Annual Report 2017

AIXTRON

Company Profile

About AIXTRON

AIXTRON SE is a leading provider of deposition 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, 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.

Our registered trademarks: AIXACT®, AIXTRON®, Atomic Level SolutionS®, Close Coupled Showerhead®, CRIUS®, Gas Foil Rotation®, Optacap™, OVPD®, Planetary Reactor®, PVPD®, TriJet®

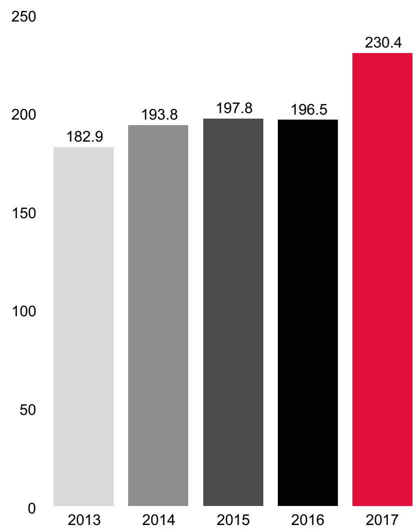
For further information on AIXTRON (FSE: AIXA, ISIN DE000A0WMPJ6) please visit our website at: www.aixtron.com.

At a Glance

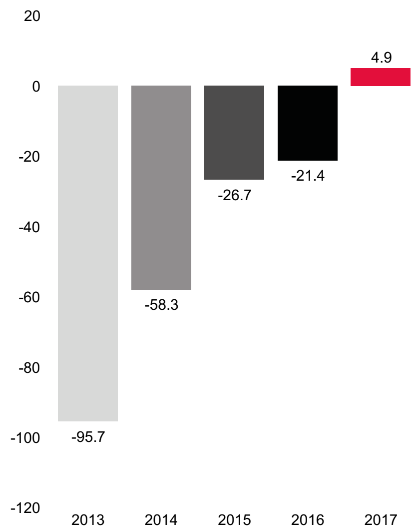
Key Financials in EUR million

	2017	2016	2015	2017-2016
	Full Year	Full Year	Full Year	YoY
Total Order Intake	263.8	225.1	167.1	17%
Equipment Order Backlog (end of period)	108.6	78.1	42.9	39%
Revenues	230.4	196.5	197.8	17%
Gross profit	74.0	56.3	49.8	31%
Gross margin (%)	32	29	25	3 pp
Operating result (EBIT)	4.9	-21.4	-26.7	123%
EBIT margin (%)	2	-11	-14	13 pp
Net result	6.5	-24.0	-29.2	127%
Net result margin (%)	3	-12	-15	15 pp
Net result per share - basic (EUR)	0.06	-0.22	-0.26	127%
Operating cash flow	70.1	-37.7	-45.7	286%

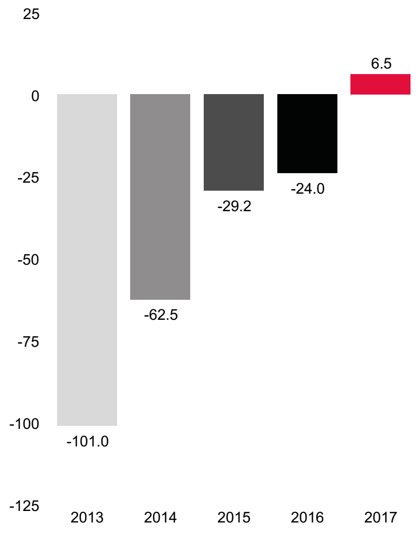
REVENUES in EUR million



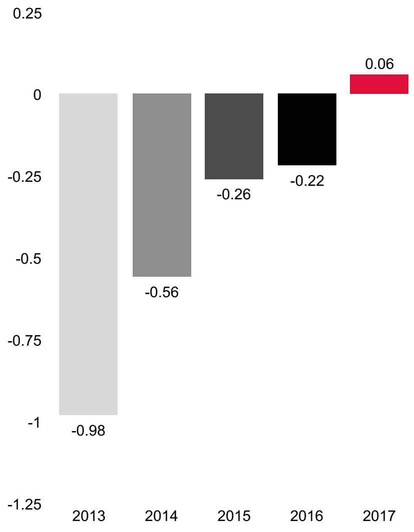
OPERATING RESULT (EBIT) in EUR million



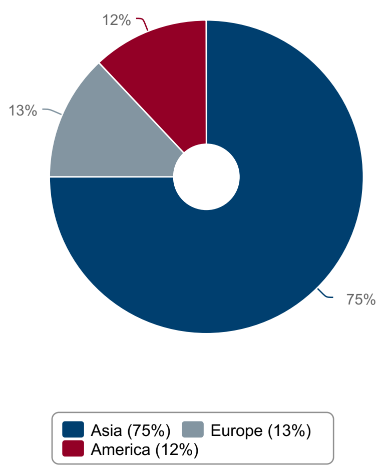
NET RESULT in EUR million



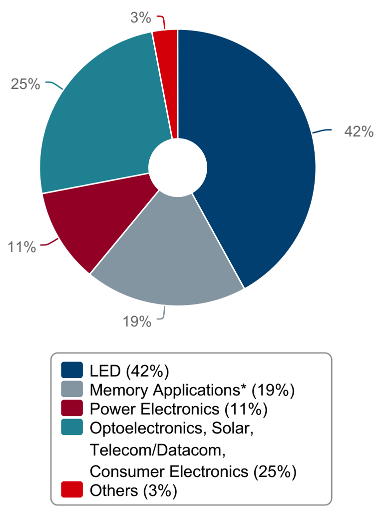
NET RESULT PER SHARE in EUR



REVENUES BY REGION IN 2017



REVENUES BY APPLICATION IN 2017



* Sold on November, 15th 2017

Letter to the Shareholders

Dear shareholders,

Focused on long-term profitable opportunities for growth: That best summarizes the reorientation of AIXTRON in 2017. Our positive earnings in the year may have been based on the one-off effect of the sale of our product line for memory chips, but with the reorientation, we created a foundation that allows us to return our business to sustainable profitability in the future. At the same time, both our core business for opto and power electronic components as well as deposition systems for OLED displays of our subsidiary APEVA provide discernible growth prospects for the coming years.

Based on our strengthened position in the markets we address as well as more efficient production, we recently managed to achieve higher gross margins compared to previous years. In addition, we can feel the tailwind of increasing demand, especially in opto-electronics. With total revenues of EUR 230 million, we reached the upper range of our target in 2017 while order intake also developed better than expected at EUR 263 million.

Successful reorientation

The positive result was achieved through the changes we have made to our product portfolio in 2017: We froze our activities in III-V on silicon (TFOS) and thin film encapsulation (TFE) and sold the ALD/CVD product line for memory chips to Eugene Technology. These steps better align research and development costs with our revenues. We are working towards partnerships, joint ventures or other cooperation possibilities as well. Through this the necessary investment may be spread across several shoulders and customer access could be strengthened.

One example is the establishment of our subsidiary APEVA SE, through which we want to push forward the development and commercialization of our OLED technology. In that regard, we are currently in advanced talks with potential partners and investors. In parallel, we are working closely with a large Asian display manufacturer in order to qualify our technology for the production of OLED displays. Following the successful commissioning of a development system in 2017 for the substrate size Gen1 (200 x 200mm), we are now preparing the installation of a larger Gen2 system (370 x 470 mm) at our customer’s facility.

In order to be able to expand AIXTRON´s product portfolio further in the future, too, we will develop our innovative technology for the production of graphene, carbon nanotubes and carbon nanowires. The future potential of these materials which will be used in a large number of possible applications, such as displays, batteries or semiconductor components in the future, is promising.

Profitable growth in the core business

In the coming years, AIXTRON will focus on the many applications of our core MOCVD technology, especially in the area of opto and power electronics. We are the technology leader in these markets - a position we intend to maintain. Systems for opto and power electronics not only contributed the majority of revenues of AIXTRON in the past year – but sales are also expected to grow.

In 2017, AIXTRON profited in particular from the increasing significance of opto-electronics for the large technology trends of digitization and communication. Numerous current and future applications in the consumer electronics industry (3D sensing, displays, virtual/augmented reality), in IT and telecommunications (optical and wireless data transfer, Internet of Things) as well as in the automobile industry (sensor technology for autonomous driving) are inseparable from the laser- and RF-chips, ROY- and infrared-LEDs our systems produce.

Revenues from systems, including for production of red, orange and yellow (ROY) and UV LEDs increased. In contrast, systems for high-volume production of blue LEDs for general lighting applications continue to lose significance for us. Competition has recently become tougher here, resulting in low and thus unattractive margins.

In power electronics, we expect increasing demand for our systems in the coming years, driven by a growing number of applications in the automobile industry, power generation as well as telecommunications and consumer electronics. Among other things, the high-performance- and high-frequency capable components based on gallium nitride (GaN) and silicon carbide (SiC) are increasingly applied in electric vehicles (electric powertrains, charging stations) as well as for use in wireless charging or the upcoming 5G mobile network.

Dear Shareholders,

The successful 2017 would not have been possible without the commitment and capabilities of AIXTRON´s employees. We would like to thank them first.

We would also like to express a big thank you to our supervisory board for the prompt and constructive discussions in all matters of the company's management and its support for AIXTRON´s strategy for the future as well as its chairman Kim Schindelhauer who assumed the chairmanship of the executive board for half a year in 2017 and initiated the reorientation of the company and its way forward.

In addition, we would like to thank you, our shareholders, for your loyal support during AIXTRON´s reorientation. The significant stock price increase in the previous year demonstrates that the markets have regained confidence in our company and are convinced of our innovative power. Let us continue on the path towards sustainable profitability in 2018 together!

Yours sincerely,

Dr. Felix Grawert and Dr. Bernd Schulte

Dr. Felix Grawert **Dr. Bernd Schulte**

Supervisory Board Report

The year 2017 was a year of reorientation for the AIXTRON Group.
After the failed takeover by a Chinese investor who intended to finance the development of the entire product portfolio and the departure of Chief Executive Officer Martin Goetzeler, it was the task of the Supervisory Board was to define and initiate a strategic reorientation together with the Executive Board and appoint a new member of the Executive Board.

First of all, we decided that, in accordance with § 105 (2) of the German Stock Corporation Act (AktG), I would temporarily assume the duties of CEO and CFO. For the duration of my assignment, Prof. Wolfgang Blättchen, Deputy Chairman of the Supervisory Board, was elected to the chairmanship of the Supervisory Board and other Supervisory Board members were elected to my functions in the committees of the Supervisory Board.

A primary task was to align AIXTRON´s technology portfolio and related expenses with the generated margins. The Supervisory Board supported Dr. Schulte´s and my activities to actively and vigorously pursue the reorientation of the company. The objective was to return AIXTRON to sustainable profitability and success.

With the aim of returning to profitability in 2018, the Supervisory Board's deliberations focused on evaluating AIXTRON´s product portfolio for market opportunities and prioritizing its development. This includes not only the freezing of development activities for III-V materials on silicon of future processor generations (TFOS) and the development activities for the thin-film encapsulation of organic materials (TFE), but also the sale of the ALD/CVD production line in the USA, which was announced in Q2/2017. With the aim of entering into a joint venture agreement, we have approved the outsourcing of AIXTRON OLED deposition technology to a separate company, APEVA SE.

On August 14th, 2017, Dr. Felix Grawert joined the AIXTRON Executive Board and the appointment of Dr. Bernd Schulte was extended until March 31st, 2021. I returned to my previous position as Chairman of the Supervisory Board of AIXTRON SE on September 1st, 2017.

Throughout the entire fiscal year 2017, the Supervisory Board, partly under my chairmanship and partly under the chairmanship of Prof. Dr. Wolfgang Blättchen, fully satisfied its responsibilities and duties as stipulated by law, the Articles of Association and by-laws.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

The Supervisory Board continuously monitored the Board of Management in its management activities and advised it on all matters of importance to the company, so that the Supervisory Board was assured at all times of the legality, regularity, suitability and efficiency of the company management.

The Supervisory Board was directly included in all decisions of fundamental importance for the company in due time. The Executive Board informed the Board regularly, promptly and comprehensively about the course of business, the corporate planning as well as the strategic development of the AIXTRON Group. In addition, the Supervisory Board regularly met with the Executive Board to discuss the risk situation, risk management and compliance in the company. On the basis of the Management's reports, the development of business and important events for the company were discussed in detail. The Supervisory Board approved the resolutions proposed by the Executive Board after thorough review and discussion.

The Supervisory Board did not make use of the option to inspect the books and documentation of the company (§111(2) German Stock Corporation Act (AktG)).

The cooperation with the Executive Board was marked in every respect by responsible and purposeful action. The Executive Board fully fulfilled its reporting obligations vis-à-vis the Supervisory Board both verbally and in writing.

As Chairman of the Supervisory Board, either I or Prof. Dr. Wolfgang Blättchen remained in contact with the Executive Board even beyond the Supervisory Board meetings. In addition to the current business situation and important business transactions, we particularly discussed strategic realignment issues.

FOCUS OF THE DISCUSSIONS IN PLENARY SESSIONS

In 2017, the Supervisory Board held **four ordinary meetings** on February 22, May 8, September 20 and December 13, which all members of the Supervisory Board attended.

In preparation for these meetings, all members of the Supervisory Board received detailed quarterly reports on the company's situation and other information such as internal control reports, meeting minutes, company presentations, analyst reports, consensus estimates, press releases and AIXTRON´s financial reports and financial statements. These are made available via an encrypted digital platform specifically set up for the Supervisory Board. On the basis of current financial figures, as well as updated forecast reports and development plans (orders, sales, competition, market shares), the Supervisory Board was able to form an adequate picture of the business situation during the meetings. Deviations of the business course from the established budget planning were explained and justified in detail.

As a result of the above-mentioned changes in the Executive Board and Supervisory Board, various resolutions were passed on rules of procedure and distribution-of-business plans. In addition, the Supervisory Board intensively discussed the optimization of the technology portfolio, including various options regarding the reorganization, sale, outsourcing and depreciation of certain areas.

In connection with various personnel and organizational decisions, **four extra-ordinary Supervisory Board meetings** were held on January 20, June 8, July 3 and December 12, partly as conference calls and with one exception with the participation of all Supervisory Board members. Dr. Martin Komischke was merely unable to attend the meeting on January 20, but gave his written consent to the Supervisory Board's resolutions.

SUPERVISORY BOARD MEETINGS IN 2017

At an extraordinary meeting on **January 20, 2017**, we discussed the contract of Martin Goetzeler, Chairman of the Executive Board, which expired on February 28, 2017. During the meeting, Mr. Goetzeler informed us that he would leave the company for personal reasons at the end of his appointment on February 28, 2017. As a result, the Supervisory Board decided that Mr. Kim Schindelhauer would assume the functions of CEO and CFO as of March 1, 2017 until a successor is found. In this context, resolutions were passed on the provisional composition of the Supervisory Board and its committees.

The focus of the meeting on **February 22nd, 2017** was on the annual and consolidated financial statements for the 2016 financial year and the corresponding discussions and resolutions. In addition, we dealt with the present draft agenda of the Annual General Meeting 2017, which we approved after clarifying outstanding issues. In addition, my appointment to the Executive Board and the appointment of Professor Dr. Blättchen as Chairman of the Supervisory Board to fulfill the position I held in the Supervisory Board and its committees were decided, among other things.

At the meeting on **May 8th, 2017**, which was a combined meeting with the Technology Committee, the Supervisory Board, with a view to realigning the technology portfolio, heard various speeches by those responsible from the following fields of technology: opto- & power electronics, carbon nanotubes and battery technology, storage technology (ALD/CVD), processor technology (TFOS), thin-film encapsulation of organic materials (TFE) and OLED. We were also informed about the current status of the sales efforts of the ALD/CVD product line for memory chips.

At an irregular meeting held on **June 8th, 2017**, the Supervisory Board followed the Nomination Committee's proposal in the form of a conference call and resolved to appoint Dr. Felix Grawert as a member of the Executive Board.

At the irregular meeting on **July 3rd, 2017**, the 100th Supervisory Board meeting of AIXTRON SE, the contract extension of Dr. Bernd Schulte was decided by telephone conference. Furthermore, resolutions were passed with a view to the upcoming entry of Dr. Felix Grawert as a member of the Executive Board and my return to the Supervisory Board. The Supervisory Board discussed the Executive Board's proposal to transpose the AIXTRON OLED deposition technology to an independent company in order to enable a joint venture partner to participate in this technology. The adoption of the proposal and the related formation of two companies, APEVA SE, Herzogenrath and APEVA Co. Ltd., Korea were concluded.

At the ordinary meeting on **September 20th**, 2017, APEVA's management presented us with the business plan for the OLED activities of the German-Korean company. In addition, we were informed by the responsible managers about the status of the transaction for the sale of ALD/CVD activities in the USA. We were provided with an update on the business activities in China and in the field of innovation management. Regarding AIXTRON´s obligation to report non-financial information as of fiscal year 2017, we have decided to publish a separate CSR report on our website in February 2018 at the same time as the annual business report. The content shall be audited by the auditing company Deloitte GmbH. Furthermore, retroactively as of July 1, 2017, we have set a new target figure of 16.7% for the proportion of women on the Supervisory Board. The ratio was left at 0% for the Executive Board.

On **December 12, 2017**, we held a special meeting on Corporate Governance.

The Supervisory Board of AIXTRON SE held its last ordinary meeting of the year on **December 13th, 2017**. Here, we discussed the budget for 2018 as submitted by the Executive Board in detail and approved it. The 2018 budget includes detailed sales, earnings, financial and investment planning as well as the planned personnel development of the AIXTRON Group, among other things. Finally, with the help of the comprehensive questionnaire distributed to the members of the Supervisory Board in September 2017, we underwent a self-evaluation of our activities, with the result that the Supervisory Board and its committees operate efficiently. We also approved the new distribution of responsibilities submitted by the Executive Board.

COMMITTEES

The Supervisory Board currently has four committees, an Audit Committee, a Technology Committee, a Nomination Committee as well as a Capital Market Committee. They prepare resolutions and topics to be discussed in the plenary of the Supervisory Board.

The **Audit Committee** addresses, in particular, monitoring of the reporting, the accounting process, corporate governance & compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the final audit. 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 § 107 (4); §100 (5) AktG) and who has particular knowledge and experience in the application of internal control processes.

In the year under review, the Supervisory Board instructed the auditing firm Deloitte GmbH, as proposed by the Audit Committee, to audit the single-entity financial statements of AIXTRON SE and the consolidated financial statements as of December 31, 2017, to audit the Company's early risk detection system in accordance with § 91 (2) of the German Commercial Code. AktG, to prepare a "Management Letter", to carry out determinations in accordance with Section 7.2.3 of the German Corporate Governance Code and, in accordance with § 111 (2) AktG, to carry out the contextual audit of the non-financial group report to be prepared for 2017. In addition, the key audit matters (KAM), which must be mentioned for the first time in the audit opinion of the AIXTRON Annual Financial Statements and Consolidated Financial Statements for 2017, were determined.

The Audit Committee met four times in 2017 (February 22, May 8, September 19, December 12), with all three members of the committee attending. In addition to the above-mentioned tasks and quarterly accounting matters, it dealt with the following special topics, among others:

- Irregular write-offs of the TFOS development activities
- Providing the subsidiaries with liquidity
- Effects of the delisting in the USA on internal controls
- Conversion of the ADRs on the Genus Trust in AIXTRON´s registered shares
- Evaluation of the declaration of independence and the "Management Letter" of the auditors
- Fulfilment of the obligation to report non-financial information
- Compliance Training Plan for 2017
- Internal audits 2017 and audit plan for the following year
- Information security - status and focus in 2017
- Accounting and auditing of the newly founded APEVA
- Expansion of the risk management and compliance to APEVA
- Tax audits, in particular at AIXTRON SE

The **Technology Committee** deals, in particular, with questions surrounding 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 for the future technologies from the areas of optoelectronics, power electronics and OLED, the focus of the Technology Committee's work was on the further development of specific products their critical assessment. The cooperation with an OLED display manufacturer, which was announced in April 2017, was also regularly discussed.

The Committee Chair, Prof. Dr. Denk, regularly reported on the activities of the Technology Committee in the plenary meetings. During 2017, the Technology Committee met in three sessions (February 22, September 19, and December 12) which all three members of the Committee attended. The May meeting was integrated into the plenary session as the presentations there were of great interest to all Supervisory Board members.

The **Nomination Committee**, consisting of three members under the chairmanship of Prof. Dr. von Rosen, provides proposals to the overall board in case a position needs to be filled. In doing so, it also takes into account its own targets defined in 2010 for the first time in its future composition as well as the renewed targets of the reporting year.

In 2017, the Nomination Committee met seven times, on January 19, February 21, May 8 and 22, June 2 and 8, and July 3. These meetings were all held in connection with the election of candidates, replacement, extension of contracts, the appropriate allocation of responsibilities within the Executive Board and the interim assignment, including the associated changes in the Supervisory Board and its committees.

The **Capital Market Committee** deals with M&A opportunities and strategy options with possible capital market relevance. It consists of two members who met in 2017 on January 16 and 30 as well as September 29. At these three meetings, the committee members discussed the future of ALD/CVD, TFOS, TFE and the future organization of the OLED division.

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 current **Declaration of Conformity** in accordance with § 161 AktG dated February 2018, 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 STATEMENT

Following the resolution passed at the Annual General Meeting on May 9, 2017, 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 2017 fiscal year to the auditing company Deloitte GmbH, Düsseldorf.

The **subject of the audit** was also the Executive Board’s measures aimed at an early detection of risks that could potentially jeopardize the performance and existence of the company, as well as the legal, proper and productive reporting of non-financial information in the Sustainability Report for 2017. It was also agreed that the auditor would have to inform the Supervisory Board or make a note in the audit report if, when performing the audit of the financial statements, the auditor ascertained facts which indicate that the declaration of conformity issued by the Executive Board and Supervisory Board in accordance with § 161 AktG was inaccurate. As in previous years, the auditors did not make note of any such findings for fiscal year 2017.

The Financial Statements of AIXTRON SE as of December 31, 2017 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, 2017 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 audited the Financial Statements and the Consolidated Financial Statements as well as the non-financial group report of AIXTRON SE for fiscal year 2017. All three reports were given an unqualified audit opinion by the auditors. The auditors assert that the Management Reports of the company and the group present a true and fair account of the current business and future development of the company and the group. The audit team above, with the lead auditor Dr. Holger Reichmann, has been employed for the auditing of the accounts of AIXTRON SE since 2012.

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements as of December 31, 2017, including the Management Report of the company and the group), the non-financial group report 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, the Consolidated Financial Statements, and the respective Management Reports as well as the non-financial group report were **discussed in detail** at the meeting of the Audit Committee and entire Supervisory Board on February 26, 2018, 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 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.

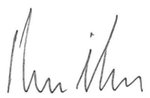
Following our own examination, we neither had objections to the non-financial group report nor to the Annual or Consolidated Financial Statements submitted. The Management and Group Management Reports matched our own assessment of the company’s and group's situation. We fully concurred with the auditor's results and opinion and consequently, in a resolution passed on February 26, 2018, we approved the Annual Financial Statements and Consolidated Financial Statements of the company as well as the non-financial group report prepared by the Executive Board for fiscal year 2017. The Annual Financial Statements of AIXTRON SE are therefore **formally adopted**.

Note of thanks from the Supervisory Board

On behalf of the Supervisory Board, I would like to thank the members of the Board and all employees worldwide for their hard work and constructive cooperation throughout the past fiscal year.

Herzogenrath, February 2018

AIXTRON SE



Kim Schindelhauer
Chairman of the Supervisory Board

Corporate Governance Report

1. Declaration on Corporate Governance

1.1. Declaration of Conformity

The Executive Board and Supervisory Board of AIXTRON SE declare pursuant to Art. 9 para. 1 lit. c) (ii) SE-Reg. Section 161 of the German Stock Corporation Act (AktG) that AIXTRON SE complied with the recommendations of the Government Commission on the "German Corporate Governance Code" in the version of 5 May 2015 and in the version from 07 February 2017 published on 24 April 2017 in the German Federal Gazette (Bundesanzeiger) with the exception of the statements made in the last declaration of conformity dated March 2017. With the following exceptions, it also complies with and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code in the version of 7 February 2017.

Composition of the Executive Board (4.2.1 Sentence 1 DCGK)

The German Corporate Governance Code (DCGK) recommends in Section 4.2.1 Sentence 1 that the Executive Board should consist of several persons and have a chairman or spokesman. The Executive Board of AIXTRON SE consists of two persons. There is no Chairman or Spokesman of the Executive Board. Rules of procedure were issued for the Executive Board, in which the distribution of responsibilities is regulated in detail and an equal management of AIXTRON SE by both Executive Board members is provided for. In view of the size of the Executive Board, its composition and the special Company structure, the Supervisory Board does not consider it sensible to appoint a Chairman or Spokesman of the Executive Board.

Consideration of the relationship between the remuneration of the senior management and staff overall, even in terms of its development over time (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 remuneration of the Executive Board members as a whole and with respect to its performance-based salary components shall be capped. The total remuneration of Executive Board members at AIXTRON SE includes both a fixed salary and various variable salary components. The variable remuneration is limited to a maximum of EUR 6.5 million with respect to the variable bonus for the entire Executive Board. Half of the variable 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 variable 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) Sentence 2 DCGK)

In Section 5.4.1 (2), the DCGK recommends that the Supervisory Board specifies concrete objectives for its composition, while considering the specific situation 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) Sentence 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.

Herzogenrath, February 2018
AIXTRON SE

The Executive Board of AIXTRON SE

Dr. Felix Grawert Executive Board	Dr. Bernd Schulte Executive Board

For the Supervisory Board of AIXTRON SE

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 “Code of Ethics” in the Investors/Corporate Governance section.

In addition, a **Compliance Code of Conduct** applies to the Executive and Supervisory Boards, as well as all employees worldwide, 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 people 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."

Furthermore, AIXTRON issued a **Compliance Manual** in 2010 which applies to all members of the 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, the legal and regulatory requirements and on the resulting conduct requirements applicable to the Executive Board, Supervisory Board, senior management and employees. This manual is regularly updated to reflect new/amended statutory requirements and company internal specifications, which also occurred in the fiscal year 2017. Compliance training sessions ensure that the AIXTRON employees are aware of and have understood the requirements. In addition, every quarter, the senior managers as well as select key staff members declare in writing that the compliance requirements 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. In addition, management principles were defined for the Company's senior managers which include what is required of senior managers when dealing with employees.

AIXTRON has a **whistleblower system**. Notifications of violations of legal, regulatory and internal company requirements can be sent confidentially to the Chairman of the Supervisory Board of AIXTRON SE via a specified e-mail address or in the form of a letter. The Chairman of the Supervisory Board - or other recipients of reports of violations - decides together with the Compliance Office, depending on the subject matter and scope of the report, whether to involve other persons and/or bodies. In the event of proven violations or grievances, the involved persons/body will work out solution proposals with the aim of a prompt remedy, including any necessary sanctions and improvements to the management and monitoring processes. Any reports or indication received will be treated discreetly, confidentially and anonymously by the persons/bodies involved. AIXTRON will not impose any reprisals against employees who report violations.

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 expectations placed on 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 as well as Composition and Mode of Operation of Committees

AIXTRON SE is a European stock company (Societas Europaea) and is subject not only to the German stock corporation law 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 appoints 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 2017 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 who jointly manage the business as equal members of the Executive Board:

Name	Position	First Appointment	End of Term
Dr. Felix Grawert	President	August 14, 2017	August 13, 2020
Dr. Bernd Schulte	President	April 1, 2002	March 31, 2021

Notwithstanding the Executive Board's overall legal responsibility and its obligation 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:

Within the AIXTRON Group, Executive Board Member Dr. Grawert is responsible for Strategic Planning, Marketing, Sales, Customer Service, HR, Finances and Reporting.

Within the Company, Executive Board Member Dr. Schulte is responsible for Research & Development, Procurement, Investor Relations & Communications, Corporate Governance, Environment, Social and Governance, Compliance & Risk Management, Information Technology, Legal and Quality Management as well as Production, 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 include 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 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, for example, decisions to build or dispose of operating sites, acquire or sell property; the starting or ending of business activities or the granting of or taking out loans.

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. The Executive Board shall be deemed to have decision-making quorum if all members have been invited and more than half of the members are able to participate in person, even if via telephone link or by video conference. 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. 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 inform other members of the Executive Board accordingly. Members of the Executive Board may only take on part-time activities, especially positions on supervisory boards outside of the Group, after receiving the Supervisory Board's 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.

The Chairman of the Supervisory Board is generally prepared to hold discussions with investors on subjects specific to the Supervisory Board and did so in fiscal year 2017, but only if and to the extent that such discussions take place within a reasonable framework and the topics fall within the sole competence of the Supervisory Board.

In order to enable gradual 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. 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.

The composition of the Supervisory Board in accordance with the Articles of Association and determined by the Annual General Meeting (until February 28, 2017 and from September 1, 2017) is as follows:

Name	Position	Member since	End of Term
Kim Schindelhauer[1)2)3)4)5)7)]	Chairman of the Supervisory Board,	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen[1)4)7)]	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. Ing. Martin Komischke		2013	AGM 2021
Prof. Dr. Rüdiger von Rosen[1)3)]	Chairman of the Nomination Committee	2002	AGM 2018

[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
[7)] except March 1-August 31, 2017

In the period from March 1, 2017 to August 31, 2017, Kim Schindelhauer temporarily assumed the duties of CEO and CFO from Martin Goetzeler, who left the Company on February 28, 2017, in accordance with Section 105 para. 2. The following table shows the composition of the Supervisory Board, which had only five members at that time and its committees during this period:

Name	Funktion
Prof. Dr. Wolfgang Blättchen 1) 2) 3) 4)	Chairman of the Supervisory Board, Chairman of the Audit Committee, Independent Financial Expert 5)
Dr. Andreas Biagosch 2) 4)	
Prof. Dr. Petra Denk 2) 3)	Chair of the Technology Committee
Dr. Ing. Martin Komischke 1)	
Prof. Dr. Rüdiger von Rosen 1) 3)	Chairman of the Nomination Committee

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) Since 2005

The demand for diversity within the Supervisory Board (Section 5.4.1 DCGK) is considered, among other things, in the shape of versatile competencies of the individual Supervisory Board members (regarding areas such as finance, capital market, M&A, technology and markets). In the case of AIXTRON SE, a target figure of 20% applies to the proportion of women on the Supervisory Board. With Prof. Dr. Denk, a woman is currently represented on the Supervisory Board, which corresponds to an arithmetical share of 16.7%. In the fiscal year 2017, the Supervisory Board adjusted the target figure (No. 5.4.1 Para. 3 DCGK) to the existing figure with effect from July 1, 2017 until December 31, 2021 and has now been set at 16.7%.

The Supervisory Board shall include what they consider to be an adequate number of independent members. As per 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 has set itself the target of at least half of its members being 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. A separate naming of the independent Supervisory Board members by name is forgone here, as the list would include the entire Supervisory Board (see table of Supervisory Board members).

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

Prior to the Supervisory Board Meeting on December 13, 2017, each Supervisory Board member received the efficiency review questionnaire prepared by the Supervisory Board Chairman every year. After reviewing 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 annex of the Consolidated Financial Statements.

The Company did not initiate or conclude any material transactions with related parties during the 2017 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 organization of meetings and resolutions and the formation of committees. The Supervisory Board's by-laws were last revised in fiscal year 2017. The Audit Committee and the Technology Committee both operate according to separate by-laws 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. This is not the Chairman of the Supervisory Board. Only in the period from March 1, 2017 to August 31, 2017 did Prof. Dr. Wolfgang Blättchen hold the chairmanship of the Audit Committee and the Supervisory Board. This was due to the interim assumption of responsibilities as CEO and CFO of the retired Executive Board member Martin Goetzeler by Mr. Kim Schindelhauer in accordance with Section 105 (2) of the German Stock Corporation Act. In the Declaration of Conformity dated March 2017, the Executive Board and Supervisory Board took this fact into account.

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 justified exceptional cases, Supervisory Board members may also 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 to cast 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 with 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 also 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 members as a whole are also familiar with the sector in which AIXTRON is represented which in itself is already provided for by their years of activity as Board members at AIXTRON. The Audit Committee addresses, in particular, the monitoring of the accounting, the accounting process, Corporate Governance & Compliance, the effectiveness of the internal control system, the risk management system, the internal audit system as well as the final audit. The Audit Committee continues to provide the Supervisory Board plenary with a justified recommendation for the selection of an auditor. It monitors the 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, Prof. Dr. Wolfgang Blättchen, 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 technical market positioning, issues regarding 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, provides nomination proposals to the Supervisory Board if one of the Supervisory Board members needs to be replaced. In the fiscal year 2017, the Nomination Committee met seven times, on January 19, February 21, May 8 and 22, June 2 and 8 as well as July 3, to discuss issues relating to the selection of candidates, replacement of the Executive Board, contract renewals, adapted distribution of responsibilities within the Executive Board and the interim assignment of the Chairman of the Supervisory Board, including the related changes in the Supervisory Board and its committees.

The Capital Market Committee has existed since 2014 for the purposes of evaluating, supporting and executing projects with capital market relevance. In the fiscal year 2017, the topics of the Capital Market Committee included the future of the ALD/CVD, TFOS, TFE product lines as well as the future organization of the OLED section. For this reason, it convened on three occasions, on January 16 and 30 as well as on September 29.

The details on the working methods of the Executive Board, the Supervisory Board and committees during the 2017 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.

1.4. Information on the equal representation of men and women as per Section 76 para. 4 and Section 111 para. 5 AktG

As per 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 on the two management levels below the Executive Board. These requirements are laid out in Sections 4.1.5 and 5.4.1 (3) (DCGK).

AIXTRON endeavors to further increase both the percentage of women and the international composition of its employees and management. 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.

The Supervisory Board and Executive Board set the following target figures for the share of woman to be reached by June 30, 2017:

Level	Target for women's quota	Women's quota as of June 30, 2017	Determined by
Supervisory Board	Ca. 20%	16.7%	Supervisory Board
Executive Board	0%	0%	Supervisory Board
1. tier management	0%	0%	Executive Board
2. tier management	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 16.7%.

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

The proportion of women at the first level below the Executive Board was 0% as of June 30, 2017.

The proportion of women at the second level below the Executive Board was 7.7% as of June 30, 2017. The Company therefore has not reached its target of 8.3% but strives to further increase the proportion of women under the prerequisite of the availability of a sufficient number of qualified candidates.

Therefore, the Supervisory Board and the Executive Board have set the following new targets to be achieved by December 31, 2021:

Level	**Target for women's quota**	**Determined by**
Supervisory Board	16.7%	Supervisory Board
Executive Board	0%	Supervisory Board
1. tier management	0%	Executive Board
2. tier management	7.7%	Executive Board

1.5. Diversity concept for Executive Board and Supervisory Board

Executive Board

As provided for by the DCGK, AIXTRON has addressed diversity objectives in corporate governance (sections 5.1.2 and 5.4.1 DCGK). As part of the replacement of the Executive Board in the year under review, a desired candidate was identified with Dr. Grawert and finally contracted. In the selection process for the appointment of a new Executive Board member, there was no suitable female candidate available. Due to the structure now present, no changes in the composition are planned, so that the target for the percentage of women on the board has been set at 0%.

Supervisory Board

In 2010, the Supervisory Board stipulated specific objectives for its future composition, which were most recently adjusted in 2015. In the 2017 fiscal year, the Supervisory Board adapted a target percentage of women of 16.7% which had been concluded in 2015. 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 shall be elected for the longest possible period in compliance with the Company's Articles of Association.
- AIXTRON is heavily export-oriented. Experience in the electronics and semiconductor markets specific to AIXTRON is therefore of great benefit to the Company.
- As a general rule, members of the Supervisory Board should not be older than 70 when retiring from the Supervisory Board. New Supervisory Board members should be available to the Company for at least two election periods.
- The aim should be that the individual Supervisory Board members will have an education or 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. It would be beneficial if they possess 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 semiconductor 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 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 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 on the composition of the Supervisory Board can also be found in the section"Supervisory Board" in Chapter 1.3 of this 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.

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. We, the Executive and Supervisory Boards, 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 of the Group. 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 by the Executive Board and the Supervisory Board pursuant to Section 161 AktG in September 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 2017 fiscal year. Our internal monitoring and control system, which is continuously kept up to date, supports us in meeting our compliance responsibilities.

The Government Commission on the German Corporate Governance Code made several changes and additions to the Code in February 2017. The DCGK in the currently applicable version of February 7, 2017 was published by the Federal Ministry of Justice and for Consumer Protection on April 24, 2017 (in addition to the correction made on May 19, 2017).

Competency profile of the Supervisory Board

In addition to the goals set for its composition, the Supervisory Board has also drawn up a competence profile for the entire Board. In view of AIXTRON´s business activities and the markets addressed by the Company, the Supervisory Board shall have competencies in the areas of technology, finance/accounting, capital markets, strategy and corporate governance. Furthermore, a grown network of contacts and many years of experience in the respective disciplines are advantageous.

The Supervisory Board regards this competence profile in its current composition as completely fulfilled and will continue to ensure that the competence profile for the entire Supervisory Board will be fulfilled in the future when new members are appointed.

For the purposes of continuing education 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 as per 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 Group's consolidated management report.

Shareholders and Annual General Meeting

In the 2017 fiscal year, the Annual General Meeting was held in Aachen on May 9, 2017. 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. All reports and documentation required by law were available on AIXTRON´s website, from the date the Annual General Meeting was announced. Directly following the Annual General Meeting, AIXTRON published the attendance details and the voting results in a press release, as well as on its website.

4 out of 5 agenda points required approval. All proposed resolutions were adopted, with more than 36% of AIXTRON share capital being represented at the Annual General Meeting.

Transparency

To ensure maximum transparency, AIXTRON regularly and promptly informs interested parties such as customers, suppliers, shareholders, shareholder associations, potential investors, financial analysts and the media of the 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 Sustainability Report
- The AIXTRON SE Annual Financial Statements and the related Management Report
- The APEVA SE Annual Financial Statements and the related Management Report
- Interim financial reports
- Quarterly conference calls for the press and analysts and respective transcripts
- Company presentations
- Publication of insider information, as well as company and press statements.

The date of the Annual General Meeting or the publication dates of financial reports are compiled 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 freely 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, 2017 were prepared in accordance with the IFRS (International Financial Reporting Standards). The individual financial statements for AIXTRON SE and the APEVA SE for the 2017 fiscal year 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 individual financial statements for AIXTRON SE and the APEVA SE were audited by the auditor and accepted by the Supervisory Board. The auditor agreed that the Chairman of the Supervisory Board/ 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. Such reporting obligations were not triggered in the current reporting 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.

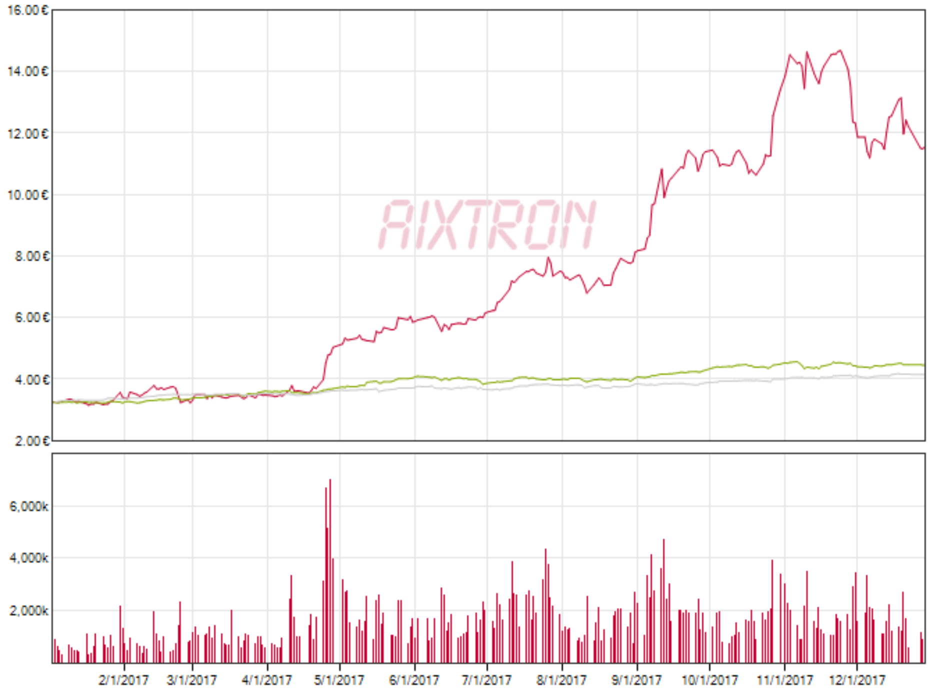
No stock options were issued in the reporting year. The options under the 2012 Stock Option Plan can only be exercised after a waiting period of four years and include an absolute performance target. In addition, stock options issued to members of the Executive Board contain a relative exercise threshold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

As of December 31, 2017, 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 1,533,765 AIXTRON shares to be exercised.

A more detailed description of the individual stock option plans and a summary of all stock option transactions can be found in the annex of the Consolidated Financial Statements under Section 23 “Share-based remuneration”.

The AIXTRON Share

Share Price and Volume Graph for AIXTRON SE from 01/01/2017 to 12/31/2017



Share

AIXTRON

Indices

TecDAX

NASDAQ Composite

AIXTRON Share Price Performance

The AIXTRON share price nearly tripled in 2017 and was the top-performing constituent on the TecDAX® index. This share price appreciation was driven by positively received changes in AIXTRON´s corporate structure as well as an improvement in demand for AIXTRON´s products throughout the year. With the new laser-based 3D-sensing functionality introduced during 2017 in a high-end smartphone as well as increasing demand for laser-based data communication and ROY LEDs for fine pitch displays, AIXTRON reported strong quarterly order intakes and improved profitability margins throughout the year. Due to the successful sale of the ALD/CVD product line for memory, AIXTRON was able to report an earlier than expected positive EBIT in 2017. In 2018, the Company's goal is to achieve a positive EBIT based on its operational performance.

Following uncertainties about AIXTRON´s future situation as a standalone company, after the unsuccessful takeover attempt by a Chinese investor, the share price hit a 2017 low of EUR 3.15 on January 17. As part of the publication of its FY/2016 results at the end of February 2017, Management indicated that AIXTRON would pursue options to lower its R&D spending. In addition, AIXTRON delisted the Company's American Depositary Shares (ADSs) from NASDAQ® and terminated the Company's ADS Program during Q1/2017 in order to reduce complexity as well as the costs and efforts associated with maintaining a dual listing. Overall, the share price remained largely stable at low levels during Q1/2017.

Over the course of 2017, AIXTRON announced a freeze on some activities (TFE, TFOS), as well as the decision to sell some non-core activities and to establish APEVA to enable a joint venture for its OLED activities. Based on an improving business outlook, Management raised its full-year guidance for both revenues and order intakes. At the same time, investor interest grew around AIXTRON´s vertical cavity surface emitting lasers (VCSELs) solutions which in turn created a positive momentum behind the share price. These VCSELs are now being used by one of the major mobile phone producers for powering 3D-sensing functionality for smart phones. After the official launch of that high-end smartphone analysts started to expect an accelerating adoption of 3D-sensing features and therefore also higher demand for AIXTRON equipment. This was supported by capacity expansion plan announcements along the supply chain. In addition, there is growing interest around silicon carbide (SiC) based power devices for electric vehicles and the respective potential future demand increase for AIXTRON. Overall, the capital markets reacted very positively to the progress AIXTRON made structurally and operationally in 2017. The share price reached a multiyear high of EUR 14.68 on November 24, before falling back at the end of the year to EUR 11.58 (+273.5% year-on-year, versus 2016 closing prices of EUR 3.10), resulting in a market capitalization of close to EUR 1,300 million. In comparison, the TecDAX® Index increased by 39.6% from 1,811.7 points to 2,529.0 points during the year.

Investor Relations

AIXTRON shares are listed on the Prime Standard segment of the Frankfurt Stock Exchange. On March 20, 2017, AIXTRON shares returned to the TecDAX®, after the temporary exclusion on December 19, 2016 due to the ongoing Chinese takeover process and the resulting reduction of the AIXTRON free float at that time. As of December 31, 2017, AIXTRON´s shares ranked number 18 of 30 in market capitalization and number 8 of 30 in 2017 transaction turnover in the TecDAX®.

AIXTRON regularly publishes 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 has been 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.

During fiscal year 2017, AIXTRON logged around 54 man-days interacting with the financial markets through Company visits, individual meetings, investor conferences and road shows worldwide, conducting close to 160 personal discussions, calls and teleconferences with financial markets players. The Investor Relations department resumed an active dialogue with stake- and shareholders following a less active period during to the takeover attempt in 2016. AIXTRON is 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 comply with the principles of good Corporate Governance.

At year-end 2017, a total of 14 financial analysts (2016: 19) 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 9, 2017 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, 2017, private individuals held approximately 24% of AIXTRON´s shares, most of whom are located in Germany. Around 76% of the outstanding AIXTRON shares are held by institutional investors. The majority of institutional investors (around 37%) are based in UK, followed by Germany (23%) and the U.S. (21%). The remaining investors are located across the rest of Europe and the rest of the world. According to the latest announcement on voting rights, AIXTRON´s largest shareholders in 2017 were Baillie Gifford Overseas Limited, T. Rowe Price Group and Oppenheimer Funds each of whom held more than 5% of AIXTRON stock. 99 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):

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

// OppenheimerFunds, Inc., Denver, Colorado, USA, 5.2%

// T. Rowe Price Group, Inc., Baltimore, Maryland, USA, 5.2%

// Argonaut Capital Partners LLP, Edinburgh, UK, 3.5%

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

Group Management Report

Group Management Report as of December 31, 2017

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”): APEVA SE, Herzogenrath (Germany), AIXTRON, Inc., Santa Clara, California (USA); AIXTRON Ltd., Cambridge (United Kingdom); APEVA Co. Ltd. Hwasung (South Korea), 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). In conjunction with the separation of AIXTRON´s OLED activities, APEVA SE and APEVA Co. Ltd. were founded in 2017. APEVA SE is a 100% subsidiary of APEVA Co. Ltd. which is a 100% subsidiary of AIXTRON SE.

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 the current assessments, expectations and assumptions of the executive board of AIXTRON, of which many are beyond control of AIXTRON, based on information available at the date hereof and 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 those discussed by AIXTRON in public reports and statements, including but not limited those reported in the chapter “Risk Report”. 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.

Our registered trademarks: AIXACT®, AIXTRON®, APEVA®, Atomic Level SolutionS®, Close Coupled Showerhead®, CRIUS®, EXP®, EPISON®, Gas Foil Rotation®, Optacap™, OVPD®, Planetary Reactor®, PVPD®, STExS®, TriJet®.

1. Fundamental Information about the Group

1.1. Strategy

AIXTRON focuses on the development, manufacturing, sale and maintenance of equipment for thin-film deposition of complex materials via the MOCVD process and addresses the growing market for **optoelectronics** and **power electronics** with its products.

In the field of **optoelectronics**, AIXTRON´s systems are used by customers to manufacture lasers for optical data transmission and 3D sensor systems, be it for face recognition in smartphones (e.g. via VCSEL) or for the scanning and recognition of the environment in autonomous vehicles (e.g. LIDAR). Other applications include the manufacturing of special LEDs such as red, orange and yellow (ROY) LEDs for use in displays, blue LEDs for automotive lighting and UV LEDs for environmentally friendly water disinfection.

In the area of **power electronics**, AIXTRON´s systems are used for the production of gallium nitride (GaN) semiconductor devices ranging from highly efficient and compact smartphone power supply units to servers. There is also a strong increase in interest in manufacturing equipment for silicon carbide (SiC) devices, which are used in inverters for photovoltaics, in the wind energy sector, and increasingly in charging stations for electric vehicles as well as in their drive trains. Last but not least, AIXTRON systems are used to manufacture highly efficient devices for wireless data transmission of the current and next generation mobile network standard (4.5G and 5G).

AIXTRON focuses on markets where the use of high-technology allows for clear differentiation and creates value for customers. These include, among other things, achieving a high yield on the wafer by realizing high uniformity of the deposited layers while simultaneously maintaining high throughput, low material and maintenance costs. AIXTRON does not focus on purely price-driven markets where technical differentiation is virtually impossible. In 2017, AIXTRON deliberately withdrew from the highly competitive, low-cost mass market for blue LEDs used in general lighting applications, which is mainly supplied from China. In order to be able to address these markets profitably, AIXTRON believes that a complete localization of the value chain into China is essential.

AIXTRON pursues a platform strategy with its AIX 2800G4 and AIX G5 families of systems that are based on the planetary concept. With a high proportion of identical parts, the systems can be customized according to customer's specification. As outlined in the previous section, this allows for a broad market access and the development of numerous applications, while at the same time enables synergies to be realized in the areas of development, purchasing and production. In addition to the AIX 2800G4 and AIX G5 system families, which address customers with high production volumes, AIXTRON sells the Epilab system series, which is based on the showerhead principle, to universities and niche markets. This series not only contributes to profitability, but also allows AIXTRON to come into contact with emerging applications at an early stage and to understand customer needs in new markets.

In addition to the MOCVD product line, AIXTRON is currently developing a second product line for thin-film deposition of organic materials, primarily for OLED displays. A first Gen1 system is in operation at an Asian display manufacturer's R&D line. Another Gen2 system will soon be installed at the customer's facility. The activities in this area were transferred to APEVA in Q4/2017. The aim is to attract partners and investors for APEVA, who both contribute to financing as well as bringing in complementary elements of the value chain and help to establish OPVD technology as a business.

In addition to the MOCVD and OVPD product lines, AIXTRON develops technologies for the production of graphene, carbon nanotubes and carbon nanowires as part of innovation projects. These materials promise interesting future potential in a variety of applications, be it in battery or in display applications.

In 2017, AIXTRON sold, discontinued or froze a number of activities that had not been profitable until then and which did not promise to provide the expected profitability in the foreseeable future:

- The ALD/CVD product line, which is based in the USA and mainly served customers in the memory chip market, was sold to Eugene Technology. In 2017, this product line generated a negative EBIT of EUR 3.5 million and negatively affected the Group result with losses as it did in previous years. In the ALD/CVD area, AIXTRON competed with much larger manufacturers from the silicon industry and only had a small market share. As a result, the necessary expenses for the development of further product generations could not be brought into an acceptable ratio to the margin generated.
- The development activities in the area of MOCVD for compound semiconductors in logic processors on 300mm wafers (TFOS) were "frozen". The expected market opportunities for this innovative technology have not manifested themselves and were not anticipated in the near future. Therefore, no further development efforts will be invested in this field for the time being.
- In the area of OLED, development activities for thin-film encapsulation technology for OLED devices (TFE) were discontinued in 2017. The OLED activities are thus focused on OVPD technology for depositing different layers of the OLED stack.
- The OLED activities were transferred to APEVA. The aim is to further expand these in the future and to strengthen APEVA's position by collaborating with a partner who is also expected to carry part of the future development costs. Here, the main focus is currently on joint activities with the customer to qualify the technology for high-volume production. A successful market entry of this highly innovative technology depends on the willingness of customers to use OVPD technology in high-volume manufacturing.

1.2. Business Model

AIXTRON´s business activities include developing, producing and installing equipment for the deposition of complex semiconductor materials, process engineering, consulting and training, including customer support and after-sales service. AIXTRON also offers ancillary 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 further increasing processing speed, increased requirements for energy efficiency and the necessity to reduce the cost of ownership for current and emerging power- and optoelectronic components. The ability of AIXTRON´s products to deposit thin material films precisely, enables manufacturers to improve performance, yield and quality in the fabrication process of advanced power- and optoelectronic devices.

Environmental protection and the responsible use of resources are an essential part of AIXTRON´s business strategy. The Company's engineers continuously work on improving AIXTRON´s systems, both in terms of resource conservation and environmental-friendly design and function. For further information, refer to the AIXTRON CSR-Report which is available on the AIXTRON website under www.aixtron.com/en/investors/financial-reports.

Please refer to "Risk Report" in this report for potential factors that could adversely affect the Company's business activities, model and strategy.

1.2.1. Locations

The Company has its registered office in Herzogenrath, Germany, and had a total of 11 facilities worldwide owned or rented as of December 31, 2017:

Facility location	Use	Approx. size (m^2)	Lease expiry
Herzogenrath, Germany (owned)	Manufacturing	12,457	-
Herzogenrath, Germany (owned)	Headquarters, R&D, Manufacturing, Engineering	16,000	-
Aachen, Germany (leased)	R&D	200	02/28/2018
Cambridge, UK (leased)	Manufacturing, Engineering, R&D	2,180	09/16/2029
Cambridge, UK (leased)	Service, Engineering	696	06/27/2020
Santa Clara, CA, USA (leased)	Sales, Service	334	08/31/2022
Hwasung, South Korea (leased)	Sales, Service	1,151	08/09/2020
Shanghai, China (leased)	Sales, Service	594	07/31/2018
Hsinchu, Taiwan (leased)	Sales, Service	568	12/31/2020
Tainan, Taiwan (leased)	Service	109	05/27/2018
Tokyo, Japan (leased)	Sales, Service	364	09/30/2018

1.2.2. 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. PECVD is being employed for the deposition of complex Carbon Nanostructures (Carbon Nanotubes, Nanowires or Graphene).

For thin film deposition technologies for organic electronics applications including Organic Light Emitting Diodes (OLED), APEVA offers Polymer Vapor Phase Deposition (PVPD) and Organic Vapor Phase Deposition (OVPD).

AIXTRON systems predominantly work on the showerhead or planetary principle and can process wafers ranging in size between two and twelve Inches. APEVA can deliver equipment capable of processing Gen1 to Gen8 sized substrates.

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

1.2.3. Patents

AIXTRON aims to secure its technology by patenting and protecting inventions, provided it is strategically expedient for the Company to do so. As of December 31, 2017, the Company had 201 patent families available (December 31, 2016: 207 patent families). For 30 patent families, patent protection was applied for during 2017. The patent protection for 10 patent families was not prolonged or expired. 26 patent families were transferred to the buyer following the sale of the ALD/CVD product line to Eugene Technology, on November 15, 2017. Patent protection for inventions is usually applied for in those markets relevant to AIXTRON, specifically in Europe, China, Japan, South Korea, Taiwan and the United States. Patents are maintained and renewed annually and will expire between 2018 and 2037. AIXTRON continually reviews its intellectual property in the light of changes in the competitive environment.

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

AIXTRON is the licensee of certain patents owned by Universal Display Corporation which are important to the Company’s operations in the fields of organic material deposition.

1.2.4. Manufacturing and Procurement

AIXTRON´s manufacturing operation is involved in final assembly, configuration, test as well as the final inspection of equipment. The Company purchases 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 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.

Both of AIXTRON´s manufacturing facilities have process-oriented quality management systems certified in accordance with ISO 9001:2015. In 2017, this certification was confirmed as part of a certification audit at AIXTRON SE and AIXTRON Ltd.

The energy management system at AIXTRON SE, which has been certified in accordance with ISO 50001 since 2014, helps to ensure the efficient use of energy and protection of natural resources. In 2017, AIXTRON received the energy-efficiency award from the German Energy Agency (dena) for its energy management system.

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

Under the CE marking scheme, the manufacturer declares in accordance with EU Regulation 765/2008 that the product complies with the relevant requirements governing the application of such marking as laid down in Community harmonization legislation.

To ensure acceptance in international markets, the company also complies with relevant US standards and the recommended guidelines issued by SEMI.

When developing new products and enhancing existing products, AIXTRON ensures strict compliance with requirements including the European Restriction of Hazardous Substances Directive (RoHS).

Test certificates issued by independent testing laboratories such as TÜV or Intertek document the company’s compliance with relevant national and international safety requirements and guidelines.

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.

1.2.5. 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 or configuration 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).

1.2.6. Employees

AIXTRON´s success very much depends on the achievements and motivation of its staff. The employees are recruited based on 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.

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 2017, the total number of employees decreased by 18%, from 705 employees at the end of 2016 (2015: 748) to 581 at December 31, 2017. This development is mainly driven by the sale of the ALD/CVD product line. As in previous years, the majority of AIXTRON´s worldwide employees were based in Europe.

For further information on employee matters, refer to the AIXTRON CSR-Report which is available on the AIXTRON website under www.aixtron.com/en/investors/financial-reports.

1.2.7. Customers and Geographic Regions

Among other areas of activity, AIXTRON´s semiconductor device customers are engaged in the manufacturing of LEDs, lasers, high frequency devices, power electronics and other optoelectronic devices. Some of these customers are vertically integrated device manufacturers who serve the entire value chain as far as 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” in this report for a breakdown of revenues by region.

1.2.8. Government Regulation

As part of its international business activities, AIXTRON is subject to numerous domestic and foreign laws, regulations and ordinances, such as public law, trade, customs, labor, capital market, tax and competition regulations.

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.

In 2017, there were no changes with respect to the legal framework that had a substantial impact on the Group's operating activities or its net assets, financial position and results of operations.

1.3. Management and Control

As of December 31, 2017, AIXTRON´s Executive Board (Management) consisted of the following two individuals:

Name	Position	Since	End of Term
Dr. Felix Grawert	President	August 14, 2017	August 13, 2020
Dr. Bernd Schulte	President	April 1, 2002	March 31, 2021

As of December 31, 2017, AIXTRON´s Supervisory Board consisted of the following six individuals:

Name	Position	Member since	End of Term
Kim Schindelhauer[1)2)3)4)5)7)]	Chairman of the Supervisory Board,	2002	AGM 2019
Prof. Dr. Wolfgang Blättchen[1)4)7)]	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. Ing. Martin Komischke		2013	AGM 2021
Prof. Dr. Rüdiger von Rosen[1)3)]	Chairman of the Nomination Committee	2002	AGM 2018

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
7) except March 1-August 31, 2017

Martin Goetzeler left the Company effective February 28, 2017. On June 8, 2017, Dr. Felix Grawert was appointed as a new member to the Executive Board and assumed his position on August 14, 2017. Dr. Bernd Schulte and Dr. Felix Grawert jointly lead the Company. Between March 1st, 2017 and August 31st, 2017, AIXTRON Supervisory Board Chairman Kim Schindelhauer was interim CEO and CFO of the Company.

Information to the collaboration between Supervisory and Executive Boards of AIXTRON SE as well as to the management procedures, diversity concept 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/.

1.4. 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) and in Cambridge (United Kingdom). 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 2017 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 retain or to expand the Company's leading technology position in MOCVD equipment for applications such as lasers, specialty-LEDs and for the production of wide band gap materials for Power Electronics. These expenditures are monitored very closely. The Company's R&D program in 2017 comprised a team of an average of more than 200 highly skilled R&D employees.

For more information regarding R&D expenses from 2015 through 2017, refer to "Development of Results" in this report.

The following provides specific examples of AIXTRON´s research and development activities in fiscal year 2017:

The project "**MOCVD 4.1**" is focused on the implementation of new digital technologies and Industry 4.0 principles for AIXTRON MOCVD equipment. The "**HEA2D**" project works on the exploration of the manufacturing, quality and application of 2D nanomaterials.

Objective of the project **MOCVD 4.1** is the implementation of Industry 4.0 approaches with concepts for automated and connected machines, intelligent software, analyses with precision close to the physical limits and corresponding process control in order to meet customer expectations of a versatile and highly flexible key technology in conjunction with frequently changing customer requirements, processes, products and material systems.

The collaborative project **HEA2D** with five partners is researching various deposition processes for 2D materials, processes for transfer of 2D materials onto plastic foils, and mass integration into plastics components. 2D materials have the potential to create integrated and systematic product and production solutions that are sustainable in social, economic, and ecological terms. One particular AIXTRON subproject focuses on processes and systems technology for the deposition of advanced optically active 2D semiconductor materials such as molybdenum sulfide or graphene. The progress made in the project were presented to the scientific community and potential customers.

2. Report on Economic Position

2.1. Global Economy

As a producer of capital goods, AIXTRON is affected by the global economic conditions as far as they have an influence on its supply chain and costs as well as on its customers' sales projections and therefore on their investment behavior.

The global economic upswing that began in the middle of 2016 continued in 2017 and has also broadened significantly. An increasing economic momentum in industrialized and emerging market countries, meets with a continuing favorable financing environment. In addition, global trade has increased significantly in recent months. Due to the high asset valuations on the financial markets, there is potential for a setback in connection with the gradual normalization of monetary policies. Furthermore, the International Monetary Fund (IMF) warns in its January update of its World Economic Outlook dated January 22, 2018 of the medium- to long-term risks such as persistently low inflation in the advanced economies, a faster and stronger deterioration of the financing environment, geopolitical tensions or increasing protectionism. For the full year 2017, the IMF forecast global economic growth of 3.7%, well above the previous year's level (2016:3.2%). It expects growth of 2.3% (2016:1.7%) in the advanced economies and 4.7% (2016:4.3%) in the emerging and developing countries.

However, this global economic environment had no significant effects on AIXTRON´s business development in fiscal year 2017 as AIXTRON is more dependent on industry developments and in particular innovation-driven industry specific business developments such as the introduction of new applications in consumer electronics or trend driven demand growth of semiconductors.

The development of the US dollar exchange rate in 2017 was largely determined by economic policy uncertainties in the U.S. and the potential turnaround in the ECB's monetary policy. Both had a negative impact on the value of the US dollar over the course of the year thus, following an initial sideways movement in the first quarter of 2017, the exchange rate began a long-term upward movement from mid-April to its high for the year of USD/EUR 1.203 on September 8. The US dollar moved sideways again at this level until the end of the year and closed at 1.201 USD/EUR (2016: 1.055 USD/EUR) on December 31, 2017, around 12% weaker than in the previous year. The average exchange rate used by AIXTRON to translate income and expenses denominated in US dollars in fiscal year 2017 was 1.13 USD/EUR (Q1/2017: 1.07 USD/EUR; Q2/2017: 1.09 USD/EUR; Q3/2017: 1.17 USD/EUR; Q4/2017: 1.18 USD/EUR) which means a 2% weaker US dollar compared to the previous year (2016: 1.11 USD/EUR).

AIXTRON Management continues to carefully monitor the developments of the global economy and the financial markets to then decide what can potentially be done to mitigate negative exogenous effects on AIXTRON´s business. As of December 31, 2017, no currency hedging contracts were in place.

2.2. 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). Further companies continue to attempt to qualify their own MOCVD tools with customers. For example, Technology Engine of Science Co. Ltd. (South Korea) or Nuflare Technology Inc. (Japan) are known to be 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 have successfully qualified their MOCVD equipment for the Chinese LED market, supported by respective government initiatives.

Based on the latest published market share research by Gartner Dataquest (Forecast: Semiconductor Manufacturing Equipment, Worldwide, April 2017), it was estimated that the share of the worldwide MOCVD equipment market (estimated 2016 total market value: USD 255 million) held by AIXTRON in 2016 was around 55%. Particularly due to stronger investments from blue LED applications in China, the market share is expected to come down in 2017. In the same report, the Company's strongest competitor in terms of sales, Veeco Instruments Inc., had an estimated market share of approximately 37%. Due to the competitive environment in the blue LED market, AIXTRON is targeting markets for high quality products, such as laser sensors, power electronics or specialized LED applications, with the aim of maintaining a sustainable market leading position.

For emerging Organic Semiconductor applications, AIXTRON´s subsidiary APEVA competes with established manufacturers such as Canon Tokki Corporation (Japan), Ulvac, Inc. (Japan), SNU Precision (South Korea), Sunic System (South Korea) and a number of other smaller companies. While these competitors use vacuum thermal evaporation (VTE) to produce OLEDs, AIXTRON offers the highly innovative OVPD® large area deposition technologies. APEVA believes that these technologies are technically superior to traditional VTE and polymer technology processes and result in lower OLED fabrication costs. APEVA is positioning itself as an alternative deposition system supplier for next generation OLEDs such as displays, future lighting, solar cells, and other electronic OLED applications.

2.3. Key Target Markets

2.3.1. LED Market

In 2017, the market for LED devices which can be produced with AIXTRON´s compound semiconductor MOCVD equipment, was expected to have grown by 11% measured in units according to a report from LEDinside, an independent semiconductor market research institute, published in August 2017. According to industry sources, LED prices have stabilized throughout the year and therefore LEDinside predicted growth in the LED markets by 7.5% to USD 17.1 billion in 2017 from USD 15.9 billion in 2016.
In the more recent forecast “Semiconductor Manufacturing Equipment, Worldwide, 4Q17 Update” (December 2017) Gartner Dataquest anticipated that the total value of the 2017 MOCVD equipment market would increase to approximately USD 453 million. Veeco and AIXTRON are expected to remain the main players in this market with AMEC expected to see fastest growth in China.

2.3.2. Laser based 3D Sensor Market

Edge and surface emitting lasers (VCSELs) are increasingly used for 3D sensor applications in consumer electronics, industry and the automotive sector. This is the main reason for an increase in laser demand.

In 2017, a leading smartphone manufacturer began using laser-based 3D sensor functions in their products. According to a report by the Japanese Investment Bank DAIWA in June 2017, the introduction of 3D sensors in smartphones, in the automotive sector, as well as in other sectors such as gaming and robotics will result in a total estimated market value of USD 1 billion in 2017 and is expected to exceed USD 10 billion in 2020.

2.3.3. Laser based Optical Data Transmission Market

Lasers that can be produced with AIXTRON equipment are one of the most important components for optical data transmission. The volume of data transmitted via fiber optic cables is currently growing exponentially, driven by the increasing use of internet services, especially video-on-demand and by the communication of connected devices via the internet ("Internet-of-things"). The increase in worldwide data traffic due to mobile telecommunications and data transfer via fiber optics raises the demand for lasers as optical signal transmitters, photodiodes as receivers as well as optical amplifiers and switches.

Market research companies such as Ovum, IDC or Frost and Sullivan expect investments in laser communication to increase to support the growth of data traffic. According to a study by IDC, global data traffic will grow from 8 Zettabyte in 2015 to 160 Zettabyte by 2025.

2.3.4. Wide-Band-Gap (WBG) Gallium nitride (GaN) and Silicon Carbide (SiC) power semiconductor market

Power semiconductors based on wide-band-gap (WBG) materials enable the production of very compact and highly efficient AC-DC and DC-DC converters. They are finding increasing use in a wide range of applications, ranging from low (e.g., power supply of smartphones) to highest performance (e.g., rapid charging station for electric vehicles) devices.

Based on the opinion of multiple market research institutes such as Yole Développement, IHS and Gartner, the penetration of WBG devices relative to total power device market was expected to rise from low single digits in 2016 to low double digits in 2021. According to the market research institute Yole Développement (August 2017), the market for Wide-Band-Gap (WBG) Gallium nitride (GaN) and Silicon Carbide (SiC) based power management devices is expected to grow from USD 257 million in 2016 to USD 300 million in 2017.

2.3.5. OLED Display Market

The market for OLED displays has been significantly influenced by the use in mobile phones in recent years.
For the coming years, AIXTRON expects a further increase in the use of OLED displays in mobile devices mainly driven by Apple and Chinese smartphone makers. An additional catalyst could be the emergence of foldable displays and TVs.

Third party research houses, such as UBI Research or Display Supply Chain, expect the OLED industry’s revenue to more than triple in size to ~USD 50bn in 2021, from USD 15bn in 2016.The industry is looking for solutions to enable next generation displays through innovative manufacturing processes, while further reducing cost.

2.4. Business Development

The business development in 2017 was impacted by the repositioning of the AIXTRON´s technology portfolio. The portfolio was focused on product lines which are profitable or promise to generate a significant return on investment in the near term. Consequently, a number of activities have been sold, stopped or frozen as described in chapter “strategy” of this report. In particular the sale of the ALD/CVD product line for memory chips generated other operating income of EUR 23.9 million and a cash flow of EUR 51.0 million. Revenues in 2017 increased by 21% which was partially driven by higher demand for MOCVD equipment to produce LEDs including red-orange-yellow and specialty LEDs. These represented the largest contributor to AIXTRON´s equipment revenues with 42%, followed by equipment sales for optoelectronics with 25% which was driven by market demand for lasers for applications such as 3D-sensing or optical data communication.

As AIXTRON generates a significant share of its revenues in foreign currencies in particular in US dollars, the weakening of the USD/EUR exchange rate in the course of the year 2017 had corresponding effects on AIXTRON´s revenues and results of operation.

2.5. Results of Operations

2.5.1. Development of Orders

Orders	**2017**	**2016**	**2015**	**2017-2016**	
(in EUR million)	**Full Year**	**Full Year**	**Full Year**	m EUR	%
Total order intake incl. spares & services	263.8	225.1	167.1	38.7	17
Equipment order backlog (end of period)	108.6	78.1	42.9	30.5	39

The 2017 US dollar based **order intake and backlog** have been recorded at the prevailing budget exchange rate of 1.10 USD/EUR (2016: 1.10 USD/EUR; 2015: 1.25 USD/EUR). The 2018 budget exchange rate was set at 1.20 USD/EUR. Spares & service orders are not included in order backlog.

In 2017, **total order intake** including spares & service was 17% higher year-on-year at EUR 263.8 million (2016: EUR 225.1 million; 2015: EUR 167.1 million). This development was mainly driven by stronger equipment demand from laser (incl. VCSEL) and memory applications. The product line for memory was sold to Eugene Technology in Q4/2017.

The **equipment order backlog** of EUR 108.6 million as at December 31, 2017 was 39% higher than the EUR 78.1 million opening backlog at the beginning of 2017, both recorded at the 2017 budget exchange rate of 1.10 USD/EUR. Converted at the 2018 budget exchange rate, the 2018 opening backlog was EUR 102.5 million.

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. When Management concludes, that there is an insufficient likelihood of realizing revenue on an order or that there is an unacceptable degree of risk of attached to it, Management will exclude the order, or a portion of the order from the recorded order intake and order backlog figures until the risk has reduced to an acceptable level. The backlog is being regularly assessed and adjusted if necessary to reflect potential execution risks.

2.5.2. Development of Revenues

Revenues in fiscal year 2017 were particularly influenced by a low margin inventory clearance of the remaining AIX R6 GaN LED tools as well as the sale of the ALD/CVD product line for memory, which was closed on November 15, 2017.

In fiscal year 2017, AIXTRON recorded **total revenues** of EUR 230.4 million, which was an increase of 17% compared to the previous year (2016: EUR 196.5 million; 2015: EUR 197.8 million). The 2017 **equipment revenues** increased by 21% to EUR 188.0 million (2016: EUR 155.7 million; 2015: EUR 151.0 million), driven amongst others by demand for MOCVD equipment for LEDs including red-orange-yellow and specialty LEDs. These represented the largest contributor to AIXTRON´s equipment revenues with 42%, followed by equipment sales for optoelectronics with 25%.

EUR 42.4 million or 18% of total revenues in 2017 were generated by sales of **spare parts and service**.

Revenues by Equipment, Spares & Service	2017		2016		2015		2017-2016	
(in EUR million)	EUR m	%	EUR m	%	EUR m	%	EUR m	%
Equipment revenues	188.0	82	155.7	79	151.0	76	32.3	21
Service, spare parts, etc.	42.4	18	40.8	21	46.8	24	1.6	4
Total	**230.4**	**100**	**196.5**	**100**	**197.8**	**100**	**33.9**	**17**

With 75% of total revenues, Customers from Asia again represented the largest share.

Revenues by Region	2017		2016		2015		2017-2016	
	EUR m	%	EUR m	%	EUR m	%	EUR m	%
Asia	172.3	75	128.0	65	118.4	60	44.3	35
Europe	29.2	13	30.8	16	35.8	18	-1.6	-5
Americas	28.9	12	37.7	19	43.6	22	-8.8	-23
Total	**230.4**	**100**	**196.5**	**100**	**197.8**	**100**	**33.9**	**17**

2.5.3. Development of Results

Cost Structure

	2017		2016		2015		2017-2016	
	Full Year		Full Year		Full Year			
	EUR	%	EUR	%	EUR	%	EUR	
	m	Rev.	m	Rev.	m	REv.	m	%
Cost of sales	**156.4**	**68**	**140.2**	**71**	**147.9**	**75**	**16.2**	**12**
Gross profit	**74.0**	**32**	**56.3**	**29**	**49.8**	**25**	**17.7**	**31**
Operating expenses	**69.1**	**30**	**77.7**	**40**	**76.5**	**39**	**-8.6**	**-11**
Selling expenses	10.2	4	13.8	7	11.5	6	-3.6	-26
General and administration expenses	17.1	7	17.1	9	16.3	8	0.0	0
Research and development costs	68.8	30	53.9	28	55.4	28	14.9	28
Other operating expenses (income)	(27.0)	-12	(7.2)	-4	(6.7)	-3	19.8	275

Cost of Sales, Gross Profit, Gross Margin

In 2017, although cost of sales increased year-on-year they did not increase as fast as revenues, which grew by 12% from EUR 140.2 million to EUR 156.4 million. This was mainly due to a larger portion of higher margin products which more than offset a number of effects. Those included low margin sales of AIX R6 tools from inventory as well as write downs from having frozen further technology development of products for three-five on silicon materials (TFOS: EUR 1.0 million in Q1/2017) as well as for thin film encapsulation (TFE: EUR 1.3 million in Q2/2017). Consequently, 2017 cost of sales relative to revenues decreased to 68%. Against this background, the Group's **gross profit** in 2017 increased year-on-year to EUR 74.0 million, resulting in an improved **gross margin** of 32%.

Operating Costs

With EUR 69.1 million, total **operating costs** in 2017 were 11% lower than the previous year's figure (2016: EUR 77.7 million; 2015 EUR 76.5 million). The operating costs included restructuring effects of EUR 12.8 million from the previously described freezing of TFOS and TFE activities as well as positive effects from the sale of the ALD/CVD product line for memory chips. The operating costs relative to revenues decreased in 2017 to 30%.

This development was influenced by the following factors:

Selling, general administration expenses in 2017 decreased in absolute terms to EUR 27.3 million (2016: EUR 30.9 million; 2015: EUR 27.8 million) due to restructuring related write downs in combination with lower cost following the sale of the product line for memory chips. SG&A expenses of the previous year included write downs in China. Selling, general administration expenses relative to revenues were down at 12% (2016: 16%; 2015: 14%).

Research and development costs increased by 28% year-on-year from EUR 53.9 million in 2016 to EUR 68.8 million in 2017, which included the effects from write downs of development activities (TFOS, TFE) as well as increased OLED technology related development activities

Key R&D Information	2017	2016	2015	2017-2016
	Full Year	Full Year	Full Year	
R&D expenses (million EUR)	68.8	53.9	55.4	28%
R&D expenses, % of sales	30	27	28	

The **average number of group employees** in 2017 declined from 721 in 2016 to 675 (2015: 757), mainly due to the sales of the ALD/CVD product line including its employees to Eugene technology in Q4/2017. At the reporting date of December 31, 2017, the **number of group employees**, decreased from 705 as per December 31, 2016 to 581 (December 31, 2015: 748) mainly due to the above mentioned sale of the ALD/CVD product line. **Personnel costs** of EUR 60.9 million in 2017 were below the EUR 63.1 million in 2016.

Net other operating income and expenses for fiscal year 2017 resulted in an income of EUR 27.0 million million (2016: EUR 7.2 million; 2015: EUR 6.7 million) which was mainly due to the positive contribution of EUR 23.9 million from the successful sale of the ALD/CVD product line for memory chips.

In 2017, the Company recorded a **net currency loss** of EUR -0.6 million (2016: EUR -0.2 million net loss; 2015: EUR 2.7 million net profit) resulting from currency transaction and translation differences of balance sheet positions.

The EUR 3.2 million of **R&D grants** received in 2017 (2016: EUR 2.1 million; 2015: EUR 3.0 million), were recorded as "other operating income".

Operating Result (EBIT)

The **absolute operating result** (EBIT) improved in a year-on-year comparison significantly to EUR 4.9 million from EUR -21.4 million in 2016 (2015: EUR -26.7 million) resulting in a EBIT margin of 2% (2016: -11%; 2015: -14%). This is attributable primarily to the afore-mentioned operational and cost development and to the successful sale of the ALD/CVD product line for memory chips.

Result Before Taxes

Result before taxes in 2017 improved year-on-year significantly to EUR 5.2 million from EUR -21.0 million in 2016 (2015: EUR -26.0 million), including a net finance income of EUR 0.6 million.

Interest & Taxes	2017	2016	2015	2017-2016	
	m EUR	m EUR	m EUR	m EUR	%
Net Interest Income/Expense	**0.6**	**0.5**	**0.8**	**0.1**	**20**
Interest Income	0.7	0.6	0.8	0.1	17
Interest Expenses	-0.1	-0.1	0.0	0.0	n.m.
Tax Expenses	**1.0**	**-3.1**	**-3.2**	**4.1**	**-132**

Following the recognition of regional tax loss carry forwards in the amount of EUR 3.6 million, AIXTRON recorded a country specific **tax income** of EUR 1.0 million (2016: tax expense of EUR 3.1 million; 2015: tax expense of EUR 3.2 million). Unrecognized **deferred tax assets** related to tax losses at December 31, 2017 totaled EUR 169.7 million (2016: EUR 185.0 million; 2015: EUR 161.2 million).

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

The 2017 Net Profit attributable to the equity holders of AIXTRON SE was EUR 6.5 million or 3% of revenues compared to EUR -24.0 million (-12% of revenues) in 2016 (2015: EUR -29.2 million or -15% of revenues).

Net Result AIXTRON SE – Use of Results

In 2017, AIXTRON SE, the parent company of the AIXTRON Group, achieved a net profit. The accumulated loss in accordance with German generally accepted accounting principles, (German GAAP) based on the German Commercial Code, HGB, was EUR -113.3 million for 2017 (2016: loss of EUR -120.5 million; 2015: loss of EUR -87.3 million).

The 2017 loss will be carried forward and consequently no dividend payment shall be made for 2017 (2016: no dividend; 2015: no dividend).

2.6. Financial Position

2.6.1. 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, 2017, no hedging contracts were in place.

2.6.2. Funding

AIXTRON SEs stated **share capital** as of December 31, 2017 amounted to EUR 112,924,730 (December 31, 2016: EUR 112,804,105; December 31, 2015: EUR 112,720,355) divided into 112,924,730 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 2017, 120,625 stock options (2016: 83,750; 2015: 25,800) were exercised, resulting in delivery of in total 120,625 ordinary shares. In fiscal year 2017, no new stock options were granted (2016: 0; 2015: 0).

AIXTRON ordinary shares	Dec 31, 2017	Exercised	Expired/Forfeited	Allocation	Dec 31, 2016
Stock options to acquire shares	1,533,765	120,625	663,400	0	2,317,790

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, 2017, 2016 and 2015.

The **equity ratio** was 81% as of December 31, 2017, compared to 85% as of December 31, 2016 (December 31, 2015: 82%).

Return on equity (ROE) for the year was 1.8% (2016: - 6%; 2015: -7%).

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

2.6.3. Investments

The AIXTRON Group's total capital expenditures in fiscal year 2017 amounted to EUR 9.7 million (2016: EUR 5.3 million; 2015: EUR 13.3 million).

In 2017, EUR 8.9 million (2016: EUR 4.9 million; 2015: EUR 12.5 million) were related to property, plant and equipment (including testing and laboratory equipment). The remaining EUR 0.8 million in 2017 (2016: EUR 0.4 million; 2015: EUR 0.7 million) were related to intangible assets including software licenses.

In 2018, investments will again be made mainly for laboratory and test equipment.

The decrease of EUR 19.5 million in bank deposits with a maturity of at least three months during 2017 was recorded as cash inflow from investing activities (2016: decrease of EUR 52.8 million; 2015: decrease of EUR 60.5 million).

All 2017, 2016 and 2015 expenditures were funded out of own available cash resources.

2.6.4. 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"), increased by 54% or EUR 86.1 million to EUR 246.5 million (EUR 219.8 million + EUR 26.7 million) as of December 31, 2017 (December 31, 2016: EUR 160.1 million, equaling EUR 120.1 million + EUR 40.0 million; December 31, 2015: EUR 209.4 million, equaling EUR 116.3 million + EUR 93.1 million).

The difference is attributable to the positive business development and the sale of the ALD/CVD product line for EUR 51.0 million. The increase in cash and cash equivalents includes temporary advance payments of EUR 11.7 million which AIXTRON will pay out in full during 2018 mainly to suppliers of the ALD/CVD activity and which will reduce cash flow in 2018 by that amount.

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

2.6.5. Development of Cash Flows

In fiscal year 2017, a **cash flow from operating activities** of EUR 70.1 million was recorded (2016: EUR -37.7 million; 2015: EUR -45.7 million). The improvement in operating cash flow in 2017 is mainly driven by the improved profitability, reductions in working capital and the sale of the ALD/CVD product line.

A **cash flow from investment activities** of EUR 40.7 million was recorded in 2017 (2016: cash flow of EUR 43.4 million; 2015: cash flow of EUR 41.2 million). This figure includes an inflow of EUR 30.9 million from the sale of assets from the ALD/CVD product line as well as well as an inflow from the liquidation of bank deposits with a maturity of at least three months in the amount of EUR 9.7 million during 2017 (2016: 5.3 million 2015: EUR 13.3 million). This effect was partially offset by the previously described investments.

In 2017, the **cash flow from financing activities** of EUR 1.1 million (2016: cash flow of EUR 0.3 million; 2015: cash flow of EUR -0.1 million) was recorded mainly from the proceeds from the issue of new shares.

2.7. Assets

Assets increased year-on-year to a total of EUR 455.1 million (2016: EUR 436.2 million; 2015: EUR 482.0 million).

2.7.1. Property, Plant and Equipment

Property, plant and equipment of EUR 64.3 million as of December 31, 2017 (EUR 74.2 million as of December 31, 2016; EUR 81.3 million as of December 31, 2015) included regular and accelerated depreciation of equipment. Most of the additions during 2017 related to the ALD/CVD product line and were disposed of in November 2017.

2.7.2. Goodwill

The value of goodwill was at EUR 71.2 million at December 31, 2017 below the EUR 74.6 million at December 31, 2016 (December 31, 2015: EUR 75.9 million) The difference is related to the sale of the ALD/CVD product line and exchange rate fluctuations. There were no impairments in 2017. For further information on the impairment test for goodwill, refer to Note 12 to the Company's Consolidated Financial Statements "Intangible assets".

2.7.3. Other Intangible Assets

The value of other intangible assets decreased to EUR 1.8 million at December 31, 2017 (EUR 5.4 million at December 31, 2016; EUR 6.4 million at December 31, 2015) mainly due to amortization and changes to the way AIXTRON acquires software licenses.

2.7.4. Inventories

Inventories decreased to EUR 43.0 million at December 31, 2017, compared to EUR 54.2 million at December 31, 2016 (EUR 70.8 million as of December 31, 2015), reflecting the sale of AIX R6 inventory in H1/2017 and the sale of the ALD/CVD product line. Inventory turns were 3.6 times at the end of 2017 (2016: 4.5 times).

2.7.5. Trade Receivables

Trade receivables decreased to EUR 19.3 million as of December 31, 2017 (December 31, 2016: EUR 60.2 million; December 31, 2015: EUR 26.0 million) mainly due to timing reasons, representing 29 days outstanding.

2.7.6. Liabilities

Trade payables as of December 31, 2017 were stable compared to December 31, 2016 (December 31, 2017: EUR 14.3 million, December 31, 2016: EUR 14.6 million, December 31, 2015: 9.8 million). **Provisions** (current and non-current) increased from EUR 18.3 million as of December 31, 2016 to EUR 22.7 million as of December 31, 2017 (December 31, 2015: EUR 21.5m) in line with increased business volume. **Advance payments from customers** as of December 31, 2017 increased to EUR 30.3 million compared to EUR 26.1 million as of December 31, 2016 (December 31, 2015: EUR 24.0m), reflecting the increased order backlog. **Other current liabilities** increased to EUR 15.5 million as of December 31, 2017 mainly due to liabilities assumed with the sale of the ALD/CVD product line (December 31, 2016: EUR 2.4 million; December 31, 2015: EUR 25.0 million).

2.8. Financial Performance Indicators

The Executive Board has implemented dedicated control systems and procedures to manage, monitor, analyze, and document risks and opportunities for the group, including a key performance indicator system addressing relevant product groups.

The most relevant performance indicators for AIXTRON are order intake, revenues, gross margin, EBIT and 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.

2.9. Management Assessment of Company Situation

After the failure of the planned takeover by a Chinese investor in December 2016, the key focus in 2017 was on the repositioning of the AIXTRON Group's technology portfolio. The portfolio was focused on product lines that are profitable or that promise to generate a significant return on investment (ROI) in the foreseeable future. At the same time, AIXTRON pressed ahead with its development and sales activities for the Optoelectronics, Power Electronics and Carbon Nanomaterials markets.

Equipment revenues in 2017 were EUR 188.0 million. Of this total, EUR 47.8 million (25%) were related to MOCVD equipment to manufacture optoelectronic devices. Revenues with MOCVD equipment to manufacture power management devices amounted to EUR 20.4 million (11%). Both these markets are expected to grow in future due to the increasing use of lasers for optical data transmission, the increasing penetration of laser-based 3D sensors in consumer electronics, and modern power electronics modules based on materials such as silicon carbide or gallium nitride.

Revenues generated with LED-related MOCVD equipment in 2017 totaled EUR 79.1 million (42% of equipment revenues). This figure includes revenues of EUR 25.0 million from the sale of AIX R6 systems out of inventory. Given the focus on specialty LED applications, this business field is expected to see a reduction in revenues accompanied by higher profitability.

The product line for memory chip production sold to Eugene Technology generated revenues of EUR 38.8 million in 2017.

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 to account for changes in conditions, such as the timeframes for launching new technologies onto the market or customers' product requirements.

The business development was considered as satisfactory, the business of optoelectronics developed increasingly positive and has the potential to generate further growth in the coming years.

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

The order, revenues, earnings and free cash flow guidance for fiscal year 2017, which was published in the Annual Report 2016 and substantiated during the year, was successfully achieved.

3. Report on Expected Developments, Opportunities and Risks

3.1. Expected Developments

3.1.1. Future Market Environment and Opportunities

The IMF's January 2018 report forecasts global economic growth of 3.9% in 2018 and 3.9% in 2019, assuming continued favorable financing conditions around the world, with the effects of the US tax reform and increasing growth momentum in key emerging and developing countries playing a major role. At this point in time, AIXTRON does not anticipate any significant impact from the general global economic environment, although the risk of setbacks for the global economy cannot be ruled out.

Gartner Dataquest estimated (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q17 Update, December 2017) that semiconductor capital spending in 2017 increased to USD 92 billion. In the same report, Gartner forecasts slight reduction in semiconductor capital spending to USD 91 billion in 2018 and then declining to normalized USD 76 billion in 2019 (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q17 Update).

In Wafer Fab equipment, the segment where AIXTRON competes, Gartner expects an increase in market size to USD 49 billion in 2017 after which Gartner expects a decline to USD 48 billion in 2018 and to 39 billion in 2019.

According to a report published by LEDinside in August 2017, the market for LEDs is expected to grow from USD 17.1 billion in 2017 to USD 19.7 billion in 2021. The steadily declining market share of GaN-based display applications is more than offset by the gradual introduction of automotive, fine pitch LED and microLED display applications. This leads to the need for capacity expansion by LED manufacturers for GaAs-based LEDs. Forecasts for the potential market of production equipment is based exclusively on internal estimates.

According to a report from the Japanese Investment Bank DAIWA Capital Markets in June 2017, the introduction of 3D sensors in smartphones and the automotive industry in 2017 will lead to an estimated total market volume of USD 1 billion. In 2020, sales in this market are expected to exceed USD 10 billion. DAIWA also expects the focus of investments to be on deposition processes and 6" wafer capacity in order to meet the upcoming demand in the 3D sensor market.

In a 2015 study, the business intelligence firm OVUM estimated that the growth of the global optical communications market will remain stable, even in a volatile macroeconomic environment. Driven by investments in telecommunications, the market is expected to grow by an average of 10% per year until 2020, based on a total revenue of USD 7.8 billion in 2015.

According to Gartner, the total silicon power transistor market is expected to grow from USD 9 billion to 10 billion between 2013 and 2018 (Gartner, April 2014). According to a study from Yole Development, the market for SiC and GaN Power Electronics and RF devices, which can be produced using AIXTRON equipment, is estimated to generate a volume of USD 2 billion by 2021. Power electronic devices made of the materials SiC and GaN are gradually gaining market share in the overall power electronic device market. 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.

The markets APEVA addresses with its OVPD technologies for the deposition of organic materials offer substantial growth potential in the mid- to long-term, driven by increasing demand for OLED displays. Third party research houses, such as UBI Research or Display Supply Chain, expect the OLED industry’s revenue to more than triple in size to ~USD 50 billion in 2021, from USD 15 billion in 2016. APEVA is working hard on the qualification of its OVPD technology in production at an Asian display manufacturer. Achieving the qualification is a prerequisite for a possible use in mass production for OLED displays. AIXTRON´s PECVD technology for the fabrication of carbon nanostructures continues to make a positive contribution to revenue growth by focusing on R&D equipment, although sales volumes are relatively low and will remain low in the short term. There is a medium-term potential for growth in this area, if successfully qualified for industrial applications.

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

3.1.2. Expected Results of Operations and Financial Position

For 2018, the Executive Board expects growth in its core business, in particular from MOCVD systems for the production of lasers for applications in 3D sensor technology or optical data transmission. In the medium term, the adoption of power components based on the wide-band gap materials SiC and GaN (silicon carbide, gallium nitride) opens up further potential.

Based on the current corporate structure and estimated orders , Management expects both revenues and total orders in a range between EUR 230 million and EUR 260 million for 2018 at the budget rate of USD/EUR 1.20. This represent a growth between 20% and 35% based on the revenues of the continued business of EUR 191.6 million, excluding the sold ALD/CVD product line. Hence, AIXTRON expects to achieve a gross margin of 35% to 40% and an EBIT of 5% to 10% of revenues in 2018. Furthermore, Management expects to achieve a positive operational cash flow which will be lower compared to 2017. This is due to the positive effects from the sale of the ALD/CVD product line in the amount of EUR 51.0 million which were included in cash flow 2017. Cash flow in 2018 will include the settlement of liabilities towards third parties of the ALD/CVD business in the amount of EUR 11.7 million. These expectations for 2018 include the results of the AIXTRON subsidiary APEVA with all planned investments to further develop the OLED activities.

In addition to the above-mentioned activities, the Executive Board will continue to pay particular attention to cost development, margin contributions and the use of funds, as well as continuously reviewing the performance and future prospects of the product portfolio.

As in previous years, Management believes that the Company will not require external bank financing in the financial year 2018 and that the company will also be able to maintain its solid equity base in the foreseeable future.

3.1.3. Overall Statement on the Future Development

AIXTRON´s equipment enables the development and manufacture of key components for optical data communication (cloud computing, internet of things) next generation fast mobile networks (5G data communication), next generation displays (OLED, microLED), highly efficient energy conversion and electro-mobility, as well as for 3D-sensing (autonomous driving, facial recognition in smartphones).

Due to AIXTRON´s proven ability to develop and market innovative enabling deposition equipment for a variety of markets, Management continues to believe in the positive outlook for AIXTRON in its targeted markets.

As of December 31, 2017, AIXTRON had no binding agreements for participation financing, company acquisition or transfers of parts of the Company.

3.2. Risk Report

3.2.1. 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 owners 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.

The risk management system was adjusted to reflect the reorganization that the company undergo in the past fiscal year. The reoccurring risk assessments of APEVA's risks are now carried out in a process that is separate from AIXTRON´s risk assessment. That also includes reporting. The objectives, strategies and basic management processes of the risk management system remain unaltered.

3.2.2. Internal Control System ICS

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 which are included in the consolidated financial statements use the same, central SAP system and prepare monthly statements which are being centrally consolidated. Under usage of the direct system access at headquarters, a detailed analysis of target/actuals deviations in particular of quarterly reports is performed. In regular quarterly meetings with the responsible document owners, all substantial facts are being reviewed for compliance with IFRS. AIXTRON has a multistage control system for processes and transactions relevant for accounting which are being reviewed regularly on compliance by the internal audit department.

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

3.2.3. Single Risk Factors

The following risks could potentially have a substantially adverse impact on the revenue, the financial position, the net assets, the company's liquidity and the stock market price of AIXTRON´s shares, and on the actual outcome of matters which 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 that AIXTRON is currently unaware of, as well as general corporate risks such as political risks, the risk of force majeure and other unforeseeable events. There may also be risks that AIXTRON now believes are immaterial at present, but which may ultimately also have a significantly adverse effect on the company. Further information on the forward-looking statements may be reviewed in the section “Forward-Looking Statements”.

At AIXTRON, all single risk are assessed and classified applying the same method. Risk likelihood is measured in one of four categories, as well as the potential damage should the risk occur. The extent of the damage relates to the impact on the AIXTRON group's operative result (EBIT).

Within the risk management system of AIXTRON, risks are detected and reported in the following categories:

- Currency risk and other financial risks
- Market- and competition-related risks
- Technological risks
- Sourcing and production risks
- Information Technology (IT) and -Security (IS) risks
- Staff-related risks
- Legal risks
- Risks relating to patents and intellectual property

3.2.4. Currency risk and other financial risks

AIXTRON generates a significant share of its revenues in foreign currencies. Fluctuations between the value of the euro and other major currencies may affect AIXTRON´s business as well as those of AIXTRON´s customers and suppliers.

The company counters balance sheet currency risks by means of a centralized management of foreign currencies. In 2017, no forward exchange transactions or other currency hedging transactions were carried out. Hence there were no exchange rate hedging contracts as of December 31st, 2017. However, Management reserves the right to hedge exchange rate risks in the future should this be appropriate.

Regardless of exchange rate developments, AIXTRON is exposed to the risk of customer default losses AIXTRON counters this risk with consistently securing payments, in particular through advance payments and letters of credit. These instruments are described in further detail in Note 17 "Trade receivables and other current assets" attached to the 2017 financial statements.

The company has sufficient cash and cash resources. The sale of the ALD/CVD product line in the past fiscal year further significantly improved the company's liquidity. In order to avoid the risk of a loss of liquidity, AIXTRON reviews the creditworthiness of its banks and, if appropriate, will make a change in the selection of these partners.

Apart from short-term trade payables from supplier orders and services as well as routine building lease payments, AIXTRON has no other financial obligations, in particular no liabilities linked to banks.

AIXTRON´s ongoing financial resource requirements are generally to be provided by cash flows from business activities.

AIXTRON´s worldwide operations require the taxation of operating income in different jurisdictions and at different tax rates. AIXTRON is exposed to the general risk of changes in the respective jurisdictions. Therefore, AIXTRON monitors developments in this area by close cooperation with external specialists, in order to be able to introduce appropriate measures to minimize risks. In addition, there is a risk that the tax models chosen by AIXTRON are examined by the authorities and may not be fully accepted, resulting in a negative impact on the results of operations.

3.2.5. Company related risks, market- and competition-related risks

Market- and competition-related risks
AIXTRON´s target the global markets, with a regional focus on Asia. As a result, AIXTRON is exposed to global economic cycles and geopolitical risks that could adversely affect the company's business. Such risks cannot be influenced by the company.

The markets addressed by the company can be cyclical and therefore extremely volatile. The timing, duration and severity of these industry cycles are difficult to predict and to be influenced by the company.
In order to spread its market-related risks, AIXTRON thus diversifies and offers products in different markets.

The target markets are in different market phases. The market for light-emitting diodes is in the mature phase, whereas the markets for sensors or high-power lasers are in the growth phase.

In each of the markets, AIXTRON faces competition. There is always the possibility that new competitors enter the market or that established competitors may apply strategies or introduce products to the market that adversely affect AIXTRON´s market expectations.

The company continuously monitors and assesses market developments. In order to reduce the risk of dependence on individual markets and their fluctuations, the company has implemented a management system to ensure that market developments are recognized at an early stage and used optimally.

The sale of the ALD/CVD product line in the past fiscal year trims AIXTRON´s product portfolio. On the one hand, this reduces the number of addressed markets for AIXTRON. Nevertheless, this transaction improves the company's cost structure, and it allows a focus on the markets with the highest potential for AIXTRON.

Technological risks
The technologies AIXTRON offers, enable new and revolutionary application possibilities. This often means lengthy sales and qualification cycles for the company's products, since demanding technical or other customer specifications

(in part for the first time) have to be met before a business transaction can be concluded.

The business transferred to APEVA during the year is for the development and production of systems to deposit organic semiconductor materials, which is an innovative technology. The business objective of APEVA is the development, qualification and production of the technology needed for the manufacture of OLED displays at the customer's site. To do so, APEVA cooperates with a large Asian OLED display manufacturer. Should it become apparent that the production qualification is not achievable with the parameters demanded by the customer, this poses an existential threat for APEVA. As of today, it is possible that in such a case APEVA's business operations could be terminated. This could place a burden on AIXTRON´s balance sheet in the form of restructuring and settlement costs. At the present time, such expenses expressly do not represent a risk for the continued existence of AIXTRON.

At the time of the annual report preparation, both the management of APEVA as well as of AIXTRON SE are optimistic about achieving the qualification. In addition to the close cooperation with the customer for product development and qualification, among other things, the inclusion of a partner for APEVA's business to reduce AIXTRON´s financial and operative risks is a crucial factor.

Due to the fact that AIXTRON technologies and products are often subject to long development and qualification cycles, AIXTRON may develop technologies and products for markets or application areas in which the general conditions of the targeted markets or the strategic planning of potential customers change fundamentally during the development cycle. As a result, planned and forecasted sales may be subject to the risk of a postponement or discontinuation, meaning that development activities can be refinanced later than planned or not at all.

Focused research and development activities as carried out in the past fiscal year and the intensive involvement of external technology partners are regarded as suitable measures by the management to mitigate this risk.

Sourcing and production risks

The semiconductor market has been in a growth phase for an extensive period of time. This impacts both AIXTRON as well as the supply chains in form of high capacity utilization rates. There are risks for AIXTRON regarding to longer delivery lead times of components and higher procurement prices. If higher procurement prices cannot be passed on to the customers, the product margins will be impacted negatively or deliveries of ordered systems may be delayed. A proactive forecasting and planning of demands, the conclusion of framework supply agreements, the qualification of alternative suppliers for critical components, as well as a continuous monitoring and controlling of the supply chains, the risk is addressed by the company.

By having streamlined the product portfolio and focusing on key markets, as well as the continuous identification and qualification of alternative suppliers, the risk of dependency on single sources has been further reduced in the past fiscal year.

Remaining risks are hedged through an operations disruption insurance including contingency damage coverage for the supply chain.

Information Technology (IT) and -Security (IS) risks

Information is a valuable asset for AIXTRON and needs to be adequately protected. Due to increasing digitization and network connections, a large share of information is generated, processed and stored in IT systems. The security of information and IT systems is co-dependent. AIXTRON defines IT and IS risks as a violation of the integrity, confidentiality or availability of a valuable asset for the company.

The company has implemented technical and organizational measures to address the risk of unauthorized access, unwanted modifications, or deletion of information or IT-systems. The measures applied to mitigate IT and IS risks are reviewed regularly and adjusted where needed.

Due to the high complexity of today's IT environment and increasingly intense threats, AIXTRON cannot fully rule out that information assets may be compromised nor a subsequent unauthorized disclosure or manipulation of information assets.

In part, AIXTRON uses external service providers for the provision of IT services and systems. The reputation and security aspects of the service providers play a key role in their selection.

Staff-related risks

In order to compete AIXTRON must recruit, retain and motivate executives and other key employees, including those in company management, R&D, technology, sales, marketing, and service positions. Qualified executives, researchers, engineers, technicians, and sales representatives are critical for AIXTRON´s business. The competition for experienced staff can be intense. There is a risk that AIXTRON cannot fill vacancies adequately or not quickly enough. In order to recruit, retain and motivate qualified employees, AIXTRON relies heavily on paying market-competitive salaries and offering additional incentives and bonus payments.

Legal risks as well as risks relating to patents and intellectual property

AIXTRON may be exposed to legal risk in the context of asserting or defending the claims by third parties. In those cases, costs may arise for external legal support as well as for court proceedings or settlements. The outcome of ongoing, outstanding and/or threatened legal proceedings cannot be predicted with any guarantees. Court rulings, other decisions by official authorities or settlements can cause substantial costs. These costs may be non-refundable, depending on the outcome of the proceedings or the applicable legal order, and thus develop into a burden for the company. At the time of reporting, one legal case is pending for a subsidiary. Management is not aware of any further ongoing or imminent legal or settlement proceedings.

As part of product and technology development, AIXTRON has established measures to identify and protect newly developed intellectual properties of the company and to examine whether any protected property is used by the company. At the same time, AIXTRON can neither rule out the possibility of an infringement of the copyright of a third party nor the possibility that third parties may assert claims for the payment of damages for an alleged violation of the intellectual property of third parties.

At the time of reporting, Management does not expect a significant threat to be posed by legal or patent disputes.

3.2.6. Overall statement on the risk situation

Compared to 2016, the overall risk situation of AIXTRON SE and its subsidiaries has improved. The risk portfolio has been streamlined by the sale of AIXTRON´s ALD/CVD product line as well as the focusing of the research and development activities and the inclusion of external cooperation partners. This also improves the exploitation of opportunities and active avoidance of risks in the markets targeted by AIXTRON.

The Executive Board of AIXTRON SE is not aware of any risk to the continued existence of the Company.

The auditor reviewed the risk management system and confirmed its effectiveness.

3.3. Opportunities report

AIXTRON´s core competence is the development of cutting-edge technology for the precise deposition of complex semi-conductor structures and other functional materials. The company has achieved a globally-leading competitive position in this area. In order to defend and expand this position, AIXTRON invests in appropriate research and development projects, such as for MOCVD systems to produce semi-conductors for use in lasers, high-power electronics or LEDs. Management will maintain the focus on this core competence and develop both existing markets as well as new markets.

Important market segments in optoelectronics include entertainment electronics, data communications and display technology. The trend towards optical data transmission also across shorter distances, e.g. in data centers, as well as the application of 3D sensor systems in mobile end devices such as especially smartphones, is generating an increasing demand for edge and surface emitting laser (VCSEL) systems. AIXTRON anticipates a further increase in demand over the coming years in this area. In addition, AIXTRON notes a stable demand for systems for the production of red-orange-yellow, infrared and UV LEDs. An additional growth segment in the area of optoelectronic applications is LED-based, direct-emitting displays. This technology has potential in diverse end device applications in consumer electronics.

Important market segments for power electronics based on wide-band gap materials such as gallium nitride (GaN) and silicon carbide (SiC) are the automotive, energy and consumer electronics industries. The development of energy-efficient solutions for AC-DC converters, inverters and high-frequency power amplifiers are increasingly gaining in importance. The trend towards electrification of vehicles using SiC-based components plays an important role in this regard. GaN-based components, e.g. for fast or wireless charging of mobile devices, are in development. In this field, AIXTRON expects demand for production systems to increase as the market penetration of these applications increasingly gains momentum.

In addition, AIXTRON will further advance its PECVD technology, which enables the production of advanced carbon nanostructures such as carbon nanotubes, nanowires and graphene in research and development. Application possibilities for such materials include energy storage, display technologies, semiconductor technologies and composites. The number of R&D systems installed by AIXTRON and the close cooperation with customers allows the company to align its development plans with the market requirements for this emerging technology. Building on the leading position achieved in recent years, AIXTRON expects the market opportunities for production systems to increase further.

APEVA continues to push forward the customer qualification of OVPD technology for the deposition of organic materials for displays. The exclusively licensed OVPD technology enables highly efficient deposition of organic materials, especially on large-area substrates, and offers a number of advantages over currently used technologies, especially in terms of material consumption and yield. The qualification activities in this area are closely linked with the growth plans of the respective customers.

AIXTRON expects the following market trends and **opportunities** of the relevant end-user markets to have a positive impact on the further course of business:

Short- to mid-term

- Increasing application of compound semi-conductor-based lasers for the 3D sensor systems in mobile end device as well as sensors for infrastructure applications.
- Further increasing use of LEDs and special LEDs (esp. red-orange-yellow, UV or IR) with displays and others applications
- Further increasing demand for lasers for ultra-fast optical data transmission of large volumes, such as for video streaming and Internet-of-Things (IOT) applications.
- Increasing use of wide-band gap GaN- or SiC-based components for energy-efficient communication and performance control in cars, entertainment electronics and mobile devices.
- Progress in the further development of large-area OLED components that require an efficient deposition technology.

Mid- to long-term

- Development of new applications based on materials with large band spacing such as high-frequency chips or system-on-chip architectures with integrated power management
- Increased use of compound semi-conductor-based sensors for autonomous driving
- Increased development activities for specialized application of solar cells made of compound semi-conductors
- Development of new materials with the help of carbon nanostructures (carbon nanotubes, -wires and graphene)
- Development of alternative LED applications, such as visual-light communication technology or micro LED displays.

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

The Company's stated share capital as of December 31, 2017 amounted to EUR 112,924,730 (December 31, 2016: EUR 112,804,105; December 31, 2015: EUR 112,720,355) divided into 112,924,730 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	**2017**	**Approved**	**Expiry**	**2016**	**2015**	**2017-2016**
(EUR or number of shares)	31-Dec	**since**	**Date**	**31-Dec**	**31-Dec**	
Issued shares	112,924,730	--	--	112,804,105	112,720,355	120,625
Authorized Capital 2017 - Capital increase for cash with existing shareholders' preemptive rights	10,518,147	09.05.2017	08.05.2022	--	--	10,518,147
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	--
Authorized Capital 2012 - Capital increase for cash with existing shareholders' preemptive rights	cancelled	16.05.2012	15.05.2017	10,422,817	10,422,817	-10,422,817
Conditional Capital I 2012 - Authorization to potentially issue bonds with warrants and/or convertible bonds in future	expired	16.05.2012	15.05.2017	40,715,810	40,715,810	--
Conditional Capital II 2012 - Stock Options Program 2012	expired	16.05.2012	15.05.2017	4,208,726	4,208,726	--
Conditional Capital II 2007 - Stock Options Program 2007	2,689,113	22.05.2007	21.05.2012	2,809,738	2,872,638	-120,625
Conditional Capital 2 - Stock Options Program 1999	expired	26.05.1999	31.12.2017	1,926,005	1,926,005	--

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, 2017, about 24% of AIXTRON shares were held by private individuals, with around 76% held by institutional investors. The largest institutional shareholder was Baillie Gifford Overseas (Edinburgh, GB) with around 5% holdings in AIXTRON stock. 99% 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.

5. 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 and explains the structure and amount of the remuneration paid. The remuneration of each member of the Executive Board and Supervisory Board for fiscal year 2017 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.

5.1. Principles of Management Compensation

5.1.1. 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 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.

5.1.1.1. 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, mainly consisting of company car usage and payments for private pension insurance.

5.1.1.2. 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, which may be reduced by 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.

5.1.1.3. 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 or AIXTRON shares. 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”.

5.1.1.4 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.

5.1.1.5. 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.

5.1.2. 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.

5.1.3. 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.

5.2. Individual remuneration structure

5.2.1. Executive Board remuneration

Martin Goetzeler left the Company effective February 28, 2017. On June 8, 2017, Dr. Felix Grawert was appointed as a new member to the Executive Board and assumed his position on August 14, 2017. Dr. Felix Grawert and Dr. Bernd Schulte jointly lead the Company. Between March 1st, 2017 and August 31st, 2017, AIXTRON Supervisory Board Chairman Kim Schindelhauer was interim CEO and CFO of the Company.

The total Executive Board remuneration in fiscal year 2017 amounted to EUR 1,355,181 (2016: EUR 1,055,631; 2015: EUR 1,040,631). The success-independent, fixed remuneration of the Executive Board (including benefits in kind and the allowance for pension provision) in 2017 was at EUR 1,256,431 (2016: EUR 1,055,631; 2015: EUR 1,040,631).

Dr. Felix Grawert received his contractually agreed bonus amounting to EUR 80,000 pro rata temporis for the 2017 financial year, half paid in the form of AIXTRON shares and half paid in cash. The part of the management bonus relating to the share proportion was converted to a whole number of AIXTRON shares as of December 15, 2017 and will be transferred to the Executive Board member by the third bank working day, following the Annual General Meeting within the third fiscal year after granting (2017: 3,188 shares). In addition, Dr. Grawert receives Company shares in the value of EUR 50,000 per financial year. For the pro rata 2017 financial year this value amounts to EUR 18,750. The number of the shares will be determined in accordance with the closing price of the share of the Company on the third bank working day following the Annual General Meeting, which is presented with the Annual Financial Statements of the Company and the Consolidated Financial Statements for the fiscal year 2017. No variable bonus was paid for fiscal years 2016 and 2015. In the fiscal year 2017 a total of 24,594 AIXTRON shares were transferred to Mr. Goetzeler as a contractually guaranteed bonus relating to the fiscal year 2013. During the past fiscal year, no stock options were granted to the Members of the Executive Board (2016: 0; 2015: 0).

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

5.3.1. Value of benefits granted displayed according to DCGK

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 2017 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.

	Dr. Felix Grawert				Dr. Bernd Schulte				Martin Goetzeler				Kim Schindelhauer			
	President				President				CEO / CFO				CEO / CFO			
Potential benefits granted	Member of the Executive Board since August 14, 2017				Member of the Executive Board since March 7, 2002				Member of the Executive Board until February 28, 2017				Member of the Executive Board from March 01 to August 31, 2017			
	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)	2016	2017	2017 (min)	2017 (max)
Fixed compensation	0	126,258	126,258	126,258	430,000	430,000	430,000	430,000	600,000	370,000	370,000	370,000	0	300,000	300,000	300,000
Fringe benefits	0	5,192	5,192	5,192	12,527	12,797	12,797	12,797	13,104	2,184	2,184	2,184	0	10,000	10,000	10,000
Total	**0**	**131,450**	**131,450**	**131,450**	**442,527**	**442,797**	**442,797**	**442,797**	**613,104**	**372,184**	**372,184**	**372,184**	**0**	**310,000**	**310,000**	**310,000**
One-year variable compensation	0	98,750	98,750	956,250	0	0	0	2,500,000	0	0	0	666,667	0	0	0	0
Multi-year variable compensation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferral from one-year variable compensation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**98,750**	**98,750**	**956,250**	**0**	**0**	**0**	**2,500,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Service cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**230,200**	**230,200**	**1,087,700**	**442,527**	**442,797**	**442,797**	**2,942,797**	**613,104**	**372,184**	**372,184**	**1,038,851**	**0**	**310,000**	**310,000**	**310,000**

5.3.2. 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 2017.

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 realized	Dr. Felix Grawert President Member of the Executive Board since August 14, 2017		Dr. Bernd Schulte President Member of the Executive Board since March 7, 2002		Martin Goetzeler CEO / CFO Member of the Executive Board until February 28, 2017		Kim Schindelhauer CEO / CFO Member of the Executive Board from March 01 to August 31, 2017	
	2016	2017	2016	2017	2016	2017	2016	2017
Fixed compensation	0	126,258	430,000	430,000	600,000	370,000	0	300,000
Fringe benefits	0	5,192	12,527	12,797	13,104	2,184	0	10,000
Total	**0**	**131,450**	**442,527**	**442,797**	**613,104**	**372,184**	**0**	**310,000**
One-year variable compensation	0	40,000	0	0	0	0	0	0
Multi-year variable compensation	0	0	67,132	226,876	0	127,028	0	0
Deferral from one-year variable compensation	0	0	0	0	0	0	0	0
Stock option program 2007 (blackout period: 2 years)	0	0	67,132	226,876	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**67,132**	**226,876**	**0**	**127,028**	**0**	**0**
Service cost	0	0	0	0	0	0	0	0
Total	**0**	**171,450**	**509,659**	**669,673**	**613,104**	**499,212**	**0**	**310,000**

As of December 31, 2017, the AIXTRON Executive Board held a total of 154,000 options for the purchase of 154,000 shares of the Company (December 31, 2016: 283,500; December 31, 2015: 395,500). 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 (Shares)	Exercisable (Shares)	Grant Date Option Value (EUR)	Exercise Price (EUR)	Maturity	Forfeited	Total Outstanding Shares
Dr. Felix Grawert		-	-	-	-		-	**0**
Martin Goetzeler	Oct 2014	0	0	189,000	13.14	Oct 2024	50,000	**0**
Dr. Bernd Schulte	Oct 2014	50,000	0	189,000	13.14	Oct 2024		
	Nov 2010	52,000	52,000	461,240	26.60	Nov 2020		
	Nov 2009	52,000	52,000	448,240	24.60	Nov 2019		
	May 2002	0	0	152,625	7.48	May 2017	27,500	**154,000**
Total		**154,000**	**104,000**				**77,500**	**154,000**

In accordance with IFRS 2, the “grant-date fair value of the options” is used as the basis for recognizing options under expenses on the Income Statement.

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

in EUR thousands	2017	2016	2015
Dr. Felix Grawert	59	0	0
Dr. Bernd Schulte	47	47	53
Kim Schindelhauer	0	0	0
Martin Goetzeler	-107	47	47

In 2017, options to acquire 77,500 AIXTRON shares expired (2016: 60,000; 2015: 2,640). The expenses for the unvested expired options have been reversed in accordance with IFRS 2.

In fiscal year 2017, current Executive Board members exercised 52,000 options (2016: 52,000; 2015: 0).

Executive Board Member	Year	Exercise Published	Weighted Share Price of Exercise Day	Underlying Shares	Total Underlying Shares
Dr. Bernd Schulte	**2017**	November 28, 2017	14.1233	52,000	**52,000**
Dr. Bernd Schulte	**2016**	September 15, 2016	4.17	52,000	**52,000**

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 and 2015 payments of EUR 80,000 per annum were made to Martin Goetzeler. In 2017 Martin Goetzeler received EUR 40,000. In the years 2017, 2016 and in 2015, payments of EUR 40,000 per year were made to Dr. Bernd Schulte. In 2017, Dr. Grawert received a pro rata allowance amounting to EUR 11,250 (EUR 30,000 per annum). Mr. Schindelhauer did not receive any pension allowance. This allowance is part of the total fixed annual salary of the Executive Board members.

5.3.3. Supervisory Board Remuneration

In fiscal year 2017, the remuneration of the Supervisory Board totaled EUR 333,250 (2016: EUR 448,750; 2015: EUR 302,500). The division between the individual members of the Supervisory Board for the years 2015 to 2017 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)6)]	**2017**	37,500	0	22,000	59,500
(Chairman of the Supervisory Board)	**2016**	75,000	0	100,000	175,000
	2015	75,000	0	18,000	93,000
Prof. Dr. Wolfgang Blättchen[1)4)9)10)]	**2017**	56,250	0	40,000	96,250
(Deputy Chairman of the Supervisory Board)	**2016**	37,500	0	72,250	109,750
(Chairman of the Audit Committee) (Independent Financial Expert)	**2015**	37,500	0	24,000	61,500
Dr. Andreas Biagosch [2)11)]	**2017**	25,000	0	6,000	31,000
	2016	25,000	0	8,000	33,000
	2015	25,000	0	8,000	33,000
Prof. Dr. Petra Denk [2)3)]	**2017**	25,000	0	32,000	57,000
(Chair of the Technology Committee)	**2016**	25,000	0	30,000	55,000
	2015	25,000	0	26,000	51,000
Dr. Martin Komischke[8)]	**2017**	25,000	0	2,000	27,000
	2016	25,000	0	0	25,000
	2015	25,000	0	0	25,000
Prof. Dr. Rüdiger von Rosen [1)3)8)10)]	**2017**	25,000	0	37,500	62,500
(Chairman of the Nomination Committee)	**2016**	25,000	0	26,000	51,000
	2015	25,000	0	14,000	39,000
Total	**2017**	**193,750**	**0**	**139,500**	**333,250**
	2016	**212,500**	**0**	**236,250**	**448,750**
	2015	**212,500**	**0**	**90,000**	**302,500**

[1)] Member of the Audit Committee from 1.1.-28.2. and 1.9.-31.12.2017
[2)] Member of the Technology Committee from 1.1.-28.2. and 1.9.-31.12.2017
[3)] Member of the Nomination Committee from 1.1.-28.2. and 1.9.-31.12.2017
[4)] Member of the Capital Markets Committee from 1.1.-28.2. and 1.9.-31.12.2017
[5)] Former AIXTRON Executive Board Member from 1.1.-28.2. and 1.9.-31.12.2017

[6)] delegated to the Executive Board from 1.3. to 31.8.2017
[7)] Chairman of the Supervisory Board from 1.3. to 31.8.2017
[8)] Member of the Audit Committee from 1.3. to 31.8.2017
[9)] Member of the Technology Committee from 1.3. to 31.8.2017
[10)] Member of the Nomination Committee from 1.3. to 31.8.2017
[11)] Member of the Capital Markets Committee from 1.3. to 31.8.2017

In accordance with the article of association of the Company, the annual attendance fee of Prof. Dr. von Rosen in fiscal year 2017 was capped at one-and-a-half times their fixed remuneration. As in previous years, there were no payments made to any Supervisory Board member for advisory services in fiscal year 2017.

6. 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/.

7. 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 26, 2018

AIXTRON SE

Executive Board

F. Grawert

B. Schulte

Dr. Felix Grawert **Dr. Bernd Schulte**

Consolidated Income Statement

	Note	2017	2016	2015
in EUR thousands				
Revenues	3	230,382	196,477	197,756
Cost of sales		156,391	140,211	147,934
Gross profit		**73,991**	**56,266**	**49,822**
Selling expenses		10,155	13,794	11,547
General administration expenses		17,092	17,087	16,279
Research and development costs	4	68,787	53,937	55,415
Other operating income	5	28,608	8,548	8,852
Other operating expenses	6	1,635	1,385	2,159
Operating expenses		**69,061**	**77,655**	**76,548**
Operating result		**4,930**	**-21,389**	**-26,726**
Finance Income		692	583	788
Finance Expense		124	147	22
Net Finance Income	**8**	**568**	**436**	**766**
Profit or Loss before taxes		**5,498**	**-20,953**	**-25,960**
Taxes on income	9	-1,030	3,064	3,200
Profit or Loss for the year		**6,528**	**-24,017**	**-29,160**
Thereof attributable to the owners of Aixtron SE		**6,528**	**-24,017**	**-29,160**
Basic earnings or loss per share (EUR)	21	0.06	-0.22	-0.26
Diluted earnings or loss per share (EUR)	21	0.06	-0.22	-0.26

See accompanying notes toconsolidated financial statements.

Consolidated Statement of other Comprehensive Income

in EUR thousands	Note	2017	2016	2015
Profit or Loss for the year		**6,528**	**-24,017**	**-29,160**
Items that will not be reclassified subsequently to Profit or Loss:				
Remeasurement of defined benefit obligation		-89	-186	0
Items that may be subsequently reclassified to Profit or Loss:				
Reclassification of currency translation differences on liquidation of subsidiary		0	-1,568	0
Currency translation adjustment	20	-8,679	-2,089	9,117
Other comprehensive income/loss		**-8,768**	**-3,843**	**9,117**
Total comprehensive loss for the year		**-2,240**	**-27,860**	**-20,043**
Thereof attributable to the owners of Aixtron SE		-2,240	-27,860	-20,043

See accompanying notes toconsolidated financial statements.

Consolidated Statement of Financial Position

in EUR thousands	Note	31.12.2017	31.12.2016
Assets			
Property, plant and equipment	11	64,322	74,157
Goodwill	12	71,229	74,563
Other intangible assets	12	1,763	5,426
Other non-current assets	13	391	544
Deferred tax assets	14	3,588	1,817
Total non-current assets		**141,293**	**156,507**
Inventories	16	43,021	54,204
Trade receivables less allowance kEUR 239 (2016: kEUR 1,293)	17	19,289	60,221
Current tax receivables	10	171	446
Other current assets	17	4,817	4,804
Other financial assets	18	20,000	40,021
Cash and cash equivalents	19	226,526	120,031
Total current assets		**313,824**	**279,727**
Total assets		**455,117**	**436,234**

Liabilities and shareholders' equity			
Fully paid capital, number of shares: 111,802,372 (2016: 111,657,153)		111,802	111,657
Additional paid-in capital		372,912	373,452
Accumulated losses		-117,289	-125,528
Accumulated comprehensive income and expense recognised in equity		1,481	10,160
Total shareholders' equity	**20**	**368,906**	**369,741**
Other non-current payables		345	2,008
Other non-current provisions	24	1,624	2,169
Total non-current liabilities		**1,969**	**4,177**
Trade payables	25	14,265	14,593
Advance payments from customers		30,266	26,146
Other current provisions	24	21,093	16,117
Other current liabilities	25	15,878	2,358
Current tax payables	10	2,740	3,102
Total current liabilities		**84,242**	**62,316**
Total liabilities		**86,211**	**66,493**
Total liabilities and shareholders' equity		**455,117**	**436,234**

See accompanying notes toconsolidated financial statements.

Consolidated Statement of Cash Flow

in EUR thousands	Note	2017	2016	2015
Cash Flow from operating activities				
Profit / Loss for the year		6,528	-24,017	-29,160
Reconciliation between profit/loss and Cash Flow from operating activities				
Expense from share-based payments		246	753	991
Depreciation, amortization and impairment expense		17,722	13,487	10,348
Net result from disposal of property, plant and equipment	5	-23,927	11	6
Deferred income taxes		-1,906	1,485	1,110
Change in				
Inventories		9,933	16,676	13,031
Trade receivables		39,495	-34,502	2,030
Other assets		-205	2,994	927
Trade payables		586	4,828	-7,594
Provisions and other liabilities		18,769	-22,102	7,598
Non-current liabilities		-2,129	528	61
Advance payments from customers		4,974	2,173	-44,998
Cash Flow from operating activities		**70,086**	**-37,686**	**-45,650**
Cash Flow from investing activities				
Cash Flow from acquisitions	37	0	-4,183	-6,213
Capital expenditures in property, plant and equipment		-8,863	-4,912	-12,524
Capital expenditures in intangible assets		-789	-389	-732
Proceeds from disposal of fixed assets		6,287	76	161
Proceeds from disposal of intangible assets		24,644	0	0
Bank deposits with a maturity of more than 90 days	18	19,467	52,811	60,529
Cash Flow from investing activities		**40,746**	**43,403**	**41,221**
Cash Flow from financing activities				
Own shares acquired		0	0	-250
Proceeds from issue of equity shares		1,159	343	105
Cash Flow from financing activities		**1,159**	**343**	**-145**
Effect of changes in exchange rates on cash and cash equivalents		-5,496	-2,334	4,299
Net change in cash and cash equivalents		106,495	3,726	-275
Cash and cash equivalents at the beginning of the period		120,031	116,305	116,580
Cash and cash equivalents at the end of the period	**19**	**226,526**	**120,031**	**116,305**
Interest paid		0	-5	0
Interest received		710	302	913
Income taxes paid		-1,642	-1,514	-2,898
Income taxes received		661	1,756	83

See accompanying notes toconsolidated financial statements.

Consolidated Statement of Changes in Equity

in EUR thousands	Subscribed capital under IFRS	Additional paid-in capital	Currency trans-lation	Retained Earnings/ Accumulated deficit	Shareholders' equity attributable to the owners of AIXTRON SE
Balance at 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			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		-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			-2.089	-25.771	-27.860
Balance December 31, 2016 and January 1, 2017	**111.657**	**373.452**	**10.160**	**-125.528**	**369.741**
Share based payments		246			246
Reclassification of share based payments equity credit		-1.800		1.800	0
Issue of shares	145	1.014			1.159
Net profit for the year				6.528	6.528
Other comprehensive income			-8.679	-89	-8.768
Total comprehensive loss for the year			-8.679	6.439	-2.240
Balance December 31, 2017	**111.802**	**372.912**	**1.481**	**-117.289**	**368.906**

See accompanying notes toconsolidated 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 315e 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 26, 2018 for approval and publication.

2. Significant Accounting Policies

A COMPANIES INCLUDED IN CONSOLIDATION

Companies included in consolidation are AIXTRON SE, and companies, controlled by Aixtron SE. 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).

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 36.

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 does 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’
- ‘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 "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 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 (see note 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 recognized 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 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, unless such exercises 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 of AIXTRON SE. These stock option programs are accounted for by AIXTRON according to IFRS 2. The fair value of options granted 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 warranty 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 acceptance tests 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 full acceptance tests have been successfully completed at the AIXTRON production facility and the significant risks and rewards of ownership has passed to the customer and the customer can benefit from the products either on its own or with other resources that are readily available.

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 the customer cannot benefit from the product either on its own or with other resources that are readily available, 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 IAS 7	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group’s consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014–2016 Cycle	The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014 - 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests

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
IFRS 17	Insurance Contracts
Amendments to IFRS 2	Classification and Measurement of Share-based payment transactions.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture.
Annual Improvements to IFRSs 2014 – 2016 cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

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. IFRS 9 applies an “expected” approach to assessing credit losses rather than the existing method which is based on “incurred” losses. The company does not expect that this will have an impact on the date of initial application of the standard (January 1, 2018). The company had no financial instruments and hedging relationships as at the date of initial application of IFRS 9.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the major sources described in note 2 (n) and does not expect that the impact of adopting IFRS 15 will be material to the financial statements as its revenue recognition policies are consistent with the standard. The Group will adopt the modified approach for transition to IFRS 15.

Lease accounting changes included in IFRS 16 are applicable for the reporting periods commencing 2019, although it has not yet been adopted by the EU. The Company does not expect the adoption of IFRS 16 will have a material effect on the financial statements.

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	2017	2016	2015
Equipment revenues		188,009	155,653	150,971
Spares and services revenue		42,373	40,824	46,785
Revenue from external customers		**230,382**	**196,477**	**197,756**
Inventories recognized as an expense	16	115,349	104,836	95,143
Reversals of inventory provisions	16	-6,947	-16,525	-10,372
Obsolescence and valuation allowance expense for inventories	16	2,611	0	4,141
Personnel expense	7	60,875	63,136	63,029
Depreciation	11	8,383	12,951	9,146
Amortization	12	4,518	1,421	1,430
Other expenses		67,905	59,678	70,113
Foreign exchange losses	5	1,366	917	704
Other operating income	5	-28,608	-8,548	-8,852
Segment profit / loss		**4,930**	**-21,389**	**-26,726**
Finance income	8	692	583	788
Finance expense	8	-124	-147	-22
Profit or loss before tax		**5,498**	**-20,953**	**-25,960**

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.

For the purpose of monitoring segment performance and allocating resources all assets other than tax assets, cash and other

SEGMENT ASSETS AND LIABILITIES

in EUR thousands	31.12.2017	31.12.2016
Semi-conductor equipment segment assets	204,832	273,919
Unallocated assets	250,285	162,315
Total Group assets	**455,117**	**436,234**

in EUR thousands	31.12.2017	31.12.2016
Semi-conductor equipment segment liabilities	83,471	63,391
Unallocated liabilities	2,740	3,102
Total Group liabilities	**86,211**	**66,493**

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 and changes 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 153 during 2017 (decreased by kEUR 86 during 2016).

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	2017	2016	2015
Asia	172,338	128,007	118,376
Europe	29,197	30,814	35,772
Americas	28,847	37,656	43,608
Total	**230,382**	**196,477**	**197,756**

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	2017	2016	2015
Germany	7,487	9,865	6,705
USA	28,731	37,353	41,937
Korea	44,298	27,086	26,507
China	89,848	64,756	52,571
Taiwan	25,717	22,000	27,375

Revenues from all countries outside Germany were kEUR 222,895, kEUR 186,612, and kEUR 191,051 for the years 2017, 2016, and 2015 respectively.

In 2017 sales to one customer represented 19.3% of Group revenues, with no other customer exceeding 10%. 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%.

in EUR thousands	**31,12,2017**	**31,12,2016**
Asia	780	1,521
Europe excluding Germany	10,211	10,800
Germany	112,478	124,057
USA	14,236	18,312
Total Group non current assets	**137,705**	**154,690**

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 68,787, kEUR 53,937 and kEUR 55,415 for the years ended December 31, 2017, 2016 and 2015 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 65,622 , kEUR 51,811 and kEUR 52,409 for the years ended December 31, 2017, 2016 and 2015 respectively.

5. OTHER OPERATING INCOME

in EUR thousands	**2017**	**2016**	**2015**
Research and development funding	3,165	2,126	3,006
Income from resolved contract obligations	18	4,288	1,904
Foreign exchange gains	802	734	3,389
Gain on disposal of assets	23,927	0	3
Other	696	1,400	550
	28,608	**8,548**	**8,852**

in EUR thousands	**2017**	**2016**	**2015**
Foreign exchange gains	802	734	3,389
Foreign exchange losses (see note 6)	-1,366	-917	-704
Net foreign exchange gains (losses)	**-564**	-183	2,685
Other foreign exchange gains (losses)	-564	-183	2,685
Net foreign exchange gains (losses)	**-564**	-183	2,685

The total amount of exchange gains and losses (see also note 6) recognized in profit or loss was a loss of kEUR 564 (2016 loss kEUR 183; 2015 gain kEUR 2,685).

The gain on disposal of assets of kEUR 23,927 (2016: nil; 2015: kEUR 3) includes a profit on disposal of the group’s ALD CVD assets in November 2017 of kEUR 23,765. Aixtron received kEUR 60,707 in proceeds for the ALD CVD assets and assumed liabilities to make payments to suppliers of Eugene Technology Inc. of kEUR 9,689 (see note 25).

in EUR thousands	**2017**
Disposal of ALD CVD assets	
Assets over which Aixtron loses control:	
- Property, plant and equipment	5,220
- Goodwill	1,682
- Inventories	10,394
- Other current assets	3,915
- Warranty and other liabilities	-561
	20,650
Costs of disposal, taxes and licence payments	6,603
Payments to be made to suppliers on behalf of Eugene Technology Inc.	9,689
	36,942
Proceeds	60,707
Profit on disposal of ALD CVD	**23,765**

6. OTHER OPERATING EXPENSES

in EUR thousands	**2017**	**2016**	**2015**
Foreign exchange losses	1,366	917	704
Losses from the disposal of fixed assets	0	29	8
Additions to allowances for receivables or write-off of receivables	110	299	1,439
Other	159	140	8
	1,635	1,385	2,159

7. PERSONNEL EXPENSE

in EUR thousands	**2017**	**2016**	**2015**
Payroll	53,262	54,411	54,033
Social insurance contributions	6,237	6,518	6,731
Expense for defined contribution plans	1,119	1,454	1,274
Share based payments	257	753	991
	60,875	**63,136**	**63,029**

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 note 15.

8. NET FINANCE INCOME

in EUR thousands	2017	2016	2015
Interest income from financial assets			
On financial assets measured at amortised cost	692	583	788
Interest expense from financial liabilities			
On financial liabilities not at fair value through profit or loss	-124	-147	-22
Net finance income	**568**	**436**	**766**

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	2017	2016	2015
Current tax expense (+)/current tax income (-)			
for current year	1,538	1,562	2,164
for prior years	-660	121	-175
Total current tax expense	**878**	**1,683**	**1,989**
Deferred tax expense (+)/deferred tax income (-)			
from temporary differences	351	80	1,157
from changes in local tax rate	20	0	54
from reversals and write-downs	-2,279	1,301	0
Total deferred tax income/expense	**-1,908**	**1,381**	**1,211**
Taxes on income/loss	**-1,030**	**3,064**	**3,200**

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

in EUR thousands	2017	2016	2015
Income/loss before income taxes			
Germany	-2,066	-25,959	-30,479
Outside Germany	7,564	5,006	4,519
Total	**5,498**	**-20,953**	**-25,960**
Income tax expense			
Germany	-514	161	2,192
Outside Germany	-516	2,903	1,008
Total	**-1,030**	**3,064**	**3,200**

The Company's effective tax rate is different from the German statutory tax rate of 32.80% (2016: 32.80%; 2015: 32.80%) which is based on the German corporate income tax rate, including solidarity surcharge, and trade tax.

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

in EUR thousands	**2017**	**2016**	**2015**
Net result before taxes	**5,498**	**-20,953**	**-25,960**
Income tax expense/benefit (German tax rate)	1,803	-6,873	-7,928
Effect from differences to foreign tax rates	-500	-932	-833
Non-deductible expenses	569	730	765
Tax losses not recognized as assets	6,215	11,772	13,798
Recognition / derecognition of deferred tax assets	-1,353	1,301	348
Effect from changes in local tax rate	20	0	54
Effect of the use of loss carryforwards	-4,460	0	-4,113
Effect of permanent differences	2	7	-63
Other	-3,326	-2,941	1,172
Taxes on income/loss	**-1,030**	**3,064**	**3,200**
Effective tax rate	**-18.7%**	**-14.6%**	**-12.3%**

10. CURRENT TAX RECEIVABLE AND PAYABLE

As of December 31, 2017 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 171 (2016: kEUR 446) and kEUR 2,740 (2016: kEUR 3,102) respectively.

11. PROPERTY, PLANT AND EQUIPMENT

DEVELOPMENT OF 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, 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**
Balance at January 1, 2017	65,434	97,405	18,994	2,918	**184,751**
Additions	20	6,186	525	2,177	**8,908**
Disposals	1,425	13,695	2,522	45	**17,687**
Transfers	62	1,583	75	-1,720	**0**
Effect of movements in exchange rates	-158	-3,122	-641	-167	**-4,088**
Balance at December 31, 2017	**63,933**	**88,357**	**16,431**	**3,163**	**171,884**
Depreciation and impairment losses					
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**

in EUR thousands	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construction	Total
Balance at December 31, 2016	**25,780**	**70,202**	**14,270**	**342**	**110,594**
Balance at January 1, 2017	25,780	70,202	14,270	342	**110,594**
Depreciation charge for the year	1,728	4,126	2,493	36	**8,383**
Impairments	0	4,821	0	0	**4,821**
Disposals	1,425	8,685	2,312	0	**12,422**
Effect of movements in exchange rates	-140	-3,054	-561	-59	**-3,814**
Balance at December 31, 2017	**25,943**	**67,410**	**13,890**	**319**	**107,562**

Carrying amounts					
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**
At January 1, 2017	**39,654**	**27,203**	**4,724**	**2,576**	**74,157**
At December 31, 2017	**37,990**	**20,947**	**2,541**	**2,844**	**64,322**

DEPRECIATION

Depreciation expense amounted to kEUR 8,383 for 2017 and was kEUR 12,951 and kEUR 9,146 for 2016 and 2015 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 2017 by kEUR nil (2016 by kEUR 2,283; 2015 kEUR nil) 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

During the first quarter of 2017 the company decided to freeze development activities for equipment using III-V materials for Logic Chip production (TFOS). In the second quarter of 2017 the company also decided to freeze its activities in the field of Thin Film Encapsulation. As a consequence of these decisions an impairment charge of 4,821 kEUR has been recognized for specific technical equipment and machinery related to those activities.

In 2016 the company received a new valuation of a facility in Herzogenrath in Germany and reversed 885 kEUR of a previous impairment charge. 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 building is expected to be put on the market for sale in the near future.

There were no other impairments or reversals of impairments in 2015, 2016 or 2017.

ASSETS UNDER CONSTRUCTION

Assets under construction relates mainly to self-built systems for development laboratories in 2017 and 2016.

12. INTANGIBLE ASSETS

DEVELOPMENT OF INTANGIBLE ASSETS

in EUR thousands	Goodwill	Other intangible assets	Total
Cost			
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**
Balance at January 1, 2017	91,899	47,052	**138,951**
Acquisitions	0	789	**789**
Disposals	-1,682	-726	**-2,408**
Effect of movements in exchange rates	-1,813	-3,123	**-4,936**
Balance at December 31, 2017	**88,404**	**43,992**	**132,396**
Amortisation and impairment losses			
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**
Balance at January 1, 2017	17,336	41,626	**58,962**
Amortisation and impairment charge for the year	0	4,518	**4,518**
Disposals	0	726	**726**
Effect of movements in exchange rates	-161	-3,189	**-3,350**
Balance at December 31, 2017	**17,175**	**42,229**	**59,404**
Carrying amounts			
At January 1, 2016	75,902	6,392	**82,294**
At December 31, 2016	**74,563**	**5,426**	**79,989**
At January 1, 2017	74,563	5,426	79,989
At December 31, 2017	**71,229**	**1,763**	**72,992**

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	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	Amortisation	Amortisation	Amortisation	Impairment	Impairment	Impairment
Cost of sales	18	18	2	0	0	0
Selling expenses	0	0	0	0	0	0
General administration expenses	780	748	858	0	0	0
Research and development costs	414	655	570	3,307	0	0
	1,212	**1,421**	**1,430**	**3,307**	**0**	**0**

Intangible assets in the company's Thin Film Encapsulation activities ceased being used when the company froze this development during 2017. An impairment charge of 3,307 kEUR was recorded.

In 2016, and 2015, 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	
2018	630
2019	358
2020	240
2021	92
2022	30
After 2022	28

The actual amortization can differ from the expected amortization.

IMPAIRMENT OF GOODWILL

At the end of 2017 the Group assessed the recoverable amount of goodwill and determined that no impairment loss had to be recognized (2016: kEUR 0; 2015: kEUR 0).

The carrying value of goodwill was kEUR 71,229 (2016 kEUR 74,563; 2015 kEUR 75,902).

As at the end of 2017 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, 2017 the market capitalization of AIXTRON was Euro 1,294.7 million, based on a share price of Euro 11.58 and issued shares (excluding Treasury Shares) of 111,802,372. 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**
	2017	**2016**	**2017**
Share price - Euros	11.58	3.10	3.35
Market capitalisation as of December 31	1,294.7	346.0	374.5
Costs to sell in percentage	1.50%	1.50%	1.50%
Costs to sell	-19.4	-5.2	-5.6
Market capitalisation less cost to sell	1,275.3	340.8	368.9
Control premium in percentage	20.00%	20.00%	0.00%
Control premium	255.1	68.2	0.0
Market capitalisation and control premium less cost to sell	1,530.3	409.0	368.9
Net debt	-246.5	-160.1	-246.5
Tax assets	-1.0	0.8	-1.0
Fair value less costs to sell of CGU	1,282.8	249.7	121.4
Carrying amount of the CGU	121.4	210.5	121.4
Surplus of fair value less cost to sell over carrying amount	1161.4	39.2	0.0
Surplus of fair value less cost to sell over carrying amount as a percentage	957%	19%	0%

The fair value less costs to sell, which is the recoverable amount, exceeds the carrying amount of the CGU by 957% (2016 19%).

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 71.1% (2016 9.6%) to Euro 374.5 million (2016 Euro 312.8 million).

13. OTHER NON-CURRENT ASSETS

Other non-current assets totaling kEUR 391 (2016: kEUR 544) include mainly rent deposits for buildings.

14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

in EUR thousands		**Assets**		**Liabilities**		**Net**
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Property, plant and equipment	122	191	0	0	122	191
Trade receivables	49	50	0	0	49	50
Inventories	884	1,309	0	0	884	1,309
Employee benefits	126	125	0	0	126	125
Currency translation	-6	-13	0	0	-6	-13
Provisions and other liabilities	119	60	0	0	119	60
Other	14	12	0	0	14	12
Tax losses	2,280	83	0	0	2,280	83
Deferred tax assets (+) liabilities (-)	**3,588**	**1,817**	**0**	**0**	**3,588**	**1,817**

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 258 (2016: kEUR nil).

Deferred taxes for tax losses in the amount of kEUR 169,731 (2016: kEUR 184,951) and on deductible temporary differences in the amount of kEUR 23,659 (2016: kEUR 9,888) were not recognized. Tax losses in the amount of kEUR 151,685 can be used indefinitely (2016: kEUR 156,650), kEUR nil expire by 2022 (2016: kEUR 21,765, by 2021) and kEUR 18,046 expire after 2022 (2016: kEUR 16,424 after 2021).

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

in EUR thousands	**Balance at January 1, 2017**	**Recognised in income statement**	**Directly recognised in Other Comprehensive Income**	**Balance at December 31, 2017**
Property, plant and equipment	191	-69	0	**122**
Trade receivables	50	-1	0	**49**
Inventories	1,309	-425	0	**884**
Employee benefits	125	1	0	**126**
Currency translation	-13	144	-137	**-6**
Provisions and other liabilities	60	59	0	**119**
Other	12	2	0	**14**
Tax losses	83	2,197	0	**2,280**
	1,817	**1,908**	**-137**	**3,588**

in EUR thousands	**Balance at January 1, 2016**	**Recognised in income statement**	**Directly recognised 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**

15. RESTRUCTURING COSTS

in EUR thousands	2017	2016	2015
Cost of sales	2,338	696	0
General administration expenses	2,214	131	0
Research and development costs	10,642	0	0
	15,194	**827**	**0**

During 2017 the company froze its activities in Thin Film Encapsulation and in development of equipment for TFOS applications. The activities of its OVPD development team in Germany were moved into a separate entity, APEVA SE, to facilitate a potential Joint Venture with an external partner for future activities in this field. Aixtron SE retains all intellectual property rights in the Group's OVPD activities to date. The separation and sale of assets of AIXTRON´s ALD CVD activities also occurred in 2017.

The costs incurred in restructuring activities mainly relate to the freezing of the TFE and TFOS activities, but also include costs of restructuring the OVPD activity and some severance and similar costs related to ALD CVD and are shown in the table above.

Included in the research and development costs is kEUR 3,307 of impairment of intangible assets and kEUR 4,821 of impairment of technical equipment and machinery. Other costs include inventory write downs and contractual settlements, some severance payments, consultancy, legal and IT costs.

The profit on disposal of ALD CVD assets is shown in note 5.

Restructuring costs in 2016 are mainly severance costs related to reductions in personnel in a number of the company's activities.

16. INVENTORIES

in EUR thousands	2017	2016
Raw materials and supplies	16,017	26,599
Work in process	27,004	24,950
Inventories at customers' locations	0	2,655
	43,021	**54,204**

in EUR thousands	Note	2017	2016
Inventories recognised as an expense during the period	3	115,349	104,836
Reversals of write-downs recognised during the year	3	-6,947	-16,525
		108,402	**88,311**
Write-down of inventories during the year	3	2,611	0
Inventories measured at net realisable value		4,316	7,304

The reversal of write-downs recognized during the year in both 2017 and 2016 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

in EUR thousands	2017	2016
Trade receivables	19,528	61,514
Allowances for doubtful accounts	-239	-1,293
Trade receivables - net	**19,289**	**60,221**
Prepaid expenses	501	1,288
Reimbursement of research and development costs	783	218
Advance payments to suppliers	86	323
VAT recoverable	2,706	1,932
Other assets	741	1,043
Total other current assets	**4,817**	**4,804**
Total trade receivables and other current assets	**24,106**	**65,025**

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	2017	2016
Allowance at January 1	1,293	2,410
Translation adjustments	-35	0
Impairment losses recognised	256	405
Used	0	-1,353
Impairment losses reversed	-1,275	-169
Allowance at December 31	**239**	**1,293**

Ageing of past due but not impaired receivables:

in EUR thousands	2017	2016
1-90 days past due	2,388	2,524
More than 90 days past due	462	5,046

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 19,289 represent the equivalent of 33 days sales outstanding (2016; kEUR 60,221, 28 DSO).

At the balance sheet date no single customer accounted for more than 10% of trade receivables. In 2016 one customer accounted for 17% of net trade receivables. In 2015 one customer accounted for 22% of 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 2,850 (2016: kEUR 7,570) 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 20,000 (2016: kEUR 40,021) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

At both December 31, 2017 and 2016 the maturities at inception of the deposits were between 181 and 365 days.

In EUR thousands	**2017**	**2016**
Maturity 181 days to 365 days	20,000	40,021
	20,000	**40,021**

19. CASH AND CASH EQUIVALENTS

in EUR thousands	**2017**	**2016**
Cash-in-hand	2	3
Bank balances	226,524	120,028
Cash and Cash equivalents	**226,526**	**120,031**

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 (2016: kEUR 0) at December 31, 2017.

20. SHAREHOLDERS' EQUITY

FULLY PAID CAPITAL

in Euro	**2017**	**2016**
January 1	112,804,105	112,720,355
Shares issued during the year	120,625	83,750
Issued and fully paid capital at December 31, including Treasury Shares	112,924,730	112,804,105
Treasury shares	-1,122,358	-1,146,952
Issued and fully paid share capital at December 31 under IFRS	**111,802,372**	**111,657,153**

The share capital of the company consists of no-par value shares and was fully paid-up during 2017 and 2016. 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 176,224,621 (2016: EUR 218,771,106).

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 2017 and 2016 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

Income and expenses recognized in other comprehensive income are shown in the Statement of Other Comprehensive Income.

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 2017 an expense of kEUR 89 (2016: kEUR 186; 2015: 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; 2017: kEUR nil) was reclassified through Other Comprehensive Income from currency reserves against the Group's retained earnings.

21. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE
The calculation of the basic earnings per share is based on the weighted-average number of common shares outstanding during the reporting period.

DILUTED EARNINGS 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.

	2017	2016	2015
Earnings per share			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	6,528	-24,017	-29,160
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,688,876	111,618,282	111,583,480
Basic earnings/loss per share (EUR)	**0.06**	**-0.22**	**-0.26**
Earnings/loss per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	6,528	-24,017	-29,160
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,690,533	111,583,480	112,107,905
Dilutive effect of share options	0	0	0
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share (diluted)	111,690,533	111,583,480	112,107,905
Diluted earnings/loss per share (EUR)	**0.06**	**-0.22**	**-0.26**

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	2017	2016	2015
Share options	1,533,765	2,317,790	2,891,815

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 typically do not exceed 10% of qualified employees' base salaries. In 2017 the expense recognized for defined contribution plans amounted to kEUR 1,119 (2016: kEUR 1,454, 2015: kEUR 1,274).

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 for issuance to members of the Executive Board, management and employees of the Company.

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 825,365 common shares were outstanding under this plan as of December 31, 2017.

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 708,400 common shares were outstanding under this plan as of December 31, 2017.

SUMMARY OF STOCK OPTION TRANSACTIONS

AIXTRON SHARE OPTIONS

AIXTRON share options	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
	2017		2016	
Balance at January 1	2,317,790	16.60	2,891,815	16.67
Exercised during the year	120,625	4.21	83,750	4.21
Forfeited during the year	663,400	10.54	490,275	19.13
Outstanding at December 31	1,533,765	19.77	2,317,790	16.60
Exercisable at December 31	825,365	25.44	1,008,140	23.24

AIXTRON STOCK OPTIONS AS OF DECEMBER 31, 2017

	Exercise price per share (EUR)	Underlying shares represented by outstanding options	Shares represented by exercisable options	Average option life (in years)
2008	4.17	2,590	2,590	1.0
2009	24.60	392,325	392,325	2.0
2010	26.60	422,450	422,450	3.0
2011	12.55	8,000	8,000	4.0
2014	14.01	21,000	0	7.0
2014	13.14	687,400	0	7.0
		1,533,765	**825,365**	

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 2017, the personnel expenses from share-based payments, all of which were equity settled share based payments, were kEUR 257 (2016: kEUR 753; 2015: kEUR 991).

As of December 31, 2017 an amount of kEUR 631 relating to stock options granted prior to that date had not yet been recognized as a personnel expense. This amount will be charged over in 2018.

24. PROVISIONS

Development and breakdown of provisions:

in EUR thousands	01.01.2017	Exchange rate differences	Usage	Reversal	Addition	31.12.2017	Current	Non-current
Personnel expenses	5,924	-182	3,021	1,970	5,295	**6,046**	6,046	0
Warranties	5,947	-65	4,850	697	7,248	**7,583**	6,179	1,404
Onerous contracts	693	-4	234	56	6	**405**	405	0
Commissions	123	-7	0	119	143	**140**	140	0
Other	5,599	-182	2,164	904	6,194	**8,543**	8,323	220
Total	**18,286**	**-440**	**10,269**	**3,746**	**18,886**	**22,717**	**21,093**	**1,624**

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, 2017 and December 31, 2016, 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	2017	2016
Trade payables	**14,265**	**14,593**
Liabilities from grants	1,862	1,142
Payroll taxes and social security contributions	1,122	626
VAT and similar taxes	525	189
Other liabilities	12,369	401
Other current liabilities	**15,878**	**2,358**
Trade payables and other current liabilities	**30,143**	**16,951**

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. Other liabilities includes a remaining amount of kEUR 9,063 payable to suppliers of Eugenus Inc. (see note 5) and kEUR 2,664 received from customers and repayable.

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, 2017 the group had no borrowings (2016 nil). Financial liabilities, all due within one year, of kEUR 30,143 (2016: kEUR 16,951) consisting of trade payables and other liabilities and are shown in note 25, together with an analysis of their maturity.

As at December 31, 2017 the group had kEUR 226,526 cash and cash equivalents (2016: kEUR 120,031) and a further kEUR 20,000 of fixed deposits with banks (2016: kEUR 40,021).

CREDIT RISKS

Financial assets generally exposed to a credit risk are trade receivables,cash and cash equivalents and other intangible assets.

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 und 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**
	2017	**2016**	**2017**	**2016**
US Dollars	-20,534	-29,040	109,889	67,935
GB Pounds	-958	-974	4,064	10,556

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	**2017**	**2016**
Profit or loss	-3,102	-1,549
Other comprehensive income	-251	-2,361
Decrease in value of Euro by 10%		**USD Currency Effect**
In EUR thousands	**2017**	**2016**
Profit or loss	3,102	1,579
Other comprehensive income	251	2,361

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 2017

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	226,526	0	0	0	226,526
Other financial assets	0	0	20,000	0	20,000
Other non-current assets	0	391	0	0	391
Trade receivables	0	18,782	0	507	19,289
Total	**226,526**	**19,173**	**20,000**	**507**	**266,206**
At amortized cost	**226,526**	**19,173**	**20,000**		**265,699**
At fair value				**507**	**507**

FINANCIAL LIABILITIES 2017

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	14,265	0	14,265
Advance payments from customers (not in scope of IFRS 7)	0	0	30,266	0	30,266
Total	**0**	**0**	**44,531**	**0**	**44,531**
At amortized cost	**0**	**0**	**44,531**	**0**	**44,531**
At fair value				**0**	**0**

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**		**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**		**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.

27. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

in EUR thousands	
Not later than one year	1,165
Later than one year and not later than five years	2,194
Later than five years	395
	3,754

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 3,827, kEUR 3,923 and kEUR 4,520 for 2017, 2016 and 2015 respectively.

28. CAPITAL COMMITTMENTS

in EUR thousands	2017	2016
Capital expenditures	1,750	1,671
Other expenditures	63,569	30,364
Total commitments with suppliers at Dec 31	**65,319**	**32,035**

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	**2017**	**2016**	**2015**
Short-term employee benefits	**1,296**	1,056	1,041
Share based payments	**59**	0	0
	1,355	**1,056**	**1,041**

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	**2017**	**2016**	**2015**
Fixed remuneration (incl. attendance fee)	**333**	449	303
	333	**449**	**303**

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:

		Share of capital in %	
		2017	**2016**
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
APEVA SE	Germany	100	N.A.
APEVA Co Ltd	South Korea	100	N.A.

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 and the UK. 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.

33. AUDITORS' FEES

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

in EUR thousands	**2017**	**2016**
for audit	483	857
for other confirmation services	28	10
for tax advisory services	103	135
for other services	6	6
	620	**1,008**

Included in the total amount of fees are fees for the group auditor Deloitte & Touche GmbH, Duesseldorf, in the amount of kEUR 362 for audit (2016: kEUR 697), kEUR 28 for other confirmation services (2016: kEUR 10), kEUR 47 for tax services (2016: kEUR 45) and kEUR 6 for other services (2016: kEUR 6).

The fees for other confirmation services include fees for audits in accordance with renewable energy law (EEG), the Act on Combined Heat and Power (KWKG) and the non-financial statement. Tax consulting services were mainly incurred in connection with a tax audit in Germany and the sale of the ALD/CVD product line in the USA. Other services include fees in connection with GoBD consulting services.

34. EMPLOYEES

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

Employees by Function

	2017	2016
Sales	52	59
Research and Development	240	252
Manufacturing and Service	284	314
Administration	86	82
Employees (§ 314 HGB)	**662**	**707**
Executive board members	2	2
	664	**709**
Apprentices	12	12
	676	**721**

35. SUPERVISORY BOARD AND EXECUTIVE BOARD

Composition of the Supervisory Board as of December 31, 2017:

- Dipl.-Kfm. Kim Schindelhauer

  Hamburg / businessman / Chairman of the Supervisory Board since 2002 to February 28, 2017 and from September 1, 2017 to date

- Prof. Dr. Wolfgang Blättchen

  o Leonberg / Managing Director of Blättchen Advisory GmbH / member of the Supervisory Board since 1998 / Deputy Chairman of the Supervisory Board since 2013 to February 28, 2017 and from September 1, 2017 to date / Chairman of the Supervisory Board from March 1 2017 through August 31 2017, Membership of Supervisory Boards and controlling bodies:

  - Membership of Supervisory Boards and controlling bodies:
    - Pfisterer Holding AG, Winterbach – Chairman of the Supervisory Board
    - FAS AG, Stuttgart – member of the Supervisory Board (until July 2017)

- Prof. Dr. Rüdiger von Rosen

  Frankfurt/Main / Managing Director of Sino-German M&A Service GmbH / member of the Supervisory Board since 2002

  - Membership of Supervisory Boards and controlling bodies:
    - ICF Kursmakler 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

- Dr. Andreas Biagosch

  Munich / Managing Partner 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/India – non-executive director

- Wacker Chemie AG, Munich – member of the Supervisory Board
- Hinduja Leyland Finance Limited, Chennai/India – non-executive director
- Athos Service GmbH, Munich - member of the Advisory Board (since September 2017)

- 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

  - Membership of Supervisory Boards and controlling bodies:
    - VAT Group AG, Haag, Switzerland – Chairman of the Board of Directors

The composition of the Company's Executive Board as of December 31, 2017 is:

- Dr. Bernd Schulte

  Aachen, physicist, member of the Executive Board since 2002

- Dr. Felix Grawert

  Aachen, Dipl.Ing, member of the Executive Board since August 14, 2017

Members of the Executive Board who resigned in the financial year:

- Kim Schindelhauer

  Hamburg, Businessman, Chairman, President, Chief Executive Officer and Chief Financial Officer from March 1, 2017 through August 31, 2017

- Martin Goetzeler

  Icking, businessman, Chairman, President, Chief Executive Officer and Chief Financial Officer until February 28, 2017

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 for the supply of equipment to customers is generally recognized in two stages, 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 2017, 2016 and 2015 the Company incurred expenses of kEUR 2,611, kEUR nil and kEUR 4,141 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.

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. ACQUISITIONS

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.

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 aquired	-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 26, 2018

AIXTRON SE

Executive Board

Dr. Felix Grawert

Dr. Bernd Schulte

Independent Auditor's Report

To AIXTRON SE, Herzogenrath/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of AIXTRON SE, Herzogenrath/Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of AIXTRON SE, Herzogenrath/Germany, for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the group management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January 2017 to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group management report specified in the "Other information" section of our auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters we have determined in the course of our audit:

1. Revenue recognition for multiple-element arrangements including cut-off
2. Presentation of the sale of the ALD/CVD product line for memory chips in the consolidated financial statements and determination of the gain on disposal of the ALD/CVD product line

Our presentation of these key audit matters has been structured as follows:

a. Description (including reference to corresponding information in the consolidated financial statements)
b. Auditor's response

1. **Revenue recognition for multiple-element arrangements including cut-off**
   a. A substantial proportion of the AIXTRON Group's business comprises the settlement of customer contracts that include multiple elements. These arrangements primarily deal with the customer-specific manufacturing and supply of semiconductor equipment and its installation at the customer's site. Furthermore, in specific cases, the Company and the customer agree on the supply of related spare parts and/or the provision of services such as maintenance services and/or certain rights of return. These services are to be measured separately. As part of the technical acceptance process of the equipment, any additional services may be required. These additional services also have to be considered when recognizing revenue. Generally, the contract with the customer provides for a total price for the equipment and the remaining elements such as installation, spare parts packages, services and specific rights of return. Consequently, a breakdown of the total contract value by the single elements based on the relative fair values is required. The determination of the timing of revenue recognition resulting from multiple-element arrangements and the cut-off as part of the revenue recognition are subject to the executive directors' judgement and estimates due to the highly individual customer contracts and complex equipment. Therefore, we classified this matter as a key audit matter.

      The information of the executive directors on revenue is provided in Chapter 2 "Significant Accounting Polices" in Item N "Revenue" as well as in Chapter 3 "Revenue" of the consolidated financial statements.

   b. Our audit procedures primarily covered the following:
      - Obtaining an understanding of the major processes from order confirmation until settlement of the contract including audit of the design, implementation and operating effectiveness of the controls relevant to revenue recognition; in this context, our audit primarily covered the operating effectiveness of the controls regarding the complete provision of the supply and installation services and the recognition of the supplied equipment and installation services on an accrual basis.

        We performed the following audit procedures based on a stratified and random selection of a sample taken from equipment supplies and installation services by means of the monetary unit sampling method:
      - Equipment supplies: Audit of the existence of a customer contract, evaluation of the allocation of the total contract value based on the relative fair values on the single supply and service elements by verifying the underlying contract, reviewing the time of revenue recognition pursuant to contract terms, primarily the incoterms based on the acceptance test records and based on the acceptance and supply records of the dispatch company, review of the customer's payment made.
      - Installation services: Audit of the existence of a final acceptance record signed by the customer including the review of estimations made by the executive directors regarding work to be done as well as any additional agreements to the contract with the customer as regards additional services to be rendered and review of the related cut-off of revenue, assessment of the completeness and accuracy of the corresponding information provided in the notes to the consolidated financial statements.

2. **Presentation of the sale of the ALD/CVD product line for memory chips in the consolidated financial statements and determination of the gain on disposal of the ALD/CVD product line**
   a. The item Other operating income in the consolidated income statement for the financial year 2017 includes a gain on disposal of mEUR 23.9 from the sale of assets of the ALD and CVD product lines of the US group company AIXTRON Inc., Santa Clara/California. The items Change in inventories, Proceeds from disposal of fixed assets and Proceeds from disposal of intangible assets in the consolidated statement of cash flows include effects of the sale of the ALD/CVD product line. As part of an asset deal negotiated in November 2017, property, plant and equipment, inventories, prepayments and liabilities have been transferred to the acquiring entity. A majority of the subsidiary's employees has also been transferred to the acquiring entity. As part of the sale, the proportionate goodwill related to the ALD and CVD product lines was also disposed off in the consolidated statement of financial position. The profit on disposal was determined based on the purchase price of mEUR 51.0 and on the residual carrying values of the sold assets and liabilities as well as expenses directly related to the sale. As the complete recognition of the transferred assets and liabilities including proportionate goodwill as well as the complete allocation and recognition of the ancillary transaction costs are significant for the correct presentation in the consolidated financial statements, we classified this matter as a key audit matter.

      The information of the executive directors on the presentation of the sale of the ALD/CVD product line and on the determination of the profit on disposal is provided in Chapter 5 "Other operating income" of the notes to the consolidated financial statements.

   b. We performed the following audit procedures as regards the presentation of the sale of the ALD/CVD product line and determination of the gain on disposal:

      At first, we reviewed the purchase contract including the summaries of the assets and liabilities to be transferred included in the purchase contract and including the resulting rights and obligations. Based on this, we performed an audit of the accurate determination and recognition of the purchase price as contracted including a review of the payments made by the acquiring party. At the US subsidiary AIXTRON Inc., we performed an audit of the complete recognition of the assets and liabilities related to the ALD/CVD product line, which are to be transferred, based on the fixed assets and inventories as shown in the consolidated statement of financial position. In order to assure ourselves of the complete allocation and recognition of the ancillary transaction costs, we reviewed the agreement with the investment bank involved as well as the purchase contract and confirmations of the lawyers involved and compared the ancillary transaction costs to be recognized with the carrying value and the determination of the gain on disposal. For the audit of the determination of the gain on disposal, we assessed the completeness of the ancillary costs to be considered and the assets and liabilities to be disposed of including the adequate allocation of the proportionate goodwill to be disposed of. In addition, we performed an audit of the calculation accuracy. To obtain further audit evidence, we requested confirmations from lawyers, reviewed relevant sections of the purchase contract and queried the executive directors as to any transaction related costs yet to be incurred. Furthermore, we assessed whether the transaction was presented in the consolidated statement of cash flows in accordance with IAS 7.39 and compared the information in the notes to the consolidated financial statements with the other operating income.

Other Information
The executive directors are responsible for the other information. The other information comprises

- the consolidated non-financial statement pursuant to Sections 315b to 315c German Commercial Code (HGB) included in Chapter 1.2.6 of the group management report,
- the statement on corporate governance pursuant to Section 315d German Commercial Code (HGB) included in Chapter 6 of the group management report,
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- the executive directors' confirmation relating to the consolidated financial statements and to the group management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 9 May 2017. We were engaged by the supervisory board on 12 July 2017. We have been the group auditor of AIXTRON SE, Herzogenrath/Germany, without interruption since the financial year 1996.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Mißmahl.

Düsseldorf, 26 February 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Reichmann

Wirtschaftsprüfer
(German Public Auditor)

Mißmahl

Wirtschaftsprüfer
(German Public Auditor)

Financial Calendar

April 26, 2018	›	Q1/2018 Results, Conference Call
May 16, 2018	›	2018 Annual General Meeting, Aachen, Germany
July 26, 2018	›	H1/2018 Results, Conference Call
October 30, 2018	›	Q3/2018 Results, Conference Call

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