AIXTRON SE

Annual General Meeting 2011

Eurogress Aachen

19 May 2011

Prepared Remarks

Paul Hyland
President & CEO

Wolfgang Breme
Executive Vice President and CFO

The spoken word applies

Investor Relations

May 2011

Slide 1 – Title – Annual General Meeting [KS]

- Welcome and formalities by Kim Schindelhauer

Slide 2 – TOP1 Presentation of the Financial Statements of AIXTRON SE [KS]

- Introduction and Supervisory Board Report

Slide 3 – Forward-Looking Statements [PH]

- Thank you very much, Herr Schindelhauer.
- Ladies and Gentlemen, Dear shareholders and Guests, On behalf of AIXTRON's Executive and Supervisory Boards, I would like to welcome you to AIXTRON SE's First Annual General Meeting.
- As always, I am very happy to see so many of you here today, taking such an active interest in your Company.
- I am also very proud to report to you that 2010 was once again a very successful year for your company and that for the third year in succession, AIXTRON has achieved new record levels in operational performance.
- Equally pleasing, is that I can also give you a positive outlook for our prospects in 2011.
- But before I talk about that, I would like to go straight to the agenda for our presentation of the Management Report and Financial Results for 2010.

Slide 4 – Agenda [PH]

- I'm going to start the presentation by giving you an update on what for us are quite exciting developments in the business……..
- ……..then I'd like to pick out some financial highlights from 2010……..
- …….before giving you some insights into how our external target market is developing
- …….and when I have done that – I'm going to hand you over to our CFO; Wolfgang Breme, who will put some more detail into those financial highlights.
- I'm going to finish the presentation with our outlook and guidance for 2011.
- Let's start by turning to the next slide which shows our worldwide organization…..

Slide 5 – AIXTRON Global Presence [PH]

- …….and take a look at one particular change that we are making in our worldwide network this year.
- To support the rapid business growth we have seen in recent years, we had already established a network of 8 branch offices and subsidiaries in all of our major end markets, as you can see on this slide.
- However, reflecting the growing importance and the enormous potential of the Chinese market, towards the end of last year, we took the decision to upgrade our Shanghai representative office, to a legally independent subsidiary of AIXTRON SE.
- This enhanced legal status, will enable us to directly set up further branch offices within the People's Republic of China and employ staff directly, rather than through a government agency, thus increasing our flexibility and reach in this key market.
- The formal legal process for establishing this SE subsidiary was concluded in January of this year, we now just await final registration.

- And, as indeed, our people are our most valuable assets, it is also important to add that we increased the total group headcount by 14% year on year.
- Understandably, a lot of that increase took place here in Europe where we recruited a large number of engineers and other employees in R&D and Operations…..
- …..but the biggest relative increase was in Asia, where we increased the headcount by 33% over the prior year.
- But also much closer to home, on land we own near our main facilities in Herzogenrath, we are making excellent and on schedule progress in the building of our new state of the art R&D Center…….

Slide 6 – Building Project R&D Center [PH]

- Those of you, who live locally, will have seen the new buildings going up, just on the right-hand side of the road as you drive into Kohlscheid from Aachen.
- Those who haven't had a chance to personally see that will have got a real-time impression from the webcam images being shown outside in the lobby this morning.
- These next few slides will give you just an impression of the progress being made in this important project.
- The office building for 300 employees, labeled 'Phase I' on this slide, was completed in October 2010, and today more than 250 engineers and support staff work in this particular building.
- The second building, labeled 'Phase II' on this slide, and which will be attached to the Phase I building via cross walkways, has the capacity for an additional 150 employees, and will include new research and application laboratories and a prototype production facility.
- It is on target and is scheduled to be finished by early 2012.
- These two buildings, totaling 16,000 square meters, will provide us with the modern, sophisticated R&D workspace we need, and will draw upon an energy efficient design, including LED lighting, to minimize the building's carbon footprint.
- The total investment to complete the building work will be approximately EUR 40 million.

Slide 7 – Building Phase I [PH]

- This next slide shows you a photograph of the already completed office building and...

Slide 8 – Building Phase II [PH]

- …Finally, in this next slide you can see a recent photograph of the progress we are making in building Phase II of the project. This is the building, which will contain our research labs and the facilities for the building of development prototypes and non-standard systems.
- This photograph is actually a few weeks old, so if you drive past the site now you will already see the completed shell of the building.
- I know that in 2009, when we raised EUR 160m on the Capital Market, we explained the logic behind our decision to build these facilities. But let me remind you again why we need such sophisticated facilities, and why we need to make such a significant investment at this point in time.
- The explanation is relatively straightforward…:
- The market for LED applications has now evidently evolved. In the matter of just a few years, it has developed from a relatively small technical niche market into a highly complex, and competitive marketplace, serving two major end markets of significant volume – namely the Consumer Electronics market and - with the imminent arrival of LED lighting; the Utility Lighting market.
- In other words, our business has changed from serving a small niche market to addressing two substantial mass markets.
- We also said in 2009 that we believed that Product cycles would become shorter and that, due to the imminent arrival of the LED lighting market, we needed to accelerate our internal Development Roadmap. That statement still accurately reflects our viewpoint today.

- The technical performance and Cost of Ownership requirements from our customers have become increasingly complex and demanding. Our equipment must be able to efficiently handle large production quantities of high performance devices but at a low unit cost, and has to be able to be integrated seamlessly into our customers' production chains.
- In order to meet all these and further increasing requirements in the future and to continue to stay one step ahead of our competitors, investment in R&D is absolutely critical to our strategy.
- Providing our engineers with the best possible facilities and equipment is an essential element of this strategy.
- Let me now take a look at the 2010 Financial Highlights.

Slide 9 – Financial Highlights [PH]

- 2010 revenues ended up a little higher than our guidance, at just under EUR 784 million, which was more than a billion US dollars at the average exchange rate for the year.
- The 2010 revenue figure is actually over two and a half times more than we achieved in 2009.
- There are a number of reasons for this extraordinary revenue growth, not least of which was the ongoing demand for LED TV backlighting and some early signs of the emergence of LED lighting applications.
- Crucial to our 2010 success story was our operational set-up which was flexible enough to respond quickly and efficiently to the significant increase in demand we experienced during 2010.
- The consequent result includes our Gross Margin increasing from 44% in 2009 to 53% last year; and our EBIT more than quadrupling to over EUR 275 million, taking the operating margin to 35% in the process.
- Our 2010 EBIT performance deserves special attention, because it highlights how far we have come over recent years: the absolute 2010 EBIT figure alone is higher than the total revenues for 2008.
- Consequently; in comparison to 2009, our basic **EPS** also nearly quadrupled to one Euro and ninety-three cents during 2010.

- Our Order Intake progressively increased throughout the year, reaching a record level of EUR 748.3m for 2010.
- Our Order Backlog coming into 2011 stood at EUR 274.8m which was the highest year-end backlog the Company has ever recorded. This backlog was then revalued to EUR 302.3m, in line with the 2011 budgeted exchange rate of USD1.35/EUR.
- Our Free Cash Flow was 26% higher at EUR 95.9m and our combined Cash and Cash Equivalents plus Cash Deposits were 28% higher at EUR 384.7m, even after having paid out EUR 39.5m for the new R&D center capital investments and having paid out a FY2009 dividend of EUR 15.1m earlier in the year.
- Last Year, we spent close to EUR 46 million on R&D activities and will have spent a similar figure on completing our R&D center.
- As with the structural decisions we made several years ago, which have delivered the flexible operations platform we work with today, I believe that in the future, we will be able to similarly reflect on the very substantial investment decisions we are making today in R&D, which we are convinced will be decisive factors in the long-term sustainability of our Market position.
- Let me now show you on the following slide some measurable operational outcomes that come from having such a flexible manufacturing model and the focused response the AIXTRON team delivered during 2010.

Slide 10 – Operational Flexibility and Leverage [PH]

- This slide shows you some of the quantifiable benefits that come from the operational flexibility and leverage we have developed here over the last 5 years.
- You can see here on the left hand side of this slide that, as a percentage of total revenues, our SG&A costs have again been reduced, from 15% in 2009 to 10%, in 2010, which partially quantifies the operating leverage we have managed to build into our organization.
- In the middle and right hand graphs, you can see the very positive leverage of our Gross Margin, EBIT margin and Return on Equity, which are equally impressive when seen here in the context of the development over the last five years.

- I think it is fair to say that a gross margin of 53%, an operating margin of 35% and a Return on Equity of 32% compare very favorably with our competitors.
- I would now like to take a historical look at how our revenues have developed since 1998 and how that has been affected by product mix.

Slide 11 – Equipment Revenues by Application [PH]

- Before 1998, there wasn't a commercial market as we know it today.
- But that is not to say that it wasn't extremely challenging. As with building a house; the foundations are often the most challenging part and always the most critical in supporting what will follow.
- But prior to 1998, we operated primarily in an R&D driven market, developing the cutting edge, key-enabling technology that still supports today's industry. It was for this very reason that one of our founders, Dr. Jürgensen, was awarded the European SEMI award towards the end of 2009.
- However, revenues were relatively small from today's perspective.
- The first real substantial investment cycle occurred over the period from 1998 until 2001 and was driven by the industry development of blue, green and white LED applications and in parallel by the demand for telecommunications and data communication devices, and consumer lasers for CD and DVD products.
- The demand for LEDs used in a rapidly growing mobile phone industry in the period from 2002 to 2007, was the major revenue driver for us during this time.
- The second real investment cycle, which continues to this day, started in about 2007 and was fuelled initially by the laptop industry adopting LEDs as a backlight source instead of conventional backlighting technology.
- Once this adoption cycle started, it was only a question of time before the same would happen in other areas of the larger display world. And indeed, in 2009, the industry experienced a huge increase in demand from the LCD TV and computer monitor industry, resulting in the extraordinary revenue growth you see here.
- We are now looking forward to the third investment cycle, the beginnings of which we can already see and which will be driven by investments to ramp up capacities for general lighting applications, such as street lighting, commercial, public and office lighting and domestic consumer lighting.

- As you can see on this slide; whereas there was a wide ‘valley’ between the first and the second investment cycles, we do not expect to see the demand weakness we had to go through during the years 2002 to 2007, because there is no doubt in our minds that the third investment cycle is being drawn forward by the strong dynamics that have been created by the backlighting market developments.
- In a very short period of time, we have evolved into a key player in a market that serves two very substantial end markets, namely; Consumer Electronics and in the near future; the Utility Lighting Market.
- The next slide gives you three snapshots from different angles of where our revenues come from: Equipment vs. Spares; by end application, and by region.

Slide 12 – Revenue Analysis [PH]

- You will see from this slide that our revenue mix remains largely unchanged from the previous year.
- 94% of revenues came from systems sales and the remaining 6% from spares and service sales.
- The large majority of the systems we sold in 2010, namely 93%, are used to manufacture LEDs.
- Although the majority of those systems will make LEDs for LCD TV backlighting, an increasing number will be used to manufacture LEDs for emerging LED lighting products.
- Whilst it is difficult to be precise about this; we believe that about a third of the deliveries made during the year 2010 will be used to make LEDs for general lighting applications.
- Regionally, 91% of revenues were generated by sales into Asia, an increase of eight percentage points compared with 2009. The remaining 9% were split almost equally between Europe and the US.
- And of that 91% going into Asia, about 90% went into three regional markets or channels;
- Number one and the biggest was Taiwan, the second biggest was China and the third biggest was Taiwanese customers who planned to use the systems in China.

- I haven't mentioned Korea because although they were prominent buyers in 2009, in 2010 they were very busy installing and using those systems.
- However, this regional revenue mix will change in 2011 in that we expect to see considerably more revenues from China during 2011, with perhaps further investments from Taiwan and Korea starting later on in the year.
- But in 2011, China will undoubtedly be our biggest market, which is why, as I explained earlier, we have upgraded our infrastructure in China,
- Before going into more detail on the end markets influencing our business today, namely the LED markets, I would like to briefly touch on what our customers use our systems for apart from LEDs.

Slide 13 – One Technology – Multiple Solutions [PH]

- What I want to show you on this slide is what our customers can do with our technology. It is not just a story about LEDs.
- AIXTRON's core competence is the ability to develop highly specialized deposition technology for complex material structures, which are the building blocks for all electronic and opto-electronic devices.
- Our systems enable our customers to produce both Compound and Silicon Semiconductors.
- In the Silicon semiconductor industry, our customers are targeting the production of memory and logic devices with our tools. The ALD or Atomic Layer Deposition tools being the most prominent today.
- In the Compound semiconductor arena our customers are drawing on a wide range of the technology platforms we are showing here. MOCVD is just one of the technologies we offer.
- Our customers employ these Compound platforms to address a variety of highly complex deposition technologies, targeting end-applications like OLEDs, Lasers, Solar Cells, Carbon Nanostructures and many others.
- If we can be said to be 'harvesting' LEDs today, then these other technologies could be described to be our future 'crops' in the ground for forthcoming 'seasons'.

- But as we are currently ‘harvesting’ LEDs, let me spend some more time explaining where we are today and how long the LED ‘harvest’ might last.

Slide 14 – LED BLU Market Forecast [PH]

- These two graphs show you the size and the anticipated growth rate of the LCD TV (on the left hand side) and the Computer Monitor market (on the right hand side) up until 2014 and the speed at which LEDs might be adopted by the market.
- The LCD TV market is predicted to grow from 150m to about 370m TVs a year by 2014 and the Computer Monitor market will grow from about 190m to about 280m over the same period.
- Although that is spectacular enough perhaps, what is truly remarkable is the speed at which these markets have converted over to using LEDs.
- By the end of 2009, only about 3% of the LCD TVs sold used LEDs. Last year that was close to 30%, it will rise to circa 55-60% this year, perhaps 80% next year and probably 100% a year later.
- As you can see on the right; the adoption rate for Computer Monitors is no less remarkable.
- And it is the link between the rapid rate of adoption and the substantial increase in the speed at which LEDs are improving in performance and reliability and the speed at which the cost of LEDs is declining, that is having the effect, in our opinion, of pulling forward the third investment cycle; namely LED lighting.
- At long last you might say; ‘Lighting is Coming’…

Slide 15 – LED Lighting Market Estimates [PH]

- …and the next major step in the development of our market evolving from a niche to a mass market will be the adoption of LED technology for general lighting applications.
- The consensus graphs on this slide give some early stage estimates, by analysts and research institutes, on the size of the addressable market, and the likely adoption growth rate and regional mix.
- Even we don't know how many systems will be required to serve this market, but the opinions we have heard vary from 6,000 to 10,000 systems in total.
- This development will be driven by increasing globalization and urbanization as well as the coincidental need for energy-efficient lighting solutions, especially in emerging markets.
- In developed countries, we see the introduction of solid-state lighting as being driven by a combination of Government encouragement and public awareness of both environmental and cost benefits.
- In the case of municipal and street lighting, there is already clear evidence of intent in the form of 'top down' state subsidies being used globally to start energy efficiency programs as well as the same subsidies being used to encourage domestic LED industries.
- In the area of commercial lighting, we are seeing considerable focus on the ubiquitous 60W equivalent light, which is by far the most common commodity light output used in extended-usage scenarios such as hotels or commercial premises, where the monetary value of energy savings plays a more significant role in making a premium cost acceptable in a Return on Investment / cost of ownership calculation.
- The average cost today to a consumer, of a 60W LED equivalent in the US is about 37 US Dollars, but can be bought for as little as 18 US Dollars after utility company subsidy rebates and in Japan, it is possible to buy similar LED lights for as little as 25 US Dollars after the application of a Japanese consumer subsidy.

- Talking about Government support for the industry. Here is an interesting calculation I came across recently; If Germany funded LED lighting retrofits at the same level as Solar subsidies - namely EUR 2.4 billion a year - it could abate 50 megatons of CO2. This is a 10 times saving over what solar subsidies are projected to deliver.
- My personal guess is that the initial volume 'tipping point' for traction to occur in the commercial lighting world will probably kick in when that price declines into the USD 20 -15 range.
- But when is all this going to happen?
- I don't know for certain… But if I look at the efforts being put in, globally, and at the quality of the company names involved…….old and new……..I would not expect it to be so far away.
- It may not even be; "**How long** will it take for somebody **to be able** to 'make it' to that price?" – but; "**When** will somebody **be willing** to 'sell' at that price"?

Slide 16 – LED Lighting Momentum [PH]

- To illustrate our opinion on the growing momentum towards LED Lighting emerging, we have highlighted on this slide three influencing parties that will ultimately decide the pace of adoption of LED general lighting: Governments, Manufacturers and End-users.
- Each of these parties have already, or will have to in the future, make a series of decisions in order to allow this market to develop.
- As you can see, we have made our own 'traffic light' assessment as to what and where we are with these decisions.
- Red indicates that no measurable progress has yet been made.
- Yellow means that we see some initial positive movements, but more momentum is needed.
- Green indicates that real measurable progress has been made and is set to continue.
- In terms of this abstract display, governments are generally the most advanced of the three influencing parties we have chosen to highlight.

- We are all sometimes critical of government, but in this case we can say that they have already shown both awareness and willingness to get things moving ……. But of course they can still do much more.
- One barrier that they could help with, remains, namely the lack of internationally agreed and enforceable standards.
- But that said, some governments such as China, who already strongly support the introduction of LED lighting technology through subsidies and the provision of capacity incentives, are attempting to set their own internal standards.
- At the Manufacturers level, only one indicator is clearly positive: Manufacturers are making the substantial capital investments required to reduce the cost of ownership of general lighting applications to a competitive level.
- And although it may seem harsh that we are judging so many of the Manufacturers activities as only 'yellow'; it is not a criticism of a lack of action - far from it - it is only a reflection of the fact that even more momentum or progress is required to achieve the objectives.
- Finally, while End-users are generally ecologically aware and becoming increasingly conscious of the LED-based lighting products that we can now buy in our local Bauhaus store, some skepticism regarding product cost and quality and a lack of understanding of the real cost of ownership continue to be impediments.
- However, the recent dreadful natural and nuclear catastrophe in Japan has heightened Government and Consumer awareness worldwide of the urgent need to reduce energy consumption.
- In the long term, this can only be positive for our business outlook.

Slide 17 – China: Government to Stimulate LED Value Chain [PH]

- Let's now talk about China, which is doing far more than most and for that reason is going to be the most important market for AIXTRON in 2011.
- Such is the strength of China's projected GDP growth, that the Chinese authorities have recognized the importance of coupling effective energy conservation and sustainable energy generation.

- This Government focus and commitment has meant that demand from Chinese customers, strongly encouraged and subsidized by their government, became our strongest growth driver in 2010. This will also be the case in 2011.
- China is preparing to become potentially the largest end market in the LED general lighting market by 2015, which has been estimated to reach a volume of RMB 500bn (or circa 80 billion USD).
- To encourage the development of a viable domestic Solid State Lighting industry, the central government has initiated a number of ‘bottom up’ and ‘top down’ subsidies to act as catalysts towards the development of a complete Chinese production value chain.
- The objective of this program is that China will eventually develop 3 to 5 major LED companies that will compete globally for LED business. This could, if achieved, make them a major world power in LED technology.
- The very substantial Chinese government subsidies, up to 1.5m US Dollars per system, that were initiated in 2009, are still available today but will be progressively phased out over the next 4 years.
- These ‘bottom up’ subsidies, which could be up to 80% of the cost of a system, have played a big part in the very high demand for systems we have seen from China recently – with a very strong emphasis on LED lighting products.
- The longer-term sustainability of Chinese investments in the area of LED production equipment has been further enhanced by the stated objectives of the 12th and latest Chinese 5-year plan for which the precise details are now being slowly revealed.
- It is however already clear that LED technology will be an integral part of this 5-year plan in order to enable China to support its growing needs for more efficient energy consumption and its aspiration to become a meaningful global player in this market.

Slide 18 – Compound Semiconductor Systems: IC 2 Platform [PH]

- So to pull all of these market developments together, I think that we can conclude that the opportunity for our technology has now reached a new level.
- In February 2010 we launched the new generation IC 2 System platform which succeeds our extremely successful IC platform which was launched at the end of 2005.
- The IC 2 platform, featuring our latest planetary or showerhead deposition technologies, has been very well received by our customers. In fact, we are delighted at the speed at which the market has adopted this latest generation product.
- To give you a reference point for comparison; 12 months after we launched the previous generation in 2005, 60% of the orders we were receiving were for the then new generation systems.
- In Q1 of this year, 12 months after we launched the latest generation products; the G5 and the CRIUS II, 65% of the orders we received in Q1 were for these latest systems and already 54% of the Q1 revenues.
- Given that the availability of the CRIUS II was about 6 months behind the G5, this is an even faster adoption rate than the last time we launched a new product.
- AIXTRON is ready to take full advantage of these new scale opportunities and is fully prepared to meet the competition in an increasingly attractive and competitive market.

Slide 19 – Agenda (Financials) [PH]

- Ladies and gentlemen, let me now hand you over to our CFO, Wolfgang Breme, who will take you through our 2010 financial performance in more detail.
- I will come back for some concluding remarks when he is finished.

Slide 20 – Consolidated Income Statement [WB]

- Thank you Paul, and good morning ladies and gentlemen.
- Before going into the financial detail, please allow me some general comments concerning the excellent performance of the group in 2010.
- During the year, we saw extraordinary growth in the demand for LED production systems.
- This development itself came of course not unexpectedly for AIXTRON, but the speed of adoption of backlighting for LCD TVs and other applications was higher than we expected.
- The high order intake throughout the year, with bookings in the range of EUR 200 million per quarter, underlined our market-leading position and technology leadership, and was an outstanding success for the whole team.
- But it also brought huge challenges in with it in terms of our ability to execute all these orders.
- But we managed to cope with these challenges, and we can rightly be proud of what we have achieved.
- How did we do it?
- To start with, our financial cushion going into 2010 was strong enough to meet all the financial challenges the year had for us.
- But we were also able to manage the growth without significant investments into production facilities, and this was possible only because we improved efficiency substantially, and because we stayed focused on our core expertise; Research and Development.
- In other words, because we were financially prudent and operationally flexible and focused, the financial results for 2010 we are presenting to you today put us in the top ranks of our global peer group comparisons.
- Let us now take a more detailed look at our financials.
- Rather than rattling through all the numbers on all the financial statements, I would just like to pick out a few which I think are worth focusing at.
- I will start with the Group income statement.
- The first number I would like to discuss is Revenues, which have increased by 159% as Paul has already alluded to.

- This is of course mainly due to the very strong underlying real demand for our production systems.
- As many of you know, the vast majority of our orders are US Dollar denominated
- Using exchange rate averages, the US Dollar actually strengthened against the Euro by about 5% last year, which resulted in a positive effect for our Euro-denominated Revenues.
- Then I would like to talk about the gross margin, and what caused it to jump from 44% to just below 53%. This looks good, but does not do justice to what needed to be achieved to deliver that increase.
- We had to ramp up our capacity, from under 200 systems in 2009, to significantly more than 400 systems in 2010.
- In other words: we had to more than double our output, in just one year!
- In order to facilitate this ramp-up, our suppliers had to increase their capacity throughout the year. Their superb response to that challenge reflects the strength of our outsourcing supplier strategy.
- All of this was achieved with very little additional investment, as I mentioned earlier.
- And the third figure on the income statement I would like to talk about is our R&D spend.
- With EUR 46 million, we spent 40% more on research and development during 2010 than we did during 2009.
- Because this is a large increase, let me give you a few examples of what exactly we did with this money.
- During 2010, we increased our research personnel by 20% compared to 2009.
- Our R&D headcount is now one third of all employees and four times larger than our global Sales team, which tells you a lot about the intensity of our effort in this area.
- In terms of projects, much of the work done by our R&D team is in conjunction and collaboration with universities, research centers and industrial partners worldwide.
- I think you will all agree that investment into R&D is the foundation for future success. As Paul has written in his letter to you in the Annual Report, and as he has implied earlier in his speech, if we do not invest today, we will not compete tomorrow.

- For 2011 and beyond, we plan to further increase our R&D expenditures, which underlines our commitment to this area and will enable us to remain a recognized technology and market leader.
- Finally, a quick look at our net result and, importantly, what we propose to do with it today.
- AIXTRON generated a group net result of EUR 192.5 million in 2010, which represents an increase of 330% and a net return on sales of 25%.
- This is quite extraordinary if compared with previous years and much higher than the 160% increase in revenues.
- It is our stated policy to endeavor to pay out about one-third of our group net result as dividend to our shareholders.
- This is unchanged for 2010: we propose to you today to pay EUR 61 million in dividends to you, or a per-share dividend of 60 Eurocents.
- This compares to a dividend of 15 cents per share last year and represents a quadrupling of this figure.
- If you consider our share price today, today's proposal represents a return of above 2% and a pay-out ratio of 32%.
- Should this proposal be accepted, then 2010 would be the fourth year in succession with a payout ratio at this level.
- But - we still have to retain funds to finance the strong growth we are expecting over coming years, we have to continue to invest in AIXTRON's future.
- This is why, as prudent managers of your company, we need to keep two thirds of our Net Income within the business.
- Let's now move to the next slide, our balance sheet.

Slide 21 – Consolidated Statement of Financial Position [WB]

- As you can see, we are operating on the basis of a very solid balance sheet.
- The equity ratio stands at 73% and increased again in comparison to 2009.
- There are three figures I would like to discuss in more detail: Property, Plant and Equipment; our cash position; and advance customer payments.
- First, PP&E: this value has more than doubled because of the investment in our new R&D center in Herzogenrath.
- Most of the facility investment was already paid and capitalized in 2010 although the project will take more than the whole of this year to be completed.
- Upon completion of the first two phases of this project, we will have spent in excess of EUR 40 million on building and equipping this new facility.
- The second and third figures I would like to look at is our total cash position and the advance payments of customers.
- Our Cash & Cash Equivalents incl. Cash Deposits figure of almost EUR 385 million still includes some of the proceeds from the capital increase we carried out in October 2009 and is 28% higher than at the end of 2009.
- The growth is due mainly to two factors: first, our net profit of EUR 192.5 million.
- Second, advance payments from customers increased by almost EUR 30 million in comparison with 2009.
- Given the demand volatility our industry is subject to, it is prudent and rational to maintain safe cash balances.
- Needless to say that AIXTRON is well funded as always, and fully able to finance all its operational and investment requirements. It also continues to have no restrictions on its use of cash resources, as well as full access to capital markets.
- The cash flow statement on the following slide does not contain anything that should surprise you, so let’s just take a brief look at it.

Slide 22 – Consolidated Statement of Cash Flows [WB]

- As you would expect, most of the cash inflow from operating activities of just under EUR 148 million comes from our substantially increased net result.
- The difference between net profits and operating cash flow is largely explained, as in previous years, by increased working capital requirements resulting from our strongly growing business.
- About two-thirds of the investing cash outflow was due to investments in money market deposits. You will find them again on the detailed balance sheet as “other financial assets”.
- The rest of this is capex is chiefly for the new R&D facilities in Herzogenrath as you have heard before.
- Our cash outflow from financing activities of about EUR 12 million in 2010 will be significantly higher this year, as it will include a dividend payment of more than EUR 60 million if you, our shareholders, follow our proposal.
- On the next slide, I will take a closer look at the results of our parent company.

Slide 23 – AXITRON SE Key Financials [WB]

- Ladies and gentlemen, even after the conversion of AIXTRON into an SE, we are presenting financial statements under German HGB legislation.
- AIXTRON SE is as in previous years the strongest company in the group.
- The majority of the business volume is channeled through the parent company of the Group and we are not intending to change our processes here.
- In 2010, AIXTRON’s revenues totaled EUR 776.7 million, after EUR 285.86 million in fiscal 2009, a growth of 172%.
- In 2010, AIXTRON SE achieved an increase of its net result of 375% to EUR 195.1 million, compared to the prior year’s level of EUR 41.2 million.
- Taking retained earnings of EUR +27.4 million and the transfer to retained earnings of EUR -97.5 million into account, the accumulated net result for fiscal 2010 is EUR 124.9 million, compared with EUR 42.5 million in 2009.

- As mentioned, the Supervisory Board and Executive Board propose today to pay a dividend of EUR 60.7 million or 60 Eurocents per share compared to EUR 15.1 million or 15 Eurocents per share for fiscal 2009.
- Let me now spend a few minutes on our business development over the last eight quarters.

Slide 24 – 24-Month Business Development [WB]

- This slide shows you the development over the last eight quarters of equipment order intake and backlog and total revenues.
- You see the tremendous growth of orders from EUR 31.2 million in the first quarter of 2009 to EUR 204 million in the fourth quarter of 2010
- You can see from the top chart that Q4 order intake has remained at a high level compared with the previous quarters and sequentially, we have generated order intake on new record levels for 5 quarters in a row.
- More encouragingly still, we saw a growing component of orders intended for lighting applications, rather than backlighting applications.
- LED Lighting is coming, ladies and gentlemen. It is still an emerging source of demand, and still in its early stages of development, but it is coming; slowly but surely.
- In accordance with our order intake figures, and with a relatively stable lead time of about 4-6 months, our order backlog grew as well.
- At an exchange rate of USD 1.50 per Euro, we were able to record a firm backlog of EUR 275 million at the end of 2010, 35% higher than at the end of 2009, which supports our confidence regarding AIXTRON's prospects for this year.
- By 'firm', I mean that our very strict conditions for the recognition of orders continue to apply: we will recognize orders only once we have received a firm purchase order, any shipment limiting documentation, the agreed financing arrangements such as deposits or letters of credit, and have confirmed a delivery date for each system with our customers.
- Even when we are able to tick all of those boxes, we may still reserve management judgment on the recognition of the entire order quantity, depending

on our assessment of the external delivery risks involved. This is in line with our usual "prudent business" practice.

- As usual, we recalculate our year-end order backlog on the basis of the following year's budgeted exchange rate of USD 1.35 per Euro, which gave us a year-opening backlog for 2011 worth EUR 302.3 million.
- Revenues increased in line with strong demand for the past seven quarters, a remarkable operational performance by any standards.
- Let me now move on to the next slide followed by a brief overview of our numbers for the first quarter 2011.

Slide 25 – 24-Month Business Development [WB]

- As you can see – we had a very strong first Quarter
- Our Order Intake was on a very high level again….
- …Order Backlog rose again….
- ….and Revenues were on levels above EUR 200m for the third consecutive Quarter in a row.

Slide 26 – Q1 Financial Highlights [WB]

- This slide compares the first quarter of this year to the first quarter of 2010.
- Driven by a continuing high level of demand for LED deposition equipment, our first quarter 2011 revenues increased by 33% year on year, to EUR 205.4m.
- On a year on year basis, we once again benefitted from a small currency effect as the USD/EUR average exchange rate we used for Q1/2011 was 1.36 USD/EUR, or about 3% stronger than during the same period of 2010, when it stood at 1.40 USD/EUR.
- In line with the positive revenue development, our gross profit increased by 34% year on year to EUR 104.2m in Q1/2011, resulting in a gross margin of 51%, one percentage point higher than at the same time last year.
- Our EBIT came in at EUR 74.9m, which is EUR 28.5m or 61% higher compared to the same period of the previous year.

- This equates to an EBIT margin for the first quarter of 2011 of 36%, 6 percentage points higher than Q1/2010.
- Accordingly, our net result rose by 64% to EUR 52.3m and our EPS rose by a similar percentage year on year, to EUR 0.52 in Q1/2011 in comparison to EUR 0.32 in the first quarter 2010.
- Q1/2011 equipment order intake is also up, by 25% against last year's Q1, to EUR 210.3m. This is the third quarter in a row that we have seen order intake at above EUR 200m levels, and the eighth sequential quarter in which we have posted an increase in order intake.
- As with backlog, the USD denominated part of our 2011 order intake is, as a matter of company policy, also converted into Euros at the budget exchange rate set for 2011, namely; 1.35 USD/EUR.
- Given the continued economic and market volatility, compounded by recent natural disasters and political uncertainties, we are very pleased indeed with the continuing high level of demand.
- The steady inflow of orders in recent quarters is reflected in our very solid order backlog, which increased by 40% on last year's end of Q1 figure, to EUR 321.1m as at March 31, 2011.
- Free cash flow was down 83% year on year, from EUR 67.8m in Q1/2010 to EUR 11.7m in Q1/2011.
- Some observers may conclude that this is a negative development. Quite the contrary: this is caused by a positive trend, namely the arrival of bigger corporate customers who however are only willing to pay significantly smaller deposits, than we have seen in the past.
- Some of the decrease also reflects the growing proportion of customers who can present stronger evidence of their financial durability and consequently are also able to negotiate and pay acceptably smaller deposits.
- Reflecting that strength; cash including cash deposits increased to EUR 394.8m as of March 31, 2011 compared to EUR 384.7m as of December 31, 2010, and this is after us having already paid in advance the majority of the investment into our new R&D center, namely EUR 39.5m in 2010.

Slide 27 – Agenda (Outlook) [WB]

- Ladies and gentlemen, this concludes my remarks. Let me now hand you back to Paul for his concluding remarks. Thank you for your attention.

Slide 28 – Guidance Model [PH]

- Thank you Wolfgang.
- Now you've heard in detail how AIXTRON fared during 2010, let me now spend a few minutes talking about the future, and in particular about our expectations for this year.
- The light blue segment at the top-right hand side of our 2011 guidance pie chart, which you can see here, shows you our Q1/2011 revenues, namely EUR 205m.
- You can see that we have more than EUR 320m of system orders in our Order Backlog, as indicated in the red segment on the bottom right-hand side of the pie chart.
- As Wolfgang has just mentioned the strict internal criteria we apply before recognizing orders, I won't repeat them, but needless to say that, with this 'prudent' approach, EUR 321m represents a very reliable and solid foundation for the rest of 2011.
- You can see in the green segment, in the bottom left hand part of the pie chart, that we are anticipating about EUR 30m more to come from Spares and Service revenue during the remaining three quarters of 2011.
- Finally, in the dark blue segment on the left-hand side of the pie chart, you can see that we expect to receive about EUR 244m to EUR 344m of shippable orders by Q3 of this year to achieve our revenue guidance for 2011 of EUR 800 million to EUR 900 million.
- This level of revenue in 2011 should enable us to generate an EBIT margin of around 35%.
- I am therefore very positive that when I stand in front of you next year that I will again be presenting another set of record results for AIXTRON for 2011.

Slide 29 – Always one step ahead [PH]

- Before I finish, let me summarize where we find ourselves today.
- Not only have we survived the worst global financial crisis that I have seen in my working life, that occurred between 2007 to 2009, we have emerged stronger, more flexible, and more profitable.
- We can take some considerable pride that 2010 has been the most successful year in our history.
- A combination of the speed at which TV manufacturers adopted LEDs, the gathering momentum towards LED lighting and the substantial investments being made by countries like China present us with some huge opportunities.
- You may need a little more patience, but I can assure you; 'LED Lighting is Coming'!
- We have made the appropriate adjustments to our business infrastructure to accommodate the transition of our end market from being a small technical niche to becoming a much larger market, addressing the needs of two huge end-market drivers; namely the Consumer Electronics and the Utility Lighting Markets.
- Not only have we met the immediate operational challenges put before us during 2010, we have also taken some far-reaching decisions to substantially invest in our R&D needs **for the forthcoming years.**

- **Let me** finish with a few thank you's.
- The overwhelming success of last year would not have been possible without the tremendous dedication and enthusiasm of the whole AIXTRON team.
- On behalf of the Executive Board, I would like to thank them all for their outstanding work.
- I would ask that they also take back our gratitude to their families for their extraordinary patience and understanding. We ask an awful lot of our people and I know that they couldn't do what they do for us without the support of their families.

- I would also like to thank all the members of the Supervisory Board, whose advice and support has once again been invaluable to those of us in the Executive Board.
- In this context, I would like to extend a special thank you to Herr Simmroß who has decided to leave the Supervisory Board this year.
- It was Herr Simmroß, who in his capacity then, as Chairman of the Supervisory Board, nearly 10 years ago, interviewed me for the role I have now and has been extremely encouraging and supportive ever since, to myself, the Executive Board and to the Company.
- I believe that we all owe him a great deal for his many years of dedicated service to AIXTRON and to AIXTRON's shareholders, and we all wish you both enjoyment and success in the future.
- And finally, Ladies and Gentlemen, I would like to thank you as shareholders, for your loyal support and on behalf of the AIXTRON Executive Board, I would like to assure you of our continued personal commitment to AIXTRON SE.
- Thank you.