

Translation for Convenience Purposes

Explanatory Report by the Executive Board regarding the information pursuant to §§ 289a (1) and 315a (1) of the German Commercial Code (HGB) for Fiscal Year 2018

In the Management Report of the Company and the Group Management Report the Executive Board disclosed information pursuant to §§ 289a (1) and 315a (1) of the German Commercial Code, *HGB*, which is explained in this report as follows:

The **share capital** (Grundkapital) of AIXTRON SE as of December 31, 2018 amounted to EUR 112,927,320.00 divided into 112,927,320 registered shares with a proportional interest in the Company's share capital of EUR 1.00 per no-par value registered share. Each no-par value share represents the proportionate share in AIXTRON's 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); according to § 6 para. 4 sentence 2 of the Company's Articles of Association, the 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.

As per December 31, 2018, the following additional **capitals** were in place according to different General Meeting resolutions and have not been utilized as per December 31, 2018 with the amounts referred to below:

(EUR or number of shares)	31-Dec 2018	Resolution
Authorized Capital 2018 – Capital increase for cash or contribution in kind with or without preemptive rights for shareholders	45,944,218	16/05/2018
Authorized Capital 2017 - Capital increase for cash with preemptive rights for shareholders	10,518,147	09/05/2017
Conditional Capital 2018 – Authorization to issue bonds with or without preemptive rights for shareholders	25,000,000	16/05/2018
Conditional Capital II 2012 – Stock Options Program 2012	4,208,726	16/05/2012
Conditional Capital II 2007 – Stock Options Program 2007	2,686.523	22/05/2007

Authorized Capital 2018: Based on the resolution of the General Meeting on May 16, 2018, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital before May 15, 2023 either in one or multiple amounts by a total of up to EUR 45,944,218.00 by the issue of no-par registered shares in return for cash and/or contributions in kind. In principle, shareholders shall be granted subscription rights. However, under certain conditions stipulated in the authorization, the shareholders' pre-emptive rights may be excluded with the consent of the Supervisory Board. So far, the Executive Board has not made any use of this authorization.

Authorized Capital 2017: Based on the resolution of the General Meeting on May 9, 2017, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one occasion or in partial amounts on several occasions by up to a total of EUR 10,518,147.00 against cash contributions by issuing new registered no-par value shares until May 8, 2022. Shareholders must be granted pre-emptive rights. However, the Executive Board shall be authorized, with approval of the Supervisory Board, to exclude shareholders' pre-emptive rights in order to eliminate fractions resulting from the subscription ratio. So far, the Executive Board has not made any use of this authorization.

Contingent Capital 2018: Based on the resolution of the General Meeting on May 16, 2018, the Executive Board is authorized until May 15, 2023, with the consent of the Supervisory Board, to issue on one or more occasions bearer or registered options and/or convertible bonds, profit participation certificates and/or income bonds (or combinations of these instruments) (together the Bonds) of an aggregate par value of up to EUR 350,000,000.00 with or without a limitation of maturity, and to grant holders or creditors option or conversion rights (also with conversion or option obligations or any rights to offer on the part of the company) up to a total 25,000,000 new no-par registered shares of the Company representing a proportionate amount in the share capital of up to EUR 25,000,000.00 in accordance with the detailed terms for the Bonds. In principle, the shareholders are entitled to a subscription right, meaning the Bonds must be offered to the shareholders of the Company for purchase as a matter of principle. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription right for Bonds. So far, the Executive Board has not made any use of this authorization.

Contingent Capital II 2012: Based on the resolution of the General Meeting on May 16, 2012, the Company's share capital is conditionally increased by up to EUR 4,208,726.00 by issuing up to 4,208,726 no-par value registered shares. The Contingent Capital II 2012 serves the purpose of securing subscription rights arising from share options which have been issued by the Company until and including May 15, 2017 based on the authorization granted by the General Meeting on May 16, 2012. The contingent capital increase will only be implemented to the extent that the holders of such share options will exercise their option rights and the Company does not grant own shares or cash compensation in fulfillment of the share options. The shares will be issued from the Contingent Capital II 2012 at an issue price equal to the exercise price set forth in (a) (7) of agenda item 8 of the General Meeting on May 16, 2012. The new shares will carry dividend rights from the beginning of the fiscal year in which they are issued.

Contingent Capital II 2007: This contingent capital amounts to up to EUR 2,686,523.00. It serves the purpose of securing subscription rights arising from share options issued by the Company under the AIXTRON Stock Option Plan 2007 in the period to May 21, 2012 based on the authorization granted by the General Meeting on May 22, 2007. In fiscal year 2018, a total of 2,590 subscription rights were exercised under the terms of this stock option plan for a total nominal amount of EUR 2,590.00, corresponding to 2,590 registered no-par value shares. The contingent capital may be utilized until December 31, 2022.

Pursuant to Section 71 (1) no. 8 German Corporations Act, AktG, the Company is authorized to acquire **treasury shares** within the legal limits until May 15, 2023, representing an amount of up to EUR 11,292,473 of the share capital and to use such treasury shares as provided for in the underlying resolution of the General Meeting on May 16, 2018 (agenda item 8). This authorization may not be used by the Company for the purpose of trading treasury shares. The Company may exercise the authorization in full or in partial amounts, on one or more occasions, or in pursuit of one or several purposes. The authorization may equally be exercised by companies that are dependent on the Company or directly or indirectly majority-owned by the Company or by third parties mandated by the company or its dependent companies to do so. At the discretion of the Executive Board, treasury shares may be purchased (1) via the stock exchange or (2) by means of a public offer made by the Company and directed to all shareholders, or by a public invitation to tender such an offer.

The **Articles of Association** of the Company may be amended by a resolution of the general meeting; any such amendment will become effective upon its registration in the commercial register (§181 (3) German Stock Corporation Act, AktG). To the extent that applicable law prescribes a majority of the share capital represented at the general meeting in order to pass a resolution, a simple majority of the share capital represented is sufficient according to Art. 22 (1) sentence 2 of the Articles of Association if this is legally permitted. According to Art. 22 (1) sentence 3 of the Articles of Association, a resolution on any amendments of the Articles of Association requires a majority of two-thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast, unless otherwise prescribed by applicable law (such as § 193 (1) of the German Stock Corporation Act, AktG, for a contingent capital increase). The Supervisory Board is authorized to amend and restate the Articles of Association in accordance with the scope of the respective capital increase from authorized and contingent capital; the Supervisory Board is further authorized to resolve amendments of and supplements to the Articles of Association solely relating to the wording (Art. 4 clause 2.8 and Art. 26 of the Articles of Association).

As of December 31, 2018, about 26% of **AIXTRON shares** were held by private individuals, and around 73% by institutional investors. The largest institutional shareholders were T. Rowe Price Group, Oppenheimer Global Opportunities Fund und Deutsche Asset Management, each holding more than 5% of AIXTRON shares. According to the definition of Deutsche Boerse AG, 99% of AIXTRON's share capital was in free float.

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", all members 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 "change of control" provisions.

In order to minimize risks, AIXTRON operates an enterprise **risk management system**.

AIXTRON's risk management system is centrally managed and integrates all of AIXTRON's major organizational units into the process. The Board Member of AIXTRON SE in charge of compliance is responsible for establishing and maintaining an effective risk management system and informs the Supervisory Board at regular intervals or, if necessary, ad hoc.

The primary objectives of the system are to support the achievement of strategic business objectives and to identify potential risks at an early stage, which could negatively impact the achievement of these. The risk management system supports the Executive Board in the systematic and rational management of identified risks by defining and prioritizing risk mitigating measures.

The periodic, quarterly risk inventory is initiated and monitored by the central risk manager. All risk owner from the operating divisions are questioned about current developments of already identified risks and measures to mitigate these. The results are compiled at a central level and discussed in a risk committee prior to informing the Supervisory Board.

AIXTRON uses a risk management software to support the process. All risk owners have access to the system. This ensures that changes in the risk situation that arise abruptly or newly identified risks are reported and integrated into the risk portfolio by the risk owners from the operating divisions.

Furthermore, the Executive Board is responsible for setting up and maintaining an appropriate **internal control system** and assessing its ongoing effectiveness in order to manage operational risks and to ensure adequate protection against significant misstatements and losses.

Management shall ensure that the system of internal processes and controls is appropriate for the company in matters of its size and business, and that the appropriate processes and controls are in place to effectively manage and minimize the strategic, operational, financial and other risks which the company is exposed to. These also include the centrally monitored compliance for company-wide accounting guidelines and assessment principles within the context of financial reporting.

All subsidiaries included in the consolidated financial statements use a shared SAP system and prepare monthly financial statements which are consolidated in the centrally hosted SAP system. Using direct system access via headquarters, the quarterly financial statements in particular are analyzed in detail on the basis of target/actual deviations. In regular quarterly meetings with the responsible persons, all substantial facts are being reviewed for compliance with IFRS. AIXTRON maintains a multi-level control system for all accounting-relevant transactions and processes, which is reviewed regularly for compliance by the internal audit department.

In addition, the group has ongoing processes in place to identify, evaluate and manage operational risks.

The Executive Board of AIXTRON SE has not identified any risks for the Company that could threaten its continued existence.

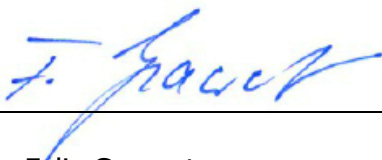
The auditor reviewed the risk early warning system as part of the annual audit and confirmed its effectiveness.

Furthermore, the independent auditing firm **Deloitte GmbH** audited the Financial Statements and the Consolidated Financial Statements as well as the non-financial group report of AIXTRON SE for fiscal year 2018. All three reports were given an **unqualified audit opinion** by the auditors.


Herzogenrath, April 2019

AIXTRON SE

- Executive Board -



Dr. Felix Grawert



Dr. Bernd Schulte