



**Report by the Executive Board on agenda item 5 pursuant to Art. 9 (1) c)  
ii) SE Regulation in conjunction with § 71 (1) no. 8 sentence 5, § 186 (3)  
sentence 4, (4) sentence 2 AktG**

Agenda item 5 contains the proposal to authorize the Company, in accordance with § 71 (1) no. 8 AktG, to purchase own shares in the period to May 13, 2019 representing up to 10 percent of the share capital existing at the time the resolution is adopted. The current authorization, granted by the General Meeting on May 23, 2013, is to be replaced. This currently existing authorization to use own shares includes a sale for a consideration in cash other than through the stock exchange or an offer to all shareholders, provided, however, that in such a case the number of the shares to be sold may not exceed 10 percent of the Company's share capital; any shares which have been issued during the term of this authorization with exclusion of pre-emptive rights in direct or analogous application of § 186 (3) sentence 4 AktG shall count towards such 10 percent limit. As a result of a (partial) use of authorized capital with an exclusion of pre-emptive rights pursuant to § 186 (3) sentence 4 AktG, the possibility to use own shares while excluding pre-emptive rights pursuant to § 186 (3) sentence 4 AktG is now restricted. Therefore, in order to ensure flexibility in using own shares, the previous authorization of May 23, 2013 is to be revoked and a new authorization to purchase and use own shares with the possibility to exclude pre-emptive rights is to be resolved, providing additionally for a use of own shares for the purpose of issuing employee shares.

The proposed authorization will allow the Company to purchase own shares in the period to May 13, 2019 subject to the statutory limit of 10 percent of the existing share capital. The own shares may only be purchased on the stock market or by way of a public offer for purchase to all shareholders or by way of a public invitation to submit offers for sale. This ensures adherence to the duty to treat all shareholders equally set out in § 71 (1) no. 8 sentences 3 and 4 AktG. As regards a purchase on the stock market, § 71 (1) no. 8 sentence 4 AktG clarifies that such a purchase would meet the requirement to treat all shareholders equally. An acquisition by way of a public offer for purchase to all shareholders or by way of a public invitation to submit offers for sale would also meet this requirement. If the purchase offer is oversubscribed, bids will be accepted in proportion to the number of shares on offer. It can, however, be provided that preference will be given to the purchase of small amounts (up to 100) of offered shares per shareholder so as to avoid fractional amounts when

determining the quota to be acquired and small remaining parcels, thereby simplifying the technical procedure.

The Executive Board shall be authorized to use own shares of the Company purchased on the basis of this authorization or any previous authorization or otherwise for all legally permitted purposes, including as follows:

At the General Meeting on May 22, 2002, a contingent capital increase was resolved, which will only be implemented to the extent that the holders of the subscription rights issued under the Stock Option Plan 2002 resolved by the General Meeting on May 22, 2002 (agenda item 13) exercise their subscription rights according to § 192 (2) no. 3 AktG. The resolution authorizing the purchase and use of own shares authorizes the Executive Board, subject to the approval of the Supervisory Board, to use own shares, while excluding the pre-emptive rights of shareholders, to fulfill subscription rights arising from the share options. This is a suitable means of countering the dilution of equity holdings and voting rights conveyed by existing shares, as may occur to a certain extent when subscription rights are fulfilled by creating new shares. The same applies with respect to the resolution by the General Meeting on May 22, 2007 (agenda item 10) regarding the authorization and approval to issue share options and to create new Contingent Capital II 2007 for the purpose of satisfying the rights arising from the AIXTRON Stock Option Plan 2007 and with respect to the resolution of the General Meeting on May 16, 2012 (agenda item 8) regarding the authorization and approval to issue share options and to create new Contingent Capital II 2012 for the purpose of satisfying the rights arising from the AIXTRON Stock Option Plan 2012. In this respect the following documents will be made available on the Company's homepage at [www.aixtron.com/agm](http://www.aixtron.com/agm)\* from the date of convening the General Meeting, in addition to the report of the Executive Board pursuant to § 71 (1) no. 8 sentence 5, § 186 (3) sentence 4, (4) sentence 2 AktG, which will also be available for inspection at the General Meeting of AIXTRON SE: the resolution of the General Meeting of the Company on agenda item 13 of May 22, 2002, the resolution of the General Meeting of the Company on agenda item 10 of May 22, 2007 and the resolution of the General Meeting of the Company of May 16, 2012 on agenda item 8 with the key points of the Stock Option Plan 2002, the AIXTRON Stock Option Plan 2007 and the AIXTRON Stock Option Plan 2012 including the information pursuant to § 193 (2) no. 4 AktG (in each case as an excerpt from the minutes of the respective General Meeting recorded by a Notary which are also available for inspection at the Commercial Register of the Company).

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\*This is the link to the English homepage; in the German original version of the invitation to the ordinary General Meeting reference is made here and in the following to the German homepage [www.aixtron.de/hv](http://www.aixtron.de/hv).

Subject to the approval of the Supervisory Board, the Executive Board is further authorized to sell own shares, while excluding the pre-emptive right in accordance with the provision of § 186 (3) sentence 4 AktG, to third parties (such as institutional investors) at a price that is not significantly lower than the market price of the Company's shares carrying the same rights at the time of disposal. The price to be paid for own shares will be fixed in due time prior to the date of the sale. The Executive Board will assess a discount (if any) on the market price - with due regard to the market conditions prevailing at the time of the placement - as low as possible. Such a discount on the market price at the time the authorization is used will under no circumstances be more than 5 percent of the then current market price. This authorization of the Executive Board to dispose of shares is restricted insofar as the shares to be disposed of shall in the aggregate not exceed 10 percent of the Company's share capital in existence at the time of adoption of this resolution or, if such amount is lower, 10 percent of the Company's share capital at the time of disposal of the shares. In calculating the limit of 10 percent, those shares shall be included which are issued or used during the term of this authorization while excluding pre-emptive rights in direct or analogous application of § 186 (3) sentence 4 AktG. When calculating the 10 percent limit, in addition those shares will be included which were or will be issued to service bonds with warrants and/or convertible bonds, if such bonds are issued based on an authorization that is in force during the term of this authorization while excluding pre-emptive rights in analogous application of § 186 (3) sentence 4 AktG. Due to this restriction of the scope of the authorization and the fact that the price for disposing of the shares will be based on the market price, the concept of anti-dilution protection is taken into account and the interests of shareholders in terms of both asset protection and voting rights are appropriately protected. In addition, the shareholders will in principle be able to purchase AIXTRON shares on the stock exchange. The authorization is in the interest of the Company because it gives the Company a wider scope of action and more flexibility.

Further, with the approval of the Supervisory Board, the purchased shares can be used to satisfy conversion and/or options rights or conversion obligations of holders of bonds with warrants or convertible bonds which were or will be issued by the Company and/or any entities in which the Company owns a majority interest, either directly or indirectly. It may be more appropriate for the Company to use own shares, instead of implementing a capital increase, to fully or partly satisfy the rights and/or duties arising from these bonds to subscribe for Company shares. This possibility increases the Company's scope of action. Therefore, the authorization provides for own shares to be used accordingly; in this respect, shareholders' pre-emptive rights are also excluded.

It will further be possible to offer and transfer the purchased shares to third parties, with the approval of the Supervisory Board, in connection with mergers or acquisitions of companies, parts of companies, equity interests in companies or other assets while excluding the pre-emptive rights of shareholders. The Company will be able to offer own shares as consideration in these cases. This form of consideration is increasingly required due to international competition and the globalization of the economy. The proposed authorization will enable the Company to exploit opportunities to acquire companies, parts of companies, equity interests in companies or other assets quickly.

In addition, the authorization will allow the Company to use purchased shares in order to issue employee shares to employees of the Company and entities controlled by the Company or in which the Company owns a majority interest and to members of the management of entities controlled by the Company or in which the Company owns a majority interest. By issuing employee shares, the Company will be able to promote the participation of the employees in the enterprise. The granting of employee shares helps to integrate employees, increases their willingness to assume responsibility and strengthens the commitment of the workforce, which is in the interest of the Company and its shareholders. The issue of employee shares is desired and facilitated by the legislator in various ways. It is, however, not intended that only employees of the Company or of entities controlled by it or in which it owns a majority interest will benefit, but also members of the management of entities controlled by the Company or in which the Company owns a majority interest. These executives have a significant influence on the development of the AIXTRON group and the Company. It is therefore important to provide a strong incentive for these executives to achieve a sustainable increase of the corporate value and to strengthen their identification with and commitment to the companies of the AIXTRON group by rewarding future company loyalty. This use of purchased shares will also require an exclusion of shareholders' pre-emptive rights.

In addition, the Company will be able to issue its own shares to members of the Executive Board as a component of their variable remuneration. This will also require an exclusion of pre-emptive rights of shareholders. These variable remuneration components were created as an incentive for long-term and sustainable corporate governance. Thus, a portion of the variable remuneration is granted in the form of share options subject to a waiting period rather than in cash. By transferring the shares only after expiration of a waiting period of several years, a portion of the compensation is deferred, thus enhancing the commitment of the members of the Executive Board to the Company through their participation in a sustainable appreciation of the

Company's value. In this way, the Executive Board member will not only participate in positive, but also in negative developments of the share price which may occur during the extended waiting period of several years. This would mean either a bonus or a penalty for the members of the Executive Board. These structures will meet both the objectives of the German Law on the Adequacy of Remuneration of Executive Board Members (*VorstAG*) and the requirements of the German Corporate Governance Code. The Supervisory Board decides on the structure to be selected and the type of fulfilling the options for the relevant shares as part of the regulations governing the remuneration of Executive Board members. The Supervisory Board will be solely guided by the interests of the shareholders and the Company and will observe the principle of reasonableness. The Supervisory Board has resolved that appropriate new provisions will be incorporated into all future agreements with Executive Board members; the agreements with Executive Board members which have been executed since fiscal year 2013 contain a provision for variable remuneration in accordance with the system for remuneration of the members of the Executive Board approved by the General Meeting on May 23, 2013 (agenda item 4).

It will further be possible to cancel the repurchased own shares, with the approval of the Supervisory Board, without obtaining a further resolution from the General Meeting. The proposed authorization provides in accordance with § 237 (3) no. 3 AktG that the Executive Board may cancel the shares without a capital decrease. If shares are cancelled without a capital decrease, the pro rata amount represented by the remaining no-par value shares in the share capital of the Company will increase. The Executive Board is authorized to amend the Articles of Association to reflect such a change in the number of the Company's no-par value shares with the approval of the Supervisory Board.

Finally, the Company will be able to exclude the shareholders' pre-emptive rights in favor of the holders of bonds with warrants or convertible bonds and/or conversion obligations which are issued by the Company or subordinated group companies in cases where own shares purchased by the Company are to be sold by way of an offer to the shareholders with the approval of the Supervisory Board. In this way a subscription right for shares can be granted to the holders of bonds with warrants or convertible bonds and/or conversion obligations in the same proportion to which they would be entitled following exercise of their conversion or option rights or fulfillment of a conversion obligation. This will prevent a dilution of their value and means that other anti-dilution measures need not be taken.

The Executive Board will carefully examine in each specific case whether it should make use of the authorization to repurchase and use own shares while excluding pre-emptive rights of shareholders with the approval of the Supervisory Board. This authorization will only be exercised if it is in the interests of the Company and therefore of its shareholders in the opinion of the Executive Board and the Supervisory Board, and if it is reasonable.

The Executive Board will report on each utilization of the authorization to purchase and use own shares to the respective next General Meeting.

The present authorization to purchase and use own shares replaces the authorization to purchase and use own shares that was resolved by the General Meeting on May 23, 2013.

Herzogenrath, March 2014

**AIXTRON SE**  
– Executive Board –

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