



**Explanatory Report by the Executive Board
regarding the information pursuant to
§§ 289 (4 and 5) and 315 (4) of the German Commercial Code (HGB)
for Fiscal Year 2010**

In the Management Report of the Company and the Group Management Report the Executive Board disclosed information pursuant to §§ 289 (4 and 5) and 315 (4) of the German Commercial Code, *HGB*, which is explained in this report as follows:

The Company's **stated share capital** as of December 31, 2010 amounted to EUR 101,179,866 divided into 101,179,866 registered no-par value shares. Each no-par value share represents a share of EUR 1.00 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 shares are represented by multiples of shares (global share); according to Art. 6 clause 4, sentence 2 of the Articles of Association 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, 2010, the following additional capitals were in place according to different General Meeting resolutions and have not been utilized as per December 31, 2010 with the amounts referred to below:

Capitals (EUR or number of shares)	31/12/2010	Resolution date
Conditional Capital 2 - Stock Options Program 1999	1,926,005	26/05/1999
Conditional Capital 4 - Stock Options Program 2002	972,183	22/05/2002
Conditional Capital I 2007 - Authorization to potentially issue convertible notes or warrants in future	35,875,598	22/05/2007
Conditional Capital II 2007 - Stock Options Program 2007	3,681,699	22/05/2007

Conditional Capital of May 26, 1999: After a reduced number of exercisable options and the subsequent reduction of the conditional capital during fiscal year 2007, the Company's share capital is conditionally increased by up to EUR 1,926,005.00 in accordance with the resolution passed by the General Meeting on May 26, 1999. The conditional capital increase serves to grant options to members of the Executive Board and employees of AIXTRON SE and also to members of the management and employees of affiliated companies under the stock option plans in accordance with the General Meeting's resolution of May 26, 1999 on agenda item 5. The conditional capital may be utilized until December 31, 2017.

Conditional Capital of May 22, 2002: Following a reduction of the conditional capital resolved by the General Meeting on May 22, 2007, and the execution of stock options, the Company's share capital is conditionally increased to up to EUR 972,183.00 as per December 31, 2010. The conditional capital increase serves to grant options to members of the Executive Board of AIXTRON SE and members of the management of affiliated companies, as well as to employees of AIXTRON SE and of affiliated companies under the stock option plans in accordance with the General Meeting's resolution of May 22, 2002 (Stock Option Plan 2002). The conditional capital may be utilized until December 31, 2016.

Conditional Capital I 2007: This conditional capital still exists unchanged. It serves the purpose of granting shares to the holders or creditors of warrants and/or convertible bonds. By resolution of the General Meeting passed on May 22, 2007, the Executive Board is authorized, with the approval of the Supervisory Board, to issue, through the Company or any companies in which the Company owns a majority interest either directly or indirectly ("subordinated group companies") warrants and/or convertible bonds in a total nominal amount of up to EUR 500,000,000.00 with or without a term restriction, once or several times until May 21, 2012, and to assume a guarantee for such bonds issued by subordinated group companies and to grant option or conversion rights to the holders or creditors of bonds for up to a total of 35,875,598 no-par value registered shares of the Company representing a pro rata amount of up to EUR 35,875,598.00 of its share capital, subject to the terms and conditions of the bonds.

Conditional Capital II 2007: Following the execution of stock options, this conditional capital amounts to up to EUR 3,681,699.00 as per December 31, 2010. It serves the purpose of granting shares to the holders of stock options issued by the Company under the AIXTRON Stock Option Plan 2007 in the period to May 21, 2012 based on a resolution passed by the General Meeting on May 22, 2007. Under the fourth (2010) tranche of the AIXTRON Stock Option Plan 2007, a total of 779,950 new stock options were granted in fiscal year 2010.

In accordance with section 71 (1) no. 8 German Stock Corporation Act, AktG, the Company is authorized until May 17, 2015, with the approval of the Supervisory Board, to purchase its **own shares** representing an amount of up to EUR 10,088,195 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 several times by the Company for one or several purposes. The authorization may also be implemented by dependent or majority held enterprises of the Company or on their or the Company's behalf by any third parties. 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 request for offers of sale.

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 of the German Stock Corporation Act, AktG, for a conditional 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 conditional 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 2.7 and Art. 26 of the Articles of Association).

As of December 31, 2010, about 20% of **AIXTRON shares** were held by private individuals and around 80% held by institutional investors. The largest AIXTRON shareholder was Camma GmbH, Aachen, Germany, with about 8% holdings in AIXTRON stock. 92% of the shares are considered as free float according to Deutsche Börse's definition.

The Supervisory Board appoints and removes from office the **members of the Executive Board**. Until AIXTRON AG's conversion into AIXTRON SE, the individual members of the

Executive Board were appointed for a maximum term of five years and are now appointed for a maximum term of six years; they may be 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 holds more than 50% of the Company's authorized capital. Apart from the above mentioned provisions, there are no further change of control provisions.

To exploit opportunities and to minimize risks, AIXTRON has established a Company wide flexible **risk management system** that can be continuously adapted to the evolving business environment and business processes. A large number of systems and procedures for monitoring, analyzing, and documenting business risks and opportunities are deployed at several levels of the organization. The whistleblower policy, as an example, helps to quickly identify critical issues allowing them to be addressed before critical exposure occurs and thereby preventing further escalation. Project management and quality assurance systems are routinely employed in all areas of product development where risk awareness and evaluation play a critical role. AIXTRON deploys accounting, control and forecasting software for the global monitoring and management of core enterprise information. Daily, weekly, monthly and quarterly 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 planning. As part of the Company's financial control procedures, variances between actual and budget figures are continuously identified and analyzed and they serve as the basis for developing corrective measures. Within the scope of this risk assessment, the Executive Board continuously analyzes the Company's net assets, financial position, and results of operations 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 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 Chief Executive Officer and the Chief Financial Officer 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. Furthermore, 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 the audit of the risk management early warning system. The Company's auditor confirms that the Executive Board complies with § 91(2) German Stock Corporation Act, AktG and the measures required in this provision, especially the installation of an appropriate risk management system that enables the company to detect developments that could potentially endanger the continuity of the company.

AIXTRON's Management is responsible for establishing and maintaining adequate **internal control over financial reporting** (as defined in the Securities and Exchange Act of the US Code of Federal Regulations, Title 17, Chapter II, §240.13a-15(f) or 15d-15(f)) to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of

financial statements for external purposes. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of AIXTRON; (ii) provide reasonable assurance that all transactions are recorded as necessary to permit the preparation of AIXTRON's Consolidated Financial Statements and the proper authorization of receipts and expenditures of AIXTRON are being made in accordance with authorization of AIXTRON's Management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AIXTRON's assets that could have a material effect on AIXTRON's Consolidated Group Financial Statements. Management assessed AIXTRON's internal control over financial reporting as of December 31, 2010. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and AIXTRON's overall control environment. Based on the Company's assessment, Management has concluded that AIXTRON's internal control over financial reporting was effective as of December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. AIXTRON's Management reviewed the results of Management's assessment with the Audit Committee of AIXTRON's Supervisory Board.

Herzogenrath, February 2011

AIXTRON SE

– Executive Board –

Paul Hyland

Wolfgang Breme

Dr. Bernd Schulte