Annual Report 2016

AIXTRON

Company Profile

About AIXTRON

AIXTRON SE (FSE: AIXA, ISIN DE000A0WMPJ6) is a leading provider ofdeposition equipment to the Semiconductor industry. The Company was founded in 1983 and is headquartered in Herzogenrath (near Aachen), Germany, with subsidiaries and sales offices in Asia, United States and in Europe. AIXTRON's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and opto-electronic applications based on compound, silicon, or organic semiconductor materials. Such components are used in a broad range of innovative applications, technologies and industries. These include LED applications, display technologies, data storage, data transmission, energy management and conversion, communication, signaling and lighting as well as a range of other leading-edge technologies.

AIXTRON SE's securities are listed on the Prime Standard market segment of the Frankfurt Stock Exchange and included in important indices. Additional information is available on AIXTRON's website at www.aixtron.com.

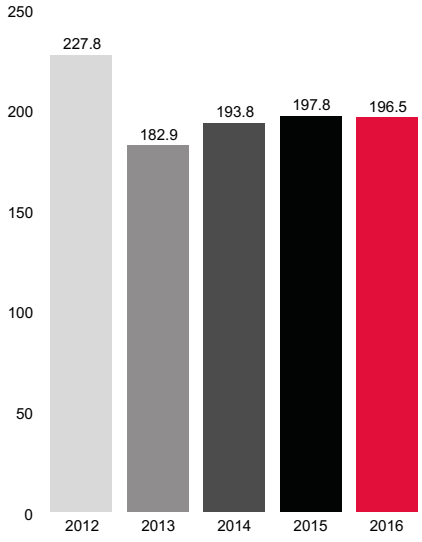
At a Glance

Key Financials in EUR million

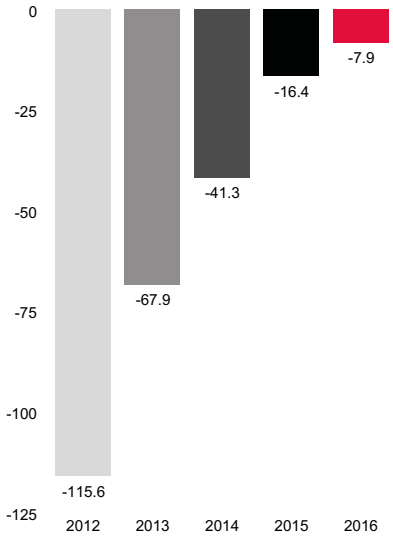
	2016	2015	2014	2016-2015
	Full Year	Full Year	Full Year	YoY
Revenues	196.5	197.8	193.8	-1%
Gross profit	56.3	49.8	39.7	13%
Gross margin	29%	25%	20%	4 pp
EBITDA	-7.9	-16.4	-41.3	52%
Operating result (EBIT)	-21.4	-26.7	-58.3	20%
EBIT margin	-11%	-14%	-30%	3 pp
Net result	-24.0	-29.2	-62.5	18%
Net result margin	-12%	-15%	-32%	3 pp
Net result per share - basic (EUR)	-0.22	-0.26	-0.56	15%
Net result per share - diluted (EUR)	-0.22	-0.26	-0.56	15%
Free cash flow*	-42.9	-57.3	-47.0	25%
Total Order Intake	225.1	167.1	198.7	35%
Equipment Order Backlog (end of period)	78.1	42.9	65.2	82%

* Operating CF + Investing CF + Changes in Cash Deposits, adjusted for acquisition effects (upfront payments and loans)

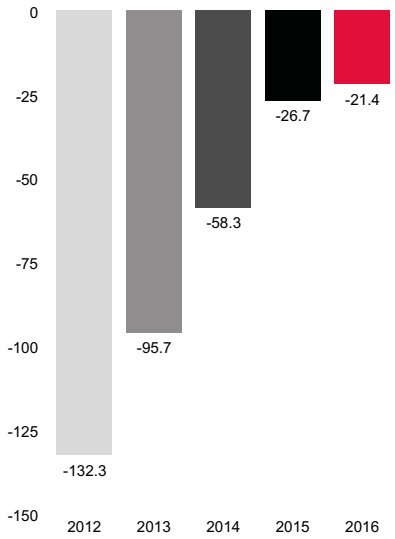
REVENUES in EUR million



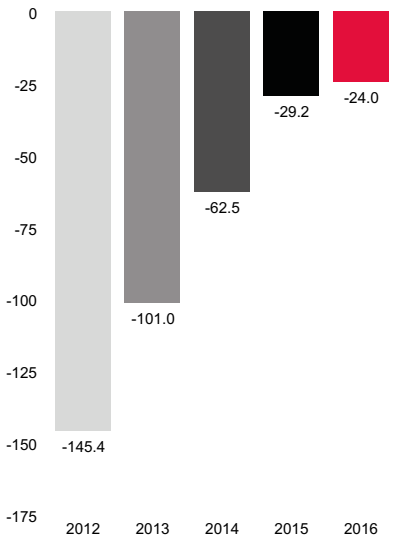
EBITDA in EUR million



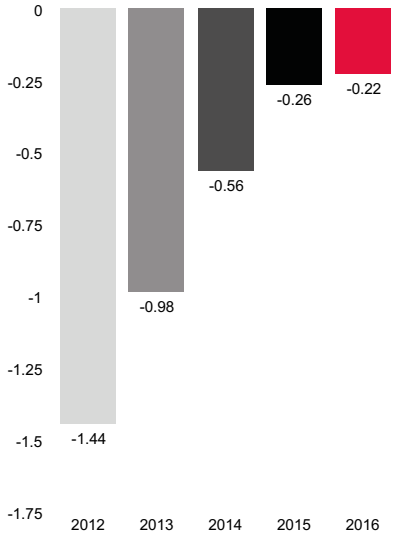
OPERATING RESULT (EBIT) in EUR million



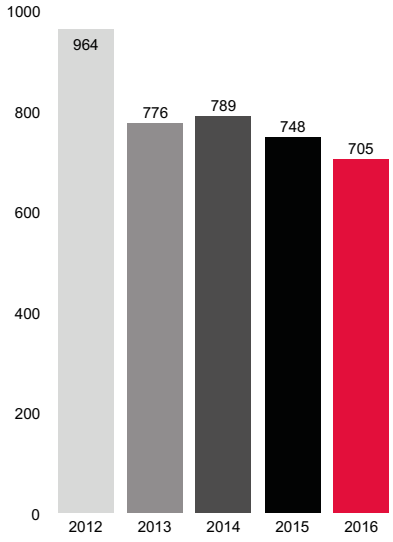
NET RESULT in EUR million



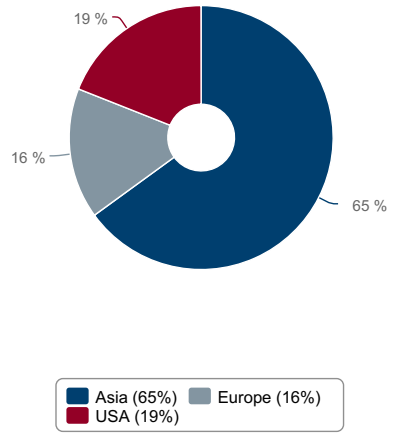
NET RESULT PER SHARE in EUR



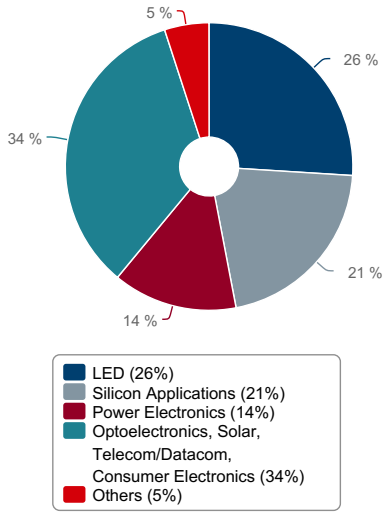
NUMBER OF EMPLOYEES



REVENUES BY REGION IN 2016



REVENUES BY APPLICATION IN 2016



Letter to the Shareholders

Dear shareholders,

Last year, our company was for several months in the public eye. The planned takeover by Grand Chip Investment GmbH (GCI) was intended to secure the company's access to the major Chinese market while also ensuring that all of the company's product portfolio could be brought to market maturity. Following the US President's order that prohibited the acquisition of AIXTRON's United States business by the bidder, and the withdrawal of the investor, AIXTRON acted to realign its corporate strategy with the aim of sustainably regaining profitability and generating positive operating earnings for the 2018 fiscal year. Now it is a matter of implementing this strategy.

The great media interest in the transaction tended to overshadow the fact that our company once again made important progress in its operating business in 2016. Following a difficult start to the year, we subsequently met the financial targets communicated at the beginning of the year. The strong performance in the second half, in which we met our target of generating positive earnings, enabled us to further improve the company's full-year results, even if we did not yet return to profitability due to ongoing high research and development costs.

Although the market climate remained difficult, our total revenues of EUR 196.5 million matched the previous year's level. Strong revenues in the optoelectronics, power electronics, and silicon businesses made a key contribution in this respect. At EUR 225.1 million, total order intake reached its highest level since 2011.

AIXTRON pressed successfully ahead with the process of diversifying its technology and product portfolio already initiated in previous years. Optoelectronics (excluding LED) and power electronics systems now account for 48%, and thus almost half of the AIXTRON Group's system revenues. Year-on-year, we also increased the share of revenues attributable to our silicon industry business from 19% to 21%. Revenues with LED systems, including those used to produce red-orange-yellow (ROY) LEDS and UV LEDS, remained stable at 26%. We are particularly pleased that, based on our own calculations, the strength of our optoelectronics business made us the global market leader for MOCVD systems once again in 2016.

Continuous improvement in margins

Given stable operating expenses, the further improvement in key earnings figures was driven in particular by the increase in the gross margin to 29% (2015: 25%; 2014: 20%). This margin growth was due above all to greater efficiency in the company's production and customer service activities, a development also reflected in lower write-downs on inventories.

Although substantial sums continued to be expended on research and development (2016: EUR 54.0 million), operating expenses stabilized at just under 40% of revenues. This reflects the approach adopted in recent years to ensure strict cost awareness.

Against this background, we further reduced the company's losses. On a full-year basis, we achieved further improvements in major key figures such as EBIT (+20%) and EBITDA (+52%). The overall positive EBITDA of EUR 12.1 million generated in the second half of 2016 marks a substantial improvement both on the first half of the year and on the equivalent period in the previous year.

We also made progress with several balance sheet items. We targeted our investments very closely and significantly reduced our surplus stock, particularly in the case of AIX R6. Receivables rose due to the high volume of product deliveries in December 2016. The resultant substantial inflow of funds in the first weeks of this year will thus benefit the free cash flow for 2017. AIXTRON's equity ratio rose to 85% at the end of the fiscal year and the company still does not require any external bank financing.

Realigning AIXTRON

Since December 2016, when it became apparent that the planned takeover by Grand Chip Investment (GCI) would not take place, AIXTRON has been focusing its corporate strategy on ensuring that its technology portfolio is optimally structured and positioned. Consistent with this, AIXTRON is currently investigating various options for reducing the up-front costs needed to develop the company's future-oriented technologies. These options include looking for suitable partners and into joint ventures and other alternatives. All these measures are intended to enable AIXTRON to sustainably return to profitability and to post positive operating earnings for the 2018 fiscal year.

Targeted investments in future-oriented technologies

We are focusing our research and development on future-oriented technologies for applications such as power semiconductors, new logic processors, and organic light-emitting diodes (OLEDs). To this end, in recent years we have more than doubled the share of our total research and development expenses attributable to these technologies from around 30% (2014) to more than 60% (2016). This way, we are creating a basis to position these technologies with innovative products in the semiconductor and display markets in the years ahead. The technology and product development processes we have implemented for this purpose ensure that the resources available are put to efficient and effective use.

Broad technology and product portfolio stabilizes revenue base

On product level, we are witnessing ongoing demand growth for our planetary reactor systems, which are used above all in optoelectronics and power electronics. One main reason for the success of this technology is to be found in the advantages it offers in terms of uniformity and quality requirements, factors that provide our customers with substantial benefits when processing the wafers thereby produced.

Key growth drivers for the **optoelectronics** business were due above all to the ever greater role played by technological megatrends, such as big data, cloud computing, virtual and augmented reality, and the new 5G mobile network technologies. With the systems we offer for applications such as laser, RF chips, infrared LEDs, sensors, and photovoltaics, we enable companies in the communications, IT, and automobile industries to meet the needs created by these megatrends. Having further raised its share of revenues to 34% in 2016, optoelectronics now accounts for more than a third of AIXTRON's revenues. Given our strong market position, this area also harbors further growth potential for the years ahead. Current applications include automobile sensors (for alertness assistants or distance sensors), lasers and high-frequency devices for communications (for 3D sensor technology, broadband, or mobile data communications) and lasers for top-speed data communications (for video streaming, online shopping, or autonomous driving).

Revenues in our **power electronics** business decreased slightly in 2016. We nevertheless expect demand for our award-winning AIX G5 planetary reactor systems to remain robust in the current fiscal year. This is because the transition from R&D to production is gaining momentum at ever more of our customers. Not only that, the number of applications is also rising consistently, especially in the automobile, industrial and consumer goods sectors. We are currently witnessing initial practical applications for wide band gap modules based on gallium nitride (GaN) and silicon carbide (SiC) in fast chargers for mobile devices, renewable energies, and electric vehicles and trains. Moreover, these high-performance and high-frequency-capable devices are also set to play an ever greater role in future in the fields of electro-mobility (charging stations, autonomous driving), in wireless charging applications, and the upcoming 5G mobile network standard.

The market for **LED** systems remains challenging, but also offers opportunities. Given the competitive pressure surrounding lighting applications, customers are making every effort to achieve significant throughput growth by working with new production processes in their chip production. Although individual customers have reacted by investing less in capacity expansion or in more productive substitute requirements, AIXTRON nevertheless benefited by selling its AIX R6 stocks. In the past year, customers qualified Chinese competitors for the first time, in particular in the production of GaN LEDs for lighting applications. Against this background, AIXTRON is now successfully focusing on red-orange-yellow LED production systems and on those for specialist applications, such as micro-LED displays or UV LEDs for use in water disinfection. Here, we will further expand our position by offering innovative LED applications.

In our **silicon semiconductor** business, our memory chip activities benefited in 2016 from increased demand for **flash memories**. These memory modules are used in memory cards, USB sticks, and MP3 players. We have long supplied our systems technology to one of the world's leading manufacturers. In 2016 we also successfully completed the qualification process at a further new customer.

Our MOCVD technology for **III-V-on-silicon applications (TFOS)** enables processor manufacturers to develop high-performance devices. In the past year, we made progress in this area by supplying another TFOS system to a prestigious chip manufacturer. We will enhance our TFOS technology to enable the ever closer integration of day-to-day technology and machines in the Internet of Things (IoT) to be supported in future as well. AIXTRON's success here will crucially depend on the time at which these new materials are introduced into the production of next-generation processors.

In our organic electronics business, we made further progress in marketing our **OLED** technology in the past fiscal year. We took a decisive step forward by supplying a Beta system with Gen1 (200 x 200 mm) configurations to a major display manufacturer to demonstrate our production processes on site. This way, we have moved significantly closer to obtaining the first order initially targeted for 2016. To this end, we will be working closely together with the customer, as the process of adapting our technology to the manufacturer's current production processes will require not only a shared understanding of the technology involved, but also a certain amount of time.

Revenues with our systems for **graphene** and nanomaterials such as **carbon nanotubes** and **carbon nanowires** showed a slight slowdown following the strong performance seen in recent years due to a major project promoted by the EU. However, we will continue to build on the potential harbored by these technologies, which are set to be used in future for applications such as displays, batteries, semiconductors, and many others. Here, we are in close contact with numerous customers.

Internal processes and instruments ensure productivity and transparency

One major focus at AIXTRON in the years behind us involved defining and introducing key processes and instruments in the fields of Research & Development, Supply Chain, Controlling, Personnel Development, and Communications. These have enabled us to achieve fundamental improvements in terms of productivity and transparency.

NASDAQ delisting executed

We decided at the end of last year to withdraw from NASDAQ, the US technology exchange. In 2016, NASDAQ trading accounted for less than 5% of global trading volumes in AIXTRON common stocks, while the remaining trading volumes were handled almost exclusively via the company's listing on the Frankfurt Stock Exchange. Given these relatively low trading volumes on the NASDAQ, we concluded that the disadvantages resulting from the complexity, costs, and effort required to maintain the dual listing, including U.S. Securities and Exchange Commission (SEC) reporting obligations, outweighed the benefits of the listing and the registration in the United States. The delisting of AIXTRON's shares became effective at the beginning of January 2017.

AIXTRON reports on sustainability for the first time

AIXTRON is for the first time publishing a sustainability report based on the guidelines issued by the Global Reporting Initiative. This way, we are documenting our clear commitment to transparency, sustainability, and our corporate responsibility. Our business activities are guided by responsible corporate management based on integrity, and adherence to compliance principles. This is true both of our activities within the company and of our dealings with our business partners.

Thanks to AIXTRON's shareholders, employees, and Supervisory Board

As this is my last Annual Report as the CEO of your company, I would like to take this opportunity to offer my particular thanks to AIXTRON's shareholders and employees as well as to the Supervisory Board.

At first, I would like to thank our employees. Over the past years, we made changes at the company that were by no means always easy, but which were necessary. Despite uncertainties, it was our employees and their commitment that enabled us to successfully implement and press ahead with these changes.

On behalf of Dr. Schulte as well, I would also like to thank the Supervisory Board for its active support and for working with us on a basis of trust in the past years, and in particular during the intense period of transaction-related negotiations in recent months.

I would also like to extend my sincere thanks to the company's shareholders, who have supported and accompanied the ongoing process of change at AIXTRON. Even without the planned takeover, by implementing the strategy agreed with the Supervisory Board we have initiated the right steps to build on partnerships, joint ventures, and other measures and regain profitability in 2018.

I am leaving AIXTRON confident that, with the strategy it has adopted, the innovative products it can offer to numerous key future markets, the processes it has put in place, its strong customer relationships, highly qualified employees and clear results focus, the company is on the road towards sustainable profitability.

Yours,
Martin Goetzeler

The Executive Board

Martin Goetzeler
Chief Executive Officer

Dr. Bernd Schulte
Chief Operating Officer

Sustainability Report

Our corporate social responsibility strategy

For AIXTRON, Corporate Social Responsibility (CSR) means reconciling economic, environmental and social requirements within the scope of its business activities. The integration of sustainability into all areas and processes of the company is strived for. Based on a materiality matrix, AIXTRON is currently developing a company-wide CSR strategy. Dialogue with key stakeholders, such as customers, employees, shareholders and policy makers, as well as scientific and non-governmental organisations, forms an essential basis of this process.

Building on the three-pillar model for sustainable development, the CSR strategy defines selected fields of action with the thematic focus areas of economy, ecology and social issues. Social, environmental and governance factors will be considered in the core business.

AIXTRON strives to continue its social commitment in the future and, if possible, intensify it by targeted support. AIXTRON will focus on supporting social and environmental projects.

Values, principles, standards and code of conduct

Values
AIXTRON´s values are the basis of the entrepreneurial activity. They determine how the company deals with each other, as well as with the customers and partners. AIXTRON strives to achieve always a leading position by means of goal-oriented action, acts in a forward-looking manner and actively provides impetus for future development. Open and direct communication ensures a healthy corporate culture in which the group meet their responsibilities.

Leadership principles
The leadership principles are important elements of AIXTRON's leadership culture and provide an important framework for all company executives. They require all managers to identify the customer needs and then derive clear, success-oriented corporate goals from these. Decisions are made sustainably in order to secure the group´s future. AIXTRON's managers are keen to act as role models, to encourage their employees to take responsibility. They also endeavour for continuous improvement through a partnership-based and constructive feedback culture.

Conflict Minerals
AIXTRON commits itself and its suppliers to ethical and moral standards for the purchase and usage of conflict minerals (gold, tantalum, tin and tungsten). AIXTRON is continuously striving for transparency regarding the origin of these minerals.

Environmental and energy management

Energy management
For AIXTRON, the responsible handling of energy is both ecologically and economically equally important. Among other things to optimise energy consumption, in 2013 a systematic energy management was introduced, which was certified according to ISO 50001 in 2014. (Further information are available under “1.4. Business model”). Because of the required heating temperatures of the MOCVD systems, their operation is very energy-intensive. This causes appreciable consumption of electricity and gas every year. Ensuring clean room conditions in the laboratory a considerable amount of work is involved.

AIXTRON has achieved a reduction in energy consumption and associated costs by implementing targeted measures to make energy use more efficient. In the past two years, this has led to a reduction in energy consumption about 21% (2014: 19,178,660 kWh; 2016: 15,207,294 kWh) and in CO_2 emissions from 4,219 tonnes of CO_2 in 2014 to 3,346 tonnes of CO_2 in 2016, which corresponds to a saving of around 1,600 tonnes of CO_2 over both years.

EnergyEfficiency network
In the future, AIXTRON will initiate and implement projects to further reduce energy consumption where possible. For this purpose, AIXTRON has teamed up with several companies from the Aachen region for the "EnergyEfficiency Network". Under the guidance of the Chamber of Industry and Commerce (IHK) Aachen, energy experts from the participating companies will exchange knowledge for three years under expert supervision. The goal is the continuous improvement of the energy footprint in the respective companies.

Environmental Protection
AIXTRON preserves resources on its way to the paperless office: At AIXTRON Ltd., UK, the usage of paper was reduced from 108,000 sheets of paper per Quarter in 2011 to 59,000 sheets of paper per Quarter in 2016.

Social commitment

AIXTRON is part of a social development which requires a growing network and an ongoing dialogue with its environment. Because of its values, AIXTRON strives to create a good neighbourly environment as an active partner in order to meet its social responsibilities and to actively shape its role in society.

Employees
The performance and motivation of the employees is the prerequisite for AIXTRON's success. Without the highly-qualified employees, the company would not be able to develop the latest technologies by transferring current research results into marketable products.

Code of Conduct
The Code of Conduct worldwide governs the principles of how management deals with employees, as well as how employees relate to each other. However, this also provides an orientation framework for topics such as conflicts of interests, involvement in public affairs, dealing with corporate assets and confidential information, behaviour in competition, protection of the environment, etc. Compliance with the AIXTRON code of conduct is binding for all employees of AIXTRON and is an essential part of company culture.

Employee selection and culture
For information on the employee selection see the management report under “1.10. Employees”

Innovation management
As part of its innovation management process, AIXTRON has a world-wide employee suggestion scheme. This allows all employees the opportunity to submit their suggestions for improvement. These are remunerated appropriately by the company. Since its introduction in autumn 2014, more than 300 proposals for improvement have been submitted, of which nearly 100 have been accepted and implemented. The number of proposals submitted and approved has steadily grown since the launch.

Temporary work at AIXTRON SE
AIXTRON is dependent on the use of temporary workers due to times of drastic fluctuations in demand. AIXTRON cooperates exclusively with well-known engineering service providers and temporary employment agencies. AIXTRON ensures an equivalent remuneration of temporary employees compared to AIXTRON’s employees in comparable functions.

In addition to the same payment, AIXTRON also upholds the principle of equal treatment of temporary workers and permanent employees, for example in the case of premiums, the use of the canteen, or in relation to participation in company events.

Last year, the average number of agency workers was 10, and varied between 1 and a maximum of 19 temporary workers. If, in individual cases, the temporary employment lasts for longer than 12 months, a re-examination of employment takes place.

Education
In Germany, AIXTRON also invests in the future viability of the company through the systematic training of young people. AIXTRON offers prospects for young women and men in various training courses and dual studies - from computer science, through industrial clerk, to the dual studies of business management, or the mathematical-technical software developer. Again and again, trainees from AIXTRON are honoured for their outstanding performance by the IHK Aachen.

In financial year 2016, the group employed a total of 11 trainees and students in dual courses. It is important for AIXTRON to provide young people with a prospect after successfully completing their education. For this reason, the company was able to accept all trainees and dual students who wanted to remain in the company in the past years.

Further education
Further education and qualifications have an important role in AIXTRON. A continuous learning process is an essential prerequisite for AIXTRON to continue developing technologically sophisticated products in the future. In 2016, all AIXTRON employees participated in an average 19 hours each of further training.

Employee discussion
As an important management instrument, AIXTRON has regularly held employee meetings for many years. One goal of the discussion is for management and employees to give each other feedback and discuss measures with which the cooperation can be further improved. Another important component of the employee discussion is training planning for employee development.

Trusting cooperation
Team work based on trust and partnership between the employer's and the employees' representatives is an essential part of the corporate culture and is in keeping with AIXTRON´s conception of a constructive relationship.

Leadership & Team development
Leadership skill has a great impact on the company's success. Therefore, AIXTRON promotes these skills through a specific leadership program, in which executives receive coaching on management and team development techniques.

Cooperation is an essential part of the work within the company. In order to promote teamwork, AIXTRON has chosen the team management system as a valid and effective tool to enable teams to analyse, to develop and improve their own performance. At present, this tool is being introduced and implemented permanently and company-wide at AIXTRON. All the employees have gone through team development workshops for this that support the development of the respective teams. The goal is to establish high-performing teams throughout the company. In addition, employees receive important stimulus for their own professional development.

Support for charitable organisations
AIXTRON supports several charitable organisations. For example, in the USA, the group supported charitable purposes by giving gifts to disadvantaged children, but also by donating food baskets or money to families where sufficient food supplies could not be guaranteed.

AIXTRON has deliberately refrained from sending printed Christmas cards for a long time. For years, AIXTRON has been donating the money put aside for this purpose to a charitable society for the care of children with cancer in Aachen.

In addition, AIXTRON's employees, in cooperation with the Institute for Transfusion Medicine (Hospital Aachen), support the provision of health care by donating blood. In addition, the financial compensation for the blood donation is donated completely by the staff to charitable institutions.

Supervisory Board Report

For AIXTRON, and consequently also the activities of the Supervisory Board, fiscal year 2016 was dominated by the takeover bid from Grand Chip Investment GmbH (GCI), a wholly-owned subsidiary of Fujian Grand Chip Investment Fund LP (FGC), which was announced on May 23, 2016 and subsequently withdrawn again by the bidder on December 8, 2016. The Executive Board and Supervisory Board as well as the employee representatives had welcomed this offer. GCI withdraw the bid due to the non-fulfilment of an offer condition to obtain regulatory approval from certain bodies, as a result of which the transaction could not be successfully completed.

The Supervisory Board fully satisfied its responsibilities and duties as stipulated by law, in the Articles of Association and by-laws in the 2016 fiscal year. On account of the takeover bid, the Supervisory Board held three additional meetings in the past fiscal year to discuss aspects of the takeover offer and make decisions accordingly.

We continuously monitored the Executive Board's management activities and advised it on all matters important to the Company so that we were assured at all times of the legality, regularity, suitability and efficiency of the company management. As in every year, we also consulted with the Executive Board on the risk situation, risk management and compliance in the Company and carefully checked the corresponding developments and measures.

During the reporting year, the Supervisory Board did not make use of the option to inspect the books and documentation of the Company (Section 111 (2) German Stock Corporation Act (AktG)). This was not necessary due to the regular, intensive and satisfactory reporting by the Executive Board, the audit by and discussions with the auditors and the supplementary monitoring measures described.

Cooperation between the Supervisory Board and Executive Board

Cooperation with the Board of Directors was characterized in all respects by responsible and targeted activities. The Executive Board fully satisfied its verbal and written reporting duty to the Supervisory Board. It involved us and our specialist committees in all material business transactions and highly significant decisions for the Company and informed us of important events in the AIXTRON Group in a timely fashion, especially in relation to the takeover bid. All information presented to us was subsequently discussed in detail with the Executive Board. The Executive Board presented all transactions subject to approval to the Supervisory Board in a timely fashion. After thorough consultation and review, we gave our consent where appropriate.

As Chairman of the Supervisory Board and in my role as member of the Capital Market Committee, I was also in regular contact with the Chief Executive Officer, Martin Goetzeler, between Supervisory Board meetings. In addition to talking about the current business situation and particulars of the takeover offer, we also talked about issues related to strategic alignment, the risk situation, risk management and compliance. I was personally actively involved in discussions with the appropriate bodies that could grant regulatory approval for the takeover transaction and attended an Executive Board meeting with representatives from the Committee on Foreign Investment in the United States (CFIUS) as well as an Executive Board meeting with representatives from the Federal Ministry for Economic Affairs. I regularly informed the other Supervisory Board members on the progress of the approval process and on the discussions that had taken place in the Capital Market Committee, in particular. Following the lapse of the takeover offer on December 8, I talked through the remaining options for AIXTRON with the Chief Executive Officer in detail in preparation for the plenary discussion.

Between meetings, the Chairman of the Audit Committee, Prof. Dr. Blättchen, and the Chair of the Technology Committee, Prof. Dr. Denk, maintained active dialogue with the respective responsible Executive Board members.

Ahead of the ordinary meetings, all Supervisory Board members also received detailed quarterly reports on the status of the Company as well as other information such as internal control reports, meeting minutes, company presentations, research analyst reports, consensus estimates, press releases and AIXTRON's financial reports and financial releases. In relation to the takeover bid, the Supervisory Board received various further documents in their respective draft stages, which were necessary for an assessment of the transaction and the decision-making of the Supervisory Board.

Even in the absence of the Executive Board members, the Supervisory Board regularly advised on matters relating to the Supervisory Board and on personnel matters concerning the Executive Board.

Focus of plenary sessions

During 2016, the Supervisory Board held **four ordinary Supervisory Board meetings** on February 22, May 24, September 14 and December 14, all of which were attended by all six members of the Supervisory Committee. After the Annual General Meeting, on May 25, 2016, a **constitutive meeting** of the re-elected Supervisory Board took place. All six members were present at this meeting. On account of the greater need for advice in relation to the takeover bid, **three additional Supervisory Board meetings** were held on May 9, May 20 and August 9, which were hosted as teleconferences and attended by all Supervisory Board members.

In the four ordinary meetings, we discussed in detail the general business development of the AIXTRON Group as well as future market opportunities in the various technology groups, especially in view of the now prevailing market conditions and the prospects for individual markets. The Supervisory Board assessed the scenarios for AIXTRON both as an independent company and in terms of the future with a strong strategic partner such as GCI.

During these meetings, we were able to obtain a satisfactory picture of the current business situation using the current financial figures and the updated forecast reports and development plans (orders, sales, competition, market shares). If there were deviations between the course of business and the budget plans, they were explained in detail and justified. In addition, we were informed about new product developments and technologies (examples: micro LEDs and developments in the area of power electronics), key customer orders (example: Samsung) and material organizational developments (examples: expiration of Sunnyvale lease contract, leasing buildings on Kaiserstraße/Herzogenrath and the internal quality initiative).

In relation to the takeover bid, in our ordinary meetings we first focused on the progress in the talks with GCI, then on the conditions of the takeover offer, later on the acceptance threshold and finally on the refusal of supervisory bodies to grant approval and the subsequent end of the transaction.

The three additional meetings were also dedicated to the takeover offer and the associated project work.

Supervisory Board meetings in 2016

The meeting on **February 22, 2016** mainly concentrated on the Annual and Consolidated Financial Statements for fiscal year 2015 and the respective discussions and resolutions. We reported on this information in detail in our report for fiscal year 2015. We also concentrated on the proposed draft of the agenda for the 2016 Annual General Meeting, which we duly released after seeking clarification on the remaining outstanding points. Finally, with a view to the SEC and prospectus liability, we considered various options for adjusting the existing D&O insurance cover for the Executive Board and Supervisory Board. The insurance cover put forward by the Executive Board was approved by the Supervisory Board and signed by the Executive Board after the meeting.

In the meeting on **May 9, 2016**, the current status of Executive Board negotiations with the bidder, especially with regard to structuring a business combination agreement, and alternative scenarios in the event of failed negotiations were presented. Following extensive discussions, these alternative scenarios were then approved by the Supervisory Board.

For the meeting on **May 20, 2016**, shortly before the announcement of the planned takeover by GCI, we were once again provided with important documents on fairness opinion, the business combination agreement, due diligences and information relating to the tenderer and the current status of the proposed funding structure, which we discussed in detail. In addition, we requested an assessment of the probability of the transaction and inquired about potential costs in the event of failure. We talked about the planned announcement and the potential impact on the upcoming Annual General Meeting and subsequently approved the above-mentioned agreement.

Alongside issues such as development in the first quarter, the takeover transaction and the Annual General Meeting, in the meeting on **May 24, 2016** we also discussed various options for the expiration of the lease contract at the Sunnyvale/USA site at the end of October 2017.

In the constitutive meeting of the Supervisory Board, elected by the Annual General Meeting on **May 25, 2016** and held on the same day, the Supervisory Board focused on the election of the Chairman of the Supervisory Board and the appointment of members to the committees provided for in the Supervisory Board's by-laws and pursuant to the Articles of Association. The Supervisory Board members elected me as Chairman of the Supervisory Board. Prof. Dr. Wolfgang Blättchen was chosen as the Deputy Chairman of the Supervisory Board. Prof. Dr. Wolfgang Blättchen, Prof. Dr. Rüdiger von Rosen and I were appointed to the Audit Committee. The members of the Audit Committee subsequently elected Prof. Dr. Blättchen as Chairman of the Audit Committee. Prof. Dr. Petra Denk, Dr. Andreas Biagosch and I were appointed to the Technology Committee. The members of the Technology Committee then elected Prof. Dr. Petra Denk as Chair of the Technology Committee. Prof. Dr. Petra Denk, Prof. Dr. Rüdiger von Rosen and I were appointed to the Nomination Committee. The members of the Nomination Committee then elected Prof. Dr. Rüdiger von Rosen as Chairman of the Nomination Committee. Prof. Dr. Wolfgang Blättchen and I were appointed to the Capital Market Committee.

In the meeting on **August 9, 2016**, we, jointly with the Executive Board of AIXTRON SE, approved the “reasoned statement” pursuant to Section 27 (1) WpÜG that had been compiled after consideration of all interests involved. In this document, published on August 11, 2016, the Executive Board and Supervisory Board of AIXTRON SE recommended that shareholders should accept the voluntary public takeover offer from GCI.

In the meeting on **September 14, 2016**, we concentrated on the appropriateness of Executive Board remuneration, among other topics. To this end, we carried out horizontal comparisons with competitors and the TecDAX as well as a vertical comparison with the upper two management levels in order to ascertain whether the Executive Board remuneration of AIXTRON is appropriate. In addition, we informed ourselves on the current status of the class action suit in the USA, which was filed in January and served in June in connection with the ad hoc release, published on December 9, 2015, on the reduction in the order volume of Chinese customer San’an Optoelectronics.

On **October 10, 2016**, we released the supplementary statement of the Executive Board and Supervisory Board dated October 6 that related to the change in the takeover offer (lowering of the minimum acceptance threshold) for publication on October 11.

The Supervisory Board of AIXTRON SE convened for its final ordinary meeting of the year on **December 14, 2016**. We discussed in detail the 2017 budget presented by the Executive Board, which had been adjusted to the current business forecast following the withdrawal of the takeover offer. The budget was approved with a program of measures, on which the Executive Board will additionally report to the Supervisory Board when certain milestones are reached, beyond standard reporting on the accounts. The 2017 budget includes detailed sales revenue, income, financial and investment plans, as well as the planned personnel development at AIXTRON.

The Supervisory Board examined the proposal from the Executive Board to withdraw from the NASDAQ U.S. stock exchange for reasons of cost and efficiency and in view of the low trading volume in the USA. The Supervisory Board agreed with the proposal put forward by the Executive Board and decided to implement this option.

Finally, we conducted a self-evaluation of our activities using an extensive questionnaire distributed to the members of the Supervisory Board in September 2016, which found that the Supervisory Board and its committees are working efficiently.

Committees

The Supervisory Board currently has four committees: an Audit Committee, a Technology Committee, a Nomination Committee and a Capital Market Committee.

The **Audit Committee** addresses, in particular, monitoring of the accounting process, corporate governance & compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the implementation of the rules in accordance with Section 404 Sarbanes-Oxley Act (SOA 404). The Chairman of the Audit Committee, Prof. Dr. Blättchen, is an independent Supervisory Board member whose area of expertise is reporting and audits (as required by law: Section 107 (4); Section 100 (5) AktG) and who has particular knowledge and experience in the application of internal control processes.

In the reporting year as well, the Audit Committee was responsible for auditing the financial statements and monitored in particular the required independence of the auditor and any additional services performed by the auditor. Finally, it issued the mandate to the auditor, identified the focal points of the audit and handled the fee arrangements. The Committee Chair reported regularly on the work of the Audit Committee to the Supervisory Board.

In 2016, the Audit Committee convened four times, on February 22, May 24, September 13 and December 13; each meeting was attended by all three Committee members. In addition to accounting issues related to the financial and earnings situation, the Audit Committee looked at the following issues, among others:

- The engagement of the auditing firm Deloitte GmbH to audit the Individual Financial Statements of AIXTRON SE and the Consolidated Financial Statements as of December 31, 2016, the US Annual Report on Form 20-F, the early risk detection system in the meaning of Section 91 (2) AktG, the internal controls for the financial reporting in the meaning of SOA 404 and the preparation of a Management Letter and findings in accordance with Section 7.2.3 DCGK (German Code of Corporate Governance) at AIXTRON SE
- Review of the Statement of Independence and the "Management Letter" written by the auditor (main conclusions from 2015 audits of the Individual and Consolidated Financial Statements and the internal control system)
- Audit focal points for Deloitte GmbH for the audit of the 2016 AIXTRON Annual and Consolidated Financial Statements
- 2017 audit focal points of the German Financial Reporting Enforcement Panel (DPR)
- Risk management report (proper risk management of the Executive Board pursuant to Section 91 (2) AktG)
- Regular discussion of the quarterly and the half-yearly reporting in telephone conferences
- Tax audits, especially of AIXTRON SE
- Update of Compliance Manual and e-learning system for compliance training of employees
- Status of the report on the use of "conflict minerals"
- Progress in the improvement of information security
- Anti-corruption guideline, Code of Conduct, Code of Ethics, Compliance Manual
- Internal audit reports
- Dissolution of the Genus Trust
- Changes due to the update to Stock Exchange Regulations at the end of 2015 and the EU-wide Market Abuse Regulation that entered into force in July 2016
- Other relevant guidelines, laws and regulations

The **Technology Committee** deals, in particular, with questions of AIXTRON's market positioning in technology, patents, product planning (product roadmaps) and technology development as well as potential technology acquisitions or partnerships and other topics relating to diversification. In addition to the status reports from the individual technology areas (New Technologies including OLED and Carbon Nano, Opto & Power Electronics and Logic & Memory), the focus of the Technology Committee's work was on the further development of specific products and processes as well as their critical assessment. In the year under review, one focus of the audits was the OLED business. This included observation of target markets for various system generations and focusing on alternative technologies to OVPD, as well as closer examination of power electronics technology. With reference to an external report that was commissioned by the Executive Board, the limitations of production facilities, competing technologies and risks for AIXTRON were analyzed.

The Committee Chair, Prof. Dr. Denk, regularly reported to the Supervisory Board on the activities of the Technology Committee in the plenary meetings. In fiscal year 2016, the Technology Committee held four meetings, on February 22, May 24, September 13 and December 13, at which all the committee members were present.

The **Nomination Committee**, consisting of three members, makes nomination proposals to the Supervisory Board if one of the Supervisory Board positions needs to be replaced. In doing so, it also takes into account its own targets defined in 2010 for its future composition as well as the requirements of the German Corporate Governance Code (DCGK) for appropriate diversity and an appropriate number of independent Supervisory Board members.

Ahead of the upcoming election for the whole Supervisory Board at the Annual General Meeting on May 25, 2016, the Nomination Committee convened twice, on February 21 and May 23. In consideration of the current business situation and with a view to continuity, experience and preservation of necessary expertise, the Nomination Committee recommended that the Supervisory Board composition remain as is. In order to enable progressive personnel changes in the Supervisory Board, the election periods were no longer set uniformly for the Board as a whole. A further meeting took place on December 13, 2016 to discuss personnel matters concerning the Executive Board and the replacement of a Supervisory Board member.

The **Capital Market Committee** has existed at AIXTRON SE since 2014 for the purposes of evaluating, supporting and completing projects with capital market relevance. In fiscal year 2016, this mainly related to the takeover discussions with Chinese investors that had been imminent since autumn 2015, which ultimately resulted in an agreement for a corporate merger. The Capital Market Committee comprises the Chairman and a Deputy Chairman of the Supervisory Board. In 2016, the Committee conducted 29 telephone meetings and two meetings in person. These meetings focused almost exclusively on the discussion of current developments in relation to the complex GCI takeover transaction. The complexity of this planned transaction essentially resulted from the fact that this takeover offer must be carried out both in accordance with German law and with the applicable securities regulations in the USA. As required, the respective advisors also joined meetings of the Capital Market Committee.

Corporate Governance and Declaration of Conformity

The Supervisory Board regularly follows the development of the Corporate Governance Standards and, together with the Executive Board, issues a joint **Corporate Governance report**. We will continue to support the Executive Board in its efforts to remain in full compliance with the German Corporate Governance Code recommendations.

In the latest **Declaration of Conformity** in accordance with Section 161 AktG dated February 2017, full compliance with the recommendations of the German Corporate Governance Code, with the exception of the deviations stated, is certified.

No conflicts of interest were reported by the members of the Supervisory or Executive Board in the fiscal year.

Audit and Annual Financial Statements

Following the resolution passed at the Company's Annual General Meeting on May 25, 2016, the Supervisory Board awarded the mandate to audit the Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group for the 2016 fiscal year to **Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf.**

The auditors also reviewed the Company's internal control system as well as measures implemented by the Executive Board to detect, at an early stage, business risks that could potentially jeopardize the performance and existence of the Company. It was also agreed that the auditors would, if necessary, inform the Supervisory Board or make a note in the audit report of any facts found during their examination which conflict with the Declaration of Conformity under Section 161 AktG issued by the Executive Board and the Supervisory Board. As in previous years, the auditors did not make note of any such findings for the 2016 fiscal year.

The Financial Statements of AIXTRON SE as of December 31, 2016 and the Management Report were prepared in accordance with the requirements of the German Commercial Code (HGB), while the Consolidated Financial Statements as of December 31, 2016 and the Group Management Report were prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS). The independent auditing firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited and gave an unqualified audit opinion to both the Financial Statements and the Consolidated Financial Statements of AIXTRON SE for fiscal year 2016. The auditors found that the Management Reports of both AIXTRON SE and the AIXTRON Group present a true and fair view of the current position and prospects of AIXTRON SE and the AIXTRON Group. The audit team above, with the lead auditor Dr. Holger Reichmann, has been employed for the examination of the accounts of AIXTRON SE since 2012.

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group as of December 31, 2016, including the Management Report of the Company and the Group) and the audit reports by the auditors were submitted to the Audit Committee and the Supervisory Board for examination in a timely manner. We **examined these documents** in detail. The Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements, as well as the respective Management Reports, **were discussed in detail** at the meeting of the Audit Committee and entire Supervisory Board on February 22, 2017, with due consideration given to the auditor's reports. The auditor, who participated in both the meeting of the Audit Committee as well as the subsequent meeting of the Supervisory Board, reported on the key audit results, which also covered the internal control and risk management system as they relate to the accounting process, and was available to answer any additional questions raised by the Audit Committee or Supervisory Board.

Following our own examination, we had no objections to the Annual or Consolidated Financial Statements submitted. The respective Management Reports matched our own assessment of the Company and the Group's situation. We fully concurred with the auditor's results and opinion and consequently, in a resolution **passed** on February 22, 2017, we approved both the Annual Financial Statements and Consolidated Financial Statements of the Company prepared by the Executive Board for the 2016 fiscal year. The Annual Financial Statements of AIXTRON SE are therefore **formally adopted**.

Note of thanks from the Supervisory Board

We would like to thank the Executive Board and all employees around the world who have once again actively supported us throughout a difficult fiscal year, which was greatly influenced by uncertainty with regard to developments in the planned takeover. We would also like to thank the employee representatives for their constructive work with various boards and councils within the Company. At the same time, we would like to express our appreciation to the shareholders for their support of the planned transaction, even if it was not ultimately successful.

Herzogenrath, February 2017

AIXTRON SE

Kim Schindelhauer
Chairman of the Supervisory Board

Corporate Governance Report

1. Declaration on Corporate Governance

1.1 Declaration of Conformity

In accordance with Section 161 German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of AIXTRON SE declare:

AIXTRON SE meets all recommendations of the Government Commission on the German Corporate Governance Code (Regierungskommission "Deutscher Corporate Governance Kodex") published by the Federal Ministry of Justice (Bundesministerium der Justiz) in the official portion of the German Federal Gazette (Bundesanzeiger), in the version dated May 5, 2015, with the exception of the deviations declared below:

Consideration of the relationship between the remuneration of the Executive Board and the remuneration of senior management and staff overall, even in terms of its development over time (Section 4.2.2 (2) Sentence 3 German Corporate Governance Code (DCGK))

The German Corporate Governance Code (DCGK) recommends in Section 4.2.2 (2) Sentence 3 that the Supervisory Board should take into account the relationship between the remuneration of the Executive Board and senior management and staff overall, even in terms of its development over time, when determining the total remuneration of individual members of the Executive Board, with the Supervisory Board specifying how senior management and the relevant staff are to be differentiated for the comparison. The Supervisory Board did not explicitly specify at the time of the conclusion of the current contracts with the Executive Board how senior management and the relevant overall staff are to be differentiated from the Executive Board. The relationship between the remuneration of the Executive Board and the remuneration of senior management and the relevant overall staff, however, is used as a basis to assess the appropriateness of the remuneration of the Executive Board pursuant to Section 4.2.2 (2) Sentence 2 DCGK.

Upper limits for remuneration of the Executive Board (Section 4.2.3 (2) Sentence 6 DCGK)

The German Corporate Governance Code (DCGK) recommends in Section 4.2.3 (2) Sentence 6 that the amount of the remuneration of the Executive Board members as a whole and with respect to its performance-based salary components be capped. The total remuneration of Executive Board members at AIXTRON SE includes both a fixed salary and various performance-based salary components. The performance-based remuneration is limited to a maximum of EUR 6.5 million with respect to the performance-based bonus for the entire Executive Board. Half of the performance-based remuneration is awarded in the form of Company stock options. The amount of the respective stock option is subject to the aforementioned upper limit at the time of its awarding. In this respect, the recommendation has been complied with. The shares are only transferred to the entitled recipient three years after being awarded. Within this time frame, the members of the Executive Board benefit to an unlimited extent from the potential rise in the price of the shares, which may be viewed as a deviation from the wording of the recommendation. A further limit on the performance-based remuneration with respect to the time of the transfer of the shares does not seem to be in the interests of the parties, since the essential incentive of share-based remuneration – to work toward increasing corporate value – would be counteracted and the Executive Board members would be placed at a disadvantage above such an upper limit in the event of a further increase in the stock price. An upper limit in terms of amounts for the total remuneration is thus not explicitly included in the current contracts for the Executive Board members.

Control limit for length of term on the Supervisory Board and age limit for members of the Supervisory Board (Section 5.4.1 (2) DCGK)

In Section 5.4.1 (2) DCGK, it is recommended that the Supervisory Board specify concrete objectives for its composition, while considering the specifics of the Company, by taking into account a control limit to be defined for the length of term on the Supervisory Board. It is difficult to define an ideal length of term, and in light of the current situation of the Company, the Supervisory Board considers it to be advantageous to maintain the current expertise on the board. This includes, for example, long-standing knowledge of the company and the niche markets on which the company focuses as well as comprehensive knowledge of capital markets and finance-related topics for a global corporation. Given these factors, the Supervisory Board has not set a regular limit for the length of membership on the Supervisory Board at this time.

Section 5.4.1 (2) DCGK also recommends the specification of an age limit for members of the Supervisory Board. This was set at 70 years in the Supervisory Board's by-laws (Section 2 (7)). This age limit was exceeded with the re-election of Prof. Dr. Rüdiger von Rosen to the Supervisory Board for another year. The Nomination Committee of the Supervisory Board and the Supervisory Board regarded this appointment as justified on account of his special expertise and the profound knowledge about the Company and the AIXTRON Group that he has gained in recent years.

With the exception of the aforementioned deviations, AIXTRON SE has fully complied with the recommendations of the DCGK in the version dated May 5, 2015 since the last Declaration of Conformity was submitted in February 2016.

Herzogenrath, February 2017
AIXTRON SE

For the Executive Board of AIXTRON SE	For the Supervisory Board of AIXTRON SE
Martin Goetzeler *Chairman & Chief Executive Officer*	*Kim Schindelhauer* *Chairman of the Supervisory Board*

1.2 Information on Corporate Governance Practices

AIXTRON SE has had a **Code of Ethics** since 2006 for Executive Board members and certain managers in Finance. The aim of this Code is to promote upright and ethical conduct, including the ethical handling of conflicts of interest, the complete, fair, precise, timely and transparent disclosure of quarterly and annual reports, Compliance with prevailing laws, rules and regulations and the immediate internal reporting of breaches of the Code where necessary and to ensure accountability for Compliance with the Code. The complete text of the Code can be found on the AIXTRON website under Investors/Corporate Governance.

In addition, AIXTRON has issued a **Compliance Code of Conduct** applicable to the Executive and Supervisory Boards, as well as all employees throughout the world, which holds them accountable for conscientious conduct in conformity with the law. Among the topics addressed, this Code covers the following issues: responsibility and respect towards society and the environment, compliance with the legal conditions, legal and ethical conduct by each individual employee, loyalty to the Company, fair and respectful treatment of fellow employees, rejection of any form of discrimination, dealing responsibly with corporate risks, acting in an environmentally responsible manner, security in all operating areas, working in a professional manner, reliability and fairness in all business relationships, compliance with guidelines on giving/accepting unfair advantages, dealing with insider information and the treatment of Company property. The full texts of the Compliance Code of Conduct can be downloaded from the AIXTRON website in the Investors/Corporate Governance section under "Code of Conduct."

In 2010, AIXTRON issued a **Compliance Manual** which applies to all members of senior management and which is based on the principles of the Compliance Code of Conduct. The Compliance Manual provides detailed explanations on the compliance organization at AIXTRON and on the resulting conduct requirements applicable to the Executive Board, Supervisory Board and employees. Regular training is held for employees to reinforce these requirements. This manual is regularly updated to reflect amended statutory requirements, including in fiscal year 2016. The content of the manual was transferred to an e-learning platform and downloaded at the end of fiscal year 2015. This makes it possible to verify AIXTRON employees' awareness and understanding of the requirements on a regular basis. Each quarter, the senior managers declare in writing that the compliance requirements of AIXTRON SE were observed in their area of responsibility. If the Compliance Manual has been updated, they also declare that they will take note of the updated version and follow and communicate its contents within their area of responsibility. Management principles were defined for the Company's senior managers which include what is required of managers when dealing with employees.

Furthermore, AIXTRON has established a **Vendor Code of Conduct**, which defines ethical, moral and legal standards related to the purchase and use of what are known as conflict minerals (gold, tantalum, tungsten, tin) within the AIXTRON supply chain. The key content of this code includes information on U.S. rules regarding the use of conflict minerals, the process of due diligence in the supply chain, the expectations for supply chain partners and suppliers and the consequences in the event of non-compliance. The complete text of the Vendor Code of Conduct can be accessed on the AIXTRON website in the Investors/Corporate Governance section under "Conflict Materials Regulations."

1.3 Executive Board and Supervisory Board Operating Procedures; Composition and Mode of Operation of Committees

As a European company (Societas Europaea), AIXTRON SE is subject not only to the German Stock Corporation Act but also to the superordinate European SE regulations and the German SE Implementation Act. The Company has a dual management and control structure consisting of an Executive Board and a Supervisory Board.

The Executive Board is responsible for managing the Company and informs the Supervisory Board regularly, comprehensively and without delay about all relevant issues involving strategy, planning, business development, the risk situation, risk management and compliance.

The Supervisory Board is responsible for the appointment of the Executive Board members and oversees and advises the Executive Board in its management duties. For certain transactions and measures specified in the Articles of Association of AIXTRON SE or the Executive Board's by-laws, the Executive Board must obtain the prior approval of the Supervisory Board. The Executive Board is required to report to the Supervisory Board on the conclusion, amendment or termination of important agreements that do not require approval under the Articles of Association or the Executive Board's by-laws. The Executive Board is also required to notify the Supervisory Board of all material events, even those that do not require the approval of the Supervisory Board.

As in previous years, the Executive Board and the Supervisory Board worked closely together throughout 2016 for the benefit of the Company. The shared objective is a return to profitability in order to stabilize the financial and earnings situation, while at the same time exploiting AIXTRON's future prospects.

Executive Board

According to Article 8 of AIXTRON SE's Articles of Association, the Executive Board consists of two or more people. The Supervisory Board determines the precise number of Executive Board members. It also decides whether there should be a Chairman and whether deputy members or a Deputy Chairman should be appointed.

AIXTRON SE's Executive Board is comprised of two members:

Name	Position	First Appointment	End of Term
Martin Goetzeler	Chief Executive Officer	March 1, 2013	February 28, 2017
Dr. Bernd Schulte	Chief Operating Officer	April 1, 2002	March 31, 2018

Notwithstanding the Executive Board's overall legal responsibility and the obligation of its members to collaborate closely and in confidence with their colleagues, the assigned responsibilities of the individual members of the Executive Board are as follows in accordance with the currently valid business distribution plan:

The Chief Executive Officer coordinates the tasks of the Executive Board and is additionally responsible for the operating business of the AIXTRON Group, focusing in particular on Strategic Planning, Investor Relations & Group Communications, Procurement, Human Resources, Finances and Reporting, Corporate Governance, Compliance & Risk Management, Information Technology, Legal and Quality Management as well as Environment, Social and Governance. The Chief Operating Officer is responsible for the Group's Research and Development, Marketing, Sales, Customer Service, Production and Logistics and Facility Management.

With the Supervisory Board's approval, the Executive Board has adopted by-laws that are regularly reviewed to ensure they are appropriate and up to date. They include a list of matters that are of fundamental or substantial importance and about which the Executive Board is required to make formal resolutions. Examples of such material decisions requiring formal resolutions are: decisions on strategies, corporate plans and budgets; significant changes in the organization of the Company and Group; the commencement or discontinuation of areas of activity within the Company; the acquisition and sale of land and land rights; the conclusion, amendment, and termination of intercompany or significant license or cooperation agreements; the commissioning of larger external consulting and research projects; fundamental questions in the area of human resources and human resources policy; determination of the principles governing representation in business organizations and associations; appointments to the management and supervisory bodies of subsidiaries and associated companies; important publications and information for the public above and beyond normal reporting requirements; the initiation of lawsuits and legal disputes; the granting of collateral and assumption of guarantees.

The Executive Board's by-laws and the Articles of Association each contain a list of material transactions and measures which require the prior approval of the Supervisory Board. Transactions and measures requiring approval pursuant to the Articles of Association or by-laws include, but are not limited to, decisions to build or dispose of operating sites or land; the starting or ending of business activities; granting or taking out of loans, etc.

According to the by-laws, meetings of the Executive Board are to be held at least twice a month or whenever the Company's interests shall so dictate. Executive Board meetings are convened and directed by the Chairman of the Executive Board. Any member of the Executive Board may request that an Executive Board meeting be convened for a specific issue. If the Chairman cannot attend, the meeting shall be chaired by a Board member appointed by the Chairman or the oldest member of the Executive Board in terms of age. The Executive Board shall be deemed to have quorum if all members have been invited and more than half of the members are able to participate in person, via telephone link or by video conference when resolutions are being voted on. The Executive Board makes decisions by a simple majority of the votes cast by the members involved in the meeting unless otherwise provided by law, the Articles of Association or by-laws. In the case of a tie, the Executive Board Chairman casts the deciding vote. With two Executive Board members, the Supervisory Board Chairman shall be asked to mediate in the event of a tie.

Every Executive Board member must immediately disclose conflicts of interest to the Supervisory Board and other members of the Executive Board. Members of the Executive Board may only take on part-time activities, especially posts on company and supervisory boards outside of the Group, after receiving Supervisory Board approval.

Supervisory Board

Pursuant to Article 11 of AIXTRON SE's Articles of Association, the Supervisory Board consists of six members. The Annual General Meeting can also prescribe a different number of Supervisory Board members. The members of the Supervisory Board are generally appointed until the end of the Annual General Meeting in which the shareholders represented ratify the approval of the Supervisory Board's activities for the fourth fiscal year after the term of office begins, whereby the fiscal year in which the appointment was made is not included.

The Supervisory Board elects a Chairman and a Deputy Chairman from among its members. The Supervisory Board Chairman or – if he is unable to do so – his Deputy convenes and conducts the Supervisory Board meetings.

In order to enable progressive personnel changes in the Supervisory Board, the election periods were no longer set uniformly for the Board as a whole when the new Supervisory Board was voted in at the Annual General Meeting in May 2016, but instead with differing terms for each member. The term of office of the six Supervisory Board members listed below therefore concludes after the end of the Annual General Meeting to which the respective individual was elected.

Name	Position	Member since	Term ends
Kim Schindelhauer [1) 2) 3) 4) 5)]	Chairman of the Supervisory Board	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen [1) 4)]	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee, Independent Financial Expert[6)]	1998	AGM 2019
Dr. Andreas Biagosch [2)]		2013	AGM 2021
Prof. Dr. Petra Denk [2) 3)]	Chair of the Technology Committee	2011	AGM 2021
Dr. Martin Komischke		2013	AGM 2021
Prof. Dr. Rüdiger von Rosen [1) 3)]	Chairman of the Nomination Committee	2002	AGM 2017

1) Member of the Audit Committee
2) Member of the Technology Committee
3) Member of the Nomination Committee
4) Member of the Capital Market Committee
5) Former member of AIXTRON's Executive Board
6) Since 2005

The Company is in compliance with the requirement for diversity on the Supervisory Board (Section 5.4.1 DCGK) due to the broad range of skills that individual Supervisory Board members have (in the areas of finance, capital markets, M&A, technology and market experience). A target of 20% women in the Supervisory Board was already set at AIXTRON SE in 2010. The Supervisory Board has one female member, Prof. Dr. Denk, which represents nearly 17% in arithmetical terms. Against this background, the Supervisory Board maintains that this target value is worthwhile and therefore upholds the target of approximately 20% (Section 5.4.1 (2) DCGK) for the percentage of women on the Supervisory Board.

The Supervisory Board shall include what they consider to be an adequate number of independent members. Within the meaning of Section 5.4.2 DCGK, a Supervisory Board member will not be considered independent, in particular, if he or she has personal or business relations with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interest. The Supervisory Board's goal is that at least half of its members are independent. Since the Supervisory Board consists solely of elected representatives of shareholders who are to be viewed as independent members according to the criteria under Section 5.4.2 Sentence 2 DCGK, the Company has complied with this objective.

Only one former Executive Board member is now a member of the Supervisory Board (Section 5.4.2 DCGK).

Prior to the Supervisory Board Meeting on December 14, 2016, each Supervisory Board member received the efficiency review questionnaire prepared by the Supervisory Board Chairman every year. Based on its evaluation of the returned questionnaires, the Supervisory Board resolved that it is acting efficiently in accordance with Section 5.6 DCGK.

Further mandates of the Executive and Supervisory Board members are listed under Note 35 "Supervisory Board and Executive Board" in the Notes to the Consolidated Financial Statements.

The Company did not initiate or conclude any material transactions with related parties during the 2016 fiscal year.

The Supervisory Board has adopted its own set of by-laws. They govern the duties, rights and obligations of the Supervisory Board, the organizational procedures for meetings and resolutions and the formation of committees. The Supervisory Board's by-laws were last revised in fiscal year 2015. The Audit Committee and the Technology Committee both operate according to separate by-law requirements approved by the Supervisory Board.

An independent and expert member of the Supervisory Board has chaired the Audit Committee since 2005 in accordance with Section 5.3.2 DCGK. The Technology Committee was created in 2011. To evaluate M&A opportunities and strategy options with possible capital market relevance, the Supervisory Board formed a Capital Market Committee in 2014, which focused intensively on the takeover process in 2016.

The Supervisory Board, like the Audit Committee and Technology Committee, generally holds four ordinary meetings per year. Extraordinary Supervisory Board meetings and meetings of the Nomination and Capital Market Committees are called as required.

As requested by the Chairman of the Supervisory Board or chairs of the committees, the Executive Board participates in all regular Supervisory Board or selective committee meetings (usually four times a year), gives written and oral reports on the various points on the agenda and proposed resolutions, and answers questions posed by individual Supervisory Board members. Between meetings, detailed quarterly reports on the status of the Company from the Executive Board are made available to all Supervisory Board members. Furthermore, in numerous telephone calls and face-to-face meetings, the Supervisory Board Chairman, the Chairman of the Audit Committee and the Chair of the Technology Committee are informed by the Executive Board about relevant material developments and forthcoming decisions on material issues.

Resolutions of the Supervisory Board and its committees are generally passed during formally convened meetings. In exceptional cases, Supervisory Board members may, if justified, participate in a board or committee meeting remotely via telephone or video conference. The Supervisory Board and its committees are deemed to have a quorum if two-thirds, but at least three of its members, participate in person for the adoption of a resolution (outside of formal meetings, if no objections are raised by any member, it is possible by casting votes in writing, by fax, telephone, e-mail or a combination of these communication media). Resolutions are adopted if a majority of the votes are cast in favor. In the case of a tie, the Chairman of the meeting casts the deciding vote.

Every member of the Supervisory Board must disclose conflicts of interest to the Supervisory Board, especially those conflicts arising from a consulting contract or a board position for a customer, supplier, creditor or other business partner. Material conflicts of interest and those which are not just temporary with respect to a Supervisory Board member will result in that member being required to resign.

Operating Procedures and Composition of Committees

No committees have been set up by AIXTRON SE's Executive Board.

The Supervisory Board of AIXTRON SE currently has four committees: the Audit Committee, the Technology Committee, the Nomination Committee and the Capital Market Committee. The Supervisory Board is authorized to form other committees with its members.

The Audit Committee is composed of one chairman and two other members. The Chairman of the Audit Committee, Prof. Dr. Blättchen, is an independent member whose area of expertise is reporting and audits (as required by law: Section 107 (4); Section 100 (5) AktG) and who has particular knowledge and experience in the application of internal control processes. The Audit Committee addresses, in particular, the monitoring of the accounting process, compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the implementation of the rules in accordance with Section 404 Sarbanes-Oxley Act (SOA 404). In addition, the Audit Committee is responsible for reviewing the financial statements and ensures in particular the required independence of the auditor and any additional services performed by the auditor. Finally, it issues the mandate to the auditor, identifies the focal points of the audit and handles the fee arrangements. The Committee Chair reports regularly on the work of the Audit Committee to the Supervisory Board.

The Technology Committee is composed of one chair and two other members. It deals, in particular, with issues regarding AIXTRON's market positioning in technology, patents, product planning (product roadmaps) and technology development, potential technology acquisitions and other topics relating to diversification. The Committee Chair, Prof. Dr. Denk, regularly reports to the Supervisory Board on the activities of the Technology Committee.

The Nomination Committee also consists of a chair and two other members. The Committee, chaired by Prof. Dr. von Rosen, makes nomination proposals to the Supervisory Board if one of the Supervisory Board members needs to be replaced. Due to the re-election of the entire Supervisory Board at the Annual General Meeting in May 2016 and the discussion of personnel matters concerning the Executive Board, the Nomination Committee convened three times in fiscal year 2016, on February 21, May 23 and December 13.

The Capital Market Committee has existed since 2014 for the purposes of evaluating, supporting and completing projects with capital market relevance. Its members are the Chairman and Deputy Chairman of the Supervisory Board. In 2016, the Committee intensively addressed the takeover offer put forward by GCI and the associated project work. For this reason, it convened on two occasions, on May 3 and May 4, 2016 and held 29 telephone conferences.

The details on the working methods of the Executive Board, the Supervisory Board and committees during the 2016 fiscal year can also be found in the Supervisory Board Report, which is part of this Company's Annual Report and can be downloaded from the AIXTRON website.

2. Corporate Governance Report

2.1. Corporate Governance Report of the Executive and Supervisory Boards

AIXTRON is committed to observing the principles of transparent and responsible conduct of its business aimed at creating value on a sustainable basis by employing appropriate corporate governance. We, the Executive and Supervisory Boards of AIXTRON SE, seek to further strengthen the trust placed in us by our shareholders, financial markets, customers, business partners, employees and the general public through appropriate management and supervision. We are convinced that good corporate governance is an essential element for the success of our Company.

Both this Corporate Governance Report, prepared in accordance with Section 3.10 DCGK, and the joint Declaration of Conformity, issued by the Executive Board and the Supervisory Board pursuant to Section 161 AktG in February 2017 are published in the Annual Report and on the AIXTRON website in German and English. AIXTRON also retains previous Declarations of Conformity on its website for a period of at least five years.

Isolated deviations

AIXTRON has complied with all the recommendations laid out in DCGK in the past and, with the exception of the deviations declared in the Declaration of Conformity, also fully complied with the DCGK in the 2016 fiscal year. Our internal monitoring and control system, which has been regularly tested and continuously kept up to date, complies with Section 404 of the Sarbanes-Oxley Act and provides us with support in meeting our compliance responsibilities.

The Government Commission on the German Corporate Governance Code made several changes and additions to the Code in May 2015. The German Corporate Governance Code (DCGK) in the currently applicable version of May 5, 2015 was published by the Federal Ministry of Justice and for Consumer Protection on June 12, 2015.

Diversity

As stipulated by DCGK, AIXTRON has set clear targets with regard to appropriate diversity in the management of the Company (Sections 5.1.2 and 5.4.1 DCGK).

Pursuant to Sections 76 (4), 111 (5) AktG, the Supervisory Board and the Executive Board of listed companies or companies that are subject to co-determination, must set targets for the percentage of women on the Supervisory Board, Executive Board and at the two management levels below the Executive Board. These requirements are laid out in Sections 4.1.5 and 5.4.1 (2) (DCGK).

AIXTRON endeavors to further increase both the percentage of women and the international composition of its employees and management. Nevertheless, the Company's primary commitment is to ensure that the employees possess the required professional and social skills. The availability of qualified female applicants is very limited, particularly due to the low percentage of women still enrolled in technical degree programs.

In view of this, the Supervisory Board and the Executive Board have set the following targets for the percentage of women to be achieved by June 30, 2017:

Level	Target percentage of women	Percentage of women as of December 31, 2016	Defined by
Supervisory Board	c. 20%	16.7%	Supervisory Board
Executive Board	0%	0%	Supervisory Board
1st level below the Executive Board	0%	0%	Executive Board
2nd level below the Executive Board	8.3%	7.7%	Executive Board

Since the targets were defined, the composition of the Supervisory Board of AIXTRON SE has not changed. The six-member Supervisory Board therefore still includes one woman, which equates to a share of around 17%.

The targets for the Executive Board and the first level below the Executive Board corresponded to the current status at the time the resolution was passed and have therefore already been implemented.

The percentage of women in the second level below the Executive Board amounted to approximately 7.7% at the end of fiscal year 2016. The Company aims to reach the defined target of 8.3% by June 30, 2017.

Composition of the Supervisory Board

In 2010, the Supervisory Board stipulated specific objectives for its future composition, which were most recently adjusted in 2015. In the 2016 fiscal year, the Supervisory Board confirmed a target percentage of women of approx. 20% adopted in 2010 as well as all other existing targets. The targets for the compositions of the Supervisory Board are shown in detail below:

- With respect to nominations of Supervisory Board members, the Nomination Committee makes sure that the Supervisory Board always consists of members who, individually and collectively as a team, have the knowledge, skills and experience required to perform their tasks properly. In addition, the members should be independent. The Nomination Committee thus contributes to improving the efficiency and transparency of the selection process. As a general rule, the Supervisory Board members are nominated for election for the longest possible period in compliance with the Company's Articles of Association.
- AIXTRON is heavily export oriented. Experience in the electronics and lighting appliances markets specific to AIXTRON is therefore of great benefit to the Company.
- As a general rule, new members of the Supervisory Board should not be older than 70 when they retire from the Supervisory Board. When elected, they should be available to the Company for at least two election periods.
- The aim should be that the individual Supervisory Board members will have training, qualifications, expertise and international experience that are as diverse as possible so that collectively they will have the necessary knowledge, skills and experience required to perform their tasks properly. They should have relevant company and product-oriented experience with an understanding of the business model, the specifics of the industry and the processes in the various departments of business management and administration, accounting, financial auditing, corporate development, capital market, technology, special machine production, markets/sales, the lighting market, etc.
- It is believed to be in the best interest of the Company to employ the full potential of well-trained and motivated people from different nationalities and both genders. The Supervisory Board thinks that it is appropriate to uphold the target of approximately 20% for the participation of women in the Supervisory Board.
- The Supervisory Board shall include what it considers to be an adequate number of independent members. A Supervisory Board member will not be considered independent, in particular, if he or she has personal or business relations with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter that may cause a substantial and not merely temporary conflict of interest.
- At least half of the Supervisory Board members should be independent.
- The Supervisory Board shall not have more than two former members of the Executive Board among its members at any one time.
- The Supervisory Board members shall not hold any function as a board member in or act as a consultant for any material competitor of the Company.
- According to DCGK, the Supervisory Board must have at least one independent member with expertise in accounting, internal control processes and the auditing of annual financial statements. This Supervisory Board member is therefore also a member of the Audit Committee.
- Given the increased demands on the professionalization of Supervisory Board members and with a view to ensuring that their services will be provided as efficiently as possible, as in previous years, new Supervisory Board members should not hold more than five board memberships in other listed companies or other companies with similar demands.

Additional information regarding the composition of the Supervisory Board can also be found in the section "Supervisory Board" in Chapter 1.3 of the Corporate Governance Report.

The Executive Board and Supervisory Board of AIXTRON SE are convinced that the Supervisory Board fully complies with its own requirements as well as those for appropriate diversity laid out in DCGK and an appropriate number of independent Supervisory Board members.

For the purposes of continuing education, as part of further professionalization of the Supervisory Board, its members have taken part in advanced training related to their roles as Supervisory Board members and their other professional activities.

Information on remuneration of the Executive Board in accordance with Section 4.2.5. DCGK

Detailed information on the structure and amount of remuneration paid to the individual Executive Board members in accordance with Section 4.2.5. DCGK and on the remuneration of the members of the Supervisory Board as well as an exact list of the outstanding Board stock options can be found in the remuneration report as part of the Company's consolidated management report.

Shareholders and Annual General Meeting

In the 2016 fiscal year, the Annual General Meeting was held in Aachen on May 25, 2016. The invitation to the Annual General Meeting was announced in a timely manner in the German Federal Gazette (Bundesanzeiger) in accordance with the legal requirements, and included the agenda, the proposed resolutions from the Executive and Supervisory Boards as well as the conditions for participation at the Annual General Meeting and the exercising of voting rights. In addition, holders of AIXTRON ADS (American Depositary Shares) received special forms for issuing instructions on the exercise of voting rights within the required time frame. All reports and documentation required by law were available on AIXTRON's website, www.aixtron.com, from the date the Annual General Meeting was convened. Directly following the Annual General Meeting, the Company published attendance figures and the voting results in a press release, as well as on its website.

Four out of five agenda points required approval. All proposed resolutions were adopted, with more than 36% of AIXTRON share capital being represented at the Annual General Meeting.

Shares Held by Executive and Supervisory Board Members

The Company's share capital amounted to EUR 112,804,105 at the end of 2016. As of December 31, 2016, members of AIXTRON SE's Supervisory Board held, directly and indirectly, a total of 0.5% or 601,429 ordinary shares.

As of December 31, 2016, the AIXTRON Executive Board held 52,000 AIXTRON shares. The options held by Executive Board members under stock option plans and the share- and performance-based components of remuneration granted by the Company are set out and explained in the Remuneration Report in the Notes to the Annual Financial Statements.

Information regarding the purchase and sale of AIXTRON SE shares by persons performing managerial responsibilities according to Article 15a WpHG (German Securities Trading Act) is published on the AIXTRON website under the heading of "Corporate Governance/Director Dealings" immediately after the notification is received. In September of fiscal year 2016, a transaction of this kind was published where the Executive Board member Dr. Schulte acquired a total of 52,000 shares with a volume of EUR 216,840.00 through the exercise of stock options.

Transparency

In the interest of maximum transparency, interested parties such as customers, suppliers, shareholders, shareholder associations, potential investors, financial analysts and the media are regularly and promptly informed of the AIXTRON Group's business developments. The internet is the primary communication channel used for this purpose.

Reports on the business situation and financial results of AIXTRON SE and the AIXTRON Group are made available in German and/or English, in the form of:

- The interactive, electronic Annual Report with the Consolidated Financial Statements, the Group Management Report and the Supervisory Board Report
- The AIXTRON SE Annual Financial Statements and the related Management Report in accordance with the German Commercial Code (HGB)
- A half-year financial report and quarterly releases
- Transcripts or audio files of quarterly conference calls for the press and analysts
- Company presentations
- Publication of insider information, as well as Company and IR announcements
- Marketing announcements

Important recurring dates, such as the date of the Annual General Meeting or the publication dates of financial reports, are detailed in the Company's financial calendar published on the AIXTRON website under Investors/Events. This and the above-mentioned reports, speaker notes, presentations, webcasts and press releases are available on the AIXTRON's website for a limited period of time.

Accounting and audit of the annual financial statements

The Consolidated Financial Statements as of March 31, June 30, September 30 and December 31, 2016 were prepared in accordance with the IFRS (International Financial Reporting Standards). The separately reported parent company Annual Financial Statements 2016 for AIXTRON SE were prepared in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The Consolidated Annual Financial Statements and the parent company's Annual Financial Statements were audited by the appointed external auditor and approved by the Supervisory Board. The auditor agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee would be informed without delay about any reasons for exclusion or exemption and any inaccuracies in the Declaration of Conformity arising in the course of the audit. No such material events were recorded in the current year.

Stock Option Plans

AIXTRON has a total of five stock option plans, under which options have been or can be issued for the acquisition of AIXTRON shares to members of the Executive Board, managers and Company employees.

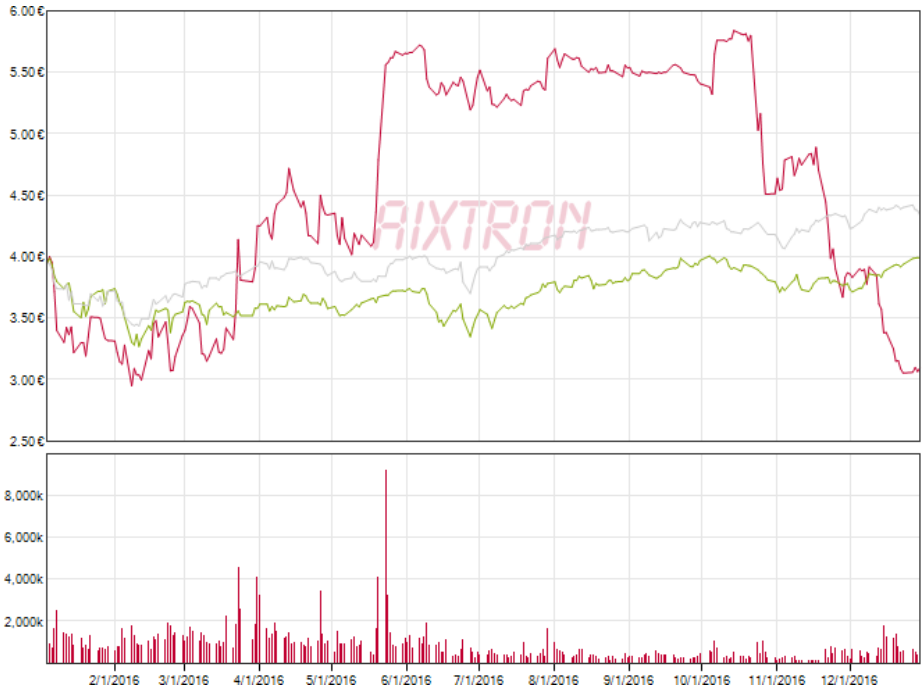
No stock options were issued in the reporting year. The options under the 2012 Stock Option Plan can only be exercised after a waiting period of four years and include an absolute performance target. In addition, stock options issued to members of the Executive Board contain a relative exercise threshold with the TecDAX® stock index as a comparison parameter. The maximum term of the stock options is ten years.

As of December 31, 2016, tranches 2014 and 2014_I of the 2012 Stock Option Plan and the 2007, 2008, 2009, 2010, 2011 and 2012 tranches of the 2007 Stock Option Plan and the previous stock option plans (AIXTRON 1999 and 2002 Plans) still had outstanding options to acquire 2,317,790 AIXTRON shares to be exercised.

A more detailed description of the individual stock option plans and a summary of all the stock option transactions can be found in Note 23 “Share-based payment", of the Notes to the Consolidated Financial Statements.

The AIXTRON Share

Share Price and Volume Graph for AIXTRON SE from 01/01/2016 to 12/31/2016



Share

AIXTRON

Peer group
Indices

TecDAX

NASDAQ Composite

AIXTRON's Share Price Performance

The biggest factor affecting the share price of AIXTRON last year was the intended takeover of the company by the Chinese backed Grand Chip Investment GmbH (GCI). This was set against stable fundamentals for AIXTRON, which resulted in a solid development in terms of both orders and earnings.

Concerns around slowing global economic growth driven by low oil and commodity prices as well as soft growth in China led to a weak start to the major world stock indices in 2016. Against this backdrop, the AIXTRON share price reached a 2016 low of EUR 2.95 (USD 3.06) on February 8, 2016. With the publication of FY/2015 results in February 2016, Management provided full-year 2016 guidance of stable revenues and improved earnings and free cash flow compared to 2015. Management also stated that they expected a stronger second half of the year compared to the first half, all of which gave positive support to the stock price.

On May 23, 2016, the announcement of GCI to launch a takeover bid for AIXTRON at an offer price of EUR 6.00 in cash per share, helped push the share price to EUR 5.56. During June and July 2016, the share price remained relatively stable and increased on the publication of the takeover offer document on July 29, 2016. On October 6, 2016, GCI lowered its minimum acceptance threshold for the takeover offer from 60% to 50.1%. Consequently, the acceptance period was extended by two weeks. In anticipation of a successful deal, the AIXTRON share price reached a 2016 high of EUR 5.84 (USD 6.55) on October 14, 2016.

However, the German Federal Ministry of Economics and Energy withdrew on October 21, 2016 the Clearance Certificate (Unbedenklichkeitsbescheinigung) which had originally been approved on September 8, 2016, and reopened the review proceedings for the acquisition. On December 2, 2016, the President of the United States issued an order prohibiting the acquisition of AIXTRON's United States business by the bidder. Following these events, the share price fell significantly and on December 8, 2016 GCI announced the withdrawal of the takeover offer due to the non-fulfillment of the offer condition to obtain necessary regulatory approvals. The AIXTRON share price ended 2016 at EUR 3.10 (-24.9% year-on-year) in Germany and USD 3.06 (-29.8% year-on-year) in the US (versus 2015 closing prices of EUR 4.13 and USD 4.36), resulting in a market capitalization of close to EUR 350 million. In contrast, the TecDAX® Index decreased by 1.0% from 1,830.7 points to 1,811.7 over the year and the NASDAQ Composite® Index increased by 7.5% from 5,007.4 points to 5,383.1 points at the end of 2016.

Investor Relations

AIXTRON shares are listed on the Prime Standard segment of the Frankfurt Stock Exchange. On December 20, 2016 AIXTRON announced the intention to voluntarily delist the Company's American Depositary Shares (ADSs) from the NASDAQ® Global Select Market℠ as well as to terminate the Company's ADS Program in order to reduce complexity as well as the costs and efforts associated with maintaining a dual listing. The last trading day on the NASDAQ® Global Select MarketSM was December 30, 2016. On January 9, 2017, AIXTRON filed a Form 15F with the U.S. Securities and Exchange Commission (SEC) to deregister. On that day, the delisting became effective and the Company's reporting obligations under the Exchange Act of the United States terminated. AIXTRON expects that the delisting of the Company's ADSs and deregistration will have limited impact on the ordinary shares listed in the Prime Standard segment of the Frankfurt Stock Exchange.

On December 19, 2016, AIXTRON shares were excluded from the TecDAX® index for the first time since the index started as the free float market capitalization was too low, following the substantial reduction of the AIXTRON free float to around 22%. This figure reflected the acceptance of the takeover offer by about 78% of the AIXTRON shareholders. This resulted in a lower position in the ranking list, which led to the exclusion from the TecDAX® index following the fast exit rule in December 2016. With the withdrawal of the GCI takeover offer, the free float of AIXTRON shares has now increased again to previous levels and as a result, when the next TecDAX® index review takes place at the end of February 2017 the Company could again be reinstated onto the index.

Despite the voluntary delisting in the US, AIXTRON will continue to regularly publish press releases and key financial figures informing shareholders and the capital markets on the current status, market environment and perceived outlook for AIXTRON's business. The information will continue to be publicly available in German and English on the Company's website at www.aixtron.com. Please note that AIXTRON does not routinely print and circulate its annual report due to environmental reasons. Instead, AIXTRON offers an online report which is available directly via the Company's website, providing additional functionalities for shareholders.

In addition, AIXTRON regularly participates in many major investor conferences and road shows in the world's most important financial centers. At such conferences, AIXTRON hosts discussions on current financial results, strategies, products, as well as industry and market trends with institutional and private investors, journalists and financial analysts.

Due to the previously described takeover transaction process between May and December, AIXTRON reduced its Investor Relations activities during 2016. As a result, AIXTRON logged only around 26 man-days interacting with the financial markets through Company visits, individual meetings, investor conferences and road shows worldwide, conducting close to 100 personal discussions, calls and teleconferences with financial markets players. The Investor Relations department constantly maintained an active dialogue with stake- and shareholders. AIXTRON remains fully dedicated to providing accurate, timely and relevant information on both the Company's own direct business and general market developments to shareholders and the capital markets. In addition, AIXTRON commits to compliance with the principles of good Corporate Governance. During 2017, the company intends to increase its investor relations activities again.

At year-end 2016, a total of 19 financial analysts (2015: 32) based in Europe commented on the Company on a regular basis as part of their official coverage of the stock.

About 300 shareholders attended AIXTRON's Annual General Meeting which took place on May 25, 2016 in Aachen/Germany. AIXTRON Management provided them with a comprehensive report on the status and prospects of the Company.

Shareholder Structure

As of December 31, 2016, private individuals held approximately 17% of AIXTRON's shares, most of whom are located in Germany. Around 83% of the outstanding AIXTRON shares are held by institutional investors. According to the latest announcement on voting rights, AIXTRON's largest shareholder in 2016 was Argonaut Capital Partners LLP, Edinburgh, UK, holding around 8% of AIXTRON stock. 100 percent of the shares were free float, according to the definition of the Deutsche Börse.

At year-end, the following investors had equity shareholdings in AIXTRON SE exceeding the 3% reporting threshold (according to public filings or voting rights announcements, pursuant to Section 26 (1) of the German Securities Trading Act/WpHG):

// Argonaut Capital Partners LLP, Edinburgh, UK, 7.7%

// Baillie Gifford Overseas Limited, Edinburgh, UK, 5.2%

// Camma Holding sarl, Luxemburg, Luxemburg, 5.0%

// Caisse des Dépôts et Consignations, Paris, France, 3.1%

// Vanguard International Growth Fund, Wayne, USA, 3.0%

Group Management Report

Group Management Report as of December 31, 2016

This Management Report relates to the Consolidated Financial Statements of AIXTRON SE including the following subsidiaries (collectively referred to as “AIXTRON”, “the AIXTRON Group”, “the Group” or “the Company”): AIXTRON, Inc., Sunnyvale, California (USA); AIXTRON Ltd., Cambridge (United Kingdom); AIXTRON Korea Co. Ltd., Hwasung (South Korea); AIXTRON China Ltd., Shanghai (PR of China); AIXTRON KK, Tokyo (Japan) and AIXTRON Taiwan Co. Ltd., Hsinchu (Taiwan).

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial information contained in this Management Report, including comparable prior year numbers, is reported in accordance with IFRS. Further information about the adherence to reporting standards is contained in section “Significant Accounting Policies” of the notes to the Consolidated Financial Statements.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

Forward-Looking Statements

This document may contain forward-looking statements regarding the business, results of operations, financial condition and earnings outlook of AIXTRON. These statements may be identified by words such as “may”, “will”, “expect”, “anticipate”, “contemplate”, “intend”, “plan”, “believe”, “continue” and “estimate” and variations of such words or similar expressions. These forward-looking statements are based on our current assessments, expectations and assumptions, of which many are beyond control of AIXTRON, and are subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements. Should these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of AIXTRON may materially vary from those described explicitly or implicitly in the relevant forward-looking statement. This could result from a variety of factors, such as actual customer orders received by AIXTRON, the level of demand for deposition technology in the market, the timing of final acceptance of products by customers, the condition of financial markets and access to financing for AIXTRON, general conditions in the market for deposition plants and macroeconomic conditions, cancellations, rescheduling or delays in product shipments, production capacity constraints, extended sales and qualification cycles, difficulties in the production process, the general development in the semi-conductor industry, increased competition, fluctuations in exchange rates, availability of public funding, fluctuations and/or changes in interest rates, delays in developing and marketing new products, a deterioration of the general economic situation and any other factors discussed in any reports or other announcements , in particular in the chapter Risks in the Annual Report, filed by AIXTRON. Any forward-looking statements contained in this document are based on current expectations and projections of the executive board based on information available the date hereof. AIXTRON undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise, unless expressly required to do so by law.
This document is an English language translation of a document in German language. In case of discrepancies, the German language document shall prevail and shall be the valid version.

1. Fundamental Information about the Group

1.1. Organizational Structure

The table below shows a list of the AIXTRON subsidiaries as of December 31, 2016:

Name	Jurisdiction of Incorporation	Ownership Interest in %
AIXTRON Ltd.	England & Wales	100
AIXTRON Korea Co. Ltd.	South Korea	100
AIXTRON KK	Japan	100
AIXTRON China Ltd.	China	100
AIXTRON Taiwan Co. Ltd.	Taiwan	100
AIXTRON, Inc.	USA	100
AIXTRON AB (in liquidation)	Sweden	100

1.2. Management and Control

As of December 31, 2016, AIXTRON's Executive Board (Management) consisted of the following two individuals:

Name	Position	First Appointment	End of Term
Martin Goetzeler	Chairman, President and Chief Executive Officer	March 1, 2013	February 28, 2017
Dr. Bernd Schulte	Executive Vice President and Chief Operating Officer	April 1, 2002	March 31, 2018

As of December 31, 2016, AIXTRON's Supervisory Board consisted of the following six individuals:

Name	Position	Member since	End of Term
Kim Schindelhauer[1)2)3)4)5)]	Chairman of the Supervisory Board	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen[1)4)]	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee, Independent Financial Expert[6)]	1998	AGM 2019
Dr. Andreas Biagosch[2)]		2013	AGM 2021
Prof. Dr. Petra Denk[2)3)]	Chair of the Technology Committee	2011	AGM 2021
Dr. Martin Komischke		2013	AGM 2021
Prof. Dr. Rüdiger von Rosen[1)3)]	Chairman of the Nomination Committee	2002	AGM 2017

1) Member of the Audit Committee
2) Member of the Technology Committee
3) Member of the Nomination Committee
4) Member of the Capital Market Committee
5) Former AIXTRON Executive Board Member
6) Since 2005

On January 20, 2017, AIXTRON announced that Martin Goetzeler will leave the Company effective February 28, 2017. AIXTRON Supervisory Board Chairman Kim Schindelhauer will become interim CEO and will take over Mr. Goetzeler´s tasks effective March 1, 2017. Professor Dr. Wolfgang Blättchen, current deputy chairman of the Supervisory Board, will take over as chair of the Supervisory Board during Mr. Schindelhauer's work as CEO of the company.

Information to the collaboration between Supervisory and Executive Boards of AIXTRON SE as well as to the management procedures and corporate governance are explained in the Corporate Governance Report which is available on the AIXTRON website under www.aixtron.com/en/investors/corporate-governance/.

1.3. Locations

The Company has its registered office in Herzogenrath, Germany, and had a total of 13 facilities worldwide owned or rented as of December 31, 2016:

Facility location	Use	Approx. size (m²)	Lease expiry
Herzogenrath, Germany (owned)	Manufacturing, sublease	12,457	-
Herzogenrath, Germany (owned)	Headquarters, R&D, Manufacturing, Engineering	16,000	-
Aachen, Germany (leased)	R&D	200	02/28/2017
Cambridge, UK (leased)	Manufacturing, Engineering, R&D	2,180	09/13/2019
Cambridge, UK (leased)	Service, Engineering	696	06/27/2020
Sunnyvale, CA, USA (leased)	Manufacturing, Sales, Service, Engineering, R&D	9,338	10/31/2017
Hwasung, South Korea (leased)	Sales, Service	1,151	08/09/2020
PyongTak, South Korea (leased)	Service	98	11/30/2018
Shanghai, China (leased)	Sales, Service	594	08/31/2018
Suzhou, China (leased)	Application Laboratory	537	12/31/2017
Hsinchu, Taiwan (leased)	Sales, Service	988	12/31/2017
Tainan, Taiwan (leased)	Service	109	05/27/2017
Tokyo, Japan (leased)	Sales, Service	364	09/30/2018

1.4. Business Model

AIXTRON is a leading provider of deposition equipment to the semiconductor industry. The Company's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and optoelectronic applications based on compound, silicon or organic semiconductor materials. These include LED applications, display technologies, data storage, data transmission, energy management, storage and conversion, communication, signaling and lighting, as well as a range of other leading-edge applications.

AIXTRON's business activities include developing, producing and installing equipment for the deposition of semiconductor and other complex materials, process engineering, consulting and training, including ongoing customer support and after-sales service. AIXTRON also offers a comprehensive range of peripheral equipment and services.

AIXTRON supplies its customers with both production-scale material deposition systems and small scale systems for Research & Development (R&D) or small scale production.

Demand for AIXTRON's products is driven by increased processing speed, improved efficiency, energy storage and energy efficiency requirements and the necessity to reduce the cost of ownership for current and emerging microelectronic and optoelectronic components. The ability of AIXTRON's products to precisely deposit thin material films and the ability to control critical surface dimensions in these components, enables manufacturers to improve performance, yield and quality in the fabrication process of advanced microelectronic and optoelectronic devices

Environmental protection and the responsible use of resources are an essential part of AIXTRON's business strategy. The Company's engineers work on improving AIXTRON's systems continuously, both in terms of resource conservation and environmental-friendly design and function.

Since 2014, the energy management system of AIXTRON SE has been certified according to ISO 50001. Also since 2014 the environmental management system at AIXTRON, Inc. has been certified according to ISO 14001. Both systems contribute to the efficient use of energy and the careful use of resources.
Please refer to chapter "Risk Report" for potential factors that could adversely affect the Company's business activities, model and strategy going forward.

1.5. Technology and Products

AIXTRON's product range includes customer-specific systems capable of depositing material films on a diverse range of different substrate sizes and materials.

The deposition technologies for opto and power electronics include Metal-Organic Chemical Vapor Deposition (”MOCVD”) for the deposition of compound materials to produce for instance LEDs, power electronics or other optoelectronic components.

For thin film deposition technologies for organic electronics applications including Organic Light Emitting Diodes (OLED), AIXTRON offers Polymer Vapor Phase Deposition (PVPD) and Organic Vapor Phase Deposition (OVPD). For thin film encapsulation, AIXTRON offers a Plasma Enhanced Chemical Vapor Phase Deposition (PECVD) technology. PECVD is also being employed for the deposition of complex Carbon Nanostructures (Carbon Nanotubes, Nanowires or Graphene).

For logic and memory applications, AIXTRON systems are capable of depositing material films on wafers of up to 300mm in diameter for the production of memory chips, by employing technologies such as: Chemical Vapor Deposition (CVD) and Atomic Layer Deposition (ALD). Additionally, MOCVD technology is applied to deposit compound materials for the development of future logic devices.

The following table summarizes the products and technologies AIXTRON offers to its customers for use in specific applications and devices:

Technologies	**Technologies for opto & power electronics applications**	**Technologies for organic and carbon nano applications**	**Technologies for logic & memory applications**
Deposition Technologies	MOCVD	OVPD®	CVD
		PVPD®	ALD
		OPTACAP™ PECVD	MOCVD
		CVD/PECVD	
Products	Planetary Reactor® AIX G5+C AIX G5 WW AIX 2800G4-TM	OVPD® R&D and Production Systems	Lynx-iXP CVD
	Close Coupled Showerhead® AIX R6 CCS FT R&D	PRODOS PVPD® R&D and Production Systems	QXP-8300 ALD Metal QXP-8300 ALD Oxide
		OPTACAP™ R&D and Production Systems	EXP MOCVD
		Nano CVD Reactors BM Series	CRIUS® R MOCVD
Potential Applications/Devices	LEDs	OLEDs for displays	CVD WSi Gate stacks for 2D and 3D NAND
	Optoelectronics (photo diodes, lasers, modulators for telecom/datacom)	OLEDs for solid state lighting	DRAM Gate and Capacitor Metal Nitride, DRAM Capacitor high k Dielectric
	Laser devices for consumer electronics (CDs, DVDs)	Organic transparent thin film solar cells	2D and 3D NAND high k IPD (Inter Poly Dielectric) and Blocking Oxide
	High-Frequency devices (such as Hetero Bipolar Transistors and High Electron Mobility Transistors) for wireless datacom	Electronic semiconductor structures, e.g. for flexible displays	ReRAM and PCRAM Material and Electrode
	Silicon Carbide (SiC) based High Power Devices	Functional polymer layers	Logic and MIM high k Gate stack and Metal
	Gallium Nitride (GaN) based Power Devices	Dielectric or passivating polymer layers	III-V High Mobility Device for Logic Devices
	Solar cells	Carbon Nanostructures for electronic, energy storage, display & heat sink applications	III-V based Nanowire, TFET and Optical Interconnect
		Graphene structures for electronic applications	

AIXTRON is constantly working on the improvement of existing technologies and products. In the course of the last three years, AIXTRON has introduced several new system generations and technologies, such as the automated AIX G5+C for opto & power electronics applications.

1.6. Research and Development

In addition to the state-of-the-art R&D center at its headquarters in Herzogenrath, AIXTRON also operates R&D laboratories in Aachen (Germany), in Cambridge (United Kingdom) and in Sunnyvale (United States). These in-house laboratories are equipped with AIXTRON systems and are used to research and develop new equipment, materials and processes for the production of semiconductor structures.

AIXTRON's R&D activities in 2016 included development programs for new products as well as continual improvement programs for AIXTRON's existing products. Design-to-Cost-activities have been implemented for numerous R&D projects in order to reduce material costs on a continuous basis e.g. by improving the design of externally procured components. AIXTRON is also working on customer-specific development projects and often does research within the framework of publicly funded projects.

The Company's R&D capability remains of important strategic significance, as it provides for a competitive, leading edge technology portfolio and supports the future business development. Therefore, AIXTRON is committed to investing specifically in research and development projects to not only further pursue the Company's leading technology position in MOCVD equipment for applications such as specialty-LEDs and for the production of wide band gap materials for Power Electronics or next generation logic & memory applications. AIXTRON also targets to penetrate growth areas in the field of Organic Semiconductors. The Company's R&D activities in fiscal year 2016 were focused on the improvement of existing tools and the development work for next generation MOCVD technologies. These expenditures are monitored very closely. The Company's R&D program in 2016 comprised a team of an average of 252 highly skilled R&D employees (2015: 265; 2014: 285).

For more information regarding R&D expenses from 2014 through 2016, refer to "Development of Results" in this report.

The following provides specific examples of AIXTRON's research and development activities in fiscal year 2016:

Recent examples of R&D activities are the "PeroBOOST" project investigates the development of solar cells from perovskites and the "HEA2D" project to investigate the production, qualities, and applications of 2D nanomaterials. In a three-year "PeroBOOST" project, AIXTRON collaborates with a consortium of research institutions with aims to develop the basis for innovative and efficient solar cells utilizing the recently discovered superb properties of organo perovskite materials. In addition to being expected to involve lower costs, this technology also opens up a variety of novel future applications due to its manufacturability on flexible substrates. The joint project HEA2D with five partners is now researching various deposition processes for 2D materials, processes for transfer onto plastic foils, and mass integration into plastics components. When integrated into mass production processes, 2D materials have the potential to create integrated and systematic product and production solutions that are sustainable in social, economic, and ecological terms. One focus of AIXTRON's subproject involves researching processes and systems technology for the deposition of optically active 2D semiconductor materials such as molybdenum sulfide or graphene.

1.7. Patents

AIXTRON aims to secure its technology by patenting and protecting inventions, provided it is strategically expedient and possible for the Company to do so. As of December 31, 2016, the Company had 207 patent families available (December 31, 2015: 189 patent families). For 20 patent families, patent protection was applied for within fiscal year 2016. Patent protection for inventions is usually applied for in those sales markets relevant for AIXTRON, specifically in Europe, China, Japan, South Korea, Taiwan and the United States. Patents are maintained and renewed annually and will expire between 2017 and 2036. AIXTRON pursues a continuous assessment of its intellectual property.

AIXTRON also has exclusive and non-exclusive licenses to patents owned by others covering certain AIXTRON's products.

AIXTRON is the licensee of certain patents owned by Centre National de la Recherche Scientifique and Universal Display Corporation which are important to the Company's operations in the fields of complex material deposition. AIXTRON sells certain reactor technologies under the terms of those licenses, which apply to the principles of delivering precursor material into a vacuum vapor deposition chamber.

1.8. Manufacturing and Procurement

The AIXTRON Manufacturing operation is involved in the final assembly stage of production, including equipment configuration and tuning as well as the final inspection. The Company purchases all of the components and most of the assemblies required to manufacture the equipment from third-party suppliers and contractors. AIXTRON's contractors and suppliers are carefully selected and qualified to be able to source, supply and/or partially assemble and test individual equipment parts and sub-assemblies. For strategic reasons, there are typically several suppliers for each AIXTRON equipment component/assembly. However, AIXTRON single sources some key components for its systems and is therefore dependent on contracts with the specific supplier of such components. AIXTRON's own staff manages the whole manufacturing process and in conjunction with external contractors executes the final manufacturing and testing steps.

All AIXTRON manufacturing facilities have an ISO 9001 certified process oriented quality management system. During 2016, the certification was confirmed at AIXTRON SE following a successful certification audit without any deviations. During 2016, external auditors also confirmed the certification at AIXTRON, Ltd as well as at AIXTRON, Inc. Since 2014, the energy management system of AIXTRON SE has been certified according to ISO 50001. Also since 2014 the environmental management system at AIXTRON, Inc. has been certified according to ISO 14001. Both systems contribute to the efficient use of energy and the careful use of resources.

The Company complies with national and international standards and procedures for the equipment industry that are applicable to AIXTRON products.

The "CE" marking confirms the conformity of AIXTRON products with the applicable European directives and standards. Moreover, relevant US American standards for admission of AIXTRON products to the US market and the recommended requirements of the SEMI organization are also complied with. When developing new AIXTRON products, among other things, the European Directive RoHS "Restriction of Hazardous Substances" is strictly adhered to. The certifications from independent institutions, such as "TÜV" and "ETL" also confirm compliance of AIXTRON's products with national and international requirements and specifications.

AIXTRON commits itself and its suppliers to ethical and moral standards for the purchase and usage of conflict minerals (gold, tantalum, tin and tungsten). AIXTRON is continuously striving for transparency regarding the origin of these minerals.

1.9. Sales and Service

The AIXTRON Group markets and sells its products worldwide, principally through its own direct sales organization, but also through appointed dealers and sales representatives.

AIXTRON's own Sales and Service Organization provides a full range of customer services, from the initial support of the customized development of an AIXTRON system, through to the final installation and the ongoing customer training as well as the operational support of its systems (after-sales service).

Through the deployment of specialized key account managers supporting AIXTRON customers with the target to improve their competitiveness, customer relationships were enhanced.

1.10 Employees

AIXTRON's success very much depends on the achievements and motivation of the Company's staff. The employees are recruited on the basis of professional and personal qualifications and experience. Apart from the direct advertising of job opportunities to attract new employees, AIXTRON regularly participates in job fairs and other career events, has local press coverage, and enjoys close collaborative relationships with universities worldwide, including the RWTH Aachen University and the University of Cambridge.

As a global Company with an international corporate culture, AIXTRON places great value on diversity and sees it also as a competitive advantage. The overall aim is to create a productive work environment, to prevent social discrimination of any kind, and to cultivate equal opportunities.

As part of its innovation management process, AIXTRON has an employee suggestion scheme to encourage all employees to submit their ideas to improve the Company, for instance with ideas to improve processes or products or to, save cost, etc. In 2016, a total of 97 ideas were accepted/implemented.

Management and leadership quality of an organization also have great impact on the success of a company. AIXTRON promotes these qualities within a specific leadership program, coaching members of the management team in management and team building techniques.

In 2016, the total number of employees decreased by 6%, from 748 employees at the end of 2015 (2014: 789) to 705 at December 31, 2016. Manufacturing & Service as well as R&D positions still comprise the largest group of permanent employees.

Employees by Function	2016		2015		2014		2016-2015	
	Dec-31	%	Dec-31	%	Dec-31	%	abs.	%
Sales	58	8	62	8	65	8	-4	-6
Research & Development	250	35	257	34	292	37	-7	-3
Manufacturing & Service	301	43	323	44	322	41	-22	-7
Administration	96	14	106	14	110	14	-10	-9
Total	**705**	**100**	**748**	**100**	**789**	**100**	**-43**	**-6**

As of December 31, 2016, the majority of AIXTRON's worldwide permanent employees were, as in previous years, based in Europe.

Employees by Region	2016		2015		2014		2016-2015	
	Dec-31	%	Dec-31	%	Dec-31	%	abs.	%
Asia	116	16	138	18	154	20	-22	-16
Europe	455	65	475	64	521	66	-20	-4
USA	134	19	135	18	114	14	-1	-1
Total	**705**	**100**	**748**	**100**	**789**	**100**	**-43**	**-6**

1.11. Customers and Geographic Regions

Among other areas of activity, AIXTRON's semiconductor device customers are engaged in the manufacturing of LEDs, lasers, wireless devices, power electronics, other optoelectronic devices, as well as logic and memory chips. Some of these customers are vertically integrated device manufacturers who serve the entire value chain down to the end consumer. Others are independent component suppliers who deliver chips and components produced on AIXTRON equipment to the next link in the value chain, namely, the electronic device manufacturers. The Company's customers also include research centers and universities. Most of the world's leading electronic device manufacturers produce in Asia and consequently, the majority of AIXTRON sales continue to be delivered into this region.

See also "Development of Revenues" for a breakdown of revenues by technology and region.

1.12. Competitive Positioning

AIXTRON's main competitor in MOCVD applications remains Veeco Instruments Inc. (USA) (Veeco). AIXTRON also competes with a number of Asian manufacturers including Taiyo Nippon Sanso (Japan). Additional companies continue to attempt to qualify their own MOCVD tools with customers. For example, Jusung Engineering Co. Ltd. (South Korea) or Nuflare Technology Inc. (Japan) are known to have been active in the development of in-house equipment solutions for the production of LEDs. Certain Chinese companies, such as Advanced Micro-Fabrication Equipment Inc. or Tang Optoelectronics Equipment (Shanghai) Corporation Limited are working on the qualification of MOCVD equipment, supported by respective government initiatives.

Based on the latest published market share research by Gartner Dataquest (Forecast: Semiconductor Manufacturing Equipment, Worldwide, April 2016), it was estimated that the share of the worldwide MOCVD equipment market (estimated 2015 total market value: USD 336 million) held by AIXTRON in 2015 was around 37%. Particularly due to stronger demand from opto- and power electronic applications, the market share is expected to increase again significantly in 2016. In the same report, the Company's strongest competitor in terms of sales, Veeco Instruments Inc., had an estimated market share of approximately 59%. Viewed in the mid- to long-term, AIXTRON continues to target retaining a market leading position in the global MOCVD market

For CVD-, MOCVD- and ALD-technologies for Silicon applications, AIXTRON competes with a variety of other equipment companies, including LAM Research, Inc. (USA), Applied Materials, Inc. (USA), Tokyo Electron Ltd. (Japan), ASM International N.V. (Netherlands), IPS Technology (South Korea), Jusung Engineering Co. Ltd. (South Korea), and Hitachi Kokusai Electric Co. Inc. (Japan). With the Company's currently available silicon semiconductor manufacturing technologies and thin film processes, AIXTRON is potentially well positioned to offer advanced films for 18nm node and below for Memory and Logic Integrated Circuits (ICs). AIXTRON technologies enable extremely high precision in depositing very thin material layers and facilitate the consistent coating of complex three-dimensional microelectronic device structures. Moreover, they offer new material deposition possibilities for next generation semiconductor devices, and, in AIXTRON's opinion, present high development potential for the future.

However, as AIXTRON only addresses a specific niche, market share of the total Silicon Semiconductor market is not considered meaningful at this point in time.

For emerging Organic Semiconductor applications, AIXTRON competes with established manufacturers such as Ulvac, Inc. (Japan), Tokki Corporation (Japan), SNU Precision (South Korea), Sunic System (South Korea) and a number of other smaller companies. While these competitors use the vacuum thermal evaporation (VTE) or polymer technologies to produce OLEDs, AIXTRON offers OLED manufacturers its own highly innovative OVPD® and PVPD® large area deposition technologies. In AIXTRON's opinion, due to a perceived superior process technology enabling a reduction of OLED manufacturing costs, these technologies have the potential to compete successfully with VTE and polymer technologies, especially in the field of large area displays. AIXTRON is positioning itself as an alternative deposition system supplier for next generation OLEDs and large area deposition applications such as displays, future lighting, solar cells, and other electronic OLED applications.

For thin film encapsulation applications, AIXTRON's PECVD technology competes with manufacturers such as Ulvac, Inc. (Japan), SNU Precision (South Korea), Applied Materials Inc. (USA) and a number of other smaller companies applying PECVD or ALD technology.

As AIXTRON's organic material deposition and encapsulation technologies as well as most customer applications are still in the market entry phase, Organic Semiconductor market share information is considered not meaningful at this point in time.

1.13. Financial and Non-Financial Performance Indicators

The Executive Board has implemented dedicated control systems and procedures to manage, monitor, analyze, and document Company risks and opportunities, including a key performance indicator system addressing relevant product groups, with a primary focus on the "Market", "Finance" and "Technology Development" control areas.

In the "Market" control area, using third party reports and direct customer dialog, AIXTRON pursues a customer- and market-led product development strategy through the careful examination of market trends and customer requirements. The objective of this strategy is to ensure the timely market availability of new and appropriately competitive product generations in line with customer requirements.

In the "Finance" control area, the Executive Board uses a range of internal and external financial and non-financial performance indicators with particular focus on: order intake, revenues, margin contributions, EBIT, EBITDA and free cash flow. The objective of these controls is to ensure that profitable revenue growth is matched with cost and asset efficiency to achieve sustainable value generation.

In the "Technology Development" control area, the Executive Board again uses a range of performance indicators to evaluate the progress of key research and development projects. The Management regularly reviews compliance with project plans, pre-defined targets and quality gates, such as timelines, quality, cost and margin targets. Following the release of new products for example, the Management monitors closely the development of the respective revenues and related returns. The objective of this review process is to ensure that ongoing technological developments retain not only the necessary level of technological standards but also commercial competitiveness throughout the life of the product.

1.14. Government Regulation

Due to the nature of AIXTRON's products, the shipment of some products to customers in certain countries requires the Company to obtain an export license from statutory authorities in Germany, the UK and the US, including, for example, the Bundesamt für Wirtschaft und Ausfuhrkontrolle, BAFA in Germany, the Department for International Trade in the UK as well as the Department of State and the Department of Commerce in the US.

Research and development activities, as well as the manufacturing and demonstration of the Company's products involve the use of potentially harmful chemical and hazardous materials and radioactive compounds and as a result, AIXTRON is subject to stringent environmental and safety regulations in connection with its business operations (such as industrial safety regulations, the ordinance on hazardous substances, labor protection laws or the workplaces ordinance).

The Company is also subject to other regulations, for example the provisions of the US Foreign Corrupt Practices Act and the UK Bribery Act relating to the maintenance of books and records and anti-bribery controls. AIXTRON has an anti-corruption guideline in place which is mandatory for every AIXTRON employee.

2. Report on Economic Position

2.1. Global Economy

As a producer of capital goods, AIXTRON could be affected by the global economic development as far as it could have an effect on its own supply chain and cost of sales as well as on its customers' sales projections and therefore also on their investment behavior.

Global economic development remained subdued throughout the year 2016 with growth in the advanced economies, especially the United States, slowing down significantly and the unexpected Brexit vote adding another remarkable risk to future growth perspectives. In its World Economic Outlook Update, published January 16, 2017, the International Monetary Fund (IMF) projected global growth in 2016 slightly below the previous year's level at an estimated 3.1% (2015: 3.2%), with growth in the advanced economies for 2016 being forecast at 1.6% (2015: 2.1%) and in the emerging and developing countries at 4.1% (2015: 4.1%).

However, this global economic environment had no specific effects on AIXTRON's business development in fiscal year 2016 as AIXTRON is more dependent on innovation-driven industry business cycles such as the progressing technology changes in semiconductor markets.

Growth figures from the U.S. which fell short of expectations and a correspondingly cautious monetary policy by the Federal Reserve saw a slightly weakening US dollar throughout most of the year 2016. Only towards the end of the year, triggered by a new interest rate increase, the US dollar surged to a year-high of 1.038 USD/EUR. The year-end exchange rate on December 31, 2016 was 1.055 USD/EUR compared to 1.089 USD/EUR; an increase of approximately 3%. The average exchange rate used by AIXTRON to translate income and expenses denominated in US dollars in fiscal year 2016 was 1.11 USD/EUR (Q1/2016: 1.09 USD/EUR; Q2/2016: 1.13 USD/EUR; Q3/2016: 1.11 USD/EUR; Q4/2016: 1.09 USD/EUR) which was stable compared to the previous year (2015: 1.11 USD/EUR).

AIXTRON Management continues to carefully monitor the developments of the global economy and the financial markets, and regularly examines what can potentially be done to mitigate negative exogenous effects on AIXTRON’s business.

2.2. The Semiconductor Equipment Market

The total ALD market of which AIXTRON addresses only a specific niche with its system technologies, was estimated by Gartner Dataquest in its latest forecast of December 2016 (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update) to be valued at USD 1,028 million for 2016.

In 2016, the electronics equipment industry in total grew by 41% (according to Gartner Dataquest, Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update, December 2016).

In comparison, the subset, semiconductor capital spending is expected to have declined by 5.1% in 2016. A further subset, specific spending on Wafer Fab Equipment (WFE), which includes spending on deposition tools supplied by AIXTRON for the production of specialized applications such as gate stacks and capacitors, is expected to have grown by 8.1% year on year (according to Gartner Dataquest, Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update, December 2016).

Compared to 2015, AIXTRON’s equipment revenues for memory and logic applications increased by 11% to EUR 32.4 million (2015: EUR 29.3 million) in fiscal year 2016.

2.3. The LED Market

In 2016, the market for Gallium nitride based, LED devices which can be produced with AIXTRON’s compound semiconductor MOCVD equipment, was expected to have grown by 13% measured in units according to a report from IHS (an independent semiconductor market research institute), published in July 2016. However, according to industry sources, LED prices have stabilized throughout the year. Concurrently, the market for Gallium nitride based, high brightness LED devices was predicted to grow in 2016 by 2% to USD 16.8 billion from USD 16.4 billion in 2015 (IHS).

In the more recent forecast “Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update” (December 2016) Gartner Dataquest anticipated that the total value of the 2016 MOCVD equipment market would decrease to approximately USD 250 million. Veeco and AIXTRON are expected to remain the main players in this market.

AIXTRON’s revenues for MOCVD equipment to manufacture optoelectronic devices excluding LEDs increased by 14% from EUR 46.7 million in 2015 to EUR 53.2 million in 2016. AIXTRON’s 2016 revenues of MOCVD manufacturing equipment for LEDs slightly increased from EUR 39.7 million in 2015 to EUR 41.1 million.

2.4 The Wide-Band-Gap (WBG) Gallium nitride and Silicon Carbide power semiconductor market

According to the market research institute IHS (February 2016), the market for Wide-Band-Gap (WBG) Gallium nitride (GaN) and Silicon Carbide (SiC) based power management devices is expected to grow from 231 million shipped units in 2015 to 297 million shipped units in 2016. Based on the opinion of both market research institutes IHS and Gartner, the penetration of WBG devices relative to total power device market is expected to rise from low single digit in 2016 to low double digit in 2021.

The growing demand for more efficient power management and switching applications as well as governmental policy changes and efforts from the supply chain, have contributed positively to increasing the momentum for wide band gap development activities across automotive, commercial, industrial and consumer segments.

The revenues of AIXTRON's MOCVD equipment for the manufacturing of WBG Gallium nitride (GaN) and Silicon Carbide (SiC) based power management devices in 2016 were EUR 21.8 million, lower than EUR 25.8 million in 2015 reflecting customer capital expenditure plans.

2.5 The OLED market

The market for large OLED displays is the most imminent opportunity for AIXTRON's Organic Semiconductor deposition and encapsulation technologies. The TV market is predicted to increasingly adopt OLED displays within the next years, at which point, it is expected that OLEDs will have the potential to penetrate the high end of the volume TV market to a larger degree. With its thin film encapsulation technology, AIXTRON additionally targets the market for flexible displays which offer the best solution for small and medium size displays used in mobile and wearable applications.

According to the market research institute Display Supply Chain Consultants (January 2017), the market for OLED TV is expected to have grown to 900,000 shipped units in 2016. The penetration of OLED TV relative to the total flat panel display TV market is expected to have reached 0.3% in 2016.

2.6. Results of Operations

2.6.1. Development of Revenues

In fiscal year 2016, AIXTRON recorded total revenues of EUR 196.5 million, which was virtually stable compared to 2015 (2015: EUR 197.8 million; 2014: EUR 193.8 million). The 2016 equipment revenues increased to EUR 155.7 million (2015: EUR 151.0 million; 2014: EUR 148.5 million), with demand for MOCVD Equipment for optoelectronics (excluding LEDs) being the largest contributor to AIXTRON's equipment revenues, representing 34%. Total equipment sales generated 79% of total revenues in 2016 (2015: 76%; 2014: 77%).

21% of total revenues in 2016 were generated by sales of spare parts and service, which is lower compared to the same figure in 2015 (2015: 24%; 2014: 23%). In absolute terms, sales of spare parts and service in 2016 were at EUR 40.8 million, 13% decrease compared to 2015 (2015: EUR 46.8 million; 2014: EUR 45.3 million).

Revenues by Equipment, Spares & Service	**2016**		**2015**		**2014**		**2016-2015**	
	m EUR	%	m EUR	%	m EUR	%	m EUR	%
Equipment revenues	155.7	79	151.0	76	148.5	77	4.7	3
Other revenues (service, spare parts, etc.)	40.8	21	46.8	24	45.3	23	-6.0	-13
Total	**196.5**	**100**	**197.8**	**100**	**193.8**	**100**	**-1.3**	**-1**

In 2016, the major part of total revenues continued to be generated by sales to customers in Asia, which was 5 percentage points higher than in the previous year at 65% (2015: 60%; 2014: 83%). 19% of total revenues in 2016 were generated in the Americas (2015: 22%; 2014: 4%) and the remaining 16% in Europe (2015: 18%; 2014: 13%).

Revenues by Region	2016		2015		2014		2016-2015	
	m EUR	%	m EUR	%	m EUR	%	m EUR	%
Asia	128.0	65	118.4	60	160.2	83	9.6	8
Europe	30.8	16	35.8	18	25.2	13	-5.0	-14
Americas	37.7	19	43.6	22	8.4	4	-5.9	-14
Total	**196.5**	**100**	**197.8**	**100**	**193.8**	**100**	**-1.3**	**-1**

2.6.2. Development of Results

Cost Structure

	2016		2015		2014		2016-2015	
	Full Year		Full Year		Full Year			
	m EUR	% Rev.	m EUR	% Rev.	m EUR	% Rev.	m EUR	%
Cost of sales	**140.2**	**71**	**147.9**	**75**	**154.1**	**80**	**-7.7**	**-5**
Gross profit	**56.3**	**29**	**49.8**	**25**	**39.7**	**20**	**6.5**	**13**
Operating costs	**77.7**	**40**	**76.5**	**39**	**98.0**	**51**	**1.0**	**1**
Selling expenses	13.8	7	11.5	6	14.1	7	2.2	18
General and administration expenses	17.1	9	16.3	8	19.3	10	0.8	5
Research and development costs	53.9	28	55.4	28	66.7	34	-1.5	-3
Net other operating (income) and expenses	(7.2)	4	(6.7)	3	(2.2)	1	0.5	8

Cost of Sales

In 2016, cost of sales decreased year on year by 5% or EUR 7.7 million from EUR 147.9 million to EUR 140.2 million (2014: EUR 154.1 million). This was due to higher efficiencies in production and service, which also led to lower inventory write downs. Consequently, 2016 cost of sales relative to revenues decreased to 71% (2015: 75%; 2014: 79%).

Gross Profit, Gross Margin

Against this background, the Group's gross profit in 2016 increased year-on-year to EUR 56.3 million (2015: EUR 49.8 million; 2014: EUR 39.7 million), resulting in an improved gross margin of 29% after 25% in 2015 (2014: 21%).

Operating Costs

With EUR 77.7 million, total **operating costs** in 2016 were stable against the previous year's figure of EUR 76.5 million (2014: EUR 98.0 million), mainly due to continued tight cost control. The operating costs were in line with the targeted annual cost level of approximately EUR 80 million. Operating costs relative to revenues in 2016 were at close to 40% (2015: 39%; 2014: 51%).

This development was influenced by the following factors:

Selling expenses in 2016 increased in absolute terms from EUR 11.5 million to EUR 13.8 million mainly due to accelerated depreciation of demonstration equipment in China (2013: EUR 14.1 million). Selling expenses relative to revenues were stable at 7% (2015: 6%; 2014: 7%).

Due to expenses in conjunction with the planned takeover transaction, general and administration expenses in fiscal year 2016 increased slightly by 0.8 million to EUR 17.1 million or 9% of revenues (2015: EUR 16.3 million or 8% of revenues; 2014: EUR 19.3 million or 10% of revenues).

Key R&D Information	**2016**	**2015**	**2014**	**2016-2015**
R&D expenses (in EUR million)	53.9	55.4	66.7	-3%
R&D expenses, % of sales	27	28	34	
R&D employees (period average)	252	265	285	-5%
R&D employees, % of total headcount (period average)	35	35	36	

Research and development costs decreased by 3% year-on-year from EUR 55.4 million in 2015 (2014: EUR 66.7 million) to EUR 53.9 million in 2016, which was mainly due to the completion of the AIX R6 project whereas our efforts in Power Electronics, OLED and compound semiconductor materials for logic (III-V-on-Silicon, TFOS) were increased.

Personnel Costs	**2016**	**2015**	**2014**	**2016-2015**	
	m EUR	m EUR	m EUR	m EUR	%
Cost of Sales	23.4	23.8	22.3	-0.4	-2%
Selling, General and Administrative expenses	15.5	15.6	16.1	-0.1	0%
Research and Development costs	24.2	23.6	28.1	0.6	3%
Total	**63.1**	**63.0**	**66.5**	**0.1**	**0%**

The average number of Group employees in 2016 declined from 757 in 2015 to 721 (2014: 785). **Personel costs** of EUR 63.1 million in 2016 were flat compared to EUR 63.0 million in 2015 (2014: EUR 66.5 million) due to local currency effects and increased salaries. As per December 31, 2016, the number of employees, decreased from 748 as per December 31, 2015 to 705 (December 31, 2014: 789).

Net other operating income and expenses for fiscal year 2016 were virtually stable at an income of EUR 7.2 million (2015: EUR 6.7 million income; 2014: EUR 2.2 million income). A contractual settlement and R&D funding were major contributors.

In 2016, the Company recorded a **net currency loss** of EUR -0.2 million (2015: EUR 2.7 million net income; 2014: EUR -0.3 million net loss) resulting from currency transaction and translation differences of balance sheet positions.

The EUR 2.1 million of R&D grants received in 2016 (2015: EUR 3.0 million; 2014: EUR 1.8 million), were recorded as ”other operating income”.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization)
At EUR -7.9 million EBITDA in fiscal year 2016 further improved against the previous year by 52% or EUR 8.5 million in absolute terms (2015: EUR -16.4 million, 2014: EUR -41.3 million), mainly due to the above-mentioned effects. Depreciation increased mainly due to the accelerated depreciation of demonstration and laboratory equipment.

	Year ended December 31		
(In EUR million)	**2016**	2015	2014
EBITDA	**-7.9**	**-16.4**	**-41.3**
Depreciation, amortization and impairment expense	-13.5	-10.3	-17.0
Operating Result (EBIT)	**-21.4**	**-26.7**	**-58.3**

Operating Result EBIT (Earnings before Interest and Tax)
The absolute **operating result** (EBIT) improved in a year-on-year comparison by EUR 5.3 million and was at EUR -21.4 million in 2016 (2015: EUR -26.7 million; 2014: EUR -58.3 million) resulting in an improved EBIT margin of -11% (2015: -14%; 2014: -30%). This is attributable primarily to the afore-mentioned cost effects.

Result Before Taxes

Result before taxes improved year-on-year by EUR 5.0 million from EUR -26.0 million in 2015 (2014: EUR -57.1 million) to EUR -21.0 million in 2016, with a net finance income of EUR 0.4 million (2015: EUR 0.8 million income; 2014: EUR 1.2 million income).

Interest & Taxes	2016	2015	2014	2016-2015	
	m EUR	m EUR	m EUR	m EUR	%
Net Interest Income/Expense	**0.5**	**0.8**	**1.2**	**-0.3**	**-38**
Interest Income	0.6	0.8	1.2	-0.2	-25
Interest Expenses	-0.1	0.0	0.0	-0.1	n.m.
Tax Expenses	**-3.1**	**-3.2**	**-5.4**	**0.1**	**-3**

In 2016, AIXTRON recorded a country specific **tax expense** of EUR 3.1 million (2015: tax expense of EUR 3.2 million; 2014: tax expense of EUR 5.4 million). Unrecognized **deferred tax assets** related to tax losses at December 31, 2016 totaled EUR 185 million (2015: EUR 161.2 million; 2014: 129.5 million).

Profit/Loss Attributable to the Equity holders of AIXTRON SE (after taxes)

The 2016 **after-tax result** attributable to the equity holders of AIXTRON SE was EUR -24.0 million or -12% of revenues compared to EUR -29.2 million (-15% of revenues) in 2015 (2014: EUR -62.5 million or -32% of revenues).

Net Result AIXTRON SE – Use of Results

AIXTRON SE, the parent company of the AIXTRON Group, recorded a net accumulated loss in accordance with German generally accepted accounting principles, (German GAAP) based on the German Commercial Code, HGB, of EUR -120.5 million for 2016 (2015: loss of EUR -87.3 million; 2014: loss of EUR -53.6 million).

The 2016 loss will be carried forward and consequently no dividend payment will be made for 2016 (2015: no dividend; 2014: no dividend).

2.6.3. Development of Orders

Orders	2016	2015	2014	2016-2015	
(in EUR million)				m EUR	%
Total order intake incl. spares & service	225.1	167.1	198.7	58.0	35
Equipment order backlog (end of period)	78.1	42.9	65.2	35.2	82

As a matter of internal policy, the 2016 US dollar based order intake and backlog were recorded at the 2016 budget exchange rate of 1.10 USD/EUR (2015: 1.25 USD/EUR; 2014: 1.35 USD/EUR). In order to better reflect industry practice, Management has decided to report total order intake including spares & service from 2015 rather than continuing to report equipment order intake only. For comparison reasons, previous years' figures have been changed to reflect this policy. Due to the generally quick turnaround of spares & service into revenues, the equipment order backlog figures will remain unchanged and continue to include equipment orders only.

In 2016, **total order intake** including spares & service was 35% higher year-on-year at EUR 225.1 million (2015: EUR 167.1 million; 2014: EUR 198.7 million). This was driven by stronger demand from LED including Red-Orange-Yellow and specialty-LEDs as well as power electronic applications. Demand from Silicon and Optoelectronic applications continued at a solid level.

The total equipment order backlog of EUR 78.1 million at December 31, 2016 was 67% higher than the 2016 opening backlog of EUR 46.7 million (both at budget rate of 1.10 USD/EUR) (December 31, 2014: EUR 65.2 million at budget rate of 1.35 USD/EUR). This strong backlog will allow a better production utilization in the first half of 2017 compared to 2016. The budget rate in 2017 did not change which is why the 2017 opening backlog equals the backlog as of December 31, 2016.

As a matter of internal policy, AIXTRON follows clear internal requirements before recording and reporting received equipment orders as order intake and order backlog. These requirements comprise of all of the following minimum criteria:

1. the receipt of a firm written purchase order,
2. the receipt of the agreed deposit,
3. accessibility to the required shipping documentation,
4. a customer confirmed agreement on a system specific delivery date.

In addition and reflecting current market conditions, the Company's Management reserves the right to assess whether the actual realization of each respective system order is sufficiently likely to occur in a timely manner according to Management's opinion. When Management concludes, that there is sufficient likelihood of realizing revenue on any specific system or that there is an unacceptable degree of risk of not realizing revenue on any specific system, Management will include or exclude the order, or a portion of the order, into or from the recorded order intake and order backlog figures, regardless of compliance with requirements of the points 1-4 above. The backlog is being regularly assessed and adjusted to reflect potential execution risks if necessary.

2.7. Financial Position

2.7.1. Corporate Financial Management

AIXTRON has a central financial management system to control its global liquidity, interest and currency management.

Due to the volatile nature of the semiconductor business, a sufficient level of cash is essential to expeditiously finance potential business needs. The Company's need for cash is generally provided for through operating cash flows. In order to secure future financing and support the indispensable R&D activities, the Company has access to a strong equity capital base. Furthermore, approved by the Annual General Meeting, and subject to Supervisory Board approval, the Company has the authority to issue equity instruments to be able to raise additional liquidity on the capital market if required.

AIXTRON conducts a large part of its business in foreign currencies, i.e. in currencies other than the Euro. The most prevalent foreign currency relevant to AIXTRON is the US Dollar. Unfavorable exchange rate movements, especially the US Dollar/Euro exchange rate, may adversely affect the Company's results of operation. In order to manage foreign exchange risks, the Company routinely monitors if and to what extent currency hedging instruments should be used. As of December 31, 2016, no hedging contracts were in place.

2.7.2. Funding

AIXTRON SEs stated **share capital** as of December 31, 2016 amounted to EUR 112,804,105 (December 31, 2015: EUR 112,720,355; December 31, 2014: EUR 112,694,555) divided into 112,804,105 registered shares with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. All registered shares are fully paid in

The Company has a number of **stock option programs** in place that grant the members of the Executive Board and employees the right to purchase AIXTRON shares under certain conditions. In fiscal year 2016, 83,750 stock options (2015: 25,800; 2014: 81,100) were exercised, resulting in delivery of in total 83,750 ordinary shares. In fiscal year 2016, no new stock options were granted (2015: 0; 2014: 1,150,400).

AIXTRON ordinary shares	Dec 31, 16	Exercised	Expired/Forfeited	Allocation	Dec 31, 15
Stock options	2,317,790	83,750	490,275	0	2,891,815
Underlying shares	2,317,790	83,750	490,275	0	2,891,815

A more detailed description of the different stock option plans and a summary of all the stock option transactions can be found in Note 23 to the Company's Consolidated Financial Statements "Share-based payments".

The Company recorded no **bank borrowings** as of December 31, 2016, 2015 and 2014.

Where necessary, AIXTRON SE provides loans and financial security facilities to its subsidiaries to enable the business to continue to operate efficiently. The Company has granted no security interests in its own land and buildings.

The **equity ratio** was 85% as of December 31, 2016, compared to 82% as of December 31, 2015 (December 31, 2014: 78%).

In 2016, the **return on equity** (ROE) based on the negative 2016 Group's net result in proportion to the average total shareholders' equity at the start and end of the year was -6% (2015: -7%; 2014: -15%).

In order to finance future developments, the Company regularly explores and assesses on an ongoing basis, potential funding opportunities available in the market.

2.7.3. Investments

The AIXTRON Group's total capital expenditures in fiscal year 2016 amounted to EUR 5.3 million (2015: EUR 13.3 million; 2014: EUR 13.4 million).

In 2016, EUR 4.9 million (2015: EUR 12.5 million; 2014: EUR 12.6 million) were related to property, plant and equipment (including testing and laboratory equipment). The remaining EUR 0.4 million in 2016 (2015: EUR 0.7 million; 2014: EUR 0.8 million) were related to intangible assets including software licenses.

In 2017, investments will again be made mainly for laboratory and test equipment.

The decrease of EUR 52.8 million in bank deposits with a maturity of at least three months during 2016 was recorded as cash inflow from investing activities (2015: decrease of EUR 60.5 million; 2014: increase of EUR 9.9 million).

All 2016, 2015 and 2014 expenditures were funded out of own available cash resources.

2.7.4. Liquidity

Cash and cash equivalents including cash deposits with a maturity of at least three months, most of which is held in Euros (also see “Investments”), decreased by 24% or EUR 49.3 million to EUR 160.1 million (EUR 120.1 million + EUR 40.0 million financial assets) as of December 31, 2016 (December 31, 2015: EUR 209.4 million, equaling EUR 116.3 million + EUR 93.1 million; December 31, 2014: EUR 268.1 million, equaling EUR 116.6 million + EUR 151.5 million).

The difference is mainly attributable to the negative net result, the payment of the second installment of the agreed return of EUR 17.2 million advance payments to the Chinese customer San’an and an agreed milestone payment of EUR 4.1m for the purchase of PlasmaSi (acquired in 2015) in Q1/2016. Due to the high shipment levels at the end of 2016 receivables went up significantly at the end of 2016 and related receipt of customer payments will be recorded in early 2017.

There are currently no restrictions on the Company’s use of cash resources.

2.7.5. Development of Cash Flows

In fiscal year 2016, a **cash flow from operating activities** of EUR -37.7 million was recorded (2015: EUR -45.7 million; 2014: EUR -33.8 million). The slight improvement in operating cash flow in 2016 was mainly caused by the reduced losses. The level of the negative cash flow was impacted by the incurred losses, the second installment of the agreed repayment of the previously received deposits to San’an in Q1/2016 as well as high shipment levels at the end of 2016 with receipt of payment in Q1/2017. A large part of these open receivables will be cleared in Q1/2017.

A **cash flow from investment activities** of EUR 43.4 million was recorded in 2016 (2015: cash flow of EUR 41.2 million; 2014: cash flow of EUR -23.2 million). This figure includes an agreed milestone payment of EUR 4.1m for the purchase of PlasmaSi as well as EUR 52.8 million which were transferred from longer term deposits to cash and cash equivalents. This effect was only partially offset by the previously mentioned lower capital expenditures (2016: 5.3 million 2015: EUR 13.3 million; 2014: 13.4 million).

In 2016, the **cash flow from financing activities** of EUR 0.3 million (2015: cash flow of EUR -0.1 million; 2014: cash flow of EUR 0.2 million) was recorded mainly from the proceeds from the issue of new shares. In 2016, no dividends were paid to AIXTRON shareholders (2015: 0; 2014: 0).

Including the previously mentioned lower capital expenditures, the **free cash flow** (adjusted for acquisition effects), improved by 25% or EUR 14.4 million and amounted to EUR -42.9 million (2015: EUR -57.3 million; 2014: EUR -47.0 million).

2.8. Assets

2.8.1. Property, Plant and Equipment

The value of property, plant and equipment was at EUR 74.2 million as of December 31, 2016 (EUR 81.3 million as of December 31, 2015; EUR 77.3 million as of December 31, 2014) mainly due to regular and accelerated depreciation of laboratory equipment.

2.8.2. Goodwill

The value of goodwill was at EUR 74.6 million as per December 31, 2016 (EUR 75.9 million as per December 31, 2015; EUR 64.8 million as per December 31, 2014). The difference was due to exchange rate fluctuations. There were no impairments in fiscal year 2016. For further information on the impairment of goodwill, refer to Note 12 to the Company’s Consolidated Financial Statements “Intangible assets”.

2.8.3. Other Intangible Assets

The value of other intangible assets also decreased to EUR 5.4 million as per December 31, 2016 (EUR 6.4 million as per December 31, 2015; EUR 2.5 million as per December 31, 2014) mainly due to regular amortization.

2.8.4. Inventories

Inventories, including raw materials, unfinished and finished goods, decreased to EUR 54.2 million as per December 31, 2016, compared to EUR 70.8 million as per December 31, 2015 (EUR 81.7 million as of December 31, 2014), reflecting successful sale of AIX R6 inventory and improved inventory management. The current inventory level results in a solid inventory/sales and inventory/backlog ratio.

2.8.5. Trade Receivables

Trade receivables increased significantly to EUR 60.2 million as of December 31, 2016, reflecting strong shipments at the end of the year (December 31, 2015: EUR 26.0 million; December 31, 2014: EUR 26.3 million).

2.8.6. Liabilities

Trade payables as of December 31, 2016 increased by 49% year-on-year to EUR 14.6 million compared to EUR 9.8 million as of December 2015 (December 31, 2014: EUR 16.4 million), being in line with shipment schedules and related supplier orders. **Provisions** (current and non-current) decreased from EUR 21.5 million as of December 31, 2015 to EUR 18.3 million as of December 31, 2016 (December 31, 2014: EUR 29.3m) mainly due to reduced liabilities in conjunction with the successful sales of AIX R6. **Advance payments from customers** as of December 31, 2016 increased to EUR 26.1 million compared to EUR 24.0 million as of December 31, 2015 (December 31, 2014: EUR 67.0m), reflecting the higher order backlog. **Other current liabilities** decreased from EUR 25.0 million as of December 31, 2015 to EUR 2.4 million as of December 31, 2016 mainly due the payment of the agreed refund to San'an as well the agreed milestone payment for the purchase of PlasmaSi (December 31, 2014: EUR 3.2 million).

2.9. Management Assessment of Company Situation

Following the termination of the planned takeover transaction by a Chinese investor in December 2016, AIXTRON now is focusing on the optimal structure of its technology portfolio as part of its corporate strategy. Against this background, AIXTRON is currently pursuing different options in order to successfully reduce required upfront expenses for the development of future technologies. These options include looking for partners, joint ventures or other alternatives.

At the same time, AIXTRON continues to invest consistently into deposition or encapsulation technologies for Power Electronics, Optoelectronics, OLED, Memory, Logic and Carbon Nanomaterials including Graphene. The Company has seen market interest and demand from customers in all of these fields supporting the Companies' diversification strategy.

For MOCVD equipment to manufacture power management devices, revenues in 2016 were EUR 21.8 million, down from EUR 25.8 million in 2015 reflecting customer capital expenditure plans. Based on a growing penetration of power electronics devices based on the new materials GaN and SiC, further future growth is expected in this area.

Revenues for MOCVD equipment to manufacture devices for optoelectronic applications excluding LEDs have increased by 14% to EUR 53.2 million from EUR 46.7 million in 2016.

Revenues for LED-related MOCVD equipment increased in the reporting period slightly from EUR 39.7 million in 2015 to EUR 41.1 million in 2016, including AIX R6 sales from inventory.

Revenues for AIXTRON's logic and memory tools have increased by 11% to EUR 32.4 million in 2016 compared to EUR 29.3 million in 2015. The Company expects future growth potential in this area depending on customers' capital expenditure plans.

Market entry remains the main focus in the area of OLED deposition and encapsulation technologies. The successful market entry of this highly innovative technology against the incumbent technologies depends on imminent customer commitments to adopt the OVPD large area technology initially for pilot manufacturing and high volume manufacturing at a later stage. The short term win of a customer contract is decisive for the further development of the OVPD technology.

In addition to above mentioned activities, Management will continue to focus on costs, margin contributions as well as the allocation of funds and will continuously review the performance and prospects of the Companies' product portfolio.

The business development in all areas was in line with Management's expectations. However, the Company's Management continues to consider this development as not satisfactory. Further improvements will depend on the continuous execution of the operating programs and the market entry of new technologies in the portfolio.

The Company continues to have a strong balance sheet and a strong liquidity without any bank borrowings.

The earnings and free cash flow guidance for fiscal year 2016, which was published in the Annual Report 2015 and substantiated during the year, was successfully achieved.

3. Report on Post-Balance Sheet Date Events

On January 4, 2016, a U.S.-based law firm filed a complaint on behalf of a shareholder of the Company, naming AIXTRON as a defendant in a putative class action asserting claims under the Securities and Exchange Act of 1934. On December 20, 2016, the Court entered an opinion granting AIXTRON's motion to dismiss all claims asserted against it. Subsequently, plaintiff confirmed in January 2017 that he will not pursue an appeal and the time to pursue an appeal has expired. As a result, the order dismissing the complaint is final and the case is closed.

On January 20, 2017, AIXTRON announced that Martin Goetzeler will leave the Company effective February 28, 2017. AIXTRON Supervisory Board Chairman Kim Schindelhauer will become interim CEO and will take over the tasks of Mr. Goetzeler effective March 1, 2017. Professor Dr. Wolfgang Blättchen, current deputy chairman of the Supervisory Board, will take over as chair of the Supervisory Board during Mr. Schindelhauer's work as CEO of the company.

The Group has commenced pursuing options for some of its activities in order to allow the continuation of development projects with high up-front expenses. These options include looking for partners, joint ventures or other alternatives.

As per January 9, 2017, AIXTRON has executed a voluntary delisting of its American Depositary Shares from NASDAQ and has filed for deregistration from the Securities and Exchange Commission. On this day, reporting obligations under the Securities Exchange Act of 1934 also terminated.

There were no known business events with a potentially significant effect on AIXTRON's results of operation, financial position or net assets as of December 31, 2016.

4. Remuneration Report

The remuneration report summarizes the principles of the remuneration system for the members of the Executive Board and Supervisory Board of AIXTRON SE explains the structure and amount of the remuneration paid. The remuneration of each member of the Executive Board and Supervisory Board for fiscal year 2016 is presented on an individual basis. The remuneration report is based on the recommendations of the German Corporate Governance Code and includes the disclosures required by the German Commercial Code (Handelsgesetzbuch - HGB) and the International Financial Reporting Standards (IFRS). The remuneration report is part of the Group Management Report.

4.1. Principles of Management Compensation

4.1.1. Executive Board

The Supervisory Board as a whole is responsible for establishing the structure of the remuneration system and for the total remuneration for individual members of the Executive Board. It regularly discusses and reviews remuneration for appropriateness and to ensure that Management is not taking unreasonable risks.

The remuneration level of the Executive Board members of AIXTRON SE is aligned not only with the commercial and financial situation and future prospects of the Company and the level and structure of Executive Board remuneration at comparable companies but also with the compensation structure in place in other areas of the Company. In addition, the responsibilities, experience and contribution of each individual Executive Board member, and the desire to retain them, are taken into account when calculating the remuneration.

The current remuneration system was approved by AIXTRON's shareholders at the Annual General Meeting held on May 23, 2013.

Executive Board remuneration currently consists of three components: fixed remuneration (including benefits in kind and payments into a private pension insurance), a variable bonus, and may include stock-based remuneration.

4.1.1.1. Fixed remuneration

The Executive Board employment contracts stipulate an annual income for the fixed remuneration component. The fixed remuneration component is non-performance-related and is paid out on a monthly basis (13 times a year) as a salary. Additional payments in kind are made, chiefly consisting of company car usage and payments for private pension insurance.

4.1.1.2. Variable bonus

The limited variable bonus scheme for the collective Executive Board (profit-sharing) is based on consolidated net income for the year and is paid from an "accrued internal bonus pool", defined as up to 10% of the modified consolidated net income for the year, but not to exceed EUR 6.5 million in total. The modified consolidated net income for the year is obtained from the Company's Consolidated Financial Statements (IFRS) certified by the auditor, less a consolidated loss carry forward figure and those amounts that are to be allocated to retained earnings in the Annual Financial Statements of AIXTRON by law or in accordance with the Articles of Association. The consolidated loss carry forward is obtained from consolidated net losses from previous years, less consolidated net income from subsequent fiscal years.

The variable bonus – paid out of the above mentioned "accrued internal bonus pool" – will be paid half through a monetary element and half in shares. That part of the variable bonus payable in shares will be converted into whole numbers of shares of the Company and will be deferred until the third bank working day following the ordinary General Meeting in the third fiscal year after having been granted to the Board members. The number of the shares to be granted for the part of the variable bonus payable in shares will be determined in accordance with the closing price of the share of the Company on the third bank working day following the ordinary General Meeting, which is presented with the annual financial statements of the Company and the consolidated financial statements for the fiscal year for which the bonus is granted. The shares will be delivered from treasury shares. Thus, during the multi-year waiting period, the Executive Board members will take part in both positive and negative developments of the Company's share price so that the variable compensation structure is clearly oriented toward a sustainable business development.

4.1.1.3. Stock-based remuneration

In addition, as a variable component acting as a long-term incentive with an element of risk, the members of the Executive Board may receive a share-based payment in the form of options that are granted under AIXTRON's stock option plans. The stock option plans, including the exercise thresholds, are adopted at the Companies' General Meeting. The number of options granted to the Executive Board is stipulated by the Supervisory Board. Further details on the outstanding stock options of the Executive Board as well as comments on the respective stock option plans are set out further in this report under "Executive Board remuneration" of the chapter "Individual remuneration structure".

4.1.1.4. Commitments in connection with the termination of Executive Board membership

If the tenure of any Executive Board member ends prematurely as result of a revocation of the appointment, such member of the Executive Board will receive a severance payment in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the employment contract, however, not exceeding an amount equal to twice the annual compensation (severance cap). Any payments beyond this severance payment shall be excluded.

If the tenure of any Executive Board member ends prematurely because the employment contract is terminated by mutual agreement, the total amount of any payments agreed to be paid by the Company to the Executive Board member as part of such an agreement may not exceed the amount of the severance payment which the Executive Board member would receive in the event of a revocation of the appointment with due regard to the severance cap.

If the tenure of any Executive Board member ends prematurely because the employment contract is terminated after a change of control, such member of the Executive Board will receive a severance payment in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the employment contract, however, not exceeding the severance cap, i.e. an amount equal to twice the annual compensation. Any payments beyond this severance payment shall be excluded. A change of control situation exists if a third party or a group of third parties who contractually combine their shares in order to act subsequently as a third party, directly or indirectly holds more than 50% of the Company's registered share capital.

4.1.1.5. Other

The current Executive Board members have no individual Company pension benefits, which would result in pension provisions being required to be made by AIXTRON, and receive no loans from the Company.

4.1.2. Supervisory Board

Remuneration of the Supervisory Board is regulated in Article 17 of AIXTRON's Articles of Association. Accordingly, the annual fixed compensation for individual members of the Supervisory Board is EUR 25,000. The Chairman's compensation is three times this amount and the Deputy Chairman's one and a half times the amount received by a regular member of the Supervisory Board.

The members of the Supervisory Board also receive, in aggregate, a limited variable compensation of 1% of the Company's net income, less an amount corresponding to 4% of the paid-in contributions to the share capital. The Chairman of the Supervisory Board receives 6/17, the Deputy Chairman 3/17, and each other member of the Supervisory Board 2/17 of the variable remuneration. The variable compensation is limited to fourfold the annual fixed compensation of each Supervisory Board member. In addition, committee members receive an attendance fee of EUR 2,000 for attending a committee meeting, with the Chairman of the committee receiving triple this amount. The total annual attendance fee per Supervisory Board member is limited to one-and-a-half times that individual's fixed remuneration.

The Supervisory Board members receive no loans from the Company.

4.1.3. D&O insurance

The Company has a D&O insurance contract in place, covering the activities of members of the Executive Board and members of the Supervisory Board. Pursuant to the amended § 93, Section 2 AktG following the Act on the Appropriateness of Executive Board remuneration (VorstAG), as well as to the amended recommendation in chapter 3.8. German Corporate Governance Code, the deductible for members of the Executive Board and members of the Supervisory Board is equal to a minimum of 10% of the respective, potential loss incurred. The deductible cannot exceed a factor of 1.5 of the respective annual fixed remuneration.

4.2. Individual remuneration structure

4.2.1. Executive Board remuneration

The total Executive Board remuneration in fiscal year 2016 amounted to EUR 1,055,631 (2015: EUR 1,040,631; 2014: EUR 2,014,775). The success-independent, fixed remuneration of the Executive Board in 2016 was at EUR 1,055,631 (2015: EUR 1,040,631; 2014: EUR 1,136,774).

No variable bonus was granted for fiscal years 2016 and 2015. For each of the years 2013 and 2014, Mr. Goetzeler was granted a total of 59,647 AIXTRON shares as a contractually guaranteed bonus (2015: 35,053 shares; 2014: 24,594 shares). The transfer of the shares is deferred until the third bank working day following the ordinary General Meeting in the third fiscal year after having been granted. During the past fiscal year, no stock options were granted to the Members of the Executive Board (2015: 0; 2014: 100,000).

4.3. Information according to Nr 4.2.5 German Corporate Governance Code (DCGK)

4.3.1. Value of benefits granted displayed according to DCGK

The following table according to DCGK shows the value of benefits granted to the individual members of the Executive Board in fiscal year 2016 as well as the minimum and maximum values that can be achieved.

For the one-year variable compensation, in line with the requirement of the DCGK, the target value (i.e. the value in the event of 100% goal achievement) granted for the year under review is stated. The multi-year variable compensation granted in the year under review is broken down into different plans are stated.

Benefits granted	Martin Goetzeler Chief Executive Officer Member of the Executive Board since March 1, 2013				Dr. Bernd Schulte Chief Operating Officer Member of the Executive Board since March 7, 2002			
	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
Fixed compensation	600,000	600,000	600,000	600,000	415,000	430,000	430,000	430,000
Fringe benefits	13,104	13,104	13,104	13,104	12,527	12,527	12,527	12,527
Total	**613,104**	**613,104**	**613,104**	**613,104**	**427,527**	**442,527**	**442,527**	**442,527**
One-year variable compensation	0	0	0	4,000,000	0	0	0	2,500,000
Multi-year variable compensation	0	0	0		0	0	0	
Deferral from one-year variable compensation	0	0	0	0	0	0	0	0
Stock option program 2012 (blackout period: 4 years)	0	0	0	0	0	0	0	0
Stock option program 2007 (blackout period: 2 years)	0	0	0	0	0	0	0	0
Stock option program 2002 (blackout period: 2 years)	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**4,000,000**	**0**	**0**	**0**	**2,500,000**
Service cost	0				0	0		
Total	**613,104**	**613,104**	**613,104**	**4,613,104**	**427,527**	**442,527**	**442,527**	**2,942,527**

4.3.2. Allocation displayed according to DCGK

As the benefits granted to the members of the Executive Board in a fiscal year does not always result in a corresponding payment in the respective fiscal year, the following table shows severally - in line the relevant recommendation of the DCGK - the value of the actual allocation (amount disbursed) in fiscal year 2016.

According to the recommendations of the DCGK, for the fixed compensation and the one-year variable compensation the allocation (amount disbursed) for the respective fiscal year is entered. For subscription rights and other share-based payments, the time of allocation and the allocation amount is deemed to be the relevant time and value under German tax law.

Benefits allocated	Martin Goetzeler Chief Executive Officer Member of the Executive Board since March 1, 2013		Dr. Bernd Schulte Chief Operating Officer Member of the Executive Board since March 7, 2002	
	2015	2016	2015	2016
Fixed compensation	600,000	600,000	415,000	430,000
Fringe benefits	13,104	13,104	12,527	12,527
Total	**613,104**	**613,104**	**427,527**	**442,527**
One-year variable compensation	0	0	0	0
Multi-year variable compensation	0	0	0	67,132
Deferral from one-year variable compensation	0	0	0	0
Stock option program 2012 (blackout period: 4 years)	0	0	0	0
Stock option program 2007 (blackout period: 2 years)	0	0	0	67,132
Stock option program 2002 (blackout period: 2 years)	0	0	0	0
Other	0	0	0	0
Total	**0**	**0**	**0**	**0**
Service cost	0		0	
Total	**613,104**	**613,104**	**427,527**	**509,659**

As of December 31, 2016, the AIXTRON Executive Board held a total of 283,500 options for the purchase of 283,500 shares of the Company (December 31, 2015: 395,500; December 31, 2014: 398,140). The number of shares underlying the options is set out below. The actual profits from exercising the stock options may differ significantly from the figures shown in the table.

Executive Board Member	Allocation date	Outstanding	Exercisable	Grant Date Option Value	Exercise price	Maturity	Total Outstanding Shares
		(Shares)	(Shares)	(EUR)	(EUR)		
Martin Goetzeler	Oct 2014	50,000	0	189,000	13.14	Oct 2024	**50,000**
Dr. Bernd Schulte	Oct 2014	50,000	0	189,000	13.14	Oct 2024	
	Nov 2010	52,000	26,000	461,240	26.60	Nov 2020	
	Nov 2009	52,000	39,000	448,240	24.60	Nov 2019	
	Dec 2007	52,000	52,000	225,680	10.09	Dec 2017	
	May 2002	27,500	0	152,625	7.48	May 2017	233,500
Total		**283,500**	**117,000**				**283,500**

In accordance with IFRS 2, the “grant-date fair value of the options” is also used as the basis for recognizing options issued after November 7, 2002 under expenses on the Income Statement. For stock options issued prior to November 7, 2002, the fair value was determined using the Black-Scholes model.

The expenses for share based compensation of each individual member of the Executive Board are as follows:

in EUR thousands	2016	2015	2014
Martin Goetzeler	47	47	263
Dr. Bernd Schulte	47	53	53
Wolfgang Breme	0	0	-76

In 2016, options to acquire 60,000 AIXTRON shares expired (2015: 2,640; 2014: 158,976). The expenses for the unvested expired options have been reversed in accordance with IFRS 2.

In fiscal year 2016, current Executive Board members exercised 52,000 options (2015: 0; 2014: 48,000).

	Date of exercise	Number of shares
2016		
Dr. Bernd Schulte	September 12, 2016	52,000
2014		
Dr. Bernd Schulte	November 21, 2014	35,000
Wolfgang Breme	August 28, 2014	13,000

The current Executive Board members have no individual company pension benefits which would result in pension provisions being required to be made by the company. Instead, the Executive Board annual pension allowance is paid by AIXTRON and included in the fixed remuneration, and is transferred by the Executive Board members into independent insurance contracts with a benevolent fund or similar plan. In the years 2016, 2015 and 2014, payments of EUR 80,000 per annum were made to Martin Goetzeler. The allowance amounts to EUR 40,000 for other members of the Executive Board. In the years 2016, 2015 and in 2014, payments of EUR 40,000 per year were made to Dr. Bernd Schulte and Wolfgang Breme (in 2014: five months pro rata until termination of appointment) respectively. This allowance is part of the total fixed annual salary of the executive board members.

4.3.3. Supervisory Board Remuneration

In fiscal year 2016, the remuneration of the Supervisory Board totaled EUR 448,750 (2015: EUR 302,500; 2014: EUR 292,500). The division between the individual members of the Supervisory Board for the years 2014 to 2016 is presented in the table below:

Supervisory Board Member	Year	Fixed	Variable	Attendance Fee	Total
		(EUR)	(EUR)	(EUR)	(EUR)
Kim Schindelhauer [1/2/3/4/5]	**2016**	75,000	0	100,000	175,000
(Chairman of the Supervisory Board)	**2015**	75,000	0	18,000	93,000
	2014	75,000	0	16,000	91,000
Prof. Dr. Wolfgang Blättchen [1/4]	**2016**	37,500	0	72,250	109,750
(Deputy Chairman of the Supervisory Board) (Chairman of the Audit Committee)	**2015**	37,500	0	24,000	61,500
	2014	37,500	0	24,000	61,500
Dr. Andreas Biagosch [2]	**2016**	25,000	0	8,000	33,000
	2015	25,000	0	8,000	33,000
	2014	25,000	0	8,000	33,000
Prof. Dr. Petra Denk [2/3]	**2016**	25,000	0	30,000	55,000
(since May 19, 2011) (Chair of the Technology Committee)	**2015**	25,000	0	26,000	51,000
	2014	25,000	0	24,000	49,000
Dr. Martin Komischke	**2016**	25,000	0	0	25,000
	2015	25,000	0	0	25,000
	2014	25,000	0	0	25,000
Prof. Dr. Rüdiger von Rosen [1/3]	**2016**	25,000	0	26,000	51,000
(Chairman of the Nomination Committee)	**2015**	25,000	0	14,000	39,000
	2014	25,000	0	8,000	33,000
Total	**2016**	**212,500**	**0**	**236,250**	**448,750**
	2015	**212,500**	**0**	**90,000**	**302,500**
	2014	**212,500**	**0**	**80,000**	**292,500**

[1)] Member of the Audit Committee
[2)] Member of the Technology Committee
[3)] Member of the Nomination Committee
[4)] Member of the Capital Markets Committee
[5)] Former AIXTRON Executive Board Member

In accordance with the article of association of the company, the annual attendance fee of Prof. Dr. Blättchen in fiscal year 2016 was capped at one-and-a-half times his fixed remuneration. For fiscal years 2015 and 2014, both Mr. Schindelhauer and Mr. Blättchen have received a subsequent payment of EUR 16,000 each.
As in previous years, there were no payments made to any Supervisory Board member for advisory services in fiscal year 2016.

5. Opportunities and Risk Report

5.1. Opportunities

The development of leading edge complex material deposition technology remains AIXTRON's core competency. It is an area where the Company has developed global leadership positions. AIXTRON Management intends to keep this focus and positioning while at the same time expanding this core know-how into both existing and emerging markets.

AIXTRON remains committed to investing in R&D to maintain and expand the Company's leading technology position e.g. in MOCVD equipment for applications such as optoelectronics including lasers and LEDs, power electronics or next generation logic applications. AIXTRON's enabling technologies to manufacture the devices for these applications are the basis for emerging Megatrends such as Big Data, Cloud Computing, Electric Vehicles, Autonomous Driving or highly efficient Energy Storage. Therefore, AIXTRON expects future growth in all of these areas.

Important fields for AIXTRON are power management devices based on wide band gap materials such as Gallium Nitride (GaN) and Silicon Carbide (SiC). These devices are extremely energy efficient. Such device applications can be found in electric vehicles, transformers, converters as well as in feed-in of renewable energy into the grid and they will be considered for power management on high performance logic chips. AIXTRON expects growth of equipment demand as the penetration of above mentioned devices gain momentum.

AIXTRON continues to pursue the market entry into the large area organic semiconductor application markets with the Company's deposition technology for organic materials, OVPD and PVPD. The exclusively licensed OVPD technology allows a highly efficient deposition of organic material, especially on large area substrates, and offers a number of advantages over the incumbent technologies especially in terms of material consumption. AIXTRON's PECVD technology for thin film encapsulation offers highly flexible and effective barrier films for flexible and rigid organic electronics. Demonstration and qualification efforts are closely linked to the expansion plans of potential customers in this field.

The Company also aims to make further inroads into the research and development community with its PECVD technology to manufacture advanced carbon nanostructures including carbon nanotubes, carbon nanowires and graphene. The potential applications for these materials include, among other things, energy storage, display technologies, semiconductor technologies and composite materials. The installed base of AIXTRON R&D tools and the close collaboration with customers allow the Company to align its roadmaps with the market requirements of this emerging technology. Building on a leading position captured over several years, AIXTRON expects the market opportunity for equipment to expand.

For memory applications, AIXTRON's ALD and CVD deposition tools provide efficient and innovative solutions. AIXTRON sees growth potential with its technologies for memory applications. In addition, based on R&D projects and customer feedback, AIXTRON sees tangible opportunities to further support the miniaturization of logic device structures with the use of compound semiconductor materials produced on AIXTRON's MOCVD tool technology.

AIXTRON expects that the following market trends and **opportunities** in the relevant end-user markets could have a positive effect on future business:

Short-Term

- Further increasing adoption of LEDs and specialty LEDs (in particular Red-Orange-Yellow, UV or IR) for Display and other applications.
- Increased emergence of wide band gap GaN or SiC based devices for energy efficient power management and communications in automotive, consumer electronics and mobile applications.
- Development of next generation NAND and DRAM memory devices.
- Increasing emergence of compound semiconductor based laser devices for ultrafast data transfer and sensors in infrastructure and mobile applications.
- Increasing emergence of compound semiconductor based sensor devices for autonomous driving.

Mid- to Long-Term

- Further progress in the development of GaN-on-Silicon LEDs and Wafer Level Packaging.
- Development of new wide-band-gap applications such as RF and System-on-Chip with integrated power management.
- Progress in the development of large area OLED devices requiring efficient deposition technologies.
- Progress in the development of flexible and rigid OLED devices requiring thin-film encapsulation.
- Increased development activity for specialized compound solar cell applications.
- Increasing requirements for High-k and interconnect components, implying a new approach to production technologies.
- Progress in the development of future logic chips applying wide band gap and high electron mobility materials (III-V-on-Silicon).
- Development of applications using Carbon Nanostructures (Carbon Nanotubes, Carbon Nanowires, Graphene).
- Development of alternative LED applications such as Visual Light Communication technology or Micro-LED Displays.

5.2. Risk Management

A risk management system has been implemented for monitoring, analyzing, and documenting business risks and measures. Risk and measure reporting is the core component of AIXTRON's strategic risk and opportunity management. In different areas of the company, risk representatives responsible for risk reporting have been appointed.

As an international technology company, AIXTRON is engaged in business operations worldwide and is, consequently, exposed to a variety of risks. The Company may also benefit from the opportunities related to the risks it is exposed to. In order to minimize risks, AIXTRON established an enterprise risk management system that is continuously being adapted to the evolving business environment and business processes.

To minimize risks and to capitalize on opportunities, AIXTRON pursues a forward looking product strategy, by observing current and identifying anticipated future market trends and customer requirements and continuously striving to develop and maintain unique selling propositions related to its technology. This product strategy incorporates measures for honing the Company's profile in its target market, for building new partnerships and alliances, as well as for training third parties engaged to market, sell, and deploy AIXTRON products. In fiscal year 2016, the Company continued to monitor market trends and the activities of its competitors and evaluated market analyses and forecasts produced by leading market research companies. Project management and quality assurance systems are routinely deployed in all areas of product development where risk awareness and evaluation play a crucial role. Therefore, AIXTRON uses systems for project management and quality control in this area.

These measures are accompanied by a training and development program for managers and specialist employees, and by procedures to maintain and expand the necessary infrastructure when required.

AIXTRON deploys accounting, control, and forecasting systems for the global monitoring and management of core enterprise information. Regular reporting processes ensure that information on business and market trends is regularly updated. In addition to annual budget planning, real-time forecasts are used to continuously review and update the Company's plans. As part of the Company's financial control procedures, variances between actual and budget figures are continuously identified and analyzed and serve as basis for corrective measures as necessary.

Furthermore, the Executive Board analyzes the Company's net assets, financial position, and results of operations on a continuous basis. The frequent exchange of knowledge and experiences at all hierarchy levels worldwide ensures the constant and efficient flow of information as well as rapid decision-making.

The Executive Board informs and includes, where required, the Supervisory Board in all key decisions at least once every quarter, and normally at shorter intervals. The Audit Committee of the Supervisory Board meets regularly with the Executive Board to discuss, analyze, and monitor financial issues arising in the course of the Company's business activities. Internal guidelines governing risk management, insider trading, and the disclosure of share price sensitive information ensure compliance with all applicable laws and the implementation of the corporate governance recommendations specified in the German Corporate Governance Code.

The Company's Supervisory Board is informed about the status, plausibility, and further development of the risk management system by the Executive Board on an ongoing basis. In addition, it is the Company's auditor's duty, to inform the Supervisory Board about their audit of the risk management early warning system.

5.3. Internal Control over Financial Reporting

AIXTRON's Management is responsible for establishing and maintaining adequate internal control and risk management and for reviewing its continuing effectiveness. Such processes are designed to manage risks and to provide reasonable assurance against material misstatement or loss. Management ensures, to the extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company. This also includes the centrally monitored compliance to group wide accounting guidelines and valuation principles in financial reporting.

The Company has an ongoing process of identifying, evaluating and managing risk. Management and Audit Committee confirm that necessary actions are being undertaken to eliminate perceived failings or weaknesses identified from these reviews.

Based on the Company's assessment, Management has concluded that AIXTRON's internal control and risk management was effective as of December 31, 2016 to provide reasonable assurance that the system of internal procedures and controls are appropriate and effective. AIXTRON's Management reviewed the results of Management's assessment jointly with the Audit Committee of AIXTRON's Supervisory Board.

5.4. Single Risk Factors

Any of the following risks could have a material adverse effect on AIXTRON's results of operations, financial position, net assets, liquidity, cash flows, the market price of its shares and the actual outcome of matters that the forward-looking statements contained in this annual report refer to. The risks described below are not the only ones the Company faces. There may be additional risks AIXTRON is currently unaware of, and risks that are common to most companies including political risks, the risk of force majeure and other unforeseeable events. There may also be risks that AIXTRON now believes are immaterial, but which also may ultimately have a material adverse effect on the Company. For additional information regarding forward-looking statements, see ''Forward-looking statements'' included in this annual report.

5.4.1. Currency Exchange Risks and Other Financial Risks

The Company's operations are conducted by entities in many countries and a substantial portion of its sales and production costs are denominated in currencies other than the Euro. As a result, fluctuations between the value of the Euro and other major currencies may affect the Company's business as well as the business of AIXTRON's customers and suppliers. In addition, changes in monetary or other policies, including as a result of the regionally unbalanced economic development as well as geopolitical conflicts, would also likely affect foreign currency exchange rates. In order to manage foreign exchange risks, the Company routinely monitors if and to what extent currency hedging instruments should be used and Management actively manages the currency risk of balance sheet items by pursuing an active balancing of assets and liabilities held in foreign currencies. As of December 31, no hedging contracts were in place.

AIXTRON anticipates that international revenues, including revenues from Asia, will continue to account for a significant portion of its revenues. As a result, a significant portion of the Company's revenues will be subject to risks of dealing with customers on a global scale. These risks include changes in foreign laws or regulations, tariffs or trade barriers, military confrontations, political or economic instabilities, managing foreign subsidiary or distributor operations.

AIXTRON conducts business with a large number of customers worldwide and is therefore exposed to the risk of bad debt losses. This potential risk is significantly reduced by down payments, letters of credit or bank guarantees. Further information on this subject is contained in section 17. "Trade receivables and other current assets" of the Notes to the Consolidated Financial Statements for 2016.

Because AIXTRON operates in a number of countries throughout the world, its operating income is subject to taxation in differing jurisdictions and at differing tax rates. AIXTRON seeks to organize its affairs in a tax efficient and balanced manner, taking into account the applicable regulations of the jurisdictions in which it operates. The tax authorities in the jurisdictions in which AIXTRON operates may audit the Company's tax returns and may disagree with the positions taken in those returns which could cause AIXTRON to incur significant legal expenses and divert the Company's management's attention from the operation of its business. An adverse outcome resulting from any settlement or future examination of AIXTRON's tax returns may subject the Company to additional tax liabilities and may adversely affect its effective tax rate. An outside audit is currently being performed by the German tax authorities, which may result in supplementary tax payments.

AIXTRON regularly assesses the financial strength of its banking partners and will take appropriate measures should it detect any significant deterioration or risk.

The Company's need for cash is targeted to be generally provided for, through operating cash flows and, to a smaller extent, through grants. The Company currently commands adequate cash and cash equivalents to meet business needs and carries no debt. However, should low market demand and resulting low revenue levels persist, then this may significantly harm operating results, cash flows as well as cash reserves in the future. If AIXTRON cannot quickly and appropriately realign its business structure in line with adverse conditions, the need for additional external funding may arise. The availability of equity based funding might be negatively influenced by a low share price. If it is not possible to acquire sufficient funding, AIXTRON could be forced to delay or reduce operations. A share price decline may also result in the necessity of an impairment of assets, primarily goodwill. Please refer to Note 12. to the Company's Consolidated Financial Statements "Intangible assets" for more information.

AIXTRON's future budgets for operating expenses, capital expenditures, operating leases and service contracts are based upon the Company's assumptions as to the anticipated market acceptance of its products and other factors. Significant deviations of these assumption could have material adverse effects on the Company.

5.4.2. Company-Specific Risks, Market and Competition Risks

Persistently subdued global economic development or currency fluctuations might adversely affect the business of AIXTRON's customers and suppliers and thus also harm AIXTRON's business development.

The semiconductor industries can be cyclical and thus highly volatile and unpredictable. Although semiconductors are used in many different products, the markets for those products are interrelated to various degrees. The industry has historically experienced sudden changes in supply and demand for semiconductors. The timing, length and severity of these industry cycles are difficult to predict. The cyclical nature of AIXTRON's operations could be influenced and amplified by changes in economic and political conditions. As a result and in addition, persistently subdued market demand for AIXTRON's manufacturing equipment could lead to low order intake and resulting revenue levels. AIXTRON must be able to react quickly to these changes in supply and demand. The described cyclical nature of AIXTRON's customers or supply and demand in the addressed markets with its respective impact on market demand and business operations for AIXTRON may adversely affect AIXTRON's results of operations, financial position, net assets and cash flows. During periods of declining or low demand for semiconductor manufacturing equipment, AIXTRON needs to be able to quickly and effectively align its cost structure with prevailing market conditions, to manage its inventory levels to reduce the possibility of future inventory write-downs resulting from obsolescence. Because a certain proportion of AIXTRON's costs are fixed in the near term, the Company's ability to reduce expenses quickly in response to revenue shortfalls is limited. During periods of rapid growth, AIXTRON's business must be able to acquire and/or develop sufficient manufacturing capacity and inventory to meet customer demand, and to attract, hire, assimilate and retain a sufficient number of qualified people.

AIXTRON's business operates in a highly competitive industry characterized by increasingly rapid technological changes and changes in the competitive environment. If the Company does not develop new products in a timely manner, in response to changing market conditions or customer requirements, it may not be able to compete successfully in this market. AIXTRON's competitive advantage and future success depend on its ability to successfully develop new products and technologies as well as new markets for its products and services. They also depend on the introduction of new products to the marketplace in a timely manner as well as the qualification of new products with its customers and the commencement and adjustment of production to meet customer demands. In addition, AIXTRON's competitors may have greater resources than AIXTRON, or may otherwise be better suited to compete in the Company's markets.

In order to compete, AIXTRON must attract, retain and permanently motivate executives and other key employees, including those in managerial, technical, sales, marketing and support positions. Hiring and retaining qualified executives, scientists, engineers, technical staff and sales representatives are critical to the Company's business, and competition for experienced employees in the semiconductor industry can be intense. To attract, retain and motivate qualified employees, AIXTRON relies heavily on paying cash compensations at market-competitive rates and offering additional incentives and bonus payments. If such cash payments cease to be viewed as a valuable benefit by the Company's key employees, the Company's ability to attract, retain and motivate its employees could be adversely impacted, which could negatively affect its results of operations and/or require AIXTRON to increase the amount it expends on cash and other forms of compensation.

AIXTRON's customer base has been in the past and may in the future be highly concentrated. Orders from a relatively limited number of customers have accounted for, and likely will continue to account for, a substantial portion of the Company's revenues. This may lead to economic setbacks should a principal customer discontinue its relationship with AIXTRON or this may lead to customers to demand pricing and other terms less favorable to the Company.

AIXTRON's ability to increase revenues in the future will also depend upon its ability to obtain new orders from existing or new customers. In addition, because a relatively small number of large manufacturers, many of whom are AIXTRON's customers, dominate the industries in which they operate, it may be especially difficult for the Company to replace these customers if it loses their business. A large portion of orders in AIXTRON's order backlog are orders from its principal customers.

AIXTRON often faces lengthy sales and qualification cycles for its products and customer contracts regularly include demanding technical or other commercial hurdles which have to be met. AIXTRON's products are being tested to determine whether they meet customer or industry specifications. During such a qualification period, AIXTRON invests significant resources and dedicates substantial production capacity to the manufacture of these new products, prior to any commitment to purchase by the prospective customer and without generating meaningful revenues from the qualification process. Therefore in many cases the Company must invest significant time and funds with no assurance that these efforts or expenditures will result in revenues.

Revenues from AIXTRON's systems primarily depend upon the decision of a prospective customer to invest in or upgrade its manufacturing capabilities, which typically involves a significant capital commitment by the customer. AIXTRON often experiences delays in obtaining system orders while customers evaluate and receive internal commercial or technical approvals for the purchase of these systems.

The Company's customers may experience difficulties in acquiring manufacturing facilities or maintaining a sufficient flow of raw materials and components or accessing sufficient cash funding to achieve their increased manufacturing output. Should this occur, customers could request to delay AIXTRON system shipments. These delays may include the time necessary to plan, design or complete a new or expanded semiconductor fabrication facility. In addition, the Company's customers could accelerate or delay expenditures, or they could cancel or reschedule their orders. As a result, AIXTRON must be able to react quickly to these changes in supply and demand. AIXTRON therefore may increase production in anticipation of customer orders that may not materialize. Failure to quickly align the Company's cost structure and manufacturing capabilities with industry fluctuations could lead to significant losses or a failure to capitalize on increased demand opportunities.

To partly protect AIXTRON from negative effects of the cyclicality of the semiconductor markets, AIXTRON outsources a large part of its production to third party suppliers in order to manufacture and obtain many critical components. Many of these components are only available from a limited number of suppliers or, in some cases, even a single supplier. To minimize risks in this area, the company generally dual sources the supply of procured key items. Because of the cost of AIXTRON's systems, the Company generally aims to keep its inventories at minimum levels. AIXTRON generally does not have long-term supply agreements with many of its suppliers. Consequently, the Company could experience significant price increases and/or may not be able to obtain replacement components in a timely manner or at all. In addition, AIXTRON is dependent on a limited number of suppliers. Because AIXTRON often does not account for a significant part of its suppliers' business, the Company may not have access to sufficient capacity from these suppliers in periods of high demand. In addition, AIXTRON risks having important suppliers terminate product lines, change business focus or even go out of business. If AIXTRON were required to change any of its suppliers, it would be required to re-qualify each new supplier. AIXTRON estimates that it could take approximately six to eighteen months to replace suppliers of certain critical components used in its systems. In addition, in connection with third-party manufacturing activities, it is possible that AIXTRON may encounter unforeseen technical complexities that it may be unable to resolve, or that the resolution of such complexities may lead to delays in the implementation of these third-party manufacturing activities.

AIXTRON invests significantly into R&D and AIXTRON's future success depends highly on its ability to translate the knowledge gained from R&D into commercial success. Should this fail or be delayed, then this could result in unplanned, higher costs or the necessity to write down assets.

AIXTRON's competitors may have greater resources than AIXTRON, or may otherwise be better suited to compete in the Company's markets, and AIXTRON's failure to compete successfully with these companies would seriously affect its business.

As a result of doing business internationally, AIXTRON must comply with different laws and regulations. New or changed domestic or foreign laws and regulations may be imposed on AIXTRON. AIXTRON is also subject to export control and economic sanctions laws, which prohibit the shipment of certain products to embargoed or sanctioned countries, governments and persons. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of AIXTRON products by, or in decreased ability to export or sell products to, existing or potential customers with international operations. Any actual or alleged failure to comply with such laws and regulations or any decreased use of AIXTRON products or limitation on the ability to export or sell products may have a material adverse effect on AIXTRON's business, financial condition, results of operations and reputation.

AIXTRON's operating results may fluctuate significantly, which may cause the market price of its ordinary shares to increase or decrease significantly. The timing of an order often depends on the capital expenditure budget cycle of customers. In addition, the time it takes the Company to build a product to customer specifications, which the Company refers to as the build cycle, typically ranges from three to nine months, followed in certain cases by a period of customer acceptance during which the customer evaluates the performance of AIXTRON's system and may potentially reject such system. As a result of the build cycle and evaluation periods, the period between a customer's initial purchase decision and revenue recognition on an order often varies widely, and variations in length of this period can cause further fluctuations in operating results.

AIXTRON's leases may be terminated or the company may be unable to renew our leases on acceptable terms; if AIXTRON decides to relocate, AIXTRON may incur additional costs if AIXTRON terminates a lease.

AIXTRON's businesses use potentially harmful chemicals and other hazardous materials. AIXTRON is subject to environmental risks and regulations which could negatively affect the Company's results of operations and financial condition.

AIXTRON is exposed to risks associated with acquisitions as it may undertake acquisitions of, or significant investments in, other businesses with complementary products, services or technologies. Acquisitions, or other significant investments, may bear risks such as difficulties in integration of the acquired company, lack of synergies, loss of key employees or customers, diversion of management's attention from daily operations, impairment of acquired assets, worse-than-expected performance of acquired companies, increased project related and administrative expenses or declining share price.

AIXTRON may also be subject of being acquired with or without the consent of management. AIXTRON may divest the business as a whole or parts of its business. In addition to some of the acquisition related risks, divestures could bear the risk of losses on disposal.

Information security risks, data protection breaches, cyber-attacks and other related cyber security issues could disrupt AIXTRON's internal operations, damage the Company's brand and reputation or otherwise harm its business and may incur significant costs to minimize, mitigate or protect against those risks. Cyber security breaches could compromise the security of AIXTRON's data and infrastructure, thereby exposing such information to unauthorized access by third parties.

AIXTRON currently is, was or may become involved in claims, pending or threatened litigation or other legal proceedings. AIXTRON cannot exclude the possibility of infringing upon intellectual property rights of third parties or of itself being held liable for allegedly infringing upon third party intellectual property rights or to breach applicable securities or other laws. The outcome of current, pending and threatened litigation proceedings cannot be predicted with any certainty. Decisions of courts or other authorities as well as settlements may cause significant expenses. AIXTRON may also have to allocate significant Management time and attention while in all cases the company may not be able to prevail in its legal actions.
For more details to the previously mentioned litigation risk, please refer to "3. Report on Post-Balance Sheet Date Events" included in this report.

AIXTRON voluntarily delisted its ADSs from NASDAQ, effective January 9, 2017, and terminated its ADR program, effective February 16, 2017. On January 9, 2017, the Company filed a certification on Form 15F with the SEC to deregister. Under the SEC rules, AIXTRON's SEC reporting obligations under the Exchange Act were immediately suspended upon the filing of the Form 15F and the deregistration is expected to become effective 90 days after the filing of the Form 15F which would be on or about April 9, 2017. Delisting, deregistration and suspending its SEC reporting obligations in the US could negatively affect the liquidity and trading prices of its outstanding ADSs and ordinary shares.

5.5. Overall Statement to the Risk Situation

Neither within fiscal year 2016 nor at the time of writing has the Executive Board identified any risks that could jeopardize the Company's continued existence.

6. Report on Expected Developments

6.1. Future Market Environment and Opportunities

In their World Economic Outlook Update as of January 2016, the IMF forecasts global growth to increase to 3.4% in 2017 and 3.6% in 2018. Global growth is expected to be supported by economic activity to pick up in pace especially in emerging market and developing economies. At this point in time, AIXTRON does not expect any significant influence on its business development from the global economic environment. However, the possibility of further setbacks to the global economy cannot be ruled out.

Gartner Dataquest estimated (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update, December 2016) that semiconductor capital spending in 2016 increased to USD 68 billion. In the same report, Gartner forecasts further growth in semiconductor capital spending to USD 70 billion in 2017 and then growing further to USD 73 billion in 2018 (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update).

In Wafer Fab equipment, the segment where AIXTRON competes, Gartner expects an increase in market size from USD 34 billion in 2016 to USD 36 billion in 2017, growing further to 36.2 billion in 2018.

The demand will primarily depend on the execution of strategic investments and capacity expansion plans. The market will need to increase manufacturing capacity driven by higher demand for optoelectronic applications and wide band gap devices for power management.

According to Gartner, the total silicon power transistor market is expected to grow from USD 8.9 billion to 10.2 billion between 2013 and 2018 (Gartner, April 2014). According to a study from IHS, the market for SiC and GaN Power Electronics devices, which can be produced using AIXTRON equipment, is estimated to generate a volume of USD 1.7 billion by 2021. Estimates of an accessible market size for the respective production equipment are based on internal assessments and are therefore not meaningful at this point in time.

AIXTRON Management believes that the markets AIXTRON addresses with its organic large area OVPD and PVPD deposition technologies as well as with its PECVD thin film encapsulation technology bear growth potential in the mid- to long-term driven by increasing demand for OLED displays. The market volume for OLED devices including OLED TVs are expected by IHS in its OLED Shipment and Forecast Report to grow from approximately USD 14 billion in 2015 to approximately USD 27 billion in 2019. OLED TV panel shipments are expected to increase from 0.9 million shipped units in 2016 to 6.8 million shipped units in 2021 (Display Supply Chain Consultants, January 2017). However, as with all emerging technologies, there is an element of risk associated with the timing of AIXTRON’s technology being adopted by the market.

AIXTRON’s PECVD technology for the production of carbon nanostructures continues to contribute positively to total revenues but due to its R&D focus, the revenue volumes are comparably low and are expected to remain on low levels in the short term.

Estimates of an accessible OLED or Carbon Nanostructure equipment market size are based on internal assessments and are therefore not disclosed.

The total ALD market of which AIXTRON addresses only a specific niche with its system technologies, was estimated by Gartner Dataquest in its latest forecast of December 2016 (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q16 Update) to be valued at USD 1,028 million for 2016 (2017e: USD 1,129 million; 2018e: USD 1,208 million). Influenced by the production qualification of AIXTRON's QXP tool by two major Asian memory chip manufacturers and by solid demand for NAND-flash memory devices, AIXTRON sees further growth potential with this technology.

In all of its addressed markets, AIXTRON expects future growth as AIXTRON technologies to manufacture Semiconductor devices are the enabling technologies for emerging Megatrends such as Big Data, Cloud Computing, 5G Mobile Networks, Electric Vehicles, Autonomous Driving or highly efficient Energy Storage.

6.2. Expected Results of Operations and Financial Position

Following the termination of the planned takeover transaction by a Chinese investor in December 2016, AIXTRON now is focusing on the optimal structure of its technology portfolio as part of its corporate strategy. Against this background, AIXTRON is currently pursuing different options in order to successfully reduce required upfront expenses for the development of future technologies. These options include looking for partners, joint ventures or other alternatives. All these measures are targeted to enable a sustainable return to profitability and to report a positive EBIT for full year 2018.

For Memory and Logic applications, Management expects a significant contribution again in 2017 due to solid growth of NAND-flash memory applications. However, demand development for production equipment for DRAM memory applications is uncertain due to a cautious investment behavior in the DRAM end markets. Investments for TFOS will be aligned with customers’ requirements.

Management sees near- to mid-term potential for MOCVD equipment from a continuing penetration of wide band gap GaN- and SiC-based power devices.

In terms of MOCVD equipment for the manufacturing of optoelectronic devices such as red/orange/yellow and specialty LEDs as well as photonics for lasers and sensor applications, Management expects an improving demand.

Based on the existing business structure and the assessment on AIXTRON’s current order situation with the internal budget rate of USD/EUR 1.10, Management expects for fiscal year 2017 to achieve revenues and an order intake between EUR 180 million and 210 million.

Due to planned additional upfront expenses for development of future technologies and based on the existing structure, AIXTRON expects to achieve lower EBITDA, EBIT and net result for fiscal year 2017. As previously discussed, AIXTRON is pursuing the options mentioned above in order to return to sustainable profitability. Depending on the execution of above mentioned strategy with its various options and due to the uncertainty of its impact on profit, Management is currently not in the position to offer guidance on EBITDA, EBIT and net result for fiscal year 2017. Management will provide an update on the 2017 earnings outlook as the above mentioned plans materialize.

Influenced by the significant reimbursement of an advance payment in Q1/2016 which will not repeat, AIXTRON expects a further improvement of the free cash flow in 2017.

In addition to above mentioned activities, Management will continue to focus on costs, margin contributions and the allocation of funds and will continuously review the performance and prospects of the Companies' product portfolio.

As in previous years, Management expects that the Company does not require any external bank debt financing in 2017. Furthermore, the Company will retain its strong equity base also in the foreseeable future.

6.3. Overall Statement on the Future Development

Due to the Companies' proven ability to develop and market best-in-class enabling deposition equipment for a variety of markets, Management continues to believe in the positive short- mid- and long-term outlook for AIXTRON and its targeted markets.

As at December 31, 2016, AIXTRON had no binding agreements for participation financing, company acquisition or transfers of parts of the Company.

7. Information concerning section 315 (4) of the German Commercial Code (HGB) on takeovers

The Company's stated share capital as of December 31, 2016 amounted to EUR 112,804,105 (December 31, 2015: EUR 112,720,355; December 31, 2014: EUR 112,694,555) divided into 112,804,105 registered shares with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. Each no-par value share represents the proportionate share in AIXTRON's stated share capital and carries one vote at the Company's annual shareholders' meeting. All registered shares are fully paid in.

The Company has issued a share certificate representing multiples of shares (global share); shareholders do not have the right to the issue of a share certificate representing their share(s). There are no voting or transfer restrictions on AIXTRON's registered shares that are related to the Company's Articles of Association. There are no classes of securities endowed with special control rights, nor are there any provisions for control of voting rights, if employees participate in the share capital without directly exercising their voting rights.

Additional funding needs could be covered by the following additional capital as authorized by the annual shareholders' meeting:

Funding Sources	2016	Approved	Expiry	2015	2014	2016-2015
(EUR or number of shares)	31-Dec	since	Date	31-Dec	31-Dec	
Issued shares	112,804,105	--	--	112,720,355	112,694,555	83,750
Authorized Capital 2014 - Capital increase for cash or contribution in kind with or without existing shareholders' preemptive rights	45,883,905	14.05.2014	13.05.2019	45,883,905	45,883,905	0
Authorized Capital 2012 - Capital increase for cash with existing shareholders' preemptive rights	10,422,817	16.05.2012	15.05.2017	10,422,817	10,422,817	0
Authorized Capital 2011 - Capital increase for cash or contribution in kind with or without existing shareholders' preemptive rights		--	--	cancelled	cancelled	
Conditional Capital I 2012 - Authorization to potentially issue bonds with warrants and/or convertible bonds in future	40,715,810	16.05.2012	15.05.2017	40,715,810	40,715,810	0
Conditional Capital II 2012 - Stock Options Program 2012	4,208,726	16.05.2012	15.05.2017	4,208,726	4,208,726	0
Conditional Capital II 2007 - Stock Options Program 2007	2,809,738	22.05.2007	31.12.2018	2,872,638	2,890,613	-62,900
Conditional Capital 4 - Stock Options Program 2002	expired	22.05.2002	31.12.2016	463,888	471,713	-463,888
Conditional Capital 2 - Stock Options Program 1999	1,926,005	26.05.1999	31.12.2017	1,926,005	1,926,005	0

In accordance with section 71 (1) no. 8 German Corporations Act, AktG, the Company is authorized until May 13, 2019, with the approval of the Supervisory Board, to purchase its own shares representing an amount of up to EUR 11,262,429 of the share

capital. This authorization may not be used by the Company for the purpose of trading in own shares. The authorization may be exercised in full, or in part, once, or on several occasions by the Company. The shares may be purchased (1) on the stock market or (2) by way of a public offer to all shareholders made by the Company or (3) by way of a public invitation to submit offers for sale.

Any amendment to the Articles of Association related to capital measures requires a 75% majority of the share capital represented at the Annual General Meeting (Article 59 SE Regulation, SE-VO; §179 German Corporations Act, AktG). Other amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least one half of the share capital is represented, a simple majority of the votes cast.

As of December 31, 2016, about 17% of AIXTRON shares were held by private individuals, with around 83% held by institutional investors. The largest AIXTRON institutional shareholder was Argonaut Capital Partners LLP (Edinburgh, UK) with around 8% holdings in AIXTRON stock. 100 % of the shares were considered as free float according to Deutsche Börse's definition.

The Supervisory Board appoints and removes from office the members of the Executive Board, who may serve for a maximum term of six years before being reappointed.

If a change of control situation exists, the individual members of the Executive Board are entitled to terminate their service relationship with AIXTRON with a notice period of three months to the end of the month and to resign from their post on the termination date. Upon termination of the services as a result of a change of control, such member of the Executive Board will receive a severance pay in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the service contract, however, not exceeding an amount equal to twice the annual compensation. A change of control situation exists if a third party or a group of third parties who contractually combine their shares in order to act subsequently as a third party, directly or indirectly hold more than 50% of the Company's authorized capital. Apart from the above mentioned, there are no further changes of control provisions.

8. Declaration on Corporate Governance according to § 315 para 5 of the German Commercial Code (HGB)

The Declaration on Corporate Governance including the Corporate Governance Report are available on the Company's homepage under www.aixtron.com/de/investoren/corporate-governance/.

9. Responsibility Statement

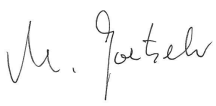
Responsibility Statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 4 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the Consolidated Financial Statements:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group."

Herzogenrath, February 22, 2017

AIXTRON SE

Executive Board



Martin Goetzeler
Chief Executive Officer

Dr. Bernd Schulte
Chief Operating Officer

Consolidated Income Statement

	Note	2016	2015	2014
in EUR thousands				
Revenues	3	196,477	197,756	193,797
Cost of sales		140,211	147,934	154,118
Gross profit		**56,266**	**49,822**	**39,679**
Selling expenses		13,794	11,547	14,135
General administration expenses		17,087	16,279	19,341
Research and development costs	4	53,937	55,415	66,739
Other operating income	5	8,548	8,852	3,901
Other operating expenses	6	1,385	2,159	1,674
Operating result		**-21,389**	**-26,726**	**-58,309**
Finance Income		583	788	1,168
Finance Expense		147	22	
Net Finance Income	8	**436**	**766**	**1,168**
Loss before taxes		**-20,953**	**-25,960**	**-57,141**
Taxes on income/loss	9	3,064	3,200	5,370
Loss for the year		**-24,017**	**-29,160**	**-62,511**
Thereof attributable to the owners of AIXTRON SE		**-24,017**	**-29,160**	**-62,511**
Basic loss per share (EUR)	21	-0.22	-0.26	-0.56
Diluted loss per share (EUR)	21	-0.22	-0.26	-0.56

See accompanying notes to consolidated financial statements.

Consolidated Statement of other Comprehensive Income

in EUR thousands	Note	2016	2015	2014
Loss for the year		**-24,017**	**-29,160**	**-62,511**
Items that will not be reclassified subsequently to Profit or Loss:				
Remeasurement of defined benefit obligation		-186	0	0
Items that may be subsequently reclassified to Profit or Loss:				
Reclassification of currency translation differences on liquidation of subsidiary		-1,568	0	0
Currency translation adjustment	20	-2,089	9,117	11,815
Other comprehensive income/loss		**-3,843**	**9,117**	**11,815**
Total comprehensive loss for the year		**-27,860**	**-20,043**	**-50,696**
Thereof attributable to the owners of AIXTRON SE		-27,860	-20,043	-50,696

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

in EUR thousands	Note	12/31/2016	12/31/2015
Assets			
Property, plant and equipment	11	74,157	81,332
Goodwill	12	74,563	75,902
Other intangible assets	12	5,426	6,392
Other non-current assets	13	544	630
Deferred tax assets	14	1,817	3,242
Tax receivables	15	0	59
Total non-current assets		**156,507**	**167,557**
Inventories	16	54,204	70,817
Trade receivables less allowance kEUR 1,292 (2015: kEUR 2,410)	17	60,221	25,956
Current tax receivables	10	446	2,538
Other current assets	17	4,804	5,691
Other financial assets	18	40,021	93,089
Cash and cash equivalents	19	120,031	116,305
Total current assets		**279,727**	**314,396**
Total assets		**436,234**	**481,953**
Liabilities and shareholders' equity			
Fully paid capital Number of shares: 111,657,153 (2015: 111,581,783)		111,657	111,582
Additional paid-in capital		373,452	372,636
Accumulated losses		-125,528	-99,962
Accumulated comprehensive income and expense recognised in equity		10,160	12,249
Total shareholders' equity	**20**	**369,741**	**396,505**
Other non-current payables		2,008	2,294
Other non-current provisions	24	2,169	1,305
Deferred tax liabilities	14	0	0
Total non-current liabilities		**4,177**	**3,599**
Trade payables	25	14,593	9,814
Advance payments from customers		26,146	24,011
Other current provisions	24	16,117	20,182
Other current liabilities	25	2,358	24,968
Current tax payables	10	3,102	2,874
Total current liabilities		**62,316**	**81,849**
Total liabilities		**66,493**	**85,448**
Total liabilities and shareholders' equity		**436,234**	**481,953**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flow

in EUR thousands	Note	2016	2015	2014
Cash inflow / outflow from operating activities				
Loss for the year		-24,017	-29,160	-62,511
Reconciliation between loss and cash inflow/outflow from operating activities				
Expense from share-based payments		753	991	778
Depreciation, amortization and impairment expense		13,487	10,348	17,000
Net result from disposal of property, plant and equipment		11	6	29
Deferred income taxes		1,485	1,110	618
Change in				
Inventories		16,676	13,031	-13,466
Trade receivables		-34,502	2,030	2,738
Other assets		2,994	927	3,263
Trade payables		4,828	-7,594	1,890
Provisions and other liabilities		-22,102	7,598	-3,223
Non-current liabilities		528	61	-801
Advance payments from customers		2,173	-44,998	19,905
Cash inflow /outflow from operating activities		**-37,686**	**-45,650**	**-33,780**

See accompanying notes to consolidated financial statements.

in EUR thousands	Note	2016	2015	2014
Cash inflow/outflow from investing activities				
Cash flow from acquisitions	38	-4,183	-6,213	0
Capital expenditures in property, plant and equipment		-4,912	-12,524	-12,622
Capital expenditures in intangible assets		-389	-732	-785
Proceeds from disposal of fixed assets		76	161	146
Bank deposits with a maturity of more than 90 days	18	52,811	60,529	-9,933
Cash inflow/outflow from investing activities		**43,403**	**41,221**	**-23,194**
Cash inflow/outflow from financing activities				
Own shares acquired		0	-250	-249
Proceeds from issue of equity shares		343	105	442
Cash inflow/outflow from financing activities		**343**	**-145**	**193**
Effect of changes in exchange rates on cash and cash equivalents		-2,334	4,299	5,907
Net change in cash and cash equivalents		3,726	-275	-50,874
Cash and cash equivalents at the beginning of the period		116,305	116,580	167,454
Cash and cash equivalents at the end of the period	**19**	**120,031**	**116,305**	**116,580**
Interest paid		-5	0	-34
Interest received		302	913	242
Income taxes paid		-1.514	-2,898	-5,878
Income taxes received		1,756	83	10,518

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

in EUR thousands	Sub-scribed capital under IFRS	Addi-tional paid-in-capital	Currency trans-lation	Retained Earnings/ Accumu-lated deficit	Shareholders' equity attributable to the owners of AIXTRON SE
Balance at January 1, 2014	111,535	370,842	-8,683	-8,291	465,403
Share based payments		802			802
Purchase of treasury shares	-25	-224			-249
Issue of shares	81	361			442
Net loss for the year				-62,511	-62,511
Other comprehensive income			11,815		11,815
Total comprehensive loss for the year	0	0	11,815	-62,511	-50,696
Balance December 31, 2014 and January 1, 2015	111,591	371,781	3,132	-70,802	415,702
Share based payments		991			991
Purchase of treasury shares	-35	-215			-250
Issue of shares	26	79			105
Net loss for the year				-29,160	-29,160
Other comprehensive income			9,117		9,117
Total comprehensive loss for the year	0	0	9,117	-29,160	-20,043
Balance December 31, 2015 and January 1, 2016	111,582	372,636	12,249	-99,962	396,505
Share based payments		753			753
Reclassification of share based payments equity credit on liquidation of subsidiary		-205		205	0
Purchase of treasury shares	-8	8			0
Issue of shares	83	260			343
Net loss for the year				-24,017	-24,017
Other comprehensive income			-2,089	-1,754	-3,843
Total comprehensive loss for the year	0	0	-2,089	-25,771	-27,860
Balance December 31, 2016	111,657	373,452	10,160	-125,528	369,741

See accompanying notes to consolidated financial statements.

Notes

1. GENERAL PRINCIPLES

AIXTRON SE is incorporated as a European Company (Societas Europaea) under the laws of the Federal Republic of Germany. The Company is domiciled at Dornkaulstraße 2, 52134 Herzogenrath, Germany. AIXTRON SE is registered in the commercial register of the District Court (“Amtsgericht”) of Aachen under HRB 16590.

The consolidated financial statements of AIXTRON SE and its subsidiaries (“AIXTRON“ or “Company“) have been prepared in accordance with, and fully comply with

- International Financial Reporting Standards (IFRS), and the interpretations as published by the International Accounting Standards Board (IASB); and also
- International Financial Reporting Standards (IFRS) as adopted for use in the European Union; and also
- the requirements of Section 315a of HGB (German Commercial Law).

AIXTRON is a leading provider of deposition equipment to the Semiconductor industry. The Company's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and opto-electronic applications based on compound, silicon, or organic semiconductor materials. Such components are used in fiber optic communication systems, wireless and mobile telephony applications, optical and electronic storage devices, computing, signaling and lighting, displays, as well as a range of other leading-edge technologies.

These consolidated financial statements have been prepared by the Executive Board and have been submitted to the Supervisory Board at its meeting held on February 22, 2017 for approval and publication.

2. SIGNIFICANT ACCOUNTING POLICIES

A COMPANIES INCLUDED IN CONSOLIDATION

Companies included in consolidation are the parent company, AIXTRON SE, and 6 companies, in which AIXTRON SE has a 100% direct shareholding or control. The balance sheet date of all consolidated companies is December 31. A list of all consolidated companies is shown in note 31.

B BASIS OF ACCOUNTING

The consolidated financial statements are presented in Euro (EUR). The amounts are rounded to the nearest thousand Euro (kEUR). Some items in the consolidated statement of financial position and consolidated income statement have been combined under one heading to improve the clarity of presentation. Such items are disclosed and commented on individually in the notes.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if this revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments which have a significant effect on the Company’s financial statements are described in Note 37.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by each consolidated company.

C BASES OF CONSOLIDATION

(I) SUBSIDIARIES

Entities over which AIXTRON SE has control are treated as subsidiaries (see note 31). Control exists when the Company is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

All intercompany income and expenses, transactions and balances have been eliminated in the consolidation.

D FOREIGN CURRENCY

The consolidated financial statements have been prepared in Euro (EUR). In the translation of financial statements of subsidiaries outside the Euro-Zone the local currencies are also the functional currencies of those companies. Assets and liabilities of those companies are translated to EUR at the exchange rate as of the balance sheet date. Revenues and expenses are translated to EUR at average exchange rates for the year or at average exchange rates for the period between their inclusion in the consolidated financial statements and the balance sheet date. Net equity is translated at historical rates. The differences arising on translation are disclosed in the Consolidated Statement of Changes in Equity.

Exchange gains and losses resulting from fluctuations in exchange rates in the case of foreign currency transactions are recognized in the income statement in “Other operating income“ or “Other operating expenses“.

E PROPERTY, PLANT AND EQUIPMENT

(I) ACQUISITION OR MANUFACTURING COST

Items of property, plant and equipment are stated at cost, plus ancillary charges such as installation and delivery costs, less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

Costs of internally generated assets include not only costs of material and personnel, but also a share of directly attributable overhead costs, such as employee benefits, delivery costs, installation, and professional fees.

Where parts of an item of property, plant and equipment have different useful lives, they are depreciated as separate items of property, plant and equipment.

(II) SUBSEQUENT COSTS

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing components or enhancement of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. All other costs such as repairs and maintenance are expensed as incurred.

(III) GOVERNMENT GRANTS

Government grants related to the acquisition or manufacture of owned assets are deducted from original cost at the date of capitalization.

(IV) DEPRECIATION

Depreciation is charged on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Useful lives, depreciation method and residual values of property, plant and equipment are reviewed at the year-end date or more frequently if circumstances arise which are indicative of a change. The estimated useful lives are as follows:

Buildings	25 - 33 years
Machinery and equipment	3 - 14 years
Other plant, factory and office equipment	2 - 14 years

The useful lives of leased assets do not exceed the expected lease periods.

F INTANGIBLE ASSETS

(I) GOODWILL

Business combinations are accounted for by applying the purchase method. In respect of business combinations that have occurred since January 1, 2004, goodwill represents the difference between the fair value of the consideration for the business combination and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment loss. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (j)).

(II) RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding using scientific methods, is recognized as an expense as incurred.

Expenditure on development comprises costs incurred with the purpose of using scientific knowledge technically and commercially. As not all criteria of IAS 38 are met AIXTRON did not capitalize such costs.

(III) OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy (j)).

Intangible assets acquired through business combinations are stated at their fair value at the date of purchase.

Expenditure on internally generated goodwill, trademarks and patents is expensed as incurred.

(IV) SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(V) AMORTIZATION

Amortization is charged on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill. Goodwill has a useful life which is indefinite and is tested annually in respect of its recoverable amount. Other intangible assets are amortized from the date they are available for use. Useful lives and residual values of intangible assets are reviewed at the year-end date or more frequently if circumstances arise which are indicative of a change. The estimated useful lives are as follows:

Software	2 - 5 years
Patents and similar rights	5 - 18 years
Customer base and product and technology know how	6 - 10 years

G FINANCIAL INSTRUMENTS

(I) FINANCIAL ASSETS

Financial assets are classified into the following specific categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held to maturity investments’, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments are recognized at the contract date, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(II) FINANCIAL ASSETS AT FVTPL

Financial assets are classified as at FVTPL where the asset is either

- held for trading or
- it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(III) HELD TO MATURITY INVESTMENTS

Investments with fixed or determinable payments and fixed maturity dates that the Company intends to and has the ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are recorded at amortized cost using the effective interest rate method less any impairment, with revenue recognized on an effective yield basis.

(IV) TRADE RECEIVABLES

Trade receivables and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment.

(V) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(VI) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits with banks with a maturity of less than three months at inception.

(VII) EQUITY INSTRUMENTS

Equity instruments, including share capital, issued by the company are recorded at the proceeds received, net of direct issue costs.

(VIII) FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

(IX) FINANCIAL LIABILITIES AT FVTPL

Financial liabilities are classified as at FVTPL where the liability is either

- held for trading or
- it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(X) OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

(XI) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Company's activities expose it to the financial risks of changes in foreign exchange currency rates (seenote 26). The Company uses foreign exchange forward contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by policies approved by the Executive Board, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the income statement.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

Hedge accounting is discontinued when the derivative financial instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the derivative financial instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

H INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost is determined using weighted average cost.

The cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes direct material and production cost, as well as an appropriate share of overheads based on normal operating capacity. Scrap and other wasted costs are expensed on a periodic basis either as Cost of Sales or, in the case of Beta tools as Research and Development expense.

Allowance for slow moving, excess and obsolete, and otherwise unsaleable inventory is recorded based primarily on either the Company's estimated forecast of product demand and production requirement or historical usage. When the estimated future demand is less than the inventory, the Company writes down such inventories.

I OPERATING RESULT

Operating result is stated before finance income, finance expense and tax.

J IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Goodwill purchased as part of a business acquisition is tested annually for impairment, irrespective of whether there is any indication of impairment. For impairment test purposes, the goodwill is allocated to cash-generating units. Impairment losses are recognized to the extent that the carrying amount exceeds the higher of fair value less cost to sell or value in use of the cash-generating unit.

Property, plant and equipment as well as other intangible assets are tested for impairment, where there is any indication that the asset may be impaired. The company assesses at the end of each period whether there is an indication that an asset may be impaired. Impairment losses on such assets are recognized, to the extent that the carrying amount exceeds either the fair value that would be obtainable from a sale in an arm's length transaction, or the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks associated with the asset.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals are made only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

An impairment loss in respect of goodwill is not reversed.

K EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income (loss) by the weighted average number of issued common shares (see note 21) for the year. Diluted earnings per share reflect the potential dilution that could occur if options issued under the Company's stock option plans were exercised and convertible bonds were converted, unless such conversion had an anti-dilutive effect.

L EMPLOYEE BENEFITS

(I) DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

(II) SHARE-BASED PAYMENT TRANSACTIONS

The stock option programs allows members of the Executive Board, management and employees of the Company to acquire shares/ADS (see note 23) of the Company. These stock option programs are accounted for by AIXTRON according to IFRS 2. The fair value of options granted after November 7, 2002 is recognized as personnel expense with a corresponding increase in additional paid-in capital. The fair value is calculated at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a mathematical model, taking into account the terms and conditions upon which the options were granted. In the calculation of the personnel expense options forfeited are taken into account.

M PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle this obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

(I) WARRANTIES

The Company normally offers one or two year warranties on all of its products. Warranty expenses generally include cost of labor, material and related overhead necessary to repair a product free of charge during the warranty period. The specific terms and conditions of those warranties may vary depending on the equipment sold, the terms of the contract and the locations from which they are sold. The Company establishes the costs that may be incurred under its warranty obligations and records a liability in the amount of such costs at the time revenue is recognized. Factors that affect the Company's warranty liability include the historical and anticipated rates of warranty claims and cost per claim.

The Company accrues material and labor cost for systems shipped based upon historical experience. The Company periodically assesses the adequacy of its recorded warranty provisions and adjusts the amounts as necessary.

Extended warranties, beyond the normal warranty periods, are treated as maintenance services in accordance with (n) below.

(II) ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the expected economic benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The amount recognized as a provision is determined as the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received. Before making that provision any impairment loss that has occurred on assets dedicated to that contract are recognized. The provision is discounted to present value if the adjustment is material.

N REVENUE

Revenue is generated from the sale and installation of equipment, spare parts and maintenance services and is recognized when the Company satisfies a performance obligation by transferring goods or services to the customer and it is probable that the economic benefits associated with the transaction will flow to the entity.

The sale of equipment involves a customer acceptance test at AIXTRON´s production facility. After successful completion of this test, the equipment is dismantled and packaged for shipment. Upon arrival at the customer site the equipment is reassembled and installed, which is a service generally performed by AIXTRON engineers. AIXTRON gives no general rights of return, discounts, credits or other sales incentives within its terms of sale. However, occasionally some customers of AIXTRON have specifically negotiated terms and conditions of business.

Revenues from the sale of products that have been demonstrated to meet product specification requirements are recognized upon shipment to the customer, if a full customer acceptance test has been successfully completed at the AIXTRON production facility and the significant risks and rewards of ownership has passed to the customer.

Revenue relating to the installation of the equipment at the customer's site is recognized when the installation is completed and the final customer acceptance has been confirmed.

The portion of the contract revenue related to equipment deferred until completion of the installation services is determined based on either the fair value of the installation services or, if the company determines that there may be a risk that the economic benefits of installation services may not flow to the Company, the portion of the contract amount that is due and payable upon completion of the installation.

Fair value of the installation services is determined based on the price that would be received in an orderly transaction in the principal market for such equipment at the measurement date under current market conditions.

Revenue related to products where meeting the product specification requirements has not yet been demonstrated, or where specific rights of return have been negotiated, is recognized only upon final customer acceptance.

Revenue on the sale of spare parts is recognized when title and risk passes to the customer, generally upon shipment. Revenue from maintenance services is recognized as the services are provided.

The consideration from contracts which include combinations of different performance obligations such as equipment, spares and services is allocated to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the goods or services to the customer. The company uses a combination of methods such as an estimated cost plus margin approach, and allocating discounts proportionately to each performance obligation when determining the consideration for each performance obligation.

O EXPENSES

(I) COST OF SALES

Cost of sales includes such direct costs as materials, labor and related production overheads.

(II) RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Costs of beta tools which do not qualify to be recognized as an asset are expensed as research and development costs.

Project funding received from governments (e.g. state funding) and the European Union is recorded in other operating income, if the research and development costs are incurred and provided that the conditions for the funding have been met.

(III) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognized as expense on a straight-line basis over the term of the lease.

P OTHER OPERATING INCOME

Government grants

Government grants awarded for project funding are recorded in “Other operating income” if the research and development costs are incurred and provided that the conditions for the funding have been met.

Q TAX

The tax expense represents the sum of the current and deferred tax.

Deferred tax assets and liabilities are recorded for all temporary differences between tax and commercial balance sheets and for losses brought forward for tax purposes as well as for tax credits of the companies included in consolidation. The deferred taxes are calculated, based on tax rates applicable at the balance sheet date or known to be applicable in the future. Effects of changes in tax rates on the deferred tax assets and liabilities are recognized upon substantively enacted amendments to the law.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits can be set off against tax credits and tax losses carried forward. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. The recoverability of deferred tax assets is reviewed at least annually.

R SEGMENT REPORTING

An operating segment is a component of the Company that is engaged in business activities and whose operating results are reviewed regularly by the Chief Operating Decision Maker, which the Company considers to be its Executive Board, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. AIXTRON has only one reportable segment.

Accounting standards applied in segment reporting are in accordance with the general accounting policies as explained in this section.

S CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with IAS 7. Cash flows from operating activities are prepared using the indirect method. Cash inflows and cash outflows from taxes and interest are included in cash flows from operating activities.

T RECENTLY ISSUED ACCOUNTING STANDARDS

In the current year, the following new and revised standards have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IFRS10, IFRS12 and IAS28 Investment entities: Applying the Consolidation Exception	No Investment Entities exist in the Group.
Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations	There are no Joint Operations in the Group
Amendments to IAS 1 Disclosure Initiative	The majority of the amendments are clarifications rather than substantive changes to existing requirements.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments are clarifications rather than substantive changes to existing requirements.
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	The Group does not have agricultural activities.
Amendments to IAS 27 Equity Method in Separate Financial Statements	The amendments do not apply to Consolidated Financial Statements.
Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle	The amendments are mainly concerned with specific guidance and clarification of existing IFRSs.

At the date of authorization of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related clarifications
IFRS 16	Leases
Amendments to IFRS 2	Classification and Measurement of Share-based payment transactions.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture.
Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses.

The company does not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods. The main effects are expected to be from IFRS 9, 15 and 16.

The company expects that the adoption of IFRS 9 will mainly affect the method of assessing credit risk in reporting periods commencing 2018 and could result in higher provisions for bad debts.

The company's accounting policies already substantially comply with IFRS 15. Additional disclosures are likely to be required.

Lease accounting changes included in IFRS 16 are applicable for the reporting periods commencing 2019. The company does not expect the changes to have a material effect in respect of its existing leases.

3. SEGMENT REPORTING AND REVENUES

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Board, as chief operating decision maker, in order to allocate resources to the segments and to assess their performance.

The Executive Board regularly reviews financial information to allocate resources and assess performance only on a consolidated group basis since the various activities of the group are largely integrated from an operational perspective. In accordance with IFRS, AIXTRON has only one reportable segment.

The company's reportable segment is based around the category of goods and services provided to the semiconductor industry.

Revenues are recognized as disclosed in Note 2 (n).

The company values the revenue deferred for equipment installation services, using a market based approach, based on observed transactions for all such contracts involving two elements where revenue has been recognized during the financial year. This is level 2 within the fair value hierarchy described in IFRS 13. The fair value of the installation services is taken as the most frequently observed (modal value) percentage of the contract price payable upon completion of the installation service.

For contracts where revenue is recognized in two elements, the same method is also used to determine the fair value of products delivered, which is taken to be the most frequently observed (modal value) percentage of the contract value payable upon delivery of the equipment to the customer. This is also level 2 in the fair value hierarchy.

Segment revenues and results				
in EUR thousands	**Note**	**2016**	**2015**	**2014**
Equipment revenues		155,653	150,971	148,543
Spares and service revenue		40,824	46,785	45,254
Revenue from external customers		**196,477**	**197,756**	**193,797**
Inventories recognized as an expense	16	104,836	95,143	134,940
Reversals of inventory provisions	16	-16,525	-10,372	-32,018
Obsolescence and valuation allowance expense for inventories	16	0	4,141	3,016
Personnel expense	7	63,136	63,029	66,409
Depreciation	11	12,951	9,146	15,591
Amortization	12	1,421	1,430	1,409
Other expenses		59,678	70,113	65,384
Foreign exchange losses	5	917	704	1,276
Other operating income	5	-8,548	-8,852	-3,901
Segment loss		**-21,389**	**-26,726**	**-58,309**
Finance income	8	583	788	1,168
Finance expense	**8**	**-147**	**-22**	**0**
Loss before tax		**-20,953**	**-25,960**	**-57,141**

The accounting policies of the reportable segment are identical to the Group's accounting policies as described in note 2. Segment profit represents the profit earned by the segment without the allocation of investment revenue, finance costs and income tax expense. This is the measure reported to the Executive Board for the purpose of resource allocation and assessment of performance.

Segment assets and liabilities

in EUR thousands	**12/31/2016**	**12/31/2015**
Semi-conductor equipment segment assets	273,919	266,720
Unallocated assets	162,315	215,233
Total Group assets	**436,234**	**481,953**

in EUR thousands	**12/31/2016**	**12/31/2015**
Semi-conductor equipment segment liabilities	63,391	82,574
Unallocated liabilities	3,102	2,874
Total Group liabilities	**66,493**	**85,448**

For the purpose of monitoring segment performance and allocating resources all assets other than tax assets, cash and other financial assets are treated as allocated to the reportable segment. All liabilities are allocated to the reportable segment apart from tax liabilities and post-employment benefit liabilities.

Additions to Property, Plant and Equipment, to Goodwill and to Intangible assets, and the depreciation and amortization expenses are given in notes 11 and 12. Other non-current assets decreased by kEUR 86 during 2016 (increased by kEUR 248 in 2015).

Information concerning other material items of income and expense for personnel expenses and R&D expenses can be found in notes 7 and 4.

GEOGRAPHICAL INFORMATION

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below. Revenues from external customers are attributed to individual countries based on the country in which it is expected that the products will be used.

in EUR thousands	2016	2015	2014
Asia	128,007	118,376	160,240
Europe	30,814	35,772	25,189
Americas	37,656	43,608	8,368
Total	**196,477**	**197,756**	**193,797**

Sales from external customers attributed to Germany, AIXTRON's country of domicile, and to other countries which are of material significance are as follows:

in EUR thousands	2016	2015	2014
Germany	9,865	6,705	6,621
USA	37,353	41,937	8,162
Korea	27,086	26,507	18,641
China	64,756	52,571	106,568
Taiwan	22,000	27,375	20,580

Revenues from all foreign countries outside of Germany were kEUR 186,612 kEUR 191,051, and kEUR 187,176 for the years ended December 31, 2016, 2015, and 2014 respectively.

During 2016 sales to one customer represented 14.6% of Group revenue, with no other customer exceeding 10%. In 2015 sales to one customer were 18.1% of Group revenue, with no other customer exceeding 10%. Sales to four customers in 2014 exceeded 10% of Group revenue, representing 12.2%, 10.9%, 10.4% and 10.1% respectively.

in EUR thousands	12/31/2016	12/31/2015
Asia	1,521	3,837
Europe excluding Germany	10,800	13,093
Germany	124,057	124,954
USA	18,312	22,372
Total Group non current assets	**154,690**	**164,256**

Non-current assets exclude deferred tax assets, financial instruments, post-employment benefit assets and rights arising under insurance contracts.

4. RESEARCH AND DEVELOPMENT

Research and development costs, before deducting project funding received, were kEUR 53,937, kEUR 55,415 and kEUR 66,739 for the years ended December 31, 2016, 2015 and 2014 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 51,811, kEUR 52,409 and kEUR 64,944 for the years ended December 31, 2016, 2015 and 2014 respectively.

5. OTHER OPERATING INCOME

in EUR thousands	2016	2015	2014
Research and development funding	2,126	3,006	1,795
Income from resolved contract obligations	4,288	1,904	0
Foreign exchange gains	734	3,389	979
Other	1,400	553	1,127
	8,548	**8,852**	**3,901**

in EUR thousands	2016	2015	2014
Foreign exchange gains	734	3,389	979
Foreign exchange losses (see note 6)	-917	-704	-1,276
Net foreign exchange gains (losses)	**-183**	**2,685**	**-297**
Gains (losses) arising on financial instruments at FVTPL	0	0	0
Other foreign exchange gains (losses)	-183	2,685	-297
Net foreign exchange gains (losses)	**-183**	**2,685**	**-297**

The total amount of exchange gains and losses (see alsonote 6) recognized in profit or loss was a loss of kEUR 183, (2015 gain kEUR 2,685; 2014 loss kEUR 297).

6. OTHER OPERATING EXPENSES

in EUR thousands	2016	2015	2014
Foreign exchange losses	917	704	1,276
Losses from the disposal of fixed assets	29	8	29
Additions to allowances for receivables or write-off of receivables	299	1,439	327
Other	140	8	42
	1,385	**2,159**	**1,674**

7. PERSONNEL EXPENSE

in EUR thousands	2016	2015	2014
Payroll	54,411	54,033	57,403
Social insurance contributions	6,518	6,731	6,560
Expense for defined contribution plans	1,454	1,274	1,667
Share based payments	753	991	779
	63,136	**63,029**	**66,409**

Personnel expenses include restructuring costs related to reductions in personnel in a number of the Group's activities. Costs are included in expenses as set out in the table below.

in EUR thousands	2016	2015	2014
Cost of sales	696	0	729
Selling expenses	0	0	424
General administration expenses	131	0	577
Research and development costs	0	0	4,086
	827	**0**	**5,816**

8. NET FINANCE INCOME

in EUR thousands	2016	2015	2014
Interest income from financial assets			
On financial assets measured at amortised cost	583	788	1,168
Interest expense from financial liabilities			
On financial liabilities not at fair value through profit or loss	-147	-22	0
Net finance income	**436**	**766**	**1,168**

Interest income relates to interest on cash and cash equivalents and held to maturity investments.

9. INCOME TAX EXPENSE/BENEFIT

The following table shows income tax expenses and income recognized in the consolidated income statement:

in EUR thousands	2016	2015	2014
Current tax expense (+)/current tax income (-)			
for current year	1,562	2,164	4,093
for prior years	121	-175	719
Total current tax expense/income	**1,683**	**1,989**	**4,812**
Deferred tax expense (+)/deferred tax income (-)			
from temporary differences	80	1,157	989
Income/expense from changes in local tax rate	0	54	0
from reversals and write-downs	1,301	0	-431
Total deferred tax expense	**1,381**	**1,211**	**558**
Taxes on income/loss	**3,064**	**3,200**	**5,370**

Income/loss before income taxes and income tax expense relate to the following regions:

in EUR thousands	2016	2015	2014
Income/loss before income taxes			
Germany	-25,959	-30,479	-61,568
Outside Germany	5,006	4,519	4,427
Total	**-20,953**	**-25,960**	**-57,141**
Income tax expense			
Germany	161	2,192	1,249
Outside Germany	2,903	1,008	4,121
Total	**3,064**	**3,200**	**5,370**

The Company's effective tax rate is different from the German statutory tax rate of 32.80% (2015 : 32.80%; 2014: 30.55%) which is based on the German corporate income tax rate, including solidarity surcharge, and trade tax.

EUR 1,301k deferred tax assets were derecognized in countries outside of Germany (2015: EUR 348k derecognized; 2014: EUR 431k recognized).

The following table shows the reconciliation from the expected to the reported tax expense:

in EUR thousands	2016	2015	2014
Net result before taxes	**-20,953**	**-25,960**	**-57,141**
Income tax expense/benefit (German tax rate)	-6,873	-7,928	-17,451
Effect from differences to foreign tax rates	-932	-833	-2,291
Non-deductible expenses	730	765	1,848
Tax losses not recgonized as assets	11,772	13,798	27,277
Recognition/derecognition of deferred tax assets	1,301	348	-431
Effect from changes in local tax rate	0	54	0
Effect of the use of loss carryforwards	0	-4,113	-1,390
Effect of permanent differences	7	-63	-24
Other	-2,941	1,172	-2,168
Taxes on income/loss	**3,064**	**3,200**	**5,370**
Effective tax rate	**-14.6%**	**-12.3%**	**-9.4%**

10. CURRENT TAX RECEIVABLE AND PAYABLE

As of December 31, 2016 the current tax receivable and payable, arising because the amount of tax paid in the current or in prior periods was either too high or too low, are kEUR 446 (2015: kEUR 2,538) and kEUR 3,102 (2015: kEUR 2,874) respectively.

11. PROPERTY, PLANT AND EQUIPMENT

in EUR thousands	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construction	Total
Cost					
Balance at January 1, 2015	64,368	86,757	18,628	9,604	**179,357**
Additions	344	10,935	416	829	**12,524**
Additions from business combinations	0	52	0	0	**52**
Disposals	76	8,572	2,918	0	**11,566**
Transfers	17	4,355	139	-4,521	**-10**
Effect of movements in exchange rates	304	2,346	297	293	**3,240**
Balance at December 31, 2015	**64,957**	**95,873**	**16,562**	**6,205**	**183,597**
Balance at January 1, 2016	64,957	95,873	16,562	6,205	**183,597**
Additions	846	1,611	354	2,101	**4,912**
Disposals	0	3,142	315	0	**3,457**
Transfers	0	2,956	2,450	-5,406	**0**
Effect of movements in exchange rates	-369	107	-57	18	**-301**
Balance at December 31, 2016	**65,434**	**97,405**	**18,994**	**2,918**	**184,751**
Depreciation and impairment losses					
Balance at January 1, 2015	23,031	65,160	13,867	0	**102,058**
Depreciation charge for the year	1,847	5,391	1,566	342	**9,146**
Reversal of impairment	225	0	0	0	**225**
Disposals	76	8,434	2,896	0	**11,406**
Effect of movements in exchange rates	208	2,250	244	-10	**2,692**
Balance at December 31, 2015	**24,785**	**64,367**	**12,781**	**332**	**102,265**
Balance at January 1, 2016	24,785	64,367	12,781	332	**102,265**
Depreciation charge for the year	2,148	8,973	1,830	0	**12,951**
Reversal of impairment	885	0	0	0	**885**
Disposals	0	3,102	313	0	**3,415**
Effect of movements in exchange rates	-268	-36	-28	10	**-322**
Balance at December 31, 2016	**25,780**	**70,202**	**14,270**	**342**	**110,594**
Carrying amounts					
At January 1, 2015	41,337	21,597	4,761	9,604	**77,299**
At December 31, 2015	40,172	31,506	3,781	5,873	**81,332**
At January 1, 2016	**40,172**	**31,506**	**3,781**	**5,873**	**81,332**
At December 31, 2016	**39,654**	**27,203**	**4,724**	**2,576**	**74,157**

DEPRECIATION

Depreciation expense amounted to kEUR 12,951 for 2016 and was kEUR 9,146 and kEUR 15,591 for 2015 and 2014 respectively.

During each financial year, asset useful lives are reviewed in accordance with IAS 16. The effect of the changes in assets useful lives has been to increase the depreciation expense in 2016 by kEUR 2,283 (2015 kEUR nil; 2014 kEUR 561) compared with the depreciation which would have occurred had the asset useful lives remained unchanged. The changes relate to test equipment which is no longer used.

IMPAIRMENTS

The company decided in 2013 to relocate its main activities from its Kaiserstrasse facility in Herzogenrath to a purpose built building nearby. Consequently, the recoverable amount of the Kaiserstrasse facility was re-assessed as its fair value less costs of disposal.

During 2016 the company obtained a new valuation of the building and has reversed kEUR 885 of the previous impairment of the carrying value of the building.

The valuation was carried out by a professionally qualified valuer (CIS Immobiliengutachter HypZert fuer finanzwirtschaftliche Zwecke) and is level 2 in the hierarchy of valuations in IFRS 13. The valuation was based on observable inputs from comparable property transactions. The valuation given of the building in 2016 was kEUR 5,543 and an allowance for the costs of disposal of kEUR 166 has been made against this.

The valuation was updated on the same basis as at the end of 2015 with a reversal of impairment of kEUR 225 resulting from that valuation.

There were no other impairments or reversals of impairments in 2014, 2015 or 2016.

The building is expected to be put on the market for sale in the near future.

ASSETS UNDER CONSTRUCTION

Assets under construction relates mainly to self-built systems for development laboratories in 2016 and 2015.

12. INTANGIBLE ASSETS

in EUR thousands	**Goodwill**	**Other intangible assets**	**Total**
Cost			
Balance at January 1, 2015	82,486	38,247	**120,733**
Acquisitions	0	696	**696**
Additions from business combinations	10,515	4,655	**15,170**
Transfers	0	10	**10**
Effect of movements in exchange rates	867	2,604	**3,471**
Balance at December 31, 2015	**93,868**	**46,212**	**140,080**
Balance at January 1, 2016	93,868	46,212	**140,080**
Acquisitions	0	389	**389**
Effect of movements in exchange rates	-1,969	451	**-1,518**
Balance at December 31, 2016	**91,899**	**47,052**	**138,951**
Amortisation and impairment losses			
Balance at January 1, 2015	17,673	35,789	**53,462**
Amortisation charge for the year	0	1,430	**1,430**
Effect of movements in exchange rates	293	2,601	**2,894**
Balance at December 31, 2015	**17,966**	**39,820**	**57,786**
Balance at January 1, 2016	17,966	39,820	**57,786**
Amortisation charge for the year	0	1,421	**1,421**
Effect of movements in exchange rates	-630	385	**-245**
Balance at December 31, 2016	**17,336**	**41,626**	**58,962**
Carrying amounts			
At January 1, 2015	64,813	2,458	**67,271**
At December 31, 2015	75,902	6,392	**82,294**
At January 1, 2016	**75,902**	**6,392**	**82,294**
At December 31, 2016	**74,563**	**5,426**	**79,989**

AMORTIZATION AND IMPAIRMENT EXPENSES FOR OTHER INTANGIBLE ASSETS

Amortization and impairment expenses for other intangible assets are recognized in the income statement as follows:

in EUR thousands	**2016**	**2015**	**2014**
	Amortization	Amortization	Amortization
Cost of sales	18	2	0
Selling expenses	0	0	1
General administration expenses	748	858	1,261
Research and development costs	655	570	147
	1,421	**1,430**	**1,409**

In 2016, 2015 and 2014, no impairment losses were incurred and no reversals of impairment losses were made.

The amortization expected to be charged on other intangible assets in the future years is as follows:

in EUR thousands	
2017	1,671
2018	1,454
2019	1,304
2020	521
2021	208
After 2021	572

The actual amortization can differ from the expected amortization.

IMPAIRMENT OF GOODWILL

At the end of 2016 the Group assessed the recoverable amount of goodwill and determined that no impairment loss had to be recognized (2015: kEUR 0; 2014 kEUR 0).

The carrying value of goodwill was kEUR 74,563 (2015 kEUR 75,902; 2014 kEUR 64,813).

As at the end of 2016 the cash generating unit, to which the goodwill has been allocated, is the Aixtron Group Semiconductor Equipment segment.

The recoverable amount of the cash-generating unit is determined through a fair value less cost to sell calculation. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As AIXTRON has only one cash generating unit (CGU), market capitalization of AIXTRON, adjusted for a control premium, has been used to determine the fair value less cost to sell of the cash generating unit. This is level 2 in the hierarchy of fair value measures set out in IFRS 13.

As at December 31, 2016 the market capitalization of AIXTRON was Euro 346.0 million, based on a share price of Euro 3.099 and issued shares (excluding Treasury Shares) of 111,657,153. In an orderly selling process costs are incurred. AIXTRON has used 1.5% to account for the costs to sell. A control premium typically in the range 20%-40% is incurred in the acquisition of a company.

A 20% premium has been applied in this test to adjust the market capitalization to the fair value. Market capitalization was also adjusted for net debt and tax assets prior to comparing it to the carrying amount of the CGU. The analysis shows that the fair value less costs to sell of the CGU AIXTRON exceeds its carrying amount and that Goodwill is not impaired.

Euro millions, except share price	Impairment Test	Impairment Test	Sensitivity Analysis	Sensitivity Analysis
	2016	2015	2016	2016
			No control premium	
Share price - Euros	3.10	4.13	3.10	2.80
Market capitalisation as of December 31	346.0	460.6	346.0	312.8
Costs to sell in percentage	1.50%	1.50%	1.50%	1.50%
Costs to sell	-5.2	-6.9	-5.2	-4.7
Market capitalisation less cost to sell	340.8	453.7	340.8	308.1
Control premium in percentage	20.00%	20.00%	0.00%	20.00%
Control premium	68.2	90.7	0.0	61.6
Market capitalisation and control premium less cost to sell	409.0	544.4	340.8	369.7
Net debt	-160.1	-209.4	-160.1	-160.1
Tax assets	0.8	-3.0	0.8	0.8
Fair value less costs to sell of CGU	249.8	332.0	181.6	210.5
Carrying amount of the CGU	210.5	184.1	210.5	210.5
Surplus of fair value less cost to sell over carrying amount	39.2	147.9	-28.9	0.0
Surplus of fair value less cost to sell over carrying amount as a percentage	19%	80%	-14%	0%

The fair value less costs to sell, which is the recoverable amount, exceeds the carrying amount of the CGU by 19% (2015; 80%).

A sensitivity analysis of the impairment test, in which the control premium is reduced to zero, shows that the carrying amount of the CGU would equal the recoverable amount should the market capitalization of AIXTRON fall by 9.6% (2015 13%) to Euro 312.8 million (2015 Euro 402.5 million).

13. OTHER NON-CURRENT ASSETS

Other non-current assets totaling kEUR 544 (2015: kEUR 630) include mainly rent deposits for buildings.

14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recognized at the level of individual consolidated companies in which a loss was realized in the current or preceding financial year, only to the extent that realization in future periods is probable. The nature of the evidence used in assessing the probability of realization includes forecasts, budgets and the recent profitability of the relevant entity. The carrying amount of deferred tax assets for entities which have made a loss in either the current or preceding year was kEUR nil (2015: kEUR 1,542).

Deferred taxes for tax losses in the amount of kEUR 184,951 (2015: kEUR 161,168) and on deductible temporary differences in the amount of kEUR 9,888 (2015: kEUR 19,555) were not recognized. Tax losses in the amount of kEUR 156,650 can be used indefinitely (2015: kEUR 139,853), kEUR 21,765 expire by 2021 (2015: kEUR nil, by 2020) and kEUR 16,424 expire after 2021 (2015: kEUR 21,215 after 2020).

The following table shows the development of temporary differences during the financial year:

in EUR thousands	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	191	185	0	0	191	185
Trade receivables	50	1	0	0	50	1
Inventories	1,309	473	0	0	1,309	473
Employee benefits	125	257	0	0	125	257
Currency translation	-13	9	0	0	-13	9
Provisions and other liabilities	60	74	0	0	60	74
Other	12	-35	0	0	12	-35
Tax losses	83	2,278	0	0	83	2,278
Deferred tax assets (+) liabilities (-)	**1,817**	**3,242**	**0**	**0**	**1,817**	**3,242**

in EUR thousands	Balance at January 1, 2016	Recognized in income statement	Directly recognized in Other Comprehensive Income	Balance at December 31, 2016
Property, plant and equipment	185	6	0	**191**
Trade receivables	1	49	0	**50**
Inventories	473	836	0	**1,309**
Employee benefits	257	-132	0	**125**
Currency translation	9	22	-44	**-13**
Provisions and other liabilities	74	-14	0	**60**
Other	-35	47	0	**12**
Tax losses	2,278	-2,195	0	**83**
	3,242	**-1,381**	**-44**	**1,817**

in EUR thousands	Balance at January 1, 2015	Recognized in income statement	Directly recognized in Other Comprehensive Income	Balance at December 31, 2015
Property, plant and equipment	624	-439	0	**185**
Trade receivables	-29	30	0	**1**
Inventories	939	-466	0	**473**
Employee benefits	318	-61	0	**257**
Currency translation	-37	-320	366	**9**
Provisions and other liabilities	80	-6	0	**74**
Other	-90	55	0	**-35**
Tax losses	2,281	-3	0	**2,278**
	4,086	**-1,210**	**366**	**3,242**

15. LONG TERM RECEIVABLE FROM CURRENT TAX

Long term receivables from current tax of the previous year consist of a receivable from corporate tax which will be refunded after more than one year.

16. INVENTORIES

in EUR thousands	2016	2015
Raw materials and supplies	26,599	37,259
Work in process	24,950	20,615
Inventories at customers' locations	2,655	12,943
	54,204	**70,817**

in EUR thousands	Note	2016	2015
Inventories recognised as an expense during the period	3	104,836	95,143
Reversals of write-downs recognised during the year	3	-16,525	-10,372
		88,311	**84,771**
Write-down of inventories during the year	3	0	4,141
Inventories measured at net realisable value		7,304	10,312

The reversal of write-downs recognized during the year in both 2016 and 2015 mainly relates to inventories which had been written down to their net realizable value and subsequently were sold.

17. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Current Assets

in EUR thousands	2016	2015
Trade receivables	61,514	28,366
Allowances for doubtful accounts	-1,293	-2,410
Trade receivables - net	**60,221**	**25,956**
Prepaid expenses	1,288	1,551
Reimbursement of research and development costs	218	1,310
Advance payments to suppliers	323	919
VAT recoverable	1,932	1,046
Other assets	1,043	865
Total other current assets	**4,804**	**5,691**
	65,025	**31,647**

Additions to allowances against trade receivables are included in other operating expenses, releases of allowances are included in other operating income. Allowances against receivables developed as follows:

in EUR thousands	**2016**	**2015**
Allowance at January 1	2,410	945
Translation adjustments	0	16
Impairment losses recognised	405	1,509
Used	-1,353	0
Impairment losses reversed	-169	-60
Allowance at December 31	**1,293**	**2,410**

Ageing of past due but not impaired receivables

in EUR thousands	**2016**	**2015**
1-90 days past due	2,524	2,534
More than 90 days past due	5,046	3,200

Due to the worldwide spread of risks, there is a diversification of the credit risk for trade receivables. Generally, the Company demands no securities for financial assets. In accordance with usual business practice for capital equipment however, the Company mitigates its exposure to credit risk by requiring payment by irrevocable letters of credit and substantial payments in advance from most customers as conditions of contracts for sale of major items of equipment.

At the balance sheet date, net trade receivables of kEUR 60,221 represent the equivalent of 28 days sales outstanding (2015; kEUR 25,956, 17 DSO).

At the balance sheet date one customer accounted for 17% of the company's net trade receivables, no other single customer accounted for more than 10% of trade receivables. In 2015 one customer accounted for 22% of the company's net trade receivables. In determining concentrations of credit risk the company defines counterparties as having similar characteristics if they are connected entities.

Included in the Company's trade receivable balance are debtors with a carrying amount of kEUR 7,570 (2015: kEUR 5,734) which are past due at the reporting date for which the Company has not provided. As there has not been a significant change in credit quality, and although the company has no collateral, the amounts are still considered recoverable.

In determining the financial assets which may be individually impaired the Company has taken into account the likelihood of recoverability based on the past due nature of certain receivables, and our assessment of the ability of all counter-parties to perform their obligations.

18. OTHER FINANCIAL ASSETS

Other financial assets of kEUR 40,021 (2015: kEUR 93,089) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

An analysis of the maturities at December 31, 2016 and 2015 is as follows:

In EUR thousands	**2016**	**2015**
Maturity up to 180 days	0	93,089
Maturity 181 days to 365 days	40,021	0
	40,021	**93,089**

19. CASH AND CASH EQUIVALENTS

in EUR thousands	**2016**	**2015**
Cash-in-hand	3	5
Bank balances	120,028	116,300
Cash and Cash equivalents	**120,031**	**116,305**

Cash and cash equivalents comprise short-term bank deposits with an original maturity of 3 months or less. The carrying amount and fair value are the same.

Bank balances included kEUR 0 given as security (2015: kEUR 0) at December 31, 2016.

20. SHAREHOLDERS'EQUITY

FULLY PAID CAPITAL

in Euro	**2016**	**2015**
January 1	112,720,355	112,694,555
Shares issued during the year	83,750	25,800
Issued and fully paid capital at December 31, including Treasury Shares	112,804,105	112,720,355
Treasury shares	-1,146,952	-1,138,572
Issued and fully paid share capital at December 31 under IFRS	**111,657,153**	**111,581,783**

The share capital of the company consists of no-par value shares and was fully paid-up during 2016 and 2015. Each share represents a portion of the share capital in the amount of EUR 1.00.

AUTHORIZED SHARE CAPITAL

Authorized share capital, including issued capital, amounted to EUR 218,771,106 (2015: EUR 219,214,144).

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital mainly includes the premium on increases of subscribed capital as well as cumulative expense for share-based payments.

In 2016 and 2015 all shares issued were the results of stock options being exercised.

The Company regards its shareholders' equity as capital for the purpose of managing capital. Changes in Shareholders' equity are shown in the Consolidated Statement of Changes in Equity. The Company considers its capital resources to be adequate.

INCOME AND EXPENSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

in EUR thousands	Currency translation	Total
Balance at December 31, 2013	**-8,683**	**-8,683**
Change in currency translation	11,815	11,815
Balance at December 31, 2014	**3,132**	**3,132**
Change in currency translation	9,117	9,117
Balance at December 31, 2015	**12,249**	**12,249**
Change in currency translation	-2,089	-2,089
Balance at December 31, 2016	**10,160**	**10,160**

The foreign currency translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currency is not the Euro.

During 2016 an expense of kEUR 186 (2015 kEUR nil; 2014 kEUR nil) was recorded from the remeasurement of defined benefit obligations.

As a result of the liquidation in 2016 of Aixtron AB, a currency translation adjustment of kEUR 1,568 (2015 kEUR nil; 2014 kEUR nil) was reclassified through Other Comprehensive Income from currency reserves against the Group's retained earnings.

21. LOSS PER SHARE

BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the weighted-average number of common shares outstanding during the reporting period.

DILUTED LOSS PER SHARE

The calculation of the diluted loss per share is based on the weighted-average number of outstanding common shares and of common shares with a possible dilutive effect resulting from share options being exercised under the share option plan.

	2016	2015	2014
Loss per share			
Net loss attributable to the shareholders of AIXTRON SE in kEUR	-24,017	-29,160	-62,511
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,618,282	111,583,480	112,107,905
Basic loss per share (EUR)	**-0.22**	**-0.26**	**-0.56**
Loss per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	-24,017	-29,160	-62,511
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,618,282	111,583,480	112,107,905
Dilutive effects of share options	0	0	0
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share (diluted)	111,618,282	111,583,480	112,107,905
Diluted loss per share (EUR)	**-0.22**	**-0.26**	**-0.56**

The following securities issued were not included in the computation of the diluted earnings per share, as their effect would be anti-dilutive:

Number of shares	2016	2015	2014
Share options	2,317,790	2,891,815	3,521,639

22. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLAN

The Company grants retirement benefits to qualified employees through various defined contribution pension plans. The expenses incurred for defined contribution plans mainly arise from two pension plans in subsidiaries. The contributions made by the company do not exceed 10% of qualified employees' base salaries. In 2016 the expense recognized for defined contribution plans amounted to kEUR 1,454 (2015: kEUR 1,274, 2014: kEUR 1,667).

In addition to the Company's retirement benefit plans, the company is required to make contributions to state retirement benefit schemes in most of the countries in which it operates. The company is required to contribute a specified percentage of payroll costs to the retirement schemes in order to fund the benefits. The only obligation of the group is to make the required contributions.

23. SHARE-BASED PAYMENT

The Company has different fixed option plans which reserve shares of common stock and AIXTRON American Depository Shares (ADS) for issuance to members of the Executive Board, management and employees of the Company. Each AIXTRON ADS represents the beneficial ownership in one AIXTRON common share. The following is a description of these plans:

AIXTRON STOCK OPTION PLAN 1999

In May 1999, options were authorized to purchase 3,000,000 shares of common stock (after giving effect to capital increases, stock splits, and the EURO conversion). The stock options can be exercised when 15 years have elapsed since their issue. Under the terms of the 1999 plan, options were granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date. Under this plan options for the purchase of 384,450 common shares were outstanding as of December 31, 2016.

AIXTRON STOCK OPTION PLAN 2007

In May 2007, options were authorized to purchase 3,919,374 shares of common stock. 50% of the granted options may be executed after a waiting period of not less than two years, further 25% after three years and the remaining 25% after at least four years. The options expire 10 years after they have been granted. Under the terms of the 2007 plan, options were granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 20%. Options to purchase 1,008,140 common shares were outstanding under this plan as of December 31, 2016.

AIXTRON STOCK OPTION PLAN 2012

In May 2012, options were authorized to purchase shares of common stock. The granted options may be exercised after a waiting period of not less than four years. The options expire 10 years after they have been granted. Under the terms of the 2012 plan, options are granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 30%. Options to purchase 925,200 common shares were outstanding under this plan as of December 31, 2015.

SUMMARY OF STOCK OPTION TRANSACTIONS

AIXTRON share options	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
	2016		2015	
Balance at January 1	2,891,815	16.67	3,521,639	21.02
Granted during the year	0	0.00	0	0.00
Exercised during the year	83,750	4.21	25,800	4.08
Forfeited during the year	490,275	19.13	604,024	42.61
Outstanding at December 31	2,317,790	16.60	2,891,815	16.67
Exercisable at December 31	1,008,140	23.24	1,214,165	20.46

AIXTRON STOCK OPTIONS AS OF DECEMBER 31, 2016

	Exercise price per share (EUR)	Underlying shares represented by outstanding options	Shares represented by exercisable options	Average option life (in years)
2002	7.48	384,450	0	0.5
2007	10.09	116,375	116,375	1.0
2008	4.17	12,340	12,340	2.0
2009	24.60	405,475	405,475	3.0
2010	26.60	440,950	440,950	4.0
2011	12.55	8,000	8,000	5.0
2012	15.75	25,000	25,000	6.0
2013	14.01	21,000	0	8.0
2014	13.14	904,200	0	8.0
		2,317,790	**1,008,140**	

ASSUMPTIONS USED TO CALCULATE FAIR VALUES AND SHARE-BASED PAYMENT EXPENSES

The fair value of services received in return for stock options granted is measured by reference to the fair value of the stock options granted. The fair value of the stock options is determined on the basis of a mathematical model. In accordance with IFRS 2 the measurement includes only options which were granted after November 7, 2002.

In 2016, the personnel expenses from share-based payments, all of which were equity settled share based payments, were kEUR 753 (2015: kEUR 991; 2014: kEUR 779).

As of December 31, 2016 an amount of kEUR 1,509 relating to stock options granted prior to that date had not yet been recognized as a personnel expense. This amount will be charged over the periods to 2018. The expected allocation of the expense is as follows: 2017: kEUR 878 and 2018 kEUR 631.

AIXTRON SHARE OPTIONS GRANTED

	in 2014 (October)	in 2014 (June)
Fair value on grant date	EUR 3.79	EUR 4.26
Price per share	EUR 10.11	EUR 10.77
Exercise price	EUR 13.14	EUR 14.01
Expected volatility	50.53%	50.92%
Option life	10.0 years	10.0 years
Expected dividend payments	EUR 0.13	EUR 0.13
Risk-free interest rate	1.03%	1.46%

The expected volatility is based on historical volatility.

24. PROVISIONS

Development and breakdown of provisions

in EUR thousands	01/01/2016	Exchange rate differences	Usage	Reversal	Addition	12/31/2016	Current	Non-current
Personnel expenses	5,624	47	1,704	810	2,767	**5,924**	5,924	0
Warranties	6,466	-84	5,674	0	5,239	**5,947**	4,050	1,897
Onerous contracts	2,636	1	1,591	630	277	**693**	693	0
Commissions	425	2	223	81	0	**123**	123	0
Other	6,336	18	3,623	1,032	3,900	**5,599**	5,327	272
Total	**21,487**	**-16**	**12,815**	**2,553**	**12,183**	**18,286**	**16,117**	**2,169**

PERSONNEL EXPENSES

These include mainly provisions for holiday pay, payroll and severance costs, which are financial liabilities.

PROVISIONS FOR ONEROUS CONTRACTS

These include provisions associated with contracts where the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received. These mainly relate to supply contracts for materials which are excess to the forecast future requirements.

COMMISSIONS

Commissions are payable to sales agents and are recorded as financial liabilities.

WARRANTIES

Warranty provisions are the estimated unavoidable costs of providing parts and service to customers during the normal warranty periods.

OTHER PROVISIONS

Other provisions consist mainly of the estimated cost of services received.

For provisions existing at both December 31, 2016 and December 31, 2015, the economic outflows resulting from the obligations that are provided for are expected to be settled within one year of the respective balance sheet date for current provisions and within two years of the respective balance sheet date, but more than one year, for non-current provisions.

25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The liabilities consist of the following:

in EUR thousands	2016	2015
Trade payables	14,593	9,814
Liabilities from grants	1,142	2,665
Payroll taxes and social security contributions	626	655
VAT and similar taxes	189	644
Other liabilities	401	21,004
Other current liabilities	2,358	24,968
Trade payables and other current liabilities	16,951	34,782

The carrying amount of trade payables and other current liabilities approximates their fair value. Trade payables, grant liabilities, taxes and other liabilities fall due for payment within 90 days of receipt of the relevant goods or services.

26. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods, the basis of measurement that are used in preparing the financial statements and the other accounting policies that are relevant to an understanding of the financial statement are disclosed in note 2 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The group seeks to minimize the effects of any risk that may occur from any financial transaction. Key aspects are the exposures to liquidity risk, credit risk, interest rate risk and currency risk arising in the normal course of the Company's business.

The AIXTRON Group's central management coordinates access to domestic and international financial institutions and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposure to risk by likelihood and magnitude. These risks cover all aspects of the business, including financial risks; and the risk management system is in accordance with the corporate governance recommendations specified in the German Corporate Governance Code.

Liquidity risks

Liquidity risk is the risk that the Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. Managing liquidity risk is one of the central tasks of AIXTRON SE. In order to be able to ensure the Group's solvency and flexibility at all times cash and cash equivalents are projected on the basis of regular financial and liquidity planning.

As at December 31, 2016 the group had no borrowings (2015 nil). Financial liabilities, all due within one year, of kEUR 16,951 (2015 kEUR 34,782) consisting of trade payables and other liabilities and are shown in Note 25, together with an analysis of their maturity.

As at December 31, 2016 the group had kEUR 120,031 cash and cash equivalents (2015 kEUR 116,305) and a further kEUR 40,021 of fixed deposits with banks (2015 kEUR 93,089).

CREDIT RISKS

Financial assets generally exposed to a credit risk are trade receivables (see note 17) and cash and cash equivalents.

The Group's cash and cash equivalents are kept with banks that have a good credit standing. Central management of the Group assesses the counter-party risk of each financial institution dealt with and sets limits to the Group's exposure to those institutions. These credit limits are reviewed from time to time so as to minimize the default risk as far as possible and to ensure that concentrations of risk are managed.

The maximum exposure of the Group to credit risk is the total amount of receivables, financial assets and cash balances as described in notes 17, 18 and 19.

For receivables measured at fair value, the maximum amount of the exposure to credit risk is the amount of receivables measured at fair value as disclosed in note 26. There are no credit derivatives or similar instruments which mitigate the maximum exposure to credit risk and there has been no change during the period or cumulatively in the fair value of such receivables that is attributable to changes in the credit risk.

MARKET RISKS

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rate risks. Interest rate risks are not material as the company only receives a minor amount of interest income. The Company does not use derivative financial instruments to manage its exposure to interest rate risk. Cash deposits are made with the company's bankers at the market rates prevailing at inception of the deposit for the period and currency concerned. There has been no change to the Company's exposure to market risk or the manner in which it manages and measures the risk.

FOREIGN CURRENCY RISK

The Company may enter into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts to hedge the exchange rate risk arising on the export of equipment. The main exchange rates giving rise to the risk are those between the US Dollar, Pound Sterling and Euro.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

in EUR thousands	**Liabilities**		**Assets**	
	2016	**2015**	**2016**	**2015**
US Dollars	-29,040	-24,416	67,935	112,313
GB Pounds	-974	-1,903	10,556	10,489

Exposures are reviewed on a regular basis and are managed by the Company through sensitivity analysis.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to US Dollar exchange rate risks through its worldwide activities.

The following table details the company's sensitivity to a 10% change in the value of the Euro against the Dollar. A positive number indicates an increase in profit and other equity, a negative number indicates a reduction in profit and other equity.

Increase in value of Euro by 10%	**USD Currency Effect**
In EUR thousands	**2016**	**2015**
Profit or loss	-1,549	-6,482
Other comprehensive income	-2,361	-1,404
Decrease in value of Euro by 10%	
In EUR thousands	**2015**	**2014**
Profit or loss	1,579	6,482
Other comprehensive income	2,361	1,404

The sensitivity analysis represents the foreign exchange risk at the year-end date only. It is calculated by revaluing the Group's financial assets and liabilities, existing at 31 December, denominated in US-Dollars by 10%. It does not represent the effect of a 10% change in exchange rates sustained over the whole of the financial year, only the effect of a different rate occurring on the last day of the year.

FAIR VALUES

Cash and cash equivalents, Loans and receivables and Held to maturity investments are stated at amortized cost. At FVTPL are classed as at fair value through profit or loss and are designated as such upon initial recognition. At FVTPL includes accrued receivables arising as the difference between the fair value of revenue (note 3) and the invoiced amounts. The fair value is level 2 in the fair value hierarchy.

The fair values and the carrying amounts of the financial instruments shown in the balance sheet are shown in the following table. Financial assets are classified into categories.

FINANCIAL ASSETS 2016

in EUR thousands	Cash and cash equivalents	Loans and receivables	Held-to-maturity investments	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Cash and cash equivalents	120,031	0	0	0	120,031
Other financial assets	0	0	40,021	0	40,021
Other non-current assets	0	544	0	0	544
Trade receivables	0	59,820	0	401	60,221
Total	**120,031**	**60,364**	**40,021**	**401**	**220,817**
At amortized cost	**120,031**	**60,364**	**40,021**	**0**	**220,416**
At fair value				**401**	**401**

FINANCIAL LIABILITIES 2016

in EUR thousands	Cash and cash equivalents	Loans and receivables	Other payables	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Trade payables	0	0	14,593	0	14,593
Advance payments from customers (not in scope of IFRS 7)	0	0	26,146	0	26,146
Total	0	0	**40,739**	**0**	**40,739**
At amortized cost	0	0	**40,739**	**0**	**40,739**
At fair value				**0**	**0**

TRADE RECEIVABLES/PAYABLES

For trade receivables/payables due within less than one year, measured at amortized cost, the fair value is taken to be the carrying amount.

FINANCIAL ASSETS 2015

in EUR thousands	Cash and cash equivalents	Loans and receivables	Held to-maturity investments	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Cash and cash equivalents	116,305	0	0	0	116,305
Other financial assets	0	0	93,089	0	93,089
Other non-current assets	0	630	0	0	630
Trade receivables	0	25,542	0	414	25,956
Total	**116,305**	**26,172**	**93,089**	**414**	**235,980**
At amortized cost	**116,305**	**26,172**	**93,089**		**235,566**
At fair value				**414**	**414**

FINANCIAL LIABILITIES 2015

in EUR thousands	Cash and cash equivalents	Loans and receivables	Other payables	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Trade payables	0	0	9,814	0	9,814
Advance payments from customers (not in scope of IFRS 7)	0	0	24,011	0	24,011
Total	**0**	**0**	**33,825**	**0**	**33,825**
At amortized cost	**0**	**0**	**33,825**		**33,825**
At fair value	0	0		**0**	**0**

27. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

in EUR thousands	
Not later than one year	3,798
Later than one year and not later than five years	2,628
Later than five years	80
	6,506

The Company leases certain office and plant facilities, office furniture and motor vehicles under various operating leases. Under most of the lease commitments for office and plant facilities the Company has options to renew the leasing contracts. The leases typically run for a period between one and fifteen years. None of the leases include contingent rentals.

The expenses for leasing contracts were kEUR 3,923, kEUR 4,520 and kEUR 4,150 for 2016, 2015 and 2014 respectively.

28. CAPITAL COMMITMENTS

As of December 31, 2016, the Company had entered into purchase commitments with suppliers in the amount of kEUR 30,364 (2015: kEUR 19,104) for purchases within the next 12 months. In addition, commitments for capital expenditures for fixed assets are kEUR 1,671 (2015: kEUR 1,059) as of December 31, 2016.

29. CONTINGENCIES

The Company is involved in various legal proceedings or can be exposed to a threat of legal proceedings in the normal course of business. The Executive Board regularly analyses these matters, considering any possibilities of avoiding legal proceedings or of covering potential damages under insurance contracts and has recognized, where required, appropriate provisions. It is not expected that such matters will have a material effect on the Company's net assets, results of operations and financial position.

30. IDENTITY OF RELATED PARTIES

Related parties of the Company are members of the Executive Board and members of the Supervisory Board.

EXECUTIVE BOARD AND SUPERVISORY BOARD REMUNERATION

The disclosures for key management personnel compensation required according to IAS 24 contain the remuneration of the Executive Board and the Supervisory Board.

Remuneration of the members of the Executive Board:

in EUR thousands	2016	2015	2014
Short-term employee benefits	1,056	1,041	1,387
Share based payments	-	-	628
	1,056	**1,041**	**2,015**

Share based payments refer to the fair value of share options at grant date and also includes that portion of bonus agreements which is settled in shares.

Remuneration of the members of the Supervisory Board:

in EUR thousands	2016	2015	2014
Fixed remuneration (incl. attendance fee)	**449**	303	293
	449	**303**	**293**

Individual amounts and further details regarding the remuneration of the members of the Executive Board and Supervisory Board are disclosed in the Remuneration Report which is an integral part of the Group Management Report.

31. CONSOLIDATED ENTITIES

AIXTRON S.E. controls the following subsidiaries:

	Country	Share of capital in %	
		2016	2015
AIXTRON Inc	USA	100	100
AIXTRON Ltd.	England & Wales	100	100
AIXTRON Korea Co. Ltd.	South Korea	100	100
AIXTRON Taiwan Co. Ltd.	Taiwan	100	100
AIXTRON KK	Japan	100	100
AIXTRON China Ltd	P. R. China	100	100

AIXTRON AB was put into liquidation and deconsolidated as of June 2016.

The assets held in the Genus trust were attributed, as beneficial owner, to AIXTRON, as control existed through the trust relationship with AIXTRON SE. The assets were transferred to AIXTRON and the Trust dissolved during 2016.

All companies in the Group are engaged in the supply of equipment to the semiconductor industry. Design and manufacture of equipment takes place at the entities in Germany, UK and USA. Service and distribution takes place at all locations.

32. EVENTS AFTER THE REPORTING PERIOD

There are no events which have occurred after the balance sheet date, of which the directors have knowledge, which would result in a different assessment of the Company's net assets, results of operation and financial position.

During 2017, the Group has commenced pursuing options for some of its activities in order to allow the continuation of development projects with high up-front expenses. These options include looking for partners, joint ventures or other alternatives. As this process is in its early stages, it is not possible to estimate its financial effects.

33. AUDITORS'FEES

Fees expensed in the income statement for the services of the group auditor Deloitte are as follows:

in EUR thousands	2016	2015
for audit	857	731
for other confirmation services	10	33
for tax advisory services	135	124
for other services	6	18
	1,008	**906**

Included in the total amount of fees are fees for the group auditor Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Duesseldorf, in the amount of kEUR 697 for audit (2015: kEUR 583), kEUR 10 for other confirmation services (2015: kEUR 33), kEUR 45 for tax services (2015: kEUR 41) and kEUR 6 for other services (2015: kEUR 18).

34. EMPLOYEES

Compared to last year, the average number of employees during the current year was as follows:

EMPLOYEES BY FUNCTIONS

	2016	2015
Sales	59	61
Research and Development	252	265
Manufacturing and Service	314	326
Administration	82	88
Employees (§ 314 HGB)	**707**	**740**
Executive board members	2	2
	709	**742**
Apprentices	12	15
	721	**757**

35. SUPERVISORY BOARD AND EXECUTIVE BOARD

Composition of the Supervisory Board as of December 31, 2016

- Dipl.-Kfm. Kim Schindelhauer
  - Hamburg / businessman /Chairman of the Supervisory Board since 2002
- Prof. Dr. Wolfgang Blättchen
  - Leonberg / Financial Advisor / member of the Supervisory Board since 1998 / Deputy Chairman of the Supervisory Board since February 27, 2013

    Membership of Supervisory Boards and controlling bodies:
    - Pfisterer Holding AG, Winterbach - Chairman of the Supervisory Board
    - FAS AG, Stuttgart - member of the Supervisory Board
- Prof. Dr. Rüdiger von Rosen
  - Frankfurt/Main / businessman / member of the Supervisory Board since 2002

    Membership of Supervisory Boards and controlling bodies:
    - ICF Bank AG, Frankfurt/Main – Deputy Chairman of the Supervisory Board
    - Paladin Asset Management Investment AG, Hannover – Chairman of the Supervisory Board
- Prof. Dr. Petra Denk
  - Unterschleißheim / Professor of Energy Economics / member of the Supervisory Board since 2011

    Membership of Supervisory Boards and controlling bodies:
    - Pfisterer Holding AG, Winterbach - member of the Supervisory Board(since September 22, 2015)
- Dr. Andreas Biagosch
  - Munich / Managing Director Impacting I GmbH & Co KG / member of the Supervisory Board since May 2013

    Membership of Supervisory Boards and controlling bodies
    - Lürssen Maritime Beteiligungen, Bremen, member of the Advisory Board
    - Ashok Leyland Limited, Chennai/Indien - non-executive director
    - Wacker Chemie AG, Munich – member of the Supervisory Board (since February 4, 2015)
    - Hinduja Leyland Finance Limited, Chennai/Indien - non-executive director (since 2016)
- Dr. Ing. Martin Komischke
  - Morgarten/Switzerland / President of the Board of Directors of Hoerbiger Holding AG, Zug/Switzerland / member of the Supervisory Board since May 2013

The composition of the Company's Executive Board is:

- Martin Goetzeler, Aachen, businessman, Chairman, President and Chief Executive Officer since March 1, 2013
- Dr. Bernd Schulte, Aachen, physicist, Executive Vice President and Chief Operating Officer since 2002

36. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of AIXTRON's Consolidated Financial Statements requires the Company to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts and related disclosures and are made in order to fairly present the Company's financial position and results of operations. The following accounting policies are significantly impacted by these estimates and judgments that AIXTRON believes are the most critical to aid in fully understanding and evaluating its reported financial results:

REVENUE RECOGNITION

Revenue is generally recognized in two stages for the supply of equipment to customers, partly on delivery and partly on final installation and acceptance (see note 2 (n)). The Company believes, based on past experience, that this method of recognizing revenue fairly states the revenues of the Company. The judgements made by management include an assessment of the point at which substantially all of the risks and rewards of ownership have passed to the customer.

VALUATION OF INVENTORIES

Inventories are stated at the lower of cost and net realizable value. This requires the Company to make judgments concerning obsolescence of materials. This evaluation requires estimates, including both forecasted product demand and pricing environment, both of which may be susceptible to significant change. The carrying amount of inventories is disclosed in note 16.

As disclosed in notes 3 and 16, during the years 2016, 2015 and 2014 the Company incurred expenses of kEUR nil, kEUR 4,141 and kEUR 3,016 respectively arising mainly from changes to past assumptions concerning net realizable value of inventories and excess and obsolete inventories. In future periods, write-downs of inventory may be necessary due to (1) reduced demand in the markets in which the Company operates, (2) technological obsolescence due to rapid developments of new products and technological improvements, or (3) changes in economic or other events and conditions that impact the market price for the Company's products. These factors could result in adjustment to the valuation of inventory in future periods, and significantly impact the Company's future operating results.

Although commitments for the manufacture of 25 AIX R6 systems in excess of customer contracts existed as of December 31, 2015, by the end of 2016 only 2 AIX R6 systems were not covered by customer orders.

INCOME TAXES

At each balance sheet date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to future taxable income. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize future tax benefits. The carrying amount of deferred tax assets is disclosed in note 14.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. At each balance sheet date, the Company assesses the valuation of the liabilities which have been recorded as provisions and adjusts them if necessary. Because of the uncertain nature of the timing or amounts of provisions, judgement has to be exercised by the Company with respect to their valuation. Actual liabilities may differ from the estimated amounts. Details of provisions are shown in Note 24.

LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to various legal proceedings and claims. The Company, based upon advice from legal counsel, believes that the matters the Company is aware of are not likely to have a material adverse effect on its financial condition or results of operations. The Company is not aware of any unasserted claims that may have a material adverse effect on its financial condition or results of operation.

37. Acquisition of PlasmaSi Inc

On April 1st, 2015 the group acquired 100% of the voting equity interests of PlasmaSi Inc.(USA), obtaining control of the company. PlasmaSi enables the encapsulation of organic thin-films by depositing ultra-thin, light weight and flexible barrier films through its proprietary technology which is particularly well suited to OLED displays. In combining AIXTRON's OVPD technology with PlasmaSi's innovative approach the Company expects to be able to add significant value in the production of flexible OLED applications.

The amounts recognized in 2015 in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

in EUR thousands	
Cash & cash equivalents	1,471
Property, plant & equipment	52
Other current assets	24
Identifiable intangible assets	4,655
Other current liabilities	-2,541
Other non-current liabilities	-2,256
Contingent consideration	-4,236
Total identifiable liabilities	**-2,831**
Goodwill	10,515
Net assets acquired & consideration	**7,684**
Satisfied by :	
Cash paid	**7,684**
Cash consideration	7,684
Less: cash acquired	-1,471
Net cash outflow on acquisition	**6,213**

In March 2015, AIXTRON made a short term loan to PlasmaSi Inc. of USD 1.65m which is included in the other current liabilities assumed. The cash acquired of kEUR 1,471 is effectively the cash needed to repay this loan to AIXTRON.

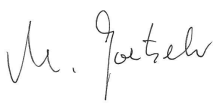
The goodwill arising on the acquisition of kEUR 10,515 is underpinned by a number of elements which individually cannot be quantified. The most significant of these is the competitive advantage gained from AIXTRON's complimentary products. None of the goodwill is expected to be deductible for tax purposes. Individually identifiable and quantifiable intangible assets amount to kEUR 4,655 and represent the fair value of the developed technology acquired.

Contingent consideration was paid in 2016.

Herzogenrath, February 22, 2017

AIXTRON SE

Executive Board



Martin Goetzeler
Chief Executive Officer

Dr. Bernd Schulte
Chief Operating Officer

Independent Auditors' Report

We have audited the consolidated financial statements prepared by AIXTRON SE, Herzogenrath – comprising the consolidated statement of financial position, the consolidated income statement and consolidated statement of other comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the financial year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a, paragraph 1, HGB ("German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the results of operations, financial position and net assets in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of AIXTRON SE, Herzogenrath, comply with IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a, paragraph 1, HGB and give a true and fair view of the results of operations, financial position and net assets of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's and Groups's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 22, 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

signed Dr. Reichmann	signed Mißmahl
Wirtschaftsprüfer	Wirtschaftsprüfer

Glossary

A

ALD
Atomic Layer Deposition (ALD) is a method for producing ultra-thin films for semiconductor devices and new, emerging non-semiconductor applications. ALD is a technology that is capable of meeting the production requirements of next-generation geometries (22 nanometer and below). The ALD process is used to pulse and purge two reactants to deposit films. In the purge process carrier gases like argon or nitrogen are employed.

B

Backlighting
The assemblies used to illuminate the liquid-crystal displays (LCDs) of electronic equipment are known as "backlighting" assemblies. LEDs are used for backlighting because their advantages – long operating lifetime, robustness and small dimensions – are all of particular benefit. Displays for small mobile equipment such as mobile phones or navigation DEVICES are typical examples of applications.

C

Capacitor
A capacitor is a circuit element formed by placing an insulating layer between two conducting layers; its function is to store an electrical charge. It is a very important component of memory chips.

Capital market
The capital market is part of the financial market and is the entirety of all institutions and transactions whose purpose is to combine supply and demand for long-term (financial) capital.

Carbon nanotubes
Carbon nanotubes (CNT) are microscopically small tube-shaped structures of carbon (molecular nanotubes). Depending on the structural detail, the electrical conductivity within the tubes is either metallic or semiconducting. There are also carbon nanotubes with superconducting properties at low temperatures. Transistors and simple circuits have already been produced using semiconducting carbon nanotubes.

Carrier gas
In the process for the production of compound semiconductor layers or silicon devices, the raw materials are converted into gases and transported into the reactor with the help of a carrier gas. Carrier gases most commonly used are hydrogen, argon and nitrogen.

Chip
The finished device structure which constitutes a very small element of the semiconductor wafer.

Clean room
In a clean room area of a semiconductor fab, all wafer processing is completed. Dust and particles which might fall on the wafers during processing and result in the circuits not functioning correctly are kept out of the clean room by filtering the air and managing the air flow. Personnel are required to wear specially designed clean room overalls and “booties” over their street clothes and shoes, and must wear gloves and face masks (humans tend to shed skin and hair). Not even normal paper is allowed in clean rooms – only clean room low particulate paper may be taken in.

Close coupled showerhead®
With this technology, the reagent gases are introduced vertically into the reactor through a water-cooled showerhead surface covering the entire area of deposition. During deposition, the showerhead is extremely close to the substrates and is constructed to enable precursors to be kept separate right up to the point where they are injected into the reactor chamber. The gases are injected through a multiplicity of small tube orifices into the chamber in order to create a very uniform distribution of reagent gases.

CMOS
Complementary Metal Oxide Semiconductor (CMOS) is a major class of integrated circuits. CMOS technology is used in CHIPS such as microprocessors, microcontrollers, static RAM, and other digital logic circuits. CMOS technology is also used for a wide variety of analog circuits such as image sensors, data converters, and highly integrated transceivers for many types of communication devices.

Compliance
Compliance (including regulatory compliance) stands for the observance of laws and company policies, but also of voluntary codes. The totality of the principles, processes and measures of a company to comply with certain rules and thus to avoid breaking the rules in a company is called Compliance Management System and is a part of the Corporate Governance system.

Compound semiconductors
These multi-element semiconductors are complex crystal growth structures containing a variety of material elements. The structures are defined by the periodic table groups from which they come. For example: IV/IV (germanium/silicon), III/V (gallium/nitrogen), II/VI (magnesium/ oxygen). Compound semiconductors have several advantages compared to single element semiconductors. Many have properties that allow them to emit or absorb light very efficiently (for illumination or production of electrical energy). Many can be processed into devices that have better power capabilities, operation frequency or efficiency than similar devices made from silicon only.

Corporate Governance
Corporate Governance refers to the system by which companies are directed and controlled. Effective Corporate Governance guarantees that an enterprise is managed in a responsible, professional and transparent manner with the purpose of safeguarding its long-term success. It is intended to reflect and serve the purposes of the organization itself, its owners and all other stakeholders. Corporate Governance is very complex and includes both mandatory and voluntary measures: observance of legal provisions and policies (compliance), conformance with recognized standards and recommendations as well as the development of the company's own guidelines and adherence to them.

CVD
Chemical Vapor Deposition (CVD) is the deposition of thin films (usually dielectrics/insulators) on silicon wafers placed in a reactor chamber or furnace. The target deposition material is delivered to the surface of the wafer in the form of a mixture of gases which then react at the surface of the wafers. CVD can be done at medium to high temperature in a furnace, or in a CVD reactor in which the wafers are heated but the walls of the reactor are not. Plasma enhanced CVD avoids the need for high temperature by exciting the reactant gases into a plasma.

D

Deposit/Growth
Semiconductor devices comprise of several crystalline layers. Deposition is the correct term for the creation of these layers on a wafer.

Deposition
Deposition describes the process by which material carrying gases are introduced into the reactor chamber where the required crystal growth or deposition process occurs on the wafers. Depending on the kind of coating process, different electronic and optoelectronic devices can be manufactured, e.g. LEDs, lasers, solar cells or transistors.

Devices
These are the completed products which are manufactured with the compound or silicon semiconductor chips at their core. For example, LEDs and lasers, transistors, memory and logic chips, as well as solar cells.

Diode
A two-terminal electronic device which permits significant current flow in only one direction. Diodes typically function as a rectifier, i.e. converting alternating current into direct current.

Display
A display is an electronic device for displaying images and text. Displays can be found in many industrial and consumer electronic products, e.g. in digital cameras, cell phones or navigational equipment, as well as in flat screen televisions.

DRAM
Dynamic Random Access Memory (DRAM) is a volatile type of semiconductor memory chip, on which data is lost after an interruption of the electric power supply.

E

Electronic paper
Electronic paper (also e-paper, E-Paper or ePaper) aims to imitate printed paper. Displays of so-called E-Book Readers (EBR) reflect light in the same way as common paper devices do. Static digital information such as texts or pictures can be displayed semi-permanently and does not require any additional energy whilst being viewed. The image can be changed at any time and requires only a small energy input to be changed. Some methods allow the production of electronic paper displays which are nearly as flexible and thin as common paper devices.

Epitaxy
The deposition of thin single crystalline layers on a suited substrate in the form of crystal growth.

F

FeRAM
FeRAM (Ferroelectric Random Access Memory) is a nonvolatile computer memory chip. It is similar in construction to DRAM, which is currently the most commonly used main memory in computers. FeRAM is based on a ferroelectric layer whose memory state is still retained even after switching off the power supply. At the same time it allows operating speeds that come close to those of DRAMS.

Flash Memory
See NAND flash memory.

G

Gas Foil Rotation®
Gas Foil Rotation® (GFR) means that the wafer carriers in AIXTRON MOCVD equipment turn friction-free on gas cushions. This movement is powered by a directed gas flow.

General lighting
General lighting is the uniform, even illumination of a space. The term “solid state lighting” is also used in this context: Today this is what all semiconductor-based lighting components are called. They include LEDs and OLEDs, among others.

German Commercial Code
The German Commercial Code (HGB) contains the core of the commercial law of Germany.

German Securities Trading Act
The German Securities Trading Act (WpHG) regulates securities trading in Germany and serves in particular the control of the service industry, that deals with securities and financial futures, but also the protection of the investor.

German Stock Coperation Act
The German Stock Corporation Act (AktG) regulates the setting up, incorporation, accounting, liquidation, and stockholders’ meetings of stock corporations and partnerships limited by shares.

Glovebox
The hermetically sealed reactor cabinet with arm-length gloves in which the operator can slide his hands in order to carry out internal work from outside the cabinet. These cabinets protect the reactor from contamination with oxygen or humidity and ensure the purity of the epitaxial process.

H

HBT
The Heterojunction Bipolar Transistor (HBT) is an improvement of the bipolar junction transistor, using differing SEMICONDUCTOR materials for the emitter and base regions and creating a heterojunction, that can handle signals of very high frequencies up to 600 GHz and more. This type of device is common in modern ultrafast circuits as well as applications requiring a high power efficiency, such as power amplifiers in cellular phones.

HEMT
High Electron Mobility Transistor (HEMT) is a field-effect transistor incorporating a junction between two materials with different band gaps. A commonly used material combination is GaAs with AlGaAs. HEMTs have attracted attention due to their high-power performance capabilities, especially for high frequency applications.

HVPE
Hydride Vapor Phase Epitaxy (HVPE) is a technique employed to produce semiconductors e.g. III-V compound semiconductor materials from metallic sources of group III elements and hydrogen compounds of group V elements of the semiconductor crystal. Also see VPE.

I

ISO 9001
ISO 9001 is part of a series of standards that document the principles for quality management measures within a company. This standard describes the entire quality management system as a model and is the basis for a comprehensive quality management system.

L

LCD
A Liquid Crystal Display (LCD) fulfills the same function as a monochrome or color television tube, namely as a display. LCD displays are very thin and energy-saving.

LED
A light-emitting diode (LED) is an electronic semiconductor device. LEDs can emit very bright light and are highly energy efficient. The most commonly used LEDs generally have an area of 0.1 mm^2 (ca. 20 mA) whereas the most powerful LEDs can have an area of 1 mm^2 (ca. 350 mA) or more. This places LEDs among the world's smallest light sources and their low power consumption and heat emission qualities make LEDs potentially far more economical and safer than traditional lighting.

Logic chip
The critical chip which does the necessary computational calculations in an electronic component. For example, the main chip in a computer is a microprocessor, for mathematical computations, amongst other things.

M

Memory chip
A chip which retains the information that logic chips will then process. For example, in a computer, the memory chips will store the word processing program while it is being used, and the letters of the word processing documents which are being worked on. DRAM is the type of memory used most in computers, and is by far the most important type of memory from a total worldwide revenue standpoint.

MOCVD
Metal-Organic Chemical Vapor Deposition (MOCVD) is a compound semiconductor production method where the raw material "metal-organic compounds" are transformed into gases and then, bound to a carrier gas, are subsequently fed into the reactor. This transformation also occurs under reduced pressure, down to approximately one-tenth of normal atmospheric pressure. The advantage is that the gases being introduced are of high purity and can be finely dosed. MOCVD allows the processing of quite large surface areas and therefore is the first choice for the production of compound semiconductors. AIXTRON is one of the global market leaders in this technology.

N

NAND flash memory
A non-volatile computer memory manufactured in NAND (Not/AND) technology. Flash memories are characterized by the fact that they can be electrically erased and reprogrammed. This technology is mainly used for memory cards. The data of a flash memory device is retained even after interruptions in the power supply.

Nanometer
One nanometer (nm) is equal to one billionth of a meter and is approximately 70,000 times thinner than a human hair.

Nanotechnology
The term "nanotechnology" refers to the research being conducted in cluster- and surface physics, semiconductor physics, specific areas of chemistry such as surface chemistry, and to a more limited extent, in areas of mechanical engineering and food technology ("nano food"). The collective term is derived from the magnitude common to all of the research areas, namely, structures with sizes ranging from a single atom to 100 nanometers (nm). Nanomaterials play an increasingly important role in the miniaturization of circuit elements. Typical nanotech material structures are the so-called "quantum dots". Modern processors also have structures smaller than 100 nm, which could therefore also be called "nanotech" as well.

NASDAQ
NASDAQ ("National Association of Securities Dealers Automated Quotations") is a stock exchange founded in 1971 as a fully electronic platform. Securities trading on NASDAQ is regulated by the United States Securities and Exchange Commission (SEC).

Non-volatile memory
A non-volatile memory device is a semiconductor memory device which will not lose its data even after its power source is switched off. This is in contrast to volatile memory (e.g. DRAMs), which loses its data when the power supply to the chip is interrupted.

O

OLED
Organic Light Emitting Diode: An OLED is a solid state device that typically consists of a series of organic thin films sandwiched between two thin film conductive electrodes. The choice of organic materials and the layer structure determine the device's performance features: emitted color, operating lifetime and power efficiency.

OVPD®
Organic Vapor Phase Deposition (OVPD®) is a technology for the thin film deposition of small molecular organic materials. It utilizes the advantages of gas phase deposition, where the materials are transported to the SUBSTRATE by an inert carrier gas.

P

PCRAM
This abbreviation stands for Phase Change RAM and refers to a type of non-volatile memory in electronics. The active principle of this memory is based on the differences in electrical resistivity exhibited by the material depending on whether it is in the amorphous phase (high resistivity/reset state) or the crystalline phase (low resistivity/set state). The material used is a chalcogenide alloy (chalcogenide compound) similar to the material used for data storage in a CD-RW or DVD-RAM – also on the basis of phase change.

PECVD
Plasma-Enhanced Chemical Vapor Deposition or also Plasma Assisted Chemical Vapor Deposition (PECVD) is the term for a special type of Chemical Vapor Deposition (CVD) process used to deposit thin films by chemical reaction, as with the CVD technique. In addition, the process is supported by a plasma. The plasma can burn directly in contact to the substrate to be layered (direct plasma method) or in a separate chamber (remote plasma method).

Periodic system
All elements are ordered within the periodic table according to their atomic number and chemical properties into main- and subgroups. MOCVD technology uses elements like gallium arsenide (GaAs), indium phosphide (InP), gallium nitride (GaN) and related alloys. They are also called "III-V semiconductors" because they are elements of group III and V of the Periodic Table and can interact to form crystalline compounds.

Planetary Reactor®
The Planetary Reactor® is based on the principle of a horizontal laminar flow reactor. The laminar flow principle guarantees extremely precise heterojunctions and unequaled control of deposition rates at the atomic monolayer level. The combination of this principle with AIXTRON's unique multiple substrate carrier rotation methodology, known as Gas Foil Rotation® (GFR), ensures excellent deposition uniformity, regarding layer thickness, composition and doping. In addition, the special reactor inlet, which allows the separation of reactive gases, ensures a uniform outward radial flow and optimum distribution adjustment.

Planetary rotation
A specific arrangement of the wafers within an MOCVD reactor for the production process, whereby a number of small discs holding the wafers orbit like planets in space around the central gas injector (Gas Foil Rotation®). The large plate, where those small discs lie on, also turns. This method facilitates a uniform, even deposition of compound semiconductor layers on the wafer. AIXTRON employs this process as part of its MOCVD technology (Planetary Reactor®).

Prime standard
As a sub-segment of the Regulated Market with additional requirements for admission, organized under private law and regulated by legislation, the Prime Standard is the segment of the Frankfurt Stock Exchange with the highest transparency standards, surpassing those of the General Standard. Admission to Prime Standard is a prerequisite for shares to be included in the DAX®, MDAX®, TecDAX® and SDAX® indices.

PVPD™
Polymer Vapor Phase Deposition (PVPD™) is a technological process that is used e.g. in the production of electronic paper.

R

RFID chips
Radio-frequency identification (RFID) is the use of an object (typically referred to as an RFID tag) applied to or incorporated into a product, animal, or person for the purpose of identification and tracking using radio waves. This contact-free technology makes the capture and storage of data considerably easier.

S

Sarbanes-Oxley Act
The Sarbanes-Oxley Act of 2002 (also SOX) is a United States federal law designed to improve the reporting reliability of companies that make use of the public capital market of the United States.

Semiconductor
A material such as silicon whose conductivity lies between that of a conductor and an insulator. Its conductivity can be modulated by adding impurities (such as boron or phosphorus in silicon).

Silicon
An element of the periodic table with the symbol Si. Silicon is a semiconductor used to fabricate most transistors and integrated circuits.

Substrate
A substrate is the base material on which semiconductor layers are deposited, see also wafer.

Susceptor
This circular plate serves as the pocket holder for the substrate or the substrate carrier. Normally it consists of graphite so that excellent temperature uniformity can be achieved.

T

TecDAX®
The TecDAX® is a German stock market technology index. Along with those in the DAX®, the MDAX® and the SDAX®, the companies in the TecDAX® are listed in the prime standard.

TFT
A thin-film transistor (TFT) is a special field-effect transistor that allows the production of electronic circuits with large areas, e.g. on glass screens, backlit by LEDS. It is increasingly used in laptops, computer monitors and televisions.

Transistors
These devices are divided into two types: the fieldeffect transistor is based on the effect that, by means of a voltage applied through an insulated terminal (gate), a current can be controlled between two terminals (source and drain). In the case of a bipolar transistor, the current is controlled between the two terminals by means of a small current at the base. This current controls the current flow between the two other terminals, referred to as emitter and collector.

V

VPE
This is an older, established process for the production of compound semiconductors. In contrast to MOCVD , this gas phase process exclusively uses inorganic substances as starting materials. The method allows for clean deposits of very thick and pure layers. However, not all materials can be produced by this method. This method (also referred to as HVPE – Hydride VPE) has gained much attention as a way to produce high quality gallium nitride substrates or templates.

W

Wafer
The technical term for the substrate material (e.g. silicon), typically a thin disc of semiconductor material, on which the layers are deposited in the reactor. The diameter of wafers is typically 2 inch, 100, 150, 200 or 300 mm.

Financial Calendar

04/25/2017	Q1/17 Result
05/09/2017	Annual General Meeting 2017
07/25/2017	H1/17 Result
10/26/2017	Q3/17 Result

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