

## AIXTRON: Improved Profitability in H1/2019

Margins at Upper End of Range, Order and Revenues Expectations Confirmed / Demand Expected to Pick up in H2/2019

**Herzogenrath/Germany, July 25, 2019** – AIXTRON SE (FSE: AIXA), a leading provider of deposition equipment to the semiconductor industry, today announced its financial results for the first half and the second quarter 2019.

- **Revenues** increased to EUR 132.0 million (+12%) compared to previous year
- **Order intake** reduced year-on-year to EUR 98.3 million (-36%)
- **Gross profit** of EUR 52.4 million up compared to previous year (+4%)
- **Operating expenses** down to EUR 33.5 Million year-on-year (-13%)
- **Operating result (EBIT)** increased to EUR 19.1 million year-on-year (+59%)

### Business Development

Revenues, gross profit and operating result (EBIT) increased significantly against the previous year, while operating expenses continued to decline year-on-year. Gross and EBIT margins reached the upper end of the ranges forecasted at the beginning of the year. Profitability thus continued to improve in H1/2019.

As expected, order intake in the first half of 2019 was down year-on-year, especially in the optoelectronics segment. Against the backdrop of the ongoing trade dispute between the USA and China, our customers were reluctant to invest in the expansion of their production capacities. Despite this development, the key figures for the first half of the year are fully in line with the annual guidance.

The market developments of an increasing use of lasers for 3D sensor technology and optical data transmission, a progressive expansion of the 5G network and an increasing use of energy-efficient power electronics remain positive and are only affected for a short time by the current tensions.

Our Gen2 OLED system was installed in a pilot production line at our customer's facility and is operated jointly by engineers from our customer and our subsidiary APEVA. In the coming months, the joint operation of this system is expected to confirm the efficiency of the OVPD technology. This is another scheduled step towards the qualification of the OVPD technology for this customer.

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## Key Financials

(in EUR million)	H1/2019	H1/2018	+/- (%)	Q2/2019	Q1/2019	+/- (%)
Order intake	98.3	154.3	-36	44.7	53.6	-17
Order backlog (Equipment only)	110.1	138.3	-20	110.1	125.7	-12
Revenues	132.0	117.6	12	63.3	68.7	-8
Gross Profit	52.6	50.6	4	25.9	26.7	-3
%	40	43	-3 pp	41	39	2 pp
EBIT	19.1	12.0	59	9.3	9.7	-4
%	14	10	4 pp	15	14	1 pp
Net result	15.8	16.0	-1	7.3	8.5	-14
%	12	14	-2 pp	12	12	-1 pp
EPS (EUR)	0.14	0.14	0	0.06	0.08	-25
Free cash flow	-4.9	-12.7	61	12.6	-17.5	172

**Order intake** including spare parts and service declined by 36% year-on-year to EUR 98.3m in H1/2019 as a result of customers' reluctance to invest in expanding their production capacities.

**Equipment order backlog** as of June 30, 2019 decreased by 20% year-on-year to EUR 110.1m. The majority of the order backlog is scheduled for shipment in 2019.

**Revenues** in H1/2019 increased by 12% year-on-year to EUR 132.0m (H1/2018: EUR 117.6 m). At 45%, the slightly lower-margin LED systems business accounted for the largest share of revenues, while revenues from MOCVD systems for optoelectronics declined to 32% compared to the previous year, as expected. Power electronics equipment accounted for 11% of total revenues.

**Cost of sales** rose from EUR 66.9m in H1/2018 to EUR 79.4m in H1/2019 representing 60% of revenues in the first half of 2019 (H1/2018: 57%), also reflecting the higher share of LED systems in revenues compared to the previous year.

Although the **gross margin** fell slightly to 40% year-on-year due to a change in the product mix, **gross profit** of EUR 52.6m in the first half of 2019 was up on the previous year's level. The advantageous USD/EUR exchange rate and lower product costs in H1/2019 helped to offset the margin effects.

At EUR 33.5m, **operating expenses** were down 13% on the previous year (H1/2018: EUR 38.7m), mainly due to lower project-related expenses.

**Operating result (EBIT)** in H1/2019 improved year-on-year by 59% to EUR 19.1m (H1/2018: EUR 12.0m). This development is mainly attributable to the business and cost development described above.

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At EUR 15.8m, **net profit** in H1/2019 was at the same level as in the previous year (H1/2018: EUR 16.0m).

**Free cash flow** in the first half of 2019 was EUR -4.9m (H1/2018: EUR -12.7m), mainly due to the negative figure in Q1/2019. Free cash flow in Q2/2019 was EUR 12.6m, reflecting the profitable course of business.

**Cash** including other financial assets (bank deposits with a maturity of at least three months) amounted to EUR 258.9m as of June 30, 2019, slightly below the level as of December 31, 2018 but higher than March 31, 2019 (December 31, 2018: EUR 263.7m; March 31, 2019: EUR 247.9m).

## Management Review

Dr. Bernd Schulte, President of AIXTRON SE, comments: "We are pleased with the improved profitability in the first half of 2019, but this also reflects the expected customer reluctance to invest in new production capacity, which was further exacerbated in the short term by the US sanctions against Huawei. We are optimistic that order intake will improve in the second half of the year, in particular due to an expected recovery in demand from Asia. In combination with our strong order backlog, we plan to meet our forecast for the year. Especially in the areas of lasers, power electronics and special LEDs, we continue to see three strong growth drivers that are important building blocks for global megatrends such as the next generation of 5G wireless networks, 3D sensors for mobile phones and power electronics for electromobility and renewable energies, as well as next-generation MicroLED displays."

"Our OLED subsidiary APEVA has reached another important milestone with the successful commissioning of a Gen2 system at our customer's site. The tool is currently undergoing an extensive evaluation program and we are confident that we will make further progress in qualifying the system. In power electronics, we see a steadily rising demand for systems for gallium nitride-based applications, driven among other things by the expansion of 5G mobile communication networks. In addition, we are making great progress in marketing our new silicon carbide production system, for which we have already received initial orders in addition to positive customer feedback," adds Dr. Felix Grawert, President of AIXTRON.

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## Guidance

Based on the good results for the first six months of the fiscal year 2019 and the assessment of the development of demand in the current market environment, AIXTRON Management confirms its 2019 full year guidance for sales and orders and now expects improved profitability for 2019 with margins at the upper end of the previously forecast ranges.

Accordingly, Management expects a stable to growing revenue development compared to 2018. For the second half of the year, an increase in demand is expected, particularly from Asia. Based on the good H1/2019 results, the present assessment of the order situation taking into account the current market environment and the budget exchange rate of 1.20 USD/EUR, Management expects to receive orders for the current financial year in a range between EUR 220 million and EUR 260 million. This forecast includes an expected order from the OLED customer for a next test tool as part of the ongoing qualification process for OVPD technology for the OLED display industry. With revenues in a range between EUR 260 million and EUR 290 million, Management expects to achieve a gross margin of around 40% (previously: between 35% and 40%) and an EBIT of around 13% (previously: between 8% and 13%) of revenues in 2019. Furthermore, Management anticipates a free cash flow between EUR 15 million and EUR 25 million in 2019. Expectations for 2019 fully include the results of AIXTRON's APEVA subsidiary, including all necessary investments to continue the development of OLED activities.

Developments in AIXTRON's markets are positive. In particular, the increasing use of lasers in 3D sensor technology and optical data transmission, the expansion of the 5G network and the increasing use of energy-efficient power electronics should lead to further growth in the corresponding target markets.

Further details can be found in chapter "Expected Developments " (p. 65 ff) of the Annual Report 2018, which is publicly available for download on the Company's website at <http://www.aixtron.com/en/investors/financial-reports/>.

## Financial Tables

The H1/2019 results presentation is available at <http://www.aixtron.com/en/investors/publications>. The consolidated financial statements (income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity) relating to this press release are available at <http://www.aixtron.com/en/investors/publications> as part of AIXTRON's First Half 2019 Financial Report.

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## Investor Conference Call

AIXTRON will host a financial analyst and investor conference call on **Thursday, July 25, 2019, 3.00 p.m. CEST (6.00 a.m. PDT, 9.00 a.m. EDT)** to review the first half 2019 results. You can dial into the call at **+49 (30) 23 25 31 411** or **+1 (862) 701-2734** from 2.45 a.m. CEST (5.45 p.m. PDT, 8.45 a.m. EDT). An audio replay or transcript will be available after the conference call at <http://www.aixtron.com/en/investors/events/conference-calls/active>.

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For further information on AIXTRON (FSE: AIXA, ISIN DE000A0WMPJ6) please consult our website at: [www.aixtron.com](http://www.aixtron.com).

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

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## **Forward-Looking Statements**

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

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