

Tax strategy and transparency

Our tax strategy is based on a well-defined set of principles and internationally accepted standards. Tax is a subject of continued interest by our stakeholders, so we strive for transparency in the way we report and pay our taxes.

We derive our tax principles from our Code of Conduct and our Business Principles. The code, Business Principles and our tax principles guide how we report and pay tax in the countries we operate in, including profit tax, trade taxes and income tax.

ASML strives to report and pay taxes in accordance with all relevant tax laws and regulations. We will comply with the letter and spirit of these laws and regulations, meaning that we are committed to complying not only with the literal reading of the relevant laws, but also their intent. In addition, ASML will only choose an option in structuring its business when such option has the highest level of tax assurance opinion that could be issued by a reputable tax advisory firm.

Profit allocation

Our worldwide profits are allocated to the various countries in which ASML operates based on the value created by ASML’s business in those jurisdictions. ASML’s allocation method is based on internationally accepted standards as published by the OECD, as well as relevant rules and regulations in the local jurisdictions where we operate.

Around 90 percent of our income is taxable in the Netherlands because the vast majority of our value creation through research, design and manufacturing activities are based there. The income from other activities, such as regional equipment sales and after-sales support, is subject to taxation in the countries where these activities take place, the main ones being the US, Hong Kong, South Korea, Taiwan, Singapore and Japan.

Timely and complete compliance

We aim to file all the required tax-relevant returns with the appropriate tax authorities in a timely and complete manner. To ensure this happens, tax return processes are monitored through ASML’s corporate control framework and comprehensive tax control frameworks. The control frameworks are regularly reviewed and tested. Furthermore, ASML aims for timely payment of taxes to the relevant authorities.

ASML strives for open and constructive dialogue with tax authorities, disclosing all relevant facts and circumstances. We aim to be clear about all aspects pertaining to our tax position and to share these in a transparent manner, fostering a relationship of honesty and certainty with the tax authorities. The latter is also reflected by the number of (Bilateral) Advance Pricing Agreements we have with tax authorities in our significant jurisdictions.

Tax governance

Our Tax department works under the supervision of our BoM. The Audit Committee of the SB reviews our tax strategy and also regularly confers with our tax professionals to discuss tax policies and the impact of tax laws and regulations on ASML.

In this respect in 2018 we further followed up on the developments regarding the implementation of local legislation and regulations concerning the Action Plan on Base Erosion and Profit Shifting, or BEPS, issued by the OECD in 2015 to combat tax avoidance. The action plan led to proposed new legislation in several countries where we operate, which new legislation we closely monitor and act upon accordingly. None of these directives and legislative proposals are expected to have an adverse effect on ASML’s effective tax rate. Additionally, in 2018 we further followed up on the implications of US Tax Reform. Although on several aspects more detailed guidance from the US IRS is still to come, the potential impact has already been assessed and taken into account in the 2017 and 2018 provision for income tax based on the guidance and information as currently available.

We discuss potential tax risks and our tax position with the Audit Committee on a regular basis. Additionally, in the Netherlands, we participate in a cooperative compliance program with the Dutch tax authorities.

Tax policy

ASML occasionally engages in tax policy discussions with tax authorities of jurisdictions. Examples of discussions we have had with tax authorities are discussions on aligning VAT laws and regulations with internationally accepted standards in the area of VAT laws and regulations in order to enable spare part distribution centers to be established in a certain jurisdictions without undue VAT burden to be incurred on the spare part distribution activities. Another example is the exchange of ASML’s experience on cooperative compliance programs with tax authorities. As already indicated above, we strive for reporting and paying taxes in accordance with all relevant tax laws and regulations, thereby maintaining a conservative approach and aligning value creation with profit levels.

Dutch taxation

The statements below represent a summary of current Dutch tax laws, regulations and judicial interpretations thereof. The description is limited to the material tax implications for a holder of ordinary shares who is not, and / or is not deemed to be, a resident of the Netherlands for Dutch tax purposes (‘Non-Resident Holder’). This summary does not address special rules that may apply to special classes of holders of ordinary shares and should not be read as extending by implication to matters not specifically referred to herein. As to individual tax consequences, each investor in our ordinary shares should consult his or her tax counsel.

General

The acquisition of ordinary shares by a non-resident of the Netherlands should not be treated as a taxable event for Dutch tax purposes. The material tax consequences in connection with owning and disposing of our ordinary shares are discussed below.

Substantial interest

A person that, (inter alia) directly or indirectly, and either independently or jointly with his partner (as defined in the Dutch Personal Income Tax Act 2001), owns 5.0 percent or more of our share capital, owns profit participating rights that correspond to at least 5.0 percent of the annual profits of a Dutch company or to at least 5.0 percent of the liquidation proceeds of such company or holds options to purchase 5.0 percent or more of our share capital, is deemed to have a substantial interest in our shares, or our options, as applicable. Specific rules apply in case certain family members of the Non-Resident Holder hold a substantial interest. A deemed substantial interest also exists if (part of) a substantial interest has been disposed of, or is deemed to be disposed of, in a transaction where no taxable gain has been recognized. Specific attribution rules exist in determining the presence of a substantial interest.

Income tax consequences for individual non-resident holders on owning and disposing of the ordinary shares

An individual who is a Non-Resident Holder will not be subject to Dutch income tax on received income in respect of our ordinary shares or capital gains derived from the sale, exchange or other disposition of our ordinary shares, provided that such holder:

- Does not carry on and has not carried on a business in the Netherlands through a (deemed) permanent establishment or a permanent representative to which the ordinary shares are attributable;
- Does not hold and has not held a (deemed) substantial interest in our share capital or, in the event the Non-Resident Holder holds or has held a (deemed) substantial interest in our share capital, such interest is, or was, a business asset in the hands of the holder;
- Does not share and has not shared directly (through the beneficial ownership of ordinary shares or similar securities) in the profits of an enterprise managed and controlled in the Netherlands which (is deemed to) own(s), or (is deemed to have) has owned, our ordinary shares; and
- Does not carry out and has not carried out any activities which generate taxable profit in the Netherlands or taxable income in the Netherlands to which the holding of our ordinary shares was connected.

Corporate income tax consequences for corporate non-resident holders

Income derived from ordinary shares or capital gains derived from the sale, exchange or disposition of ordinary shares by a corporate Non-Resident Holder is taxable if:

- The holder carries on a business in the Netherlands through a permanent establishment or a permanent representative in the Netherlands (Dutch enterprise) and the ordinary shares are attributable to this permanent establishment or permanent representative, unless the participation exemption (discussed below) applies; or
- The holder has a substantial interest in our share capital, which is held with the primary aim or one of the primary aims to evade the levy of income tax at the level of another person and which is not put into place with valid commercial reasons that reflect economic reality; or
- The holder is a resident of Aruba, Curacao or Saint Martin with a permanent establishment or permanent representative in Bonaire, Eustatius or Saba to which our ordinary shares are attributable and certain conditions are met; or
- Certain assets of the holder are deemed to be treated as a Dutch enterprise under Dutch tax law and the ordinary shares are attributable to this Dutch enterprise.

To qualify for the Dutch participation exemption, the holder must generally hold at least 5.0 percent of our nominal paid-in capital and meet certain other requirements.

Dividend withholding tax

In general, a dividend distributed by us in respect of our ordinary shares will be subject to a withholding tax imposed by the Netherlands at the statutory rate of 15.0 percent.

Dividends include:

- Dividends in cash and in kind;
- Deemed and constructive dividends;
- Consideration for the repurchase or redemption of ordinary shares (including a purchase by a direct or indirect ASML subsidiary) in excess of qualifying average paid-in capital unless such repurchase is made for temporary investment purposes or is exempt by law;
- Stock dividends up to their nominal value (unless distributed out of qualifying paid-in capital);
- Any (partial) repayment of paid-in capital not qualifying as capital for Dutch dividend withholding tax purposes; and
- Liquidation proceeds in excess of qualifying average paid-in capital for Dutch dividend withholding tax purposes.

Under certain circumstances, a reduction of Dutch dividend withholding tax can be obtained:

- An exemption at source is available if the participation exemption applies and the ordinary shares are attributable to a business carried out in the Netherlands;
- An exemption at source is available for dividend distributions to certain qualifying EU/EEA resident corporate holders, unless such holder holds our ordinary shares with the primary aim or one of the primary aims to evade the levy of Dutch dividend withholding tax at the level of another person and our ordinary shares are not held for valid commercial reasons that reflect economic reality;
- An exemption at source is available for dividend distributions to certain qualifying corporate holders that are a resident of a non-EU/EEA jurisdiction with which the Netherlands has concluded a tax treaty that includes a dividend article, unless such holder holds our ordinary shares with the primary aim or one of the primary aims to evade the levy of Dutch dividend withholding tax at the level of another person and our ordinary shares are not held for valid commercial reasons that reflect economic reality;
- Certain tax exempt organizations (e.g. pension funds and excluding collective investment vehicles) resident in EU/EEA member states or in qualifying non-EU/EEA states may be eligible for a refund of Dutch dividend withholding tax upon their request. Based on domestic law not yet entered into force, in those circumstances, an exemption at source may also become available upon request;
- Upon request and under certain conditions, certain qualifying Non-Resident Individual and Corporate Holders of ordinary shares resident in EU/EEA member states or in a qualifying non-EU/EEA state may be eligible for a refund of Dutch dividend withholding tax insofar the withholding tax levied is higher than the personal and corporate income tax which would have been due if they were resident of the Netherlands.

Furthermore, a Non-Resident 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 treaty that is in effect between the Netherlands and the Non-Resident Holder's country of residence. The Netherlands has concluded such treaties with the US, Canada, Switzerland, Japan, most EU member states, as well as many other countries. Under the treaty between the US and the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the 'US Tax Treaty'), dividends paid by us to a Non-Resident Holder that is a resident of the US as defined in the US Tax Treaty (other than an exempt organization or exempt pension trust, as discussed below) are generally liable to 15.0 percent Dutch withholding tax or, in the case of certain US corporate shareholders owning directly at least 10.0 percent of our voting power, a reduction to 5.0 percent, provided that the Holder is the beneficial owner of the dividends received and 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 US Tax Treaty also provides for a dividend withholding tax exemption on dividends, but only for a shareholder owning directly at least 80.0 percent of our voting power and meeting all other requirements. The US 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 tax 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, in principle, remain subject to the statutory withholding rate of 15.0 percent and are required to file for a refund of such withholding, however such organizations may become eligible for the exemption at source when the domestic law as described above has entered into force.

A Non-Resident Holder may not claim the benefits of the US Tax Treaty unless (i) he/she is a resident of the US as defined therein, or (ii) he/she is deemed to be a resident on the basis of the provisions of article 24(4) of the US Tax Treaty, and (iii) his or her entitlement to those benefits is not limited by the provisions of article 26 (limitation on benefits) of the US Tax Treaty.

Dividend stripping rules

Under Dutch tax legislation regarding anti-dividend stripping, no exemption from, or refund of, Dutch dividend withholding tax is granted if the recipient of dividends paid by us is not considered the beneficial owner of such dividends.

Gift or inheritance taxes

Dutch gift or inheritance taxes will not be levied on the transfer of ordinary shares by way of gift or upon the death of a Non-Resident Holder, unless the transfer is construed as an inheritance or as a gift made by or on behalf of a person, who at the time of the gift or death, is deemed to be resident of the Netherlands.

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

Value added tax

No Dutch VAT is imposed on dividends in respect of our ordinary shares or on the transfer of our shares.

Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding our ordinary shares or of the execution, performance, delivery and / or enforcement of rights in respect of our ordinary shares.

US taxation

The following is a discussion of the material US federal income tax consequences relating to the acquisition, ownership and disposition of ordinary shares by a United States Holder (as defined below) acting in the capacity of a beneficial owner who is not a tax resident of the Netherlands. 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, financial institutions, regulated investment companies, dealers in securities/traders in securities that elect a mark-to-market method of accounting for securities holdings, insurance companies, investors owning directly, indirectly or constructively 10.0 percent 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 US dollar) may be subject to special rules. In addition, the discussion does not address any alternative minimum tax or any state, local, Foreign Investment in Real Property Tax Act-related US federal income tax consequences, or non-US tax consequences.

This discussion is based on the US-Netherlands Income tax treaty, the Internal Revenue Code of 1986, as amended to the date hereof, final, temporary and proposed Treasury Department regulations promulgated, and administrative and judicial interpretations thereof, changes to any of which subsequent to the date hereof, possibly with retroactive effect, may affect the tax consequences described herein. In addition, there can be no assurance that the IRS will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the US federal income tax consequences of acquiring or holding shares. 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 US federal, state, local or non-US tax laws to which they may be subject.

As used herein, the term ‘United States Holder’ means a beneficial owner of ordinary shares for US federal income tax purposes whose holding of such ordinary shares does not form part of the business property or assets of a permanent establishment or fixed base in the Netherlands; who is fully entitled to the benefits of the treaty in respect of such ordinary shares; and is:

- An individual citizen or tax resident of the US; or
- A corporation or other entity treated as a corporation for US federal income tax purposes created or organized in or under the laws of the US or of any political subdivision thereof; or
- An estate of which the income is subject to US federal income taxation regardless of its source; or
- A trust whose administration is subject to the primary supervision of a court within the US and which has one or more US persons who have the authority to control all of its substantial decisions.

If an entity treated as a partnership for US federal income tax purposes owns ordinary shares, the US federal income tax treatment of a partner in such partnership will generally depend upon the status and tax residency 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 US federal income tax consequences of holding and disposing of the ordinary shares.

Passive Foreign Investment Company considerations

We believe we were not a passive foreign investment company for US federal income tax purposes in 2018 and that we will not be a passive foreign investment company in 2019. However, as passive foreign investment company status is a factual matter that must be determined annually at the close of each taxable year, there can be no certainty as to our actual passive foreign investment company status in any particular year until the close of the taxable year in question. We have not conducted a detailed study at this time to confirm our non-passive foreign investment company status. If we were treated as a passive foreign investment company in any year during which a United States Holder owned common shares, certain adverse tax consequences could apply. Investors should consult their tax advisors with respect to any passive foreign investment company considerations.

Taxation of dividends

United States Holders should generally include in gross income, as foreign-source dividend income the gross amount of any non-liquidating distribution (before reduction for Dutch withholding taxes) we make out of our current or accumulated earnings and profits (as determined for US federal income tax purposes) when the distribution is actually or constructively received by the United States Holder. Distributions will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. The amount of the dividend distribution includible in income of a United States Holder should be the US dollar value of the foreign currency (e.g. 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 US dollars. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the United States Holder’s US tax basis in the ordinary shares and thereafter as taxable capital gain. We presently do not maintain calculations of our earnings and profits under US federal income tax principles. If we do not report to a United States Holder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Subject to limitations provided in the US Internal Revenue Code, a United States Holder may generally deduct from its US federal taxable income, or credit against its US federal income tax liability, the amount of qualified Dutch withholding taxes. However, Dutch withholding tax may be credited only if the United States Holder does not claim a deduction for any Dutch or other non-US taxes paid or accrued in that year. In addition, Dutch dividend withholding taxes will likely not be creditable against the United States Holder's US tax liability to the extent we are not required to pay over the amount withheld to the Dutch Tax Administration. Currently, a Dutch corporation that receives dividends from qualifying non-Dutch subsidiaries may credit source country tax withheld from those dividends against Dutch withholding tax imposed on a dividend paid by a Dutch corporation, up to a maximum of 3.0 percent of the dividend paid by the Dutch corporation. The credit reduces the amount of dividend withholding that we are required to pay to the Dutch Tax Administration but does not reduce the amount of tax we are required to withhold from dividends.

For US foreign tax credit purposes, dividends paid by us generally will be treated as foreign-source income and as 'passive category income' (or in the case of certain holders, as 'general category income'). Gains or losses realized by a United States Holder on the sale or exchange of ordinary shares generally will be treated as US-source gain or loss. The rules governing the foreign tax credit are complex and we suggest that each United States Holder consult his or her own tax advisor to determine whether, and to what extent, a foreign tax credit will be available.

Dividends received by a United States Holder will generally be taxed at ordinary income tax rates. However, the Jobs and Growth Tax Relief Reconciliation Act of 2003, as amended by the Working Families Tax Relief Act of 2004, the American Jobs Creation Act of 2004, the American Taxpayer Relief Act of 2012, and most recently the 2017 tax reform act (Public Law No. 115-97) reduces to 20.0 percent the maximum tax rate for certain dividends received by individuals, so long as certain exclusions do not apply and the stock has been held for at least 60 days during the 121-day period beginning 60 days before the ex-dividend date. Dividends received from 'qualified foreign corporations' generally qualify for the reduced rate. A non-US corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if: (i) the shares of the non-US corporation are readily tradable on an established securities market in the US or (ii) the non-US corporation is eligible for the benefits of a comprehensive income tax treaty with the US that has been identified as a qualifying treaty and contains an exchange of information program. Individual United States Holders should consult their tax advisors regarding the impact of this provision on their particular situations.

Dividends paid by us generally will constitute 'portfolio income' for purposes of the limitations on the use of passive activity losses (and, therefore, generally may not be offset by passive activity losses) and as 'investment income' for purposes of the limitation on the deduction of investment interest expense.

Taxation on sale or other disposition of ordinary shares

Upon a sale or other disposition of ordinary shares, a United States Holder will generally recognize capital gain or loss for US federal income tax purposes in an amount equal to the difference between the amount realized, if paid in US dollars, or the US dollar value of the amount realized (determined at the spot rate on the settlement date of the sale) if proceeds are paid in currency other than the US dollar, as the case may be, and the United States Holder's US tax basis (determined in US dollars) in such ordinary shares. Generally, the capital gain or loss will be long-term capital gain or loss if the holding period of the United States Holder in the ordinary shares exceeds one year at the time of the sale or other disposition. The deductibility of capital losses is subject to limitations for US federal income tax purposes. Gain or loss from the sale or other disposition of ordinary shares generally will be treated as US source income or loss for US foreign tax credit purposes. Generally, any gain or loss resulting from currency fluctuations during the period between the date of the sale of the ordinary shares and the date the sale proceeds are converted into US dollars will be treated as ordinary income or loss from sources within the US. Each United States Holder should consult his or her tax advisor with regard to the translation rules applicable when computing its adjusted US tax 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 US dollar.

Information reporting and backup withholding

Information returns may be filed with the 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 be applied to, and withheld from, 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 might be refunded (or credited against the beneficial owner's US federal income tax liability, if any) depending on the facts and provided that the required information is furnished to the IRS.

The discussion set out above is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of shares including the tax consequences under state, local and other tax laws and the possible effects of changes in US federal and other tax laws.

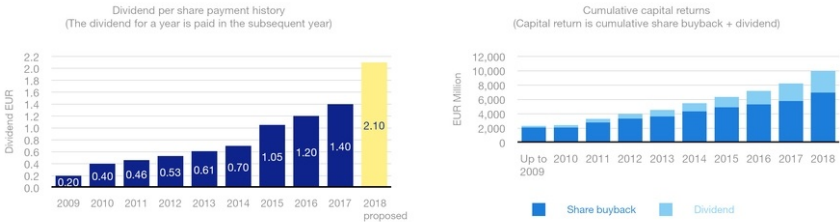
Policy on liquidity and financing

We seek to ensure that our principal sources of liquidity will be sufficient to satisfy our liquidity requirements. Our liquidity needs are affected by many factors. We believe that cash generated from operations, together with our other sources of liquidity are sufficient to satisfy our requirements, including our expected capital expenditures and debt servicing.

Our goal is to remain an investment grade rated company and maintain a capital structure that supports this.

Return policy

We aim to pay an annual dividend that will be growing over time. The dividend proposal in any given year will be subject to the availability of distributable profits or retained earnings and may be affected by, among other factors, the BOM's views on our potential future liquidity requirements. These requirements include, but are not limited to, using profits or retained earnings to: invest in production capacity, fund R&D programs, fund acquisition opportunities that may arise from time to time, and cover changes in applicable income tax and corporate laws. In addition to dividend payments, we intend to return cash to our shareholders on a regular basis through share buybacks or capital repayment, subject to our actual and anticipated level of liquidity requirements and other relevant factors.



For more information on our financing and capital return policy, see Management Board Report - Financial Performance - Liquidity and capital resources and Consolidated Financial Statements - Notes to the Consolidated Financial Statements - Note 28 Shareholders' equity and Note 29 Purchases of equity securities by the issuer and affiliated purchasers.

Appendix - Competition

The semiconductor equipment industry and the related services industries are highly competitive. The principal elements of competition in our market are:

- The technical performance characteristics of a lithography system;
- The productivity, cost-effectiveness and level of technical support of semiconductor-related services;
- The cost of ownership of lithography systems based on purchase price, maintenance costs, availability, productivity, and customer service and support costs;
- The ability to effectively service the installed base of our systems;
- The ability to introduce and customer acceptance of new technology systems and managing technology roadmaps to high volume manufacturing;
- The exchange rate of the euro against the functional currency of our competitors and our customers, particularly against the Japanese yen;
- The strength and breadth of our portfolio of patents and other intellectual property rights; and
- Our customers' desire to obtain lithography equipment and related services from more than one supplier.

We believe that the market for lithography systems and services and the investments required to be a significant competitor in this market segment has resulted in competition for market share through aggressive prosecution of patents. Our competitiveness depends upon our ability to protect and defend our patents, as well as our ability to develop new and enhanced semiconductor equipment and services that is competitively priced and introduced on a timely basis.

Appendix - Government Regulation

Our business is subject to direct and indirect regulations in each of the countries in which our customers or we do business. As a result, changes in various types of regulations could affect our business adversely. The implementation of new safety, environmental or legal requirements, including export controls and required permits and licenses, could impact our products, our manufacturing or distribution processes or location of sales, and could affect the timing of product introductions, the cost of our production, and products as well as their commercial success in each market in which we operate. The impact of these changes in regulation could adversely affect our business, financial condition and our results of operations even where the specific regulations do not directly apply to us or to our products.

Appendix - Offer and Listing Details

Our ordinary shares are listed for trading in the form of registered ASML NASDAQ shares and in the form of registered ASML Euronext Amsterdam shares. The principal trading market of our ordinary shares is Euronext Amsterdam (trading symbol: ASML). Our ordinary shares also trade on NASDAQ (trading symbol: ASML).

Our shares listed on NASDAQ are registered with J.P. Morgan, our New York Transfer Agent, pursuant to the terms of the Transfer Agent Agreement between ASML and J.P. Morgan. Our shares listed on Euronext Amsterdam are held in dematerialized form through the facilities of Euroclear Nederland, the Dutch centralized securities custody and administration system. The New York Transfer Agent charges shareholders a fee of up to USD 5.00 per 100 shares for the exchange of our shares listed at NASDAQ for our shares listed at Euronext Amsterdam and vice versa.

Dividends payable on our shares listed at NASDAQ are declared in euro and converted to US dollars at the rate of exchange at the close of business on the date determined by the BOM. The resulting amounts are distributed through the New York Transfer Agent and no charge is payable by holders of our shares listed at NASDAQ in connection with this conversion or distribution.

Pursuant to the terms of the Transfer Agent Agreement, we have agreed to reimburse the New York Transfer Agent for certain out of pocket expenses, including in connection with any mailing of notices, reports or other communications made generally available by ASML to holders of ordinary shares. The New York Transfer Agent has waived its fees associated with routine services to ASML associated with our shares listed at NASDAQ. In addition, the New York Transfer Agent in consideration of its acting as Transfer Agent has agreed to make a contribution towards covering certain expenses incurred by ASML in connection with the issuance and transfer of our shares listed on NASDAQ. In the year ended December 31, 2018, the Transfer Agent contributed USD 0.6 million towards coverage of expenses incurred by ASML (which mainly comprised of audit, advisory, legal and listing fees incurred due to the existence of our share listing on NASDAQ).

Investment in Carl Zeiss SMT Holding GmbH & Co. KG

On November 2, 2016, ASML, Carl Zeiss AG, Carl Zeiss SMT Holding Management GmbH, Carl Zeiss SMT GmbH, and Carl Zeiss SMT Holding GmbH & Co. KG entered into the Carl Zeiss SMT Investment Agreement.

On June 29, 2017, we acquired a 24.9 percent limited partnership interest in Carl Zeiss SMT Holding GmbH & Co. KG, which became the sole owner of Carl Zeiss SMT GmbH, our sole supplier of critical optical columns, for EUR 1.0 billion.

In addition, on June 29, 2017, Carl Zeiss AG, and Carl Zeiss SMT Holding Management GmbH entered into the Carl Zeiss SMT Partnership and Joint Venture Agreement, establishing Carl Zeiss SMT Holding GmbH & Co. KG. Under the Carl Zeiss SMT Partnership and Joint Venture Agreement, we have been granted minority protection and veto rights in Carl Zeiss SMT Holding GmbH & Co. KG. The Carl Zeiss SMT Partnership and Joint Venture Agreement includes a right of first offer, pursuant to which, if Carl Zeiss AG wishes to transfer its 75.1 percent direct or indirect partnership interest to a third party, ASML has the right to make a first offer to purchase such partnership interest. If the right of first offer process does not result in a sale of the Carl Zeiss AG partnership interest to ASML or a third party, then any future sales by Carl Zeiss AG of its interest in the Carl Zeiss SMT Partnership and Joint Venture Agreement are subject to a right of first refusal of ASML. In addition, Carl Zeiss AG has drag-along rights, pursuant to which, in connection with a sale by Carl Zeiss AG of the Carl Zeiss AG partnership interest to a third party, Carl Zeiss AG may require ASML to sell its own partnership interest, subject to ASML's right of first refusal to any such sale. Furthermore, the Carl Zeiss SMT Partnership and Joint Venture Agreement contains provisions relating to the governance and management of Carl Zeiss SMT Holding GmbH & Co. KG.

Memorandum of Understanding Among ASML, Zeiss and Nikon

In January 2019, ASML entered into a binding MOU with Nikon and Carl Zeiss SMT relating to a comprehensive settlement of all pending disputes between Nikon, ASML and Zeiss. The MOU contemplates the execution of a cross-license agreement. The key terms to be included in the cross-license agreement among the parties, as contemplated by the MOU, are set forth below.

Scope of License

Pursuant to the cross-license agreement with Nikon:

- (i) ASML and Zeiss grant Nikon a worldwide, non-exclusive license under all patents owned or licensable ("Licensed Patents") by ASML and Zeiss to make, use and sell lithography equipment and components as well as digital cameras, but excluding EUV lithography products and laser sources ("Nikon Licensed Products");
- (ii) Nikon grants ASML a worldwide, non-exclusive license under all Nikon Licensed Patents to make, use and sell lithography equipment and components, but excluding FPD/large area substrate products ("ASML Licensed Products"); and
- (iii) Nikon grants Zeiss a worldwide, non-exclusive license under all Nikon Licensed Patents to make, use and sell a) components for use in lithography equipment and b) certain digital cameras developed and marketed by Zeiss, but excluding FPD/large area substrate products ("Zeiss Licensed Products").

These license grants cover existing patents, as well as additional patents that issue worldwide before the end of the Term.

Term of License

The term of the cross-license is 10 years from the date of the cross-license agreement (the "Term"). ASML and Zeiss, jointly on the one hand and Nikon on the other hand, each have the right to convert up to 20 Licensed Patent families of the other side into permanently Licensed Patents.

Post-Term

After the Term, remedies for any party's infringement of any patents with an effective application date before the end of the Term are limited to damages in the form of a reasonable royalty applied against a royalty base that is apportioned to reflect the value of such patent features and excluding from the base value attributable to unpatented features. Whether a Licensed Product infringes a Licensed Patent, all defenses to such a claim, and any such reasonable royalty in the event liability is found shall be determined by a court mutually agreed by the parties.

Certain Releases

The parties granted releases for claims of infringement of Licensed Patents based on acts prior to the date of the agreement.

Immunity

ASML and Nikon have granted each other certain immunities from patent suits by the other party in respect of covered entities, including customers, subject to certain defensive rights.

Payments

ASML and Zeiss agreed to make a payment of a total of EUR 150.0 million to Nikon.

ASML and Zeiss agreed to pay Nikon a royalty of 0.8% of the net sales price of entire immersion systems (on the first sale of each system) that are ASML Licensed Products sold during the Term of the agreement.

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Appendix - Exchange Controls

Cash distributions, if any, payable in euros on our shares listed at Euronext Amsterdam may be officially transferred by a bank from the Netherlands and converted into any other currency without being subject to any Dutch legal restrictions. However, 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 our shares listed at NASDAQ shall be declared in euros but paid in US dollars, converted at the rate of exchange at the close of business on the date fixed for that purpose by the BoM in accordance with the Articles of Association.

Appendix - Documents on Display

We are subject to certain reporting requirements of the Exchange Act. As a "foreign private issuer", we are exempt from the rules under the 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 Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as companies whose securities are registered under the Exchange Act that are not foreign private issuers. However, we are required to file with the SEC, within 4 months after the end of each fiscal year, an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm and interactive data comprising financial statements in extensible business reporting language. We publish unaudited interim financial information in accordance with U.S. GAAP after the end of each quarter. We furnish this quarterly financial information to the SEC under cover of a Form 6-K.

Documents we file with the SEC are publicly available at its public reference room at 100 F Street, N.E., Washington, DC 20549, United States. The SEC also maintains a website that contains reports and other information regarding registrants that are required to file electronically with the SEC. The address of this website is <http://www.sec.gov>. Please call the SEC at 1-800-SEC-6338 for further information on the operation of the public reference facilities.

Disclosure controls and procedures

As of December 31, 2018, ASML's senior management conducted an evaluation, under the supervision and with the participation of ASML's CEO and CFO, of the effectiveness of the design and operation of ASML's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on such evaluation, ASML's CEO and CFO have concluded that, as of December 31, 2018, ASML's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by ASML in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by ASML is accumulated and communicated to ASML's management, including ASML's CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting

ASML's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of ASML's CEO and CFO, ASML's management conducted an evaluation of the effectiveness of ASML's internal control over financial reporting as of December 31, 2018 based upon the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that ASML's internal control over financial reporting was effective as of December 31, 2018 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in conformity with US GAAP.

KPMG Accountants N.V., an independent registered public accounting firm, have audited the Financial Statements as included in this Integrated Report and, have also audited and issued a report, included herein, on the effectiveness of ASML's internal control over financial reporting.

Changes in internal control over financial reporting

During the year ended December 31, 2018, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitations of disclosure controls and procedures in internal control over financial reporting

It should be noted that any system of controls, however well-designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Financial Calendar

April 17, 2019
Announcement of First Quarter results for 2019

April 24, 2019
Annual General Meeting of Shareholders

July 17, 2019
Announcement of Second Quarter results for 2019

October 16, 2019
Announcement of Third Quarter results for 2019

Fiscal Year
ASML's fiscal year ends on December 31, 2019

Listing
Our ordinary shares are listed for trading on Euronext Amsterdam and on NASDAQ.

Investor Relations
ASML Investor Relations supplies information regarding the company and its business opportunities to investors and financial analysts. Our annual reports, quarterly releases and other information are also available on our Website.

Appendix - ASML Worldwide Contact Information

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For additional contact information please visit our Website.