ASML

Financial performance

From ASML's Annual Report 2024

The separate downloads are an extract from the 2024 Annual Report based on US GAAP. You are urged to read carefully the 2024 Annual Report based on US GAAP in its entirety. We also publish an Annual Report based on EU-IFRS. Both Annual Reports can be found on our website. The 2024 Annual Report based on US GAAP is also available on the SEC's website at http://www.sec.gov. The 2024 Annual Report based on EU-IFRS is also available on the website of the AFM at http://www.afm.nl

A year of transition and preparation, ahead of the upturn to come

Message from our Executive Vice President and Chief Financial Officer

Roger Dassen

> "We delivered on our expectations in spite of the challenges."

Dear Stakeholder,

Our results for 2024 were in line with the previous year, consistent with guidance. As we forecasted, this was a period of transition where we continued to make significant investments in technology and ramping up capacity to ensure that we are ready to support our customers through the industry upturn. As we have seen in 2024, artificial intelligence is clearly the key driver of growth in the semiconductor industry. However, we believe it is creating a shift in the market, with some of our customers benefiting more than others, which creates both opportunities and risks leading to some customer cautiousness.

Total net sales rose by €0.7 billion, or 2.6%, reflecting a decrease in net system sales of 0.8%, and an increase in net service and field option sales of 15.6% compared to 2023. The decrease in net system sales was primarily due to lower NXE (EUV 0.33 NA) sales. This was partially offset by the introduction of our latest NXE value proposition, the TWINSCAN NXE:3800E, which we successfully delivered to multiple customers in 2024. Furthermore, lower NXE system sales were partially offset by the successful delivery of the first High NA EUV (EUV 0.55 NA) lithography system and greater demand for DUV immersion systems.

Regarding net service and field option sales, the rise was largely due to improved net service sales, which continue to scale as a result of a growing installed base of systems and higher system utilization levels at certain customers.

Our gross margin remained stable in 2024 compared to 2023. Gross margin was affected by a dilutive impact of the first High NA EUV lithography system deliveries, but offset by growth in our installed base business.

A year of transition and preparation, ahead of the upturn to come (continued)

Message from our Executive Vice President and Chief Financial Officer

Roger Dassen

Managing the cycles of our industry

The semiconductor industry has always been cyclical, with the peaks and troughs driving a sharp focus on cost and cash management in the short term while preparing the ground for the growth opportunities throughout the entire ecosystem in the longer term.

While artificial intelligence (AI) continues to be a growth driver for the semiconductor industry, this is not benefiting all customers equally in the short term.

This, combined with competitive foundry dynamics, has led to several fab push-outs and consequent changes in lithography demand timing, in particular for EUV. In terms of our Memory business, customers have limited their capacity additions, with greater emphasis on the technology transition supporting high-bandwidth memory (HBM) and DDR5 (double data rate 5) AI-related demand.

However, ASML is very much a business focused on the long term. Led by AI together with the energy transition and electrification, the industry growth drivers will continue to expand the application space for both advanced and mature nodes. Therefore, we remain confident about growth opportunities in the long term.

€28.3bn
Total net sales

51.3%
Gross margin

€3.0bn
Returned to shareholders

Realizing the potential of AI

AI has the potential to be the next big driver of productivity and innovation for the wider society. Today, we see industries across the board preparing to incorporate AI capabilities in their upcoming critical applications. This in turn is translating into major investments in the field of high-performance computing.

This emergence of AI represents a significant growth opportunity for semiconductors, similar to what we saw across previous computing waves (PC, internet and smartphone). However, the AI-led demand for computing power is increasing faster than that supported by Moore’s Law, which in turn gives rise to power consumption and cost challenges. Unleashing the full potential of AI will require us to overcome these challenges – which, from a semiconductor viewpoint, implies an acceleration of the advanced Logic roadmap as well as improved performance and energy efficiency of the DRAM Memory architecture.

Therefore, on balance, we anticipate a steady pace of AI adoption in the coming years, contributing toward our expectation of overall worldwide semiconductor sales crossing $1 trillion by 2030. In terms of end markets, we see servers, data centers and storage as the key initial beneficiary of this emergence of AI, with associated semiconductor sales for this end market expected to exceed $350 billion by 2030.

Transforming our business processes

AI is not only driving our markets – it is also transforming how we work internally, in line with our goal of leading AI innovation in the semiconductor equipment industry.

We are developing a comprehensive strategy that aims to harness the potential of both predictive and generative AI across various domains – driving innovation, improving efficiency and seizing competitive advantage. This strategy, supported by the appointment of our – first – Head of AI Program & Strategy in June 2024, focuses on capturing key opportunities in four areas: speed and quality in R&D; excellence in product leadership and support; speed and quality in operations; and enabling capability and efficiency.

Among its most notable achievements of the last 12 months, the AI program prioritized over 40 opportunities where AI could help us work better and faster.

Our responsible AI program will now concentrate on developing the overarching strategy, building an integrated roadmap, and providing governance through oversight and coordination.

A year of transition and preparation, ahead of the upturn to come (continued)

Message from our Executive Vice President and Chief Financial Officer

Roger Dassen

Supporting our ESG commitments

For our finance team, one of the year's most demanding workstreams centered on preparing for the European Sustainability Reporting Standards (ESRS), and required a substantial investment in resources. Thanks to the commitment and expertise of our people in meeting an extremely demanding deadline, I am pleased to say that this Annual Report is in accordance with ESRS requirements.

We took ESRS very seriously right from the time it was first announced, beginning with focusing on a gap assessment and organizational readiness check in 2022. This was followed by a robust, well-governed project based on collaboration by teams across the entire breadth of ASML.

While ESRS compliance necessitated a great deal of hard work and skill from our team, it has brought new rigor to how we manage ESG and enabled us to accelerate our ESG sustainability strategy. With improved and expanded data, processes and disclosures in place, ESRS has given us greater insight into how we can contribute to the sustainability of our supply chain and customers as well as within our own organization.

> **“We aim to balance our growth with social responsibility, ensuring that we share our success while addressing the challenges that come with it.”**
>
> **Roger Dassen**
>
> Executive Vice President
> and Chief Financial Officer

Engaging with our communities

I believe that when we invest in our communities, we not only contribute to their well-being, but also create a positive environment where our employees can thrive. We want to create a shared future where everyone benefits.

As a major employer, we have a significant impact on the regions where we operate. In addition to recognizing our responsibility to act as good and supportive neighbors, we also know that we have the resources and influence to make a real difference to the lives of people well beyond the boundaries of our organization.

We aim to balance our growth with social responsibility, ensuring that we share our success while addressing the challenges that come with it. Our activities are organized through our Community Partnership Program with a focus on four key areas: boosting the attractiveness of local communities; aiming to keep these communities inclusive; supporting science and technology education; and supporting ESG innovation.

During 2024, we invested €45.2 million in community projects, including a collaboration with local partners that aims to add affordable homes to the Brainport Eindhoven area, alleviating some of the pressure that our growth puts on the housing market.

Looking ahead

Our customers are fundamental to our strategy, and we believe that lithography will continue to play a crucial role in driving their innovation forward. Our flexible and versatile portfolio is well positioned to meet all our customers' needs. We're expanding holistic lithography to support 3D front-end integration, enhance DUV and EUV performance and cost-effectiveness, and scale EUV technology well into the next decade.

Looking ahead to 2025, we anticipate total net sales between €30 billion and €35 billion, consistent with previous guidance. The expected gross margin is between 51% and 53%, which would be an increase compared to prior years, alongside an annualized effective tax rate of around 17%.

We continue to invest heavily in R&D, positioning ourselves to capitalize on the anticipated growth in the semiconductor market, which could exceed $1 trillion by 2030, driven largely by AI advancements. We aim to capture significant opportunities in this expanding market, as we anticipate that an increased number of critical lithography exposures for advanced logic and memory processes will be required.

Regarding our net service and field option sales business, we anticipate revenue growth compared to 2024, fueled by increased service and upgrade activities linked to our expanding installed base. EUV technology in particular is playing an increasingly significant role in driving this growth.

Toward 2030, we see growth scenarios leading to an opportunity to achieve 2030 annual revenue between approximately €44 billion and €60 billion, with a gross margin between 56% and 60%. We will maintain a consistent and disciplined capital allocation policy prioritizing growth and other necessary investments, then growing dividends and then share buybacks. Overall, our long-term outlook remains bright, supported by strong market dynamics and a robust products and services roadmap.

Roger Dassen
Executive Vice President and Chief Financial Officer

Performance KPIs

Sales

Total net sales
€28.3bn
2023: €27.6bn

Net system sales
€21.8bn
2023: €21.9bn

Net service and field option sales
€6.5bn
2023: €5.6bn

Sales of lithography systems (in units)[1]
418
2023: 449

EUV systems recognized (in units)
44
2023: 53

Profitability

		% of total net sales
Gross profit	**€14.5bn** 2023: €14.1bn	51.3% 2023: 51.3%
Income from operations	**€9.0bn** 2023: €9.0bn	31.9% 2023: 32.8%
Net income	**€7.6bn** 2023: €7.8bn	26.8% 2023: 28.4%

Earnings per share
€19.25
2023: €19.91

Liquidity

Cash and cash equivalents and short-term investments (year end)
€12.7bn
2023: €7.0bn

Net cash provided by operating activities
€11.2bn
2023: €5.4bn

Free cash flow[2]
€9.1bn
2023: €3.2bn

1. Lithography systems do not include metrology and inspection systems.
2. Free cash flow is a non-GAAP (generally accepted accounting principles) measure and is defined as net cash provided by operating activities (2024: €11,166.2 million and 2023: €5,443.4 million) minus purchase of property, plant and equipment (2024: €2,067.2 million and 2023: €2,155.6 million) and purchase of intangible assets (2024: €15.9 million and 2023: €40.6 million). We believe that free cash flow is an important liquidity metric for our investors, reflecting cash that is available for acquisitions, to repay debt and to return money to our shareholders by means of dividends and share buybacks. Purchase of property, plant and equipment and purchase of intangible assets are deducted from net cash provided by operating activities in calculating free cash flow because these payments are necessary to support the maintenance and investments in our assets to maintain the current asset base.

Performance KPIs (continued)

Operating results of 2024 compared to 2023

Year ended December 31 (€, in millions)	2023	%[1]	2024	%[1]	% Change
Net system sales	21,938.6	79.6	**21,768.7**	77.0	(0.8)
Net service and field option sales	5,619.9	20.4	**6,494.2**	23.0	15.6
Total net sales	27,558.5	100.0	**28,262.9**	100.0	2.6
Cost of system sales	(10,151.0)	(36.8)	**(10,406.9)**	(36.8)	2.5
Cost of service and field option sales	(3,271.4)	(11.9)	**(3,364.0)**	(11.9)	2.8
Total cost of sales	(13,422.4)	(48.7)	**(13,770.9)**	(48.7)	2.6
Gross profit	14,136.1	51.3	**14,492.0**	51.3	2.5
Research and development (R&D) costs	(3,980.6)	(14.4)	**(4,303.7)**	(15.2)	8.1
Selling, general and administrative (SG&A) costs	(1,113.2)	(4.0)	**(1,165.7)**	(4.1)	4.7
Income from operations	9,042.3	32.8	**9,022.6**	31.9	(0.2)
Interest and other, net	41.2	0.1	**19.8**	0.1	(51.9)
Income before income taxes	9,083.5	33.0	**9,042.4**	32.0	(0.5)
Income tax expense	(1,435.8)	(5.2)	**(1,680.6)**	(5.9)	17.0
Income after income taxes	7,647.7	27.8	**7,361.8**	26.0	(3.7)
Profit from equity method investments	191.3	0.7	**209.8**	0.7	9.7
Net income	7,839.0	28.4	**7,571.6**	26.8	(3.4)

1. As a percentage of total net sales.

For a comparison of ASML's operating results for the year ended December 31, 2023, with the year ended December 31, 2022, please see Financial performance – Performance KPIs – Operating results of 2023 compared with 2022 of ASML's Annual Report on Form 20-F for the year ended December 31, 2023.

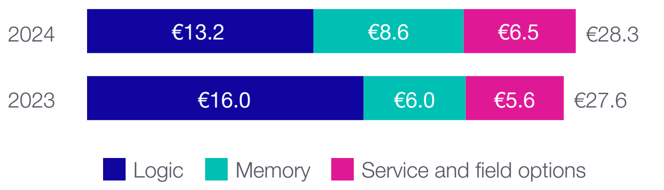
The preparation of our Consolidated financial statements in conformity with US Generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. See Note 1 General information / summary of general accounting policies to the Consolidated financial statements for detailed information on critical accounting estimates.

Total net sales

In 2024, our total net sales further increased by €0.7 billion, or 2.6%, reflecting a decrease in net system sales of 0.8%, and an increase in net service and field option sales of 15.6% compared to 2023.

Net sales growth

(in billions)



Regarding Logic, net sales decreased by €2.8 billion, mainly driven by competitive foundry dynamics which have resulted in a slower ramp of new nodes among certain customers, leading to several fab push-outs, affecting the timing of EUV shipments in particular.

In Memory, net sales increased by €2.6 billion, mainly driven by technology transitions, especially related to high-bandwidth Memory and DDR5, which is primarily the result of AI-related Memory demand.

Net service and field options sales increased mainly due to the growing installed base of systems and higher lithography tool utilization levels at certain customers.

Increase (decrease) on previous year

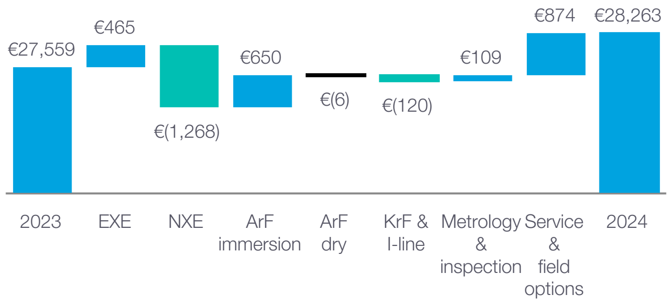
2.6%
Net sales

(0.8)%
Net system sales

15.6%
Net service and field option sales

Performance KPIs (continued)

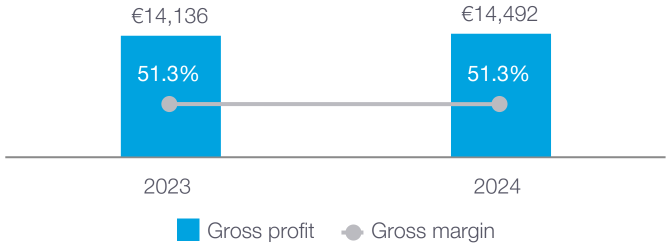
Net sales
(in millions)



The increase in total net sales was primarily driven by higher net service and field option sales, increased DUV immersion system shipments and the first EXE systems (EUV 0.55 NA) being successfully installed in the field. NXE (EUV 0.33 NA) sales volumes were lower due to a shift in the market dynamics, driven by AI. This was partially offset by our customers' transition to the NXE:3800E, our latest NXE value proposition introduced in 2024. We recognized 2 EXE and 42 NXE systems in sales in 2024 compared with 0 EXE and 53 NXE systems in 2023. Our system sales units across our DUV technologies decreased from 396 in 2023 to 374 units in 2024.

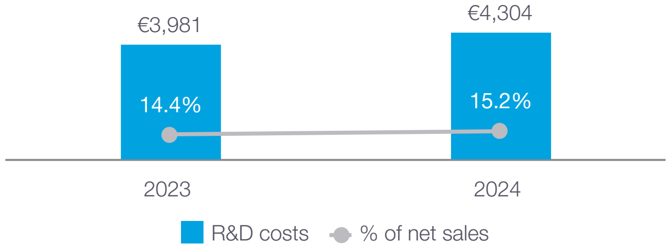
The increase in net service and field option sales was primarily due to higher service sales, as a result of the growing customers' systems installed base and higher lithography tool utilization levels at certain customers.

Gross profit and gross margin
(in millions)



Gross profit increased mainly as a result of higher service sales. The gross margin remained stable compared to previous year. The gross margin benefited from an improved net service and field options sales margin, which was offset by a lower share of NXE sales and the dilutive impact of the first EXE systems recognized as sales.

Research and development costs
(in millions)



R&D costs were €4,303.7 million in 2024 compared with €3,980.6 million in 2023. The increase in R&D costs across each of our NXE, EXE, DUV and Applications programs all support our holistic lithography solutions. In 2024, R&D costs mainly related to:

- Investments in the development of the NXE:3800E and NXE:4000 systems and further improving availability and productivity of our EUV installed base systems.
- Investments in the development of our EXE systems to support future nodes for both Logic and DRAM customers.
- Continued investment in the next-generation lithography systems, which will increase productivity and overlay in critical DUV layers (NXT:2150i), increase productivity in KrF layers (NXT:870B) and make a next step in cost effectiveness for our customers in i-line (XT:260).
- Continued investment in e-beam inspection, e-beam metrology and YieldStar optical metrology. In addition, securing our multibeam inspection roadmap and continuously expanding our investment in the holistic software applications space.

€4.3 billion

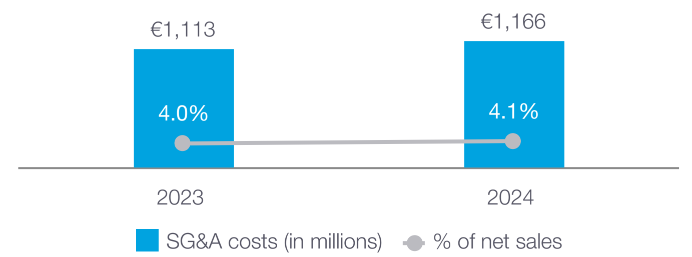
R&D costs

8.1%

Increase in R&D costs on previous year

Performance KPIs (continued)

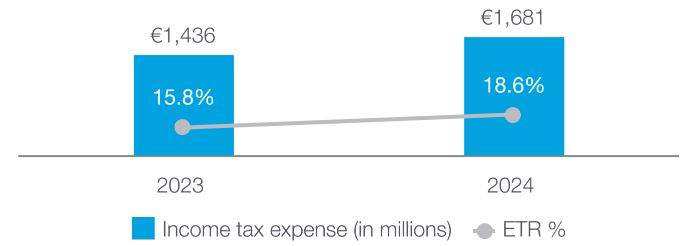
Selling, general and administrative costs
(in millions)



SG&A costs increased by 4.7% from 2023 to 2024, largely due to increases in the number of full-time equivalents (FTEs), in the salary per FTE and in the investments in our Community Partnership Program.

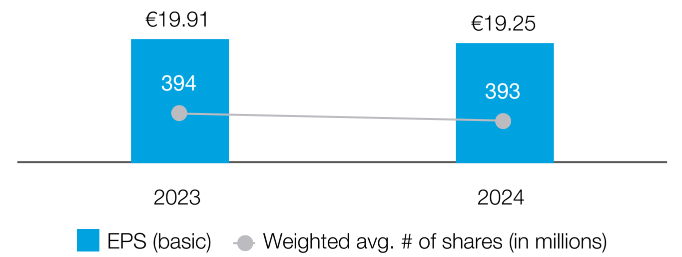
Read more in Sustainability statements – Social – Valued partner in our communities

Income taxes
(in millions)



The effective tax rate (ETR) increased to 18.6% in 2024, compared with 15.8% in 2023. The higher rate is mainly driven by the new 'innovation box' agreement that has become effective as of 2024 as well as by the recognition of a tax expense in relation to a historic tax position.

Net income and earnings per share
(in millions)



Net income in 2024 amounted to €7,571.6 million, or 26.8% of total net sales, representing €19.25 basic net income per ordinary share, compared with net income in 2023 of €7,839.0 million, or 28.4% of total net sales, representing €19.91 basic net income per ordinary share. The slight decrease in basic net income per ordinary share is mainly due to a slightly lower net income.

Performance KPIs (continued)

Cash flow analysis

We continue to invest heavily in our next-generation technologies in order to secure future growth opportunities which require a significant cash investment in net working capital, capital expenditures and R&D.

We also continue our efforts to return cash to our shareholders through our dividends and share buyback program.

Year ended December 31 (€, in millions)	2023	2024
Cash and cash equivalents, beginning of period	7,268.3	**7,004.7**
Net cash provided by (used in) operating activities	5,443.4	**11,166.2**
Net cash provided by (used in) investing activities	(2,689.3)	**(2,609.3)**
Net cash provided by (used in) financing activities	(3,003.9)	**(2,832.1)**
Effect of changes in exchange rates on cash	(13.8)	**6.4**
Net increase (decrease) in cash and cash equivalents	(263.6)	**5,731.2**
Cash and cash equivalents, end of period	7,004.7	**12,735.9**
Short-term investments, end of period	5.4	**5.4**
Cash and cash equivalents and short-term investments	7,010.1	**12,741.3**
Purchases of property, plant and equipment and intangible assets	(2,196.2)	**(2,083.1)**
Free cash flow[1]	3,247.2	**9,083.1**

1. Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities (2024: €11,166.2 million and 2023: €5,443.4 million) minus purchase of property, plant and equipment (2024: €2,067.2 million and 2023: €2,155.6 million) and purchase of intangible assets (2024: €15.9 million and 2023: €40.6 million).

Net cash provided by (used in) operating activities

The increase in net cash provided by operating activities of €5,722.8 million compared to 2023 is mainly due to the cash received from down payments and the timing of cash payments to our suppliers. This is partially offset by a decrease in net income of €267.4 million.

Net cash provided by (used in) investing activities

The decrease in net cash used in investing activities of €80.0 million compared to 2023 is mainly due to a decrease in capital expenditures by €113.1 million, a decrease in our loans issued of €31.9 million. Additionally, in 2024, we did not acquire any entities (2023: €33.6 million). This is partially offset by the higher net cash outflow from the purchase and maturity of short-term investments of €102.0 million.

Net cash provided by (used in) financing activities

The net cash used in financing activities decreased by €171.8 million compared to 2023. While our total dividends paid increased by €104.6 million, the total value of shares purchased through our share buyback program decreased by €500.0 million. Additionally, in 2024, we had limited net proceeds from issuances of notes (2023: €997.8 million) and no repayment of previously issued notes that became due (2023: €752.8 million).

As of December 31, 2024, ASML has sufficient capital for the company's present obligations.

Long-term growth opportunities

Trend information

Looking to 2025, we expect full-year revenue between €30 billion and €35 billion and gross margin between 51% and 53%.

Consistent with our view from last quarter, the growth in AI is the key driver for growth in our industry, however as we have noticed already in 2024 it has created a shift in the market dynamics that is not benefiting all of our customers equally.

If AI demand continues to be strong and customers are successful in bringing on additional capacity to support that demand, there is potential opportunity towards the upper end of our revenue range. On the other hand, there are also risks related to customers and geopolitics that could drive results towards the lower end of the range.

Looking at market segments we currently expect Logic to be up versus 2024 with the ramp of leading-edge nodes while we expect Memory to remain strong, similar to 2024.

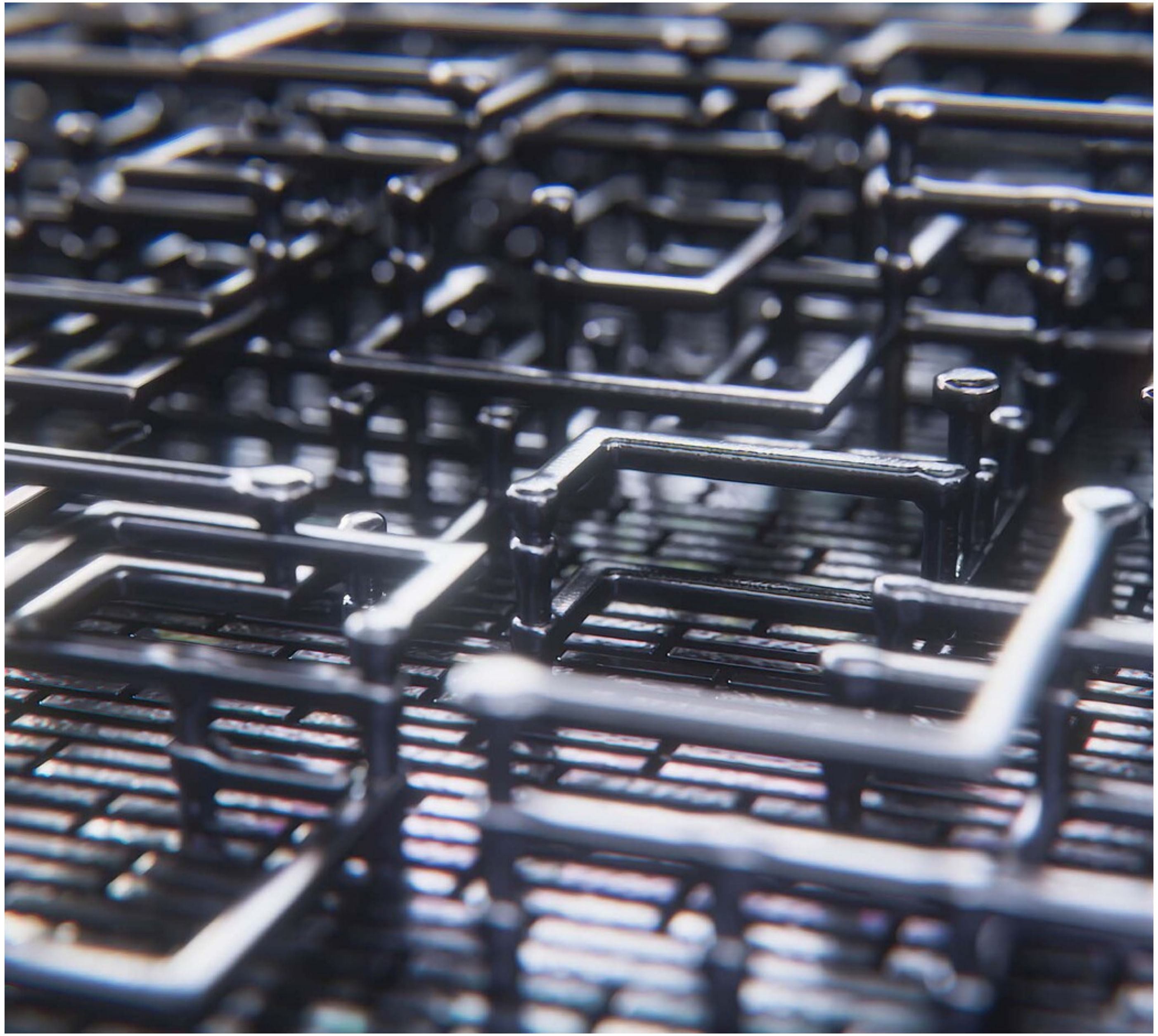
With respect to our net service and field option sales, we expect revenue to grow versus 2024 driven by both service and upgrades as part of a growing installed base, in which EUV is having a growing contribution to the business.

Our expectations and guidance for the first quarter of 2025 can be summarized as follows:

- Total net sales between €7.5 billion and €8.0 billion
- Gross margin between 52% and 53%
- R&D costs of around €1.140 billion
- SG&A costs of around €290 million

The trends, expectations and guidance discussed above are subject to risks and uncertainties.

Read more in Strategic report – Forward-looking statements



Long-term growth opportunities (continued)

Long-term growth opportunity for 2030

At our November 2024 Investor Day, we provided an update on our long-term growth opportunity for 2030.

The semiconductor industry remains strong and AI is expected to create further opportunity.

Our industry will require major innovations to address the anticipated cost and power consumption challenges of AI and this will further boost the industry roadmap in a product mix shifting toward advanced Logic and DRAM.

Our customers remain at the core of our strategy, and we believe that lithography will remain at the heart of their innovation. We also anticipate that an increased number of critical lithography exposures for advanced Logic and Memory processes will continue to support our customers in addressing their challenges.

We expect that our ability to 1) scale our EUV technology well into the next decade, 2) extend holistic lithography into supporting 3D front end integration and 3) improve the performance and cost effectiveness of our EUV and DUV products will continue to address all our customers' needs with a flexible and versatile portfolio.

ASML values the strong industry partnerships which are critical to our success and our collective commitment to a leadership position in ESG.

Based on our modelling of the different scenarios we expect global semi sales to grow at 9% CAGR (2025-2030) and surpass $1 trillion by 2030.

This translates into an overall wafer demand growth of 780K wafer starts per month per year (2025-2030). The rise of AI as a leading end driver also implies a positive mix-shift in the wafer demand profile from litho spending perspective. We expect Advanced Logic and DRAM to drive further EUV litho exposures and spending.

For the period from 2025 to 2030, for Advanced Logic, we expect an EUV litho spending CAGR of 10-20% and for DRAM, we expect an EUV litho spending CAGR of 15-25%.

This expected growth in semiconductor end markets and increasing lithography spending on future nodes are expected to fuel demand for our products and services.

Based on different market and lithography intensity scenarios, we see an opportunity to achieve 2030 annual revenue between approximately €44 billion and €60 billion with gross margin between approximately 56% and 60%.

We expect to continue to return significant amounts of cash to our shareholders through a combination of growing dividends and share buybacks.

Read more in Strategic report – Our business strategy

Long-term models as presented at 2024 Investor Day

Total sales opportunity (in €bn)

	2022 Investor Day Sales 2030	2024 Investor Day Sales 2030
High scenario		
EUV sales	32	32
Non-EUV sales (litho and M&I*)	15	15
Installed base management**	13	13
Total	**60**	**60**
Moderate scenario		
EUV sales	Not reported at 2022 Investor Day	26
Non-EUV sales (litho and M&I*)		14
Installed base management**		12
Total		**52**
Low scenario		
EUV sales	22	22
Non-EUV sales (litho and M&I*)	11	11
Installed base management**	11	11
Total	**44**	**44**

* M&I: Metrology and inspection.
** Installed base management equals our net service and field option sales.