AIXTRON

2001 2002 2003 2004 2005 2006 2007 **2008** » » » » » »

Annual Report 2008

For 25 years. Always one step ahead.

Product Portfolio

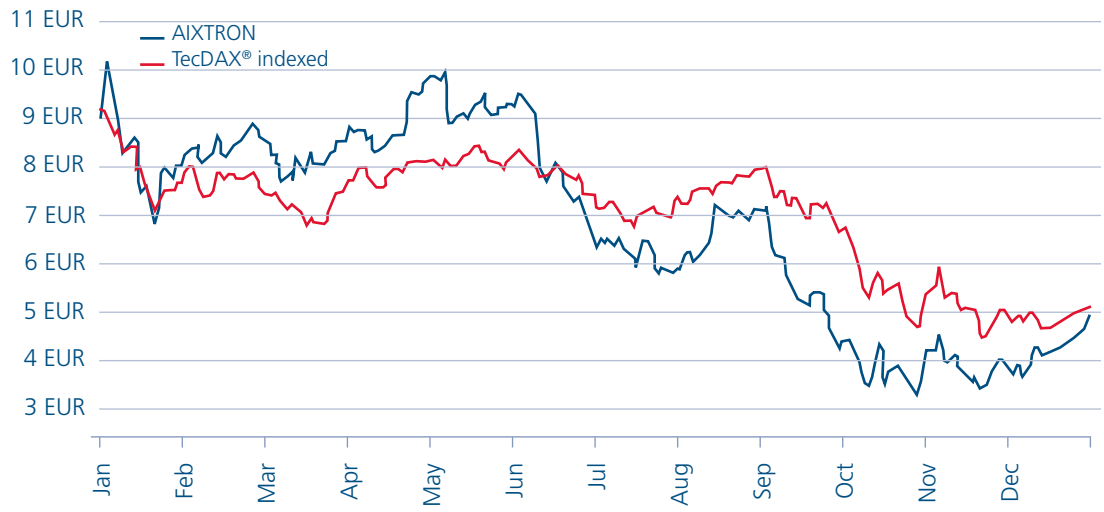
Material	Compound Semiconductors	Organic Semiconductors	Silicon Semiconductors
Systems Technology	MOCVD	OVPD®	CVD
	CVD	PVPD	ALD
	PECVD		AVD®
	HVPE		
Systems	Planetary Reactor®: 200 series, G3, G4	Gen1 R&D Tool	Lynx CVD
	Close Coupled Showerhead®: CCS, CRIUS®	Gen2 Production Tool	Tricent® ALD
	Nano CVD 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		

Key financial figures

(million EUR)	2008 Full Year	2007 Full Year	2006 Full Year	2008 → 2007
Revenues	274.4	214.8	171.7	28%
Gross profit	112.9	85.0	63.4	33%
Gross margin, % revenues	41%	40%	37%	1 p.p.
Operating income (EBIT)	32.5	20.6	5.7	58%
Operating income, % revenues	12%	10%	3%	2 p.p.
Net result	23.0	17.3	5.9	33%
Net result, % revenues	8%	8%	3%	0 p.p.
Net result per share – basic (EUR)	0.26	0.20	0.07	30%
Net result per share – diluted (EUR)	0.25	0.19	0.07	32%
Free cash flow*	2.6	24.4	15.6	-89%
Equipment Order Intake	250.8	247.7	178.0	1%
Equipment Order Backlog (End of Period)	105.0	132.0	85.1	-20%

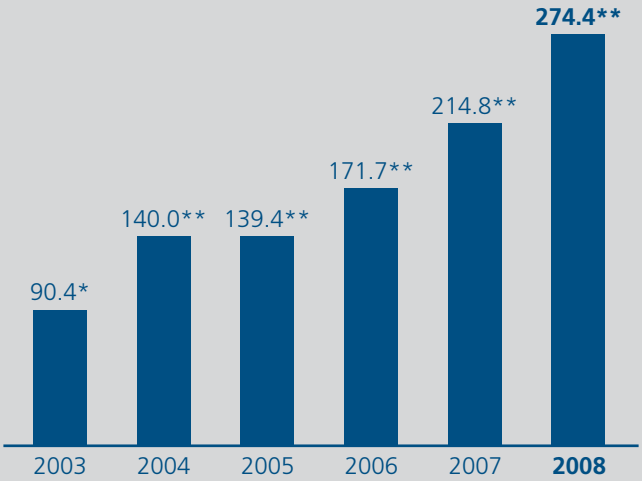
* CF from operating activities + CF from investing activities + changes in bank deposits with a maturity of more than 90 days.

Development of share price

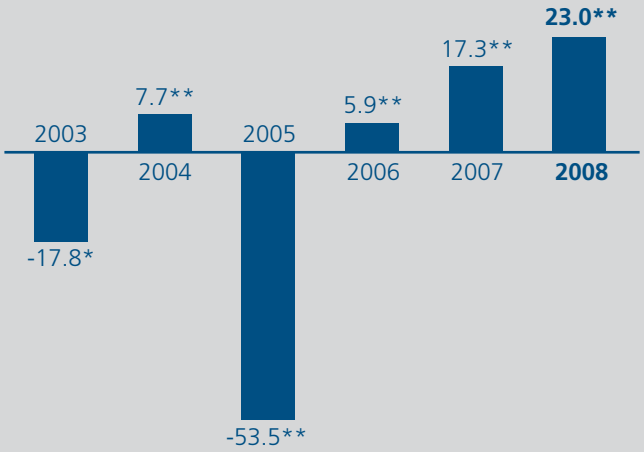


At a glance 2008

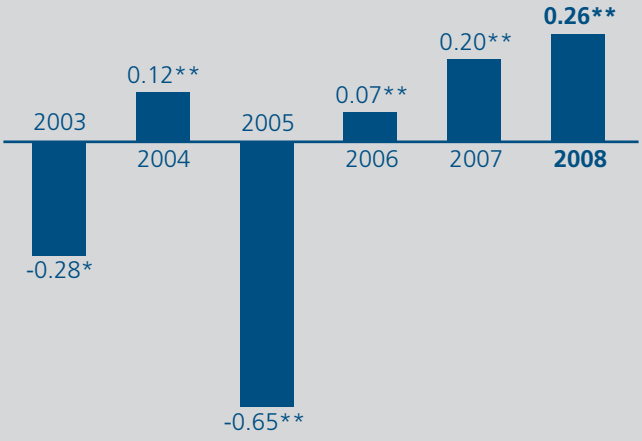
Revenues (million EUR)



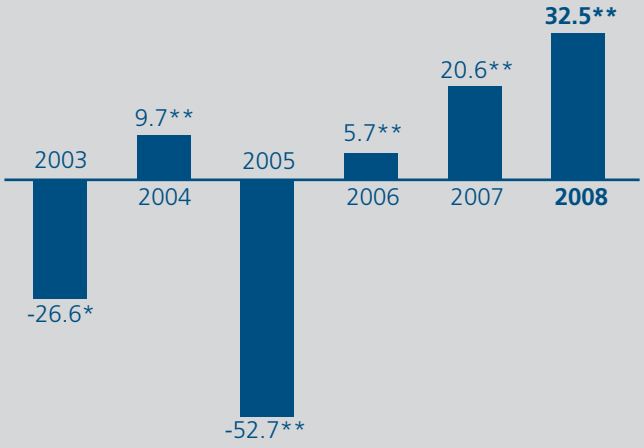
Net result (million EUR)



Net result per share (million EUR)



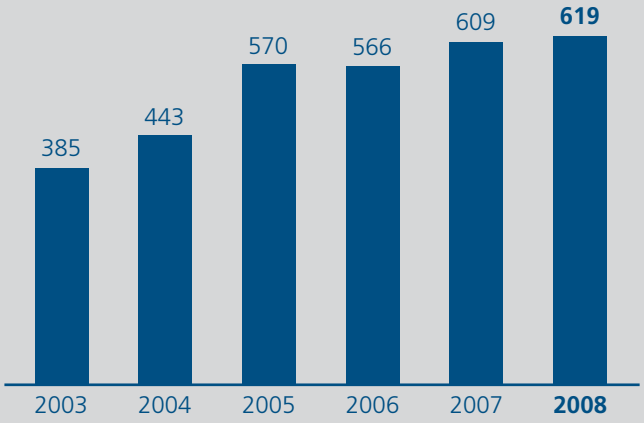
Operating result (EBIT) (million EUR)



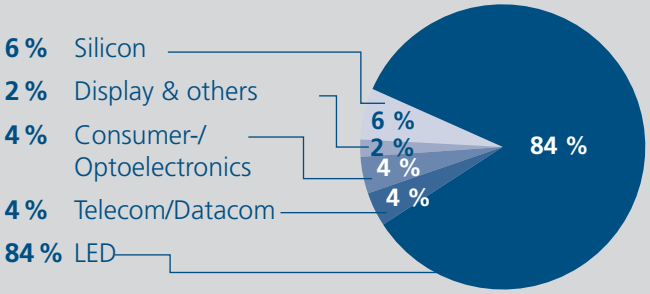
* In accordance with the restated Consolidated Financial Statements for 2001–2003, US-GAAP

** IFRS

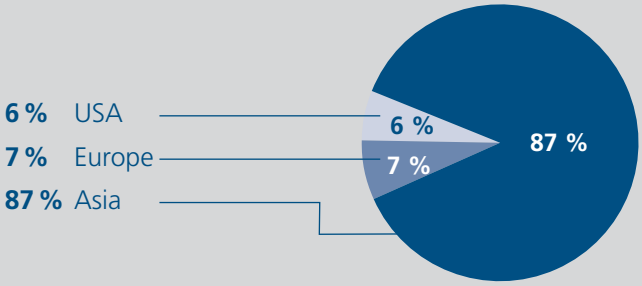
Employees



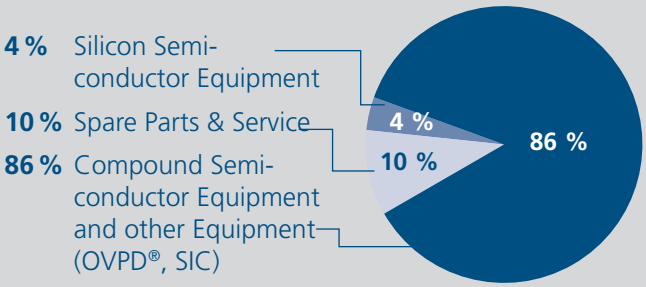
Revenues by Application, 2008



Revenues by Region, 2008



Revenues by Technology, 2008



Content

Dear shareholders,

2008 has been an extraordinary year by any standards: the credit crunch, initially perceived to be only a US problem, spread rapidly around the world, eroding business and consumer confidence. The resultant uncertainty has driven the world economy into the unparalleled global financial turmoil that we see continuing to develop around us.

Given this backdrop, I am extremely pleased to be able to tell you that AIXTRON has delivered on all of the very challenging operational and financial targets we set ourselves at the beginning of 2008.

Amid all the unexpected challenges that 2008 presented us with, AIXTRON found the time to celebrate its 25-year anniversary and reflected on a quarter century that can only be described as a period of technological revolution, taking pride and pleasure from the contribution we have made.

25 years ago, in 1983, MOCVD was little more than a Research & Development technology. Only very dim red LEDs were being manufactured, and were employ ed in a few electrical products as indicator lamps. At the time, laser printers, CD-Players, DVDs, fiber optics, flat-screen TVs, laptops and mobile phones existed only in the most vivid of imaginations.

AIXTRON has come a long way since then: from pioneering beginnings by a few enthusiastic and imaginative graduates of the Rheinisch-Westfälische Technische Hochschule Aachen, we are today the undisputed global market leader in MOCVD equipment and continue to extend our market reach by addressing adjacent opportunities with our deposition technology.

The compelling theme in 2008 was once again the strength of our compound semiconductor business. Key factors driving demand continue to be the growth of LED applications, such as LED backlights for laptops, monitors and televisions, automotive lighting, street lights and even some early general lighting devices.

The range of LED applications continues to grow, the number of LEDs being used is increasing, and the technical performance required and specifications for these LEDs are becoming more challenging. All of these trends play to AIXTRON's positioning as the primary global provider of

high-quality MOCVD equipment and a company that continues to invest more in R&D than anybody else in this space.

As expected, the difficulties faced by our silicon customers making memory devices, presented us with enormous challenges, but also opportunities, during the year. On the one hand, capital spending by our customers remained extremely low and the highly competitive pricing pressures on them remain severe. This situation is unlikely to change in the near future. On the other hand, we had already anticipated this situation, and have concentrated in 2008 on developing a number of new silicon system technologies aimed at next-generation devices for both the memory and the logic market. Recent discussions with some of our key customers regarding these technologies have been very encouraging and we believe will eventually turn into purchase orders.

From a purely financial perspective, we finished the year with total revenues of EUR 274m. The positive margin impact our common-platform systems had on our group profitability, combined with our successful internal campaign to reduce our cost base, enabled us to generate an operating profit margin of 12 percent or, in absolute terms, an operating profit of EUR 32m.

Moreover, our balance sheet is strong as ever. This is of course especially rewarding and reassuring given the significant financial and economic pressures we all have to contend with in the face of the most severe economic crisis in generations.

So, while for many companies, the near-term future is fraught with uncertainty and challenges, we go into 2009 with confidence. In fact; we see this period as an opportunity and intend to come out of this recession even stronger than we went into it. I personally believe that our ability to positively shape AIXTRON's future has never been better.

On behalf of the Executive Board, I would like to thank all of the AIXTRON team for the focused and determined way in which they have responded to the changing environment and indeed for delivering one of the most successful results we have ever achieved.

We are also very grateful for the continued encouragement and support of the Supervisory Board of AIXTRON AG throughout the year.

Let me conclude by thanking you, our shareholders, once again for your confidence and support. Shareholder value remains the primary driving force behind the Executive Board's commitment to improving the business, and we greatly appreciate the trust you show in us as we continue our journey through these troubled waters. I believe that your confidence will be well served in the next 25 years as we draw on the very solid foundations built since 1983, which enable us to remain positive and optimistic about our future.

Aachen, March 2009

Paul Hyland
President & Chief Executive Officer

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

Paul Hyland

Chairman, President and
Chief Executive Officer

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

Wolfgang Breme

Executive Vice President and
Chief Financial 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
Dr. Bernd Schulte, Paul Hyland, Wolfgang Breme

"Twenty-five or thirty years ago we were simply 'spreading the word'. Today I believe we are helping to shape the thoughts."

Dr. Holger Jürgensen, Co-Founder and Member of the Supervisory Board

1983

CHARLEMAGNE SEES THE LIGHT

The name AIXTRON is a fitting marriage of the Old and the New, as the modern creation of light and energy being enabled by AIXTRON technology is putting AIXTRON's historical home city of Aachen on the world's technology map: While the first part of the company name stems from the French name for the city of Aachen (Aix-la-Chapelle, the historical site of Charlemagne's Palatine Chapel), the second element "tron" represents the electronic markets we serve.

A Pioneer Celebrates its Silver Jubilee

In the last 25 years, AIXTRON group companies have shipped more than 1,800 deposition systems to customers across the globe. AIXTRON is the undisputed global market leader in the production of MOCVD systems, enabling some of the most creative technology the world has ever seen. The company's principal production plant in Herzogenrath near Aachen, which opened in 2000, is among the most modern in the world, with state-of-the art facilities, computerized materials warehousing, and optimized processes. AIXTRON systems are widely used to create semiconductor material structures for components in revolutionary technologies including displays, signaling and lighting equipment, fiber optic communication networks, solar cells, wireless and mobile telephone systems, optical and electronic data storage media, computer systems, and a broad range of other high-tech applications.

Back in 1983 when AIXTRON was established, the picture was quite different. There was no market – and therefore no customers or competitors, and primary knowledge of compound semiconductors was only just being developed. Universities and research organizations had to design and build their own deposition systems. It was against this backdrop that AIXTRON emerged as a spin-off from RWTH Aachen University, where the first commercial MOCVD research system was actually built in a campus laboratory.

1985

SLEEPLESS (BUT COMMITTED) IN ULM

AIXTRON's founders install the very first system in Ulm in southern Germany. Unimaginable challenges in tuning the configuration of the system lead to the pioneers commuting regularly between Aachen and Ulm: setting out on an early morning drive of 550 km, followed by ten to twelve hours of work and a tiring return trip to Aachen at the end of the day.

Time for the First Commercial Reactor

The first system built, which was basically financed by a government research grant, laid the foundation for the company's subsequent business success. It took a year of intensive research to transform the initial technology from the first basic prototype into a robust, user-friendly, customized system that could be built and marketed commercially. Once the initial design concept had been internally qualified, AIXTRON's founders presented their system concept to researchers across the globe. There was no e-mail in those days, but our letterbox eventually filled with overwhelmingly consistent replies: 90 percent of scientists were more than just interested, they were desperate for reliable research equipment. AIXTRON had found its market.

Progress through Collaboration

From what was a completely new market, possessing outstanding potential, MOCVD technology rapidly emerged as the key enabling technology involved in making LEDs. AIXTRON's founders, comprising of two scientists and a businessman, initially concentrated their efforts in this specific area and very quickly became the leading

1986

EARLY AUTOMATION

It is already in the 80s that AIXTRON employees develop software for automatic control. This makes it easier to handle the systems and reduces production costs significantly.

supplier of specialist MOCVD deposition systems. AIXTRON had emerged into the market as a technology-led business.

The company's development perspective has progressively changed over the last 25 years. The acquisitions of Thomas Swan Scientific Equipment, Epigress, Genus, and Nanoinstruments brought into the AIXTRON Group new complementary technologies and enabled the production of an even wider range of complex film components for numerous applications based on compound, silicon and organic semiconductors and carbon nanotube structures. Whilst the early design concepts were driven by the needs of basic research requirements, the device applications that subsequently emerged have created the industry we know now and which today dictates future cost of ownership and performance-driven equipment requirements. AIXTRON consequently evolved into a market-led business, driven by technology.

On the Right Track

AIXTRON has played a pivotal role in the ongoing technology and production improvements made over the last 25 years. The company's dedicated teams focus on the further improvement of the ever increasing number of complex deposition processes and consequently bringing down semiconductor production costs. Only high performance devices of a consistent quality will enable the reduction and stabilization of the costs

1988

EXCELLENT:
AIXTRON receives in Frankfurt/Main an award for its innovative business concept: the "Innovationspreis der deutschen Wirtschaft". The photo shows the company's founders (from left): Heinrich P. Schumann, Holger Jürgensen and Meino Heyen.

of these new technologies and therefore allow the commercially viable mass production of, for example, cost effective LED devices for future residential and lighting applications. AIXTRON has become the key enabling technology provider.

A Truly Global Business

In order to meet increasing customer demand for deposition systems, AIXTRON now has over 600 permanent employees worldwide: in its labs and factories in Aachen and Herzogenrath in Germany, Cambridge in the UK, and Sunnyvale in California; in its sales and support offices in China, Japan, Korea, Sweden and Taiwan in addition to its outsourced contractors and the company's agencies in Italy, Poland, Israel, Russia, India, Singapore and Australia.

The company was quick to realize the importance and value of understanding in detail the future direction of its customers' markets. Only through close regular exchanges with users of AIXTRON systems has it been possible to envisage and predict the demands that will be made of the next generations of systems – a complex process that requires a precise knowledge of the technologies, markets, and economic environment. AIXTRON is competing globally with a local focus.


H74

"To become commercially sustainable, the industry had to leave the world of 'black boxes' and move to a repeatable and controlled manufacturing process. That is where we come in: We're in the business of turning complex technology visions into commercial reality."

Dr. Rainer Beccard, Director of Marketing

1990

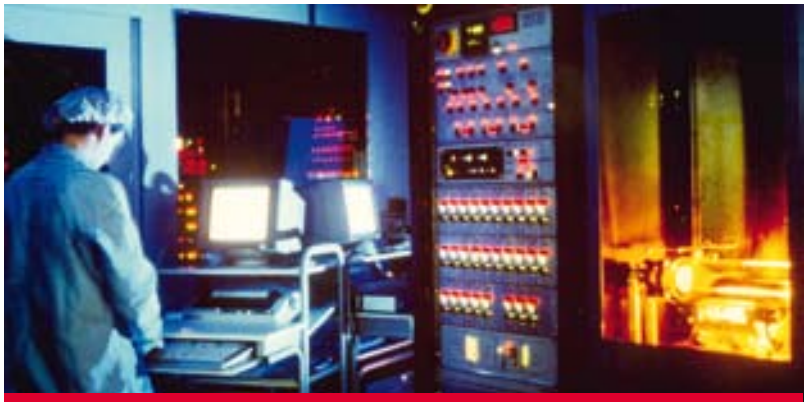
INDUSTRIAL EVOLUTION

AIXTRON delivers to the market the first commercial multi-wafer reactor. Based on Philips' Peter Frijlinks planetary reactor concept, it has significantly increased scalability, is suitable for virtually any of the known standard semiconductor materials, and ensures consistent film quality. This was a vast improvement in efficiency over previous technology and enables the first industrial scale production of III-V compound semiconductors.

25 Steps into the Future

The lives of most people today are simply unimaginable without semiconductors. Millions of them are used in the form of microprocessors, storage chips and displays in mobile telephones, PCs, notebooks, digital cameras and MP3 players, televisions, lighting, washing machines, aircraft, cars, etc. The relatively recent development of powerful light-emitting diodes (LEDs) in a wide range of colors, heralds a new era of energy-saving displays and lights, creating a completely new market which continues to grow today. AIXTRON AG was initially established on the founders' conviction of the huge potential of compound semiconductors and over the last 25 years the company has progressively expanded its capabilities to be able to supply its customers with a broad range of highly innovative semiconductor deposition systems.

The story begins with a technical revolution that took place 25 years ago, in 1983, when no commercial MOCVD wafer deposition technologies existed. Focussing on this shortfall, AIXTRON's pioneers developed their own system technologies and began to build research tools for universities and research institutes. These systems represented a milestone in the development of reliable, scalable deposition systems. The commercial breakthrough came in 1990, when AIXTRON brought the first multi-wafer compound semiconductor production system to market. Its high throughput capabilities enabled the mass



AROUND 1990: "Night shift" at one of the early 200-systems.

production of compound semiconductors for the first time. AIXTRON was transformed virtually overnight from a technology pioneer to the world's leading supplier of commercial deposition systems for the compound semiconductor industry. With the arrival of thin-film deposition technology, AIXTRON enabled the development and production of semiconductors with power and energy consumption performances that had been unimaginable just a few years previously.

Focus on Cost Effectiveness

Today, AIXTRON provides manufacturing solutions for an extensive number of semiconductor materials aimed at a wide range of applications. High-quality design and manufacturing ensure that each system produces consistent results and maximum yields for our customers. High levels of productivity, low overall maintenance costs, and very efficient use of raw materials all help to keep customer operating costs low and therefore provide a truly competitive advantage in the semiconductor market. This advantage is the result of not only increasingly efficient deposition processes, but also of advances in production techniques. The automation and robotic technologies first introduced in 1994, for example, continue to further enable the cost-effective production of the highest-quality LEDs and solar cells.

1992

SURFING THE LIGHT WAVES

The first transatlantic fiber-optic cable directly linking Germany and the United States provides meaningful competition for existing satellite communication networks: the high-performance cable transmits the signal without the customary delay effect and is more cost effective for customers. It not only allows 60,000 simultaneous telephone connections, but also paves the way for the first global computer networks. Optical transducer lasers, produced with AIXTRON deposition systems, are key elements in this communication technology.

Focus on Customers

Another important factor, in addition to system quality, is the company's customer focused development strategy. In view of the wide range of requirements and applications, AIXTRON's well-proven systems are designed and built in a modular form, making it possible to configure them precisely to customer specifications. This modular design and manufacturing approach ensures great flexibility and, above all, consistent quality with a cost structure that meets the market needs.

AIXTRON aims to supply turn-key solutions to customers and so does much more than just supply hardware systems. The global service teams, based across the world, are available on site 24 hours a day and 7 days a week to guarantee an efficient and smooth start-up of systems and provide training and ongoing support for customers. They offer assistance wherever and whenever customers need it, armed with the accumulated knowledge gained over 25 years of development and process production experience.

Systems to Meet Every Requirement

AIXTRON supplies a wide range of deposition technologies, including proven market leading production systems for compound semiconductors, silicon semiconductors, and organic semiconductors.

Compound semiconductors are made up of two or more chemical elements in

"HANDICRAFT": Back in the early 90s working on the reactor was real manual work.

film layers, which are progressively applied by controlled chemical vapor deposition processes upon a wafer substrate.

AIXTRON's compound product portfolio consists of two leading-edge patented production deposition technologies: the Planetary Reactor® and the Close Coupled Showerhead® Reactor. Both produce excellent results and are particularly suitable for the manufacture of III-V compound semiconductor device structures, including LEDs, lasers, and high-performance solar cells. Many years of commitment to the ongoing development of such MOCVD systems have made AIXTRON the undisputed, global leader in this market.

Silicon semiconductors and material films are extensively used in the electronics industry in the manufacturing of microelectronic components such as storage and logic chips. Typical applications are CMOS integrated circuits, DRAM memory modules and NAND flash memory. AIXTRON's CVD, ALD and AVD® systems are widely used by many of the world's market leaders in these fields.

The **organic semiconductor** and large area deposition range of systems offered by AIXTRON includes Research & Development as well as production systems for the manufacture of organic light-emitting diodes (OLEDs), which are al-

1993

OUT OF THE BLUE

Japanese physicist Shuji Nakamura astonishes the industry by disproving the widely held belief that a bright blue LED was practically impossible to produce. The then Nichia employee, develops the first powerful blue gallium nitride LED, receives a doctorate for his work in 1994, the largest monetary prize ever awarded in Japan in 2001 and the prestigious Millennium Technology Prize in 2006. AIXTRON reacts swiftly to this ground-breaking development and launches the first deposition systems capable of blue LED production in 1994.

ready used in high-contrast displays for cameras and mobile phones. These technologies are also predicted to be used in the manufacture of future large screen devices, including televisions, general lighting applications and e-paper devices. The systems AIXTRON sells employ new OVPD® and other large area deposition techniques, which can precisely deposit organic and other material molecules and have been developed specifically for this highly creative material development.

Following the acquisition of Nanoinstruments Ltd. in 2007, AIXTRON is now also able to supply systems for the deposition of **carbon nano-materials** based on Nanoinstruments' branded "Black Magic" technology, which can be used to manufacture a wide range of carbon nanotube and nano fiber structures. This technology supports the emerging development of potential new semiconductor display and thermal applications, made possible by the unique properties of these new carbon material structures.

Ready to Face the Challenges of the Market

In the global semiconductor industry AIXTRON serves, there is continuous and relentless demand by customers of AIXTRON to develop the next generation of systems expected to deliver the performance and cost benefits that will

FRIENDLY ATMOSP HERE AND FUNNY TIES:
Every customer acceptance is celebrated in partnership.

strengthen their respective competitive positions. Against this background, AIXTRON is continuously optimizing existing technology, reviewing its processes, and working on new prospects for the manufacture of even more powerful semiconductors. In order to maintain its position as a market leading innovator and ensure that it always remains open to new ideas, the company invests in a broad mix of evaluation, research, and development projects as part of an assessment process of the potential of new materials and procedures. In regular collaboration with universities and research groups, other new and highly promising fields such as OLED technology and carbon nanotubes, amongst others, are being pursued today.

This willingness to embrace the challenges of the future and to seek further improvements, in what is already world-class technology, have been key factors in securing AIXTRON's place among the leading suppliers of deposition systems for the global semiconductor industry. In addition to outstanding product quality, uncompromising flexibility in response to customer requirements, and high levels of investment in research and development projects, the same critical intangible factors have continued to contribute to the company's success over the last 25 years: a quest for what is feasible, a desire for discovery, and satisfaction in seeing the results of years of research being used in new everyday applications.


PLANETARY REACTOR
GAS FOIL ROT
SICK

"A quoted company such as AIXTRON AG is like a ship on the high seas: reliant at all times on the power of its engines, the skill of its crew and the ability to marry high technology navigation systems with experience, to plot a safe and prosperous course."

Rudolf Eising, Senior Department Manager, Management Accounting

1996

BOOTH PRESENTATION ON IC MOVPE, CARDIFF

AIXTRON celebrates 10 years of Planetary Reactor®. Around 1986, Peter Frijlink began to develop this innovative concept.

A Vision becomes Reality at the Stock Markets

It is now eleven years since AIXTRON's initial public offering in 1997. The company's shares are listed on the Frankfurt Stock Exchange Prime Standard and on the NASDAQ Global Select Market in the US in the form of American Depository Shares (ADS). AIXTRON shares are also included in various indices such as the TecDAX, NASDAQ Composite Index, MSCI World Small Cap Index and Natur-Aktien-Index (NAI).

Looking back, it is hard to believe that when the company was originally established in 1983, no bank would even finance the construction of AIXTRON's first MOCVD reactor system. The development of the first research system was only made possible through a government research grant and the very first system sale, to AEG in Ulm, Germany, was only achieved after receiving an advance payment from the customer and a small supplementary loan from a local bank. Fortunately, the quality of that first system spoke for itself and further orders soon followed. The loan was repaid without delay. AIXTRON has remained financially independent and prudent ever since!

Prudence through Experience

Since that first system, AIXTRON has created a business model that balances a hunger for innovation with cautious financial principles and a strong balance sheet, enabling the company to cope well with the infamous fluctuations in the semiconductor market. AIXTRON is therefore confident of withstanding the

1997

STAR OF THE "NEUER MARKT"

AIXTRON is the fifteenth company to be listed on the stock exchange in the expanding Frankfurt "Neuer Markt" segment. The IPO lays the foundations for new research and development work and future business growth. When the New Economy bubble bursts, the company rides through the storm thanks to prudent financial management and evidently strong prospects in the semiconductor market.

fallout from the current economic crisis, both financially and also because of the strong technology and intellectual property position it has built up over the company's 25-year history and 11 years as a publicly listed business.

When AIXTRON debuted on the „Neuer Markt" segment for growth stocks of the Frankfurt Stock Exchange on November 6, 1997, it marked the beginning of an eventful period for the company. AIXTRON's market placement provided the capital foundation for the anticipated future growth and the necessary funds to support the promising research and development projects that would make AIXTRON a star of the German New Economy. However, after just a few years, as a newly listed company, AIXTRON, along with all other publicly quoted companies, had to endure the sobering effects of the demise of that market segment. This painful experience has been enormously valuable in instilling the prudent values that underpin and support our business today. AIXTRON has always been quick to learn from experience.

2000

ROOM TO GROW

The new Herzogenrath factory is completed. Where previously between five and seven systems could be assembled at a time, the Herzogenrath factory has sufficient space for up to 400 systems a year. Within a few years, the manufacturing output has more than tripled.

Ongoing Development

AIXTRON has been able to consistently demonstrate a high level of perseverance even through the most turbulent of times. In July 1999, the company acquired competitors Thomas Swan Scientific Equipment Ltd. in the UK and Epigress AB in Sweden, and in the same year also joined the newly created NEMAX 50 Index of leading Frankfurt's "Neuer Markt" stocks. When the TecDAX® subsequently replaced the NEMAX 50 Index on March 24, 2003, AIXTRON represented 2.5 percent of the opening value of this index. With the March 2005 acquisition of the Silicon Valley based Genus Inc., AIXTRON shares began also trading as American Depository Shares (ADS) on the NASDAQ technology exchange in New York. The acquisition of Nanoinstruments Ltd., Cambridge, was completed in October 2007, opening the door to the still emerging, but highly promising, carbon nanotubes technology market. In September 2008, AIXTRON shares were converted into Registered Shares, thereby improving the transparency of its stockholdings and enabling more direct communication with shareholders.

The positive business position we see today is a direct result of the company's performance over the last eleven years, during which turnover grew from EUR 55.2 million at the time of the IPO in 1997, to EUR 237.8 million at the height of the European New Economy in 2001. Despite the subsequent decline to EUR

2005

BROADENING HORIZONS

With the acquisition of Genus Inc., Sunnyvale, California, AIXTRON acquires market proven deposition system technology for the silicon semiconductor and data storage industries. As a result, the Group has the additional scope to supply a wide range of mass production deposition systems to the silicon industry: Atomic Layer Deposition (ALD), Atomic Vapor Deposition (AVD®) and Chemical Vapor Deposition (CVD).

90.4 million when the Technology Market bubble burst in 2003, revenue and profitability has since risen steadily, to our latest reported revenue figure of EUR 274.4 million for 2008, beating all previous records by a significant margin.

Growing Investor Relations

Today, over 90 percent of AIXTRON shares are formally defined by the Deutsche Börse as freefloat and AIXTRON remains well placed to meet the challenges of the coming years. The company's focus on technical quality goes hand in hand with its emphasis on financial stability and wide-ranging online and offline IR communications ensure the transparency expected by all investors. The AIXTRON Investor Relations department's objective is to provide investors with a level of comfort with the knowledge that the company is concentrating on what really drives shareholder value: pursuing a profitable business model that is capable of making the technologies of the future a profitable and sustainable reality.

"We deliver the key enabling tools that will eventually lead to a revolution in lighting."

Thomas Korst, Product Manager Marketing

2007

CARBON NANOTUBES

With the acquisition of Nanoinstruments Ltd., Cambridge, UK, AIXTRON expands its nanotechnology product portfolio. AIXTRON Nanoinstruments supplies customized plasma enhanced CVD systems for the deposition of carbon nanotubes and nanowires. The excellent electrical conductivity and thermal properties afforded by nanotube structures extends their potential beyond the conventional semiconductor industry and leverages AIXTRON's existing skillset.

A Bright Vision of New Markets

Every year AIXTRON takes part in more than one hundred conferences, trade fairs, user meetings and other events across the globe. Little wonder: In today's fast-moving semiconductor market, these events represent an essential opportunity to exchange information and ideas, share experiences with researchers from top universities, cultivate contacts in industry, and speak with users about potential areas of improvement. The market AIXTRON serves is a truly global industry. In 2008, AIXTRON was represented at 49 conferences in Europe, a further 29 in the United States, and 24 events across Asia. A recent AIXTRON user meeting in Taiwan in October 2008 was attended by 650 industry professionals – more than even the largest independent international conference on MOCVD technology can claim.

The 60 percent+ market share we enjoy today was not achieved overnight. What today is regarded as an industry equipment standard was completely new territory when the company was founded in 1983. Initially, apart from a few low-power red LEDs used as indicator lights on a handful of devices, very few commercial products employed compound semiconductor technology. In the early years, the majority of deposition systems were only being used in research and development, for instance, in the field of optoelectronics. Today, there is a very healthy production equipment market that is rapidly developing into a thriving industry in its own right.

LEDs: Safe and Eco-friendly Light

A lot has happened since 1983. High-precision deposition systems now allow the production of bright LEDs in a wide

2007

AUSTRALIA WITHDRAWS CONVENTIONAL LIGHT BULBS

Motivated by environmental benefits, Australia becomes the first country in the world to commit to the complete withdrawal of conventional, energy-inefficient incandescent light bulbs. The progressive conversion to energy-saving light sources such as compact fluorescent lamps and LED lights is scheduled to cut Australia's emission of greenhouse gases by four million tons by 2012. Europe soon follows the Australian model: Brussels and the UK decide on a similar approach in 2008.

range of colors, while the cost of manufacturing these devices continues to decline. The first generation of automobiles with low-maintenance white LED headlights are beginning to contribute to improved visibility and overall traffic safety. LED backlights on flat screens not only help to make TV and PC monitors brighter, but also deliver ergonomic and environmental advantages. Traffic lights across the world are also increasingly being converted over to LED technology, and street lights will almost certainly follow soon. In time, LEDs will inevitably become widely accepted as a cost and performance efficient alternative for use in domestic lighting as well. The first LED desk lamps are already available from high-end retailers. Although expe nsive at this stage, their slim design and natural light give an indication of the benefits we can look forward to in the future: when LED lights replace incandescent light bulbs and set new standards in the market.

Memory and Logic

But AIXTRON not only provides production systems used in manufacturing compound semiconductors, we also supply the global market with deposition systems for silicon semiconductors used in logic and memory chips. As consumers, we have all seen an incredible increase in processor speeds and memory capacity in recent years. AIXTRON continues to play a significant role in the ongoing performance and cost improvements in semiconductor production methods driving this trend. Through the company's commitment to research and develop-

2008

FAST AND FOCUS ED

"Intelligence is defined by the speed of interpretation of knowledge, not by the volume of knowledge": The planned implementation of SAP software represents another milestone in increasing AIXTRON's competitive advantage. The new industry standard software will notably increase project and business efficiency in AIXTRON's worldwide network supporting ongoing corporate growth.

ment, AIXTRON is now able to use thin-film deposition technology that will in future enable the production of even more complex DRAM and flash memory structures.

Displays and Large Area Lighting

Organic LED technology is still at a relatively early development phase: an area in which AIXTRON has been actively engaged for some time. OLED technology can already be seen in applications such as some small camera and mobile telephone displays and will soon be seen in electronic paper devices using AIXTRON's large area deposition technology. Large area ultra-thin lighting based on OLED technology and high-definition, ultra-flat screens are all concept visions of the future that inspire and motivate our research team.

Another field of AIXTRON's activities is research into carbon nanotubes – microscopically small tubes made of carbon, whose strength and electrical conductivity suggest possible next generation applications in displays, transistors and non-volatile memories. This is still at an early conceptual phase but has already led to sales of R&D systems to some world leading research groups.

Led by a Vision

In this fast-moving market, it is not just AIXTRON's early successes that demonstrate the importance of believing in a vision and investing in ground-breaking research. The company is actively involved in many joint research technology projects that are still some way away from the actual development stage. Here, the critical

2008

THE NEWSPAPER OF THE FUTURE

AIXTRON supplies the UK based Plastic Logic Ltd with a PVPD (Polymer Vapor Phase Deposition) system. The British company is installing the system in their factory in Dresden, Germany, where it plans to make highly innovative electronic paper (e-paper) products.

first steps are to work with both industry and the research community on assessing potential concepts and feasibilities. This strategy, known as 'pathfinding', helps AIXTRON to stay at the forefront of technology developments.

Focused on Future

AIXTRON systems are used to manufacture and optimize semiconductors of consistently high quality during all three key development stages – from 'pathfinding' evaluations to specific research and development projects and finally into mass production.

The eagerness to grasp new opportunities, together with the high quality standards expected in all of the company's activities, underpins AIXTRON's position as a market leader in the manufacture of deposition systems for the semiconductor industry. Today, AIXTRON's systems are recognized as world-class and our continual improvement process will pave the way for the semiconductors of the future. We anticipate offering levels of performance and efficiency scarcely imaginable only a few years ago, turning yesterday's visions into tomorrow's reality.

Combined with our OVPD and Carbon Nanotube technologies, we can indeed say that AIXTRON's portfolio of technologies present us with both challenging and bright opportunities to come.

AIXTRON

2001 2002 2003 2004 2005 2006 2007 **2008** » » » » » »

Annual Report 2008

Content

Supervisory Board Report

2008 was the third consecutive year of steady and healthy revenue growth, amounting to about 25 percent p.a. at AIXTRON. This revenue growth was achieved against a backdrop of a persistently growing LED industry, driven by an increasing global need to save energy and protect the environment.

Despite the positive year-on-year development of order intake, the second half order-intake development, combined with a few order push-outs, are clear evidence of the current economic environment. Capacities built up over recent years now need to be fully commissioned and tuned and our clients are understandably focused on increasing their utilization rates. Nevertheless, we fully supported the Executive Board's decision to intensify the company's development activity for new and next generation products during 2008, in order to be ready for the next investment cycle of our customers.

Profitability was also further increased over the last year – despite a decline in the average US-Dollar/Euro exchange rate. Our EBIT-Margin came in at 12 percent, two percentage points higher than in 2007.

Our market share had improved in 2007 to a 70 percent share of the world market for MOCVD-equipment, based on the most recent April 2008 report by market analyst VLSI and was significantly helped by the increased adoption of our latest MOCVD common-platform systems.

During fiscal year 2008, we supported the Executive Board through a regular dialogue on business development opportunities, corporate planning and strategic issues, including risk management issues and the requisite compliance program of the Company. For this purpose, the Supervisory Board and the Audit Committee met regularly with the Executive Board who kept us promptly and comprehensively informed of all relevant developments. The Executive Board directly involved us in all decisions of a material importance to the Company and we, in turn, provided our independent advice to them. Furthermore, we monitored Executive Board management activities and actions on a regular basis and ensured that the Company was managed in a legal and orderly manner.

Supervisory Board Meetings and Content

During 2008, the Supervisory Board held four ordinary Supervisory Board meetings on March 11/12, May 13, September 10 and December 3, each of which were attended by all six Supervisory Board mem-

bers (with only one exception where one Supervisory Board member was absent for good reason).

At each of these meetings, the Executive Board updated us, orally and in written form, on the respective financial and operational status of the business and also on various ongoing product development and qualification projects. Furthermore, we extensively discussed the latest developments in the market and competitive environments. In all of the meetings held we gained a comprehensive insight into the management, strategy and planning of the AIXTRON Group through forecasts and Management reports, and we were regularly updated on the respective capital markets guidance, activities and opinions. Variances between the actual course of business and the Company's plans and targets were explained and the reasons provided. Latest share price developments, analyst recommendations on the AIXTRON-share, the share ownership structure and the USD/EUR-exchange rate development and its effects on the AIXTRON Group were also regular meeting topics.

Between meetings, all Supervisory Board members received detailed written monthly and quarterly reports on the status of the Company. Through a secure intranet web program we had constant access to internal and selected external information about AIXTRON, including current by-laws and articles of association, internal control reports, meeting minutes, company presentations, research reports, analyst consensus reports, press releases, and AIXTRON's financial reports. Furthermore, in numerous telephone calls and face-to-face meetings, both I, as Chairman, and the Chairman of the Audit Committee, were promptly and comprehensively informed by the Executive Board about material developments and forthcoming decisions. During these conversations, strategic and business development as well as risk management topics were comprehensively discussed.

All business transactions which needed our approval have been presented to us, and where appropriate, we have given our approval after thorough consideration and examination.

At the first ordinary meeting of the year, on March 11/12, 2008 after extensive discussion in the presence of the auditors, the Annual Financial Statements as per December 31, 2007 of AIXTRON AG were adopted and the Consolidated Financial Statements to December 31, 2007 approved. The Company's Annual Report on Form 20-F, following the rules of the United States Securities and Exchange Commission (SEC), was approved by us and accepted for publication. Furthermore, we discussed and

agreed the proposal to the Ordinary General Meeting on the distribution of retained earnings and dividend payment. At the last ordinary meeting of the year, on December 3, 2008, we approved the budget for 2009 submitted by the Executive Board. This includes revenue, income, financial and investment planning.

More resolutions were passed on the following topics in the ordinary Supervisory Board meetings held in 2008:

- Annual General Meeting 2008 (e.g. Supervisory Board Report, conversion of bearer shares into registered shares, auditor appointment proposal, and agenda)
- Future dividend strategy (specifically the dividend payment for fiscal year 2008)
- Corporate Governance (Corporate Governance Report with Declaration of Conformity dated March 2008)
- Measures to further improve the efficiency of the Supervisory Board activities
- Sale of the office building in Aachen, Kackertstraße 15-17, rental of an office floor in TPH ("Technology Park Herzogenrath"), adjacent to the company building in Herzogenrath
- Budget for moving and renovation costs (relocation at the end of 2008)
- Future hedging strategies
- Issuance of a new tranche ("Tranche 2008") of the Stock Option Plan 2007 and allocation plan

Use of Net Income

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 30.0m for 2008. The Executive Board has proposed to the Supervisory Board to distribute a dividend of EUR 8.2m (EUR 0.09 per share) for 2008. The Supervisory Board examined this proposal for profit distribution, taking into consideration the projected liquidity and the financial and investment planning of the Company. We came to the conclusion that a dividend payment of the proposed amount took appropriate account both of the financial security of the Company and shareholders' interest. AIXTRON's Executive and Supervisory Boards will therefore propose to the Shareholders' Meeting 2009 that a dividend of EUR 8.2m (EUR 0.09 per share) be distributed for the fiscal year 2008, the retained earnings of the previous year be transferred into other revenue reserves, and to carry forward the remaining balance-sheet gain into retained earnings.

Committees

The Supervisory Board of AIXTRON AG currently has one active committee: The Audit Committee primarily deals with matters such as accounting, risk management, compliance, 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 internal control system established according to SOX 404. At the same time, regular SOX-control processes and documentation enable the systematic control of the financial and related work processes and therefore positively support the monitoring task of the Supervisory Board and Audit Committee.

At the four meetings held in fiscal year 2008 (March 11, May 13, September 10 and December 3), the Audit Committee members dealt with the following special topics in addition to the regular financial business development and budget planning issues:

- Review & discussion of the Management Letter written by the auditors (main conclusions and recommendations from the 2007 annual audit of AIXTRON AG and AIXTRON Group accounts as well as the internal control system)
- Accounting rules and accounting changes, accounting handbook
- Intrinsic value and impairment of certain balance sheet positions
- Group-internal transfer pricing
- Risk screening, risk management system and risk management report (i.e. the Audit Committee ascertained a lawful and effective risk management by the Executive Board according to § 91 AktG (German Stock Corporation Act)
- Evaluation of the US-Dollar exchange rate development and hedging-strategy for the current and coming years
- Tax status of the AIXTRON Group
- Proposed introduction of the SAP information-system in all group companies and project status
- Changes of the German Corporate Governance Code – Agreement to extend the mandate of the Audit Committee to include the examination of half-year and quarterly financial reports and to discuss them with the Supervisory and Executive Boards prior to publication
- Requirements of the Act to Modernize Accounting, Reporting and Auditing "Bilanzrechtsmodernisierungsgesetz" or "BilMoG" and effects on the AIXTRON-Group after ratification
- Assessment of the perceived stability of the banks, the AIXTRON-Group works with, and the asset recoverability risks involved

If required, the Supervisory Board can in addition appoint a Nomination Committee, which will propose suitable candidates to the Supervisory Board for recommendation to the Shareholders' Meeting. The Committee will consist of up to four members. In the reporting period, the constitution of such a Committee was not necessary.

Monitoring of the Executive Board

Besides the afore-mentioned controls by the Audit Committee, the Supervisory Board paid special attention in fiscal year 2008 to the development of the silicon business. We asked for regular updates on the product development initiatives in the ALD and AVD® areas and questioned the status of patent applications. We monitored progress in the qualification of new equipment, as well as general client interest and special client agreements. We agreed on the proposed option on how to position our silicon activities in the future, with due consideration of further market developments.

Order intake for the latest generation of "common platform" compound semiconductor equipment has come close to 90 percent of the total MOCVD order intake in fiscal year 2008. The extremely positive market acceptance is proof of the excellent timing of the Company's market introduction of this product at the beginning of 2006. Consequently, we attached great importance to the proposed compound semiconductor equipment product development projects presented to us in 2008, in order to be able to offer new product generations for the next investment cycle. We intend to continue to monitor this development during the coming year. The market for LED devices will remain the main driver of the AIXTRON business in the future and therefore, we intend to regularly review the estimates of various research institutes and ask about future applications for LEDs.

Furthermore, towards year-end, we concerned ourselves with special risk situations arising from the financial and economic crisis that emerged in 2008. For example, we coordinated with the Executive Board on the level of risk AIXTRON takes in its financial investments. As a matter of course, in the coming months we will watch very carefully the potential effects of the crisis on our liquidity, our clients and the underlying consumer markets, and will examine what can be done to mitigate possible consequential effects on AIXTRON's business.

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

- Composition of order intake and order backlog, development trends
- Review of Long-Term Purchase Agreements with some clients
- Durability of the current supplier base following the 2008 capacity expansion phase
- Corporate identity: consistent use of the AIXTRON-name for all Group companies
- National and regional government funding of development activities
- Investor meetings as part of the Investor Relations activity
- Registered shares and resulting clarity of shareholder structure

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). There was no identified need to do so, given the regular, detailed and satisfactory reporting by the Executive Board, the reports and discussions between the Audit Committee/ Supervisory Board and the auditors, 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. We will support the Executive Board in its efforts to continue to fully comply with the recommendations of the Corporate Governance Code in future. Therefore, the new provision of the Code to examine and discuss half-year and quarterly financial reports prior to publication was implemented at the first opportunity. 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. However, the newly introduced SAP Information software system will further assist in the monitoring of internal workflows. Consequently, as validated by the current Declaration of Conformity dated March 2009, AIXTRON is fully compliant with the Corporate Governance Code, including the latest Code amendments.

Audit and Annual Financial Statements

Following the resolution passed at the Company's Annual Shareholders' Meeting on May 14, 2008, 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.

The auditors also reviewed the internal control system in accordance with SOX, as well as measures implemented by the Executive Board to detect business risks at an early stage and to avoid that such risks would jeopardize the existence of the Company. It was also agreed that the auditors would inform the Supervisory Board or make a note in the audit report of any facts found during their investigation which conflict with the Declaration of Conformity issued under § 161 of the German Stock Corporation Act (AktG) by the Executive Board and Supervisory Board.

The annual accounts of AIXTRON AG as per December 31, 2008, and the Company's Group accounts according to § 315a HGB and international accounting standards IFRS as per December 31, 2008 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.

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON AG and Consolidated Financial Statements to December 31, 2008, 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 10/11, 2009, with due consideration of the auditor's reports. The auditor was present at that meeting, reported on the key audit results and answered the additional questions raised by the Supervisory Board.

Following our own examination, we had no objections to the submitted single-entity and Consolidated Financial Statements or to the respective Management Reports, and 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 2008 in a resolution passed on March 11, 2009. The Annual Financial Statements of the Company and the AIXTRON Group are, therefore, formally adopted.

Supervisory Board Appreciation

After a very positive business and financial performance in 2008, 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 2009

Kim Schindelhauer
Chairman of the Supervisory Board

1. Corporate-Governance-Report
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 creating value on a sustainable basis. That way, we seek to further strengthen the trust placed in us by our shareholders, financial markets, business partners, employees and the general public. We are convinced that good corporate governance is an essential element of our Company's success.

Both this Corporate Governance Report, according to Section 3.10. of the German Corporate Governance Code ("Code"), 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 2009, are published in the Annual Report and on the AIXTRON corporate website in German and English. AIXTRON also retains previous Declarations of Conformity on its website for a period of five years.

Full Compliance

AIXTRON has complied with all recommendations of the German Corporate Governance Code, as applicable from time to time, for the last four years, including fiscal year 2008. Our internal monitoring and control systems meet the requirements of the Sarbanes-Oxley Act and are considered effective in supporting our "Compliance" activities, responsibilities and tasks. Therefore, our current Declaration of Conformity, dated March 2009, again confirms that AIXTRON is fully compliant with all the recommendations of the German Corporate Governance Code. The Company also complies with nearly all suggestions of the Code.

The new provision added to the current version of the Code on June 6, 2008, on the handling of compensation issues in meetings of the full Supervisory Board (Section 4.2.2.), had already been implemented in the previous years. All current management contracts were approved by the full Supervisory Board accordingly. The former suggestions on the severance payment cap (Section 4.2.3., Para. 4 and 5), which were recently changed into recommendations, have already been complied with in new contracts since 2005. For the remaining Executive Board contracts, the recommendations of the Corporate Governance Code on early terminations without serious cause or due to a change of control will be considered, if such cases arise. The latest recommendation, to examine and discuss half-year and quarterly financial reports prior to publication, has been implemented since the financial report on the first half of 2008 by the Audit Committee, who passes down its comments to the Executive Board for discussion through its Chairman and the Chairman of the Supervisory Board.

Shareholders and Annual General Meeting

The 2008 Ordinary General Meeting took place in Aachen on May 14, 2008. The invitation to the meeting listed the individual agenda items and set out the conditions for participation, including the use of proxies. The Company's ADS (American Depositary Shares) holders received additional special proxy voting forms. All reports and documents required by law were published in a timely manner on our website under the category "Investors/Events/Annual General Meeting". Directly after the Annual General Meeting the Company published the attendance figures and voting results on our website.

Eight out of nine agenda points required General Meeting approval. Nearly 37 percent of AIXTRON common stock was represented at the Meeting and all resolutions were passed with at least 99 percent of the entitled votes. Agenda point 6 approved the conversion of bearer shares into registered shares, agenda point 8 authorized the Company to purchase and use own shares as proposed.

The newly introduced registered shares allow the Company to add further focus to investor relations activities and facilitate direct communications with shareholders and potential investors. In the reporting year, the Company held numerous meetings with analysts and institutional investors during roadshows and conferences organized by investment banks. In addition to the annual analysts' and investors' conferences on the annual financial statements and half-year financial report, conference calls for analysts and investors were organized by the investor relations department to coincide with the publication of the interim reports on the first quarter and the nine-months figures. All presentations used for these events and for roadshows and investors' meetings can be accessed on our website.

Executive Board and Supervisory Board

The Executive Board and Supervisory Board work together closely to the benefit of the business enterprise. Their joint goal is to increase the sustainable value of the Company.

In accordance with the requirements of the German law, AIXTRON AG has a two-tier governance system characterized by a clear separation of management and supervisory functions. The Executive Board is responsible for managing the Company and informs the Supervisory Board regularly, comprehensively and without delay, on business development opportunities, corporate planning and strategy, and the risk situation of the Company. The Supervisory Board appoints the members of the Executive Board and oversees and advises the Executive Board in its management duties.

Key decisions require the approval of the Supervisory Board.

At the end of 2008, AIXTRON AG's Executive Board comprised the following three members:

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

The Supervisory Board of AIXTRON AG comprised six members at the end of 2008, four of whom also serve on the Audit Committee. The period of office of the Supervisory Board representatives ends at the close of the Annual General Meeting which resolves on ratifying the acts of the Supervisory Board during fiscal year 2011. As required under the German Corporate Governance Code in Section 5.4.2., with Mr. Schindelhauer and Dr. Jürgensen, the Supervisory Board includes no more than two former Executive Board members. This guarantees the independence of, advice to, and oversight of, the Executive Board.

Prior to the Supervisory Board Meeting of December 3, 2008, each Supervisory Board member received the annual questionnaire from the Chairman examining the efficiency of the Supervisory Board's activities. Based on the results of this examination, the Supervisory Board resolved that it is acting efficiently in accordance with Section 5.6. of the Code, but with some potential for further improvement. It has been decided that in the future, the Supervisory Board will request more regular notification of the broader strategic issues of the Company. Consequently, the Supervisory Board intends to establish closer contact with officers in the production, sales and quality control departments, to receive direct information from the operations and the market. Measures to attain these aims have already been agreed with the Executive Board.

The Company has taken out liability (D&O) insurance that covers the activities of members of the Executive Board as well as members of the Supervisory Board. The policy provides for a deductible of USD 50,000 per insured event per year.

Transparency

In the interest of maximum transparency shareholders, shareholder associations, potential investors, financial analysts, and the media are regularly and promptly informed of the AIXTRON Group's business performance. The internet is the communication channel predominantly used for this purpose.

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

Important recurring dates, such as the date of the Annual General Meeting or the publication dates for the financial reports, are detailed in the financial calendar. This and the above-mentioned reports, speaker notes, presentations, and releases are available on our website.

Directors' Dealings

The purchase and sale of AIXTRON AG shares by persons with management duties according to § 15a WpHG are published without delay after receipt of the notification on the AIXTRON website under the category "Corporate Governance/Directors Dealings". In accordance with § 10 WpPG (Securities Prospectus Act) every transaction is published in an annual document which is available on the Company website. In fiscal year 2008, four such transactions, relating to the purchase of a total of 2,000 AIXTRON-shares and the sale of a total of 506,875 AIXTRON-shares, were announced.

By year end 2008, the members of the AIXTRON Supervisory Board directly and indirectly owned 9,005,912 or 9.9 percent of the Company's shares. As of December 31, 2008, the AIXTRON Executive Board did not directly or indirectly own any shares issued by the Company. The options of the Executive Board members arising from the stock option plans are set out and explained in the Remuneration Report below.

The other directorships held by Executive and Supervisory Board members are listed in chapter 38 of the Notes to the Consolidated Financial Statements. The Company did not conclude or carry out any material transactions with related parties.

Reporting

The Group interim financial reports as of March 31, June 30, and September 30, 2008, as well as the Consolidated Financial Statements for fiscal year 2008, have been prepared in accordance with IFRS (International Financial Reporting Standards). The separately reported parent-company Annual Financial Statements 2008 for AIXTRON AG, on which dividend payment is based, are prepared in accordance with German accounting standards (HGB).

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.

In the reporting year, under the terms of the 2007 stock option plan, we have released a second tranche (Tranche 2008) by issuing 779,000 new stock options at an exercise price of EUR 4.17. Each stock option grants the right to subscribe one AIXTRON share. 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. The maximum duration of the stock options is 10 years.

As per December 31, 2008, the Tranche 2007 of the 2007 stock option plan and the previous stock option plans (AIXTRON 1999 and 2002 plans, Genus Stock Option Plan 2000) still had outstanding options to subscribe to 4,515,796 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 chapter 25 of the Notes to the Consolidated Financial Statements. "Share-based payments".

2. Remuneration Report

As in the previous year, the AIXTRON Remuneration Report 2008 is included in this Corporate Governance Report. It comprises data that, in accordance with the requirements of the German Commercial Code (HGB) and the IFRS, are an integral part of the Notes to the Annual Financial Statements/Consolidated Financial Statements or of the Management Report/Group Management Report. Therefore, the information explained in this report is not additionally presented in detail in the Notes to the Annual Financial Statements/Consolidated Financial Statements or in the Management Report/Group Management Report.

Executive Board Remuneration

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 appropriateness. 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 with 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 benefits in kind and payments into a private pension insurance, 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, 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 payments for pension insurance.

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 Con-

solidated 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 2008, the cash remuneration of the Executive Board (including benefits in kind and pension allowance) totaled EUR 2,507,112 (2007: EUR 2,641,498; 2006: EUR 1,665,915). Moreover, the Executive Board was granted 156,000 option rights in 2008 (2007: 156,000; 2006: 220,000) with an option value at allocation of EUR 276,120 (2007: EUR 677,040; 2006: EUR 336,600). The division between the individual members of the Executive Board for the years 2006 to 2008 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	**2008**	442,615	689,831	1,132,446	52,000	92,040	1,224,486
	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	**2008**	308,555	344,916	653,471	52,000	92,040	745,511
	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	**2008**	376,279	344,916	721,195	52,000	92,040	813,235
	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	**2008**	0	0	0	0	0	0
	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	**2008**	**1,127,449**	**1,379,663**	**2,507,112**	**156,000**	**276,120**	**2,783,232**
	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 pensions

In total, as at December 31, 2008, the AIXTRON Executive Board held options to subscribe to 650,516 shares in the Company (December 31, 2007: 556,391; 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 2008	52,000	0	92,040	4.17	Nov 2018
	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	13,750	84,150	3.83	Nov 2016
	May 2004	35,000	26,250	107,800	6.17	Nov 2014
	May 2003	27,500	27,500	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 2008	52,000	0	92,040	4.17	Nov 2018
	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	13,750	84,150	3.83	Nov 2016
Dr. Bernd Schulte	Dec 2008	52,000	0	92,040	4.17	Nov 2018
	Dec 2007	52,000	0	225,680	10.09	Nov 2017
	May 2006	55,000	13,750	84,150	3.83	Nov 2016
	May 2004	35,000	26,250	107,800	6.17	Nov 2014
	May 2003	0	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
Total		**650,516**	**126,236**			

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 2008, the Executive Board members exercised 6,875 (2007: 217,485; 2006: 0) option rights and none expired (2007: 0; 2006: 25,500).
The current Executive Board members have no individual company pension benefits which would result in pension provisions. The pension allowances (a total of EUR 120,000 in year 2008) paid by AIXTRON and included in the fixed remuneration, are paid into independent insurance contracts 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 2008, this resulted in pension provisions totaling EUR 845,012 (2007: EUR 878,003; 2006: EUR 983,485).

The Executive Board members receive no loans from the Company.

Supervisory Board Remuneration

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. The members of the Supervisory Board also receive, in 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.

In fiscal year 2008, the compensation of the Supervisory Board totaled EUR 446,958 (2007: EUR 269,751; 2006: EUR 183,000). The Supervisory Board compensation for the years 2006 to 2008 comprised in detail:

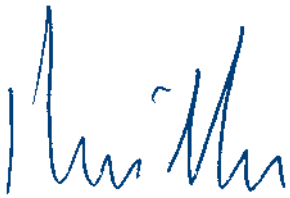
Supervisory Board Member	Year	Fixed (EUR)	Variable (EUR)	Attendance Fee (EUR)	Total (EUR)
Kim Schindelhauer* (Chairman of the Supervisory Board)	**2008**	54,000	93,162	6,000	153,162
	2007	54,000	30,618	6,000	90,618
	2006	54,000	0	6,000	60,000
Dr. Holger Jürgensen* (Deputy Chairman of the Supervisory Board)	**2008**	27,000	46,581	6,000	79,581
	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)	**2008**	18,000	31,054	12,000	61,054
	2007	18,000	10,206	12,000	40,206
	2006	18,000	0	12,000	30,000
Karl-Hermann Kuklies	**2008**	18,000	31,054	0	49,054
	2007	18,000	10,206	0	28,206
	2006	18,000	0	0	18,000
Prof. Dr. Rüdiger von Rosen	**2008**	18,000	31,054	0	49,054
	2007	18,000	10,206	0	28,206
	2006	18,000	0	0	18,000
Joachim Simmroß*	**2008**	18,000	31,054	6,000	55,054
	2007	18,000	10,206	6,000	34,206
	2006	18,000	0	6,000	24,000
Total	**2008**	**153,000**	**263,958**	**30,000**	**446,958**
	2007	**153,000**	**86,751**	**30,000**	**269,751**
	2006	**153,000**	**0**	**30,000**	**183,000**

* Member of the Audit Committee

As in previous years, there were no payments made to any Supervisory Board member for advisory services in the year 2008.

Aachen, March 2009

For the Executive Board of AIXTRON AG
Paul Hyland
Chairman



For the Supervisory Board of AIXTRON AG
Kim Schindelhauer
Chairman

3. Declaration of Conformity

In accordance with § 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 2008.

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

Aachen, March 2009

AIXTRON AG

For the Executive Board of AIXTRON AG

Paul Hyland
Chairman

For the Supervisory Board of AIXTRON AG

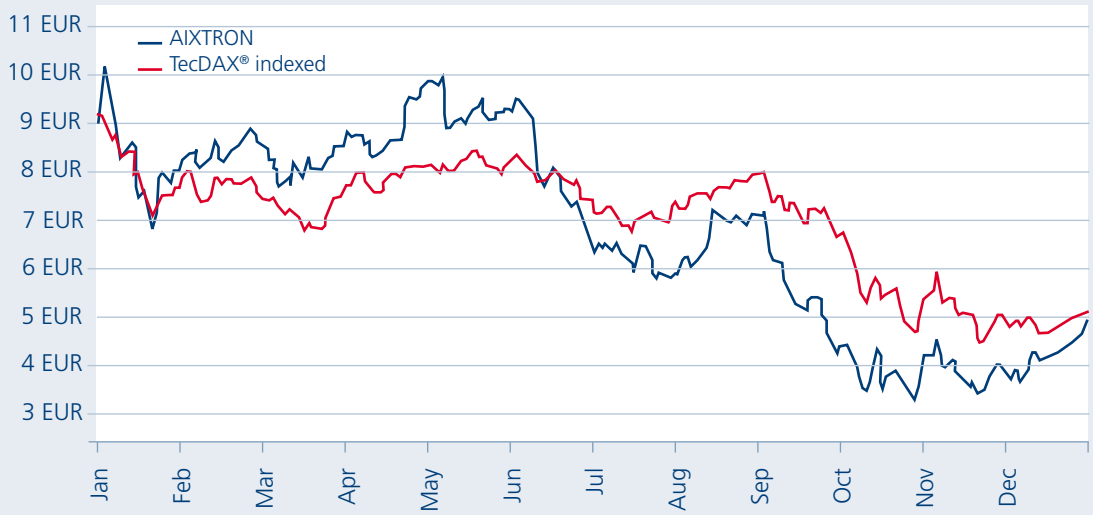
Kim Schindelhauer
Chairman

The AIXTRON Share

Share price development

2008 will be defined as a year with almost unprecedented financial market turmoil, the onset of global recession and worldwide economic uncertainty. It was a year in which the leading German share index DAX, lost approximately 40 percent of its value, the TecDAX® technology index recorded a loss of 48 percent, the worst year in its history and the US stock market also had to endure drastic losses and reported one of its worst annual performances on record.

The year began seemingly with confidence, with the DAX almost reaching the record highs previously achieved in July 2007. However, by the middle of January, several bank and real estate companies shocked financial markets with extremely negative reports.



Nevertheless, positive reports on AIXTRON order intake and generally encouraging industry news helped lift the AIXTRON share price to more than EUR 9 by March until the emergency sale of the US investment bank Bear Stearns pointed up the intensifying crisis of US investment banks and unsettled stock markets. In response, the US Federal Reserve repeatedly cut interest rates, thus temporarily halting the downturn in equity markets. AIXTRON's share price was further helped in this period by rumors that a large chip manufacturer was considering investing into LED production.

In May, over-optimistic market expectations for AIXTRON's Q1 results lifted the share price further, only to be followed by sustained weakness in response to negative stock-specific analyst comments, wider fears of recession in the Euro zone and record exchange rate lows of the US dollar. Positive AIXTRON Q2 figures contributed to a slight recovery of the share price in August 2008.

The bankruptcy of Lehman Brothers in September, with all its extremely negative financial and economic consequences worldwide, triggered another bout of weakness and AIXTRON's share price reached its year-low of EUR 2.92 on October 27. Amid all this turbulence, the seamless conversion of AIXTRON's bearer shares to registered shares took place on September 22.

On October 29, AIXTRON reported good nine-month figures and the share price began to recover significantly, aided later by the announcement of the EU-resolution regarding the planned phased abolition of the traditional light bulb in December together with the effect of the forthcoming capital gains tax changes that became effective January 1, 2009 in Germany. It ended the year at EUR 4.76, 50 percent down from the end of 2007, in line with the general decline in TecDAX® stock prices during 2008.

Key Share Data	2008		2007		2006	
XETRA in EUR, NASDAQ in USD	Shares/ XETRA	ADS/ NASDAQ	Shares/ XETRA	ADS/ NASDAQ	Shares/ XETRA	ADS/ NASDAQ
Closing Price (end of period)	4.76	6.81	9.51	14.00	3.34	4.43
Period High Price (EUR, USD)	10.39	16.08	9.91	14.80	4.01	4.92
Period Low Price (EUR, USD)	2.92	3.53	3.31	4.45	2.46	2.95
Average daily trading volume (EUR, USD)	6,305,757	1,087,934	6,471,655	659,939	1,121,311	113,257
Average daily trading volume (number shares, ADS)	895,424	97,120	1,007,362	68,617	367,812	29,828
Number of shares issued (end of period)	90,894,616		90,444,213		89,799,397	
Market capitalization (end of period), million EUR, million USD	432.7	619.0	860.1	1,266.2	300.0	397.8

Investor Relations

Research coverage once again increased during 2008. By the year end, 18 financial analysts (2007: 15), in Europe and the US, published research reports on AIXTRON. Following an evaluation by NASDAQ of AIXTRON's Market capitalization and Revenue performance over the last twelve months the company has been promoted to the NASDAQ Global Select Market Segment in December 2008.

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, products and market trends through investor roadshows and conferences in many of the world's major financial centers. In 2008, the Company's Executive Board members spent approximately 70 man-days on investor roadshows and conferences, and hosted more than 300 one-on-one meetings and conference calls with leading analysts and investors.

Conversion to Registered Shares

AIXTRON converted its entire 90,894,616 stock of Bearer Shares into Registered Shares as of September 22, 2008. Through this conversion, which was approved by the Annual Shareholders' Meeting on May 14, 2008, AIXTRON intends to further improve direct communication with its shareholders. The first evidence of the change will be the direct invitation to AIXTRON shareholders to the Annual Shareholders' Meeting on May 20, 2009. AIXTRON believes that a more transparent shareholder structure and the potential cost savings in the medium term, compared to the present Bearer Share structure, is to the long term benefit of shareholders.

Shareholder Structure

As of December 31, 2008, 35 percent of AIXTRON Shares were held by private individuals, whereas 65 percent were held by institutional investors. The largest shareholders of the company were Camma GmbH, Aachen/Germany, holding 8.7 percent of the shares, Oppenheimer Funds, Centennial/USA, and cominvest Asset Management GmbH, Frankfurt/Germany, with a 5 percent holding respectively. 91 percent of the shares are considered as free float according to the definition of the Deutsche Börse.

Group Management Report as of December 31, 2008

Group Management Report as of December 31, 2008

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.); AIXTRON AB, Lund (Sweden) (former Epigress AB); AIXTRON Korea Co. Ltd., Seoul (South Korea); AIXTRON KK, Tokyo (Japan); and AIXTRON Taiwan Co. Ltd., Hsinchu-City (Taiwan).

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All financial information contained in this Management Report, including comparable prior year numbers, is reported in accordance with IFRS. Further information about the adherence to reporting standards is contained in note 39 to the consolidated financial statements.

1. Business and Operating Environment

1.1. Organizational Structure

The table below shows a list of the significant AIXTRON-subsidiaries as of December 31, 2008:

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

* former Thomas Swan Scientific Equipment Ltd.
** former Epigress AB
*** incl. former Genus, Inc.
**** The shares in Genus are attributed as boneficial owner to AIXTRON, as control exists due to the trust relationship with AIXTRON AG.

1.2. Management and Control

As of December 31, 2008 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

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 will 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, directly or indirectly holds more than 50 percent of the Company's authorized capital.

As of December 31, 2008 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

1.3. Principles of Management 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 current Executive Board members have no individual pension benefits and receive no loans from the Company. The appropriateness of the above-mentioned payments is regularly reviewed by the Supervisory Board.

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 1percent 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.

Further detailed information on the compensation of the individual Executive Board and Supervisory Board members is contained in notes 32 and 38 to the consolidated financial statements as well as in the Corporate Governance/Remuneration Report.

1.4. Locations

The Company has its registered office in Aachen, Germany, and had a total of 10 facilities worldwide as of December 31, 2008:

Facility location	Use	Approx. size (m^2)	Lease expiry
Aachen, Germany (owned)	Research and Development	7,260	–
Herzogenrath, Germany (owned)	Manufacturing, Sales and Service, Engineering, Research and Development	12,457	–
Herzogenrath, Germany (leased)	Administrative Headquarters and Sales	2,419	July 31, 2011
Cambridge, UK (leased)	Manufacturing, Sales and Service, Engineering	2,180	September 13, 2014
Lund, Sweden (leased)	Engineering, Service	449	December 31, 2011
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	492	June 30, 2013
Hsinchu, Taiwan (leased)	Sales and Service	1,418	December 31, 2011
Tokyo, Japan (leased)	Sales and Service	311	March 31, 2010

Agreement was reached in 2008 to sell the company facility in Aachen to the State of North Rhine-Westphalia, for the use by the University of Aachen ("RWTH"). The sale was completed in January 2009 at a selling price marginally above book-value. AIXTRON will retain a small research laboratory within the facility and therefore will continue its successful cooperation with the RWTH. The administrative headquarters and sales functions had already been relocated from the Aachen facility to the leased facility in Herzogenrath in December 2008. The proposed official transfer of the company's registered office to the leased facility in Herzogenrath will be submitted to the AGM in May 2009 for approval.

1.5. Business Model

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.

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.

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.

Please refer to the "Risk Report" in chapter 7. for potential factors that could adversely affect the described Company's business activities, model and strategy going forward.

1.6. Employees

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.

The total number of employees increased by 2 percent from 609 employees at the end of 2007 to 619 at December 31, 2008. The increase in fiscal year 2008 was mainly being due to an increased number of R&D and Administration employees.

Employees by Function

	2008*		2007		2006		2007 → 2008	
	Dec. 31	%	Dec. 31	%	Dec. 31	%	abs.	%
Sales and Service	187	30	186	31	181	32	1	1
Research and Development	218	35	210	34	183	32	8	4
Manufacturing	131	21	139	23	128	23	-8	-6
Administration	83	13	74	12	74	13	9	12
Total	**619**	**100**	**609**	**100**	**566**	**100**	**10**	**2**

* Excluding Executive Board and apprentices

As of December 31, 2008, the majority of AIXTRON's worldwide employees were based in Europe, and the largest group was employed in R&D positions.

Employees by Region

	2008*		2007		2006		2007 → 20087	
	Dec. 31	%	Dec. 31	%	Dec. 31	%	abs.	%
Asia	84	14	79	13	73	13	5	6
Europe	428	69	401	66	364	64	27	7
USA	107	17	129	21	129	23	-22	-17
Total	**619**	**100**	**609**	**100**	**566**	**100**	**10**	**2**

* Excluding Executive Board and apprentices

1.7. Technology and Products

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 Polymer 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").

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 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 training, consulting and support services.

1.8. 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 deposition equipment for the manufacturing of complex device structures for the semiconductor industry. In 2008, AIXTRON spent EUR 28.3m on Research and Development, compared to EUR 26.5m in 2007 (2006: EUR 23.9m). See also chapter 3.2. "Development of Results" for a more detailed description of R&D expenses.

AIXTRON maintains and upgrades 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 for the production of semiconductor materials. The development process is supported by simulation techniques, which are important tools to reduce material and energy-intensive manufacturing and testing processes as well as reducing natural resource consumption to a minimum.

AIXTRON's R&D organization works closely with its own global sales and service organization to develop systems, tailored to customers' individual needs. Moreover, AIXTRON regularly collaborates with many well-known universities and research centers worldwide and participates in numerous publicly-funded development projects.

The following are examples of such projects:

APOLLON

The EU-funded photovoltaic project "APOLLON" aims at the improvement of concentrator solar cells (i.e. increased efficiency, reliability, reduced cost and environmental impact), to prepare the industry for cost-effective mass production. The project consortium consists of partners from the energy industry and end users, small and medium sized companies and research centers. AIXTRON's contribution will be to improve its equipment and processes such that III-V based concentrator cell efficiency can be made more commercially competitive.

DECISIF

Within the pan-European research program MEDEA+ -approved German government-funded research project titled "DECISIF", approved new transistor concepts are expected to be developed, delivering innovative switching elements for high-performance, next-generation micro-processors. The joint research project has been initiated as collaboration between a global micro-processor manufacturer (AMD), a producer of silicon-wafers (Siltronic), AIXTRON, and two renowned German research institutes. AIXTRON's AVD/CVD cluster-tool is a key element in the targeted device improvement, and the project will support AIXTRON's activity in the optimization of new oxide material applications for silicon circuits.

MAXCAPS

As a member of the MEDEA+ consortium, AIXTRON also participates in the "MAXCAPS"-project, which aims to develop new materials for next generation capacitors and memories. The main goal of this project, in the capacitor field, is to increase the capacitance per surface area with very low leakage currents and excellent high frequency linearity and therefore enable integration of currently discrete components into a single chip. In the memory field, DRAM structures and new Phase Change RAM (PCRAM) materials will be evaluated. Within the scope of this project, AIXTRON will improve its AVD equipment with respect to process stability, yield, low cost of ownership and reliability. This will directly strengthen AIXTRON's position as a leading manufacturer of AVD/CVD equipment.

OLED 2015

The OLED 2015 program, funded by the German government, supports the development of OLEDs for lighting applications. As part of the OLED 2015 initiative, AIXTRON participated in the Organic Phosphorescent lights for Applications in the Lighting market 2008 project (OPAL 2008) project with the Company's OVPD® technology platform. The goal of OPAL 2008 is to develop 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.

ULTRAGAN

Since August 2005, AIXTRON has participated in the European Commission funded "ULTRAGAN" project which successfully ended in October 2008. The project aimed to explore new heterostructures using InAlN/(In)GaN alloys for Ultra-high Power Microwave Transistors, replacing conventional AlGaN/GaN structures. Next generation wireless network base stations, satellite communication systems and compact digital radar are just a few examples where those devices can improve the efficiency of amplifiers. Within the framework of ULTRAGAN, AIXTRON worked on the process development for the advanced heterostructures as well as on the optimization of the MOCVD equipment for this new material combination, aimed at optimizing equipment and process know-how for when the first InAlN/GaN-based products are launched in the high power electronics market sector.

1.9. 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, 2008, 128 patent-protected inventions were in use, of which 8 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 2009 and 2028.

1.10. Manufacturing

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 all of the components and most of the 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 worldwide quality standard DIN EN ISO 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.

1.11. Sales and Service

The Company markets and sells its products worldwide, principally through its direct sales organization and appointed dealers and sales representatives. See also chapter 3.1. "Development of Revenues" for a breakdown of revenues by technology and region.

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 training and operational support of a system.

1.12. Customers and Geographic Regions

Our semiconductor market customers are principally, but not exclusively, focused on device manufacturing of LEDs, wireless, optoelectronics, logic and data storage components. Some of these are vertically integrated device manufacturers who serve the entire value chain down to the end consumer (Samsung, as an example). Others (Epistar, as an example) are independent component suppliers who deliver the chips and components produced on AIXTRON equipment to the next link in the value chain, namely; the electronic device manufacturers (Nokia, as an example). Our customers also include research centers and universities. Most of the world's leading electronic device manufacturers produce in Asia. Consequently, the majority of our sales continue to be delivered into this region.

In 2008, 87 percent (2007: 81 percent; 2006: 79 percent) of our revenues were realized with customers in Asia, 7 percent (2007: 9 percent; 2006: 13 percent) of our sales went to Europe and 6 percent (2007: 10 percent; 2006: 8 percent) into the USA.

1.13. Competitive Positioning

AIXTRON's main competitor in MOCVD applications is the process equipment division of Veeco Instruments, Inc. (USA). AIXTRON also competes with a number of Asian manufacturers including Taiyo Nippon Sanso (Japan), amongst others.

Based on market research by VLSI Research, Inc. ("VLSI") it is estimated that the share of the MOCVD equipment market (estimated 2007 total market value: USD 289m) held by AIXTRON in 2007 was around 70 percent. The Company's strongest competitor in terms of sales, Veeco Instruments, Inc., had an estimated market share of approximately 18 percent for the same period. The Company anticipates a 60-70 percent 2008 market share position in the global MOCVD market, when next reported.

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®) and PVPD (polymer vapor phase deposition) large area deposition technologies. In AIXTRON's opinion, due to the superior process technology and the potential for reducing manufacturing costs, these technologies have 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.

As AIXTRON and customer applications are still in the market entry phase, AIXTRON's Organic Semiconductor market share information is neither available nor meaningful at this point in time.

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). With the Company's currently available silicon semiconductor manufacturing technologies, AIXTRON is potentially well positioned for the adoption of sub 45 nm memory and logic integrated circuits (ICs). These technologies en-

able 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.

Based on market research by VLSI it is estimated that in 2007 AIXTRON held a single digit share in the developing ALD systems market (total 2007 market value: USD 236m), and an approximate 62 percent share of the market for tungsten silicide CVD systems specifically sold to DRAM and NAND Flash memory chip manufactures (total 2007 market value: USD 84m). In line with all capital equipment companies serving the memory device market, AIXTRON has experienced a significant decrease in orders and revenues from its memory customers in 2008.

1.14. 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 2008, 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. Our 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 2008 sales revenues increased year on year and an improved net income performance was reported despite a continuation of the US dollar weakness on average in 2008 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 88 percent of compound system orders and 80 percent of compound revenues during 2008.

1.15. Government Regulation

Due to the nature of AIXTRON's products, the shipment of some products to customers in certain countries requires the Company to obtain an export license from legal and statutory authorities in the US, Germany, U.K. and Sweden.

Research and development activities, as well as the manufacturing and demonstration of the Company's products involve the use of potentially harmful chemical and hazardous materials and radioactive compounds and as a result, AIXTRON is subject to environmental and safety regulations in connection with its business operations.

Because AIXTRON's securities are publicly traded in the US, the Company is also subject to the rules and regulations promulgated by the SEC, including those promulgated under the Sarbanes Oxley Act of 2002. In addition, AIXTRON is subject to the provisions of the US Foreign Corrupt Practices Act relating to the maintenance of books and records and anti-bribery.

2. Important Factors

2.1. Global Economy

Prior events in the global financial markets have played a pivotal role in shaping the state of the global economy in 2008: what in summer 2007 appeared to be a problem limited to the US subprime loans sector, quickly spread across all other credit segments and the broader financial markets, to the point where large parts of the global financial system stopped functioning effectively. Severely impaired financial markets have also had a detrimental effect on real economies worldwide, and most developed economies have now slipped into recession.

Consequently, central bankers around the globe reduced interest rates to historically low levels. Authorities have also recently started to pump hundreds of billions into ailing banks and financial markets, and into some segments of the real economy.

Currency markets experienced considerable swings. In particular, the US-Dollar/Euro exchange rate displayed significant volatility during 2008. In the first half of the year, while markets initially hoped that the rest of the world could avoid most of the US' problems, the US-Dollar continued to depreciate against the Euro. The US-Dollar then appreciated strongly during the second half of the year, when it became apparent that the economic downturn would be both severe in scale and global in scope, driven mainly by the perception that the US-Dollar is a safer risk harbor in difficult times. The currency pared some of its gains in the final weeks of the year, but the US-Dollar still appreciated 4.68 percent during 2008 overall. However, the currency still ended the year weaker on average against 2007: the 2008 average exchange rate against the Euro was USD 1.47, more than 7 percent lower than the USD 1.37 average of 2007.

Since AIXTRON had no bank borrowings 2008 and could fund its business operations with sufficient cash flow, the Company was not directly affected by the credit crunch during 2008. Similarly – the negative currency effect of the weaker average US-Dollar exchange rate on the AIXTRON 2008 results could be compensated by effective operations and the use of derivative financial instruments.

AIXTRON Management continues to very carefully monitor the developments in the global economy and the financial markets, and is continuously examining what can be potentially done to mitigate possible consequential effects on AIXTRON's business.

2.2. The Semiconductor Equipment Market

While world real gross domestic product still grew by an estimated 3.4 percent* in 2008 and growth in the electronics equipment industry was 1.8 percent*, semiconductor industry revenues declined by an estimated 4.4 percent.* Spending on Wafer Front End equipment (WFE), which includes spending on deposition tools supplied by AIXTRON, decreased year on year, by an estimated 30.9 percent.*

In contrast to this general industry trend, AIXTRON revenues actually increased year over year by 28 percent in 2008 principally due to a growing investment in AIXTRON MOCVD equipment, driven by the increasing adoption of LEDs used in lighting and backlight units for LCD displays. However, after the significant capacity investments made by the LED-manufacturers in late 2007 and early 2008, new orders for compound semiconductor equipment have been declining throughout 2008; in line with the predicted down-cycle in LED-equipment demand. The 2008 capital spending for silicon semiconductor equipment remains very restricted due to the continuously increasing pricing pressure on silicon semiconductors, especially for memory devices used in electronic consumer applications, driven by production over-capacity at the current technology nodes.

Despite the current phasing of the previously predicted MOCVD equipment investment cycle of LED manufacturers and the suppressed silicon semiconductor capital spending, coupled with a protracted slowdown in consumer and corporate spending worldwide, the fundamental outlook of the semiconductor equipment industry remains positive in the mid to long-term. There is a significant potential for long term growth, enabling economic and environmental benefits for generations of consumers to come. None of the current difficulties, the semiconductor industry has had to face recently, deters AIXTRON from remaining focused on being a primary global market provider of high-quality deposition equipment. Once the markets start to recover, AIXTRON should continue to be in the very strong position of benefitting directly from the long term positive outlook.

(* Sources: IMF; Gartner Dataquest)

2.3. AIXTRON-specific Factors

Full-year guidance fulfilled despite difficult market conditions

With EUR 274.4m of revenues, representing the strongest ever AIXTRON revenue performance in its 25-year history, and with an improved Earnings Before Interest and Tax ("EBIT") margin of 12 percent, the Company was able to deliver within the range of the original full-year 2008 guidance, benefitting from more profitable products and an extremely cost-effective organization. Although 2009 will be challenging, the order backlog figure of EUR 105.0m as of December 31, 2008, combined with the anticipated order intake and a highly flexible operations facility, should enable efficient labor utilization and manufacturing output, despite a projected reduction in revenue in 2009.

US-Dollar/Euro – revenue/cost balance

The weaker average US-Dollar/Euro exchange rate as described in the "Global Economy" section (2.1.) had a negative currency effect on the AIXTRON 2008 results, as more than 70 percent of the Company's sales revenue is generated in US-Dollars and more than 70 percent of the costs are incurred in Euros. However, due to the use of derivative financial instruments (governed by internal policies and principles on foreign exchange rate risk), improved cost-management, and more profitable products, the positive earnings margin development was not impaired.

88 percent penetration of higher margin common platform systems

In 2008, the percentage of the latest generation common platform system orders grew to approximately 88 percent of the total compound semiconductor system orders received (2007: 72 percent). The positive margin effect of increased sales of these latest generation systems helped to partially offset the negative effect of the weaker average USD/EUR-exchange rate experienced in 2008. The rapid market adoption of these high capacity MOCVD systems has been sustained by long-term purchase orders from important LED market-players such as Epistar, Samsung and many other prominent AIXTRON-customers.

More new LED backlit products

During 2008, several manufacturers launched new LED backlit LCD devices: Samsung, Philips, Toshiba, Fujitsu, Sony and Apple are only some of the major producers who contributed to the increasing penetration rate of LEDs in products such as laptops, monitors and TVs. As an example; the 2008 penetration of LEDs in laptop computers is estimated to have reached about 10 percent, with strong expected market volume growth and penetration rates over the next 3-5 years. AIXTRON deposition systems sold to manufacture LEDs represented 84 percent* of AIXTRON's equipment revenues versus 61 percent** in 2007, growing by 82 percent in 2008 and reflecting the increasing adoption of LED technology.

* (or EUR 206.6 million)
** (or EUR 113.4 million)

EU phases out incandescent lighting

In December 2008, the EU followed initiatives already taken in the US, Australia and other countries and approved a proposed EU-wide phase-out of incandescent light bulbs starting in 2009. Switching to more energy-efficient lighting such as fluorescent bulbs, halogen or LED lights will help to reduce domestic energy consumption and prevent CO_2 pollution in the future. AIXTRON will inevitably profit from this trend in the longer term, when LED solid-state lighting becomes more extensively used globally.

Low order intake for silicon equipment mirrors depressed memory market conditions

As previously predicted, with the current severe over-capacity in the memory market, the order intake for AIXTRON silicon deposition equipment decreased in 2008 to only 5 percent of total order intake, due to the very restricted capital spending of AIXTRON's principal NAND flash memory and DRAM production customers. AIXTRON is currently discussing with key customers a new system technology, developed over the past three years, aimed at next-generation devices for both the memory and the logic market. The initial response from customers has been positive.

AIXTRON AG converts to registered shares

AIXTRON converted its entire 90,894,616 stock of bearer shares into registered shares, as of September 22, 2008. Through this conversion, which was approved by the Annual Shareholders' Meeting on May 14, 2008, more direct communication with AIXTRON shareholders will be facilitated and the Company believes that a more transparent shareholder structure and the potential cost savings in the medium term, is to the long-term benefit of AIXTRON shareholders.

2.4. Management Assessment of Company Situation

Despite the many negative events in the global financial system, AIXTRON's Management can reflect on a very good business performance in 2008, from which the Company emerges stronger strategically, operationally and financially. Therefore, although 2009 will be a difficult year for the whole semiconductor industry, AIXTRON is better prepared than most: We are the industry's technology and market leader, we have a close and mutually beneficial relationship with our customers and we are generating good margins and profitability for our shareholders. Our balance sheet is stronger than ever and without bank borrowings amid unprecedented economic and financial turmoil worldwide. As a result, AIXTRON's Management is looking to the future with confidence, and regards 2009 as a challenging year with equal levels of opportunity.

3. Results of Operations

3.1. Development of Revenues

In fiscal year 2008, AIXTRON recorded revenues of EUR 274.4m, an increase of EUR 59.6m, or 28 percent, compared to EUR 214.8m in 2007 (2006: EUR 171.7m). This has been achieved despite a weaker average US-Dollar/Euro exchange rate, the general slowdown in semiconductor equipment spending, and the effects of the global recession and the credit crisis.

The increase in revenues was largely driven by increasing sales of our compound semiconductor deposition equipment, predominantly for the production of LEDs (EUR 235.7m in 2008; EUR 145.2m in 2007; EUR 97.0m in 2006). Revenues from silicon semiconductor deposition equipment, NAND-Flash and DRAM-production systems, decreased in 2008 to EUR 12.6m (EUR 41.7m in 2007; EUR 46.1m in 2006). This is the result of the very depressed memory market conditions that exist today and consequently suppressed capital spending by AIXTRON's customers.

Equipment sales generated 90 percent of revenues in 2008 (2007: 87 percent; 2006: 83 percent). The remaining revenues were generated by sales of spare parts and service the decline being due to customers cutting back on spare orders and reducing spare inventories in the current environment.

Revenues by Technology

	2008 Full Year		2007 Full Year		2006 Full Year		2007 → 2008	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Revenues	**274.4**	**100**	**214.8**	**100**	**171.7**	**100**	**59.6**	**28**
of which from sale of silicon semiconductor equipment	11.6	4	41.7	19	46.1	27	-30.1	-72
of which from sale of compound semiconductor equipment and other equipment (OVPD®, SiC)	235.7	86	145.2	68	97.0	56	90.5	62
of which other revenues (service, spare parts, etc.)	27.1	10	27.9	13	28.6	17	-0.8	-3

87 percent of total revenues in 2008 (2007: 81 percent; 2006: 79 percent) were delivered to customers in Asia. The remaining revenues were generated in Europe and in the United States.

Revenues by Region

	2008 Full Year		2007 Full Year		2006 Full Year		2007 → 2008	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Asia	238.1	87	174.1	81	135.2	79	64.0	37
Europe	18.5	7	18.8	9	22.2	13	-0.3	-2
USA	17.8	6	21.9	10	14.3	8	-4.1	-19
Total	**274.4**	**100**	**214.8**	**100**	**171.7**	**100**	**59.6**	**28**

3.2. Development of Results

Cost Structure

	2008 Full Year		2007 Full Year		2006 Full Year		2007 → 2008	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Cost of Sales	**161.5**	**59**	**129.8**	**60**	**108.2**	**63**	**31.7**	**24**
Gross profit	**112.9**	**41**	**85.0**	**40**	**63.4**	**37**	**27.9**	**33**
Operating Costs	**80.4**	**29**	**64.4**	**30**	**57.7**	**34**	**16.0**	**25**
Selling expenses	27.8	10	27.2	13	23.4	13	0.6	2
General and administration expenses	18.0	7	16.0	7	17.3	10	2.0	13
Research and development costs	28.3	10	26.5	12	23.9	4	1.8	7
Net other operating (income) and expenses	6.3	2	-5.3	-2	-6.9	-4	11.6	-219

Cost of Sales

Cost of sales increased year on year by 24 percent in absolute terms from EUR 129.8m in 2007 (2006: EUR 108.2m) to EUR 161.5m in 2008, whilst cost of sales relative to revenues improved to 59 percent from 60 percent in 2007 (63 percent in 2006), benefitting from a more favorable product mix and a favorable currency movement towards the end of the year.

Gross Profit, Gross Margin

Consequently, the Company's gross profit increased, in line with revenues and cost of sales, by 33 percent to EUR 112.9m in 2008 (2007: EUR 85.0m; 2006: EUR 63.4m), resulting in a one percentage-point higher gross margin of 41 percent, helped by more favorable currency exchange rates towards the end of the year.

Operating Costs

Operating costs increased in 2008 by 25 percent to EUR 80.4m (2007: EUR 64.4m; 2006: EUR 57.7m) in absolute terms. However, operating costs relative to revenues decreased from 30 percent in 2007 to 29 percent in 2008 (2006: 34 percent), influenced by the following factors:

The slight increase of **selling expenses** by 2 percent to EUR 27.8m (2007: EUR 27.2m; 2006: EUR 23.4m) was mainly due to volume related elements of expenses, including sales commissions. Selling costs relative to revenues decreased by three percentage points to 10 percent, reflecting the low fixed elements of expenses and lower warranty expenditures despite higher volumes.

General and administration expenses increased by 13 percent to reach EUR 18.0m in 2008 (2007: EUR 16.0m; 2006: EUR 17.3m) principally due to variable elements of expenses and investments in infrastructure. Overall, general and administration expenses relative to revenues remained stable in 2008 and 2007 at 7 percent.

Key R&D Information

	2008 Full Year	2007 Full Year	2006 Full Year	2007 → 2008 %
R&D expenses (million EUR)	28.3	26.5	23.9	7
R&D expenses, % of sales	10%	12%	14%	
R&D employees (period average)	213	210	181	1
R&D employees, % of total headcount (period average)	35%	36%	32%	

Research and Development costs increased over the last three years to EUR 28.3m in 2008 due to increased development activities, including additional personnel, material expenses and depreciation. Although increasing in absolute terms, relative to revenues, R&D costs decreased from 12 percent in 2007 to 10 percent in 2008 (2006: 14 percent). R&D-activity remains strong in both Silicon and Compound, seen as key factor supporting our market leadership.

Personnel Costs

	2008 Full Year mil. EUR	2007 Full Year mil. EUR	2006 Full Year mil. EUR	2007 → 2008 mil. EUR	2007 → 2008 %
Cost of Sales	13.2	12.2	12.2	1.0	8
Selling, General and Administrative expenses	16.2	17.8	16.5	-1.6	-9
Research and Development costs	16.4	15.0	13.3	1.4	9
Total	**45.8**	**45.0**	**42.0**	**0.8**	**2**

With the number of global employees increasing by 10 to 619 at year end 2008 (2007: 609; 2006: 566 employees), **personnel expenses** remained virtually stable at EUR 45.8m in 2008 (2007: EUR 45.0m; 2006: EUR 42.0m).

Net **other operating income and expenses** decreased from a net income of EUR 5.3m in 2007 (EUR 6.9m in 2006) to a net loss of EUR 6.3m in 2008. The reason for the loss incurred in 2008 is mainly due to hedging losses incurred towards the end of the year.

Operating Income (EBIT)

The operating income rose 58 percent from EUR 20.6m in 2007 (2006: EUR 5.7m) to EUR 32.5m in 2008, driven largely by the 28 percent increase in sales but only a 25 percent increase in costs.

Result Before Taxes

Result before taxes increased 59 percent from EUR 22.4m in 2007 (2006: EUR 6.6m) to EUR 35.7m in 2008, in line with an improved EBIT performance and higher net interest income due to higher average interest rates.

Interest & Taxes

	2008 Full Year mil. EUR	2007 Full Year mil. EUR	2006 Full Year mil. EUR	2007 → 2008 mil. EUR	2007 → 2008 %
Net Interest Income/Expense	**3.2**	**1.8**	**0.9**	**1.4**	**78**
Interest Income	3.2	1.9	1.0	1.3	68
Interest Expenses	0.0	-0.1	-0.1	0.1	n.m.
Tax Expenses	**-12.7**	**-5.2**	**-0.8**	**-7.5**	**144**

AIXTRON recorded a **tax expense** of EUR 12.7m or 36 percent of the profit before tax in fiscal year 2008. In comparison, the previous two years' tax charges were lower (23 percent of the profit before taxes in 2007; 12 percent in 2006) largely due to the recognition of tax losses in those years. Tax loss carry-forwards remaining unrecognized as deferred tax assets in 2008 totaled EUR 20.6 m (2007: EUR 39.1m; 2006: EUR 57.3m).

Consolidated Net Income

The 2008 consolidated net income for the AIXTRON Group was EUR 23.0m, 33 percent up from the EUR 17.3m in 2007 (2006: EUR 5.9m).

Net Income AIXTRON AG – 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, (German GAAP) based on the German Commercial Code (Handelsgesetzbuch, "HGB") of EUR 30.0m for 2008 (2007: EUR 12.3m; 2006: EUR 2.8m). AIXTRON's Executive and Supervisory Boards will propose to the shareholders' meeting that a dividend of EUR 8.2m or EUR 0.09 per share (6.3m or EUR 0.07 per share for 2007) be distributed. No dividend was distributed for 2006.

3.3. Development of Orders

Equipment Orders

	2008 Full Year		2007 Full Year		2006 Full Year		2007 → 2008	
	mil. EUR	%	mil. EUR	%	mil. EUR	%	mil. EUR	%
Equipment order intake	**250.8**	**100**	**247.7**	**100**	**178.0**	**100**	**3.1**	**1**
of which silicon semiconductor equipment	13.7	5	39.1	16	41.2	23	-25.4	-65
of which compound semiconductor equipment and other equipment (OVPD®, SiC)	237,1	95	208.6	84	136.8	77	28.5	14
Equipment order backlog (end of period)	**105.0**	**100**	**132.0**	**100**	**85.1**	**100**	**-27.0**	**- 20**
of which silicon semiconductor equipment	6.8	6	5.8	4	11.4	13	1.0	17
of which compound semiconductor equipment and other equipment (OVPD®, SiC)	98.2	94	126.2	96	73.7	87	-28.0	-22

AIXTRON saw a slight increase in 2008 cumulated **equipment order intake**, which at EUR 250.8m was 1 percent up year-on-year (2007: EUR 247.7m; 2006: EUR 178.0m) and represents a healthy order intake level considering the current environment. However, quarterly order intake declined during the year (Q1: EUR 85.5m, Q2: EUR 72.5m, Q3: EUR 52.2m, Q4: EUR 40.6m), reflecting the previously predicted digestion stage in the current investment cycle in the LED industry and the arrival of the global credit crisis and recession.

The 2008 order intake is characterized by a solid demand for compound semiconductor equipment, predominantly for the production of LED end-market applications throughout the year. Order intake for compound equipment rose by 14 percent to EUR 237.1m from EUR 208.6m in 2007 (2006: EUR 136.8m), and consequently represents 95 percent of the total value of equipment orders received by AIXTRON in fiscal year 2008 (2007: 84 percent; 2006: 77 percent). The proportion of orders received for silicon semiconductor equipment, compared to total equipment orders received in 2008, dropped to 5 percent, from 16 percent in 2007 (2006: 23 percent). In absolute numbers, the order intake for silicon semiconductor equipment decreased, due to a persistently negative memory market environment with very restricted capital spending, by 65 percent to EUR 13.7m in 2008 from EUR 39.1m in 2007 (2006: EUR 41.2m).

The **equipment order backlog** of EUR 105.0m at December 31, 2008 is 20 percent lower than at the same point in time in 2007 (EUR 132.0m; 2006: EUR 85.1m).

The order backlog for compound semiconductor equipment was at EUR 98.2m as of December 31, 2008 (94 percent of backlog) representing a 22 percent decrease year on year, in line with a difficult market environment. The remaining backlog figure of EUR 6.8m (6 percent of backlog) is made up of silicon system orders.

As a matter of internal policy, AIXTRON records only systems as order intake and order backlog, if the Company has received a firm purchase order, an appropriate deposit and a customer-confirmed delivery date.

4. Financial Position

4.1. 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 flows and, to a smaller extent, through grants. Management follows a strategy of financing the business primarily through equity. Furthermore, the Annual General Meeting has previously approved Management's request for 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 speculative purposes.

4.2. Funding

The Company's stated **share capital (Grundkapital)** as of December 31, 2008 amounts to EUR 90,894,616 (December 31, 2007: EUR 90,444,213; December 31, 2006: 89,799,397) divided into 90,894,616 registered shares (since the conversion from bearer shares into registered shares on September 22, 2008) with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. Each no-par value share represents the proportionate share in AIXTRON's stated share capital and carries one vote at the Company's annual shareholders' meeting. All registered shares are fully paid in. The Company has issued a share certificate representing multiples of shares (global share); shareholders do not have the right to the issue of a share certificate representing their share(s). There are no voting or transfer restrictions on AIXTRON's registered shares that are related to the Company's articles of association. There are no classes of securities endowed with special control rights.

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 2008, 553,473 options (2007: 1,302,707 options; 2006: no options) were exercised, resulting in delivery of 553,473 shares or AIXTRON-ADS. Under the 2008 tranche of the AIXTRON stock option plan 2007, 779,000 new options were granted in fiscal year 2008 (2007 tranche: 759,100 options).

Option Holdings

AIXTRON ordinary shares	Dec. 31, 2008	Exercise	Expired/ Forfeited	Allocation	Dec. 31, 2007
stock options	4,478,507	450,403	177,972	779,000	4,327,882
Underlying shares	5,149,197	450,403	182,427	779,000	5,003,027
AIXTRON ADS	**Dec. 31, 2008**	**Exercise**	**Expired/ Forfeited**	**Allocation**	**Dec. 31, 2007**
stock options	142,499	103,070	1,530		247,099
Underlying shares	142,499	103,070	1,530		247,099

A more detailed description of the different stock option plans and a summary of all the stock option transactions can be found in Note 25 to the Company's consolidated financial statements "Share-based payment".

The Company recorded no **bank borrowings** as of December 31, 2008, 2007 and 2006.

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.

The **equity ratio** remained virtually stable at 68 percent as of December 31, 2008 compared to 67 percent as of December 31, 2007 (December 31, 2006: 70 percent), principally due to a profit related increase in equity, offsetting the increase in total assets.

In order to support 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, 2008	Approved since	Expiry Date	2007 → 2008	Dec. 31, 2007	Dec. 31, 2006
Issued shares	90,894,616	–	–	450,403	90,444,213	89,799,397
Authorized Capital 1 – Capital increase for cash or contribution in kind with existing shareholders' preemptive rights	35,919,751	18/05/2005	17/05/2010	0	35,919,751	35,919,751
Authorized Capital 2 – Capital increase for cash excluding existing shareholders' preemptive rights	8,979,937	18/05/2005	17/05/2010	0	8,979,937	8,979,937
Conditional Capital 1 – Convertible Bond 1997	cancelled	24/10/1997	14/05/2008		43,680	44,160
Conditional Capital 2 – Stock Options Program 1999	1,926,005	26/05/1999	31/12/2017	0	1,926,005	2,924,328
Conditional Capital 4 – Stock Options Program 2002	2,039,821	22/05/2002	31/12/2016	-450,403	2,490,224	3,511,495
Conditional Capital I 2007 – Authorization to potentially issue convertible notes or warrants in future	35,875,598	22/05/2007	21/05/2012	0	35,875,598	–
Conditional Capital II 2007 – Stock Options Program 2007	3,919,374	22/05/2007	31/12/2018	0	3,919,374	–

In accordance with section 71 (1) no. 8 German Corporations Act, AktG, the Company is authorized until November 13, 2009, with the approval of the Supervisory Board, to **purchase its own shares** representing an amount of up to EUR 9,044,421 of the share capital. This authorization may not be used by the Company for the purpose of trading in own shares. The authorization may be exercised in full or in part, once or several times by the Company. The shares may be purchased (1) on the stock market or (2) by way of a public offer to all shareholders made by the Company.

A total of 1.2 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.

Any amendment to the articles of association related to capital measures requires a 75 percent majority of the share capital represented at the general shareholders' meeting (§133, §179 German Corporations Act, AktG).

4.3. Investments

The AIXTRON Group's capital expenditures of fiscal year 2008 amounted to EUR 12.9m, (2007: EUR 8.1m; 2006: EUR 2.4m), of which EUR 11.6m (2007: EUR 6.1m; 2006: EUR 2.2m) were related to purchases of technical equipment (including testing and laboratory equipment) and EUR 1.3m (2007: EUR 2.0m; 2006: EUR 0.2m) were related to intangible assets including software licenses. The increasing capital expenditures are in line with the increasing business volume. 2008 investments in technical equipment include new laboratory development tools and investments in the facility in Herzogenrath. Investments in intangible assets in 2007 and 2008 consisted mainly of SAP software licenses.

Additionally, the reduction in bank deposits with a maturity of at least three months totaling EUR 1.8m are recorded in fiscal year 2008 as cash inflow from investing activities (2007 and 2006: cash outflows of EUR 2.1m and EUR 2.8m respectively).

In 2008, net cash outflow from investing activities totaled EUR 11.4m (2007: EUR 10.5m; 2006: EUR 5.1m).

All 2008, 2007 and 2006 expenditures were funded out of operating cash flow and available cash resources.

4.4. Liquidity

Cash and cash equivalents including cash deposits (bank deposits with a maturity of at least three months, also see 4.3. "Investments") decreased by 8 percent with EUR 70.5m (EUR 67.5m + EUR 3.0m) year-on-year (2007: EUR 76.8m; 2006: EUR 49.5m). Cash inflow from higher net profit was offset by higher inventory, capital expenditures and the dividend payment as well as currency translation differences.

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

5. Assets

5.1. Property, Plant and Equipment

The value of property, plant and equipment increased slightly year-on-year to EUR 39.3m as of December 31, 2008 (2007: EUR 35.1m; 2006: EUR 36.4m), with investments mainly in development tools and infrastructure.

5.2. Goodwill

The reduction in the value of goodwill to EUR 58.7m as per December 31, 2008 from EUR 59.0m as per December 31, 2007 (2006: EUR 65.0m) resulted from currency translation adjustments. There were no impairments in the three years from 2006 through 2008.

Mio. EUR	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
AIXTRON, Inc. (former: Genus, Inc.)	47.9	45.5	50.8
AIXTRON Ltd. (former: Thomas Swan Scientific Equipment Ltd.)	8.8	11.5	12.2
AIXTRON AB (former: Epigress AB)	1.8	1.8	1.8
AIXTRON KK	0.2	0.2	0.2
Total	**58.7**	**59.0**	**65.0**

5.3. Other Intangible Assets

The value of other intangible assets decreased from EUR 12.5m as per December 31, 2007 to EUR 10.3m as per December 31, 2008 (2006: EUR 15.1m). Differences arose mainly from depreciation.

5.4. Trade Receivables

Trade receivables rose from EUR 33.5m as of December 31, 2007 to EUR 38.8m as of December 31, 2008 mainly due to a phasing effect of high revenue levels towards the end of the year (EUR 27.7m as of December 31, 2006).

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 2008.

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 2008, 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, it's 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 therein 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.

7.2. 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 acquisition, 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, 2008, 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, 2008 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.

7.3. Single Risk Factors

Currency Exchange Risk and Other Financial Risks

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.

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 2008.

AIXTRON assesses the financial strength of its banking partners regularly and will take appropriate measures should it detect any significant deterioration.

The company's need for cash is generally provided for, through operating cash flows and, to a smaller extent, through 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.

Company-Specific Risk, Market and Competition Risk

The semiconductor industries can be highly volatile and unpredictable, which may adversely affect AIXTRON's operating results and result in significant volatility in the market price of its ordinary shares and American Depositary Shares (ADSs).

The semiconductor manufacturing equipment industry can be affected by the cyclical nature of the semiconductor industry. Although semiconductors are used in many different products, the markets for those products are interrelated to various degrees. The industry has historically experienced sudden changes in supply and demand for semiconductors. The timing, length and severity of these industry cycles are difficult to predict. During periods of declining demand for semiconductor manufacturing equipment, AIXTRON needs to be able to quickly and effectively align its cost structure with prevailing market

conditions, to manage its inventory levels to reduce the possibility of future inventory write-downs resulting from obsolescence, and to motivate and retain key employees. Because a certain proportion of AIXTRON's costs are fixed in the near term, the Company's ability to reduce expenses quickly in response to revenue shortfalls is limited. During periods of rapid growth, AIXTRON's business must be able to acquire and/or develop sufficient manufacturing capacity and inventory to meet customer demand, and to attract, hire, assimilate and retain a sufficient number of qualified people.

The Company's customers often accelerate or delay expenditures, as well as attempt to cancel or reschedule their orders, in reaction to variations in their businesses or market conditions. As a result, AIXTRON must be able to react quickly to these changes in supply and demand. Failure to quickly align the Company's cost structure and manufacturing capabilities with industry fluctuations could lead to significant losses or to fail to capitalize on increased demand. In either event, the results of operations may be adversely affected, which could result in significant volatility in the market price of the Company's ordinary shares and American Depositary Shares (ADSs).

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.

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.

International Rectifier Corporation ("I.R."), of El Segundo, California, USA filed a complaint on September 8, 2008 in the U.S. District Court for the Central District of California against seven of its former employees, including the founder and former CEO Alex Lidow, as well as five companies, including AIXTRON AG. I.R., accuses the seven former employees of misappropriating, divulging into a business named Efficient Power Conversion Corporation ("EPCC") and illegally using trade secrets of I.R. relating to Gallium Nitride Technology ("GaN"). I.R. accuses some of the companies, including AIXTRON AG, of aiding

the seven main defendants by providing additional information relevant to the technology at issue. This lawsuit seeks unspecified damages including punitive damages, and injunctive relief from all of the defendants without specifying exactly what form of relief and damages are sought from which defendants.

AIXTRON AG fully rejects the allegation contained in the complaint and is vigorously defending itself against the allegation and claim raised in the action that has been brought against AIXTRON AG in the USA.

Furthermore, AIXTRON AG has filed an action in Germany for a negative declaratory judgment against I.R. with the aim of establishing in Germany that all allegations and claims that have been raised against it are unfounded. In the German action, I.R. counterclaimed for injunctive relief and damages. AIXTRON AG fully rejects the allegation in the counterclaim as well as the claims contained in it, and is also vigorously defending itself against the counterclaim.

AIXTRON AG reserves the right to seek recovery from I.R. of any and all costs and damages that might result from I.R.'s unjustified allegations and the proceedings brought by I.R. against AIXTRON.

7.4. Overall Statement to the Risk Situation

Neither within fiscal year 2008 nor at the time of writing has the Executive Board identified any risks that could jeopardize the Company's continued existence.

8. Report on Expected Developments

8.1. Future Strategic Positioning

The development of state-of-the-art deposition technology is expected to remain the Company's core competency and competitive advantage. Therefore, AIXTRON plans to further expand its established product portfolio, in the areas of compound semiconductor (MOCVD, and PECVD) equipment, organic semiconductor (OVPD®, PVPD) equipment, and silicon semiconductor (AVD®, ALD, CVD) equipment, into existing and future markets.

AIXTRON expects to maintain its market leadership position, with an estimated market share in excess of 60 percent in the market for MOCVD systems. Market research company VLSI has estimated this market to be valued at USD 438.4m by the end of 2009 (2008e: USD 464m).

AIXTRON plans to drive forward with its strategy to introduce its OVPD® and PVPD technologies to a broader OLED display and lighting market. With the delivery of a large-area deposition tool, which will be used within the manufacturing process of flexible organic backplanes, to Plastic Logic Ltd. in the first half of 2008, AIXTRON provided evidence of its ability to diversify its core gas phase deposition technology into new emerging markets. 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. Estimates of an accessible OLED market size or market share are neither available nor meaningful at this point in time.

AIXTRON is currently at a transition stage with its silicon semiconductor technology. The current AIXTRON CVD deposition system revenues are expected to be replaced by a new system technology, developed over the past three years, and aimed at next-generation devices for both the memory and the logic market. The initial response from customers has been positive, and 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, as soon as the memory market has been able to address the industry's pricing and over-capacity issues. The specific market niche to be addressed by AIXTRON's ALD and AVD® systems for the production of specialized applications such as gate stacks and capacitors is estimated by Gartner Dataquest to be valued at USD 99m by the end of 2009 (2008e: USD 145m).

8.2. Future Economic Environment and Opportunities

The world economy is in the midst of a major upheaval as a result of the most severe financial readjustments seen in the global financial markets since the 1930s. The International Monetary Fund ("IMF") now has stated their expectation that world economic growth will slow to 0.5 percent in 2009. An eventual recovery is being assumed by the IMF as requiring the unwinding of adverse terms-of-trade effects as commodity prices stabilize; a turnaround in the US housing market; and rising confidence that the liquidity and solvency problems in core financial institutions can be resolved.

During previous economic downturns, semiconductor demand has rarely recovered in the year immediately after it started weakening. Recovery has usually taken place only in the subsequent year. Moreover, given the severity of the global downturn, there is strong but unsubstantiated opinion that this time the macroeconomic weakness could be even more protracted than observed in previous semiconductor down-cycles. As a result, independent third party opinion exists that, year on year, semiconductor revenue growth could potentially fall to a trough of -15 percent by June 2009*. Within the same opinion, a gradual recovery in the second half of 2009 is thought possible, potentially leading to a net market movement of -8 percent for 2009*. The spending on Wafer Front End equipment, where AIXTRON competes, is expected to decrease by 33.1 percent year on year*.

(* Sources: Dresdner Kleinwort; Gartner Dataquest)

Due to emerging market applications for LED products, AIXTRON believes that its **compound semiconductor equipment** will remain the most prominent element of the Company's future revenues for several years to come. As both, market volume and penetration rate of LEDs as backlighting units in products such as laptops, monitors and TVs, are expected to continue to grow over the next 3-5 years, AIXTRON's business could be less affected by the current industry volatility and the global economic downturn than other semiconductor equipment players.

For AIXTRON's **silicon semiconductor equipment,** the Company expects a continuation of a substantially constrained capital investment behavior in 2009. The exact timing of next-generation manufacturing technologies being included into the silicon semiconductor production chain remains difficult to accurately predict.

AIXTRON believes that the following market trends and opportunities of the relevant end user markets could have a positive effect on future business:

Short Term

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

Mid Term

_ Further development progress leading to a broader application of LEDs in general/interior lighting.
_ Increased emergence of high volume Silicon Carbide (SiC) production applications and emerging hybrid automotive and photovoltaic transistor applications.
_ Development of plastic electronics / flexible organic TFT backplanes.
_ Development of next generation NAND and DRAM memory applications.
_ Increased development activity for specialized compound solar cell applications.

Long Term

_ 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

Whilst anticipating lower order intake levels in the short-term, the Company remains confident in its business model. AIXTRON also remains optimistic on the evident medium to long-term trends towards the increasing adoption of LED technologies in a wide range of applications and the consequent positive effect on future order intake.

Although the current economic environment and financial markets crisis will make 2009 a much more challenging year than 2008, AIXTRON started the year with a solid order backlog. This combined with anticipated new orders from the LED-industry should enable efficient labor utilization and manufacturing output, despite a projected reduction in revenue in 2009. However, the corresponding production related items of the income statement will also decrease accordingly, due to the high level of operational flexibility and outsourcing activities.

As at December 31, 2008, AIXTRON had no binding agreements for participation financing, company acquisition or transfers of parts of the Company.

Aachen, March 09, 2009

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."

Aachen, March 09, 2009

AIXTRON Aktiengesellschaft, Aachen

Executive Board

Consolidated financial statements

Consolidated income statement

in EUR thousands	Note	2008	2007	2006
Revenues	3	274,404	214,815	171,685
Cost of sales		161,525	129,779	108,245
Gross profit		**112,879**	**85,036**	**63,440**
Selling expenses		27,842	27,163	23,366
General administration expenses		17,997	16,030	17,266
Research and development costs	5	28,286	26,532	23,942
Other operating income	6	5,192	6,612	8,468
Other operating expenses	7	11,457	1,280	1,635
Operating result		**32,489**	**20,643**	**5,699**
Finance Income		3,189	1,857	1,003
Finance Expense		23	99	56
Net Finance Income	9	**3,166**	**1,758**	**947**
Result before taxes		**35,655**	**22,401**	**6,646**
Taxes on income	10	12,661	5,151	789
Profit/loss attributable to the equityholders of AIXTRON AG (after taxes)		**22,994**	**17,250**	**5,857**
Basic earnings per share (EUR)	23	0.26	0.20	0.07
Diluted earnings per share (EUR)	23	0.25	0.19	0.07

See accompanying notes to consolidated financial statements.

Consolidated balance sheet

in EUR thousands	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Property, plant and equipment	12	39,324	35,121
Goodwill	13	58,719	58,974
Other intangible assets	13	10,255	12,508
Investment property	14	4,908	4,908
Other non-current assets	15	672	745
Deferred tax assets	16	3,161	4,773
Tax assets	17	420	437
Total non-current assets		**117,459**	**117,466**
Inventories	18	77,086	60,013
Trade receivables less allowance kEUR 2,289 (2007: kEUR 567)	19	38,814	33,490
Current tax assets	11	59	59
Other current assets	19	10,947	9,025
Other financial assets	20	3,000	4,831
Cash and cash equivalents	21	67,462	71,943
Total current assets		**197,368**	**179,361**
Total assets		**314,827**	**296,827**
Liabilities and shareholders' equity			
Subscribed capital			
Number of shares: 89,692,328 (last year: 89,138,905)		89,692	89,139
Additional paid-in capital		106,445	102,562
Retained earnings		30,507	13,845
Income and expenses recognised in equity		-13,755	-7,192
Total shareholders' equity	22	**212,889**	**198,354**
Provisions for pensions	26	845	878
Other non-current liabilities		67	71
Other non-current accruals and provisions	26	1,210	1,496
Total non-current liabilities		**2,122**	**2,445**
Trade payables	27	18,782	23,761
Advance payments from customers		52,566	49,988
Other current accruals and provisions	26	20,481	16,473
Other current liabilities	27	1,866	1,303
Current tax liabilities	11	6,085	4,254
Deferred revenues		36	249
Total current liabilities		**99,816**	**96,028**
Total liabilities		**101,938**	**98,473**
Total liabilities and shareholders' equity		**314,827**	**296,827**

See accompanying notes to consolidated financial statements.

Consolidated cash flow statement

in EUR thousands	Note	2008	2007	2006
Cash inflow from operating activities				
Net income for the year (after taxes)		22,994	17,250	5,857
Reconciliation between profit and cash inflow/outflow from operating activities				
Expense from share-based payments		1,808	1,250	1,450
Impairment expense		0	332	816
Depreciation and amortization expense		10,753	9,748	9,900
Net result from disposal of property, plant and equipment		68	36	38
Deferred income taxes		2,314	620	1,351
Other non-cash expenses		98	2,888	1,247
Change in				
Inventories		-20,087	-9,601	-21,388
Trade receivables		-6,811	-8,086	-4,749
Other assets		-3,930	-4,045	-1,640
Trade payables		-3,192	-5,518	12,894
Provisions and other liabilities		8,040	8,295	-3,773
Deferred revenues		-215	-243	-151
Non-current liabilities		-376	-452	-924
Advance payments from customers		4,393	20,390	19,841
Cash inflow/outflow from operating activities		**15,857**	**32,864**	**20,769**
Cash inflow/outflow from investing activities				
Cash from acquisitions		0	80	0
Cost related to the acquisitions		-392	-458	0
Capital expenditures in property, plant and equipment		-11,617	-6,090	-2,181
Capital expenditures in intangible assets		-1,251	-2,029	-184
Bank deposits with a maturity of more than 90 days	20	1,831	-2,050	-2,781
Cash inflow/outflow from investing activities		**-11,429**	**-10,547**	**-5,146**
Cash inflow/outflow from financing activities				
Exercise of stock options		2,628	5,171	83
Dividend paid to shareholders		-6,331	0	0
Cash inflow/outflow from financing activities		**-3,703**	**5,171**	**83**
Effect of changes of exchange rates on cash and cash equivalents		-5,206	-2,296	-390
Net change in cash and cash equivalents		-4,481	25,192	15,316
Cash and cash equivalents at the beginning of the period		71,943	46,751	31,435
Cash and cash equivalents at the end of the period	21	**67,462**	**71,943**	**46,751**
Interest paid		-119	-85	-166
Interest received		3,141	1,850	971
Income taxes paid		-3,105	-988	-1,313
Income taxes received		59	376	8

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in equity

in EUR thousands	Sub-scribed capital under HGB	Trea-sury shares	Sub-scribed capital under IFRS	Addi-tional paid-in-capital	Income and expense recognised directly in equity: Currency trans-lation	Income and expense recognised directly in equity: Deriva-tive financial instru-ments	Retained Earnings/ Accumu-lated deficit	Share-holders' equity Total
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***
Balance at January 1, 2008	**90,444**	**-1,305**	**89,139***	**102,562**	**-8,383**	**1,191**	**13,845***	**198,354***
Net income for the period							22,994	22,994
Dividends to shareholders							-6,332*	-6,332
Expense for stock options				1,808*				1,808
Exercise stock options	450	103	553	2,075				2,628
Currency translation					-5,372			-5,372
Derivative financial instruments net of tax						-1,191		-1,191
Balance at December 31, 2008	**90,894**	**-1,202**	**89,692***	**106,447***	**-13,755**	**0**	**30,507***	**212,889***

* rounded / See accompanying notes to consolidated financial statements.

Statement of recognised income and expense

in EUR thousands	2008	2007	2006
Net income/loss	**22.994**	**17.250**	**5.857**
Losses/gains from derivative financial instruments before taxes	-1,707	961	1,122
Currency translation adjustment	-5,372	-9,932	-7,871
Deferred taxes	515	-289	-298
Net loss recognised directly in equity	**-6,564**	**-9.260**	**-7.047**
Total recognised income and expenses for the period	**16,430**	**7,990**	**-1,190**

See accompanying notes to consolidated financial statements.


AIXTRON
PLANETARY REACTOR®
CLOSE COUPLED SHOWERHEAD®

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 11, 2009.

2. Significant accounting policies

(a) Companies included in consolidation

Companies included in consolidation are the parent company, AIXTRON AG, and 7 significant 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 33.

(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 39.

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 33). 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 – 14 years
_ Other plant, factory and office equipment	3 – 14 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 – 5 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).

(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 28). 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

The company has not adopted any new accounting standards during 2008. During 2008 four interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) became effective. IFRIC 11 IFRS 2 – Group Treasury Share Transactions; IFRIC 12 Service concession Arrangements; IFRIC 14 IAS 19 – The Limit of a Defined Benefit Asset and IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. The adoption of these interpretations has not led to any changes in the company's accounting policies.

The following list shows IFRS standards, amendments to IFRS and to IFRIC's not compulsory and not applicable to reporting periods ended on December 31, 2008. 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.

Amendment to IAS 1	Financial Statement Presentation Phase A Issued: September 2007
Amendment to IAS 32 & IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation Issued: February 2008
Amendment to IFRS 3 & IAS 27	Business Combinations Issued: January 2008
Amendment to IFRS 1 & IAS 27	Cost of an investment in a subsidiary Issued: May 2008
Amendment to IAS 23	Borrowing Costs Issued: March 2007
Amendment to IAS 39	Eligible Hedged Items Issued: July 2008
Amendment to IAS 39 & IFRS 7	Reclassification of Financial Instruments Issued: October/November 2008
Amendment to IFRS 1	First Time Adoption of IFRS (restructured) Issued: November 2008
Amendment to IFRS 2	Vesting conditions and cancellations Issued: January 2008
IFRS 8	Operating Segments Issued: November 2006
Amendment to IFRIC 23	Borrowing Costs Issued: March 2007
IFRIC 13	Customer Loyalty Programmes Issued: June 2007
IFRIC 15	Agreements for the Construction of Real Estate Issued: July 2008
IFRIC 17	Distribution of Non-cash Assets to Owners Issued: November 2008
IFRIC 18	Transfers of Assets from Customers Issued: January 2009

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 EUR thousands		Asia	Europe	United States	Consolidation	Group
Revenues realised with third parties	2008	238,156	18,464	17,784		274,404
	2007	174,133	18,786	21,896		214,815
	2006	135,223	22,232	14,230		171,685
Segment assets	2008	10,932	287,627	75,455	-136,623	237,391
	2007	10,034	250,782	80,044	-130,210	210,650
	2006	12,967	231,370	91,158	-132,530	202,965
Segment capital expenditures	2008	44	10,716	2,108		12,868
	2007	25	6,188	1,892		8,105
	2006	202	1,953	700		2,855

Revenues are shown in the following table:

in EUR thousands	2008	2007	2006
Revenues for sale of goods	272,416	213,357	169,759
Revenues for service and repair	1,988	1,458	1,926
Total of revenues realised with third parties	**274,404**	**214,815**	**171,685**
Finance Income	3,189	1,857	1,003
	277,593	**216,672**	**172,688**

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

in EUR thousands	2007	2008
Net cash outflow arising on acquisition		
Cash consideration	430	377
Directly attributable cost paid	28	15
Less: cash and cash equivalents acquired	-80	0
	378	**392**

Cash consideration paid in 2008 differs from the amount payable as at December 31, 2007 because of currency exchange rate translation differences.

5. Research and development

Research and development costs, before deducting project funding received, were kEUR 28,286, kEUR 26,532 and kEUR 23,942 for the years ended December 31, 2008, 2007 and 2006 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 26,368, kEUR 23,803 and kEUR 19,397 for the years ended December 31, 2008, 2007 and 2006 respectively.

Research and development expenses in 2008 include impairment expenses for property, plant and equipment in the amount of kEUR 0 (2007: kEUR 332; 2006: kEUR 816) and for intangible assets in the amount of kEUR 0 (2007: kEUR 0; 2006: kEUR 0) (see notes 12 and 13 for details).

6. Other operating income

in EUR thousands	2008	2007	2006
Research and development funding	1,918	2,729	4,545
Income from resolved contract obligations	45	675	548
Income from the reversal of provisions and the write-off of debts	490	1,727	1,883
Other grants, reimbursements and costs passed on	0	0	99
Compensation payments	2	2	12
Foreign exchange gains	2,485	889	1,059
Other	252	590	322
	5,192	**6,612**	**8,468**

The amount of exchange loss recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss was kEUR -8,619 (2007 gains: kEUR 1,165, 2006 gains: kEUR 468).

7. Other operating expenses

in EUR thousands	2008	2007	2006
Foreign exchange losses	9,439	575	905
Losses from the disposal of property, plant and equipment	3	6	125
Additions to allowances for receivables or write-off of receivables	1.953	481	216
Other	62	218	389
	11,457	**1,280**	**1,635**

8. Personnel expense

in EUR thousands	2008	2007	2006
Wages and salaries	38,692	38,823	35,652
Social insurance contributions	4,380	4,241	4,222
Decrease/Increase in defined benefit plan obligations	-33	-106	5
Expense for defined contribution plans	896	824	701
Stock option expense	1,808	1,247	1,450
	45,743	**45,029**	**42,030**

9. Net finance income

in EUR thousands	2008	2007	2006
Interest income from financial assets	3,189	1,857	1,003
Interest expense from financial liabilities	-23	-99	-56
Net finance income	**3,166**	**1,758**	**947**

10. Income tax expense/benefit

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

in EUR thousands	2008	2007	2006
Current tax expense (+) / current tax income (-)			
for current year	11,168	5,022	424
adjustment for prior years	-821	13	-827
Total current tax expense	**10,347**	**5,035**	**-403**
Deferred tax expense (+) / deferred tax income (-)			
from temporary differences	3,862	3,718	783
expense from changes in local tax rate	81	1,518	0
from reversals and write-downs	-1,629	-5,120	409
Total deferred tax expense	**2,314**	**116**	**1,192**
Taxes on income	**12,661**	**5,151**	**789**

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

in EUR thousands	2008	2007	2006
Income before income taxes			
Germany	31,819	12,892	1,389
Outside Germany	3,836	9,509	5,257
Total	**35,655**	**22,401**	**6,646**
Income tax expense			
Germany	8,580	1,769	-623
Outside Germany	4,081	3,382	1,412
Total	**12,661**	**5,151**	**789**

The Company's effective tax rate is different from the German statutory tax rate of 30.91 percent (2007: 39.45 percent; 2006: 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 EUR thousands	2008	2007	2006
Net result before taxes	**35,655**	**22,401**	**6,646**
Income tax expense (German tax rate)	11,021	8,837	2,622
Effect from differences to foreign tax rates	-1,722	-1,166	-680
Non-deductible expenses	419	251	528
Non-consideration of tax claims from loss carryforwards	4,773	-204	104
Reversal of Allowance / write-off against deferred tax assets	-1,629	-5,120	409
Expense from changes in local tax rate	0	1,518	0
Effect of the use of loss carryforwards	-135	-243	-2,830
Non-deductible impairment and amortisation of: Goodwill, acquired customer relations and product and technology know how	883	873	957
Effect of permanent differences	18	216	252
Other	-967	189	-573
Taxes on income	**12,661**	**5,151**	**789**
Effective tax rate	**35.5%**	**23.0%**	**11.9%**

11. Current tax assets and liabilities

As of December 31, 2008 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 (2007: kEUR 59) and kEUR 6,085 (2007: kEUR 4,254) respectively.

12. Property, plant and equipment

Development of property, plant and equipment

in EUR thousands	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construc-tion	Total
Cost					
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**
Balance at January 1, 2008	30,974	31,450	9,632	3,353	**75,409**
Acquisitions	2,577	5,155	1,846	2,039	**11,617**
Disposals	0	1,456	619	50	**2,125**
Transfers	454	2,732	0	-3,186	**0**
Effect of movements in exchange rates	-242	97	-12	71	**-86**
Balance at December 31, 2008	**33,763**	**37,978**	**10,847**	**2,227**	**84,815**
Depreciation and impairment losses					
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**
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**
Balance at January 1, 2008	11,478	20,804	8,006	0	**40,288**
Depreciation charge for the year	1,449	4,938	904	0	**7,291**
Disposals	0	1,454	604	0	**2,058**
Effect of movements in exchange rates	-133	103	0	0	**-30**
Balance at December 31, 2008	**12,794**	**24,391**	**8,306**	**0**	**45,491**
Carrying amounts					
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**
At January 1, 2008	19,496	10,646	1,626	3,353	**35,121**
At December 31, 2008	20,969	13,587	2,541	2,227	**39,324**

Depreciation

Depreciation expense amounted to kEUR 7,291 for 2008 and was kEUR 6,573 and kEUR 6,537 for 2007 and 2006 respectively.

Impairments

During 2008 there were no impairments necessary.

Government grants

In 2008, the cost of machinery and equipment was reduced by kEUR 1,643 (2007: kEUR 17, 2006: 622), because of government grants. Of that amount, kEUR 0 (2007: kEUR 0, 2006: kEUR 94) has been accrued as receivable and kEUR 1,643 (2007: kEUR 17, 2006: kEUR 528) 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 EUR thousands	Goodwill	Other intangible assets	Total
Cost			
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**
Balance at January 1, 2008	76,649	36,825	**113,474**
Acquisitions through business combinations	0	1,251	**1,251**
Disposals	0	3	**3**
Effect of movements in exchange rates	-715	481	**-234**
Balance at December 31, 2008	**75,934**	**38,554**	**114,488**
Amortisation and impairment losses			
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**
Balance at January 1, 2008	17,675	24,317	**41,992**
Depreciation charge for the year	0	3,462	**3,462**
Effect of movements in exchange rates	-460	520	**60**
Balance at December 31, 2008	**17,215**	**28,299**	**45,514**
Carrying amounts			
At January 1, 2007	65,052	15,097	**80,149**
At December 31, 2007	58,974	12,508	**71,482**
At January 1, 2008	58,974	12,508	**71,482**
At December 31, 2008	58,719	10,255	**68,974**

Amortisation and impairment expenses for other intangible assets

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

	2008		2007		2006	
in EUR thousands	Amortisation	Impairment	Amortisation	Impairment	Amortisation	Impairment
Cost of sales	1,188	0	1,194	0	1,300	0
Selling expenses	1,231	0	1,322	0	1,445	0
General administration expenses	326	0	182	0	206	0
Research and development costs	717	0	477	0	412	0
	3,462	**0**	**3,175**	**0**	**3,363**	**0**

In the fiscal years 2008, 2007 and 2006, no impairment losses were required.

No reversals were made in 2008, 2007 or 2006.

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

in EUR thousands	
2009	3,292
2010	3,091
2011	1,711
2012	676
2013	605

The actual amortisation can differ from the expected amortisation.

Impairment of goodwill

Cash generating units in EUR thousands	2008	2007	2006
AIXTRON, Inc.	47,913	45,507	50,807
AIXTRON Ltd.	8,828	11,489	12,267
AIXTRON AB	1,791	1,791	1,791
AIXTRON KK	187	187	187
	58,719	**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 9.52 percent (2007 and 2006, 13 percent to 15 percent) 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 2008, 2007 and 2006 no impairment of goodwill was required.

14. Investment property

The net book value at the balance sheet date of investment property located in Herzogenrath, Germany, amounted to kEUR 4,908 (2007: 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, 2008 was determined using related standard land values.

15. Other non-current assets

Other non-current assets totalling kEUR 672 (2007: kEUR 745) 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 EUR thousands	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Property, plant and equipment	0	106	-208	-22	-208	84
Trade receivables	823	105	0	0	823	105
Inventories	3,484	1,019	0	0	3,484	1,019
Employee benefits	49	69	0	0	49	69
Deferred revenues	26	40	-190	-78	-164	-38
Currency translation differences	2	0	0	0	2	0
Provisions and other liabilities	38	29	-646	-166	-608	-137
Customer advances	257	0	0	-251	257	-251
Other	29	0	-348	-474	-319	-474
Tax loss carryforwards	138	4,890	0	0	138	4,890
Derivative financial instruments	0	0	-293	-494	-293	-494
Deferred tax assets (+) / liabilities (-)	**4,846**	**6,258**	**-1,685**	**-1,485**	**3,161**	**4,773**

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 0 (2007: kEUR 623).

Deferred taxes for tax losses in the amount of kEUR 20,552 (2007: kEUR 39,117) and on deductible temporary differences in the amount of kEUR 3,849, (2007: kEUR 18,542) were not recognised. Tax losses in the amount of kEUR 913 can be used indefinitely (2007: kEUR 5,044), kEUR 10,038 expire by 2013 (2007: 6,688, by 2012) and kEUR 9,601 expire after 2013 (2007: kEUR 27,385 after 2012).

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

in EUR thousands	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 carryforward	4,503	386	0	**4,890***
	5,380	**-113**	**-278**	**4,992***
Acquisitions				**-219**
				4,773

* rounded

in EUR thousands	Balance at January 1, 2008	Recognised in income statement	Directly recognised in equity	Balance at December 31, 2008
Property, plant and equipment	84	-292	0	**-208**
Trade receivables	105	718	0	**823**
Inventories	1,019	2,465	0	**3,484**
Provisions for pensions	69	-20	0	**49**
Deferred revenues	-38	-126	0	**-164**
Currency adjustment	0	-185	185	**0**
Provisions and other liabilities	-137	-473	0	**-610**
Customer advances	-251	508	0	**258***
Other	-255	157	0	**-97***
Derivative financial instruments	-494	-314	514	**-293***
Tax loss carryforwards	4,890	-4,753	0	**138***
	4,992	**-2,315**	**699**	**3,380***
Acquisitions	**-219**			**-219**
	4,773			**3,161**

* rounded

17. Long-term receivables from current tax

Long term receivables from current tax include a receivable from corporate tax which will be refunded over a period of nine years from 1 January 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 EUR thousands	2008	2007
Raw materials and supplies	26,406	21,086
Work in process	36,911	35,987
Finished goods and services completed	89	1,507
Inventories at customers' locations	13,680	1,433
	77,086	**60,013**

in EUR thousands	2008	2007
Write-down of inventories during the year	4,587	2,140
Inventories measured at net realisable value	9,378	15,285
Inventories recognised as an expense during the period	128,075	102,445
Reversals of write-downs recognised during the year	872	102

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 872 (2007: kEUR 102) on inventories were reversed and recognised in income in the financial year.

19. Trade receivables and other current receivables

in EUR thousands	2008	2007
Trade receivables	41,103	34,057
Allowances for doubtful accounts	-2,289	-567
Trade receivables – net	**38,814**	**33,490**
Prepaid expenses	733	675
Reimbursement of research and development costs	1,533	1,016
Advance payments for inventory	359	634
VAT refund claims	1,543	2,627
Other assets	2,390	1,328
Derivatives that are designated and effective as hedging instruments carried at fair value	0	1,875
Financial assets carried at fair value through the profit or loss (FVTPL)	4,389	870
Total other current receivables	**10,947**	**9,025**
	49,761	**42,515**

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 EUR thousands	2008	2007
Allowance at January 1	567	311
Translation adjustments	2	-8
Impairment losses recognised	1,953	412
Used	-8	-35
Impairment losses reversed	-225	-113
Allowance at December 31	**2,289**	**567**

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 22 percent and 18 percent respectively of the company's net trade receivables, no other single customer accounted for more than 10 percent of trade receivables. In 2007 two customers accounted for 18 percent and 12 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 5,975 (2007: kEUR 4,420) which are past due at the reporting date for which the Company has not provided. As there has not been a significant change in credit quality and, although the company has no collateral, the amounts are still considered recoverable.

In determining the financial assets which may be individually impaired the Company has taken into account the likelihood of recoverability based on the past due nature of certain receivables, and our assessment of the ability of all counter-parties to perform their obligations.

in EUR thousands	2008	2007
1 – 90 days past due	5,910	4,096
More than 90 days past due	2,354	891

20. Other financial assets

Other financial assets of kEUR 3,000 (2007: kEUR 4,831) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

21. Cash and cash equivalents

in EUR thousands	2008	2007
Cash-in-hand	7	5
Bank balances	67,455	71,938
Cash and cash equivalents in the consolidated cash flow statement	**67,462**	**71,943**

Cash and cash equivalents comprise short-term bank deposits with an original maturity of 3 months or less. The carrying amount and fair value are the same.

Bank balances included kEUR 0 given as security (2007: kEUR 214) at December 31, 2008.

22. Shareholders' Equity

Subscribed capital

in EUR thousands	2008	2007
January 1	89,138,905	87,836,154
Shares for exercise of stock options	553,423	1,302,751
Issued capital at December 31, under IFRS	**89,692,328**	**89,138,905**
Treasury shares	1,202,288	1,305,308
Stated share capital at December 31	**90,894,616**	**90,444,213**

The share capital of the company consists of no-par value shares and was fully paid-up during 2008 and 2007. 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, 2007.

At December 31, 2008, 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 EUR thousands	Currency translation	Derivative financial instruments	Total
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**
Change in currency translation	-5,372	0	-5,372
Change in unrealised gains/losses before taxes	0	-1,706*	-1,706
Deferred taxes	0	515	515
Balance at December 31, 2008	**-13,755**	**0**	**-13,755**

* rounded

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, 2008, 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, 2008 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.

	2008	2007	2006
Earnings per share			
Net profit/loss attributable to the shareholders of AIXTRON AG in kEUR	22,994	17,250	5,857
Weighted average number of common shares and ADS at December 31	89,478,415	88,163,952	87,824,321
Basic earnings per share (EUR)	**0.26**	**0.20**	**0.07**
Earnings per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON AG in kEUR	22,994	17,250	5,857
Weighted average number of common shares and ADS at December 31	89,478,415	88,163,952	87,824,321
Dilutive effect of convertible bonds	0	0	25,440
Dilutive effect of share options	1,016,486	783,934	52,938
Weighted average number of common shares and ADS at December 31 (diluted)	90,494,901	88,947,886	87,902,699
Diluted earnings per share (EUR)	**0.25**	**0.19**	**0.07**

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	2008	2007	2006
Share options	2,631,692	2,151,017	5,681,172

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 2008 the expense recognised for defined contribution plans amounted to kEUR 896 (2007: kEUR 824, 2006: kEUR 701).

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 EUR thousands	2008	2007	2006
Interest expense	47	44	42
Actuarial gains and losses	-80	-149	-37
	-33	**-105**	**5**

The expense for pensions developed as follows:

in EUR thousands	2008	2007	2006	2005	2004
Present value of net obligations at January 1	878	983	978	703	37
Income/Expense recognised in consolidated income statement (see below)	-33	-105	5	275	0
Present value of net obligations at December 31 = Total provisions for pensions at December 31	**845**	**878**	**983**	**978**	**37**

In the income statement, the income (2006 and 2005: expense) of kEUR 33 (2007: kEUR 105; 2006: kEUR 5; 2005: kEUR 275; 2004: kEUR 0) is recognised in general administration expense.

The following table shows the principal actuarial assumptions:

Biometrical calculation assumptions	2008 Heubeck tables 2005 G	2007 Heubeck tables 2005 G
Interest rate at December 31	6.00%	5.40%
Expected salary increase	0.00%	0.00%
Expected pension increase	2.00%	1.75%

In the three years ending 2008 no payments were made under these plans. 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 1,168,788 options for the purchase of 1,839,478 common shares were outstanding as of December 31, 2008.

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 1,802,319 options to purchase the same number of common stock were outstanding under this plan as of December 31, 2008.

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.

Under the 2008 tranche of the AIXTRON stock option plan 2007, 779,000 new options were granted in fiscal year 2008 (2007 tranche: 759,100 options).

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 142,499 options to purchase AIXTRON ADS were outstanding under this plan as of December 31, 2008. 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)
	2008		2007	
Balance at January 1	5,003,027	13.76	5,060,565	12.93
Granted during the year	779,000	4.17	759,100	10.09
Exercised during the year	450,403	5.00	644,336	4.06
Forfeited during the year	182,427	8.54	172,302	9.56
Outstanding at December 31	**5,149,197**	**13.76**	**5,003,027**	**13.76**
Exercisable at December 31	**768,134**	**20.53**	**819,733**	**19.66**

Genus share options

	Number of shares	Average exercise price (USD)	Number of shares	Average exercise price (USD)
	2008		2007	
Balance at January 1	247,099	5.95	994,469	5.47
Exercised during the year	103,070	5.68	658,371	5.39
Expired during the year	1,530	4.69	88,999	4.72
Outstanding at December 31	142,499	5.96	247,099	5.95
Exercisable at December 31	**142,499**	**5.96**	**182,896**	**6.66**

The weighted-average share price of the options exercised was US-Dollar 5.68. The intrinsic value of options exercised amounted to kUSD 585.

The employees of Genus Inc. held 279,410 stock options representing the right to receive 142,499 ADS of AIXTRON AG as of December 31, 2008. 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, 2008

Exercise price (EUR)	Outstanding	Exercisable	Average option life (in years)
3.10	53,150	53,150	4.50
3.83	1,392,400	0	7.50
4.17	779,000	0	10.00
6.17	356,769	208,904	5.50
7.48	634,730	0	8.50
10.09	728,400	0	9.00
18.70	406,824	406,824	5.50
26.93	400,900	0	7.50
67.39	397,024	99,256	6.50
	5,149,197	**768,134**	

Genus stock options as of December 31, 2008

Range of exercise prices (USD)	Average exercise price (USD)	Outstanding	Exercisable	Average option life (in years)
3.49 to 4.27	3.56	63,377	63,377	5.9
5.00 to 6.80	5.47	15,308	15,308	5.4
7.20 to 9.41	8.23	59,734	59,734	5.0
12.06 to 12.73	12.55	4,080	4,080	4.9
		142,499	**142,499**	

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 2008, the personnel expenses from share-based payments were kEUR 1,808 (2007: kEUR 1,247; 2006: kEUR 1,450). As at December 31, 2008 an amount of kEUR 4,649 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 2013. The expected allocation of the expense is as follows: 2009: kEUR 2,254, 2010: kEUR 1,499, 2011: kEUR 684 and after 2012: kEUR 212.

AIXTRON share options granted

	in 2008	in 2007	in 2006	in 2004	in 2003
Fair value on grant date	1.77 EUR	4.34 EUR	1.53 EUR	3.08 EUR	1.78 EUR
Price per share	4.30 EUR	8.69 EUR	2.71 EUR	4.84 EUR	2.79 EUR
Exercise price	4.17 EUR	10.09 EUR	3.83 EUR	6.17 EUR	3.10 EUR
Expected volatility	52.69%	52.48%	65.59%	73.54%	73.76%
Option life	10.0 years	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	0.00 EUR
Risk-free interest rate	4.04%	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 historical volatility.

26. Accruals and provisions

Development and breakdown of provisions:

in EUR thousands	01.01. 2008	Exchange rate differences	Usage	Reversal	Addition	31.12. 2008	thereof short term
Provisions for pensions	878	0	0	41	8	845	0
Provisions for personnel expenses	4,233	-51	3,117	207	3,592	4,450	4,450
Warranties	3,115	-102	511	171	683	3,014	3,014
Onerous contracts	1,807	93	320	50	0	1,530	320
Provisions for commissions	1,237	-17	579	158	2,890	3,373	3,373
Hedges	912	-214	106	0	1,884	2,476	2,476
Other	6,665	-101	4,581	1,274	6,139	6,848	6,848
Total	**18,847**	**-392**	**9,214**	**1,901**	**15,196**	**22,536**	**20,481**
						thereof long term	**2,055**
							22,536

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 EUR thousands	2008	2007
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts	0	138
Financial assets carried at fair value through the profit or loss (FVTPL)		
Foreign currency options	1,829	774
Forward foreign currency contracts	647	0
Fair value of derivative financial instruments	**2,476**	**912**

Other provisions

Other provisions include auditors' fees in the amount of kEUR 691.

27. Trade payables and other current liabilities

The liabilities consist of the following:

in EUR thousands	2008	2007
Trade payables	**18,782**	**23,761**
Other liabilities from grants	583	489
Wage and church tax due, social security contributions	534	481
VAT due	165	127
Other liabilities	584	206
	1,866	**1,303**
	20,648	**25,064**

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. 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

Liquidity risk is the risk that the Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. Managing liquidity risk is one of the central tasks of AIXTRON AG. In order to be able to ensure the Group`s solvency and flexibility at all times cash and cash equivalents are projected on the basis of regular financial and liquidity planning.

As at December 31, 2008 the group had no borrowings (2007 nil) and kEUR 67,462 cash and cash equivalents (2007 kEUR 71,943).

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 that have a good credit standing. Central management of the Group assesses the counter-party risk of each financial institution dealt with and sets limits to the Group's exposure to those institutions. These credit limits are reviewed from time to time so as to minimise the default risk as far as possible and to ensure that concentrations of risk are managed.

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	
in EUR thousands	2008	2007	2008	2007
US Dollars	-21,345	-34,536	33,885	37,070
GB Pounds	-6,276	-7,140	19,747	5,655

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 to a 10 percent change in the value of the Euro against the Dollar and Pound. A positive number indicates an increase in profit and other equity, a negative number indicates a reduction in profit and other equity.

	USD Currency Effect		GBP Currency Effect	
in EUR thousands	**2008**	**2007**	**2008**	**2007**
Increase in value of Euro by 10%				
Profit or loss	1,574	-2,996	40	48
Other equity	-5,241	757	-2,804	-5,511
Decrease in value of Euro by 10%				
Profit or loss	-249	2,996	-10	-48
Other equity	5,241	-757	2,804	5,511

The effect on profit or loss of changes in currency rates differs between increases and decreases in rates because of the asymmetrical effect of changes in valuation of option contracts.

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 December 31, denominated in US Dollars or British Pounds, by 10 percent. It does not represent the effect of a 10 percent 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	
	2008 kUSD	2007 kUSD	2008 kEUR	2007 kEUR	2008 kEUR	2007 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	–	14,293	–	28
3 to 12 months	–	63,000	–	42,880	–	(166)
Fair Value Hedges through the Profit or Loss						
Options to sell US Dollars buy Euros						
Less than 3 months	32,000	10,600	22,488	7,153	611	242
3 to 12 months	100,000	23,900	70,320	16,129	3,778	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)
Opions to sell Euros buy US Dollars						
Less than 3 months	15,000	–	10,345	–	(247)	–
3 to 12 months	45,000	–	31,034	–	(1,582)	–
Sell US Dollars buy GB Pounds						
Less than 3 months	4,000	–	2,083	–	(779)	–
Sell GB Pounds buy US Dollars						
Less than 3 months	4,000	–	2,730	–	132	–

Foreign currency cash hedges

At December 31, 2008, the aggregate amount of unrealised gains on forward foreign exchange contracts deferred in the hedging reserve relating to the exposure on anticipated future transactions is kEUR 0 (2007 kEUR 1,191).

The unrealised gains of kEUR 1,191 (December 31, 2006: kEUR 519) included in income and expenses recognised in equity as of December 31, 2007 were fully reversed and recognised in income statement at maturity date of the contracts in the financial year. The losses actually realised in 2008 were kEUR 223 (2007: gains kEUR 1,001).

Foreign currency option contracts

The company has also entered into option contracts to hedge the exchange rate risk on US Dollar sales proceeds in 2009. The contracts are classified as at fair value through the profit and loss account.

Unrealised gains of kEUR 1,913 (2007 unrealised losses kEUR 870) 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 2008 in EUR thousands	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	67,462	0	0	0	0	67,462
Fair value of derivative financial instruments	0	0	0	4,389	0	4,389
Other financial assets	0	0	3,000	0	0	3,000
Other non-current assets	0	673	0	0	0	673
Trade receivables	0	38,814	0	0	0	38,814
Total	**67,462**	**39,487**	**3,000**	**4,389**	**0**	**114,338**

Financial Liabilities 2008 in EUR thousands	Cash and cash equivalents	Loans and receivables	At amortised cost	At FVTPL	Hedging Derivatives	Total Carrying amount and fair value
Other current liabilities	0	2	0	0	0	2
Fair value of derivative financial instruments	0	0	0	2,476	0	2,476
Trade payables	0	0	18,782	0	0	18,782
Advance payments from customers	0	0	52,566	0	0	52,566
Total	**0**	**2**	**71,348**	**2,476**	**0**	**73,826**

Financial Assets 2007 in EUR thousands	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 EUR thousands	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 derivative financial instruments	0	0	0	774	138	912
Trade payables	0	0	23,761	0	0	23,761
Advance payments from customers	0	0	49,988			49,988
Total	**0**	**1**	**73,749**	**774**	**138**	**74,662**

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.

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in EUR thousands	
2009	2,348
2010	2,576
2011	2,383
2012	1,821
2013	397
after 2013	157
	9,682

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 2,174, kEUR 1,944 and kEUR 2,004 for 2008, 2007 and 2006 respectively.

30. Capital commitments

As of December 31, 2008, the Company had entered into purchase commitments with suppliers in the amount of kEUR 15,886 (2007: kEUR 49,223) for purchases within the next 12 months. Commitments for capital expenditures are kEUR 1,834 (2007: kEUR 2,840) as of December 31, 2008.

31. Contingencies

The Company is involved in various legal proceedings or can be exposed to a threat of legal proceedings in the normal course of business. The Executive Board regularly analyses these matters, considering any possibilities of avoiding legal proceedings or of covering potential damages under insurance contracts and has recognised, where required, appropriate provisions. It is not expected that such matters will have a material effect on the Company's net assets, results of operations and financial position.

32. 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 EUR thousands	2008	2007
Short-term employee benefits	2,507	2,642
Total cash remuneration	**2,507**	**2,642**
Share-based payment	276	677
Total remuneration	**2,783**	**3,319**

The following table shows the remuneration of the Executive Board for each individual member in 2008:

	Fixed Remunera-tion (kEUR)	Variable Remunera-tion (kEUR)	Total monetary Remunera-tion (kEUR)	Number of granted Options (k pieces)	Option Value at grant date (kEUR)	Total Remunera-tion (kEUR)
Executive Board Member						
Paul Hyland	442	690	1,132	52	92	1,224
Wolfgang Breme	309	345	654	52	92	746
Dr. Bernd Schulte	376	345	721	52	92	813
Total	**1,127**	**1,380**	**2,507**	**156**	**276**	**2,783**

Remuneration of Supervisory Board

Remuneration of the members of the Supervisory Board consists of the following:

in EUR thousands	2008	2007
Fixed remuneration	153	153
Variable remuneration	264	87
Attendance fee	30	30
Remuneration of Supervisory Board total	**447**	**270**

The following table shows the remuneration of the Supervisory Board in 2008 for each individual member:

Supervisory Board Member

in EUR thousands	Fixed	Variable	Attendance Fee	Total
Kim Schindelhauer* (Chairman of the Supervisory Board)	54	93	6	153
Dr. Holger Jürgensen* (Deputy Chairman of the Supervisory Board)	27	47	6	80
Prof. Dr. Wolfgang Blättchen* (Chairman of the Audit Committee)	18	31	12	61
Karl-Hermann Kuklies	18	31	0	49
Prof. Dr. Rüdiger von Rosen	18	31	0	49
Joachim Simmroß*	18	31	6	55
	153	**264**	**30**	**447**

* 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 15 ff of the Annual Report).

33. Consolidated entities

AIXTRON AG controls the following significant subsidiaries:

	Country	Share of capital in %	
		2008	2007
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
AIXTRON AB *	Sweden	100	100
AIXTRON KK	Japan	100	100
Genus trust **	USA	n.a.	n.a.

* Formerly Epigress AB
** 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).

34. 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.

35. Auditors' fees

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

in EUR thousands	2008	2007
for audit	691	729
for other confirmation services	56	32
for tax advisory services	208	87
for other services	2	24
	957	**872**

Included in the total amount of fees are fees for Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Duesseldorf, in the amount of kEUR 437 for audit (2007: kEUR 445), kEUR 56 for other confirmation services (2007: kEUR 32), kEUR 59 for tax services (2007: kEUR 14) and kEUR 2 for other services (2007: kEUR 24).

36. Employees

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

Employees by Function average number for the year	2008	2007
Sales and Service	190	184
Research and Development	213	202
Manufacturing	134	132
Administration	80	71
Employees (§ 314 HGB)	**617**	**589**
Executive board members	3	4
Apprentices	11	9
Total Employees	**631**	**602**

37. Statement of compliance with the German Corporate Governance Code

In 2008, 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.

38. Supervisory Board and Executive Board

Composition of the Supervisory Board as of December 31, 2008

_ Dipl.-Kfm. Kim Schindelhauer, Aachen, businessman
(Chairman of the Supervisory Board since 2002)

_ 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 –
Datagroup IT Services Holding AG, Pliezhausen – member of the Supervisory Board

_ 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 –
Prime Time Entertainment AG, Mörfelden
– Deputy Chairman 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 Unternehmensbeteiligungsgesellschaft mbH, Frankfurt/Main
  – member of the Supervisory Board –
  WeHaCo Unternehmensbeteiligungsgesellschaft mbH, Hanover
  – member of the Advisory Board –
  BAG Health Care GmbH, Lich
  – member of the Advisory Board –
  HANNOVER Finanz GmbH Beteiligungen und Kapitalanlagen, Hanover
  – member of the Advisory Board –
  Astyx GmbH, Ottobrunn – member of the Advisory Board –
  technotrans AG Sassenberg – Chairman of the Supervisory Board – until May 9, 2008

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

- Paul Hyland, Aachen, businessman, Chairman, President and Chief Executive Officer since 2002
- Dr. Bernd Schulte, Aachen, physicist, Executive Vice President and Chief Operating Officer since 2002
- Dipl.-Kfm. Wolfgang Breme, Aachen, businessman, Executive Vice President and Chief Financial Officer since 2005
  Membership of Supervisory Boards and controlling bodies:
  Deutsches Aktieninstitut e.V., Frankfurt/Main

39. 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.

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 January 1, 2008 to December 31, 2008. 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, March 10, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Crampton
Wirtschaftsprüfer

ppa. Grünewald
Wirtschaftsprüfer

Glossary of Terms

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 (90 nanometer and below). The 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.

Blue-ray

The Blue-ray Disc (BD) is a digital optical mass storage device in disc format and promoted as the successor of the DVD. Blue-ray is derived from "Blue Ray" and the technology where a blue-violet laser reads and writes data. In two layers the BD can store up to 54 GB.

Capacitors

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

Capital market

The capital market is part of the financial market and is the entirety of all institutions and transactions whose purpose is to combine supply and demand for long-term (financial) capital.

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.

Cash flow

The capital a company produces within a certain period of time (e.g. one year). Cash flow is the flow of capital or flow of money. Cash flow is the net profit plus amounts charged off for depreciation, depletion, and amortization over a given period of time. Cash flow is an important measurement tool for capital investments and granting credits.

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.

Corporate Governance

Corporate governance deals with establishing and adhering to behavioral rules that apply to a company's staff or the company itself. Corporate governance is of particular significance for stock corporations.

CVD

Chemical Vapor Deposition is the 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.

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 are popular insulators. 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.

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.

DVD

DVD stands for Digital Versatile Disc. A DVD is a powerful, digital optical data storage device in disc format, which resembles a CD but has significantly more storage space and can be read optically by a laser. Dual-layer DVDs can store data of up to 8.5 GB.

EBIT / operational result

The EBIT (Earnings Before Interest and Taxes) is a measure of a company's earning power from ongoing operations. EBIT excludes income and expenditure from unusual, non-recurring or discontinued activities as well as interest, other financing expenditure and income, and taxes, because these are not the result of a company's actual operational activities. This operational result before interest and taxes is normally used as a measure of a company's earning situation, particularly when it is to be compared internationally.

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.

Flash memory

See: NAND flash memory

Flat rate tax (Abgeltungssteuer)

The German flat rate tax is a withholding tax on capital gains, which has been in effect in Germany since 2009. The flat rate tax is 25 % plus solidarity tax (5.5 % of the flat rate tax) and, if applicable, church tax (8 or 9 % of the flat rate tax).

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 build up of an electrical field.

GDP

The Gross Domestic Product measures the output of a nation's economy. The GDP indicates all goods and services that are available at their current market prices and are produced by citizens and foreigners in a country for end consumption within one year.

German Commercial Code (HGB)

The German Commercial Code (HGB) contains the core of the commercial law of Germany.

German Corporate Sector Supervision and Transparency Act (KonTraG)

The German Corporate Sector Supervision and Transparency Act (KonTraG) defines and extends mainly regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). In its core it is a regulation that forces company managers to employ and maintain a company-wide early-detection system for risks (early warning system) and to publish statements on the company's risks and risk structure as part of the organization's annual report.

German Investor Protection Improvement Act

The purpose of the German Investor Protection Improvement Act (AnSVG) is to protect investors with regard to information on the capital market and against illegitimate market practices.

German Securities Trading Act (Wertpapierhandels-gesetz– WpHG)

The German Securities Trading Act (WpHG) regulates the securities trade in Germany to control and monitor service providers dealing with securities and forward transactions, but also to protect customers.

German Stock Corporation Act (AktG)

The German Stock Corporation Act (AktG) regulates the setting up, incorporation, accounting, liquidation, and stockholders' meetings of stock corporations and partnerships limited by shares.

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 produces compound semiconductors. They are filled with extremely pure gas, for example, with nitrogen, and house the MOCVD reactor.

Gross proceeds

Gross proceeds, or gross yield or gross profit, is the difference between a company's sales and its input of goods and materials.

HEMT

The High Electron Mobility Transistor is a special field effect transistor for very high frequencies.

HVPE

Hydride Vapor Phase Epitaxy is a technique employed to produce semiconductors e.g. III-V compound semiconductor materials from metallic sources of Group III elements and hydrogen compounds of Group V elements of the semiconductor crystal.

Hydrogen

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

IFRS,IAS

International Financial Reporting Standards / International Accounting Standards are accounting regulations issued by the IASB (International Accounting Standards Board). Their purpose is to create a transparent and comparable accounting system on an international basis.

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.

ISO 9001

ISO 9001 is part of a series of standards that document the principles for quality management measures. This standard describes the entire quality management system as a model and is the basis for a comprehensive quality management system.

Issuer

An issuer is the issuing body of securities that are offered or sold for the first time. This can be a company, an official entity, a state or country or other institution.

LCD

Liquid Crystal Display is, similar to a television tube, a monochrome or color display which is a flat, energy-saving display.

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 glass 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.

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.

MEMS

Micro Electro Mechanical System is a combination of mechanical elements, sensors, actors, and electronic circuits on a substrate or chip.

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.

NAND flash memory

A non-volatile computer memory manufactured in NAND (Not/AND) technology. Flash memories are characterized by the fact that they can be electrically erased and re-programmed. This technology is mainly used for memory cards. The data of a flash memory is kept even after interruptions in the power supply.

NASDAQ

The NASDAQ (acronym of National Association of Securities Dealers Automated Quotations) is a stock exchange that has been operated by the NASDAQ OMX Group since February 27, 2008[4]. It is located in the Northwestern corner of the Condé Nast Buildings at New York City's Times Square.
The NASDAQ was founded by the National Association of Securities Dealers (NASD) as a fully electronic trade platform in 1971.[5] With 3,200 listed companies, it is the largest stock exchange in the U.S.[6] Security trading at the NASDAQ is monitored by the United States Securities and Exchange Commission (SEC).

Net result

Stands for the success of autonomous, single-economic activities and is the difference between expenditure and revenue. If the difference is positive, it is also called profit. If it is negative, it is also called loss in a given period.

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.

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.

Operational result

See EBIT

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.

PECVD

Plasma-Enhanced Chemical Vapor Deposition or also Plasma Assisted Chemical Vapor Deposition (PACVD) is the term for a special type of Chemical Vapor Deposition (CVD), a process used to deposit thin films by chemical reaction, as with the CVD technique. In addition, the process is supported by a plasma. The plasma can burn directly in the substrate to be layered (direct plasma method) or in a separate chamber (remote plasma method).

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.

PVPD

Polymer Vapor Phase Deposition

Run

Single productions run for the manufacture of compound semiconductor layers.

Sales

Also revenue or turnover. Total dollar amount collected for goods and services provided.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 (also SOX, SarbOx or SOA) is a United States federal law designed to improve the reporting reliability of companies that make use of the public capital market of the United States.

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.

TFT (flat display)

Thin Film Transistor – also referred to as TFT active Matrix LCD. A flat screen that is illuminated from behind and is integrated in almost all laptop computers. Thin Film Transistor means that the TFT-LCD monitor uses transistors to switch (i.e. let through or not) the light through polarization foils and the color filters.

Transistors

Transistors are miniature electronic switches. They are the building blocks of the microprocessor which is the brain of the computer. Transistors 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.

UMAG

German Corporate Integrity and Modernization of Rescission Law Act (Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts)

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

Contact

AIXTRON AG
Guido Pickert
Head of Investor Relations
Kackertstr. 15-17
52072 Aachen, Germany

Phone: +49 241 8909-444
Fax: +49 241 8909-445
E-Mail: invest@aixtron.com
Internet: www.aixtron.com

Financial Calendar

May 7, 2009:	Q1/2009 Results
May 20, 2009:	Annual General Meeting
July 30, 2009:	Q2/2009 Results
October 29, 2009:	Q3/2009 Results

Imprint

Publisher
AIXTRON AG, Aachen

Conception and content
AIXTRON AG, Aachen

Design and production
graphodata AG, Aachen

Photography
Page 8, 29: Fotolia
Page 18: photocase
Page 31: Plastic Logic
Page 11, 15, 17, 18, 19, 22, 23, 24, 25:
AIXTRON archive pictures
Cover and all fullpages:
Carl Brunn, Aachen

1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996

AIXTRON AG
Kackertstr. 15–17
52072 Aachen, Germany
www.aixtron.com

AIXTRON