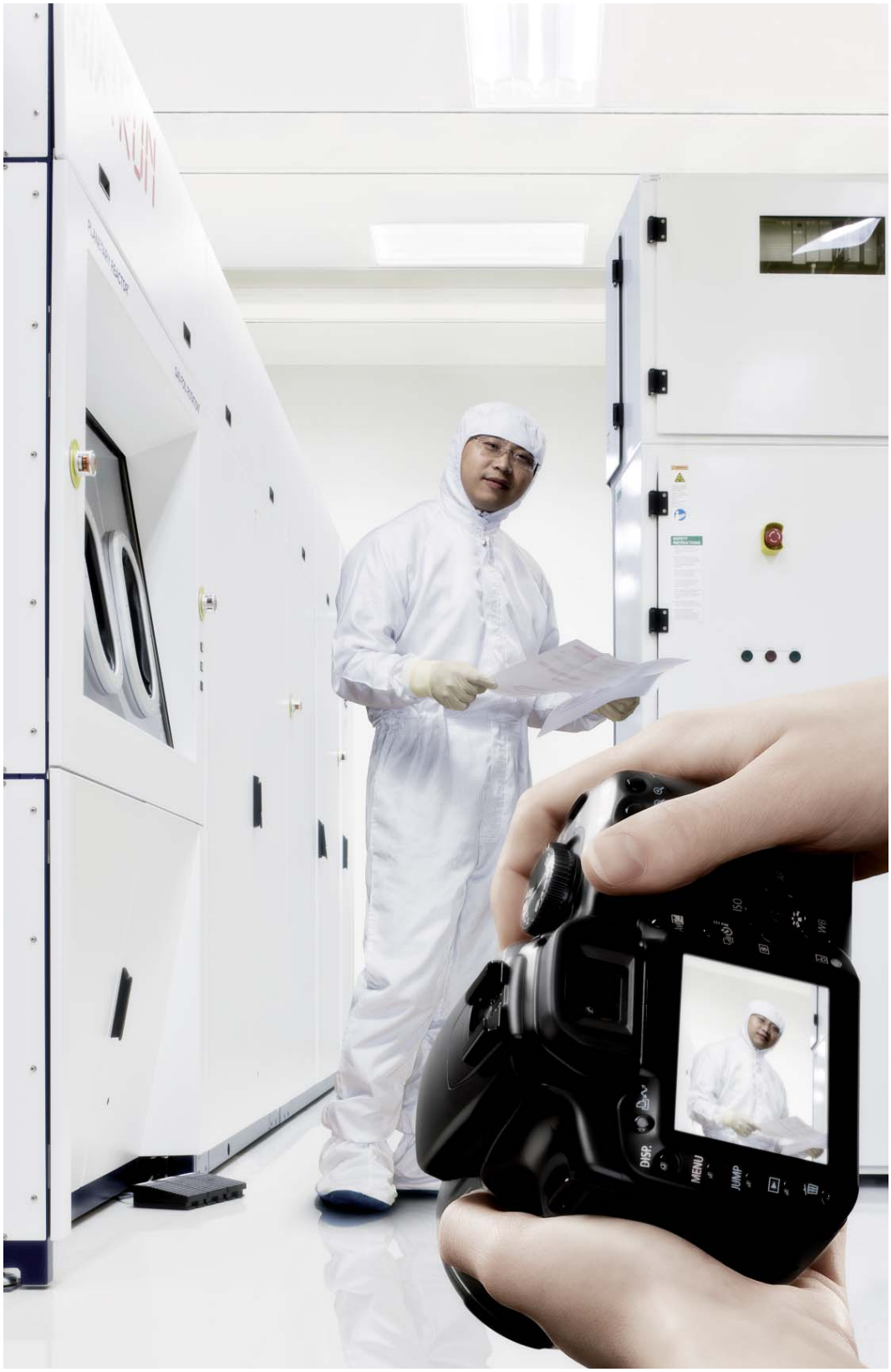
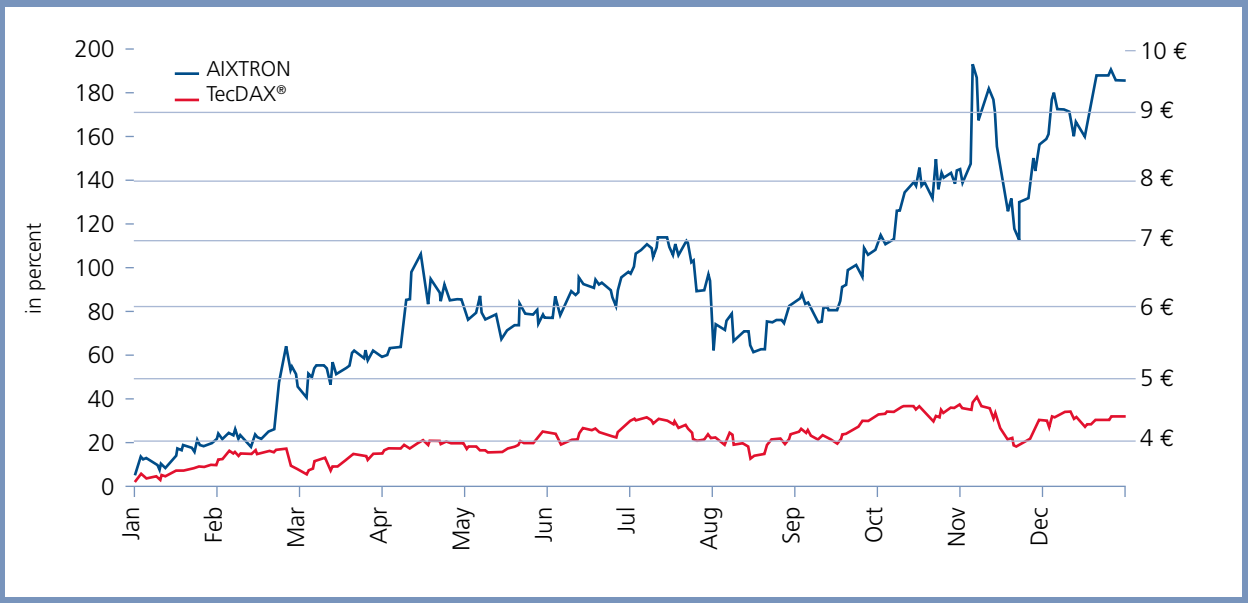
AIXTRON



Success has a history annual report **2007**

Key financial figures

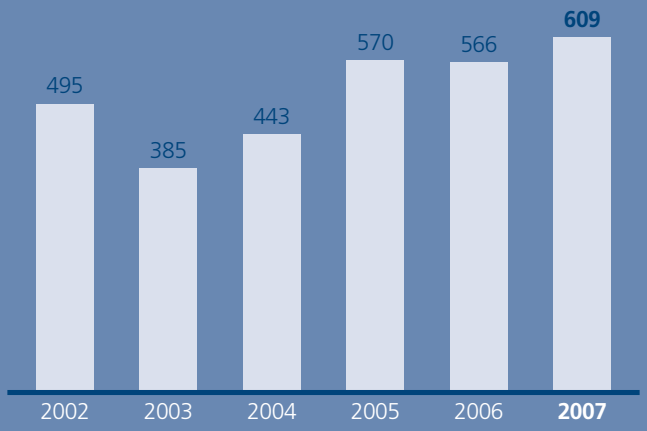
(million EUR)	2007 Full Year	2006 Full Year	2005 Full Year	2006 → 2007
Revenues	214.8	171.7	139.4	25%
Gross profit	85.0	63.4	34.7	34%
Gross margin, % revenues	40%	37%	25%	3 p.p
EBIT	20.6	5.7	-52.7	261%
EBIT, % revenues	10%	3%	-38%	7 p.p
Net result	17.3	5.9	-53.5	193%
Net result, % revenues	8%	3%	-38%	5 p.p
Net result per share – basic (EUR)	0.20	0.07	-0.65	186%
Net result per share – diluted (EUR)	0.19	0.07	-0.65	171%
Free cash flow	**22.3**	**15.6**	**-15.2**	**43%**
Equipment Order Intake	247.7	178.0	113.6	39%
Equipment Order Backlog (End of Period)	132.0	85.1	48.6	55%



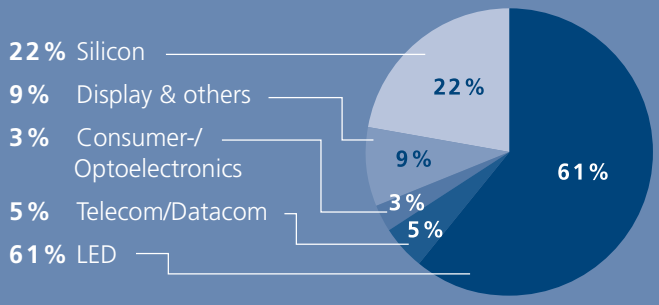
Product portfolio

Material	Compound Semiconductors	Organic Semiconductors	Silicon Semiconductors
Systems Technology	MOCVD	OVPD®	CVD
	CVD	PVPD	ALD
	PECVD		AVD®
	HVPE		
Systems	Planetary Reactor®: 200 series, G3, G4	Gen1 R&D Tool	Lynx CVD
	Close Coupled Showerhead® CCS, CRIUS®	Gen2 Production Tool	Tricent® ALD
	Nano CVD Reactors; 'Black Magic Series'	Gen 3.5 Production Tool	Tricent® AVD®
	Hot-Wall Reactors: VPseries		
Potential Applications/ Devices	LEDs	OLEDs for displays	Metal and Oxide films for CMOS gate stacks
	Optoelectronics (photo diodes, lasers, modulators for Telecom/ Datacom)	OLEDs for solid state lighting	Metal and Oxide films for capacitor structures in DRAMs and FeRAMS
	Laser devices for consumer electronics (CDs, DVDs)	Organic transparent thin film solar cells	TFH – Thin Film Heads for data storage hard disk drives
	High-Frequency devices (HBTs, HEMTs) for wireless datacom	Electronic semiconductor structures for flexible displays and RFID	
	SiC based High Power Devices		
	Solar cells		
	Carbon Nanotubes: Structures for electronic, display & heat sink applications		

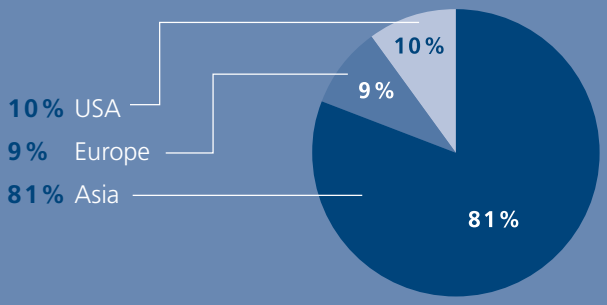
Employees



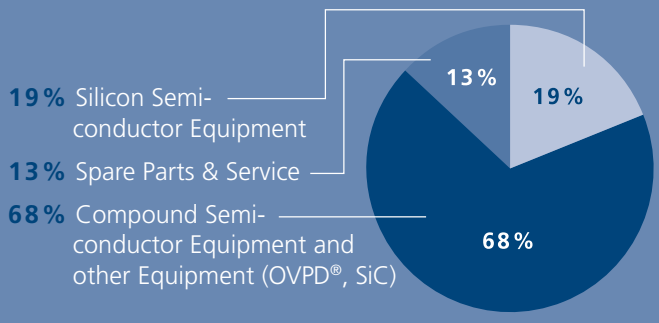
Revenues by Application, 2007



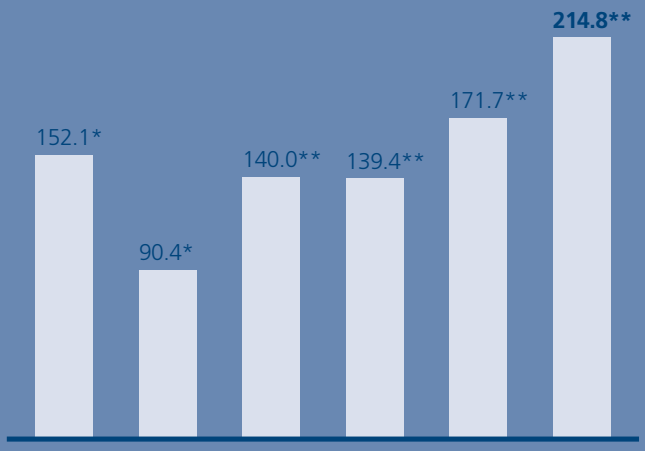
Revenues by Region, 2007



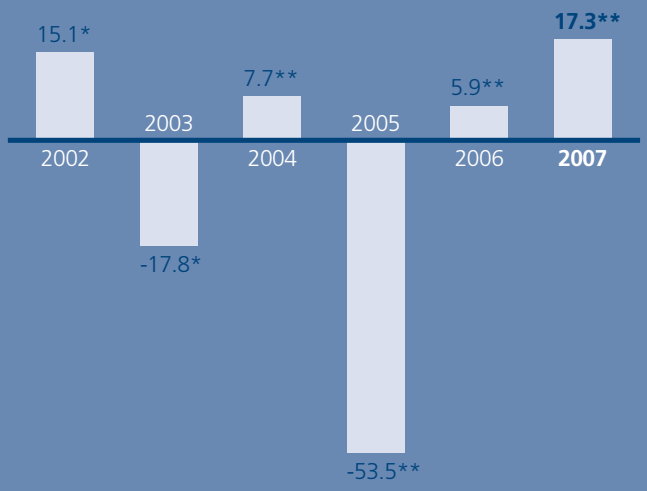
Revenues by Technology, 2007



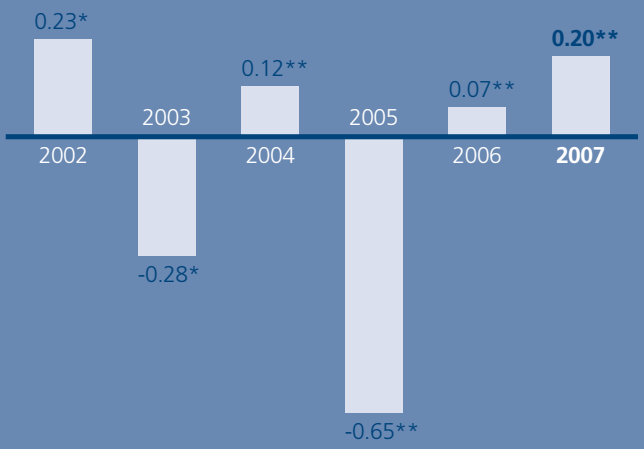
Revenues (million EUR)



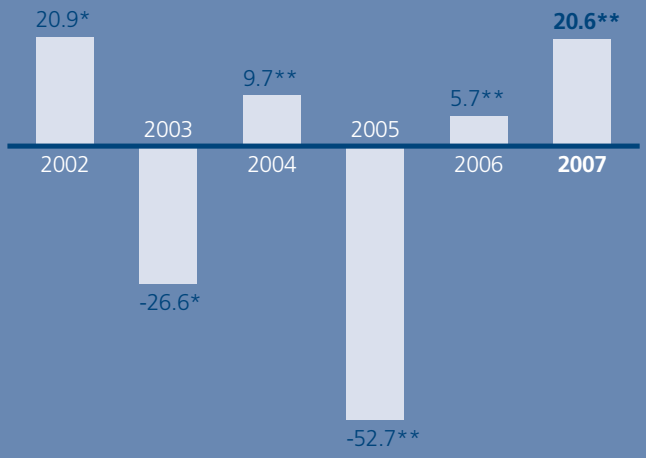
Net result (million EUR)



Net result per share (million EUR)



Operating result (EBIT) (million EUR)



* In accordance with the restated Consolidated Financial Statements for 2001–2003, US-GAAP

** IFRS

Where the **Future** Is Being Made.

AIXTRON AG is one of the leading international providers of advanced deposition systems for the semiconductor industry. With more than 600 qualified staff members at nine locations in Europe, North America, and Asia, the company develops technologies for the manufacture of efficient key elements of many of today's electronic and optoelectronic applications utilising compound, silicon, and organic semiconductor materials, and more recently; carbon nanostructures.

These devices are used in display technology, signal and lighting technology, fiber communication networks, wireless and cell telephony applications, optical and electronic data storage, computer technology, as well as a wide variety of other high-tech applications we all experience every day.

The company, which was founded in 1983 and which still retains it's business roots in the Aachen area, is listed on the Frankfurt Stock Exchange, and in the form of American Depository Shares (ADS) on the Global Market of the NASDAQ Stock Market. Further, it is included in the TecDAX®, the NASDAQ Composite Index, the MSCI World Small Cap Index and also the Nature Stock Index (NAI).

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Paul Hyland

Dear Shareholders,

On November 6, 2007 we recorded a significant milestone in AIXTRON's history in that it marked the 10th anniversary of the company being publicly listed. Along with the capital market itself, we can look back on turbulent times during those 10 years, but reflect, with some particular satisfaction on the last 12 months, in which we were recognized as one of the world's most successful semiconductor equipment stocks.

Underpinning our success in 2007 was an exceptional performance by the whole team who responded magnificently to the opportunities and challenges of 2007. We started the year, in Q1, with our highest ever quarterly revenue figure and we finished the year, in Q4, with our highest ever Order Intake figure which nicely sums up how the AIXTRON team has performed throughout the year. These positive developments not only support the encouraging message we presented in last year's report, but also give us an excellent early platform to build on for 2008.

The key factor driving the current increase in demand for our Compound systems is the growth of LED applications, notably; LED backlights for laptop computers, monitors and televisions. We also see evidence of increased activities leading to other new LED applications, such as new lighting technology in automotive, street lighting and general lighting applications, all of which present potential for sustainable growth in the future.

To me, these market developments highlight three issues. First; they confirm our long held belief and in-depth understanding of this complex technology, which has enabled AIXTRON to visualize a potential market that is only now being realized. Second; they echo the confidence the industry has in their product roadmaps and their increased confidence that product applications could materialize earlier than previously forecast. The third factor is that in financial year 2007, these market developments generated a growing demand for AIXTRON's latest platform-based systems, which have already been established as a globally acknowledged industry standard. Our latest "Integrated Concept" systems accounted for more than 48 percent of sales and more than 72 percent of the orders received in 2007.

Despite the very challenging business environment our silicon memory customers face, demand remained at a relatively high

level throughout 2007. In this area of our business, 2008 will undoubtedly present us with some significant market challenges and new product opportunities, in equal measure.

The large area deposition system order we received from Plastic Logic Ltd. in 2007 introduces a new intriguing application. In the customer's new Dresden manufacturing facility, our system will be being used to develop organic films for flexible thin-film transistors, which, in the near future, will be employed in innovations such as "electronic-paper".

AIXTRON's technologists remain the key element in our recognized market leadership position in all of our end markets; While the total headcount rose by only 8 percent, year on year, staffing in Research & Development – the heart of any technology enterprise – increased by 15 percent, reflecting the continued investment in future revenues and our positioning as the technology leader in our chosen markets.

During 2007, AIXTRON continued to pursue market diversification opportunities and the acquisition of UK-based Nanoinstruments Ltd. broadened our portfolio in fundamental research into carbon nanotubes which are predicted to be used in future display and electronic applications.

The group-wide drive towards common platform architecture and shared technology has enabled us to develop a much more flexible business strategy over the last few years, allowing us to maximize market opportunities. The continued internal improvements made in the company over the last 5 years, in conjunctionn with the recent market improvements, have consequently combined to allow AIXTRON to deliver a more profitable result in 2007.

All in all, and despite the ongoing weakness of the US-Dollar, our key trading currency, I am delighted to report to you that fiscal year 2007 was a highly successful year for AIXTRON and that that success was also reflected in the positive trend of the share price during 2007.

This accomplishment in 2007 was the result of an outstanding collective performance, for which I want to thank the exceptional team we have at AIXTRON and whose expertise and skills form the foundation of our success.

The Executive Board has also greatly appreciated the support of the Supervisory Board of AIXTRON AG throughout the year and additionally, special thanks go to Dr. William "Bill" Elder, the founder of Genus, Inc., who after many years of committed and successful work has stepped down from the Executive Board.

I would like to conclude by thanking you – our shareholders – for your continued support, trust and patience and to reiterate the Executive Board's ongoing commitment to improving shareholder value.

Aachen, March 2008

Paul Hyland
President & Chief Executive Officer


MUENCHEN
MUENCHEN
BERLIN - TEGEL
AMSTERDAM - SCHIPHOL
ZUERICH
BERLIN - TEGEL
VENEDIG
BARCELONA
BERLIN - TEGEL
BERLIN - TEGEL

Paul Hyland

Chairman, President and
Chief Executive Officer

Born in 1953, married, 4 children
Education:
Businessman
Thomas Swan
2000 – 2002:
Managing Director
previously:
Managing Director of various international technology companies

Dr. Bernd Schulte

Executive Vice President and
Chief Operating Officer

Born in 1962, married, 3 children
Education:
Physics Graduate and Ph.D.
Since 1993:
different management positions at AIXTRON

Wolfgang Breme

Executive Vice President and
Chief Finanical Officer

Born in 1960, married, 2 children
Education:
Business Graduate
2002 – 2005:
Executive Board Member & CFO of technotrans AG
Before 2002:
board member and other leading positions at various international technology companies

↗ from left to right
Paul Hyland, Dr. Bernd Schulte, Wolfgang Breme

Ready for the Future.

AIXTRON has both feet firmly planted in the markets of today. That's because the company has always kept an eye on the future. Concepts for revolutionary communication technologies regularly emerge from the collaboration with customers, institutes, and development partners: for example self-illuminating transparent display panels based on OLED, ultralight notebooks, as well as the ePaper, which will be ready for the market shortly.

Dr. Bernd Schineller, AIXTRON AG, Germany

Everyday Technology in a New Light.

When the third brake light on cars became mandatory in Germany ten years ago, this was driven by two motivating factors: On the one hand, with a third high brake light typically, drivers are able to not only see that the car in front of them is braking, but also, through the rear window of the car in front of them, that the car in front of them is also braking. This significantly reduces the element of danger when cars have to brake.

Secondly; when cars have a third high brake light, it is not quite so critical when one of the conventional brake lights fails. This, after all, is a great weakness of conventional brake lights: they have a relatively short life in comparison to LEDs. No wonder that bright light emitting diodes, or LEDs, have begun to establish themselves as de facto rear lights for cars: They use only a fraction of the space and energy required for conventional illuminants, they come on quicker and brighter, are completely maintenance-free and have up to 100,000 hours of operation.

Since LEDs can be manufactured cost effectively in different colors, many new fields of application have begun to open up: Today, even white LED front headlights are possible, which have the potential to impress consumers not only because of the low maintenance need and greater traffic safety, but also because they allow innovative new designs to be used. More and more traffic light systems are being retrofitted with LED technology, and LED street lighting will be the next new innovation to arrive in our streets. LEDs will eventually firmly establish the technology in the home lighting environment in the medium term: The more "comfortable" light and more flexible lighting fixtures will ensure that this happens, as will the noticeably improved environmental properties combined with lower energy costs.

The future of energy saving.

AIXTRON has been working on the future of light for many years. It has developed systems that enable the economical production of high-quality and bright LEDs in many different colors. Today, more and more LEDs are built into notebook computer displays, mini video projectors cars and airport and advertising displays. The main reason for this progress has been the availability of highly precise deposition systems which make the production of ever more efficient compound semiconductors possible. A development which effectively advances AIXTRON as a world leader in innovation – and consequently, a proactive supporter of the move towards a better global environment.

A New Dimension of Television.

Today, less and less families routinely gather around that relic from the early stages of communication technology,: the cathode ray tube television. A direct comparison with contemporary solutions quickly reveals how obsolete this technology is. CRT televisions are bulky in shape, intruding into the living room environment, can be tiring on the eyes to watch its flickering images, raise health and safety issues due to emissions and use an unnecessarily large amount of electricity.

In 2006, for the very first time, more flat-screen televisions were sold than CRT televisions and rightly so. Today's modern LCD screens meet consumer's expectations in terms of external appearance, flicker free viewing, and environmental friendliness: Thanks to their slim line profile, they can save space by being hung on the wall, deliver brilliant High Definition images, and are as easy on the environment as they are on the wallet with their low energy consumption.

The future of the flat screen.

AIXTRON supplies the key technology for the newest generation of trendsetting displays with innovative solutions for the manufacture of LCD displays with LED backlighting. Screens with the new LED backlight technology present consumers with much more vivid image combined with lower energy consumption. This is not only a tangible benefit for home TV enthusiasts but also enables a whole new generation of extremely thin and light notebooks with longer battery life possible. On the professional business front; designers in publishing houses and advertising agencies, who depend on large color spaces to be precisely calibrated during image processing, are benefiting from the new LED module screens with their controllable color temperature, enabling more accurate image control.

○ **Yvonne Tüttenberg**, AIXTRON AG, Germany

Baskar Gopi, AIXTRON AG, Germany

Nanotechnology That Connects.

Bemusing nonusers but proudly cherished by the early technology adopters: cell phones were very different ten years ago. Those who owned one of the first generation clunky "brick" phones in those days were part of the elite circle of technically interested pioneers. Yet back then, the devices were little more than unreliable telephones without wires.

A great deal has happened since then: New encoding and networking techniques have continuously improved voice quality and data transmission rates, EMS and MMS have enticed users into sending messages with image and sound attachments, and ever more efficient operating systems have made such applications as organizer functions and 3-D games possible.

Today, cell phones have matured into incredibly complex and mobile multimedia and business tools used by everybody for all everyday situations. They perform as photo and video cameras, coordinate contacts and appointments with home and office PCs, they support notebooks as efficient wireless modems, play MP3s, radio, and DVB-H stations, receive e-mails, allow mobile access to the Internet, communicate with other devices via Bluetooth, and are equipped with GPS receivers. There are even plans to launch the first smartphones with integrated mini projectors powered by LEDs.

The future of the silicon semiconductor.

In today's society, it is difficult to imagine anyone leaving the house without their cell phone. How fortunate for us that despite having more and more functions these devices remain the same size. This is a true challenge for the manufacturers: Having so much complexity in the smallest of spaces requires particularly efficient computer chips, tiny physical storage structures with large memory capacity, brilliant displays, and power efficient LED technology. AIXTRON systems all over the world are contributing toward advancing this development. With our key technologies for thin-film deposition we make the production of semiconductors possible with performance and electricity consumption rates that were hardly conceivable just a few years ago – tailor-made to the individual requirements of a wide variety of specifications. Yesterday's vision of the future is becoming a reality today.

Mobile Memories

A camera that can shoot 1,000 high-quality photos without having to replace the film, and which can even be controlled and manipulated immediately after the photo has been taken? It was not all that long ago that such an idea would have been no more than a photographer's dream, just as it would been inconceivable to put one's entire record collection on a tiny portable music player. Today, both of these dreams are reality.

In the face of increasingly powerful and efficient DSLR cameras and MP3 players, analog roll films and portable CD players already becoming memories of the past. This rapid progress has been made possible by the development of flash memory, or Compact Flash: Unlike DRAM storage modules used in PCs, which lose the content of their memory if the electricity supply is interrupted, data remain stored in flash memory until it is overwritten. This small technology revolution enabled the creation of such applications as USB sticks, MP3 players, and memory cards for digital cameras and cell phones – all of which enrich our everyday life on a daily basis: Data is now available right where and when it is needed. These memory devices are in cell phones, attached to our keys, or even waiting to be used in our car navigation systems. Life enhancing technology at our fingertips.

The future of storage technology.

Today, compact digital cameras and tiny MP3 and video players with impressively long battery life are all part of most people's everyday life. Since mobility is becoming ever more important to us, large flash memory devices are increasingly replacing the conventional hard drives in notebooks, too – still with the goal of making portable computers smaller, faster, quieter, more power efficient, and more robust. Since the efficiency of all these devices is in part dependent on the possibilities offered by flash memory the manufacturers need to offer memory devices with ever-larger capacities and better performance. With its large range of innovative deposition technologies, AIXTRON can offer key enabling technology for the production of outstandingly high-performance memory devices – from flash memory to DRAM, to CMOS chips. AIXTRON can deliver broadband solutions to a broadband world.

Charles Tsai, AIXTRON Taiwan Co., Ltd.

Stefan Kneißl, AIXTRON AG, Germany

How the Future Is Manufactured.

What do you actually need to produce a semiconductor device? Above all: Knowledge and experience. After all, in order to produce business cell phones with good graphic capabilities, MP3 players with long battery life, high-yield solar cells, and ultra portable slim-form notebooks possible, semiconductors must deliver far more than ever before. This places huge demands on the production systems – immensely complex structures made up of many, many super thin layers of material are required to be grown on the wafers to make today's devices. First and foremost, it is the quality of the deposition systems that determines the quality and quantity of functioning chips a wafer yields, which in turn determines how economically these devices can be produced.

AIXTRON deposition systems not only enable the manufacture of tailor-made products for all different kinds of applications, but also ensure maximum yield rates thanks to the outstanding quality of the deposition process and the consistency of the final products. Uniquely high system productivity, low maintenance requirements, and the economical use of the primary raw materials facilitates lower operating costs, and eventually to device results that make these incredible technologies possible.

The future of material deposition.

Since its foundation in 1983, AIXTRON has evolved into a leading provider of innovative deposition systems for the semiconductor industry. The strength behind this development is the company's extensive core expertise in material deposition of key enabling technology materials: compound semiconductors, as they are used for the manufacture of LEDs, laser diodes, transistors, and solar cells; silicon semiconductors, which form the basis for logic and memory chips; organic semiconductors, which have a bright future in the production of OLED lighting and displays and finally; carbon nanostructures (carbon nanotubes or nanowires) for future electronics, displays, and heat conduction applications.

Very few other markets have grown as rapidly as the field of communication and information technology. In more than twenty years of intensive research and development work, AIXTRON is very proud to have made a significant contribution to this process with its intelligent system technology. An evolution which we continue to advance with great anticipation and determination.

Supervisory Board Report

2007 has proved to be a highly successful fiscal year for AIXTRON. In the first quarter of 2007, the company recorded the highest ever quarterly revenue figure in the Company's history, and in the third and fourth quarters of 2007, the company also recorded sequential peak levels for quarterly order intake. We are delighted that Management's continued strategic focus, and the improved market conditions have helped total 2007 revenues rise above EUR 200m for the first time since 2001. Taking into account the positive market outlook, we believe that the internal structure and focus the company has, leaves the AIXTRON Group well positioned for further potential growth opportunities.

The group's market leading technology development has enabled the company to further increase market share through our clients' LED market qualification of our latest MOCVD common platform systems. With a comprehensive and fully qualified product portfolio, the company has been able to meet the increased demand from LED manufacturers and deliver more profitable returns. The 10 percent EBIT return on sales could have been even stronger had it not been for the continued weakness of the US-Dollar.

In fiscal year 2007, the Supervisory Board supported the Executive Board through regular dialogue on the current business climate and dynamics, the company's business strategy and the business development opportunities. The Supervisory Board and the Audit Committee met regularly with the Executive Board who kept us regularly, promptly and extensively informed of all relevant developments. The Executive Board actively involved us in those decisions of material importance and we, in turn, provided our advice to them. Furthermore, we were convinced of the truth and fairness of the regularly monitored Executive Board management activities and actions.

Supervisory Board Meetings and Content

During 2007, the Supervisory Board held four ordinary Supervisory Board meetings on March 13, May 21, September 21 and November 16, each of which were attended by all six Supervisory Board members. At each of these meetings, the Executive Board updated us on the respective status of the operating business as well as on various ongoing product development projects. Furthermore, we discussed the latest developments in the markets and competitive environments. In this context, the possible expansion into new markets has also been regularly discussed. In every meeting we gained sufficient and appropriate insight into the strategy and plan-

ning of the AIXTRON Group through forecast and Management reports, and we were regularly updated and informed on the respective capital markets guidance, activities and opinions.

Between meetings, all Supervisory Board members received detailed written monthly and quarterly reports on the business status of the Company. Furthermore, in numerous telephone calls and face-to-face meetings, both I, as Chairman, and the Chairman of the Audit Committee were promptly and extensively informed by the Executive Board about material developments and forthcoming decisions. Since mid-year 2007, all members of the Supervisory Board have special secure access to an Intranet web program, which provides us with internal and selected external information about AIXTRON, such as bylaws, internal control reports, meeting minutes, company presentations, research reports, analyst consensus reports, press releases, and AIXTRON financial reports.

All business transactions which need our approval have been presented to us, and we have given our approval after thoughtful consideration and examination. At the last ordinary meeting of the year, on November 16, 2007, the Supervisory Board approved the budget for 2008 submitted by the Executive Board. This includes revenue, income, financial and investment planning.

Resolutions were passed on the following topics in the ordinary Supervisory Board meetings held in 2007:

- Annual General Meeting 2007 (e.g. Supervisory Board Report, agenda, auditor appointment proposal for fiscal year 2007)
- Corporate Governance (Corporate Governance Report and Declaration of Conformity dated March 2007, adaption of the bylaws of the Executive Board, Supervisory Board, and Audit Committee, according to the new Corporate Governance Code dated June 14, 2007)
- The Kreditanstalt für Wiederaufbau (KfW) loan for the financing of R&D-Systems
- The acquisition of Nanoinstruments Ltd.
- First issuance of stock options under the Stock Option Plan 2007
- The expansion of the development laboratory facilities
- Executive Board issues (resignation of Dr. William Elder as per November 30, 2007, the subsequent reallocation of Executive Board responsibilities, Executive Board remuneration)

In addition, on March 13, 2007 after extensive discussion in the presence of the auditors, the Annual Financial Statements as per December 31, 2006 of AIXTRON AG

were adopted and the Consolidated Financial Statements to December 31, 2006 approved. The Company's Annual Report on Form 20-F, following the rules of the United States Securities and Exchange Commission (SEC), has been approved and accepted for publication. Furthermore, we have discussed and agreed upon the proposal to the Ordinary General Meeting on the distribution of retained earnings.

Use of Results

AIXTRON AG, the parent company of the AIXTRON Group, recorded a net accumulated income in accordance with German generally accepted accounting principles (based on the German Commercial Code (Handelsgesetzbuch, "HGB") of EUR 12.3m for 2007. AIXTRON's Executive and Supervisory Boards will propose to the Shareholders' Meeting that a dividend of EUR 0.07 per share (EUR 6.3m total) be distributed for 2007 and to carry forward the balance in retained earnings.

Committees

The Audit Committee primarily deals with matters such as accounting, risk management, the internal control system according to Section 404 of the Sarbanes-Oxley-Act (SOX 404), the auditors' mandate, identification of areas to be audited, auditors' fee arrangements, while at the same time ensuring the necessary independence of the auditors. The Chairman of the Committee regularly reports to the Supervisory Board with regard to the work performed.

The Supervisory Board together with its Audit Committee is an integral part of the established internal control system according to SOX 404. At the same time, regular SOX-controls and their documentation help to maintain a clear insight into the financial and respective work processes and therefore support the monitoring task of the Supervisory Board and Audit Committee.

At the four meetings in fiscal year 2007 (March 12, May 21, September 20 and November 15), the Audit Committee members dealt with the following special topics in addition to the respective financial business development and budget planning:

- Review & discussion of the Management Letter written by the auditors (main conclusions from the 2006 annual audit of AIXTRON AG and AIXTRON Group accounts as well as the internal control system)
- Costs of the SOX-audit
- Accounting rules and accounting handbook
- Risk management system and risk management report (i.e. the Audit Committee has convinced itself of a lawful and effective risk management by the Executive Board according to § 91 AktG (German Stock Corporation Act)
- Current and future hedging-strategy
- Tax situation of the AIXTRON Group
- SAP-Information system introduction and project status for the different modules to be implemented

If needed, the Supervisory Board will form a Nomination Committee composed exclusively of shareholder representatives which

will propose suitable candidates to the Supervisory Board for recommendation to the Shareholders' Meeting. The Committee will consist of up to four members.

Monitoring of the Executive Board

The positive market response in 2007 to the latest generation of compound semiconductor equipment reinforces the Executive Board's conviction that technology innovation is the key to secure, and even to improve AIXTRON's market share. Consequently, in fiscal year 2007, a special focus of our monitoring activity was on the progress within various product development projects, both for silicon and compound semiconductor equipment.

New system technology, such as PVPD (Parylene Vapor Phase Deposition) was successfully introduced to the market and a system sold to Plastic Logic Ltd. in 2007. Further new technology developments are planned to be introduced for both compound and silicon customers within the near future and we regularly question and challenge the Management team on the strategy, technical progress and financial business models of these projects

The Management has also shown itself to be receptive to acquiring technology as well as developing it internally when appropriate. In October 2007, the company finalized the acquisition of Nanoinstruments Ltd., a small Cambridge, UK company specializing in deposition equipment for the creation of carbon nanotubes, a promising new material opportunity. The AIXTRON Executive Board had involved us in this project from an early stage and we were actively involved in the appropriate risk and opportunity analysis process, before approving the transaction.

The strong order intake throughout 2007 necessitated an increase in production capacity and the hiring of new employees. We were kept regularly informed on the impact of these increases by the Executive Board and about the various measures taken to ensure a smooth increase in production output. We have been informed in a detailed manner about client purchase order volumes and specific orders with a significant effect on Revenues.

Our critical advice and control focused on the following further topics:

- An increase of purchase activities into the US dollar sphere to reduce the exchange rate risk
- The effects of a further weakening US-Dollar on the profit situation
- Marketing and corporate identity: Promotion of AIXTRON as a unique product label
- The implementation of an employee stock ownership plan
- Dividend strategy
- Cost and benefit of switching from AIXTRON bearer shares to registered shares
- Further measures to increase the Annual General Meeting presence
- Internet voting and broadcasting of the Annual General Meeting

On the basis of detailed monthly reports and corresponding discussions with the Executive Board, we were given a regular insight into the order book status at AIXTRON AG and its subsidiaries. By analyzing and comparing the respective planned budgets we were able to monitor adherence to the previously agreed revenue, earnings and liquidity targets, and were thus made aware of the efficiency of the management activities.

During the reporting year, the Supervisory Board did not make use of its option to inspect the books and records of the Company or to commission special experts with respect to specific assignments as provided for in § 111 (2) of the German Stock Corporation Act (AktG), as there was no identified need to do so, given the regular and detailed reporting by the Executive Board and the additional monitoring measures implemented as described.

Corporate Governance

The Supervisory Board regularly checks on the development of the Corporate Governance standards and writes a Corporate Governance report together with the Executive Board. The Supervisory Board agrees with the Executive Board that AIXTRON should continue to fully comply with the recommendations of the Corporate Governance Code in the future. The latest amendments of the Code specifically aim at a further improved routine and organization within the Executive and Supervisory Boards and remind both of their responsibility related to "Corporate Compliance". The AIXTRON bylaws for both Boards have been modified accordingly in November 2007. Due to the US-listing and the resulting compliance with the SOX 404 rules, a successfully operating and positively audited internal monitoring and control system (Compliance) has already been implemented in the AIXTRON organization since 2006. The newly introduced SAP Information system will further assist in the monitoring of the internal workflows. Consequently, as validated by the current Declaration of Conformity dated March 2008, AIXTRON is fully compliant with the Corporate Governance Code, including the latest code amendments.

Audit

Following the resolution passed at the Company's Annual Shareholders' Meeting on May 22, 2007, the Supervisory Board awarded the mandate to audit the annual accounts of both AIXTRON AG and the AIXTRON Group to Deloitte & Touche Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany. This resolution decision also represents a term change in Lead Auditor from Deloitte & Touche Wirtschaftsprüfungsgesellschaft, Hanover, Germany

The auditors also reviewed the internal control system in accordance with SOX, as well as measures implemented by the Executive Board to detect risks at an early stage and to avoid that such risks would jeopardize the existence of the Company.

The annual accounts of AIXTRON AG as per December 31, 2007, and the Company's Group accounts according to § 315a HGB and international accounting standards IFRS as per December 31, 2007 have been issued with an unqualified audit opinion. The auditors have determined that the Management Report of both AIXTRON AG and the AIXTRON Group represents a true and fair view of the current and future business development of AIXTRON AG and of the AIXTRON Group.

Annual Financial Statements

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON AG and Consolidated Financial Statements to December 31, 2007, including the joint Management Reports of the Company and the Group) and the audit reports of the auditor were submitted to the Audit Committee and the Supervisory Board for examination in good time. We have closely examined these documents. The Annual Financial Statements of AIXTRON AG and the Consolidated Financial Statements for the AIXTRON Group, as well as the respective Management Reports were discussed in detail in the Supervisory Board Meeting on March 12, 2008, in with due consideration of the auditor's reports. The auditor was present at that meeting, reported on the key audit-results and was ready to answer any additional arising questions.

Following our own examination, we had no objections to the submitted single-entity and Consolidated Financial Statements or to the respective Management Reports, and entirely concurred with the auditors' results and opinion. We approved the Annual Financial Statements of both AIXTRON AG and the Consolidated Financial Statements for the AIXTRON Group for fiscal year 2007 in a resolution passed on March 12, 2008. The Annual Financial Statements of the Company and the AIXTRON Group are, therefore, adopted.

Supervisory Board Appreciation

After a very positive business and financial performance in 2007, we would like to thank the AIXTRON Executive Board and all employees for their great personal commitment and also express our appreciation to the employee representatives for their constructive cooperation with the Company's executives. Similarly, we would like to thank AIXTRON's shareholders for their continuing confidence in the Company.

Aachen, March 12, 2008

Kim Schindelhauer
Chairman of the Supervisory Board

Joint Corporate Governance Report by the Executive Board and Supervisory Board of AIXTRON AG

AIXTRON is committed to observing the principles of transparent, responsible Corporate Governance aimed at maximizing shareholder value. The Executive Board, Supervisory Board and officers of AIXTRON identify with these principles. Therefore, AIXTRON considers compliance with Corporate Governance Principles to constitute an important means of increasing confidence on the part of present and future shareholders, creditors, employees, business partners and the public in national and international markets. The recommendations of the German Corporate Governance Code are used to guide us in our business activity.

The latest amendments to the Code, issued in 2007, are intended to promote a further improved routine and organization within the Executive and Supervisory Boards and remind both boards of our responsibility related to "Corporate Compliance". The AIXTRON bylaws for both Boards have been modified accordingly in November 2007. Moreover, the existing internal monitoring and control systems, meeting the requirements of the Sarbanes-Oxley Act, are considered effective in supporting our "Compliance" activities, responsibilities and tasks.

This Corporate Governance Report is based on the latest version of the German Corporate Governance Code ("Code"), dated June 14, 2007. The sections referred to in this document apply to this Code. The Report (Section 3.10.) contains information which is explicitly recommended by the Code and additionally informs about specific Corporate Governance related facts which arose in the reporting year 2007.

As in the previous year, the AIXTRON Remuneration Report 2007 (see „Executive Board Remuneration") is included in this Corporate Governance Report. It comprises of data that, in accordance with the requirements of the German Commercial Code (HGB), as amended by the Act on the Disclosure of Managing Board Remuneration (VorstOG), is an integral part of the Notes to the Annual Financial Statements pursuant to § 314 of the HGB or of the Management Report pursuant to § 315 of the HGB. Therefore, the information explained in this report is not additionally presented in detail in the Notes to the Annual Financial Statements or in the Management Report.

Both this Corporate Governance Report and the joint Declaration of Conformity, issued by the Executive Board and the Supervisory Board according to § 161 German Stock Corporation Act (AktG) on March 2008, are published in the Annual Report and on the AIXTRON corporate website www.aixtron.com in German and

English. According to Section 3.10. of the Code, AIXTRON also retains previous Declarations of Conformity on its website for a period of five years. Since March 2006, no deviations from the Code were announced. Therefore, the current Declaration of Conformity, dated March 2008, again confirms that AIXTRON is fully compliant with the Corporate Governance Code.

Annual General Meeting

The 2007 Ordinary General Meeting took place in Aachen on May 22, 2007. The shareholders and ADR (American Depositary Receipts) holders were duly invited and/or received proxy voting forms. The agenda, as well as the reports and documents required by law, were also published on the AIXTRON website www.aixtron.com under the category "Investors/Events/Annual General Meeting" (Sections 2.3.1. – 2.3.3.). The provisions of the Code concerning the convention of the General Meeting were also complied with (Sections 2.2.3., 2.2.4.).

Nine out of ten agenda points required General Meeting approval. All resolutions were passed with at least 93 percent of the entitled votes, while nearly 30 percent of AIXTRON common stock was represented at the Meeting. Under agenda point 5 the current members of the Supervisory Board were re-elected. With agenda point 7, the Company was authorized to purchase and use own shares. Votings concerning agenda points 9 and 10 approved the issuance of bonds with warrants and/or convertible bonds and a new stock option plan.

Executive Board

At the end of 2007, the AIXTRON AG's Executive Board comprised of the following three members (Section 4.2.1.):

Name	Position	First Appointment	End of Term
Paul Hyland	Chairman, President and Chief Executive Officer	April 1, 2002	March 31, 2010
Wolfgang Breme	Executive Vice President and Chief Financial Officer	April 1, 2005	March 31, 2013
Dr. Bernd Schulte	Executive Vice President and Chief Operating Officer	April 1, 2002	March 31, 2010

Dr. William W.R. Elder, member of the AIXTRON Executive Board since July 1, 2005, resigned from his position effective as of November 30, 2007.

Executive Board Remuneration (Sections 4.2.2. – 4.2.5.)

The Supervisory Board is responsible for establishing the structure of the remuneration system and the remuneration of the individual members of the Executive Board. It regularly discusses and reviews the remuneration structure in terms of appro-

Incandescent bulbs prohibited down under

In the fight for a better climate, Australia wants to be the first country in the world to prohibit the use of conventional incandescent bulbs. The goal is to reduce energy consumption and damage to the environment – Australia is currently the country with the highest per capita emission of greenhouse gases.

Instead of incandescent bulbs, in the future only energy-saving light sources, such as compact fluorescent bulbs or LED lights are to be used. The step-by-step conversion of the lights is designed to reduce emissions of greenhouse gases by four million metric tons by 2012. In the year 2004 alone, Australia emitted 565 million metric tons of carbon dioxide and other harmful gases into the atmosphere. "If the rest of the world pitches in, we can reduce energy consumption worldwide by five times the consumption of Australia", says Malcom Turnbull, Australia's Minister for the Environment.

Currently, Switzerland is considering following Australia's lead. And within the EU, thinking is also changing: The representative of the European Lamp Companies Federation (ELC) is pleading for the elimination of the incandescent bulb by 2015. *Sources: www.spiegel.de 20.02.2007; www.pro-physik.de 06.06.2007; www.blick.ch 13.03.2007*

priateness. In accordance with the Executive Board rules of procedure, new contracts for AIXTRON Executive Board members are generally concluded for 3 years, and contract extensions generally amount to 3 to 5 years.

The level of remuneration of the Executive Board members of AIXTRON AG is aligned to the size of the Company, the commercial and financial situation of the Group and the level and structure of Executive Board remuneration at comparable companies. In addition, the responsibilities, experience and contribution of each individual Executive Board member are taken into account when calculating the remuneration.

The recommendations of the Corporate Governance Code on early terminations of Executive Board contracts without serious cause and due to a change of control have been acknowledged and will be considered if the case arises.

Executive Board remuneration consists of three components: fixed remuneration including benefits in kind and allowances for pension provision, a variable bonus and stock-based remuneration. In the Executive Board contracts of employment, an annual income is stipulated for the fixed remuneration component. The variable bonus is aligned to the consolidated net income for the year. As far as stock-based remuneration is concerned, the Executive Board members participate in the AIXTRON stock option plans. The appropriateness of the above-mentioned payments is reviewed on a regular basis by the Supervisory Board.

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, chiefly consisting of company car usage and premiums for insurance policies.

The variable remuneration is paid from an „accrued internal bonus", defined as up to 10 percent of the modified consolidated net income for the year concerned. The modified consolidated net income for the year is obtained from the Company's Consolidated Financial Statements (IFRS) certified by the auditor, less a consolidated loss carry-forward figure and those amounts that are to be allocated to earnings reserves

in the Annual Financial Statements of AIXTRON AG 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. Loss carry-forwards from fiscal years before January 1, 2006 are not taken into account.

In addition, as a variable component acting as a long-term incentive, the members of the Executive Board subscribe to the option rights arising from the stock option plans of AIXTRON AG. The terms and conditions of the stock option plans, including potential exercise barriers, are resolved by the Annual General Meeting. The number of option rights for 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 on in this report.

In fiscal year 2007, the cash remuneration of the Executive Board (including benefits in kind and the allowance for pension provision) totaled EUR 2,641,498 (2006: EUR 1,665,915). Moreover, the Executive Board was granted 156,000 option rights in 2007 (2006: 220.000) with an option value at allocation of EUR 677,040 (2006: EUR 336,600). The division between the individual members of the Executive Board for the years 2007 and 2006 is presented in the table below.

Executive Board Member	Year	Fixed* (EUR)	Variable (EUR)	Total fixed and variable Remuneration (EUR)	Options granted (Number)	Option value on allocation (EUR)	Total EB Remuneration (EUR)
Paul Hyland	**2007**	359,166	517,490	876,656	52,000	225,680	1,102,336
	2006	360,495	176,000	536,495	55,000	84,150	620,645
Wolfgang Breme	**2007**	295,789	258,745	554,534	52,000	225,680	780,214
	2006	272,459	88,000	360,459	55,000	84,150	444,609
Dr. Bernd Schulte	**2007**	310,926	258,745	569,671	52,000	225,680	795,351
	2006	310,926	88,000	398,926	55,000	84,150	483,076
Dr. William W.R. Elder	**2007**	468,140	172,497	640,637	0	0	640,637
	2006	311,035	59,000	370,035	55,000	84,150	454,185
Total	**2007**	**1,434,021**	**1,207,478**	**2,641,498**	**156,000**	**677,040**	**3,318,538**
	2006	**1,254,915**	**411,000**	**1,665,915**	**220,000**	**336,600**	**2,002,515**

* incl. benefits in kind and allowance for pension provisions

In total, as at December 31, 2007, the AIXTRON Executive Board held options to subscribe to 556,391 shares in the Company (December 31, 2006: 617,876). The amounts of shares, underlying the options, are set out below. The realizable profits from exercising of the stock options can differ significantly from the figures shown in the table.

Executive Board Member	Allocation	Outstanding (shares)	Exercisable (shares)	Option Value on Allocation (EUR)	Exercise Price (EUR)	Maturity
Paul Hyland	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	0	84,150	3.83	Nov 2016
	May 2004	35,000	17,500	107,800	6.17	Nov 2014
	May 2003	27,500	20,625	48,950	3.10	Nov 2013
	May 2002	27,500	0	152,625	7.48	May 2017
	May 2001	5,000	0	106,500	26.93	May 2016
	May 2000	5,400	1,350	114,507	67.39	May 2015
Wolfgang Breme	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	0	84,150	3.83	Nov 2016
Dr. Bernd Schulte	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	0	84,150	3.83	Nov 2016
	May 2004	35,000	17,500	107,800	6.17	Nov 2014
	May 2003	6,875	0	48,950	3.10	Nov 2013
	May 2002	27,500	0	152,625	7.48	May 2017
	May 2001	5,000	0	106,500	26.93	May 2016
	May 2000	2,640	660	55,981	67.39	May 2015
	May 1999	2,976	2,976	35,640	18.70	May 2014
Dr. William W.R. Elder	May 2006	55,000	0	84,150	3.83	Nov 2016
Total		**556,391**	**60,611**			

In accordance with IFRS 2, the „option value on allocation“ is also the basis for inclusion as expenses in the profit and loss account for options issued after November 7, 2002. For stock options issued before November 7, 2002, the fair value was calculated as per the Black-Scholes model.

In the reporting year 2007, the Executive Board members exercised 217,485 (2006: 0) option rights, and none (2006: 25,500) expired.

The current Executive Board members have no individual pension benefits. The allowances for pension provision, paid by AIXTRON and listed above, have been and will be paid into an insurance contract with a benevolent fund allowance.

The Company's net obligation in respect of defined benefit pension plans reflects commitments to two former members of the Executive Board of AIXTRON AG. As at the end of 2007, this resulted in pension provisions totaling EUR 878,003 (2006: 983,485).

The Executive Board members receive no loans from the Company.

Supervisory Board

After the re-election in May 2007, the Supervisory Board of AIXTRON AG remained unchanged and comprised of 6 members at the end of 2007, 4 of which also serve on the Audit Committee. (Sections 5.3.2., 5.4.2.).

Remuneration of the Supervisory Board is regulated by the Articles of Association of AIXTRON AG. Accordingly, the annual fixed compensation for individual members of the Supervisory Board is EUR 18,000. The Chairman's compensation is three times this amount and the Deputy Chairman's one and a half times this amount. Members of the Supervisory Board also receive, in the aggregate, a variable compensation of 1 percent of the Company's retained earnings, less an amount corresponding to 4 percent 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 compensation. The variable compensation is limited to four times the fixed compensation per Supervisory Board member. In addition, members of the audit committee receive an attendance fee of EUR 1,500 for attending a committee meeting, with the Chairman of the committee receiving twice this amount. The total annual attendance fee per Supervisory Board member is limited to one and a half times that individual's fixed compensation.

Flat screen monitors with immense market potential

Flat screen monitors are conquering living rooms around the world. For the coming year, market experts expect a worldwide market potential of more than 100 million new TV sets alone. In addition, the same number of monitors and notebooks is expected to be sold in 2008 alone.

The developments in this sector are moving so fast that the world's existing manufacturing capacity will soon be inadequate. The new LED backlight technology, which uses individually controllable points of light to create especially flat LCD screens with great brilliance, is producing an additional market potential of several billion units in the area of LED production. Experts prognosticate that the share of LED-illuminated laptop displays will multiply from one percent of all new devices in the year 2007 to 24 percent in the year 2012.

Sources: Mittelbayerische Zeitung vom 12.10.2007; LIGHTimes online 20.11.2007

In fiscal year 2007, the compensation of the Supervisory Board totaled EUR 269,751 (2006: 183,000). The Supervisory Board compensation (in Euro) for the years 2007 and 2006 comprised in detail (Section 5.4.7.)

Supervisory Board Member	Year	Fixed (EUR)	Variable (EUR)	Attendance Fee (EUR)	Total (EUR)
Kim Schindelhauer* (Chairman of the Supervisory Board)	**2007**	54,000	30,618	6,000	90,618
	2006	54,000	0	6,000	60,000
Dr. Holger Jürgensen* (Deputy Chairman of the Supervisory Board)	**2007**	27,000	15,309	6,000	48,309
	2006	27,000	0	6,000	33,000
Prof. Dr. Wolfgang Blättchen* (Chairman of the Audit Committee)	**2007**	18,000	10,206	12,000	40,206
	2006	18,000	0	12,000	30,000
Karl-Hermann Kuklies	**2007**	18,000	10,206	0	28,206
	2006	18,000	0	0	18,000
Prof. Dr. Rüdiger von Rosen	**2007**	18,000	10,206	0	28,206
	2006	18,000	0	0	18,000
Joachim Simmroß*	**2007**	18,000	10,206	6,000	34,206
	2006	18,000	0	6,000	24,000

* Member of the Audit Committee

There were no payments made to any Supervisory Board member for advisory services in the year 2007 (Section 5.4.7.). There were also no identified conflicts of interest (Section 5.5.2.).

Prior to the Supervisory Board Meeting of November 16, 2007, each Supervisory Board member received the annual questionnaire from the Chairman examining the efficiency of the Supervisory Board activities. Based on the result of this examination, the Supervisory Board resolved, that it is acting efficiently in accordance with Section 5.6. of the Code.

Transparency

In the interest of maximum transparency, the shareholders, all capital market participants, financial analysts, shareholder associations, and the media are regularly and promptly informed of the AIXTRON Group's business performance. The internet is predominantly the communication channel used for this purpose. (Sections 6.3.-6.5.)

Reporting on the business status and financial results of the AIXTRON Group is carried out in German and/or English, in the form of:

- The Annual Report (German and English)
- Form 20-F for the United States Securities and Exchange Commission ("SEC") (English only)
- Interim reports (German and English)
- Analyst conference calls (English only)
- Company presentations (English only)
- Ad-hoc and IR releases (German and English)
- Forms 6-K for the SEC (English only)
- Marketing releases (German and English)

The reporting dates for regular financial reporting are detailed in the Financial Calendar (Section 6.7.). These and the above-mentioned reports, speaker notes, presentations, and releases are available at www.aixtron.com (Section 6.8.).

The Transparency Directive Implementation Act (TUG) which entered into force on January 20, 2007 established new threshold levels for voting rights announcements. At the same time, the attribution rules were newly defined, and an initial shareholding announcement was introduced. In the past fiscal year, AIXTRON AG has released seven voting rights announcements according to § 26 WpHG (Securities Trading Act) (Section 6.2.), which have all been triggered by the new law.

Any relevant transactions by persons with management duties according to § 15a WpHG are published without delay after receipt of the notification on the AIXTRON webpage www.aixtron.com under the category: Corporate Governance/Directors Dealings (Section 6.6.). In the fiscal year 2007, in which the AIXTRON share price increased by more than 180 percent, 13 such transactions, relating to the sale of a total of 1,738,010 AIXTRON-shares, were announced.

In accordance with § 10 WpPG (Securities Prospectus Act), all the above-mentioned information is published in an Annual Document which is available on the AIXTRON website.

By the year end 2007, the members of the AIXTRON Supervisory Board directly and indirectly owned 9,625,659 or 10.64 percent (December 31, 2006: 11,116,706 or 12.38 percent) of the shares issued by the Company. As of December 31, 2007, the AIXTRON Executive Board directly and indirectly owned no shares (December 31, 2006: 121,747 or 0.14 percent) or ADS (American Depositary Shares). The options of the Executive Board members arising from the stock option plans are set out and explained in the Remuneration Report (see „Executive Board Remuneration"). (Section 6.6.).

Reporting

The Group interim reports as of March 31, June 30, and September 30, 2007, as well as the Consolidated Financial Statements for fiscal year 2007, have been prepared in accordance with IFRS (International Financial Reporting Standards). The separately reported parent-company Annual Financial Statements 2007 for AIXTRON AG are prepared in accordance with German accounting standards (HGB). (Section 7.1.1.)

Stock Option Plans

AIXTRON AG currently has four stock option plans, which reserve ordinary shares or AIXTRON American Depositary Shares (ADS) for issuance to members of the Executive Board, officers and employees of the Company (Section 7.1.3.).

The issuance of the latest stock option plan 2007 was approved by the General Meeting in May, 2007. The programme expires after five years. The number of underlying shares is 3,919,374 and each stock option grants the right to subscribe one AIXTRON-share. The exercise price for one share shall be 120 percent of the average closing price on the Frankfurt Stock Exchange during the last 20 trading days prior to the day of issuance of the stock options. The options granted under the programme expire after a maximum of 10 years. A waiting period of at least two years applies to 50 percent of the granted options, a further 25 percent can be exercised after at least three years, the remaining 25 percent after at least four years. Beneficiaries are members of the AIXTRON Executive Board and the management of Group companies, as well as selected executive and other key employees.

In December 2007, under the terms of the 2007 stock option plan, 759,100 new stock options were issued at an exercise price of EUR 10.09.

As per December 31, 2007, the previous stock option plans (AIXTRON 1999 and 2002 plans, Genus Stock Option Plan 2000) still had a total of 3,815,881 options to subscribe to 4,491,026 AIXTRON common shares or ADS.

A more detailed description of the different stock option plans and a summary of all the stock option transactions can be found in the Notes of the Consolidated Financial Statements under Section 25 Share-based payment.

Aachen, March 2008

For the Executive Board of AIXTRON AG
Paul Hyland
(Chairman)

For the Supervisory Board of AIXTRON AG
Kim Schindelhauer
(Chairman) Board of AIXTRON AG

Declaration of Conformity

In accordance with Section 161 AktG (German Stock Corporation Act), the Executive Board and the Supervisory Board of AIXTRON AG declare:

The recommendations of the Government Commission of the German Corporate Governance Code (Regierungskommission „Deutscher Corporate Governance Kodex"), published by the Federal Ministry of Justice (Bundesministerium der Justiz) in the official section of the electronic Federal Gazette as applicable from time to time, have been complied with in full since the latest Declaration of Conformity of March 2007.

In the future, it is intended that they will continue to be fully complied with.

Aachen, March 2008

AIXTRON AG

For the Executive Board of AIXTRON AG

Paul Hyland
Chairman

For the Supervisory Board of AIXTRON AG

Kim Schindelhauer
Chairman

Group Management Report as of December 31, 2007

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Group Management Report as of December 31, 2007
1. Preliminary Remarks

This report may contain forward-looking statements about the business, financial condition, results of operations and earnings outlook of AIXTRON within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Words such as "may", "will", "expect", "anticipate", "contemplate", "intend", "plan", "believe", "continue" and "estimate", and variations of these words and similar expressions, identify these forward-looking statements. The forward-looking statements reflect our current views and assumptions and are subject to risks and uncertainties. You should not place undue reliance on the forward-looking statements. The following factors, and others which are discussed in AIXTRON's public filings and submissions with the U.S. Securities and Exchange Commission, are among those that may cause actual and future results and trends to differ materially from our forward-looking statements: actual customer orders received by AIXTRON; the extent to which chemical vapor deposition, or CVD, technology or any other AIXTRON technology is demanded by the market place; the timing of final acceptance of products by customers; the financial climate and accessibility of financing; general conditions in the thin film equipment market and in the macro-economy; cancellations, rescheduling or delays in product shipments; manufacturing capacity constraints; lengthy sales and qualification cycles; difficulties in the production process; changes in semiconductor industry growth; increased competition; exchange rate fluctuations; availability of government funding; variability and availability of interest rates; delays in developing and commercializing new products; general economic conditions being less favorable than expected; and other factors. The forward-looking statements contained in this presentation are made as of the date hereof and AIXTRON does not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

2. Business and Operating Environment

2.1. Corporate Structure

This management report relates to the consolidated financial statements of AIXTRON AG including the following operating subsidiaries (collectively referred to as "AIXTRON," "the AIXTRON Group," or "the Company"): AIXTRON, Inc., Sunnyvale, California (USA); AIXTRON Ltd., Cambridge (United Kingdom) (Former Thomas Swan Scientific Equipment Ltd.); Epigress AB, Lund (Sweden); AIXTRON Korea Co. Ltd., Seoul (South Korea); AIXTRON KK, Tokyo (Japan); and AIXTRON Taiwan Co. Ltd., Hsinchu-City (Taiwan).

Significant Subsidiaries as of December 31, 2007

Name	Jurisdiction of Incorporation	Ownership Interest
AIXTRON Ltd.*	England and Wales	100%
Epigress AB	Sweden	100%
AIXTRON Korea Co. Ltd.	South Korea	100%
AIXTRON KK	Japan	100%
AIXTRON Taiwan Co. Ltd.	Taiwan	100%
AIXTRON, Inc.**	California, USA	100%

* Former Thomas Swan Scientific Equipment Ltd.
** Former Genus, Inc.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial information contained in this Management Report, including comparable prior year numbers, is reported in accordance with IFRS. Further information about the adhered to reporting standards is contained in note 41 to the consolidated financial statements.

2.2. Management and Control

Executive Board

As of December 31, 2007 AIXTRON's Executive Board ("Management") consisted of the following three individuals:

Name	Position	First Appointment	End of Term
Paul Hyland	Chairman, President and Chief Executive Officer	April 1, 2002	March 31, 2010
Wolfgang Breme	Executive Vice President and Chief Financial Officer	April 1, 2005	March 31, 2013
Dr. Bernd Schulte	Executive Vice President and Chief Operating Officer	April 1, 2002	March 31, 2010

Dr. William W.R. Elder, member of the AIXTRON Executive Board since July 1, 2005, resigned from his position effective as of November 30, 2007.

The Supervisory Board appoints and removes from office the members of the Executive Board, who may serve for a maximum term of five years before being reappointed.

If a change of control situation exists, Wolfgang Breme, Member of the Executive Board, is entitled to terminate the service relationship with AIXTRON with a notice period of three months to the end of the month and to resign from his post on the termination date. Mr. Breme shall then be entitled to receive a settlement in accordance with the stipulations of his service contract with AIXTRON AG. 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, holds more than 50 percent of the Company's authorized capital be it directly or indirectly.

Supervisory Board

As of December 31, 2007 AIXTRON's Supervisory Board consisted of the following six individuals:

Name	Position	Member since
Kim Schindelhauer*	Chairman of the Supervisory Board	2002
Dr. Holger Jürgensen*	Deputy Chairman of the Supervisory Board	2002
Prof. Dr. Wolfgang Blättchen*	Financial Expert / Chairman of the Audit Committee	1998
Karl-Hermann Kuklies		1997
Prof. Dr. Rüdiger von Rosen		2002
Joachim Simmroß*		1997

* Member of the Audit Committee

Principles of Supervisory Board Member Compensation

Remuneration of the Supervisory Board is regulated by the Articles of Association of AIXTRON AG. Accordingly, the annual fixed compensation for individual members of the Supervisory Board is EUR 18,000. The Chairman's compensation is three times this amount and the Deputy Chairman's one and a half times this amount. Members of the Supervisory Board also receive, in the aggregate, a variable compensation of 1 percent of the Company's retained earnings, less an amount corresponding to 4 percent of the paid-in contributions to the share capital. In addition, members of the audit committee receive an attendance fee of EUR 1,500 for attending a committee meeting, with the Chairman of the committee receiving twice this amount.

Information on other board memberships of each AIXTRON Supervisory Board member and on their compensation is contained in note 40 to the consolidated financial statements as well as in the Corporate Governance Report.

Principles of Executive Board Member Compensation

The level of remuneration of the Executive Board members of AIXTRON AG is aligned to the size of the Company, the commercial and financial situation of the Group and the level and structure of Executive Board remuneration at comparable companies. In addition, the responsibilities, experience and contribution of each individual Executive Board member are taken into account when calculating the remuneration.

Executive Board remuneration consists of three components: fixed remuneration including allowances for private pension provision, a variable bonus and stock-based remuneration. In the Executive Board contracts of employment, an annual income is stipulated for the fixed remuneration component. The variable bonus is aligned to the consolidated net income for the year. As far as stock-based remuneration is concerned, the Executive Board members participate in the AIXTRON stock option plans. The appropriateness of the above-mentioned payments is regularly reviewed by the Supervisory Board.

In fiscal year 2007, the fixed and variable remuneration of the Executive Board (including the allowance for pension provision) totaled EUR 2,641,498 (2006: EUR 1,665,915). Moreover, the Executive Board was granted 156,000 option rights in 2007 (2006: 220.000) with an option value at allocation of EUR 677,040 (2006: EUR 336,600).

The current Executive Board members have no individual pension benefits and receive no loans from the Company.

Further detailed information on the compensation of the individual Executive Board members is contained in note 33 to the consolidated financial statements as well as in the Corporate Governance Report.

Directors and Officers Liability Insurance („D&O Insurance")

The Company has taken out liability insurance that covers the activities of members of the Executive Board as well as members of the Supervisory Board. The policy has a limit of indemnity of EUR 15.0m and provides for a deductible of USD 50,000 per insured event and year.

2.3. Products, Business Processes, Locations

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 displays, signaling, lighting, fiber optic communication systems, wireless and mobile telephony applications, optical and electronic storage devices, computing, as well as a range of other leading-edge technologies.

The Company markets and sells its products worldwide, principally through its direct sales organization and appointed dealers and sales representatives.

Material	Compound Semiconductors	Organic Semiconductors	Silicon Semiconductors
Systems Technology	MOCVD	OVPD®	CVD
	CVD	PVPD	ALD
	PECVD		AVD®
	HVPE		
Systems	Planetary Reactor®: 200 series, G3, G4	Gen1 R&D Tool	Lynx CVD
	Close Coupled Showerhead® CCS, CRIUS®	Gen2 Production Tool	Tricent® ALD
	Nano CVD Reactors; 'Black Magic Series'	Gen 3.5 Production Tool	Tricent® AVD®
	Hot-Wall Reactors: VPseries		
Potential Applications/ Devices	LEDs	OLEDs for displays	Metal and Oxide films for CMOS gate stacks
	Optoelectronics (photo diodes, lasers, modulators for Telecom/ Datacom)	OLEDs for solid state lighting	Metal and Oxide films for capacitor structures in DRAMs and FeRAMS
	Laser devices for consumer electronics (CDs, DVDs)	Organic transparent thin film solar cells	TFH – Thin Film Heads for data storage hard disk drives
	High-Frequency devices (HBTs, HEMTs) for wireless datacom	Electronic semiconductor structures for flexible displays and RFID	
	SiC based High Power Devices		
	Solar cells		
	Carbon Nanotubes: Structures for electronic, display & heat sink applications		

AIXTRON's business activities include developing, producing and installing equipment for coating semiconductor materials, process engineering, consulting and training, including ongoing customer support.

Demand for AIXTRON's products is driven by the sustained miniaturization, increased processing speed, improved efficiency, and reduced cost of ownership demands for current and emerging microelectronic and optoelectronic components. The ability of AIXTRON's products to precisely deposit thin material films and the ability to control critical surface dimensions in these components, enables manufacturers to improve performance, yield and quality in the fabrication of advanced microelectronic and optoelectronic devices.

AIXTRON supplies to customers both full production-scale chemical vapor deposition systems and small scale systems for Research and Development use and small-scale production use.

AIXTRON's product range includes customized production and research scale compound semiconductor systems capable of depositing material films on up to 95 x two-inch diameter wafers per single production run, or smaller multiples of 4 to 6 inch diameter wafers, employing Metal-Organic Chemical Vapor Deposition (MOCVD) or organic thin film deposition on up to Gen. 3.5 substrates, including Parylene Vapor Phase Deposition (PVPD) or Organic Vapor Phase Deposition (OVPD®) for Organic Light Emitting Diodes ("OLED") applications or Plasma Enhanced Chemical Vapor Phase Deposition (PECVD) for depositing complex Carbon Nanostructures (Carbon Nanotubes or Nanowires).

AIXTRON also manufactures full production and research scale deposition systems for silicon semiconductor market applications capable of depositing material films on wafers of up to 300 mm diameter, employing technologies such as: Chemical Vapor Deposition ("CVD"), Atomic Vapor Deposition ("AVD®") and Atomic Layer Deposition ("ALD").

AIXTRON also offers a comprehensive range of peripheral equipment and services, including products capable of monitoring the concentration of gases in the air and for cleaning the exhaust gas from metal organic chemical vapor deposition processes. The Company also assists its customers in designing the production layouts of tubing and switching devices for the gas supply to thin film deposition systems. Additionally, the Company offers its customers process technology, training and consulting services.

AIXTRON's Global Service Organization ("GSO") provides a full range of customer services, from the initial support of the customized development of an AIXTRON system through to the final installation and ongoing operational support of a system.

The AIXTRON Group's application laboratories in Aachen and Herzogenrath in Germany and in Sunnyvale, California are equipped for leading-edge Research and Development and are utilized for the development of customized solutions for the Company's custom-

ers. AIXTRON's service managers, process engineers and service technicians also provide systems consulting as well as installation, training and process support.

The Company is headquartered in Aachen, Germany, and had a total of 9 facilities worldwide as of December 31, 2007:

Facility location	Use	Approx. size (sq. m.)	Lease expiry
Aachen, Germany (owned)	Headquarters, Sales, Research and Development	7,260	–
Herzogenrath, Germany (owned)	Manufacturing, Sales and Service, Engineering, Research and Development	12,457	–
Cambridge, UK (leased)	Manufacturing, Sales and Service, Engineering	2,180	September 13, 2014
Lund, Sweden (leased)	Engineering, Service	449	December 31, 2008
Sunnyvale, CA, USA (leased)	Manufacturing, Sales and Service, Engineering, Research and Development	9,300	December 31, 2012
Seoul, South Korea (leased)	Sales and Service	1,032	August 31, 2010
Shanghai, China (leased)	Representative Office	282	July 9, 2008
Hsinchu, Taiwan (leased)	Sales and Service	1,000	December 31, 2008
Tokyo, Japan (leased)	Sales and Service	311	March 31, 2008

2.4. Manufacturing and Environmental Protection

AIXTRON has manufacturing and development sites in Aachen and Herzogenrath (Germany), in Cambridge (United Kingdom) and in Sunnyvale, California (USA). The equipment for AIXTRON's international customers is developed, produced, assembled, and tested in these locations. Many of the development and production processes employ computer technologies and techniques.

AIXTRON is principally involved in the final assembly stage of the production process followed by the final equipment configuration, tuning and testing processes. The Company purchases most of the components and assemblies required to manufacture the equipment from third-party suppliers. AIXTRON's contractors and suppliers are selected and qualified to be able to source, supply and/or partially assemble individual equipment parts

and assemblies. There are typically several suppliers for each AIXTRON equipment component/assembly. AIXTRON's own staff manage or execute the final system assembly and product testing procedures.

Since 1994, AIXTRON has, each year, been awarded unlimited ISO-9001 certification. In December 2003, the process-oriented management system was successfully certified and subsequently audited in accordance with DIN EN 9001:2000. For compliance with customer requirements and specifications, the Company works together with a series of independent certification companies, such as "TÜV" in Germany or "UL" or "ETL" in the USA.

Environmental protection and the responsible use of resources are an essential part of AIXTRON's business strategy. The Company's engineers work diligently to continuously improve AIXTRON's systems, both in terms of resource conservation and environmentally-friendly design and function.

In Research and Development, simulation techniques are important tools to reduce material and energy-intensive manufacturing and testing processes as well as reducing natural resource consumption to a minimum.

AIXTRON and its suppliers jointly use standardized, environmentally friendly reusable packaging systems which reduce waste and optimize stock management. The Herzogenrath, Germany location has a solar cell system installed, through which the building is provided with emergency and safety lighting.

2.5. Strategy and Competitive Positioning

AIXTRON is strategically positioned as one of the world's 'Pure-Play' leading manufacturers of state-of-the-art gas phase deposition equipment for the production of complex materials for the semiconductor industry: Compound Semiconductors (MOCVD, and PECVD equipment), Organic Semiconductors (OVPD®, PVPD equipment) and Silicon Semiconductors (AVD®, ALD, CVD equipment).

During 2007, in support of one of the Company's strategic targets, of diversifying AIXTRON's core deposition technology into new end user applications, the Company completed the acquisition and integration of Nanoinstruments of Cambridge, UK, enabling the company to potentially participate in the future market development of Carbon Nanostructure applications.

Competitive Positioning

AIXTRON's main competitor in MOCVD applications is the Process Equipment Group of Veeco Instruments, Inc.(USA). AIXTRON also competes with a number of Asian manufacturers including Nippon Sanso (Japan), amongst others. Based on market research by VLSI Research, Inc. it is estimated that the share of the MOCVD equipment market (estimated 2006 total market value: USD 202m) held by AIXTRON in 2006 was more than 60 percent. The Company's strongest competitor in terms of sales, Veeco Instruments, Inc., had an estimated market share of approximately 20 percent for the same period. The Company anticipates retaining market leadership with an estimated market share for 2007 in excess of 60 percent in the global MOCVD market, when next reported by VLSI.

For Organic Semiconductor applications, AIXTRON competes with established manufacturers such as Ulvac, Inc. (Japan), Tokki Corporation (Japan), Sumitomo (Japan), Applied Materials, Inc. (USA), Doosan DND Co., Ltd. (South Korea), Sunic System (South Korea) and a number of smaller other companies. While these competitors use established vacuum thermal evaporation ("VTE") technology and polymer technology to produce organic light emitting diodes (OLEDs), AIXTRON offers to OLED manufacturers its own highly innovative organic vapor phase deposition (OVPD®) technology. As AIXTRON and customer applications are still in the market entry phase, AIXTRON market share information is not meaningful at this point in time.

In AIXTRON's opinion, due to the superior process technology and the potential for reducing manufacturing costs, OVPD® technology has the potential to compete successfully with VTE and polymer technologies. AIXTRON is potentially well positioned as a key system supplier for next generation of OLEDs and large area deposition applications, that are anticipated to be used in innovative, self-luminous displays with the potential in the future to replace current display technologies such as liquid crystal displays (LCDs) and plasma displays (PDPs) in addition to future potential lighting, solar cells, and electronic OLED applications.

For CVD, AVD® and ALD applications, AIXTRON competes with a variety of other equipment companies, including Applied Materials, Inc. (USA), Tokyo Electron, Ltd. (Japan), ASM International N.V. (Netherlands), Veeco Instruments, Inc. (USA), IPS Technology (South Korea), Jusung Engineering Co., Ltd. (South Korea), Aviza Technology, Inc. (USA) and Hitachi Kokusai Electric Co., Ltd (Japan).

Based on market research by VLSI Research, Inc. it is estimated that in 2006 AIXTRON held an single digit share in the developing ALD systems market (total market value: USD 191m), an approximate 17 percent share of the market for silicide CVD systems (total market value: USD 303m) and a share of approximately 48 percent of the tungsten silicide CVD

systems specifically sold to DRAM and NAND Flash memory chip manufactures (total market value: approximately USD 109m).

With the Company's currently available silicon semiconductor manufacturing technologies, AIXTRON is potentially well positioned for the adoption of sub 65 nm memory and logic integrated circuits (ICs). These technologies enable extremely high precision in depositing very thin material layers and facilitate the consistent coating of complex three-dimensional microelectronic device structures. These technologies offer the semiconductor industry new material coating possibilities for the next generation of computer chips and devices, and, in AIXTRON's opinion, present high development potential for the future.

2.6. Key Performance Indicators

The Executive Board has implemented numerous systems and procedures to manage, monitor, analyze, and document Company risks and opportunities, including a Key Performance Indicator (KPI) system addressing all business areas. In 2007, the areas "Market", "Finance" and "Technology Development" were the most prominent control areas AIXTRON's Executive Board was focused on.

In the "Market" control area, using third party reports and direct customer dialogue, AIXTRON is continuing to pursue a market-led product development strategy through the careful examination of market trends and customer requirements. The latest common platform high capacity compound systems were available for sale twelve months before our nearest competitor.

In the "Finance" control area, the Executive Board uses a range of internal and external key performance indicators, most importantly: total sales revenue contribution margins, net result data and cash flow. Due to the favorable market conditions, total 2007 sales revenues increased year on year and an improved net income performance was reported despite a continuation of the US-Dollar weakness against the Euro currency.

In the "Technology Development" area, the Executive Board uses a range of internal and external key performance indicators, including: total sales revenue and net result data arising from new AIXTRON products launched, R&D expenditure in comparison to Sales Revenue and the Management regularly reviews project progress against target timelines and objectives. AIXTRON's latest Compound Common Platform systems made up 72 percent of compound system orders and 48 percent of compound revenues during 2007.

2.7. Legal and Economic Factors

As an internationally active high-end technology manufacturer, AIXTRON's business has the potential to be significantly affected by the highly volatile nature of the semiconductor markets, by the US-Dollar/Euro exchange rate risk and by its ability to secure and defend innovative technologies through patenting.

Market volatility

The semiconductor equipment market is volatile in nature and has historically followed the general trend of the semiconductor device market. The entire semiconductor industry is heavily impacted by extreme fluctuations in availability of, and demand for, semiconductors. The global market for semiconductor equipment is characterized by rapid technological change and high customer service demands.

Exchange rate risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts and Options to hedge the exchange rate risk arising from the exporting of equipment. The main exchange rates giving rise to the risk are those between the US-Dollar, Pound Sterling, and Euro.

A significantly large portion of AIXTRON's sales are processed in US-Dollar, but the Company's consolidated financial results are reported in Euro. As a major part of the Company's sales revenues is generated in US-Dollar and a significant part of the costs are incurred in Euro, any weakening of the US-Dollar against the Euro will negatively impact the sales revenues and therefore the period results reported. In 2007 the US-Dollar depreciated by 10.2 percent against the Euro. The value of the US-Dollar against the Euro decreased from USD 1.32/EUR as of December 31, 2006 to USD 1.47/EUR as of December 31, 2007.

The Company's use of derivative financial instruments is governed by the Company's internal policies, approved by the Supervisory Board, which provide management principles on foreign exchange rate risk and the use of derivative financial instruments. Exposures are reviewed on a regular basis. The Company does not enter into derivative financial instruments for purely speculative purposes.

Exposure to exchange rate risk is managed by the Company through sensitivity analysis. The following table details the Company's historical sensitivity to a 10 percent increase in the value of the Euro against the principal foreign currencies involved. The sensitivity

analysis of the Company's exposure to foreign currency risk has been determined based on the change taking place at the beginning of the financial year and sustained throughout the entire year. A negative number indicates a decrease in revenue and net income or net loss where the Euro strengthens against the US-Dollar or the Pound Sterling.

USD Impact (EUR thousands)	2007	2006	2005
Revenues	-15,740	-11,319	-8,359
Net Result	-5,034	-3,651	-206

GBP Impact (EUR thousands)	2007	2006	2005
Revenues	-415	-291	-591
Net Result	2,391	499	123

The sensitivity of the Company's net income to exchange rate risk is reduced, in comparison with the effect on revenue, by the use of foreign currency exchange contracts and by the "natural hedge" effect of costs incurred in those currencies. The sensitivity analysis for the impact of a strengthening of the euro against the US-Dollar in 2005 includes the effect on the results of a theoretical increase in impairment of goodwill amounting to EUR 2.6m in 2005.

It is the Company's policy to enter into foreign exchange contracts to cover specific foreign currency receipts within the range of 80 to 90 percent of the known exposure. The Company also enters into foreign exchange contracts to manage the risk associated with anticipated sales transactions, generally in the range of 15 months and generally within 50 to 60 percent of the exposure generated.

Patents

AIXTRON secures its technology by patenting inventions and know-how, provided it is strategically expedient for the Company to do so. As of December 31, 2007, 118 patent-protected inventions were in use, of which 11 were registered in the reporting period. Patent protection for these inventions applies in the sales markets relevant for AIXTRON and at its main competitors' production locations, specifically in Europe, Japan, South Korea, Taiwan and the United States. These patents are maintained and renewed annually and will expire between 2008 and 2027.

2.8. Research and Development

As a high-technology company, AIXTRON maintains a strong Research and Development (R&D) infrastructure, with significant resources devoted to R&D projects. AIXTRON's R&D activities are critical for the Company's long-term strategy to maintain its position as one of the world's leading provider of gas-phase deposition equipment for the manufacture of complex device structures for the semiconductor industry.

AIXTRON's R&D organization works closely with its own global sales and service organization to develop systems, tailored to customers' individual needs.

AIXTRON maintains its own R&D laboratories in Aachen and Herzogenrath in Germany and in Sunnyvale, California. These in-house laboratories are equipped with AIXTRON systems for researching new equipment and processes, as well as for producing reference samples of semiconductor materials. As part of the R&D efforts employed, AIXTRON regularly collaborates with many well-known universities and research centers worldwide and participates in numerous government and European Union-funded development projects.

Key R&D Information	2007	2006	2005	2006 → 2007
R&D expenses (million EUR)	26.5	23.9	30.5	11%
R&D expenses, % of sales	12%	14%	22%	
R&D employees (period average)	210	181	188	16%
R&D employees, % of total headcount (period average)	36%	32%	37%	

The absolute increase in R&D expense in 2007 compared to 2006 was largely due to increased development activities and the consequent increase in headcount of temporary and permanent staff, higher cost for test and consumable materials and increased amortization charges year on year.

Next Generation Non-Volatile Memory Development

AIXTRON continues to participate in the European Commission-funded CHEMAPH (Chemical Vapor Deposition of Chalcogenide Materials for Phase-change Memories- EU IST Project) project. The scope of the project is aimed at the development of chalcogenide-based phase change materials. The consortium carrying out this study consists of three academic and three industrial partners from five European countries, namely CNR (National Lab MDM-INFM) (Italy); ST Microelectronics (Italy); SAFC Hitech (United Kingdom); Consejo Superior de Investigaciones Cientificas (CSIC) (Spain); Vilnius University (Lithuania); and AIXTRON AG (Germany).

Phase-change memories (PCM) are some of the most promising candidates for the next-generation of improved non-volatile memory structures, beyond Flash memory.

The project aims at demonstrating the feasibility of a film manufacturing process based on metal-organic chemical vapor deposition (MOCVD). This technique is known to enable the production of thin films with superior quality compared to those obtained by the currently most used methodology, known as sputtering, a physical vapor deposition (PVD) technique.

AIXTRON's participation in this project is expected to result in the more rapid development and refinement of the range of its MOCVD systems for chalcogenide phase change materials, which can potentially be used in the production of next generation memory devices in the silicon industry.

Organic Light Emitting Diodes (OLED) for lighting applications

As part of a German Ministry of Science and Technology (BMBF) program (OLED 2015), the BMBF has committed EUR 100m, over a 5 year period as support for the development of organic light emitting diodes (OLED) for lighting applications. The 33 partners within the OLED initiative, including AIXTRON AG, are expected to collectively contribute the equivalent of EUR 500m to achieve the technical targets required to develop OLEDs for lighting applications. The primary stated scope of the initiative is the creation and introduction of an OLED lighting technology into the lighting market.

As part of the OLED 2015 funded initiative, AIXTRON participates in an specific R&D project; OPAL 2008, with the Company's Organic Vapor Phase Deposition (OVPD®) technology platform in a consortium together with OSRAM Opto Semiconductors GmbH, Philips GmbH, BASF Future Business GmbH and Applied Materials, Inc. (formerly Applied Films).

The final goal of OPAL 2008 (Organic Phosphorescent lights for Applications in the Lighting market 2008), is the development of an OLED production technology capable of manufacturing a high performance white OLED device at a target cost of a few euro cents per cm^2.

To reach this target, the individual research activities of all partners within this group will be coordinated to maximize the feasible development synergy effects. The specialized organic materials required will be developed by BASF Future Business GmbH. The device architecture for the lighting modules and the adapted OLED processing technology will be developed by OSRAM Opto Semiconductors GmbH and Philips GmbH. AIXTRON's contribution to the project will be to improve the production capabilities of the OVPD® process by designing appropriate equipment for such OLED devices. The research will be carried out in Aachen, Germany at the Philips production site in Aachen Rothe Erde where a prototype OVPD® system is already installed and running. Additional scientific support is provided by RWTH Aachen University.

White LEDs on silicon for lighting applications

AIXTRON participates in a UK Department of Business technology program, which aims at developing low-cost LEDs for solid-state lighting based on GaN structures deposited on large area Silicon, serving as cost-effective substrate, using AIXTRON's MOCVD technology.

Next generation CMOS circuits with III-V Compound based Transistors

AIXTRON participates in a research project together with a number of other academic and industrial partners, namely IBM Research (Switzerland), ST Microelectronics (France), NXP Semiconductors (Belgium), National Center of Scientific Research (Greece), IMEC (Interuniversitair Micro-Electronica Centrum) (Belgium), LETI (Commissariat a l'Energie Atomique) (France), University of Glasgow (United Kingdom) and Katholieke Universiteit Leuven (Belgium) aimed at developing a dual-channel CMOS technology comprising high channel mobility Germanium (Ge) pMOS and III-V compound semiconductor based nMOS transistors co-integrated on the same complex engineered Silicon substrate. This approach potentially delivers high performance switches as an option for the 22nm technology node for the Nanoelectronics industry.

3. Summary of Business Development

While world real gross domestic product grew by an estimated 4.5 percent and semiconductor industry revenues rose by an estimated 6.1 percent, spending on Wafer Front End equipment (WFE) increased year on year by an estimated 5.8 percent in 2007*.

WFE equipment spending, which includes spending on deposition tools supplied by AIXTRON, was, amongst other things, affected by

- increased investment in MOCVD equipment for the production of LEDs during 2007 due to actual demand and the anticipated short-term demand for LEDs to be used in Back-Light Units (BLUs) for LCD displays
- relatively stable capital equipment spending despite rapidly increasing pricing pressure for silicon semiconductors, especially for memory devices used in electronic consumer applications;
- extended technology qualification phase delaying the introduction of new innovative materials in the silicon semiconductor industry.

* Sources: VLSI; Global Insight; Gartner Dataquest; SIA; SEMI; Companies Announcements

Compound Semiconductor Applications

In 2007, AIXTRON experienced a 52 percent increase in demand for its compound deposition equipment. More than 70 percent of these orders consisted of the latest Integrated Concept common platform high capacity systems, reflecting positive end market demand. The increase in equipment market confidence was driven largely by rising demand for LED end market applications, including emerging LED backlighting products for liquid crystal display ("LCD") and commercial display products. In addition to these applications, a number of other LED end market applications e.g. for mobile devices, automotive, lighting, consumer electronics laser products (Blu-Ray, HD DVD) and other applications fuelled additional equipment demand.

AIXTRON has also continued to experience low levels of demand for MOCVD systems from customers serving the Datacom / Telecom market, and the Company still does not expect noticeable revenue growth in this area in the short term.

Silicon Semiconductor Applications

Order intake for AIXTRON silicon deposition equipment decreased by 5 percent. Despite an increasingly difficult market environment, silicon market customer demand remained relatively stable within the reporting period and AIXTRON continued to receive purchase orders and generated revenues from silicon semiconductor mass production CVD system orders for the production of NAND flash memory and Dynamic Random Access Memory

("DRAM") devices throughout 2007. However the Company expects that business development will become more volatile in 2008, reflecting the increasingly difficult and competitive memory end market.

AIXTRON's next generation of silicon semiconductor production equipment, employing ALD and AVD® technology, are still under development and customer evaluation and have still yet to be production qualified for the mass production of next-generation integrated circuit ("IC") and memory devices. This has resulted in low levels of demand for AIXTRON's ALD and AVD® production technologies during this period and is not expected to significantly increase in the immediate future.

Business Development

In the positive market environment the company experienced in 2007, particularly for compound system demand, AIXTRON achieved a 25 percent year on year increase in total revenues, to EUR 214.8m in 2007. This is the second successive year of improving revenue performance; In 2006 AIXTRON achieved a 23 percent year-over-year increase in revenues, to EUR 171.7m (2005: EUR 139.4m).

Due to increased revenues combined with relatively lower operating costs, the Company achieved a 193 percent increase year on year in net income of EUR 17.3m in 2007, as compared to a net income of EUR 5.9m in 2006 (2005: net loss of EUR 53.5m). Again; this is the second successive year of improving net income.

The value of total equipment orders received in 2007 again rose substantially, by 39 percent to EUR 247.7m, compared to 2006, reflecting a significant rise in demand for compound semiconductor equipment, especially from the LED end application markets. In 2006, total equipment order intake rose 57 percent to EUR 178.0m (2005: EUR 113.6m).

Order intake for compound semiconductor equipment rose year-over-year by 52 percent to EUR 208.6m in 2007. As a result, the proportion of orders received for compound semiconductor equipment in relation to total equipment orders received in 2007 rose to 84 percent, from 77 percent in the comparable prior-year period.

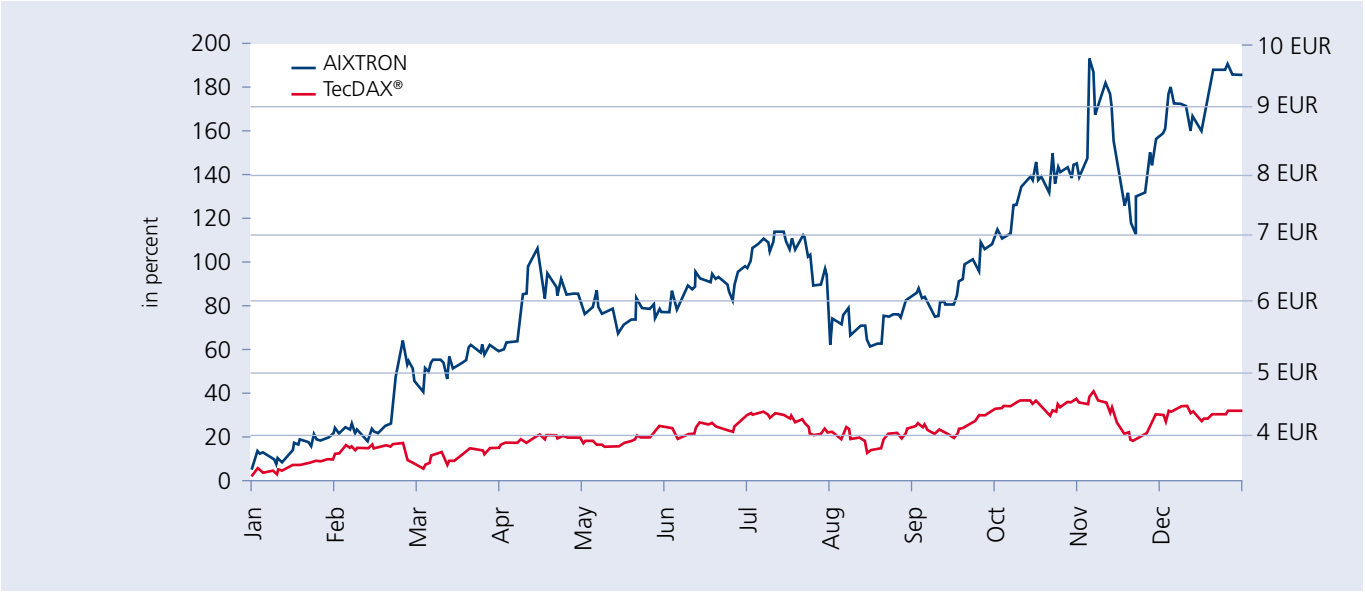
The value of orders received for silicon semiconductor equipment in 2007 remained relatively stable, declining by 5 percent year on year, to EUR 39.1m (2006: EUR 41.2m). The proportion of silicon semiconductor equipment to total equipment orders declined to 16 percent (2006: 23 percent).

4. Share Price and Investor Relations

During 2007, the AIXTRON share was recognized and subsequently classified as a "sustainability and alternative energy" investment, further increasing the stock visibility. Increased interest from the US market has resulted in increased activity from U.S. Investors and further supported the share price development.

Reflecting this strong institutional and private investor interest, the average daily share volumes traded increased substantially and the AIXTRON share price closed the year up 184.7 percent to EUR 9.51 year on year (1.1.07: EUR 3.34). This compares favorably to a 30.2 percent year on year increase of the Technology Index TecDAX® in which AIXTRON is included. In terms of share price percentage increase, AIXTRON was one of the most successful global semiconductor equipment stocks of 2007.

The following illustration shows the relative development of AIXTRON's share price and the TecDAX® in 2007:



The AIXTRON share price, being perceived as part of the energy-efficient LED production value chain, benefited in 2007 from the rising levels of environmental awareness throughout the year creating further interest in the stock, particularly from those investors with an ecological focus.

An announcement by the Australian government on February 22, 2007, giving notice of their intention to eventually phase out incandescent light bulbs, initiated a positive effect on the AIXTRON share price.

By the middle of April 2007, further positive Company announcements, optimistic research analysts' price targets, and unfounded acquisition rumors had contributed to the AIXTRON-share price rising to EUR 6.86 (an increase by approximately 105 percent since beginning of the year).

Following a short period of consolidation, by mid July the share price further improved to a new year-high of EUR 7.10 (an increase by approximately 113 percent since beginning of the year) on the strength of positive market news and outlook.

Announcements concerning the US-subprime crisis and discussions on the weakening of the US-economy, starting mid July 2007, provoked general nervousness in the financial markets. This, combined with negative reactions on AIXTRON's half-year results, led to a declining share price until mid August 2007.

Several positive Company announcements, such as record order intake and news on the acquisition of Nanoinstruments Ltd., helped the AIXTRON share price recover to a 5-year-high of EUR 9.79 by November 6, 2007 (an increase by approximately 193 percent since beginning of the year).

Approaching the end of the year, emerging fears of a US recession caused a generally negative reaction on the capital markets and a combination effect of a subdued market and some profit taking from the AIXTRON shareholders, led to a share price decline to EUR 7.20 during this period.

However, continued positive market news and outlook supported a further rise in the share price in the AIXTRON share price, recovering by the end of the year with a closing price of EUR 9.51.

AIXTRON Common Bearer Share (Listing: Deutsche Börse, AIX, ISIN DE 000 506 6203)	2007	2006	2005
Year-end closing price (EUR)*	9.51	3.34	2.78
Year-end high (EUR)*	9.91	4.01	3.95
Year-end low (EUR)*	3.31	2.46	2.36
Daily trading volume**			
– EUR	6,471,655	1,121,311	888,900
– shares	1,007,362	367,812	301,019
Number of shares issued, year end	90,444,213	89,799,397	89,799,397
Market capitalization, year end (million EUR)	860.1	300.0	249.6
Net result per share (EUR)***	0.20	0.06	-0.65

AIXTRON ADS**** (Listing: NASDAQ Global Market, AIXG, ISIN US 009 606 1041)	2007	2006	2005
Year-end closing price (USD)	14.00	4.43	3.19
Year-end high (USD)	14.80	4.92	4.86
Year-end low (USD)	4.45	2.95	2.78
Daily trading volume*****			
– in USD	659,939	113,257	193,600
– shares	68,617	29,828	57,460

* XETRA trading
** Average, XETRA trading
*** Based on weighted average number of shares outstanding
**** Each AIXTRON ADS is equivalent to one AIXTRON common bearer share
***** Average, NASDAQ trading

With the AIXTRON share-price development and growing investor awareness, research analyst coverage also increased during 2007. Following higher trading volumes and an increased market capitalization, the US-listing of the AIXTRON-ADS was moved from the NASDAQ Capital Market into the next level investment segment; the NASDAQ Global Market effective August 1, 2007. This helped AIXTRON to further increase interest and visibility for US-investors.

AIXTRON is committed to provide its shareholders with accurate, timely, and relevant information on strategic and financial aspects of its business. The Company provides up-to-date information on financial results, strategies, and product and market trends through investor roadshows and conferences in many of the world's major financial centers.

In 2007, the Company's Executive Board members spent approximately 73 man-days on investor roadshows and conferences and hosted more than 250 one-on-one meetings and conference calls with leading analysts and investors. During 2007, 15 separate financial analysts regularly published research reports on AIXTRON.

5. Results of Operations, Financial Position, and Net Assets

5.1. Results of Operations

Key financial information regarding the AIXTRON Group's results of operations is summarized in the following table:

(million EUR)	2007 Full Year	2006 Full Year	2005 Full Year	2006 → 2007
Revenues	214.8	171.7	139.4	25%
Gross profit	85.0	63.4	34.7	34%
Gross margin, % revenues	40%	37%	25%	3 p.p
EBIT	20.6	5.7	-52.7	261%
EBIT, % revenues	10%	3%	-38%	7 p.p
Net result	17.3	5.9	-53.5	193%
Net result, % revenues	8%	3%	-38%	5 p.p
Net result per share – basic (EUR)	0.20	0.07	-0.65	186%
Net result per share – diluted (EUR)	0.19	0.07	-0.65	171%
Free cash flow	**22.3**	**15.6**	**-15.2**	**43%**
Equipment Order Intake	247.7	178.0	113.6	39%
Equipment Order Backlog (End of Period)	132.0	85.1	48.6	55%

The results of operations of the AIXTRON group in 2005, 2006 and 2007 include the results of operations of AIXTRON, Inc. (formerly Genus, Inc.) and its subsidiaries, all of which have been consolidated into AIXTRON's results of operations since March 14, 2005.

5.1.1. Development of Revenues

AIXTRON recorded revenues in 2007 of EUR 214.8m, an increase of EUR 43.1m, or 25 percent, compared to EUR 171.7m in 2006 (2005: EUR 139.4m). The year on year revenue increase in 2007 was largely due to an increased demand for compound semiconductor deposition equipment driven largely by rising demand for LED end market applications. Regionally, total revenues increased in the USA by EUR 7.7m or 54 percent to EUR 21.9m, in Asia by EUR 38.9m or 29 percent to EUR 174.1m and declined in Europe by EUR 3.4m, or 16 percent, to EUR 18.8m.

68 percent, of AIXTRON's total revenues in 2007 (2006: 56 percent; 2005: 58 percent) were generated from sales of compound semiconductor equipment. For silicon semiconductor deposition equipment, customer demand for mainly NAND-Flash and DRAM-production systems decreased slightly, considering the volatility experienced by the market, by EUR 4.4m or 9 percent to EUR 41.7m. Revenues related to the sales of silicon semiconductor equipment accounted for 19 percent of total revenues in 2007, a relative decrease from 27 percent in 2006 (2005: 23 percent) resulting mainly from the disproportionate compound semiconductor equipment revenue growth in 2007.

Equipment sales generated 87 percent of revenues in 2007, compared to 83 percent in 2006 (2005: 81 percent). The remaining revenues were generated by sales of spare parts and service.

Revenues by Technology

	2007 Full Year		2006 Full Year		2005 Full Year		2006 → 2007	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Revenues	214.8	100	171.7	100	139.4	100	43.1	25
of which from sale of silicon semiconductor equipment	41.7	19	46.1	27	32.7	23	-4.4	-9
of which from sale of compound semiconductor equipment and other equipment (OVPD®, SiC)	145.2	68	97.0	56	80.7	58	48.2	50
of which other revenues (service, spare parts, etc.)	27.9	13	28.6	17	26.0	19	-0.7	-2

81 percent of the Company's revenues in 2007 were generated in Asia. Asia was also the company's biggest market in 2006 (79 percent) and 2005 (74 percent):

Revenues by Region

	2007 Full Year		2006 Full Year		2005 Full Year		2006 → 2007	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Asia	174.1	81	135.2	79	103.0	74	38.9	29
Europe	18.8	9	22.3	13	22.1	16	-3.5	-16
USA	21.9	10	14.2	8	14.3	10	7.7	54
Total	**214.8**	**100**	**171.7**	**100**	**139.4**	**100**	**43.1**	**25**

5.1.2. Cost Structure and other income

In percent of Revenues	2007 Full Year		2006 Full Year		2005 Full Year		2006 → 2007	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Cost of Sales	**129.8**	**60**	**108.2**	**63**	**104.7**	**75**	**21.6**	**20**
Operating Costs	**64.4**	**30**	**57.7**	**34**	**87.4**	**63**	**6.7**	**12**
Selling expenses	27.2	13	23.4	14	27.8	20	3.8	16
General and administration expenses	16.0	7	17.3	10	18.0	13	-1.2	-7
Research and development costs	26.5	12	23.9	14	30.5	22	2.6	11
Other operating income	6.6	3	8.5	4	5.6	3	-1.9	-22
Other operating expenses	1.3	1	1.6	1	2.9	2	-0.3	-19
Goodwill impairment	0.0	0	0.0	0	13.8	10	0.0	n.m.

Cost of Sales

Driven by higher revenues, cost of sales increased by 20 percent from EUR 108.2m in 2006 to EUR 129.8m in 2007 (2005: EUR 104.7m). However, cost of sales relative to revenue decreased by 3 percentage points in 2007 as compared to 2006, to 60 percent, after decreasing in 2006 12 percentage points (2005: 75 percent).

The relatively small increase in the absolute level of cost of sales, relative to a 25 percent year on year increase in revenue in 2007, was due to a different product-mix with a higher revenue element from our latest generation platform based deposition equipment that partially offset the negative effects of the US-Dollar / Euro exchange rate difference.

Impairment charges resulting from the 2005 Genus, Inc. acquisition, and impairment charges on inventories, intangible assets and expenses for the creation of restructuring accruals, amounting to EUR 7.5m, were incurred in 2005. There were no material impairment charges in 2006 and 2007.

Operating Costs and other Operating Income

Operating costs increased by 12 percent, disproportionally lower than the revenue growth of 25 percent to EUR 64.4m in 2007 (2006: EUR 66.2m; 2005: EUR 93.0m), due to higher R&D and Selling expenses and reduced Grant Income, only partially offset by lower administrative expenses. No goodwill impairment expenses were incurred in 2007 or 2006 (2005: EUR 13.8m).

Selling, general and administrative (SG&A) expenses

Selling, general and administrative (SG&A) total expenses totaled EUR 43.2m in 2007, a 6 percent increase compared to EUR 40.7m in 2006 (2005: EUR 45.8m).

Selling expenses in 2007 amounted to EUR 27.2m, an increase of 16 percent compared to EUR 23.4m in 2006 (2005: EUR 27.8m). This increase was due to higher variable selling expenses such as; Sales Commissions and higher Warranty expenses, both driven by higher revenue levels. Selling costs relative to revenues decreased from 14 percent in 2006 to 13 percent in 2007 (2005: 20 percent)

Administrative expenses in 2007 totaled EUR 16.2m (2006: EUR 17.3m; 2005: EUR 18.0m). Administrative expenses decreased by 6 percent in 2007 in comparison to 2006 mainly due to reduced legal consultancy and auditing fees. Administrative costs relative to revenues decreased from 10 percent in 2006 to 8 percent in 2007 (2005: 13 percent)

Research and Development costs

R&D costs totaled EUR 26.5m in 2007, an increase of EUR 2.6m, or 11 percent, compared to EUR 23.9m in 2006 (2005: EUR 30.5m). The increase in R&D expense in 2007 compared to 2006 was largely due to increased development activities and the consequent 15 percent increase in headcount of temporary and permanent staff, increased material costs and depreciation charges year on year. However, the ratio of R&D costs to revenues decreased in 2007 to 12 percent, compared to 14 percent in 2006 (2005: 22 percent).

Personnel Costs

With the number of global employees at 609 at year end 2007, an increased headcount by 43 employees compared to year end 2006 (566 employees), personnel expenses amounted to EUR 45.0m in 2007, an increase of 7 percentage points in comparison to EUR 42.0m in 2006 (2005: EUR 41.1m). The increase in 2007, as compared to 2006, primarily reflected additional headcount in R&D and Engineering, required to support a higher volume system output and an increased number of R&D projects and additionally, a higher actual performance related compensation element.

World's first full-LED headlight

In the first quarter of 2008, Audi will begin using a headlight that is unique worldwide, the first headlight in which all front light functions are implemented using LEDs. In addition to daytime running lights, that includes the blinkers, low beams, and high beams. Different groups of LEDs, so-called arrays, provide for correct light distribution and brightness. Each headlight has a total of 54 LED light sources that are produced using, among other things, AIXTRON technology.

An outstanding advantage of LED technology is low power consumption: Low beams use 50 watts; running lights just 6 watts. The daylight-like color of the light produced, which also provides greater contrast and is perceived as more pleasant, plus the no-wear characteristics of the new LED headlights, set them apart positively from conventional automotive lighting.

The early use of this LED technology in mass production was made possible by a special permit from the EU. Other manufacturers, such as Cadillac, VW, and Ford, have announced that they will begin using LED running lights or headlights in 2008. *Source: Audi*

Personnel costs are allocated as follows:

Personnel Costs

mil. EUR	2007	2006	2005	2006 → 2007	
Cost of Sales	12.2	12.2	8.5	0.0	0%
Selling, General and Administrative expenses	17.8	16.5	18.6	1.3	8%
Research and Development costs	15.0	13.3	14.0	1.7	13%
Total	**45.0**	**42.0**	**41.1**	**3.0**	**7%**

Other operating income / expenses

Other operating income in 2007 was EUR 6.6m, in comparison to EUR 8.5m in 2006 and EUR 5.6m in 2005. Other operating income included the receipt of external Research and Development funding totaling EUR 2.7m in 2007, (EUR 4.5m in 2006 and EUR 2.9m in 2005).

Other operating expenses of EUR 1.3m in 2007 compared to EUR 1.6m in 2006 (2005: EUR 2.9m). The 2007 other operating expenses mainly resulted from foreign currency exchange losses.

Impairment of Goodwill

There were no charges for the impairment of goodwill in 2007 or 2006. In connection with testing goodwill for impairment at December 31, 2005, AIXTRON concluded that goodwill for its subsidiary AIXTRON, Inc. was impaired in light of reduced market expectations and the Company recorded a charge of EUR 13.8m in 2005.

Interest & Taxes

	2007 Full Year mil. EUR	2006 Full Year mil. EUR	2005 Full Year mil. EUR	2006 → 2007 mil. EUR	%
Net Interest Income/Expense	**1.8**	**0.9**	**0.5**	**0.9**	**100%**
Interest Income	1.9	1.0	0.7	0.9	
Interest Expenses	-0.1	-0.1	-0.2	0.1	
Tax Expenses	**-5.2**	**-0.8**	**-1.3**	**-4.4**	**n.m.**

Net Interest Income

Net interest income increased to EUR 1.8m in 2007 due to an increase in the amount and rate of interest received from bank balances, in comparison to a net interest income of EUR 0.9m in 2006 (2005: EUR 0.5m).

Income Taxes

Following a positive result before taxes amounting to EUR 22.4m in 2007, AIXTRON recorded a tax expense in 2007 of EUR 5.2m or 23 percent of the net profit before tax (2006: EUR 0.8m or 12 percent; 2005: EUR 1.3m or 3 percent of the net loss before tax). The rate was reduced due to the recognition of tax loss carry forwards from previous years. As of December 31, 2007, AIXTRON had further deferred tax assets arising mainly from tax loss carry-forwards, totaling EUR 4.8m (December 31, 2006 and 2005: EUR 5.4m and EUR 5.5m, respectively). EUR 39.1m of tax loss carry forwards were not recognized as deferred tax assets (2006: EUR 57.3m).

5.1.3. Development and Use of Results

Gross Profit

The Company's gross profit increased by EUR 21.6m to EUR 85.0m in 2007, an increase of 34 percent compared to 2006 (gross profit 2006 and 2005: EUR 63.4m and EUR 34.7m respectively). The Company's gross margin improved from 37 percent in 2006 to 40 percent in 2007 (2005: 25 percent). The further increase in the Company's gross margin in 2007, as compared to 2006 and 2005, was driven by a decrease in the cost of sales relative to revenue by 3 percentage points which in turn was largely due to sales of higher margin products and an increased volume effect, partially offset by a negative currency exchange effect.

Operating Income (EBIT)

The operating income EBIT in 2007 rose 361 percent from EUR 5.7m in 2006 to EUR 20.6m (2005: operating loss of EUR 52.7m).

Net Income After Tax

Following a net income after tax in 2006 of EUR 5.9m (Earnings per share: EUR 0.07), AIXTRON generated an increased net income after tax of EUR 17.3m in 2007 (net income after tax per share: EUR 0.20). The improved net result after tax in 2007 was largely due to an improved operating result in 2007 compared to 2006 and was based on a relative decrease of cost of sales and lower operating expenses. By comparison, in 2005 the Company generated a net loss after tax of EUR 53.5m (net loss after tax per share: EUR 0.65).

AIXTRON AG Net Income – Use of Results

AIXTRON AG, the parent company of the AIXTRON Group, recorded a net accumulated income in accordance with German generally accepted accounting principles (based on the German Commercial Code (Handelsgesetzbuch, "HGB") of EUR 12.3m for 2007 (2006: EUR 2.8m; 2005: EUR -16.3m).

AIXTRON's Executive and Supervisory Boards will propose to the shareholders' meeting that a dividend of EUR 0.07 cent per share (EUR 6.3m total) be distributed for 2007. No dividends were distributed in 2006 and 2005.

5.1.4. Development of Orders

Equipment Orders

	2007 Full Year		2006 Full Year		2005 Full Year		2006 → 2007	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Equipment order intake	**247.7**	**100**	**178.0**	**100**	**113.6**	**100**	**69.7**	**39**
of which Silicon Semiconductor Equipment	39.1	16	41.2	23	37.1	33	-2.0	-5
of which Compound Semiconductor Equipment and other equipment (OVPD®, SiC)	208.6	84	136.8	77	76.5	67	71.7	52
Equipment order backlog (end of period)	**132.0**	**100**	**85.1**	**100**	**48.6**	**100**	**46.9**	**55**
of which Silicon Semiconductor Equipment	5.8	4	11.4	13	11.7	24	-5.6	-49
of which Compound Semiconductor Equipment and other equipment (OVPD®, SiC)	126.2	96	73.7	87	36.9	76	52.5	71

Due principally to a significant increase in the demand for compound semiconductor equipment for LED end applications, the total value of equipment orders received by AIXTRON in 2007 rose by 39 percent, compared to 2006, to EUR 247.7m (EUR 178.0m in 2006, EUR 113.6m in 2005). The proportion of orders received for compound equipment compared to total equipment orders received in 2007 rose to 84 percent, from 77 percent in 2006 (2005: 67 percent). The order intake for compound equipment rose by 52 percent to EUR 208.6m from EUR 136.8m in 2006 (2005: EUR 76.5m). The proportion of orders received for silicon semiconductor equipment compared to total equipment orders received in 2007 dropped to 16 percent, from 23 percent in 2006 (2005: 33 percent). Order Intake for silicon semiconductor equipment in fiscal year 2007 remained relatively stable, given an increasingly difficult market environment. The orders reduced by 5 percent to EUR 39.1m from EUR 41.2m in 2006 (2005: EUR 37.1m).

5.2. Financial Position

5.2.1. Principles and Goals of Corporate Financial Management

AIXTRON has a central financial management system to control its global liquidity, interest and currency management. The company's need for cash is generally provided for, through operating cash flow and grants. Management follows a strategy of financing the business primarily through equity. Furthermore, the Annual General Meeting has previously approved conditional and authorized capital instruments that allow AIXTRON to take advantage of financing its business on the capital market if needed. Due to the potentially volatile nature of its business, a sufficient level of cash is essential to expeditiously finance potential business needs. Financial hedging instruments are used to partly offset currency effects and are not used for purely speculative purposes.

5.2.2. Funding

The Company had no recorded bank borrowings as of December 31, 2007, 2006 and 2005. Due to an increase in the balance sheet total, the equity-to-balance sheet total-ratio declined to 67 percent as of December 31, 2007, from 70 percent as of December 31, 2006 (2005: 77 percent).

As of December 31, 2007, AIXTRON was granted advance customer payment guarantees from four banks (Deutsche Bank AG, Dresdner Bank AG, Lloyds TSB Group plc. and Sparkasse Aachen) totaling EUR 25.8m (December 31, 2006: EUR 17.1m; December 31, 2005: EUR 11.9m). The credit facilities for payment guarantees with above mentioned banks amount to EUR 28m.

Where necessary, AIXTRON AG provides loans and financial security facilities to its subsidiaries to enable operations to continue efficiently. The Company has granted no security interest in its own land and buildings.

In order to support the future developments, the Company continuously explores and assesses additional funding opportunities available in the market. Additional funding needs could be covered by the additional capital as authorized by the annual shareholders' meeting.

Funding Sources

EUR or number of shares	Dec. 31, 2007	Dec. 31, 2006
Issued shares	90,444,213	89,799,397
Authorized Capital 1 – Capital increase for cash or contribution in kind with existing shareholders' preemptive rights	EUR 35,919,751	EUR 35,919,751
Authorized Capital 2 – Capital increase for cash excluding existing shareholders' preemptive rights	EUR 8,979,937	EUR 8,979,937
Conditional Capital 1 – Convertible Bond 1997	EUR 43,680	EUR 44,160
Conditional Capital 2 – Stock Options Program 1999	EUR 1,926,005	EUR 2,924,328
Conditional Capital 3 – Authorization to potentially issue convertible notes or warrants in future	cancelled	cancelled
Conditional Capital 4 – Stock Options Program 2002	EUR 2,490,224	EUR 3,511,495
Conditional Capital I 2007 – Authorization to potentially issue convertible notes or warrants in future	EUR 35,875,598	–
Conditional Capital II 2007 – Stock Options Program 2007	EUR 3,919,374	–

Share Capital

The Company's stated share capital (Grundkapital) as of December 31, 2007 amounts to EUR 90,444,213 divided into 90,444,213 ordinary bearer shares with a proportional interest in the share capital of EUR 1.00 per no-par value bearer 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 ordinary bearer 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 ordinary bearer shares that are related to the Company's articles of association. There are no classes of securities endowed with special control rights.

The Company has a number of stock option programs in place that grant employees the right to purchase AIXTRON shares under certain conditions. In fiscal year 2007, 644,336 options were executed, resulting in delivery of 644,336 bearer shares. Additionally, 480 bearer shares were distributed in fiscal year 2007 resulting from the execution of conversion rights dated October 24, 1997.

Any amendment to the articles of association requires a resolution of the general shareholders' meeting with at least a majority of the share capital represented at the general meeting. However, certain amendments, in particular those related to capital measures, require a 75 percent majority of the share capital represented at the general shareholders' meeting (§133, §179 German Companies Act, AktG).

Authorized Capital 1 (2005)

The Executive Board is authorized to increase the share capital of the Company, with the approval of the Supervisory Board, on one or several occasions until May 17, 2010 by up to EUR 35,919,751 by issuing new no-par value shares against cash and/or non-cash contributions ("Authorized Capital 1").

Authorized Capital 2 (2005)

The Executive Board is authorized to increase the share capital of the Company, with the approval of the Supervisory Board, on one or several occasions until May 17, 2010 by up to EUR 8,979,937 by issuing new no-par value shares against cash contributions ("Authorized Capital 2").

Conditional Capital 1 (1997)

The Company's share capital was conditionally increased by up to EUR 44,160, composed of up to 44,160 no-par value shares on the basis of the resolution authorizing the Executive Board, passed by the General Meeting on October 24, 1997. The conditional capital served to provide no-par value shares to holders of convertible bonds making use of their conversion rights. After a conversion during fiscal year 2007, the share capital was increased by EUR 480. After the execution of this conversion, the capital ("Conditional Capital 1) was conditionally increased by EUR 43,680.

Conditional Capital 2 (1999)

After a reduced number of exercisable options and the subsequent reduction of the Conditional Capital 2 during fiscal year 2007, the Company's share capital was conditionally increased by up to EUR 1,926,005 composed of up to 1,926,005 no-par value shares. The conditional capital increase serves to grant options to members of the Executive Board and employees of AIXTRON AG and also to members of the management and employees of affiliated companies under the stock option plans in accordance with the General Meeting's resolution of May 26, 1999 on agenda item 5 ("Conditional Capital 2").

Conditional Capital 3 (2002)

On the basis of the authorizing resolution passed by the General Meeting on May 22, 2002, the share capital was conditionally increased up to EUR 25,931,452 ("Conditional capital 3"). Since the conversion rights or warrants accompanying the convertible bonds or bonds with warrants issued by AIXTRON AG expired on May 21, 2007, the authorization for the Conditional Capital 3 was abrogated with consent of the General Meeting dated May 22, 2007.

Conditional Capital 4 (2002)

Following a stock option reduction resolution passed by the General Meeting on May 22, 2007 (to EUR 3,134,560) and the execution of options (644,336 options), the Company's share capital was conditionally increased by up to EUR 2,490,224, composed of up to 2,490,224 no-par value shares. ("Conditional Capital 4"). The conditional capital increase serves to grant options to members of the Executive Board of AIXTRON AG and members of the management of affiliated companies, as well as to employees of AIXTRON AG and of affiliated companies under the stock option plans in accordance with the General Meeting's resolution of May 22, 2002 (Stock Option Plan 2002)

Conditional Capital I 2007

Based on the authorizing resolution passed by the General Meeting on May 22, 2007, the share capital is conditionally increased by EUR 35,875,598 ("Conditional Capital I 2007"). This Conditional Capital I 2007 serves the purpose of granting shares to the holders or creditors of warrants and/or convertible bonds in the event that they would be issued by the Company or a subordinated group company.

Conditional Capital II 2007

Based on the resolution passed by the General Meeting on May 22, 2007, the share capital was further conditionally increased by EUR 3,919,374 ("Conditional Capital II 2007"). This Conditional Capital II 2007 serves the purpose of granting shares to the holders of Stock Options issued under the AIXTRON Stock Option Plan 2007 ("SOP 2007"). Under the SOP 2007, up to 3,919,374 Stock Options may be issued by the Company on or before May 21, 2012, each option granting the right to subscribe to one share of the AIXTRON AG. In fiscal year 2007, the Executive Board, with the approval of the Supervisory Board, issued 759,100 Options.

Authorization to purchase own shares

In accordance with section 71 (1) no. 8 Aktiengesetz (German Companies Act, AktG), the Company shall be authorized, with the approval of the Supervisory Board, to purchase own shares representing an amount of up to EUR 8,979,937 of the share capital in the period until November 21, 2008. This authorization may not be used by the Company for the purpose of trading in own shares. The authorization may be exercised in full or in part, once or several times by the Company. The own shares may be purchased (1) on the stock market or (2) by way of a public offer to all shareholders made by the Company.

Own Shares

A total of 1.3 million AIXTRON shares, which were issued in connection with the acquisition of Genus, Inc. were deposited into a trust during 2005 to service the AIXTRON, Inc. employee stock options program and to cover warrants issued by AIXTRON, Inc. AIXTRON treats these specific shares as its own shares. Because AIXTRON's own shares are deducted from its subscribed capital, AIXTRON records shareholders' equity net of its own shares.

5.2.3. Investments

The capital expenditures in 2007 amounted to EUR 8.1m, of which EUR 6.1m were related to purchases of technical equipment (including testing and laboratory equipment) and EUR 2.0m were related to intangible assets including software licenses. Additionally, bank deposits totaling EUR 2.1m with a maturity of six months are recorded in fiscal year 2007 as cash outflow from investing activities (2006: EUR 2.8m).

The capital expenditures in 2006 amounted to EUR 2.4m, of which EUR 2.2m were related to purchases of technical equipment (including testing and laboratory equipment) and EUR 0.2m were related to intangible assets. The capital expenditures in 2005 amounted to EUR 12.0m.

All of the expenditures during 2007, 2006 and 2005 were funded out of operating cash flow and available cash resources.

5.2.4. Liquidity

Compared to December 31, 2006, cash and cash equivalents increased by EUR 25.1m, or 54 percent, to EUR 71.9m as of December 31, 2007. The increase in cash and cash equivalents was largely due to an increased net profit and the significant increase of EUR 18.6m in advance payments received from customers in 2007. This positive development was achieved, despite a considerable increase in the value of inventories as of December 31, 2007.

In 2006, due mainly to cash inflows from operating activities totaling EUR 20.8m (2005: Cash outflow EUR 12.2m), AIXTRON's cash and cash equivalents increased as of December 31, 2006 by EUR 15.4m year on year, or 49 percent, to EUR 46.8m (2005: EUR 31.4m).

In 2007, net cash used in investing activities totaled EUR 10.5m, including capital expenditures in property, plant, and equipment as well as the initial acquisition cost of Nanoinstruments Ltd. and expenditures of EUR 1.7m, mainly for SAP-Licenses. In 2006, AIXTRON recorded cash outflows from investing activities of EUR 5.1m (2005: EUR 3.0m).

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

5.3. Assets

5.3.1. Property, Plant and Equipment

Due to asset depreciation totaling EUR 6.9m less fixed asset additions totaling EUR 6.1m and currency exchange effects and fixed asset disposals in 2007, the value of property, plant and equipment declined from EUR 36.4m as of December 31, 2006 to EUR 35.1m as of December 31, 2007 (December 31, 2005: EUR 42.2m).

5.3.2. Goodwill

In 2007 and 2006 no goodwill impairment charges were incurred (2005: EUR 13.8m).

Mio. EUR	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
AIXTRON, Inc. (former: Genus, Inc.)	45.5	50.8	57.0
AIXTRON Ltd. (former: Thomas Swan Scientific Equipment Ltd.)	11.5	12.2	12.0
Epigress AB	1.8	1.8	1.8
AIXTRON KK	0.2	0.2	0.2
Total	**59**	**65.0**	**71.0**

The reduction in the value of goodwill from EUR 65.0m as of December 31, 2006 to EUR 59.0m as of December 31, 2007 was due to changes in the currency exchange rates as of the respective dates of record (2005: EUR 71.0m).

5.3.3. Other Intangible Assets

The reduction in the value of other intangible assets from EUR 15.1m as of December 31, 2006 to EUR 12.5m as of December 31, 2007 (2005: EUR 19.8m) was largely due to exchange rate changes, scheduled depreciation expenses and Investments in fiscal year 2007.

5.3.4. Trade Receivables

Trade receivables rose from EUR 27.7m as of December 31, 2006 to EUR 33.5m as of December 31, 2007 (2005: EUR 24.2m). The increase was largely due to the increase in business activity in fiscal years 2006 and 2007.

5.3.5. Employees

The following table illustrates the division of AIXTRON's employees by category of activity and geographic region at December 31 for each of the years 2007, 2006, and 2005:

Employees by Function

	2007		2006		2005		Change	
	Dec. 31	%	Dec. 31	%	Dec. 31	%		%
Sales and Service	186	31	181	32	171	30	5	3
Research and Development	210	34	183	32	187	33	27	15
Manufacturing	139	23	128	23	130	23	11	9
Administration	74	12	74	13	82	14	0	0
Total	**609**	**100**	**566**	**100**	**570**	**100**	**43**	**8**

Employees by Region

	2007		2006		2005		Change	
	Dec. 31	%	Dec. 31	%	Dec. 31	%		%
Asia	79	13	73	13	70	12	6	8
Europe	401	66	364	64	381	67	37	10
USA	129	21	129	23	119	21	0	0
Total	**609**	**100**	**566**	**100**	**570**	**100**	**43**	**8**

The total number of employees increased in 2007 compared to 2006 by 43 people or 8 percentage points to 609 Employees (2006: 566 Employees; 2005: 570 employees) due to a higher business activity and the increased headcount in R&D and Engineering. As of December 31, 2007, the majority of AIXTRON's worldwide employees were based in Europe and the largest group were employed in R&D and Engineering positions.

Share Option Programs

Share Options are part of the variable compensation employed as a long term incentive to retain the Management and other key employees.

Based on the Company's stock option program resolved by the shareholder meeting on May 22, 2007, a total of 644.336 AIXTRON AG Bearer Shares (In 2005 and 2006 no options were executed) and 658,371 AIXTRON AG American Depositary Shares (ADS) were exercised by employees in 2007 (2006: 39,540 ADS; 2005: 41,226 ADS).

Under the AIXTRON Stock Option Plan 2007, 759.100 Share Options were granted to Management of AIXTRON AG and members of the management of affiliated companies, as well as to employees of AIXTRON AG and of affiliated companies. 50 percent of the granted options may be executed after a waiting period of not less than two years, further 25 percent after three years and the remaining 25 percent after at least four years. The options expire 10 years after they have been granted.

AIXTRON ordinary shares	Dec. 31, 2007	Exercise	Allocation	Dec. 31, 2006
stock options	4,327,882	644,336	759,100	4,379,711
underlying shares	5,003,027	644,336	759,100	5,060,565
AIXTRON ADS	**Dec. 31, 2007**	**Exercise**		**Dec. 31, 2006**
stock options	247,009	658,371		994,469
underlying shares	247,009	658,371		994,469

As part of the Genus, Inc. acquisition, which was completed in March 2005, a trust for the group employee stock options was set up, into which an appropriate number of AIXTRON AG ADSs were deposited.

Employee Selection and Training

AIXTRON's employees are recruited on the basis of professional and personal qualifications. Each employee's opportunities for participation and promotion are based on personal success as well as individual qualifications and abilities.

The Company's training center offers a number of training classes, ranging from new hire induction classes to continuous education, with topics ranging from quality assurance to environmental and workplace safety management, leadership, and labor law issues. Additionally, AIXTRON supports internships and students in the writing of their diploma and doctoral theses on topics of relevance to AIXTRON.

5.4. Management Assessment of Company Situation

Following the ongoing positive business development in 2007, AIXTRON is, in the opinion of the Management, in a healthy financial condition. Contributing factors to this development include; the Company's market share and technology leadership position, more efficient internal processes and a positive cash flow performance.

In summary, the Executive Board views 2007 as a year in which improved internal and external conditions have combined to enable the Company to establish a sustainably consistent and profitable performance.

6. Report on Post-Balance Sheet Date Events

There were no business events with a potentially significant effect on AIXTRON's results of operation, financial position, and net assets after the close of fiscal year 2007.

Let there be light – environmentally friendly thanks to LEDs

The technical university "Fachhochschule Südwestfalen" has joined the city utility company "Stadtwerke Düsseldorf" and the company HSW Stadtfeld GmbH & Co. KG in Hückeswagen to develop streetlights with LED technology. Germany's first modern illumination system of this kind went into service at the end of 2007.

The new LED technology has many advantages: Since its light yield exceeds that of energy-saving light bulbs, because very little energy is emitted in the form of heat and UV radiation, it is environmentally friendly: LED lights consume about 50 percent less energy than conventional streetlights (sodium vapor lamps). They are ideal light sources, because they shine exactly where the light is needed. Sturdy and long-lived, they require less maintenance and thus make up for the higher procurement costs.

If all 9 million conventional streetlights in Germany were converted to LED technology, that would mean potential savings of 2 gigawatts/hour or 1 million metric tons of CO_2.

Sources: Fachhochschule Südwestfalen; Stadtwerke Düsseldorf

7. Risk Report

7.1. Risk Management

As an international technology company, AIXTRON is engaged in business operations worldwide and is, consequently, exposed to a variety of risks. The Company may also benefit from the opportunities related to the risks it is exposed to. To exploit these opportunities and to minimize risks, AIXTRON has established a company wide flexible risk management system that can be continuously adapted to the evolving business environment and business processes.

A large number of systems and procedures for monitoring, analyzing, and documenting business risks and opportunities are deployed at several levels of the organization. Accurate and timely reporting is the core component of AIXTRON's risk and opportunity management. Risk managers, responsible for implementing risk reporting, have been appointed in different areas of the Company and at all subsidiaries. To minimize risks and to capitalize on opportunities, AIXTRON pursues a forward looking product strategy, while, at the same time, observing current and speculating on future market trends and customer requirements and continuously strives to develop and maintain unique selling points related to its technology.

This product strategy incorporates measures for honing the Company's profile in its target market, for building new partnerships and alliances, and for training third parties engaged to market, sell, and deploy AIXTRON products. In fiscal year 2007, the Company continued to monitor market trends and the activities of its competitors and evaluated market analyses and forecasts produced by leading market research companies. Project management and quality assurance systems are routinely deployed in all areas of product development where risk awareness and evaluation play a crucial role.

These measures are accompanied by a training and development program for managers and specialist employees, and by procedures to maintain and expand the necessary infrastructure when required.

AIXTRON deploys accounting, control, and forecasting software for the global monitoring and management of core enterprise information. Daily, weekly, monthly, and quarterly reporting processes ensure that information on business and market trends is regularly updated. In addition to annual budget planning, real-time forecasts are used to continuously review and update the Company's plans. As part of the Company's financial control

procedures, variances between actual and budget figures are continuously identified and analyzed and they serve as the basis for developing corrective measures.

Furthermore, the Executive Board analyzes the Company's net assets, financial position, and results of operations on a continuous basis. The frequent exchange of knowledge and experiences at all hierarchy levels worldwide ensures the constant and efficient flow of information as well as rapid decision-making.

The Executive Board informs and includes the Supervisory Board in all key decisions at least once every quarter, and normally at shorter intervals. The Audit Committee of the Supervisory Board meets regularly with the Chief Executive Officer and the Chief Financial Officer to discuss, analyze, and monitor financial issues arising in the course of the Company's business activities. Internal guidelines governing risk management, insider trading, and the disclosure of share price sensitive information ensure compliance with all applicable laws and the implementation of the corporate governance recommendations specified in the German Corporate Governance Code.

The Company's Supervisory Board is informed about the status, plausibility, and further development of the risk management system by the Executive Board on an ongoing basis. In addition, its the Company's auditor's duty, to inform the Supervisory Board about the audit of the risk management early warning system.

The Company's auditor confirms that the Executive Board complies with §91, Section 2 German Companies Act, AktG and the herein required measures, especially the installation of an appropriate risk management system, that enables the company to detect developments, that could potentially endanger the continuity of the company.

Management Report on Internal Control over Financial Reporting

AIXTRON's Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the Securities and Exchange Act of the US Code of Federal Regulations, Title 17, Chapter II, §240.13a-15(f) or 15d-15(f)) to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of AIXTRON; (ii) provide reasonable assurance that all transactions are recorded as necessary to permit the preparation of AIXTRON's Consolidated Financial Statements and the proper authorization of receipts and expenditures of AIXTRON are being made in accordance with authorization of AIXTRON's Management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisi-

tion, use or disposition of AIXTRON's assets that could have a material effect on AIXTRON's Consolidated Financial Statements.

Management assessed AIXTRON's internal control over financial reporting as of December 31, 2007, the end of its fiscal year. Management based its assessment on criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and AIXTRON's overall control environment. This assessment is supported by testing and monitoring.

Based on the Company's assessment, Management has concluded that AIXTRON's internal control over financial reporting was effective as of December 31, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. AIXTRON's Management reviewed the results of Management's assessment with the Audit Committee of AIXTRON's Supervisory Board.

7.2. Single Risk Factors

Currency Exchange Risk

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, will adversely affect the Company's results of operation. In order to hedge foreign exchange risks, the Company routinely employs currency hedging instruments. With these instruments, expected income from fixed client orders and from specified expected client orders are hedged. Results from these hedging contracts could also negatively affect the company's results of operation.

Company Specific Risk, Market and Competition Risk

The semiconductor manufacturing equipment market is affected by semiconductor industry cycles. In the past, the semiconductor industry and its suppliers have experienced considerable fluctuations in supply and demand for semiconductors. The timing, length and severity of these cyclical fluctuations are difficult to predict. If demand for semiconductor manufacturing equipment declines, AIXTRON must be able to quickly align its cost structures with the changed market conditions, promptly reduce its inventory levels to the extent necessary to avoid the need for inventory write downs and at the same time, attempt to retain key employees. If demand for semiconductors rises, AIXTRON must be

able to develop sufficient manufacturing capacity and inventory in the short term and to hire a sufficient number of qualified employees.

To partly protect AIXTRON from negative effects of the cyclicality of the semiconductor markets, AIXTRON outsources a large part of its production to suppliers. To minimize risks in this area, the company generally dual sources the supply of procured key items.

AIXTRON invests heavily into R&D and AIXTRON's future success depends highly on its ability to translate the knowledge gained from R&D quickly and in-line with the technological and commercial market needs, into commercial success. Should this fail, then this could have a significantly adverse impact on the Company's net assets, financial position, and results of operations.

The potential risk from bad debt losses is significantly reduced by letters of credit or bank guarantees. Further information on this subject is contained in the Notes to the Consolidated Financial Statements for 2007.

Because in the past there has been substantial industry litigation regarding patents and other intellectual property rights infringements, AIXTRON cannot exclude the possibility of itself infringing upon intellectual property rights of third parties or of itself being held liable for supposedly infringing upon third party intellectual property rights. The costs associated with such litigation could be substantial.

AIXTRON's need for cash is generally provided for through operating cash flow and grants. The company currently commands adequate cash and cash equivalents to meet business needs and carries no debt. However, should AIXTRON not be able to generate sufficient sales revenues, due to a weaker market demand, then this may significantly harm operating results and cash flows in the future. If AIXTRON cannot quickly and appropriately realign its business structure in line with adverse conditions, the need for additional external funding may arise. If it is not possible to acquire sufficient funding, AIXTRON could be forced to delay or reduce operations.

7.3. Overall Statement to the Risk Situation

Neither within fiscal year 2007 or at the time of writing, the Executive Board has not identified any risks that could potentially jeopardize the Company's continued existence.

Skiers shine on the slopes

Osram and fashion designer Willy Bogner presented ski outfits at the event for Munich's application for the Olympic Winter Games 2018. The ski suits of the future will be equipped with state-of-the-art light technology. That means no one can be overlooked on the slopes anymore.

Twelve LEDs are operated by solar power and, in one model, cause the front and back as well as the sleeves to glow. The LED's, which are based on thin-film technology, are very bright; their optical efficiency is 55 lumens/watt. Since they are less than one centimeter high, they need little space, are suitable for a wide variety of designs, and can be integrated in the clothing without any problem.

In another Bogner clothing design, bands of LEDs create light accents in red and white. The LED module, which is attached to a flexible and separable circuit board, radiates the light upward or to the side, as desired, without developing much heat. As a long-life solution with more than double the luminous flux, the LED bands have a service life of up to 50,000 hours. *Source: www.elektrojournal.at 26.11.2007*

8. Report on Expected Developments

8.1. Future Strategic Positioning

The development of deposition technology for highly complex materials is expected to remain the Company's core competency and competitive advantage, upon which AIXTRON plans to further expand its established product portfolio into existing and future markets.

As at December 31, 2007, AIXTRON had no defined agreements for participation financing, Company acquisition or transfers of parts of the Company.

Systems for Compound Semiconductor Manufacturing

AIXTRON expects to maintain or expand its world market leadership and strong competitive positioning in the market for MOCVD systems over the coming years, and is aiming to continue to retain an estimated market share of at least 60 percent. Market research company VLSI Research, Inc. has estimated this market to be valued at USD 290m by the end of 2008 (2007e: USD 220m). However, the relatively small market size and the high market concentration on two internationally operating MOCVD system providers may be detrimental to further expansion objectives of AIXTRON's market leadership.

Systems for Organic Semiconductor Manufacturing

AIXTRON plans to drive forward with its strategy to introduce its OVPD® and PVPD technologies to a broader OLED display and lighting market. AIXTRON expects to achieve a share of at least 3 percent in the small molecule (SM) OLEDs deposition equipment market, estimated by Display Search to be USD 240m by the end of 2008 (2007e: USD 226m). As with all emerging technologies, there is an element of risk associated with the timing of AIXTRON's OVPD® and PVPD technology being adopted by the market.

Systems for Silicon Semiconductor Manufacturing

AIXTRON expects that the principal AIXTRON equipment market driver for silicon semiconductor applications will be Memory applications such as NAND Flash and DRAM, and that an emerging demand for new complex material solutions, such as high-k dielectrics, could potentially extend the Company's available market as the silicon industry moves to replace the incumbent materials currently used in silicon semiconductor applications.

The Company believes it is well positioned to serve the silicon semiconductor industry in a number of niche market applications with customized CVD, ALD, and AVD® technology deposition systems for the production of specialized applications such as gate stacks, memory capacitors, and MEMS, amongst others. VLSI Research, Inc. has estimated the silicon systems market niches AIXTRON addresses (tungsten silicide CVD, ALD and AVD® systems for the production of specialized applications such as gate stacks and capacitors) to be valued at USD 277m by the end of 2008 (2007e: USD 231m)

8.2. Future Economic Environment and Opportunities

The 2008 real gross domestic product (GDP) in most of the developed economies is expected to further increase year on year. Leading market research companies are predicting that in 2008, although revenues generated in the semiconductor industry will decrease year on year, the expected spending on Wafer Front End (WFE) equipment, where AIXTRON competes, will increase year on year*.

Due to the emerging market applications for LED Products and the currently strong unit demand, AIXTRON believes that capital expenditures for compound semiconductor equipment will remain the most prominent element of the Company's future revenues for several years to come.

* Sources: VLSI; Global Insight; Gartner Dataquest; SIA; SEMI; Companies Announcements

For Silicon Semiconductor deposition equipment, AIXTRON expects, despite the relatively stable capital investment levels in 2007, a more volatile capital investment behavior for semiconductor equipment in 2008. AIXTRON remains potentially well positioned with its ALD and AVD® Technology, for the introduction of sub-65 Nanometer technologies for the next generation of memory and integrated circuits (IC) applications. The exact timing of next-generation manufacturing technologies and material films being introduced into the silicon semiconductor industry remain difficult to accurately predict. Despite the uncertain predictability of investment behavior of major semiconductor manufacturers, the Company continues to actively engage potential customers of AIXTRON's ALD and AVD® equipment in dialogue, product evaluations, system assessments and Joint Development Programs as part of a pre-sales process in order to successfully launch the latest product technologies.

The following market trends open up new potential opportunities for AIXTRON:

Short Term

_ A further increase of capacity for the production of high-performance laser products and LED backlighting for LCD-Screens (liquid crystal displays).
_ Increased adoption of LEDs in automotive (e.g. interior lighting, headlights and rear lights), street lighting or other applications.

Mid Term

_ Increased development activities leading to the application of LEDs in general lighting.
_ Increased qualification of high volume Silicon Carbide (SiC) production applications and emerging hybrid automotive and photovoltaic transistor applications.
_ Development of plastic electronics/ flexible organic TFT backplanes.
_ Increased development activity for specialized compound solar cell applications.

Long Term

_ Promising progress in research activities leading to technologies for OLED lighting and organic material large area deposition.
_ Intensified activity in the development of new complex semiconductor material applications as substituting materials in the silicon semiconductor industry.
_ Development of new applications using Carbon Nanostructures (Carbon Nanotubes or Carbon Nanowires).

8.3. Expected Results of Operations and Financial Position

AIXTRON remains confident of the short, medium and long-term prospects in the targeted markets. With a currently positive outlook and activity levels, especially for LED applications, the Company anticipates a continuing healthy order intake level in the short to mid term, consequently, prospects for the years 2008 – 2010 remain encouraging.

Based on a solid closing equipment order backlog as of December 31, 2007 and an expected ongoing demand for AIXTRON's deposition equipment into 2008, especially for compound semiconductor equipment, the Company believes both revenue and net result should further improve in 2008 as compared to 2007. The corresponding production related items of the balance sheet will increase accordingly. Due to the large proportion of orders denominated in US-Dollar, the Company realizes that any weakening of the US-Dollar/Euro exchange rate will adversely affect the level of revenues and net result generated.

In 2008, the Company plans to continue to invest in laboratory equipment and further implementation of a group-wide SAP Enterprise Software System.

Due to the increased business activities, the number of employees is expected to further rise in 2008 as compared to the year-end 2007.

Following the increased business activity level and positive cash flow development in 2007, the Company has sufficient funds to be able to support the planned business activities in 2008.

Aachen, March 13, 2008

AIXTRON Aktiengesellschaft, Aachen

Executive Board

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 2 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 principal opportunities and risks associated with the expected development of the group."

AIXTRON AG

Executive Board

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Consolidated income statement

in kEUR	Note	2007	2006	2005
Revenues	3	214,815	171,685	139,402
Cost of sales		129,779	108,245	104,676
Gross profit		**85,036**	**63,440**	**34,726**
Selling expenses		27,163	23,366	27,766
General administration expenses		16,030	17,266	18,004
Research and development costs	5	26,532	23,942	30,514
Other operating income	6	6,612	8,468	5,565
Other operating expenses	7	1,280	1,635	2,900
Impairment of goodwill		0	0	13,782
Operating result		**20,643**	**5,699**	**-52,675**
Finance Income		1,857	1,003	693
Finance Expense		99	56	233
Net Finance Income	9	**1,758**	**947**	**460**
Result before taxes		**22,401**	**6,646**	**-52,215**
Taxes on income	10	5,151	789	1,253
Profit/loss attributable to the equityholders of AIXTRON AG (after taxes)		**17,250**	**5,857**	**-53,468**
Basic earnings per share (EUR)	23	0.20	0.07	-0.65
Diluted earnings per share (EUR)	23	0.19	0.07	-0.65

See accompanying notes to consolidated financial statements.

Consolidated balance sheet

in kEUR	Note	Dec. 31, 2007	Dec. 31, 2006
Assets			
Property, plant and equipment	12	35,121	36,381
Goodwill	13	58,974	65,052
Other intangible assets	13	12,508	15,097
Investment property	14	4,908	4,908
Other non-current assets	15	745	671
Deferred tax assets	16	4,773	5,380
Tax assets	17	437	486
Total non-current assets		**117,466**	**127,975**
Inventories	18	60,013	53,149
Trade receivables less allowance kEUR 567 (2006: kEUR 311)	19	33,490	27,677
Current tax assets	11	59	699
Other current assets	19	9,025	4,450
Other financial assets	20	4,831	2,781
Cash and cash equivalents	21	71,943	46,751
Total current assets		**179,361**	**135,507**
Total assets		**296,827**	**263,482**
Liabilities and shareholders' equity			
Subscribed capital			
Number of shares: 89,138,905 (last year: 87,836,154)		89,139	87,836
Additional paid-in capital		102,562	97,444
Retained earnings		13,845	-3,406
Income and expenses recognised in equity		-7,192	2,068
Total shareholders' equity	22	**198,354**	**183,942**
Provisions for pensions	26	878	983
Other non-current liabilities		71	76
Other non-current accruals and provisions	26	1,496	2,030
Total non-current liabilities		**2,445**	**3,089**
Trade payables	27	23,761	29,926
Advance payments from customers		49,988	31,421
Other current accruals and provisions	26	16,473	12,591
Other current liabilities	27	1,303	1,443
Current tax liabilities	11	4,254	536
Convertible bonds	28	0	3
Deferred revenues		249	531
Total current liabilities		**96,028**	**76,451**
Total liabilities		**98,473**	**79,540**
Total liabilities and shareholders' equity		**296,827**	**263,482**

See accompanying notes to consolidated financial statements.

Consolidated cash flow statement

in kEUR	Note	2007	2006	2005
Cash inflow/outflow from operating activities				
Net income/loss for the year (after taxes)		17,250	5,857	-53,468
Reconciliation between profit and cash inflow/outflow from operating activities				
Expense from share-based payments		1,250	1,450	1,801
Impairment expense		332	816	26,630
Depreciation and amortization expense		9,748	9,900	10,406
Net result from disposal of property, plant and equipment		36	38	484
Deferred income taxes		620	1,351	-509
Other non-cash expenses		2,888	1,247	0
Change in				
Inventories		-9,601	-21,388	8,738
Trade receivables		-8,086	-4,749	-5,316
Other assets		-4,045	-1,640	328
Trade payables		-5,518	12,894	-560
Provisions and other liabilities		8,295	-3,773	1,138
Deferred revenues		-243	-151	-1,280
Non-current liabilities		-452	-924	1,091
Advance payments from customers		20,390	19,841	-1,684
Cash inflow/outflow from operating activities		**32,864**	**20,769**	**-12,201**
Cash inflow/outflow from investing activities				
Cash from acquisitions		80	0	9,049
Cost related to the acquisitions		-458	0	-3,628
Capital expenditures in property, plant and equipment		-6,090	-2,181	-8,323
Capital expenditures in intangible assets		-2,029	-184	-64
Bank deposits with a maturity of more than 90 days	20	-2,050	-2,781	0
Cash inflow/outflow from investing activities		**-10,547**	**-5,146**	**-2,966**
Cash inflow/outflow from financing activities				
Exercise of stock options		5,171	83	0
Cash inflow/outflow from financing activities		**5,171**	**83**	**0**
Effect of changes of exchange rates on cash and cash equivalents		-2,296	-390	1,104
Net change in cash and cash equivalents		25,192	15,316	-14,063
Cash and cash equivalents at the beginning of the period		46,751	31,435	45,498
Cash and cash equivalents at the end of the period	21	**71,943**	**46,751**	**31,435**
Interest paid		-85	-166	-38
Interest received		1,850	971	691
Income taxes paid		-988	-1,313	-506
Income taxes received		376	8	23

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in equity

					Income and expense recognised directly in equity			
in kEUR	Subscribed capital under HGB	Treasury shares	Subscribed capital under IFRS	Additional paid-in-capital	Currency translation	Derivative financial instruments	Retained Earnings/ Accumulated deficit	Shareholders' equity Total
Balance at January 1, 2005	**64,832**		**64,832**	**28,803**	**-2,196**	**1,324**	**44,204**	**136,967**
Net los for the period							-53,468	-53,468
Capital increase against contribution in kind	24,968	-4,428	20,540	62,161				82,701
Expense for stock options				1,801				1,801
Exercise								
– convertible bonds		2,384	2,384	3,142				5,526
– stock options		41	41	44				85
Currency translation					11,616			11,616
Derivative financial instruments net of tax						-1,629		-1,629
Balance at December 31, 2005	**89,800**	**-2,003**	**87,797**	**95,951**	**9,420**	**-305**	**-9,264**	**183,599**
Balance at January 1, 2006	**89,800**	**-2,003**	**87,797**	**95,951**	**9,420**	**-305**	**-9,264**	**183,599**
Net income for the period							5,857	5,857
Expense for stock options				1,450				1,450
Exercise stock options		40	40	43				83
Currency translation					-7,871			-7,871
Derivative financial instruments net of tax						824		824
Balance at December 31, 2006	**89,800**	**-1,963**	**87,836***	**97,444**	**1,549**	**519**	**-3,406***	**183,942**
Balance at January 1, 2007	**89,800**	**-1,963**	**87,836**	**97,444**	**1,549**	**519**	**-3,406**	**183,942**
Net income for the period							17,250	17,250
Expense for stock options				1,250				1,250
Exercise stock options	644	658	1,303	3,868				5,171
Currency translation					-9,932			-9,932
Derivative financial instruments net of tax						672		672
Balance at December 31, 2007	**90,444**	**-1,305**	**89,139**	**102,562**	**-8,383**	**1,191**	**13,845***	**198,354***

* rounded / See accompanying notes to consolidated financial statements.

Statement of recognised income and expense

in kEUR	2007	2006	2005
Net income/loss	**17,250**	**5,857**	**-53,468**
Unrealised gains/losses from derivative financial instruments before taxes	961	1,122	-2,493
Currency translation adjustment	-9,932	-7,871	11,616
Deferred taxes	-289	-298	864
Net income/loss recognised directly in equity	**-9,260**	**-7,047**	**9,987**
Total recognised income and expenses for the period	**7,990**	**-1,190**	**-43,481**

See accompanying notes to consolidated financial statements.

In Vienna, light makes the ice glow and the flowers grow

In 2007, the "Stadium Center Vienna", Vienna's new shopping center, opened its doors. This occasion was made all the more special by the use of state-of-the-art LED technology in a manner appropriate to the season and the occasion.

The six LED lighting solutions integrated in the project were created especially for the shopping center. Delicate strips of light transformed the atrium roof into a red sky above the heads of visitors. In the foyer, a block of ice 23 meters high with walls 1 meter thick, through which patrons could ride on a glass elevator, was a magnet to visitors.

All the lighting solutions were presented in individual designs: The massive ice fall integrated 112 special LED light tiles, each measuring 60 x 60 centimeters to provide dynamic background lighting and shimmering color effects. 324 square media lights arranged on nine ceiling surfaces were the lighting attraction. They each have 144 individually controllable RGB-LEDs, and make it possible to produce not only lighting effects but also to show text, photos, and videos. Sometimes swimmers appear on the video tiles from one end of the Stadium Center to the other; the next moment flowers are blooming there.

Source: www.voltimum.de/news_17104.html

Notes to the consolidated financial statements
1. General principles

AIXTRON AG ("AIXTRON AG") is incorporated as a stock corporation ("Aktiengesellschaft") under the laws of the Federal Republic of Germany. The Company is domiciled at Kackertstraße 15-17, 52072 Aachen, Germany. AIXTRON AG is registered in the commercial register of the District Court ("Amtsgericht") of Aachen under HRB 7002.

The consolidated financial statements of AIXTRON AG 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 315a of HGB (German Commercial Law).

AIXTRON is a leading provider of deposition equipment to the semiconductor and compound-semiconductor industry. The Company's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and optoelectronic applications based on compound, silicon, or organic semiconductor materials. Such components are used in fibre optic communication systems, wireless and mobile telephony applications, optical and electronic storage devices, computing, signalling 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 for its meeting held on March 12, 2008.

2. Significant accounting policies

(a) Companies included in consolidation

Companies included in consolidation are the parent company, AIXTRON AG, and 8 companies, in which AIXTRON AG has a 100 percent direct shareholding or control. The balance sheet date of all consolidated companies is December 31. A list of all significant consolidated companies is shown in note 34.

(b) Basis of accounting

The consolidated financial statements are presented in Euro (EUR). The amounts are rounded to the nearest thousand Euro (kEUR). Some items in the balance sheet and income statement have been combined under one heading to improve the clarity of presentation. Such items are disclosed and commented on individually in the notes.

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 41.

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 AG has control are treated as subsidiaries (see note 34). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that controlling influence commences.

(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 used as functional currencies of these subsidiaries. Assets and liabilities of these subsidiaries are translated to EUR at the exchange rate ruling at 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 income and expenses recognised in equity.

Exchange gains and losses resulting from fluctuations in exchange rates in the case of foreign currency transactions are recognised 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, less accumulated depreciation (see below) and impairment losses (see accounting policy (k)).

Costs of internally generated assets include not only costs of material and personnel, but also a share of overhead costs.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Interest is expensed as incurred.

(ii) Subsequent costs

The Company recognises 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 date of capitalisation.

(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. The estimated useful lives are as follows:

_ Buildings	25 years
_ Machinery and equipment	3 – 10 years
_ Other plant, factory and office equipment	3 – 8 years

(f) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since January 1, 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill, determined under the previous accounting principles (US-GAAP), applied until 2004, and has continued to be recognised at its then carrying amount.

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 (k)).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding using scientific methods, is recognised 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 or are only met at a very late point within the development process, for reasons of materiality AIXTRON did not capitalise such costs.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (k)).

Intangible assets acquired through business combinations are stated at their fair value at the date of purchase (see note 4).

Expenditure on internally generated goodwill, trademarks and patents is expensed as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised 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) Amortisation

Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill. Goodwill is tested annually in respect of its recoverable amount. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 2 – 3 years
- Patents and similar rights 5 – 18 years
- Customer base and product and technology know how 6 – 7 years

(g) Investment property

Investment properties are measured using the cost model.

(h) Financial Instruments

(i) Financial Assets

Financial assets are classified into the following specific categories: financial assets 'at fair value through the profit or loss' (FVTPL), 'held to maturity investments', and '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 recognised 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
- it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value is the estimated amount that a bank would receive or pay to terminate the derivative contracts at the reporting date, taking into account current exchange rates, volatility and the credit-worthiness of the counterparties (mark-to-market).

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(iii) Held to maturity investments

Investments with fixed or determinable payments and fixed maturity dates that the Company intends to hold to maturity are classified as held to maturity investments. Held to maturity investments are recorded at amortised cost using the effective interest rate method less any impairment, with revenue recognised 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 amortised 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 recognised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

(vi) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks with a maturity of up to 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
- it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value is the estimated amount that a bank would receive or pay to terminate the derivative contracts at the reporting date, taking into account current exchange rates, volatility and the credit-worthiness of the counterparties (mark-to-market).

(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 amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

(xi) Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange currency rates (see note 30). 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 recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised 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 recognised 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 recognised in equity is transferred to net profit or loss for the period.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable 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.

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 for the next twelve months or historical trailing twelve month usage. When there has been no usage of an inventory item during a period of twelve months, the Company writes down such inventories based on previous experience.

(j) Operating Result

Operating result is stated before finance income, finance expense and tax.

(k) 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 recognised to the extent that the carrying amount exceeds the higher of net realisable value or value in use (recoverable amount) 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. Impairment losses on such assets are recognised, to the extent that the carrying amount exceeds either the net realisable 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 recognised.

An impairment loss in respect of goodwill is not reversed.

(l) Earnings per share

Basic earnings per share are computed by dividing net income (loss) by the weighted average number of issued common shares and AIXTRON ADS (see note 23) 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 and convertible bonds were converted, unless such conversion had an anti-dilutive effect.

(m) Convertible bonds

Convertible bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Defined benefit plans

The obligation from defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in the income statement at each balance sheet date.

(iii) Share-based payment transactions

The stock option programs allow members of the Executive Board, management and employees of the Company to acquire shares/ADS (see note 25) of the Company. These stock option programs are accounted for by AIXTRON according to IFRS 2. The fair value of options granted after November 7, 2002 is recognised as personnel expense with a corresponding increase in the 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 binomial lattice 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.

(o) Provisions

A provision is recognised in the balance sheet 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 offers one to 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 recognised. Factors that affect the Company's warranty liability include the historical and anticipated rates of warranty claims and cost per claim.

The Company accrues material and labor 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.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(p) Revenue

Revenue is generated from the sale and installation of equipment, spare parts and maintenance services. The sale of equipment involves a customer acceptance test 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 recognised upon shipment to the customer, if a full customer acceptance test has been successfully completed at the AIXTRON production facility and the risk has passed to the customer.

Revenue relating to the installation of the equipment at the customer's site is recognised when the installation is completed and the final customer acceptance has been confirmed. The portion of the contract revenue deferred until completion of the installation services is determined based on either the fair value of the installation services or 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 an estimate of the materials and time required to complete the installation.

Revenue related to products where meeting the product specification requirements has not yet been demonstrated, or where specific rights of return have been negotiated, is recognised only upon final customer acceptance.

Revenue on the sale of spare parts is recognised when title and risk passes to the customer, generally upon shipment. Revenue from maintenance services is recognised as the services are provided.

(q) 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. 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 recognised as expense on a straight-line basis over the term of the lease.

(r) 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.

(s) Tax

The tax expense represents the sum of the tax currently payable 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 recognised upon adoption of the amended law.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits can be set off against tax credits and tax loss carry forwards. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realised. The recoverability of deferred tax assets is reviewed at least annually.

(t) Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing products or services which are subject to similar risks and rewards. AIXTRON operates in worldwide markets. As the risks and rates of return are primarily affected by projects and services, the primary format for the reporting of segment information is business segments with secondary information reported geographically.

Internally reported product lines are combined for group reporting in one business segment as defined in IAS 14.34, as they show only insignificant differences as to long term profit forecasts and as they are materially similar in the assessment of the criteria used to distinguish the individual business segments as defined in IAS 14.9.

Accounting standards applied in segment reporting are in accordance with the general accounting policies as explained in this section. The disclosed revenues earned with other segments are at arm's length.

(u) 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.

(v) Recently issued accounting standards

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after January 1, 2007, and the related amendment to IAS 1: Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the amendment to IFRS 1 has been to expand the disclosures provided in these statements concerning the company's financial instruments and management of capital. Four interpretations issued by the International Financial Reporting Interpretation Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the Company's accounting policies.

The following list shows IFRS Standards and Amendments to IFRS not compulsory and not applicable for reporting periods ended on December 31, 2007. These standards were not applied earlier than required. AIXTRON is currently analysing the impact of the new standards on its consolidated financial statements. The Company does not expect the adoption of these standards to have a material impact on its consolidated financial statements.

IFRS 8	Operating Segments Issued: November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions Issued: November 2006
IFRIC 12	Service Concession Arrangements Issued: November 2006
IFRIC 13	Customer Loyalty Programmes Issued: October 2007
IFRIC 14	IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Issued: October 2007
Amendment to IAS 23	Borrowing Costs Issued: March 2007

3. Segment reporting

The following segment information has been prepared in accordance with IAS 14 "Segment Reporting". As AIXTRON has only one reportable business segment (see note 2 (t)), the segment information provided relates only to the Company's geographical segments, this being secondary segment information.

The Company markets and sells the majority of its products in Asia, Europe and the United States, mainly through its direct sales organisation and cooperation partners.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Segment capital expenditure consists of the total additions to segment assets that are expected to be used for more than one period.

Geographical segments

in kEUR		Asia	Europe	United States	Consoli-dation	Group
Revenues realised with third parties	2007	174,133	18,786	21,896		214,815
	2006	135,223	22,232	14,230		171,685
	2005	103,036	22,052	14,314		139,402
Total segment revenues	**2007**	**174,133**	**18,786**	**21,896**	**0**	**214,815**
	2006	**135,223**	**22,232**	**14,230**	**0**	**171,685**
	2005	**103,036**	**22,052**	**14,314**	**0**	**139,402**
Segment assets	2007	10,034	250,782	80,044	-130,210	210,650
	2006	12,967	231,370	91,158	-132,530	202,965
	2005	13,841	214,775	98,795	-127,862	199,549
Segment capital expenditures	2007	25	6,188	1,892		8,105
	2006	202	1,953	700		2,855
	2005	308	10,213	93,262		103,783

Revenues are shown in the following table:

in kEUR	2007	2006	2005
Revenues for sale of goods	213,357	169,759	137,306
Revenues for service and repair	1,458	1,926	2.096
Total of revenues realised with third parties	**214,815**	**171,685**	**139,402**
Finance Income	1,857	1,003	693
	216,672	**172,688**	**140,095**

Revenues for sale of goods in 2005 include revenues from barter transactions in the amount of kEUR 3,701.

4. Acquisition of subsidiaries

All acquisitions are accounted for using the purchase method of accounting.

On October 4, 2007 AIXTRON Ltd, Cambridge UK, acquired 100 percent of the issued share capital of Nanoinstruments Ltd. The consideration was an initial payment of kEUR 430 on October 4, 2007, a second payment of kEUR 430 on January 2, 2008 and further payments of up to kEUR 2,578, depending on the level of future sales up to December 31, 2011. Nanoinstruments Ltd manufactures PECVD equipment for the production of carbon nanotubes and nanowires. The business was transferred to AIXTRON Ltd on October 4, 2007.

The net assets acquired and the consideration was:

in kEUR	Carrying amount	Fair value adjustment	Acquisition cost
Intangible assets	0	823	823
Inventories	40	0	40
Trade and other receivables	3	0	3
Cash and cash equivalents	80	0	80
Acquired assets	**123**	**823**	**946**
Trade and other payables	-83	0	-83
Current tax liabilities	-8	0	-8
Deferred tax liabilities	0	-228	-228
Acquired liabilities	**-91**	**-228**	**-319**
Net assets	**32**	**595**	**627**
Goodwill arising on acquisition			278
Total purchase price			**905**

in kEUR	
Satisfied by:	
Cash paid October 4, 2007	458
Cash payable January 2, 2008	447
	905

kEUR	
Net cash outflow arising on acquisition in 2007	
Cash consideration	430
Directly attributable cost paid	28
Less: cash and cash equivalents acquired	-80
	378

In 2006 the former AIXTRON, Inc., Atlanta was merged into Genus, Inc., Sunnyvale. The resulting entity was renamed AIXTRON, Inc., Sunnyvale (see note 34). All disclosures relating to the acquisition of the former Genus, Inc. are described as referring to "former Genus" or "Genus".

On July 2, 2004, AIXTRON announced its intention to acquire Genus, Inc. Genus is a supplier of Atomic Layer Deposition and Chemical Vapor Deposition technology, which is required in the production of advanced semiconductors and hard disk drives. AIXTRON acquired all issued and outstanding shares of Genus, Inc. with effect from March 14, 2005.

The United States Securities and Exchange Commission (SEC) declared the F-4 registration statement of AIXTRON AG effective on February 8, 2005. On March 10, 2005, the extraordinary meeting of shareholders of Genus, Inc. took place. The shareholders of Genus approved the merger pursuant to the laws of the State of California through the affirmative vote of holders of more than 50 percent of the issued and outstanding shares.

As part of the acquisition of Genus by AIXTRON all Genus, Inc. shares were exchanged for AIXTRON American Depositary Shares (ADS) in a stock-for-stock transaction. The shareholders of Genus received 0.51 AIXTRON ADS in exchange for each Genus common share. Each AIXTRON ADS represents the beneficial ownership in one AIXTRON common share.

In the context of the acquisition, AIXTRON issued additional ADS for the holders of employee stock options, other options and convertible bonds existing at the date of acquisition. These ADS were transferred to a trust at the date of acquisition that keeps the

ADS until they are granted to the holders of the options and the convertible bonds. Upon consummation of the transaction, the historical shareholders of AIXTRON AG held approximately 72 percent and the former shareholders of Genus approximately 28 percent of AIXTRON AG taking into consideration all ADS issued as part of the transaction (see note 22).

The total purchase price for the acquisition of Genus comprises the following:

in kEUR	
Fair value of an AIXTRON share of common stock as of March 14, 2005 (20,539,956 shares at 3.72 EUR per share)	76,409
Fair value of the stock options granted by Genus, Inc.	2,494
Fair value of the convertible bond issued by Genus, Inc.	3,799
Acquisition-related costs	9,403
	92,105

The fair value of shares granted by AIXTRON AG was calculated as the quoted share price at the transfer date.

The following table summarises the effect of the fair value adjustments on the assets acquired and liabilities assumed at the date of acquisition.

in kEUR	Carrying amount	Fair value adjustment	Acquisition cost
Current assets	28,435	-6,761	21,674
Property, plant and equipment	9,918	-5,684	4,234
Other intangible assets	0	24,316	24,316
Other assets	580	-412	168
Acquired assets	**38,933**	**11,459**	**50,392**
Current liabilities	15,399	5,778	21,177
Acquired assets less liabilities	**23,534**	**5,681**	**29,215**
Goodwill arising on acquisition			62,890
Total purchase price			92,105

The intangible assets acquired were classified according to the following categories:

in EUR millions	
Customer base	9.2
Product and technology know how	15.1
	24.3

Goodwill was recognised in the course of the transaction. The book value of the goodwill developed as follows:

in kEUR	2007	2006
Carrying amount at January 1	50,807	57,032
Additions at date of first-time consolidation	0	0
Subsequent fair value adjustment	0	-397
Impairment	0	0
Effects from currency translation	-5,300	-5,828
Carrying amount at December 31	**45,507**	**50,807**

In 2007 the Genus goodwill is unchanged except for exchange rate differences.

The following table summarises pro forma financial information assuming the Genus acquisition had occurred on January 1, 2004. This pro forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the date presented and should not be taken as representative of future consolidated results of operation or financial position.

in kEUR	Jan 1 - Dec 31, 2005	Jan 1 - Dec 31, 2004
Revenues	143,381	172,552
Net loss	-60,255	-10,292
Earnings per share		
– basic	-0.73	-0.12
– diluted	-0.73	-0.12

The consolidated loss for the year 2005 includes a net loss of kEUR 30,722, arising in the original Genus group since the acquisition.

5. Research and development

Research and development costs, before deducting project funding received, were kEUR 26,532, kEUR 23,942 and kEUR 30,514 for the years ended December 31, 2007, 2006 and 2005 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 23,803, kEUR 19,397 and kEUR 27,627 for the years ended December 31, 2007, 2006 and 2005 respectively.

Research and development expenses in 2007 include impairment expenses for property, plant and equipment in the amount of kEUR 332 (2006: kEUR 816; 2005: kEUR 1,601) and for intangible assets in the amount of kEUR 0 (2006: kEUR 0; 2005: kEUR 3,701) (see notes 12 and 13 for details).

Epson: OLED display with unique contrast

In the fall of 2007, Epson presented an innovation in organic light-emitting diodes (OLEDs): The new OLED display is said to offer an extremely long service life and the "ultimate black" value.

Producing OLEDs in sustainable quality has been one of the greatest challenges for this technology. Until now, OLEDs did not reach the service lives of white or colored LEDs (light-emitting diodes). Thanks to improvement in the luminous substance and new structures, these new OLEDs are now said to have a service life of 50,000 hours.

The OLED display first presented in Yokohama has a screen diagonal of eight inches and a resolution of 800 x 480 pixels. In comparison to an LCD display, the brightness of 200 cd/qm is somewhat low. However, the new OLEDs from Epson offer a previously unmatched contrast ratio of more than 100,000:1.

Source: www.channelpartner.de October 18, 2007

6. Other operating income

in kEUR	2007	2006	2005
Research and development funding	2,729	4,545	2,887
Income from resolved contract obligations	675	548	720
Income from the reversal of provisions and the write-off of debts	1,727	1,883	837
Other grants, reimbursements and costs passed on	0	99	369
Compensation payments	2	12	69
Rental income	0	0	22
Foreign exchange gains	889	1,059	9
Other	590	322	652
	6,612	**8,468**	**5,565**

The amount of exchange gain recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss was kEUR 1,165 (2006: kEUR 468, 2005: kEUR 9).

7. Other operating expenses

in kEUR	2007	2006	2005
Foreign exchange losses	575	905	2,063
Losses from the disposal of property, plant and equipment	6	125	217
Additions to allowances for receivables or write-off of receivables	481	216	102
Other	218	389	518
	1,280	**1,635**	**2,900**

8. Personnel expense

in kEUR	2007	2006	2005
Wages and salaries	38,823	35,652	34,633
Social insurance contributions	4,241	4,222	4,236
Decrease/Increase in defined benefit plan obligations	-106	5	276
Expense for defined contribution plans	824	701	151
Stock option expense	1,247	1,450	1,801
	45,029	**42,030**	**41,097**

9. Net finance income

in kEUR	2007	2006	2005
Interest income from financial assets	1,857	1,003	693
Interest expense from financial liabilities	-99	-56	-233
Net finance costs	**1,758**	**947**	**460**

10. Income tax expense/benefit

The following table shows income tax expenses and income recognised in the consolidated income statement

in kEUR	2007	2006	2005
Current tax expense (+)/current tax income (-)			
for current year	5,022	424	282
adjustment for prior years	13	-827	433
Total current tax expense	**5,035**	**-403**	**715**
Deferred tax expense (+)/deferred tax income (-)			
from temporary differences	3,718	783	-1,441
expense from changes in local tax rate	1,518	0	0
from reversals and write-downs	-5,120	409	1,979
Total deferred tax expense	**116**	**1,192**	**538**
Total income tax expense in consolidated income statement	**5,151**	**789**	**1,253**

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

in kEUR	2007	2006	2005
Income/(loss) before income taxes			
Germany	12,892	1,389	-20,171
Outside Germany	9,509	5,257	-32,044
Total	**22,401**	**6,646**	**-52,215**
Income tax expense			
Germany	1,769	-623	372
Outside Germany	3,382	1,412	881
Total	**5,151**	**789**	**1,253**

The Company's effective tax rate is different from the German statutory tax rate of 39.45 percent (2006: 39.45 percent; 2005: 39,45 percent) 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 kEUR	2007	2006	2005
Net result before taxes	**22,401**	**6,646**	**-52,215**
Income tax expense (German tax rate)	8,837	2,622	-20,599
Effect from differences to foreign tax rates	-1,166	-680	1,494
Non-deductible expenses	251	528	224
Non-consideration of tax claims from loss carryforwards	-204	104	10,467
Reversal of Allowance against deferred tax assets	-5,120	409	1,979
Expense from changes in local tax rate	1,518	0	0
Effect of the use of loss carryforwards	-243	-2,830	-157
Non-deductible impairment and amortisation of: Goodwill, acquired customer relations and product and technology know how	873	957	8,639
Effect of permanent differences	216	252	-1,438
Other	189	-573	644
Income tax expense in consolidated income statement	**5,151**	**789**	**1,253**
Effective tax rate	**23.0%**	**11.9%**	**-2,4%**

11. Current tax assets and liabilities

In 2007 the current tax assets and liabilities, i.e. those actually incurred because the amount of tax paid in the current or in prior periods was either too high or too low, are kEUR 59 (2006: kEUR 4.254) and kEUR 699 (2006: kEUR 536) respectively.

12. Property, plant and equipment

Development of property, plant and equipment

in kEUR	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construc-tion	Total
Cost					
Balance at January 1, 2006	31,113	26,728	10,414	3,949	**72,204**
Acquisitions	79	1,623	614	355	**2,671**
Disposals	82	439	1,386	1,222	**3,129**
Transfers	0	2,893	-112	-2,781	**0**
Effect of movements in exchange rates	-15	-558	-192	-28	**-793**
Balance at December 31, 2006	**31,095**	**30,247**	**9,338**	**273**	**70,953**
Balance at January 1, 2007	31,095	30,247	9,338	273	**70,953**
Acquisitions	19	1,948	780	3,343	**6,090**
Disposals	0	332	219	1	**552**
Transfers	0	262	0	-262	**0**
Effect of movements in exchange rates	-140	-675	-267	0	**-1,082**
Balance at December 31, 2007	**30,974**	**31,450**	**9,632**	**3,353**	**75,409**
Depreciation and impairment losses					
Balance at January 1, 2006	8,570	13,683	7,772	0	**30,025**
Depreciation charge for the year	1,518	3,702	1,317	0	**6,537**
Impairment losses	0	0	0	816	**816**
Disposals	2	279	1,371	816	**2,468**
Transfers	0	56	-56	0	**0**
Effect of movements in exchange rates	-11	-169	-158	0	**-338**
Balance at December 31, 2006	**10,075**	**16,993**	**7,504**	**0**	**34,572**
Balance at January 1, 2007	10,075	16,993	7,504	0	**34,572**
Depreciation charge for the year	1,489	4,158	926	0	**6,573**
Impairment losses	0	332	0	0	**332**
Disposals	0	332	185	0	**517**
Transfers	0	0	0	0	**0**
Effect of movements in exchange rates	-86	-347	-239	0	**-672**
Balance at December 31, 2007	**11,478**	**20,804**	**8,006**	**0**	**40,288**
Carrying amounts					
At January 1, 2006	22,543	13,045	2,642	3,949	**42,179**
At December 31, 2006	21,020	13,254	1,834	273	**36,381**
At January 1, 2007	21,020	13,254	1,834	273	**36,381**
At December 31, 2007	19,496	10,646	1,626	3,353	**35,121**

Depreciation

Depreciation expense amounted to kEUR 6.573 for 2007 and was kEUR 6,537 and kEUR 6,125 for 2006 and 2005 respectively.

Impairments

During 2007 an impairment loss for self-built systems of kEUR 332 (2006 kEUR 816) was recognised. Changes in the required technical specifications and a lack of usability resulted in a write-off of capitalized equipment.

Impairments in 2005 amounted to kEUR 1,601 and were attributable to the complete write-down of certain assets. Such assets were constructed for the further development of AIXTRON technology in the semiconductor industry (especially silicon germanium applications for Telecom/Datacom components). Due to changed market conditions the manufacturing cost exceeded the value in use. This was the reason for the impairment.

All impairment losses recognised during 2007, 2006 and 2005 are included in research and development costs in the income statement.

Government grants

In 2007, the cost of machinery and equipment was reduced by kEUR 17 (2006: kEUR 622, 2005: 1,070), because of government grants. Of that amount, kEUR 0 (2006: kEUR 94, 2005: kEUR 648) has been accrued as receivable and kEUR 17 (2006: kEUR 528, 2005: kEUR 422) was paid in cash.

Construction in progress

Construction in progress relates to self-built systems for development laboratories.

13. Intangible assets

Development of intangible assets

in kEUR	Goodwill	Other intangible assets	Total
Cost			
Balance at January 1, 2006	91,780	40,443	**132,223**
Acquisitions through business combinations	0	184	**184**
Acquisitions	-397	0	**-397**
Disposals	0	2	**2**
Effect of movements in exchange rates	-6,901	-2,765	**-9,666**
Balance at December 31, 2006	**84,482**	**37,860**	**122,342**
Balance at January 1, 2007	84,482	37,860	**122,342**
Acquisitions through business combinations	278	823	**1,101**
Acquisitions	0	928	**928**
Effect of movements in exchange rates	-8,111	-2,786	**-10,897**
Balance at December 31, 2007	**76,649**	**36,825**	**113,474**
Amortisation and impairment losses			
Balance at January 1, 2006	20,778	20,677	**41,455**
Depreciation charge for the year	0	3,363	**3,363**
Disposals	0	2	**2**
Effect of movements in exchange rates	-1,348	-1,275	**-2,623**
Balance at December 31, 2006	**19,430**	**22,763**	**42,193**
Balance at January 1, 2007	19,430	22,763	**42,193**
Depreciation charge for the year	0	3,175	**3,175**
Effect of movements in exchange rates	-1,755	-1,621	**-3,376**
Balance at December 31, 2007	**17,675**	**24,317**	**41,992**
Carrying amounts			
At January 1, 2006	71,002	19,766	**90,768**
At December 31, 2006	65,052	15,097	**80,149**
At January 1, 2007	65,052	15,097	**80,149**
At December 31, 2007	58,974	12,508	**71,482**

Major intangible assets

In 2005 AIXTRON acquired the customer base and product and technology know how of Genus. These assets are included in additions through business combinations for 2005. In 2007 the acquisition of Nanoinstruments Ltd resulted in the addition of that company's product and technology know-how. Customer base and product and technology know how are amortised over a period of between four and four to six years respectively. The following table shows the development of net book values of these intangible assets at the balance sheet dates:

in kEUR	Customer base	Product and technology know how
Carrying amount January 1, 2006	7,144	8,991
Amortisation	1,307	1,428
Effect from currency translation	-669	-851
Carrying amount December 31, 2006	**5,168**	**6,712**
Additions through business combinations	0	823
Amortisation	1,184	1,376
Effect from currency translation	-450	-618
Carrying amount December 31, 2007	**3,534**	**5,541**

Amortisation and impairment expenses for other intangible assets

Amortisation and impairment expenses for other intangible assets are recognised in the income statement as follows:

in kEUR	2007		2006		2005	
	Amortisation	Impairment	Amortisation	Impairment	Amortisation	Impairment
Cost of sales	1,194	0	1,300	0	2,215	5,680
Selling expenses	1,322	0	1,445	0	1,414	1,866
General administration expenses	182	0	206	0	195	0
Research and development costs	477	0	412	0	457	3,701
	3,175	**0**	**3,363**	**0**	**4,281**	**11,247**

In 2005, an impairment loss of kEUR 3,701 was charged on intangible assets. It relates to additions to patents and production methods in 2005. Due to changed market conditions in respect of these intangible assets it was not possible to reliably determine the economic benefit to be received in future periods. As a result an impairment loss was recognised.

Furthermore during 2005, market studies showed that the sales markets for specific AIXTRON technologies will be available to the Company only at a date later than previously anticipated. Considering this fact, AIXTRON performed an impairment test for developed technologies acquired from Genus in 2005. On the basis of these tests an impairment of kEUR 5,680 to the lower value in use was recognised in 2005.

In 2005, AIXTRON also realised an impairment loss of kEUR 1,866 on the customer base acquired from Genus as the flows of economic benefit attributable to these customers at the balance sheet date no longer reflect the original planning at the date of acquisition. In the fiscal years 2006 and 2007, no further impairment losses were required

No reversals were made in 2007, 2006 or 2005.

The amortisation expected to be charged on other intangible assets in the future years is as follows:

in kEUR	
2008	3,224
2009	3,195
2010	3,185
2011	1,879
2012	667

The actual amortisation can differ from the expected amortisation.

Impairment of goodwill

The carrying amount of goodwill at the balance sheet date by entity is as follows:

in kEUR	2007	2006
AIXTRON, Inc.	45,507	50,807
AIXTRON Ltd.	11,489	12,267
Epigress AB	1,791	1,791
AIXTRON KK	187	187
	58,974	**65,052**

The impairment test for cash generating units is based on projections of cash flows on the basis of the latest business plan. To evaluate the present value AIXTRON estimated the cash inflows for the period following the planning period of three to five years by carrying forward an estimated growth rate, which is based on individual market studies, for the following years. The value in use for each cash generating unit was calculated, using a discounted cash flow. A pre-tax discount rate of 15 percent for Genus and 13 percent for other cash generating units was applied in discounting the projected cash flows. The resulting value in use was compared to the carrying amount of the cash generating unit.

In 2007 and 2006 no impairment of goodwill was required.

In 2005 the comparison of the carrying amount with the value in use showed that an impairment of the Genus goodwill of kEUR 13.705 was needed.

14. Investment property

The net book value at the balance sheet date of investment property amounted to kEUR 4.908 (2006: kEUR 4.908). Investment property relates to undeveloped land held for a purpose not yet determined. It may be used for a possible extension of production capacity. The carrying amount is determined using the cost model. The fair value is equal to the carrying amount. The fair value of the land at December 31, 2007 was determined using related standard land values.

15. Other non-current assets

Other non-current assets totalling kEUR 745 (2006: kEUR 671) include mainly rent deposits for buildings.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
in kEUR	2007	2006	2007	2006	2007	2006
Property, plant and equipment	106	149	-22	-20	84	129
Trade receivables	105	605	0	-55	105	550
Inventories	1,019	1,152	0	0	1,019	1,152
Employee benefits	69	155	0	0	69	155
Deferred revenues	40	60	-78	-144	-38	-84
Provisions and other liabilities	29	200	-166	-395	-137	-195
Customer advances	0	0	-251	-220	-251	-220
Other	0	18	-474	-348	-474	-330
Tax loss carryforwards	4,890	4,503	0	0	4,890	4,503
Derivative financial instruments	0	0	-494	-280	-494	-280
Deferred tax assets (+) liabilities (-)	**6,258**	**6,842**	**-1,485**	**-1,462**	**4,773**	**5,380**

Deferred tax assets are recognised at the level of individual consolidated companies, in which a loss was realised in the current or preceding financial year, only to the extent that realisation in future periods is probable. The nature of the evidence used in assessing the probability of realisation 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 623 (2006: kEUR 5.599).

Deferred taxes for tax losses in the amount of kEUR 39.117 (2006: kEUR 57,355) and on deductible temporary differences in the amount of kEUR 18.542 (2006: kEUR 11,748) were not recognised. Tax losses in the amount of kEUR 5.044 can be used indefinitely (2006: kEUR 18,761), kEUR 6.688 expire by 2012 (2006: 8,290 by 2011) and kEUR 27.385 expire after 2012 (2006: kEUR 30,304 after 2011).

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

in kEUR	Balance at January 1, 2006	Recognised in income statement	Directly recognised in equity	Balance at December 31, 2006
Property, plant and equipment	25	104	0	**129**
Trade receivables	-30	580	0	**550**
Inventories	763	389	0	**1,152**
Provisions for pensions	167	-12	0	**155**
Deferred revenues	155	-239	0	**-84**
Provisions and other liabilities	-209	14	0	**-195**
Customer advances	27	-247	0	**-220**
Other	-132	-198	0	**-330**
Derivative financial instruments	84	-66	-298	**-280**
Tax loss carryforward	5,481	-978	0	**4,503**
	6,331	**-653**	**-298**	**5,380**

in kEUR	Balance at January 1, 2007	Recognised in income statement	Directly recognised in equity	Balance at December 31, 2007
Property, plant and equipment	129	-45	0	**84**
Trade receivables	550	-445	0	**105**
Inventories	1,152	-133	0	**1,019**
Provisions for pensions	155	-86	0	**69**
Deferred revenues	-84	46	0	**-38**
Provisions and other liabilities	-195	58	0	**-137**
Customer advances	-220	-31	0	**-251**
Other	-330	74	0	**-255**
Derivative financial instruments	-280	63	-278	**-494**
Tax loss carryforwards	4,503	386	0	**4,890**
	5,380	**-113**	**-278**	**4,992**
Acquisitions				**-219**
				4,773

On July 6, 2007 tax reforms were approved in Germany. All effects that result from these tax changes have been included in the results for the year ended December 31, 2007. As a consequence of the lower German tax rates, the value of deferred tax assets reduced by EUR 1.5 m. This has been expensed as a tax charge in the Income Statement.

17. Long-term receivables from current tax

Long-term receivables from current tax include a receivable from corporate tax which will be refunded in equal payments over a period of ten years. The payments can be claimed at the beginning of each calendar year, starting January 1, 2008. The amount included in long-term receivables is for the amounts receivable after more than one year from the balance sheet date.

18. Inventories

in kEUR	2007	2006
Raw materials and supplies	21,086	19,993
Work in process	35,987	27,701
Finished goods and services completed	1,507	699
Inventories at customers' locations	1,433	4,756
	60,013	**53,149**

in kEUR	2007	2006
Write-down of inventories during the year	2,140	1,915
Inventories measured at net realisable value	15,285	13,023
Inventories recognised as an expense during the period	102,445	82,792
Reversals of write-downs recognised during the year	102	992

Inventories already shipped to customers but for which final customer acceptance is outstanding are presented as inventory at customers' locations.

Due to changes in the opportunity to use inventories, write-downs of kEUR 102 (2006: kEUR 992) on inventories were reversed and recognised in income in the financial year.

19. Trade receivables and other current receivables

in kEUR	2007	2006
Trade receivables	34,057	27,988
Allowances for doubtful accounts	-567	-311
Trade receivables – net	**33,490**	**27,677**
Prepaid expenses	675	1,005
Reimbursement of research and development costs	1,016	1,080
Advance payments for inventory	634	68
VAT refund claims	2,627	768
Other assets	1,328	674
Derivatives that are designated and effective as hedging instruments carried at fair value	1,875	713
Financial assets carried at fair value through the profit or loss (FVTPL)	870	142
Total other current receivables	**9,025**	**4,450**
	42,515	**32,127**

Additions to allowances on trade receivables are included in other operating expenses, releases of allowances are included in other operating income. Allowances on receivables developed as follows:

in kEUR	2007	2006
Allowance at January 1	311	445
Translation adjustments	-8	-17
Impairment losses recognised	412	199
Used	-35	-262
Impairment losses reversed	-113	-54
Allowance at December 31	**567**	**311**

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 two customers accounted for 18 percent and 12 percent respectively of the company's net trade receivables, no other single customer accounted for more than 10 percent of trade receivables. In 2006 three customers accounted for 19 percent, 11 percent and 10 percent respectively of trade receivables, no other customer accounted for more than 10 percent of 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 4,987 (2006: kEUR 23,726) 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 kEUR	2007	2006
1 - 90 days past due	4,096	20,924
More than 90 days past due	891	2,802

20. Other financial assets

Other financial assets of kEUR 4.831 (2006: kEUR 2.781) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

21. Cash and cash equivalents

in kEUR	2007	2006
Cash-in-hand	5	5
Short term securities	0	64
Bank balances	71,938	46,682
Cash and cash equivalents in the consolidated cash flow statement	**71,943**	**46,751**

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 214 given as security (2006: kEUR 325) at December 31, 2007.

22. Shareholders' Equity

Subscribed capital

in kEUR	2007	2006
January 1	87,836,154	87,796,614
Shares for exercise of stock options	1,302,751	39,540
Issued capital at December 31, under IFRS	**89,138,905**	**87,836,154**
Treasury shares	1,305,308	1,963,243
Stated share capital at December 31	**90,444,213**	**89,799,397**

The share capital of the company consists of no-par value shares and was fully paid-up during 2007 and 2006. Each share represents a portion of the share capital in the amount of EUR 1.00.

Treasury shares were contributed into a trust, as part of the Genus acquisition for the exercise of Genus stock and other options and for conversion of bonds.

AIXTRON AG cannot dispose of the trust assets. Contrary to German Commercial Code and Company Law, IFRS (SIC 12) prescribes an allocation of the trust assets to AIXTRON AG. In the IFRS financial statements the shares held in this trust are therefore shown as treasury shares and deducted from the stated share capital.

Both the authorised capital I and the authorised capital II have remained unchanged compared to December 31, 2006.

At December 31, 2007, AIXTRON AG's Executive Board is authorised:

- to increase, with the consent of the Supervisory Board, AIXTRON's stated share capital at any time or from time to time on or before May 17, 2010 by up to EUR 35,919,751 by issuing against either cash contribution or contribution in kind new registered no-par value shares with a proportional amount of EUR 1.00 per share in the share capital (Authorised Capital I). In this event, the shareholders must be granted a pre-emptive right. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude, in whole or in part, the shareholders' pre-emptive right.

- to increase, with the consent of the Supervisory Board, AIXTRON's stated share capital at any time or from time to time on or before May 17, 2010 by up to EUR 8,979,937 by issuing against cash contributions new registered shares without par value with a proportional amount of EUR 1.00 per share in the share capital (Authorised Capital II). In this case, the shareholders must be granted a pre-emptive right. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude, in whole or in part, the shareholders' pre-emptive right.

The Executive Board is also authorised, with the consent of the Supervisory Board, to define the rights embodied in a share and the other conditions and terms of the issuance of shares.

Paid-in capital

Paid-in capital mainly includes the premium on increases of subscribed capital as well as cumulative expense for share-based payments.

Income and expenses recognised in equity

in kEUR	Currency translation	Derivative financial instruments	Total
Balance at December 31, 2004	**-2,196**	**1,324**	**-872**
Change in currency translation	11,616	0	11,616
Change in unrealised gains/losses before taxes	0	-2,493	-2,493
Deferred taxes	0	864	864
Balance at December 31, 2005	**9,420**	**-305**	**9,115**
Change in currency translation	-7,871	0	-7,871
Change in unrealised gains/losses before taxes	0	1,122	1,122
Deferred taxes	0	-298	-298
Balance at December 31, 2006	**1,549**	**519**	**2,068**
Change in currency translation	-9,932	0	-9,932
Change in unrealised gains/losses before taxes	0	961	961
Deferred taxes	0	-289	-289
Balance at December 31, 2007	**-8,383**	**1,191**	**-7,192**

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.

The item "derivative financial instruments" comprises the gain or loss on foreign currency hedge contracts deferred in equity.

23. Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at December 31, 2007, is based on the weighted-average number of common shares outstanding during the reporting period.

Diluted earnings per share

The calculation of the diluted earnings per share at December 31, 2007 is based on the weighted-average number of outstanding common shares and ADS and of common shares and ADS with a possible dilutive effect resulting from share options being exercised under the share option plan and in connection with the conversion of issued convertible bonds and other options.

in kEUR	2007	2006	2005
Earnings per share			
Net profit/loss attributable to the shareholders of AIXTRON AG in kEUR	17,250	5,857	-53,468
Weighted average number of common shares and ADS at December 31	88,163,952	87,824,321	82,111,081
Earnings per share in EUR (basic)	**0.20**	**0.07**	**-0.65**
Earnings per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON AG in kEUR	17,250	5,857	-53,468
Weighted average number of common shares and ADS at December 31	88,163,952	87,824,321	82,111,081
Dilutive effect of convertible bonds	0	25,440	0
Dilutive effect of share options	783,934	52,938	0
Weighted average number of common shares and ADS at December 31 (diluted)	88,947,886	87,902,699	82,111,081
Earnings per share in EUR (diluted)	**0.19**	**0.07**	**-0.65**

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	2007	2006	2005
Shares options	2,151,017	5,681,172	5,357,986
Convertible bonds	0	0	25,440
	2,151,017	**5,681,172**	**5,383,426**

24. 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 do not exceed 10 percent of qualified employees' base salaries. In 2007 the expense recognised for defined contribution plans amounted to kEUR 824 (2006: kEUR 701, 2005: kEUR 151).

Defined benefit plan

The Company's net obligation in respect of defined benefit pension plans reflects commitments to two former members of the Executive Board of AIXTRON AG. These are final salary plans. Provisions for pensions developed as follows:

Expense recognised in the consolidated income statement

in kEUR	2007	2006	2005
Interest expense	44	42	38
Actuarial gains and losses	-149	-37	237
	-105	**5**	**275**

The expense for pensions developed as follows:

in kEUR	2007	2006	2005	2004
Present value of net obligations at January 1	983	978	703	37
Income/Expense recognised in consolidated income statement (see below)	-105	5	275	0
Present value of net obligations at December 31 = Total provisions for pensions at December 31	**878**	**983**	**978**	**37**

In the income statement, the income (2006, 2005 expense) of kEUR 105 (2006: kEUR 5; 2005: kEUR 275) is recognised in general administration expense.

The following table shows the principal actuarial assumptions:

Biometrical calculation assumptions	2007 Heubeck tables 2005 G	2006 Heubeck tables 2005 G
Interest rate at December 31	5.40%	4.50%
Expected salary increase	0.00%	0.00%
Expected pension increase	**1.75%**	**1.50%**

In the three years ending 2007 no payments were made under these plans. The Company assumes that there will be no pension payments in the next ten years. The value of the obligations from pension plans is determined annually at December 31.

25. Share-based payment

The Company has different fixed option plans which reserve shares of common stock and AIXTRON American Depository Shares (ADS) for issuance to members of the Executive Board, management and employees of the Company. Each AIXTRON ADS represents the beneficial ownership in one AIXTRON common share. The following is a description of these plans:

AIXTRON stock option plan 1999

In May 1999, options were authorized to purchase 3,000,000 shares of common stock (after giving effect to capital increases, stock splits, and the EURO conversion). The options were exercisable in equal instalments of 25 percent per year after the second anniversary of the date of grant, subject to certain conditions. Vested options were only permitted to be exercised when the performance of the AIXTRON stock exceeds the performance of the Technology AS Price Index (formerly the New Market Index) by at least 5 percent in the reference period or when the turnover reported by AIXTRON rose by at least 25 percent per year and the profit/revenue ratio was at least 12 percent. The period when the exercise of the options under those conditions could take place has now lapsed. Regardless of fulfilment of the conditions, the stock options can be exercised when 15 years have elapsed since their issue. Under the terms of the 1999 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. All options are settled by physical delivery of shares. Upon exercise of options new shares are issued. Under this plan 1,203,273 options for the purchase of 1,878,418 commons shares were outstanding as of December 31, 2007.

In 2002, options were granted with the exercise price slightly less than fair market value. Fair market value is determined based upon the closing trading price on grant date.

AIXTRON stock option plan 2002

In May 2002, options were authorized to purchase 3,511,495 shares of common stock. The options are exercisable in equal instalments of 25 percent per year after the second anniversary of the date of grant, subject to certain conditions. Options expire ten years from date of grant. Under the terms of the 2002 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 a premium of 20 percent over the average closing price. No grants were issued with a strike price less than fair market value. All options are settled by physical delivery of shares. Upon exercise of options new shares are issued. A total of 2,365,509 options to purchase the same number of common stock were outstanding under this plan as of December 31, 2007.

AIXTRON stock option plan 2007

Under the AIXTRON Stock Option Plan 2007, 759,100 Share Options were granted which are authorized to purchase 759,100 shares of common stock. 50 percent of the granted options may be executed after a waiting period of not less than two years, further 25 percent after three years and the remaining 25 percent after at least four years. The options expire 10 years after they have been granted. Under the terms of the 2007 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.

Genus stock option plan 2000

With the acquisition of Genus, Inc. the company adopted the Genus Incentive Stock Option Plan 2000. Under this plan at the date of acquisition options were authorized to purchase 3,948,014 shares of common stock. At the date of acquisition these were converted into options to purchase 2,013,487 AIXTRON ADS. Options granted before October 3, 2003 vest over a three-year-period and expire five years from the date of grant. Options granted after October 3, 2003 vest over a four-year-period and expire in ten years from the date of grant.

A total of 247,099 options to purchase AIXTRON ADS were outstanding under this plan as of December 31, 2007. Upon exercise of options new shares are issued from the trust (see note 22).

Summary of stock option transactions

AIXTRON share options

	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
	2007		2006	
Balance at January 1	5,060,565	12.93	3,932,501	16.46
Granted during the year	759,100	10.09	1,616,100	3.83
Exercised during the year	644,336	4.06	0	0.00
Forfeited during the year	172,302	9.56	488,036	11.23
Outstanding at December 31	**5,003,027**	**13.76**	**5,060,565**	**12.93**
Exercisable at December 31	**819,733**	**19.66**	**1,073,466**	**15.80**

Genus share options

	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
	2007		2006	
Balance at January 1	994,469	5.47	1,365,076	5.47
Exercised during the year	658,371	5.39	39,540	2.61
Expired during the year	88,999	4.72	179,669	5.51
Forfeited during the year	0	0.00	151,398	5.98
Outstanding at December 31	**247,099**	**5.95**	**994,469**	**5.47**
Exercisable at December 31	**182,896**	**6.66**	**766,051**	**5.54**

The weighted-average share price of the options exercised was US-Dollar 5.39. The intrinsic value of options exercised amounted to kUSD 3.548.

The employees of Genus Inc. held 484,508 stock options representing the right to receive 247.099 ADS of AIXTRON AG as of December 31, 2007. As part of the Genus, Inc. transaction, a trust for the employee stock options of Genus Inc. was set up, into which ADS of AIXTRON AG were deposited after the capital increase on March 14, 2005.

AIXTRON stock options as of December 31, 2007

Exercise price (EUR)	Outstanding	Exercisable	Average option life (in years)
3.10	229,539	66,818	5.50
3.83	1,485,900	0	8.50
6.17	650,070	245,350	6.50
7.48	657,730	0	9.50
10.09	759,100	0	10.00
18.70	406,824	406,824	6.50
26.93	410,900	0	8.50
67.39	402,964	100,741	7.50
	5,003,027	**819,733**	

Genus stock options as of December 31, 2007

Range of exercise prices (USD)	Average exercise price (USD)	Outstanding	Exercisabel	Average option life (in years)
3.45 bis 4.69	3,61	113,548	55,445	6.8
5.00 bis 6.90	5.76	26,338	22,921	6.4
7.20 bis 9.41	8.11	103,133	100,461	5.9
11.53 bis 12.73	12.55	4,080	4,069	5.9
		247,099	**182,896**	

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 binomial lattice model. In accordance with IFRS 2 the measurement includes only options which were granted after November 7, 2002. In 2007, the personnel expenses from share-based payments were kEUR 1.250 (2006: kEUR 1,450; 2005: kEUR 1,801). As at December 31, 2007 an amount of kEUR 4.872 relating to stock options granted prior to that date has not yet been recognised as a personnel expense. This amount will be charged over the period to 2012. The expected allocation of the expense is as follows: 2008: kEUR 1,928, 2009: kEUR 1.643, 2010: kEUR 883 and after 2011: kEUR 418.

AIXTRON share options granted

	in 2007	in 2006	in 2004	in 2003
Fair value on grant date	4.34 EUR	1.53 EUR	3.08 EUR	1.78 EUR
Price per share	8.69 EUR	2.71 EUR	4.84 EUR	2.79 EUR
Exercise price	10.09 EUR	3.83 EUR	6.17 EUR	3.10 EUR
Expected volatility	52.48%	65.59%	73.54%	73.76%
Option life	10.0 years	10.5 years	10.5 years	10.5 years
Expected dividend payments	0.00 EUR	0.00 EUR	0.00 EUR	0.00 EUR
Risk-free interest rate	4.06%	3.90%	4.38%	4.40%

Genus share options granted

	in 2005	in 2004	before 2004
Average fair value on grant date	1.30 USD	1.65 USD	2.68 USD
Average price per share	2.04 USD	2.51 USD	3.97 USD
Average exercise price	2.04 USD	2.51 USD	3,97 USD
Average expected volatility	91.76%	95.38%	104.20%
Average option life	10 years	10 years	9.53 years
Average expected dividend payments	0.00 USD	0.00 USD	0.00 USD
Average risk-free interest rate	4.11%	4.27%	4.18%

The expected volatility is based on historic volatility.

26. Accruals and provisions

Development and breakdown of provisions:

in kEUR	01.01. 2007	Exchange rate differences	Usage	Reversal	Addition	31.12. 2007	thereof short term
Provisions for pensions	983	0	105	0	0	878	0
Provisions for personnel expenses	2,574	-149	2,142	4	3,954	4,233	4,233
Warranties	1,994	-141	810	194	2,266	3,115	3,115
Onerous contracts	2,567	-230	326	293	89	1,807	354
Provisions for commissions	1,747	-39	1,264	213	1,006	1,237	1,237
Hedges	0	0	0	0	912	912	912
Other	5,739	-50	4,428	389	5,790	6,665	6,622
Total	**15,604**	**-609**	**9,075**	**1,093**	**14,017**	**18,847**	**16,473**
						thereof long term	**2,374**
							18,847

Provisions for pensions

The provisions for pensions are commented on in note 24.

Provisions for personnel expenses

These include mainly provisions for holiday not yet taken and bonuses.

Provisions for onerous contracts

These include provisions for contracts connected with obligations, including rent payable and contract risks.

Fair value of derivative financial instruments

in kEUR	2007	2006
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts	138	0
Financial assets carried at fair value through the profit or loss (FVTPL)		
Foreign currency options	774	0
Fair value of derivative financial instruments	**912**	**0**

Other provisions

Other provisions include auditors' fees in the amount of kEUR 729.

27. Trade payables and other current liabilities

The liabilities consist of the following:

in kEUR	2007	2006
Trade payables	**23,761**	**29,926**
Other liabilities from grants	489	570
Wage and church tax due, social security contributions	481	434
VAT due	127	221
Other liabilities	206	218
	1,303	**1,443**
	25,064	**31,369**

The carrying amount of trade payables and other current liabilities approximates their fair value. Trade payables generally fall due for payment within 90 days of receipt of the relevant goods or services.

28. Convertible bonds and options

There are no liabilities from convertible bonds at 31.12.2007 (2006: kEUR 3).

During 2007, 2006 and 2005 no bonds were converted into common stock.

29. 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 minimise 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 co-ordinates 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 analyse 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.

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Liquidity risks

At December 31, 2007, the Company had no borrowings (2006 nil) and kEUR 71,943 in cash and cash equivalents (2006 kEUR 46.751).

Credit risks

Financial assets generally exposed to a credit risk are trade receivables (see note 19) and cash and cash equivalents.

The Company's cash and cash equivalents are kept with banks which have a good reputation.

Market risks

The company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rate risks. 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 enters 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:

	Liabilities		Assets	
	2007	2006	2007	2006
USD	-34,536	-22,193	37,070	33,075
GBP	-7,140	-5,897	5,655	2,088

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 and Pound Sterling exchange rate risks through its worldwide activities.

The following table details the company's sensitivity analysis to a 10 percent increase in the value of the Euro against the dollar and pound. A positive number below indicates an increase in profit and other equity, a negative number indicates a reduction in profit and other equity.

	USD Currency impact		GBP Currency impact	
in kEUR	2007	2006	2007	2006
Profit or loss	-2,996	-1,259	48	313
Other equity	757	-6,071	-5,511	-2,879

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 or British Pounds, 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 occuring on the last day of the year.

Forward foreign exchange contracts

The company enters forward foreign exchange contracts to cover receipts from highly probable forecast sales denominated in US-Dollars.

The following table details the forward foreign currency contracts outstanding as at the reporting date:

	Foreign Currency		Contract Amount		Fair Value	
	2007 kUSD	2006 kUSD	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR
Cash flow hedges						
Sell US-Dollars buy Euros						
Less than 3 months	17,700	–	12,816	–	828	–
3 to 12 months	19,000	–	13,909	–	1,047	–
Sell US-Dollars buy GB pounds						
Less than 3 months	21,000	4,500	14,293	3,603	28	183
3 to 12 months	63,000	13,500	42,880	10,810	-166	530
Fair Value Hedges through the Profit or Loss						
Options to sell US-Dollars buy Euros						
Less than 3 months	10,600	–	7,153	–	242	–
3 to 12 months	23,900	–	16,129	–	628	–
Options to sell US-Dollars buy GB pounds						
Less than 3 months	12,000	–	8,168	–	-109	–
3 to 12 months	36,000	–	24,503	–	-666	–
Sell US-Dollars buy Euros						
Less than 3 months	_	21,000	–	15,984	–	95
3 to 12 months	_	19,000	–	14,356	–	47

Foreign currency cash flow hedges

At December 31, 2007, the aggregate amount of unrealised gains on forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on these anticipated future transactions is kEUR1,191 (2006 kEUR 519). It is anticipated that the sales will take place during 2008 at which stage the amount deferred in equity will be released into profit or loss.

The unrealised gains of kEUR 519 (December 31, 2005: losses (kEUR 377) included in income and expenses recognised in equity as of December 31, 2006 were fully reversed and recognised in income statement at maturity date of the contracts in the financial year. The gains actually realised in 2007 were kEUR 1,001 (2006: losses kEUR 149).

Foreign currency option contracts

The company has also entered into option contracts to hedge the exchange rate risk on US-Dollar sales proceeds in 2008. The contracts are classified as at fair value through the profit and loss account.

Unrealised losses of kEUR 870 (2006 unrealised gains kEUR 142) on forward exchange contracts are recognised in Other Operating Income in the profit and loss statement.

Fair values

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 2007 in kEUR	Cash and cash equivalents	Loans and receivables	Held to-maturity investments	At FVTPL	Hedging Derivatives	Total Carrying amount and fair value
Cash and cash equivalents	71,943	0	0	0	0	71,943
Other financial assets	0	0	4,831	0	0	4,831
Other non-current assets	0	1,241	0	0	0	1,241
Trade receivables	0	33,490	0	870	1,875	36,235
Total	**71,943**	**34,731**	**4,831**	**870**	**1,875**	**114,250**

Financial liabilities 2007 in kEUR	Cash and cash equivalents	Loans and receivables	At amortised cost	At FVTPL	Hedging Derivatives	Total Carrying amount and fair value
Other current liabilities	0	1	0	0	0	1
Fair values of derivatives financial instruments	0	0	0	774	138	912
Trade payables	0	0	23,761	0	0	23,761
Advanced payments form customers	0	0	49,988			49,988
Convertible bonds	0	0	0	0	0	0
Total	**0**	**1**	**73,749**	**774**	**138**	**74,662**

Financial Assets 2006 in kEUR	Cash and cash equivalents	Loans and receivables	Held to-maturity investments	At FVTPL	Hedging Deriva-tives	Total Carrying amount and fair value
Cash and cash equivalents	46,751	0	0	0	0	46,751
Other financial assets	0	0	2,781	0	0	2,781
Other non-current assets	0	1,157	0	0	0	1,157
Trade receivables	0	27,677	0	142	713	28,532
Total	**46,751**	**28,834**	**2,781**	**142**	**713**	**79,221**

Financial liabilities 2006 in kEUR	Cash and cash equivalents	Loans and receivables	At amortised cost	At FVTPL	Hedging Deriva-tives	Total Carrying amount and fair value
Trade payables	0	0	29,926	0	0	29,926
Advanced payments from customers	0	0	31,421	0	0	31,421
Convertible bonds	0	0	3	0	0	3
Total	**0**	**0**	**61,350**	**0**	**0**	**61,350**

Derivatives

The fair value is the estimated amount that a bank would receive or pay to terminate the derivative contracts at the reporting date, taking into account current exchange rates, volatility and the credit-worthiness of the counterparties (mark-to-market).

Trade receivables/payables

For trade receivables/payables due within less than one year, the fair value is taken to be the face value. All other receivables/payables are discounted to determine the fair value.

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in kEUR	2007
2008	1,643
2009	1,729
2010	1,757
2011	1,719
2012	1,481
nach 2012	490
	8,819

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 1.944, kEUR 2,004 and kEUR 2,075 for 2007, 2006 and 2005 respectively.

31. Capital commitments

As of December 31, 2007, the Company had entered into purchase commitments with suppliers in the amount of kEUR 49,223 (2006: kEUR 23,377) for purchases within the next 12 months. Commitments for capital expenditures are kEUR 2,840 (2006: kEUR 44) as of December 31, 2007.

32. Contingencies

The Company is involved in various legal proceedings or can be exposed to a threat of legal pro-ceedings 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 recognised, where required, appropriate provisions. The Company grants to individual customers advance payment guarantees generally existing only for a limited period of time and reflecting normal business conduct. It is not expected that such matters will have a material effect on the Company's net assets, results of operations and financial position.

33. Related parties

Identity of related parties

Related parties of the Company are members of the executive board and members of the supervisory board.

Remuneration of Executive Board

Active members of the executive board are remunerated as follows:

in kEUR	2007	2006
Short-term employee benefits	2,642	1,666
Total cash remuneration	**2,642**	**1,666**
Share-based payment	677	337
Total remuneration	**3,319**	**2,003**

The following table shows the remuneration of the Executive Board for each individual member in 2007:

	Fixed remunera-tion (kEUR)	Variable remunera-tion (kEUR)	Total monetary Remunera-tion (kEUR)	Number of granted Options (pieces)	Option Value at grant date (kEUR)	Total Remunera-tion (kEUR)
Executive Board Member						
Paul Hyland	359	517	876	52	226	1,102
Wolfgang Breme	296	259	555	52	226	780
Dr. Bernd Schulte	311	259	570	52	226	796
Dr. William W.R. Elder	468	172	640	0	0	640
Total	**1,434**	**1,207**	**2,641**	**156**	**678**	**3,319**

Remuneration of Supervisory Board

Remuneration of the members of the supervisory board consists of the following:

in kEUR	2007	2006
Fixed remuneration	153	153
Variable remuneration	87	0
Attendance fee	30	30
Remuneration of Supervisory Board total	**270**	**183**

The following table shows the remuneration of the Supervisory Board in 2007 for each individual member:

Supervisory Board Member

in kEUR	Fixed	Variable	Attendance Fee	Total
Kim Schindelhauer* (chairman of the Supervisory Board))	54	31	6	91
Dr. Holger Jürgensen* (Deputy Chairman of the Supervisory Board)	27	16	6	49
Prof. Dr. Wolfgang Blättchen* (Chairman of the Audit Committee)	18	10	12	40
Karl-Hermann Kuklies	18	10	0	28
Prof. Dr. Rüdiger von Rosen	18	10	0	28
Joachim Simmroß*	18	10	6	34
	153	**87**	**30**	**270**

* member of the audit committee

The remuneration of the Supervisory Board is included in other operating expenses (see note 7).

The Remuneration Report which is included in the audited Corporate Governance report contains further details regarding the remuneration of Executive Board and Supervisory Board (see page 12 ff of the Annual Report).

34. Consolidated entities

AIXTRON AG controls the following subsidiaries:

	Country	Share of capital in %	
		2007	2006
AIXTRON, Inc *	USA	100	100
AIXTRON, Ltd **	UK	100	100
AIXTRON Korea Co. Ltd.	South Korea	100	100
AIXTRON Taiwan Co. Ltd.	Taiwan	100	100
Dotron GmbH	Germany	100	100
Epigress AB	Sweden	100	100
AIXTRON KK	Japan	100	100
Genus trust ***	USA	n.a.	n.a.

* AIXTRON Inc. Resulted from the merger of the former AIXTRON Inc. and Genus Inc.
** Formerly Thomas Swan Scientific Equipment Ltd.
*** The shares in Genus trust are attributed, as beneficial owner, to AIXTRON, as control exists due to the trust relationship with AIXTRON AG (see note 22).

35. Events after the balance sheet date

There are no events after the balance sheet, 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.

36. Auditors' fees

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

in kEUR	2007	2006
for audit	729	1,366
for other confirmation services	32	41
for tax advisory services	87	54
for other services	24	12
	872	**1,473**

Included in the total amount of fees are fees for Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Duesseldorf, in the amount of kEUR 445 for audit (2006: kEUR 750), kEUR 32 for other confirmation services (2006: kEUR 38), kEUR 14 for tax services (2006: kEUR 43) and kEUR 24 for other services (2006: kEUR 5).

37. Employees

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

in kEUR	2007	2006
Sales and service	184	175
Research & development	202	181
Production	132	128
Administration	71	78
	589	**562**

38. Additional information about the cash flow statement

(i) Investing activity

In return for the sale of a production plant, intangible assets of kEUR 3,701 were acquired in the financial year 2005.

Additional costs of kEUR 5,775 already incurred in 2004 in connection with the acquisition of Genus in 2005 were shown as other non-current assets in 2004 and were therefore included in cash flows from operating activities. In 2005, further purchase related costs of kEUR 3,628 were capitalised. These are recognised in cash flows from investing activities.

(ii) Financing activity

The liabilities from convertible bonds assumed as part of the acquisition of Genus, Inc. were fully settled in 2005 by issuing equity instruments (ADS) (see note 28). In this context, no payments were required.

39. Statement of compliance with the German Corporate Governance Code

In 2007, Executive and Supervisory Boards have made the declaration of compliance in accordance with Section 161 of AktG and this is permanently available to shareholders on the Company's web site www.aixtron.com.

40. Supervisory Board and Executive Board

Composition of the Supervisory Board as of December 31, 2007

_ Dipl.-Kfm. Kim Schindelhauer, Aachen, Businessman
(Chairman of the Supervisory Board since 2002)
Membership of Supervisory Boards and controlling bodies:
Deutsches Aktieninstitut e.V., Frankfurt/Main –
member of the Executive Board – until June 5, 2007

_ Dr. Holger Jürgensen, Aachen, physicist
(Deputy Chairman of the Supervisory Board since 2002)

_ Prof. Dr. Wolfgang Blättchen, Leonberg, business consultant,
Executive Board of Blättchen & Partner AG, Leonberg
(member of the Supervisory Board since 1998)
Membership of Supervisory Boards and controlling bodies:
Marc O'Polo AG, Stephanskirchen – Chairman of the Supervisory Board –
HAUBROK AG, Düsseldorf – Deputy Chairman of the Supervisory Board –
APCOA Parking AG, Leinfelden-Echterndingen
– member of the Supervisory Board –
Gardena AG, Ulm – member of the Supervisory Board – until February 27, 2007
Datagroup IT Services Holding AG, Pliezhausen
– member of the Supervisory Board

_ Mr. Karl-Hermann Kuklies, Duisburg, businessman
(member of the Supervisory Board since 1997)

_ Prof. Dr. Rüdiger von Rosen, Frankfurt/Main, businessman,
Deutsches Aktieninstitut e.V., Frankfurt/Main – Managing member of the Executive Board (member of the Supervisory Board since 2002)
Membership of Supervisory Boards and controlling bodies:
PriceWaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main
– member of the Supervisory Board –

_ Dipl.-Kfm. Joachim Simmroß, Hanover, businessman
(member of the Supervisory Board since 1997)
Membership of Supervisory Boards and controlling bodies:
Commerz Unternehmensbeteiligungs-Aktiengesellschaft, Frankfurt/Main
– member of the Supervisory Board –
GBK Beteiligungen Aktiengesellschaft, Hanover
– member of the Supervisory Board – until June 30, 2007
technotrans AG, Sassenberg – Chairman of the Supervisory Board –
WeHaCo Unternehmensbeteiligungs-Aktiengesellschaft, Hanover
– member of the Supervisory Board –
BAG Health Care GmbH, Lich – member of the Advisory Board –
HANNOVER Finanz GmbH Beteiligungen und Kapitalanlagen, Hanover
– member of the Advisory Board –
KAPPA opto-electronics GmbH, Gleichen – member of the Advisory Board – until April 30, 2007
Astyx GmbH, Ottobrunn – member of the Advisory Board –

The following gentlemen are members of the Company's Executive Board:

_ Paul Hyland, Aachen, businessman, President and Chief Executive Officer
_ Dr. Bernd Schulte, Aachen, physicist, Chief Operating Officer
_ Dipl.-Kfm. Wolfgang Breme, Aachen, businessman, Chief Financial Officer
Membership of Supervisory Boards and controlling bodies:
Deutsches Aktieninstitut e.V., Frankfurt/Main
– member of the Executive Board – since June 5, 2007
_ Dr. William W. R. Elder, Sunnyvale, businessman, until November 30, 2007
Membership of Supervisory Boards and controlling bodies:
Aehr Test Systems, Inc., Freemont, CA, – member of the Board –
Maskless Lithography, San Jose, CA, – member of the Board –
Skysurfer Communications, Inc., San José, CA, – member of the Board –
IC Spectrum, Shanghai, Peoples' Republic of China, – member of the Board –

41. 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 include the following:

Revenue Recognition

Revenue is generally recognised in two stages for the supply of equipment to customers, partly on delivery and partly on final installation and acceptance (see note 2 (p)). The Company believes, based on past experience, that this method of recognising revenue fairly states the revenues of the Company.

Goodwill

As stated in the accounting policies, the Company tests at least annually whether goodwill has suffered impairment. If there is an indication, the recoverable amount of the cash generating unit has to be estimated. This is the greater of the fair value less costs to sell and the value in use. The determination of the value in use involves making adjustments and estimates relate to the projection and discounting of future cash flows. Although the Company believes the assumptions used to calculate recoverable amount are appropriate, any unforeseen changes in these assumptions could result in impairment charges to goodwill which could adversely affect the future financial position and operating results.

Valuation of Inventories

Inventories are stated at the lower of cost and net realisable 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.

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 realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgment 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.

Chameleon mobile phone with dual OLED

Super flat, small, handy, and better than the most modern LCD quality: These features are offered by a new mobile phone with dual OLED. In this technical innovation, the entire front consists of a sensitive, luminescent OLED film. The result is an individual optical appearance that displays all items on the main display with a true spatial effect. And power consumption is pleasingly low.

The desired design can be changed at any time at the click of a button. The device is therefore as unique as the person holding it. Practically any image can be uploaded to the mobile phone and displayed on the front side by the luminescent OLED film along with the sensitive control fields. *Source: www.leanpress.de/Pressetexte/diovision4.doc*

Independent Auditors' Report

We have audited the consolidated financial statements – comprising balance sheet, income statement, statement of changes in equity, statement of cash flows and statement of recognised income and expense as well as notes to the financial statements, prepared by AIXTRON Aktiengesellschaft, Aachen, as well as the group management report for the business year from 1 January 2007 to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the regulations under German commercial law as complementarily applicable under § 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] is the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with applicable accounting regulations and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the results of our audit, the consolidated financial statements of AIXTRON Aktiengesellschaft, Aachen, comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as complementarily applicable under § 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] and convey a true and fair view of the Group's net assets, financial position and results of operations in accordance with these regulations. The group management report is consistent with the consolidated financial statements, conveys, in the aggregate, a true and fair view of the Group's position and suitably presents the risks and opportunities of future development.

Düsseldorf, 12 March 2008

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Crampton
Wirtschaftsprüfer

ppa. Grünewald
Wirtschaftsprüfer

Glossary

ALD

Atomic Layer Deposition is a method for producing ultra thin films for semiconductor devices and new, emerging non-semiconductor applications. ALD is a technology that is capable of meeting scaling production requirements of next-generation geometries (0.13 micron and below). ALD process uses pulse and purge of two reactants to deposit films, where the purge is done using inert gases like Argon or nitrogen.

AVD®

Atomic Vapor Deposition. A liquid delivery and evaporation technology. Liquid precursors or precursor solutions are sprayed in the form of discrete pulses directly into the flash vaporizer via injectors. Up to four injectors, one for each precursor source, can be used.

Back-end manufacturing

The testing and assembly of chip manufacturing, which occurs after the wafer has left the clean room. This term is also used in wafer Fabs to indicate all the processing related to interconnect to Front-end transistor.

Bond

A compound semiconductor chip is not a fully completed device. In order to construct a device, e.g. an LED a connection must be completed to an electrical source via an ultra-thin gold wire. This is the bond.

Capacitors

A circuit element formed by placing an insulating layer between two conducting layers; its function is to store a measure of electrical charge until needed. It is a very important component of memory chips.

Carrier gas

In the process for the production of compound semiconductor layers or silicon devices, the raw materials are converted into gases and are then transported into the reactor with a carrier gas. Principally used carrier gases are hydrogen and nitrogen. Very pure hydrogen can be produced easily and nitrogen is not highly reactive.

Characterization

Each layer of a compound or silicon semiconductor is quality tested by complex physical measurements.

Chip

A very small part of a semiconductor wafer which is turned into a complete device.

Clean Room

The place where semiconductor manufacturers do all their wafer processing. Dust and particles which might fall on the wafers during processing and result in the circuits not working are kept out of the clean room by filtering the air and managing the air flow. Humans are required to wear specially designed clean room bunny suits (overalls) and booties over their street clothes, and must put on gloves and face masks (humans tend to shed skin and hair). Normal paper is not allowed in clean rooms – only clean room low particulate paper may be taken in.

Cluster tool

A machine which contains more than one process module. This is particularly useful if there are a number of processes which have to happen in sequence. An example of this is the deposition of a multi-layer metal film with each layer being deposited in a different module (chamber). Cluster tools nevertheless represent savings in cost and space even if all the process modules are identical.

CMOS

Complementary Metal Oxide Semiconductor is a major class of integrated circuits. CMOS technology is used in chips such as microprocessors, microcontrollers, static RAM, and other digital logic circuits. CMOS technology is also used for a wide variety of analog circuits such as image sensors, data converters, and highly integrated transceivers for many types of communication.

Compound semiconductors These consist of several elements. They can be subdivided into three categories according to the groups in the periodic system to which they belong. Group II/VI consists of compounds like zinc selenide; group IV-IV of silicon germanium compounds or silicon carbide; and group III/V, widely preferred because of their numerous uses, consists of gallium arsenide, indium phosphide, gallium nitride or compounds of three or four different elements. Compound semiconductors have several advantages over simple, single element semiconductors. These components are very fast and some can also operate under very high temperatures. They also possess good opto-electronic characteristics. They convert energy into light and lasers, or they detect light and produce energy. At the same performance level, they require less energy than silicon chips.

Conductor A material that allows electrical current to pass through it.

CVD Chemical Vapor Deposition, Deposition of thin films (usually dielectrics/insulators) on silicon wafers by placing the wafers in a mixture of gases which react at the surface of the wafers. CVD can be done at medium to high temperature in a furnace, or in a CVD reactor in which the wafers are heated but the walls of the reactor are not. Plasma enhanced CVD avoids the need for a high temperature by exciting the reactant gases into a plasma.

Deposit/Growth Semiconductor devices comprise several layers. A deposit is the correct term for the laying down of these layers on a wafer as the layers grow.

Devices These are the completed products which are manufactured with the compound or silicon semiconductor chips at their core. For example LEDs and lasers, transistors, memory and logic chips, and solar cells.

Detector A compound semiconductor which is able to convert incoming light of any wavelength into electrical energy. Detectors are required for optical communication systems.

Dielectric see insulator

Diodes A two-terminal electronic device which permits significant current flow in only one direction. Diodes typically function as a rectifier, i.e., converting alternating current into direct current.

Display A display device, also known as an information display is a device for visual presentation of images (including text) acquired, stored, or transmitted in various forms. Most common displays are designed to present information dynamically in a visual medium.

DRAM Dynamic Random Access Memory is a type of semiconductor memory. DRAMs account for a significant percent of the total semiconductor market (between 15 and 30%) and so DRAM manufacturers are big equipment buyers. DRAM manufacturing is concentrated in Japan and Korea.

Epitaxy The deposition of thin single crystalline layers on a suited substrate in the form of crystal growth.

FeRAM Ferro-electric Random Access Memory* is a type of non-volatile computer memory. It is similar in construction to DRAM, which is currently used in the majority of a computer's main memory, but uses a ferroelectric layer to achieve non-volatility. Although the market for non-volatile memory is currently dominated by Flash RAM, FeRAM offers a number of advantages, notably lower power usage, faster write speed and a much greater maximum number (exceeding 1016 for 3.3V devices) of write-erase cycles.

Flash Is a form of non-volatile computer memory that can be electrically erased and reprogrammed. It is a technology that is primarily used in memory cards.

Footprint

The area a machine takes up in the clean room. This is important because clean room space is expensive, and so minimizing the footprint of a machine is a good thing to do. There are two numbers that semiconductor manufacturers are interested in – the footprint and the linear frontage number (length of the front of the machine). The linear frontage number affects how many machines will fit into a bay since the machines are all lined up side-by-side.

Gas foil rotation

The wafer holders in AIXTRON MOCVD equipment turn friction-free on gas cushions. This movement is powered by a directed gas flow.

Gate

An element of a transistor to which voltage may be applied in order to turn a circuit on or off. A gate structure requires the use of insulating materials to allow the buildup of an electrical field.

Glovebox

The hermetically sealed cabinet with arm-length gloves in which the operator can slide his hands in order to carry out internal work from outside the cabinet. These cabinets are at the core of the equipment which produce compound semiconductors. They are filled with extremely pure gas, for example, with nitrogen, and house the MOCVD reactor. Heating During the MOCVD process for the production of compound semiconductor layers, the raw materials, gases, are dispersed inside the reactor across the wafers. To obtain crystal growth deposits, the wafers must be heated. Usually, this is achieved with lamps or with high-frequency induction heating systems.

High k dielectric

An insulator which will not conduct electricity but which, when sandwiched between metal plates, will easily allow these plates to talk to each other via electric fields (this is called a capacitor structure). Silicon dioxide and silicon nitride is popular insulator. However, to increase the capacitance, hence the storing power, silicon dioxide and nitrides will be replaced by insulators which has higher dielectric constant (k). Increasing dielectric constant increases the capacitance. AIXTRON offers Aluminium oxide (k = 9), Hafnium oxide (k = 25) etc as high k dielectric films.

Hydrogen

Can be produced to high levels of purity and is often used as a carrier gas in MOCVD technology.

Insulator

A material which will not allow an electric current to flow through it. In semiconductor chips, commonly used insulators are silicon dioxide (glass) and silicon nitride (silicon + nitrogen). Also commonly referred to as a dielectric in the semiconductor industry.

Integrated circuit

A complete electronic circuit with transistors and wires connecting these transistors (metal interconnects) on a semiconductor chip.

LED

Light Emitting Diode * The main use for compound semiconductors. Compound semiconductors can emit very bright light and are energy efficient. On average, an LED has a life of more than 100,000 hours, while a normal electric lightbulb lasts for just about 8,000 hours.

Light emitter

Light emitters, for example a laser or LED, convert electrical energy into light. The opposite of a light emitter is a detector, as used at the end of a glas fiber, or a solar cell.

Logic chip

A chip which does computations, makes decisions, or makes things happen. For example, the main chip in a computer is a microprocessor and does mathematical computations, amongst other things.

LPE

A relatively simple production method for compound semiconductors. The compounds to be deposited are liquified under normal pressure and the wafer is then bathed in the fluid. The advantage is that thick layers can be produced very quickly. The disadvantage is that such layers cannot be finely dosed. For this reason, the process is generally only used for weaker LEDs.

MBE

This method for compound semiconductors was for many years the first choice in basic research for scientists wishing to make very thin layers. The raw materials sit in vessels inside the equipment or reactor and evaporate under extremely low pressure, around one millionth of normal atmospheric pressure. The advantage is that, contrary to LPE, the low pressure allows for greater semiconductor purity. The disadvantage is that the creation of a vacuum makes the process the most expensive and production is limited to small volumes. In addition, not all materials can be produced with the MBE method.

Memory chip

A chip which retains information for logic chips to use. For example, in a computer, the memory chips will store the word processing program while it is being used, and the letters of the word processing documents which are being worked on. DRAM is the type of memory used most in computers, and is by far the most important type of memory from a total worldwide revenue standpoint.

Micron

One thousand microns make one millimeter. A human hair is about 100 microns thick. A transistor in an advanced semiconductor process might have an area of about 4 microns by 1.5 microns (though of course transistors vary greatly in size depending on their purpose). In general, the micron number assigned to a technology (e.g. 0.25 micron technology) refers to the width of the smallest patterned feature of a transistor which is the polysilicon transistor gate.

MIM

A Metal-Insulator-Metal diode is formed by sandwiching two metal layers around a thin insulator. When a voltage is applied between the two metal layers, electrons are induced to quantum mechanically tunnel from one metal to the other through the thin insulator. For this to occur at low voltages (1 volt and below), the insulator must be very thin, typically less than 50 angstroms.

MOCVD

With this compound semiconductor production method, the raw material "metallo-organic compounds" are transformed into gases and then, bound to a carrier gas, are fed into the reactor. This transformation also occurs under reduced pressure, around one-tenth of normal atmospheric pressure. The advantage is that the gases introduced are clean as with the MBE method and can be finely dosed. MOCVD equipment allows the processing of quite large surface areas and is therefore first choice for the production of compound semiconductors. MOCVD is also the cheapest method. AIXTRON is the global market leader in this technology.

Non-volatile memory

Semiconductor memory which will not forget its data once the power is switched off. This is in contrast to volatile memory (e.g. DRAMs), which lose their information when there is no power supplied to the chip.

OVPD®

Organic Vapor Phase Deposition is a technology for the thin film deposition of small molecular organic materials. It utilizes the advantages of gas phase deposition, where the materials are transported to the substrate by an inert carrier gas.

OLED

Organic Light Emitting Diode* An OLED is a monolithic, solid-state device that typically consists of a series of organic thin films sandwiched between two thin-film conductive electrodes. The choice of organic materials and the layer structure determine the device's performance features: emitted color, operating lifetime and power efficiency.

Periodic System

All natural elements are ordered according to their atomic number. Hydrogen is the first element with an atomic number of one.

Planetary rotation

A production process which is constituent of the MOCVD reactor, whereby a number of small discs in a large plate orbit like planets in space. The large plate also turns. This method achieves a homogeneous, even deposit of compound semiconductor layers on the wafer. AIXTRON uses this process as part of its MOCVD technology.

Run A single production run for the manufacture of compound semiconductor layers.

Semiconductor A material such as silicon whose conductivity is between that of a conductor and an insulator. Its conductivity can be modulated by adding impurities such as boron or phosphorus. Shunt (or, to shunt)

Substrate The base material on which the gas mixture is deposited. The substrate is a very thin crystalline disc, also called the wafer, and consists of gallium arsenide. Sapphire or silicon.

Susceptor This serves as the holder for the wafer, the substrate. Normally it consists of graphite so that even temperatures can be achieved.

Transistors Transistors are miniature electronic switches. They are the building blocks of the microprocessor which is the brain of the computer. Transisitors have no moving parts and are turned on and off by electrical signals. The on/off (binary) switching of transistors facilitates the work performed by microprocessors.

Two-inch wafers Wafers of this size are most often used as a basis for compound semiconductors. They are large enough to produce 15,000 chips.

VPE This is an older, established process for the production of compound semiconductors. In contrast to MOCVD, this gas phase process uses inorganic substances as starting materials. The method allows for clean deposits of very thick and pure layers. However, not all materials can be produced by this method. AIXTRON produces such equipment for niche applications. Recently, this method (also referred to as HVPE – Hydride VPE) has gained much attention as a way to produce high quality gallium nitride substrates or templates.

Wafer The technical term for the round substrate material, a thin disc, on which the gas mixtures are deposited in the reactor. Wafers are typically 2, 4, 6, 8, 12 inch in diameter.

Information

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Financial Calendar

March 13, 2008:	Q4/2007 Result
May 8, 2008:	Q1/2008 Results
May 14, 2008:	Annual General Meeting
August 7, 2008:	Q2/2008 Results
November 6, 2008:	Q3/2008 Results

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