of the remuneration will be moved into the long term incentive plan, which will be paid in shares. The structure of the compensation package will then move to the ratio (base salary, variable cash incentive, performance stock options and performance shares) 100 – 75 – 0 – 80 for the CEO (currently: 100 – 75 – 25 – 55) and 100 – 60 – 0 – 80 for the other members of the Board of Management (currently: 100 – 60 – 25 – 55). Accordingly the overachievement payout level for the long term incentive will be set at 146.25% of base salary, which is the sum of the current overachievement levels of the option plan (50%) and the long term plan (96.25%).

2. Further improved alignment of performance criteria to business needs

To further improve the alignment of the performance criteria to the business needs and to create a more balanced set of performance criteria, the Supervisory Board will continue to apply the criteria as set for the short term cash incentive in 2009.
As far as the short term incentive is concerned, the Technology Index, Operational Cash Flow and the qualitative targets will remain as they were in the 2008 Policy. Market Share will be changed into Market Position, not only expressing Market Share but also including ASML's customer intimacy as a measure of the sustainability of ASML's success in the market place. Gross Margin % of Sales and Net Operating Profit will be replaced by Direct Material Margin on New Systems and Total Company Cost Base. These new criteria are a better indicator of the result ASML makes on its core business.

ROAIC as compared to the Peer Group will remain the dominant criterion (weighted 80%) for the long term incentive, as this best expresses the long term value creation of ASML. The Supervisory Board intends to introduce a second, qualitative criterion (weighted 20% of the total long term performance). This criterion is related to ASML's long term ability to keep performing at high standards.

3. Bring pension arrangement to median market level

In line with the adjustments that will be made in the (Defined Contribution) excedent pension arrangement for employees of ASML in The Netherlands, which pensions will be increased to the median market level, the Supervisory Board intends to also adjust the pension scheme for the Board of Management in the course of 2010. A separate benchmark on top executive pension arrangements of AEX listed Companies has revealed that the current pension arrangement for the Board of Management is below median market level, which, in the opinion of the Supervisory Board, justifies this alignment

Base Salaries

Increase Base Salaries for Board of Management Members

Base Salary increases are set at 3.0% for all members of the Board of Management, except for Mr. Schneider-Maunoury, who just joined ASML in December 2009. This percentage is in line with the increases for management at ASML. Whilst the current benchmark review covers a period of two years and the next review will take place in 2012, the Supervisory Board proposes to decide on the increases of the Base Salaries of all Board of Management Members in the rest of the period covered by the 2010 Policy, on an annual basis, in order to be able to reflect the from time to time relevant developments in the market place and within ASML.

Additional proposal

Fixed number of Performance Share awards for two years

The number of performance shares that will be conditionally awarded, will remain fixed for a period of two years (2010, 2011). This fixed number will be based on the value calculation made in the first year of the two year's benchmarked period. This is a continuation of the 2008 Policy.

The number of performance shares to be awarded conditionally (based on the maximum achievable value of 146.25% of base salary divided by the fair value of the performance share) will be calculated at the beginning of the performance period in the first year. The same number of performance shares will be conditionally awarded for the next year (the start of the next three year performance period). A new determination of the number of performance shares will be done in the first year of the next two year's benchmarked period.