

AIXTRON AG

AGM 2010

Eurogress Aachen

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Prepared Remarks

Paul Hyland  
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Wolfgang Breme  
Executive Vice President and Chief Financial Officer

The spoken word applies

- *Convenience translation* -

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## **Slide 1 – Title – AGM [KS]**

- Introduction & formalities

## **Slide 2 – Topic 1 – Presentation of 2009 Results [KS]**

### **Slide 3 – Forward-Looking Statements [PH]**

- Thank you Mr. Schindelhauer.
- Ladies and Gentlemen, Dear Shareholders and Guests, On behalf of AIXTRON's Executive and Supervisory Boards, I welcome you all to our 2010 Annual General Meeting.
- As always; I am very pleased to see so many of you here today, taking an active interest in your Company.
- It also gives me a great deal of pleasure that today we are able to, not only, present to you another excellent set of results for 2009, but also, a very positive view of the prospects for 2010.
- I would like to now go straight to the agenda for our presentation of the Management Report and Financial Results for 2009.

### **Slide 4 – Agenda [PH]**

- First of all, (perhaps particularly for those new investors amongst you,) I would like to give a brief overview of AIXTRON's worldwide operations and talk about the current business trends we see today.
- I would then like to give you an update on the developments in the industry and the markets we serve.
- When we get to the financial results for 2009, I will hand you over to Wolfgang Breme, AIXTRON's Chief Financial Officer, who will take you through our 2009 financial performance in more detail.
- Finally, I will come back to you to conclude the presentation with our outlook and guidance for 2010 and beyond.
- I'd like to talk to you now about where AIXTRON operates internationally and one significant change in how we manage our business today.

### **Slide 5 – Global Presence [PH]**

- As you can see on this map, although the business center is here in Germany, we continue to have R&D centers, assembly facilities, commercial organizations and representations all over the world and although this slide remains identical to the one I showed you last year, I can assure you that beneath the surface, we continue to evolve and

improve the organization, adding further efficiencies and flexibility to the business.

- I talked to you last year, about how Dr. Bernd Schulte, our Chief Operating Officer, had restructured the independent business units within the Group into a single more efficient and coherent group.
- This year, I would like to talk to you about how that strategy has been extended, particularly in the areas of R&D and Engineering.
- Whereas before, we had independent R&D units working on independent projects. Today we are running group projects that draw on expertise from wherever it resides within the Group.
- Today, it is quite possible, that engineers and scientists residing in California, Cambridge or Sweden could be working with the team here in Germany on an MOCVD project. We have, in effect, created a technology matrix.
- This would not be possible, without the extensive investments we have made into the Group's IT infrastructure over the last few years, including; SAP and other software and essential engineering tools, all of which, allow us to communicate and work efficiently, despite being thousands of kilometers apart, across all time zones.
- This organizational development allows us to develop leading edge technology, designed to the customer's specific requirements, while uniting the global R&D and Engineering teams into a common group with focused targets.
- This is the 'market-led development' strategy the very talented team we have here at AIXTRON, are continually striving to deliver.
- Let's now move on to talk briefly, but specifically, about the LED technology that is so prominent in our revenues today...

## **Slide 6 – MOCVD Reactors [PH]**

- In February of this year we launched our next generation MOCVD systems and received a very positive response from our customers.
- You will recall, that unlike any of our competitors, we have two different MOCVD technologies that we can offer; the Planetary reactor, which is now available as a Generation 5 product and a Showerhead reactor which is now available as a CRIUS<sup>®</sup> II product.

## **Slide 7 – Common Platform [PH]**

- We have also released a next generation common platform, in which these two reactor options can be installed. This new platform is called an IC 2 and amongst many other improvements, is about 20% smaller than the current IC 1 platform and is pre-configured for automation, when customers need it.

## Slide 8 – Compound Semiconductor Systems [PH]

- These new systems deliver significant new benefits for the customer, including; increased wafer capacity, a higher growth rate and an elimination of time consuming processes.
- At the same time, these products will maintain – or improve – our margins with an average selling price 30% higher than the previous version.
- As I said earlier; the customer response has been very positive, with some lead customers already placing orders, which we would expect to start delivering, towards the end of this year.
- I do realize that this is very complex equipment and consequently quite difficult to relate to, so I would like to draw a more practical comparison to how you might buy a car so you can better understand the sales and engineering process.
- There was a time in the past, when if you wanted to buy our equipment, you would have to travel to either Germany or the UK, depending on which technology you wanted, and then a number of very clever engineers and scientists would design, and then build, a customized system for your specific needs – either in Germany or the UK.
- Today, as when you might buy a car say, our sales engineers will do the engineering configuration for you.
- Let's say that the IC 2 is a particular model and that is what you choose. The salesman will then ask you to choose between a Petrol or Diesel engine – or in our case to choose between Planetary or Showerhead.
- If you choose a diesel...

## Slide 9 – AIXTRON Group Worldwide Production – AIXTRON Ltd. [PH]

- ... – or I should say; Showerhead reactor; the team in Germany will send an internal order to Cambridge, UK and as you can see here, the team there, build and test the reactors and then ship these mobile reactor trolleys back to Germany...

## Slide 10 – AIXTRON Group Worldwide Production – AIXTRON AG [PH]

- ...where they are rolled into the cabinet, on the right hand side of the systems you can see in this next slide.
- You can see that the system is made up of a series of different cabinets and modules, all of which are procured, assembled and tested by specially selected suppliers, who then deliver these modules directly to our manufacturing area, where experienced contractors will complete the assembly process.
- As when you order a car, when you are ordering a system you will also decide on what special options you require, which in the case of our equipment, is dictated by what material and processes you intend to use.

- So, like in a car factory; virtually every system that leaves our factory is different, but 90% of the content is the same.
- This enables us to now manufacture all of the systems here in Germany, which delivers economies of scale for Engineering, Procurement and Manufacturing.
- And for our customers, there is a greater commonality of operation, service and spares benefits and process familiarity between one generation and the next.
- Like the car manufacturer, we want them, as customers, to come back, even as their needs change and evolve over the years, because they know that we will always deliver them a cutting edge product with an excellent long term return on investment.
- Let me now talk a little bit more about the technology that goes into these systems....

## **Slide 11 – System Technologies and Products [PH]**

- Like last year, I'm not going to spend too much time talking specifically about the technologies and systems you see here, because as you will have seen when you came into the hall, our Marketing team have again done an excellent job of presenting both AIXTRON's technology and some of the end products that can be produced by our customers and their customers.
- If you have the time after the meeting, you will find some of our experts and specialists in the lobby area who will be very happy to talk to you about the exhibits you see there.

## **Slide 12 – One Technology – Multiple Solutions [PH]**

- However, this next slide more clearly illustrates the end markets that our customers serve.
- Starting with the technology...
- We, AIXTRON, are a very focused, complex material deposition technology Company.
- Our customers need increasingly sophisticated technology to achieve the nanoscale material engineering, they have to develop, to deliver their products to the end markets they serve.
- The deposition technology systems you see listed here; MOCVD, HVPE, OVPD®, etc, represent the key enabling technology, needed by our customers, to be competitive in these challenging application markets you see listed below.
- And in the next slide...
- ...you can see how those technologies fit into the current and emerging market prospects we have before us.

## Slide 13 – Market Prospects [PH]

- Some of the end markets our customers are serving are in very healthy growth phases, with LED backlighting applications being the clear business driver today.
- Others, such as Solid State or General Lighting, Silicon Carbide, Plastic Electronics, Memory devices and Solar Cells will provide revenue development opportunities for us in the short to mid term.
- And finally; some market opportunities, like OLEDs, the converging need for more complex material solutions in both the Silicon and Compound semiconductor world and the very exciting Carbon Nanotube market development, will provide us with some great opportunities further out.
- But for today, I would like to concentrate on the current market driver; the LED industry, and talk about how we intend to compete to harvest this opportunity before we talk about any future crops.

## Slide 14 – Global MOCVD Market Shares [PH]

- Allow me to start by talking about our market share.
- Using good Marketing judgment, excellent design and efficient execution, we have been able to maintain a consistently high market share since we were founded 27 years ago.
- The latest market share analysis produced by Gartner, an independent market analyst, reports that AIXTRON had about 68 % of the MOCVD equipment market in 2009.
- MOCVD is the technology used for virtually all LEDs manufactured today.
- However, as the LED market evolves and the size of the market opportunity and the number of customers increase, the current competition to AIXTRON is also improving and new potential competitors are much bigger.
- 2009 saw us preparing for both eventualities: By that I mean; the material, or financial, consequences of serving a larger market and the measures necessary to meet the challenges arising from an increase in competition.
- I would like to explain to you in my next slide, the logic behind our decision to raise additional capital in October of 2009 and how it relates to the same issues of market growth and competition.

## Slide 15 – Capital Increase – October 2009 [PH]

- In October 2009, we implemented the option that you, as shareholders, had approved, to place 10% of our shareholder equity in the market, which raised about EUR 160 million.
- I would like to explain to you why we believe that this decision was appropriate.
- The first part of the investment logic was to increase our working capital.

- You can imagine, that as the volume of new orders increases, so does the need to fund increased work in progress material.
- We could also see that the arrival into the industry of significantly bigger corporate customers, would inevitably lead eventually to a reduction in the size of deposits such big customers are prepared to pay in advance.
- The second part of the investment logic arises from what we sense as acceleration in the speed at which LEDs are being developed.
- Both the volume increase and the nature and experience that the new big corporate customers bring to the industry will inevitably lead to both shorter product cycles and will, in all probability, bring forward the emergence of a Solid State Lighting industry.
- It is for this reason, we will increase and accelerate our R&D activities to be prepared for these opportunities and to maintain our leading market share.
- We have started to build a new R&D and Engineering facility on land we already own close to our existing facilities here in Germany. We expect this to cost about EUR 40 million over the next 3 years.
- We held a ground breaking ceremony on the site recently on April 14.
- Construction work has started and we expect to move the first engineers into the center by Q4 of this year.
- Our accelerated R&D plans will also lead to an increase of about 50%, or 100, additional engineers and scientists and the eventual relocation of our prototype and pre-production and research labs from their current locations, which will in turn, increase our manufacturing capacity.
- I realize that EUR 40 million is a considerable amount of money, but the Executive Board believes that it is an essential investment to be made to secure our future.
- We are the market leader in this market because we are the technology leader and in our opinion this investment will enable us to maintain that position as the markets we serve become larger, more dynamic and much more competitive.
- Let me now return to the present day and talk about the current market conditions and what we have done to respond to the current challenges...

## **Slide 16 – Equipment Revenues by Application [PH]**

- This slide, which not only covers the last 12 years of revenue, also covers the entire production history of the Compound Semiconductor industry.
- What went before 1998 was predominantly an R&D and early development system market.
- You can see that the very first investment cycle was in the period 1999 to 2001 and was driven by the arrival of blue, green & white LEDs and, in

parallel; the requirement for telecom/datacom and consumer optoelectronic devices.

- I think that it's also clear, that what we are experiencing currently, is the industry's second investment cycle and is being driven by the need for LEDs for the backlighting of displays.
- What, of course, is not on this historical slide, is the anticipated third investment cycle, in the future, which will come from the investments necessary to support the emerging Solid State Lighting industry.
- I cannot tell you precisely when that will arrive, but my earlier comment that I believe that we have to pull forward our efforts to create the next generation of system technology, should tell you that there will certainly not be the same type of 'valley' between investment cycle two and three, as you see here, between the first and the second cycles.
- Whether or not there will be any 'valley' at all, is also not clear yet, but undoubtedly, the speed of development we are seeing in this second cycle, is pulling the third cycle nearer.
- Let me now explain in more detail where we are with the LED backlighting market...

## **Slide 17 – LCD TV BLU Market Forecast [PH]**

- In the left hand graph you can see the size of the LCD, or 'Flat Panel' Television market.
- In 2009 the world bought about 150 million LCD TVs and it is estimated that not only will this increase to about 320 million in 2014, but that also, the average size of TVs will increase.
- In my personal opinion, the less than 5% penetration of LED TVs achieved in 2009, could rise to 20-40% during 2010.
- In the graph on the right hand side you can see the five biggest producers of LCD TVs and the LED backlit products they were offering in 2009...
- ...and below that, the number of new LED models they plan to offer in 2010. In every case there is a substantial increase year on year.
- However, the number of new LED TVs that will come onto the market in 2010 will probably lead to a 20-30% reduction in price for these new products during the next 12 months.
- So, you might ask; How does this fit in with the rest of the LED industry?

## **Slide 18 – LED Product Applications [PH]**

- There cannot be many of us here today who haven't seen, and probably own, at least one or two of the products in the top line of this slide.
- There is a reasonable chance that some of you may even own one of the LED backlit TVs shown on the bottom line.



- There is however a much lower likelihood that many of you have seen either LED street lights or LED lighting for your home.
- But I can promise you that you will - It's only a question of time now.

## **Slide 19 – High Brightness LED Market Forecast [PH]**

- In this next slide; you can see the opinion of Strategies Unlimited, another third party independent Market Analyst, on the growth prospects of the High Brightness LED Market.
- They predict a Compound Annual Growth Rate, in US Dollar terms, of 31% for the period up to 2014. A very healthy growth outlook if they are correct.
- The red section of the bar graph, the market requirement from the backlighting display business, is clearly the main driver of this growth.
- But it is interesting to see how over the last few reports from this analyst, the grey element of the bar graph, representing lighting applications, is also steadily increasing.
- There is not any precise information at this early stage as to what this latter development might mean to us in absolute terms of business - but there are progressively more, structured, opinions being expressed in various analyst reports.

## **Slide 20 – Production Supply Estimates for HB LEDs [PH]**

- In this next slide we have tried to pull together a consensus of those opinions.
- The chart on the left illustrates the projected growth in demand, measured in billions of LEDs required, to meet the expected demand from the emerging applications.
- The lower blue section represents the demand from mobile devices, which until recently represented the vast majority of the applications that used LEDs.
- The red mid section reflects the significant increased volume of LEDs being used for backlighting products.
- Finally, the top grey section, is the thin edge, of a much larger wedge, that would come with the Solid State Lighting industry achieving some real commercial traction in the near future.
- The relevance of this is that the more material is needed, the more wafers must be processed and therefore; the more deposition equipment is required.
- How much more equipment is needed remains very difficult to predict as you can see from the chart on the right.

- A consensus of the opinions expressed by the names at the bottom of this chart, reach the conclusion that in 2014, the industry will require in between 850...
- ...and 1,400 deposition systems...
- ...to meet the anticipated LED demand.
- We know that there can still be difficult times occasionally, even in such a projected growth period, but we firmly believe that we have built here a sufficiently flexible business model to address business fluctuations.
- Our job is to ensure that we maintain the balanced focus that will enable AIXTRON to maintain our pre-eminent position in this market, during a period of exciting growth.
- In my next slide I'd like to look at some of the recent positive improvements we have been able to drive through the business in the last few years.....

## **Slide 21 – Operational Flexibility [PH]**

- Looking at the operational ratios within the business, we can illustrate that, despite the absolute increase we have seen in Sales and General Administration costs over the last 4 years including Q1/2010, we have seen the cost to revenue ratio continually improve in our favor as we would expect.
- Sales, General & Administrative costs in relative terms have decreased from 24% to 12% over this period.
- The forward looking decisions we made some years ago, namely; to re-engineer our system technology into configurable modules and the decision to re-engineer our manufacturing processes and supply chain structure have played a decisive role in our ability to react quickly and profitably to rapid changes in market conditions. That is evident in the improving profit margins we have been able to report.
- Gross Margins have improved, from 37% to 50% and we have pushed EBIT margins from 3% to 30%, over the same period.
- Similarly; Net income (post tax) has increased from 3% return on equity at EUR 5.9 million in 2006 to 16% return on equity at EUR 31.8 million in Q1/2010.
- Our very solid financial position combined with the strength of our position in a sustainable growth market and our inherently flexible business model are the key elements behind our decision to recommend to you today that we should pay a dividend of EUR 15.1 million or 15 Cents per share.
- This, in combination with the 2009 development of our share price, an increase of 400%, valuing the Company at EUR 2.4 billion at the end of the year, underlines the success of Management's focus on the generation of shareholder value.

## Slide 22 – Agenda – Financials [PH]

- Ladies and gentlemen, I will come back to you later on with a closer look at our view of 2010, and some final remarks.
- But let me now hand you over to my colleague Wolfgang Breme, Executive Vice President and Chief Financial Officer of AIXTRON, for his presentation of our financial performance in the year 2009.
- Wolfgang?

## Slide 23 – Financial Highlights [WB]

- Thank you very much, Paul. I would also like to bid you a warm welcome to our General Meeting.
- It gives me great pleasure to be able to present to you today excellent figures for the past fiscal year 2009 and also for the first quarter of fiscal year 2010.
- Allow me to point out that we are able to report rising sales and profits for the fourth year in a row now.
- We are very proud of this fact, especially considering the background of current turmoil on the capital markets.
- First, I would like to give you an overview of the key figures of fiscal year 2009.
- Revenues in 2009 were up 10% over the previous year, again reaching a historical high, this time of EUR 302.9 million. Rising from the trough in Q1/2009, quarterly revenues showed an increasing trend sequentially throughout 2009.
- Gross Margin improved year on year by 3 percentage points to 44%.
- This is clear proof of our operational excellence in production and logistics, but also for our consistent pricing policy as market and technology leader in our industry.
- Obviously, the fact that the US Dollar was stronger on average in 2009 compared to the previous year also worked in our favor.
- And thanks to the increasing sales volume and leverage effects arising from improved utilization of our capacities, the EBIT increased by 93% to EUR 62.7 million, representing a margin increase by 9 percentage points to 21% of sales.
- Basic EPS, i.e. not taking outstanding stock options into account, rose in 2009 to EUR 49 Cents per share compared to EUR 26 Cents per share in the previous year. Please note that this calculation is based on the weighted average of number of shares, and therefore the capital increase from October 2009 of nearly 9 million shares was only included on a pro-rata basis.
- Of course, we are also very pleased to report a new record Order Intake in 2009 of EUR 370.1 million, 48% higher than in 2008. Echoing our

quarterly revenue development, we have also seen the quarterly order intake increasing sequentially in every quarter since the first quarter of 2009.

- By the third quarter of 2009, we had doubled our manufacturing capacity to the point of being capable of delivering up to 100 systems per quarter at that time. In this way, we better utilize our production space in Kohlscheid and increase the turnover of our inventory. Major investments were not needed.
- We are currently in the process of further extending that capacity to up to 150 systems shippable per quarter during 2010 and are currently at 120 systems per quarter already – but, of course, only should that level of demand occur.
- It is very important that: Due to our flexible manufacturing model with a high level of prefabrication from our suppliers – or in other words, “outsourcing” – we are able to react quickly to fluctuations in demand. We are not extending capacities that are slow and costly to dismantle in a downturn. Quite the contrary: Our model is custom-designed for our industry, where strong capacity fluctuations from quarter to quarter are an everyday occurrence.
- However, it is also important that we keep core competencies in-house. These core competencies include, for example, the reactor technology, the programming of systems, and other key technologies. We are not taking any risks here.
- The Order Backlog at the end of December stood at very healthy EUR 203.8 million, 94% up from the end of 2008. Our order backlog was subsequently revalued, at the first of January 2010, to EUR 190.9 million at an exchange rate of US Dollar 1.50 to the EUR, which is the budget rate we have chosen for 2010.
- Almost all of that backlog will be converted into revenues by the third quarter of this fiscal year; which means that the systems will be delivered and accepted by the customer by then. Indeed, the progressively increasing conversion rate of backlog to revenue has been another impressive feature of our operational performance throughout 2009.
- Cash & Cash Equivalents, including cash deposits increased significantly, to EUR 301.2 million at the end of the year. It is worth noting, however, that even without the capital increase, cash & cash equivalents plus cash deposits would have more than doubled from the EUR 70.5 million we had at the end of 2008. This increased cash flow from operating activities emphasizes the excellent development of results in the past fiscal year.
- I would now like to give you a detailed analysis of a few key financial figures.

## **Slide 24 – Consolidated Income Statement [WB]**

- The next overview shows the consolidated income statement for the fiscal year 2009 compared to the previous year.

- As mentioned, our revenues increased by 10% in 2009 to EUR 302.9 million from EUR 274.4 million in 2008.
- Cost of sales rose in the same period by only 4% from EUR 161.5 million to EUR 168.1 million, whilst cost of sales relative to revenues continued to improve to 56% from 59% in 2008.
- Therefore, the 2009 gross margin improved in 2009 by 3 percentage points to 44% compared to 41% in 2008.
- I have already mentioned our high degree of outsourcing, i.e., we purchase our systems in pre-assembled components and focus on the critical steps such as final assembly, programming, testing and quality assurance. This allows us to cope with even significant fluctuations in revenues, which in return has a positive effect on our gross margin.
- However, it is also important to note that the 2009 gross margin benefited from a stronger annual average US Dollar. The exchange rate was 1.39 US Dollar to the Euro in 2009, compared to 1.47 US Dollar in 2008.
- But more important is the leverage effect, which we were able to achieve with increasing volume on our operating costs. This is also called the operational leverage effect.
- This led to a rise in total operating expenses of less than 8%, while revenues grew by 10% year on year.
- The selling expenses in the operating expenses actually decreased by 8% in 2009 mainly due to a different geographical mix of sales and therefore lower variable sales commissions compared to the same period last year.
- General & administrative expenses increased primarily as a result of performance-related variable expenses, while the remaining types of costs in the general administrative expenses corresponded to a large extent with those of the previous year.
- Research & development expenditures rose as expected, reflecting our determination to further strengthen and expand our technological leadership. The 16% increase is in line with what we had anticipated for this year as an investment into AIXTRON's future. Looking forward, these costs may further increase by another 20% this year, underlining our commitment to maintain our position as the recognized market and technology leader.
- With our increased investments in research & development, we are also preparing ourselves for a potentially faster than expected arrival of the market opportunity for LEDs in Solid State Lighting. And we are increasing our work on future equipment generations to reflect shorter product cycles and a changing competitive environment as the industry develops further.
- The successful recent launch of our next generation MOCVD tools reflects that commitment.
- Our net other operating income and expense figure was very strong due to currency related gains in the second half of 2009 which offset most of the currency losses of the first two quarters. Other operating income such

as the income from the successful sale of our Company headquarters in Aachen at the beginning of the year, compensation payments for a few cancelled orders, higher R&D grants, and a decrease in impaired receivables compared to the previous year, also had a positive effect. Overall the net other operating income and expenses increased from a net expense of EUR -6.3 million in 2008 to net income of EUR 7.7 million in 2009.

- However, it is important to note that we do not expect a comparable positive development in other operating income moving forward due to the various special effects in 2009. Of course, foreign currency gains from our hedging transactions are always possible. In addition, we are also planning on government funding for our participation in subsidized research & development projects.
- In summary, this leads to a 2009 EBIT figure of EUR 62.7 million or 21% margin, 93% higher than the EUR 32.5 million or 12% margin in the 2008 period.
- We expect that in 2010 we will continue to profit from the operational leverage effect described earlier. That means that we expect further improvement of our profit margins with increasing sales.
- Paul Hyland will touch upon this a little later, when he presents our full year guidance for 2010.
- As you will surely understand in light of the current interest situation, we had decreased interest income in the year compared to 2008 which makes up the difference between EBIT and result before taxes.
- The tax rate was 30% of the profit before tax in 2009. We reached a stable Group tax rate by implementing a global tax program for all Group companies. We will implement this again in the future.
- The profit after tax nearly doubled in 2009, to EUR 44.8 million, compared to a profit of EUR 23.0 million in the previous year. This relates to EUR 49 cents per share for the full year 2009.
- I would now like to continue with our financial position slide.

## **Slide 25 – Consolidated Statement of Financial Position [WB]**

- AIXTRON's financial situation continues to be very strong. I know that I am repeating myself here, but financial independence is crucial for a successful high tech business and cannot be underestimated.
- For this reason, and also in light of the strong growth which we will see in the upcoming years, the capital increase we executed in October was an important step in further strengthening the financial position of our Company.
- As in the previous years, AIXTRON recorded no bank borrowings as of December 31, 2009.

- The equity ratio rose to 72% as of December 31, 2009 compared to 68% as of December 31, 2008. This is largely a result of the capital increase from October 2009 generating gross proceeds of EUR 159.4 million and the significant, profit-related equity increase.
- The cash and cash equivalents including cash deposits increased substantially, also due to the capital increase, to EUR 301.2 million compared to EUR 70.5 million in 2008.
- Additional items increasing the 2009 year end liquidity came, amongst other factors, from the 2009 net profit, an increase of advanced payments of customers, the sale of the Aachen office building, and the acquisition of shares by our employees through stock option exercises.
- The value of property, plant and equipment decreased to EUR 37.8 million principally due to the sale of the property in Aachen in January of last year.
- As announced in January of this year, we have started the building project of a new state of the art research and development center on our premises in Herzogenrath, supporting our research and development strategy. The new facilities covering an area of approximately 16,000 sqm are being built on our property in Kohlscheid. Overall, we are planning to invest as much as 40 million EUR in this project in the next two to three years. The value of property, plant and equipment will increase accordingly during the next years.
- The slight decline in goodwill from EUR 58.7 million as of December 31, 2008 to EUR 58.3 million as of December 31, 2009 resulted solely from currency translation adjustments.
- The value of other intangible assets declined from EUR 10.3 million in December 2008 to EUR 7.8 million primarily due to depreciation.
- In line with the increased business volume, trade receivables increased to EUR 49.3 million as of December 31, 2009 and inventories including raw materials, work in progress and finished goods increased to EUR 89.6 million.
- I would now like to continue with the consolidated cash flow statements.

## **Slide 26 – Consolidated Statement of Cash Flows**

- The cash flow from operating activities in 2009 was EUR 78.9 million which was substantially higher than last year.
- The net cash outflow from investing activities resulted primarily from additional deposits with a maturity exceeding three months in the amount of EUR 87.0 million. These were exclusively fixed-interest investments of non-essential liquid assets at banks with the highest credit ratings.
- The cash flow from financing activities includes cash inflows of EUR 157.6 million from the proceeds of the capital increase in October, EUR 4.1 million from our employees exercising stock options, and cash

outflows of EUR 8.2 million resulting from the dividend payment in May 2009.

- This included, our cash and cash equivalents increased in 2009 by EUR 143.7 million compared to a decline of EUR 4.5 million in the previous year.
- Free cash flow increased significantly from EUR 2.6 million in 2008 to EUR 75.8 million in 2009. This illustrates the strong internal financing power of our Group.
- I would now like to turn briefly to the key figures of AIXTRON AG, the parent Company of the Group. Unlike the Group results that are prepared in accordance with the IFRS, these are prepared in accordance with the German Commercial Code (HGB).

## **Slide 27 – AIXTRON AG Key Figures [WB]**

- AIXTRON AG revenues amounted to EUR 285.8 million, which represents a 40% increase to the previous year with EUR 203.6 million. This is mainly due to higher demand for production equipment for LEDs.
- In 2009 AIXTRON AG posted a 37% higher net profit in the amount of EUR 41.2 million, compared to EUR 30 million in the previous year.
- Taking the profit carried forward and the appropriation to other retained earnings into account, the available net profit shown on the balance sheet for 2009 amounts to EUR 42.5 million. It is the use of these available net earnings that you, our shareholders, will vote on today.
- The Supervisory and Executive Boards propose to you today to pay a dividend in the amount of EUR 15.1 million or 15 Cents per share – compared to EUR 8.2 million or 9 Cents per share in the previous year. Based on a consolidated net profit of EUR 44.8 million, this corresponds to a dividend payout ratio of 34%. 2009 would therefore be the third year in a row, for which we pay a dividend to our stakeholders in this percentage range. The remaining 2/3 of the profit remains invested in the Company. In this way, the Company will have sufficient equity capital available for future funding.
- Of course, it is important to us that you, our shareholders and the owners of AIXTRON, not only profit from the long-term performance of the shares, but also from the returns. We believe that in 2009 we have once again accomplished this goal we set for ourselves.
- Allow me to have a look at our Group revenue analysis.

## **Slide 28 – Revenue Analysis [WB]**

- This overview shows the breakdown of our revenues according to technologies and regions.
- The diagrams basically speak for themselves.



- On the left side, you see the breakdown of our revenues according to compound semiconductor systems, 88%, silicon semiconductor systems, 3%, and spare part & service revenues, 9%.
- As you can see on the chart in the middle, our customers use 81% of our systems for the production of LEDs, which are in turn used as backlighting for televisions, monitors, laptops, netbooks, tablet PCs and other devices.
- Some of our LED production equipment are now also being used to produce LEDs for general lighting, including early street lighting applications, and we expect that share to rise further.
- The proportion of display technology was quite high, at 7% in 2009. This was caused by the delivery of a large system to Plastic Logic in the first quarter of 2009. Plastic Logic manufactures the QUE reader, an e-reader application e.g. for books.
- As you can see from the diagram on the right side, we continued to generate the majority of our revenues in Asia, 82% in 2009. This was 5 percentage points below the 2008 percentage, mainly reflecting the inventory reduction and reduced purchase activities of our customers which took place at the beginning of the year 2009 particularly in Asia.
- The relatively high 14% European share of our 2009 revenues reflects the revenue recognition of the Plastic Logic system in the first quarter.
- We now come to the next overview.

## Slide 29 – 24 month business development [WB]

- Our **Order Intake**, depicted on the top red chart on this slide, had been declining steadily throughout the year 2008, until the first quarter of 2009, which was no surprise to us in the recessionary market environment that existed at that time.
- Since the second quarter of 2009, a substantial uptrend in order intake can be observed.
- This development characterizes the current LED investment cycle, which is primarily driven by the increasing adoption of LED TV applications.
- The fourth quarter 2009 order volume of EUR 163.3 million, which you can see here at the end of the top chart, was the highest quarterly volume at that time in AIXTRON's history – topping the previous high of the third quarter of 2009. Please note the jump from EUR 31.2 million in the first quarter to EUR 163.3 million in the fourth quarter. This development was and is a great challenge for our Company, which has been successfully managed and will also be managed in the future.
- As you can also see in the middle grey section of this slide, our Equipment Order Backlog, developed positively from the low point in the first quarter of 2009, in line with our order intake development.
- Year end 2009 order backlog stood at EUR 203.8 million. As mentioned previously, we have since revalued this position to EUR 190.9 million at

the first of January, at a US Dollar rate of 1.50 to the Euro which we selected as our budget rate for this year

- As you can see in the lower blue section, after a slow start into 2009, revenues picked up in the second quarter of 2009 to EUR 56.7million and then accelerated their growth to EUR 82.0m in the third quarter 2009 reaching EUR 117.9million in the fourth quarter of 2009 - a new quarterly all time high.
- We see this upward trend in revenues continuing in 2010. Paul will explain this in further detail at the conclusion of our presentation.
- Our numbers for the first quarter of 2010 on the next slide provide a first impression.

## **Slide 30 – Q1 Update: Key Group Financials [WB]**

- You see here our Q1 key figures compared to the previous quarter, i.e. Q4/2009, and compared to the first quarter of the previous year, i.e. Q1/2009.
- With higher volume demand and a strengthening US Dollar, quarterly revenues continued to increase, by 31%, to EUR 154.5 million over the previous quarter. Please compare this volume to previous quarters.
- And while the gross margin was up 3 percentage points at 50%, the operating result increased quarter on quarter by 38% to EUR 46.4 million with a one percentage point higher EBIT margin of 30%.
- This development is set forth into the net profit, and earnings per share were up by 23% to EUR 32 Cents within one quarter.
- Our free cash flow increased in the first quarter of 2010 by 125% to EUR 67.8 million. This, however, was primarily a result of higher advanced payments by customers.
- Even order intake continued its progressively increasing quarterly trend (please note that the first quarter of 2010 is the fourth growth quarter in a row, just like for revenues). At EUR 168.5 million order intake was 3% up sequentially.
- As far as the additional order trend is concerned, we assume that after an assessment of the current market environment, we will be dealing with an order plateau which will remain at a high level, as in Q1. This is a contrast to the order peaks lasting a maximum of two quarters that we have seen in the past.
- Order backlog increased by 13% over fourth quarter of 2009 and with EUR 229.9 million as per March 31 puts us at a very comfortable starting point on the path to achieving our ambitious forecasts for the current year.
- On a year-on-year comparison, the growth rates of all key financials presented here are much more impressive, keeping in mind that the first quarter of last year was still significantly influenced by the recession.

**Slide 31 – Why is the SE appropriate for AIXTRON? [WB]**

- This concludes my comments on the fiscal year 2009 and the first quarter of the current fiscal year. Of course, I would be pleased to answer any additional questions in the discussion that follows.
- Please allow me now to make a few comments about the proposed conversion of the AIXTRON Aktiengesellschaft into a Societas Europaea in agenda item 12 and to the authorization for capital measures in agenda items 8 to 10 which will not be put to a vote in today's meeting.
- I hope we have been able to make it clear to you that AIXTRON AG is in an excellent position – both financially and organizationally, and Aixtron is able to maintain and further expand its excellent market position in these rapidly growing markets thanks to this focused and flexible business model.
- Organic growth and acquisitions in recent years have enabled AIXTRON to develop into an international technology group, with 8 locations worldwide. These locations contribute strategically to the success of the Company through research and development, production and purchasing, as well as their close proximity to our customers.
- With the robust growth in recent years and the associated increase in our market value, we have now reached a point where our position in the capital markets is also changing.
- Our shareholder base has become considerably more international, the percentage of institutional shareholders, i.e. investment funds, has risen sharply. The majority of shares are internationally owned.
- We view this development as a very positive one, as this is evidence that we are being noticed on the international markets.
- For that reason, we propose today that we vote for a change in legal form that is consistent with these developments.
- We propose to convert AIXTRON Aktiengesellschaft into a Societas Europaea, in short AIXTRON SE.
- Once again, you see on the overview a summary of the key reasons for the conversion:
- The conversion is a response to the successful expansion of international business of the AIXTRON Group and the robust growth of the preceding years.
- With this legal form, we are committed to our German headquarters in a united Europe.
- With this, we are actively promoting our open and international corporate culture.
- This supranational legal form has an impeccable reputation internationally.
- We ask you, our shareholders, to approve our proposal to convert AIXTRON AG to AIXTRON SE.

- What changes would occur as a result of this conversion?

## **Slide 32 – No material changes due to conversion [WB]**

- The legal and economic identity of the Company would remain unchanged. This is called a reconstruction.
- We will, of course, keep our Company headquarters in Herzogenrath.
- This is emphasized by our current and substantial investments in the new research and development center at our headquarters.
- We will retain the dual management system with the Executive and Supervisory boards.
- The management and the internal organization will also remain unchanged.
- Legal and other reporting requirements will not change, such as, for example, the annual and quarterly reporting required by the Deutsche Börse and the US NASDAQ Stock Exchange.
- And what is particularly important for you, our shareholders, is the fact that the conversion will not affect your voting rights, dividends or trading at all in regard to AIXTRON shares.
- The conversion is associated with the amendment of the Articles of Association which was enclosed with the documents for agenda item 12. However, the changes to the previous AIXTRON AG Articles of Association have been kept to a minimum.

## **Slide 33 – Material Amendments to the Articles of Association [WB]**

- As mentioned, the changes to the Articles of Associations have no influence on shares or shareholder rights.
- The main changes are as follows:
- First of course, is the change of the Company to “AIXTRON SE.”
- Members of the Executive Board can serve a maximum of 6 years according to the SE regulations. This regulation was added to the Articles of Association.
- This SE regulation stipulates that the Articles of Association must include a list of legal transactions that require consent and that the Executive Board may only carry out with permission of the Supervisory Board. These were previously included in the Bylaws for the Executive Board and consequently will now be incorporated into the Articles of Association.
- The appointment of the first Supervisory Board takes place in accordance with the Articles of Association. There will be new elections at the first General Meeting of the SE, at which time the Supervisory Board will be elected. Their remuneration will also be decided on at this meeting.

- Special majority votes are required for resolutions of the General Meeting. For example, for amendments to the Articles of Association, a majority of two-thirds of the votes cast is needed when less than half of the share capital is present.
- In addition, the General Meeting must now take place within the first 6 months of the fiscal year instead of within the first 8 months as is presently required.
- You see that these changes are not very substantial and your rights, as shareholders, are not limited or restricted in any way.
- For that reason, we are asking you to approve our proposal regarding this conversion.

## **Slide 34 – TOPs 8 to 10 – Renewal of Authorizations for Capital Measures [WB]**

- As already mentioned by Mr. Schindelhauer, the Executive and Supervisory Board have decided to withdraw agenda items 8-10 and consequently those agenda topics will not be voted on in today's meeting.
- Our motivation for their removal are the stated concerns from shareholders related to the volume of the proposed authorizations for capital measures in the current economic climate.
- The tone of the concerns expressed suggest that a negative vote against these proposals could potentially be recorded in the meeting.
- I should however also add that AIXTRON had and currently has no committed appropriation plans requiring the potential proceeds from these authorizations and that the Company currently has sufficient funds to be able to finance its immediate strategic plans.
- Against this backdrop, the Executive and Supervisory Board has have decided to withdraw agenda items 8-10 and not put them to a vote in today's meeting.

## **Slide 35 – Agenda [WB]**

- This concludes my part of the presentation, and I now give the floor to Paul Hyland again, who will then provide you with the outlook and forecast for fiscal year 2010.
- As mentioned, I would be happy to answer any questions in the general discussion.

## **Slide 36 – 2009 Guidance Model [PH]**

- Thank you Wolfgang.
- Let us now move on to slide 36, where I will present to you our Guidance Model for 2010.

- In contrast to the restrained guidance I gave you last year, the dramatic improvement in market visibility means that we feel confident enough to set out a 2010 revenue guidance range of EUR 650 million to EUR 700 million for the full year and an EBIT performance of circa 30%.
- This guidance for 2010 is based on the following assumptions:
- Actual Revenues in Q1/2010 came in at EUR 155 million, represented by the light blue part of the pie chart.
- Our Order Backlog stood at around EUR 230 million as per March 31, virtually all of which we believe is convertible into revenues in the remaining months of 2010, and is represented by the dark blue color. This is, in our view, real and reliable business revenue for 2010.
- We anticipate approximately EUR 25 million of additional Spares & Service revenue in the last nine months of 2010, - which is the green piece of the pie chart.
- We require EUR 240 million more shippable Purchase Orders to be recorded by Q3 to be able to reach the lower end of our revenue guidance, i.e. EUR 650 million.
- In order to realize the upper end, i.e. EUR 700 million, we would need to record an additional EUR 290 million of order intake by Q3/2010.
- We believe that at this revenue level, we can deliver circa 30% EBIT for the whole year.
- Some upside potential lies in the further development of the USD/EUR exchange rate, with a stronger US Dollar having a favorable revenue and profit impact.
- This guidance, whilst challenging, is achievable if the currently positive climate continues.
- I would like to finish up my presentation with two final slides which focus on our outlook for 2010 and beyond.

## **Slide 37 – Key Takeaways / Outlook [PH]**

- The rapid return to growth we have seen during 2009 has been directly fuelled by faster than expected implementation of LED technology in various end market applications, but especially for backlighting of LCD Screens.
- This has been supported by an increasing government and consumer awareness of the benefits of energy saving “green” technologies and products.
- An increasing number of international government programs are coming into play, intended to support energy saving technology initiatives, including LED technology.
- Due to increasing critical mass and a rapid improvement in the cost of ownership, LED technology also now, at long last, seems to be making

tangible inroads into the obstacles delaying the development of general lighting applications.

- The potential and speed at which this significant new market could now develop, was one of the main factors behind the Company's decision to raise capital in October 2009.
- When the necessary performance and commercial criteria are fully defined, to be able to serve a true volume solid state lighting market, we will have an AIXTRON product waiting to serve our customers.
- We also recognize that with the targeted end-markets growing in the manner they are, and becoming more attractive, we expect, and are prepared, for shorter product life cycles as a matter of course, as well as new and increased competition.
- We will meet that challenge with better designed and better performing products.
- And while today we remain confident in our ability to deliver the increasingly effective production solutions the LED industry needs, we also believe in our ability to deliver increasingly complex deposition solutions to the other end markets we serve, when those market applications fully develop.
- Turning for a moment from the market to our business approach; ...

### **Slide 38 – Outlook – one step ahead [PH]**

- We will continue to make the necessary forward looking investment decisions to ensure that we have the appropriate new technology and infrastructure in place at the appropriate time.
- The goal is that we will maintain our position as the technology and market leader as we go into the next chapter of the LED market's development, namely; the emergence of LEDs into the general lighting market.
- The positive developments described earlier, should enable us, with our guidance, to again deliver a very positive set of results for fiscal year 2010 with more than 100% revenue growth and at least 200% increased EBIT
- We are not at all daunted by the prospect of increased competition I spoke of earlier.
- Within AIXTRON, we know that we have the biggest concentration of compound semiconductor experience and expertise that you could find anywhere in the world.
- We are the market leader in this market because we are the technology leader.
- Our recent announcement, of our intention to recruit more engineers and to expand to new R&D facilities, as well as the recent ramp-up of our manufacturing capacity to up to 150 systems per quarter, reinforces our

determination to continue to offer the best possible technical solutions to our customers in a very exciting growth period for our industry.

- We could be tempted to celebrate the fact that 2009 was the best fiscal year in our history, with the highest ever revenues and EBIT recorded...
- ...but there isn't time, because 2010 will be even better and needs all of our attention and focus.
- We need to concentrate on the future and not the past.
- Finally; I would like to take this opportunity to thank all of the AIXTRON team who have once again shown in 2009 the level of effort and commitment we have to maintain, to remain the market leader in an increasingly exciting global marketplace.
- I would like them to take back our thanks to their families, for their invaluable support, patience and understanding.
- We, the Executive Board, are, as always, very grateful to the Supervisory Board for their valuable support and advice, and especially throughout the challenges we faced in 2009.
- Finally and most importantly; I would like to thank you: our shareholders, for your loyal support, as we try to continue to add real long-term value to your Company.
- Ladies and Gentlemen, Thank you for your attention. I look forward to seeing you again next year, when I am optimistic that I will be able to present to you another successful set of results for the year 2010.

**Slide 39 – Always one step ahead**