AIXTRON SE

Annual General Meeting 2012

Eurogress Aachen

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Prepared Remarks

Paul Hyland

President & CEO

Wolfgang Breme

Executive Vice President and CFO

The spoken word applies

Translation for convenience purposes

Investor Relations

May 2012

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Slide 1 – 15th AGM

- Welcome and introduction from the chairman of the supervisory board

Slide 2 – Safe Harbor Statement

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Slide 3 – AGM TOP 1 [PH]

- Thank you very much, Mr. Schindelhauer.
- Ladies and Gentlemen, dear shareholders and guests, on behalf of AIXTRON's Executive Board, I would like to welcome you to AIXTRON SE's 2012 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.
- In a few moments, I will expand on the developments we saw in the year 2011, which was markedly different to any previous year in our history, with an exceptionally strong first half with record order intake offset by a very weak second half year, characterized by accelerating macro-economic challenges and extreme uncertainty on the part of our customers.
- Unfortunately, as we stand here in May, this customer uncertainty has not changed significantly, although we are beginning to receive some more encouraging signals from the markets.
- Regretfully, we are still not yet able, with any reasonable degree of certainty, to predict the speed or timing of a market recovery.
- This means that as of today I cannot give you a detailed outlook for our revenues for 2012. I do know, however, that after a very challenging first half, we are hopeful of a more positive outlook for the second six months.
- 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 2011.

Slide 4 – Agenda: Business & Market Trends [PH]

- I'm going to start the presentation by giving you an update on the developments in the business…
- …then I'd like to pick out some financial highlights from 2011…
- …elaborate on how we managed the challenges of the past year…
- …explain our motivation behind our continued growth in R&D activities,
- …and then I'm going to hand you over to our CFO; Wolfgang Breme, who will put some more detail into the 2011 financial highlights…
- …and an update on our Q1/ 2012 results which we published on April 26.
- I will then come back to give you our view on the current situation we are facing in the market and I will close my presentation by giving you an assessment why we are confident in AIXTRON's business positioning and strategic prospects and why we are "Fit for the future".
- Let's now start by turning to the next slide which shows our Business Development over the last 2 fiscal years.

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Slide 5 – 24- Month Business Development [PH]

- Although the 2011 result that we present to you today falls short of 2010's record numbers, I hope that once you have heard what we have to present to you, that you will agree that we can still be pleased with what we achieved in a very difficult twelve months for everybody.
- 2011, as I said before, was an extraordinary year and different to any year we experienced in the past.
- On this slide, you can see our quarterly business development, covering 2010 and 2011.
- The red columns on the top indicate the quarterly value of our Equipment Order Intake.
- The dark blue columns in the middle show you the value of our quarterly Equipment Order Backlog.
- And the light blue columns at the bottom illustrate our quarterly Total Revenues, including Spares & Service revenues.
- We have added a vertical grey line to separate 2010 from 2011 and a blue line to separate the first half of 2011 from the second, to illustrate the significant difference between the two halves.
- As you can see in the light blue columns at the bottom, despite the backdrop of a very challenging macro-economic environment, we were still delivering extremely high revenues in the first half of the year with no less than EUR 381 million, or 62% of our total 2011 revenues.
- The first six months revenues of EUR 381m alone would have been the second highest annual revenues in our history!
- This strong first half revenue figure was mainly driven by demand from LED backlighting, early lighting applications, and, significantly, a continuation of the generous regional subsidies to manufacturers in China.
- However, progressively through the course of the year, Asian LED customers began to feel the effects of rapidly declining consumer confidence and the consequent lower demand for LED backlit TVs and monitors.

- A combination of new MOCVD capacity coming on line and declining LED demand contributed to the development of system overcapacity at our customers' facilities and in turn led to significant LED price declines and consequent margin pressures for these customers.
- We also saw a continuation of the difficulties that many new LED customers were experiencing in putting in place the necessary infrastructure and expertise to support their business plans and, more specifically in the second half, increasing credit tightness.
- A combination of these and other specific factors caused a very abrupt slow down in demand for our systems in the third quarter, which you can see in the top red column chart.
- Order Intake dropped very abruptly from a record level of €222m in Q2 to only €51.5m in Q3 and €29.3m in Q4.
- The principal reason for this sharp deceleration in the second half of the year was specifically related to a change in order and delivery requirements from a relatively small number of large customers in Asia who deferred orders and deliveries.
- These significant changes led us to complete a thorough review of our revenue plans for the remainder of 2011 in September.
- At the same time we risk-reviewed the equipment order backlog and our order intake outlook.
- As a result of these reviews, we took the decision both to reduce the previously published order backlog by EUR 100m to EUR 273.5m and to issue a revised revenue guidance of EUR 600-650m for 2011 with an EBIT margin of 25-30%.
- The year end achievement of EUR 611m revenues, only just within the lower end of our guidance range, makes the ongoing suppressed nature of the LED industry very clear.
- Nevertheless, although EUR 611m is 22% lower than our record 2010 revenues, it is still double the 2009 revenue figure.
- I would now like to move on to the 2011 Financial highlights slide with a year on year comparison.

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Slide 6 – 2011 Financial Highlights [PH]

- I will leave Wolfgang to take you through the detail later on, but I would like to pick out some of the key points on this slide…
- Not surprisingly, with a 22% reduction in our revenues, there was also a significant effect on our margins.
- However, thanks to our speed of response to the drop off in the market, and a little help from the US-Dollar, the gross margin, at 38%, fell by only 15 percentage points, of which 7 percentage points were related to an inventory adjustment we made in Q4.
- Given the very low Order Intake levels in the second half of 2011 and the limited 2012 outlook, at the end of the year, we decided to take an even more cautious view than normal, of our ability to convert all of our inventory into revenue and consequently decided to adjust the inventory by writing down EUR 40m to recognize the risk of an extended market downturn overlapping with planned new product releases.
- The effect of this inventory adjustment was a reduction of the 2011 EBIT figure from EUR153m, or 25% of Sales, to EUR 113m, or 18.5% of Sales….
- …and a reduction of the net result by EUR 28m, to EUR 79.5m, thereby reducing the return on Sales by 5 percentage points to 13%.
- Wolfgang Breme, our CFO, will expand on this decision and effect in his comments later.
- Even more severely than the revenue development in 2011, our equipment order intake significantly decreased in 2011 and was 31% down year on year, at EUR 513.4m, of which 84% was recorded in the first six months.
- Correspondingly; the total equipment order backlog of EUR 141.0m at December 31, 2011 was 49% lower than at the same point in time in 2010.
- Before I pass you on to Wolfgang, I want to briefly comment on our ongoing investments into R&D.

Slide 7 – AIXTRON R&D Center [PH]

- Last year, I reported to you that the building of our new R&D center in Dornkaul was on schedule and today, I'm pleased to be able to tell you that it is finished and fully operational with some very exciting projects underway there as I speak.
- This state of the art facility provides us with the much needed infrastructure required to support our ongoing investments in R&D.
- As we have already stated on several occasions, including this meeting a year ago, our ability to continuously offer more productive and capable systems to the market, supporting our customers' desire to constantly reduce their production costs, is vital for our future, both in MOCVD and beyond.
- It is equally critical for our customers, to enable them to unlock the cost barrier to the solid state lighting market.
- The common link between our cost of ownership reduction abilities and the barrier to the solid state lighting market is our R&D roadmap and our ability to turn value added 'Know-How' and IP into productive manufacturing technologies.
- As equally important as these exceptional facilities and a market-led R&D roadmap is the essential close contact and regular dialogue with our customers.

Slide 8 – Opening Ceremony Suzhou [PH]

- Last year, I reported to you the creation of an AIXTRON legal entity in China to focus our activities within this huge and increasingly influential end-market for our systems.
- Building on this platform, we have further enhanced our local presence in China by opening a Systems Demonstration & Training center in Suzhou, a couple of hours from Shanghai, underlining our commitment to the development of this hugely important market.
- The longer-term objective behind this initiative is to not only support China's global LED ambitions but also other nanotechnology development areas of interest, including GaN-on-Si, by playing a supporting role in the training of Chinese engineers in the latest MOCVD semiconductor technology and manufacturing processes.
- The training facility includes AIXTRON's most recent generation CRIUS II-XL and AIXTRON G5 systems.
- The establishment of this facility, which was officially opened on March 16, this year, is very much in line with our overall focus on creating added value for our customers.
- To achieve this objective, we are consistently focused on providing the most efficient and productive technology solutions to our customers – and delivering the necessary support wherever they are in the world.
- To be successful in the long-term it is essential that we maintain this strong Customer and Market focus in everything we do.
- It is very important for our future that we are not diverted from this principle by the extraordinary short-term market conditions we have to face today. We must continue to further enhance what we consider to be the increasingly relevant Key Performance Indicators of our customers - not only for the MOCVD market, but also for many other imminent and emerging market applications and opportunities we see 'Beyond LED'.

Slide 9 – Agenda: Financials [PH]

- Ladies and gentlemen, let me now hand you over to our CFO, Wolfgang Breme, who will take you through our 2011 financial performance in more detail and will give you an update on our Q1/2012 results.
- I will come back for a market update and to explain to you why we are confident of being “Fit for the future” and some closing remarks.

Slide 10 – Consolidated Income Statement [WB]

- Thank you Paul, and good morning ladies and gentlemen and welcome to our Annual General Meeting 2012.

- While on last years meeting, we were able to report about managing an extraordinary growth; however, the situation has changed in the last few months. This development was not foreseeable for us.

- This means, that the numbers we are presenting this morning are certainly not what we had expected when we started into the year 2011.

- Although we have achieved a sales volume of more than 600 Million Euros, which we couldn't have imagined just few years ago...

- …but the sharp reduction in sales in the third quarter but also the dramatic reduction in order intake in the second half of the year were extraordinary developments in our industry that we had to and still have to manage.

- This reduction in order intake, combined with the current uncertain outlook, has led us to the inventory write-off decision Paul has described earlier.

- Please note that this write-off which was booked in the fourth quarter, did not result in any of our tools to be scrapped – it was a write-off on potential excess inventory value assuming that the current order run rate continued on those low levels for the whole year.

- We are of course confident of the positive outlook for our industry and our Company…

- …but it will take some quarters until the market "digested" the investments of the last two years and our customers will start ordering again substantially.

- These currently high inventory levels should limit the cash outflow from ooperations due to the fact that the majority of the inventory has already been paid for.

- Let me now pick out some key numbers.

- Paul has already talked about revenue in some detail, but let me point out the gross margin number in particular.
- The inventory write down is included in our cost of sales figure.
- With the effect of the inventory write-down included, the gross margin has reduced to 38%, down by just 15 percentage points, which is relatively better then the 22% decline in revenues due to our flexible business model.
- In Q3 of last year, we had to experience very sudden deferrals of customer orders and deliveries.
- Due to the confidential nature of the facts to these events, I cannot give you any more details.
- But please be assured that wherever possible, we will do anything to recover damage we had to suffer.
- Due to this sudden decline in orders, we had to exercise some of the flexibility we have built into our business model, including the release of about 250 contract employees from the business without jeopardizing our ability to respond to an uptick in demand in the future.
- As much as we regret having to make such painful decisions – but the volatility of the markets we are in forces us to react quickly if necessary.
- Many of the contract employees were quickly reallocated to work for other companies which was possible due to the quality of the companies, we cooperate with in this matter coupled with the strong economic situation in Germany.
- The second figure on the income statement I want to have a closer look at are the selling expenses, which reduced by 34%.
- Again, this is largely volume-related, on the one hand less warranty provisions and also less sales commissions.

- On the other hand, total selling expenses, including discretionary expenses, fell in relative terms, and enabled us – once again – to record a falling percentage of selling costs to revenues, from 6% in 2010 to 5% in 2011.

- And the third figure on the income statement I would like to talk about is our R&D spend.

- At EUR 50 million, we again spent more on research and development during 2011 than we did during 2010.

- This year on year trend is set to continue in 2012 and, as Paul has already mentioned we will continue to invest in this area and we have sufficient financial mean to do so.

- Let me assure you that this spend remains under the tightest commercial control and is entirely in line with our desire to maintain AIXTRON as a recognized technology and market leader.

- As I shared with you already last year, we believe that investing into R&D builds the foundation for future commercial success.

- Finally, a quick look at our net result and, especially, what we will do with it.

- AIXTRON generated a group net result of EUR 79.5 million in 2011, which represents a return on sales of 13%.

- As said before – this figure includes the previously described write-down. Without that charge, we would have achieved a return on sales of nearly 20% which is a respectable figure in my eyes.

- Despite the decline in revenues and earnings, our balance sheet remains strong and Executive Board and Supervisory Board have proposed you to maintain our dividend policy, with a payment of about a third of the net profit.

- If you approve this proposal, the dividend of around 25 Eurocents per share will take EUR 25 million out of our cash reserves mid-year, which has been provided for when planning our cash flows for 2012.

- Before moving on to the balance sheet please let me give you some explanatory comments on our operational flexibility.
- This flexibility enables us to react quickly to volatile demand by adapting the company to consequent fluctuations of revenues.
- Our flexible business model is based on subcontracting especially of manufacturing and logistics and elsewhere if possible. This means, that we outsource assembled and tested modules or sub modules to our suppliers, in total we outsource circa 90% of our production. After delivery of these components, we have specialized contractors who then assemble these tested modules. It's essentially a modular product we've designed.
- To manage this highly flexible assembling model we need to retain a core group of skilled employees and managers at any time. In fact, you will notice that our permanent manufacturing head count increased as at December 31st, and that was partially because separate from the people we had to release in Q4 and Q1, there were some essential key contractors that have acquired some key expertise and we decided rather than lose them, we'd convert them into permanents to preserve their know how in the company.
- So, we have retained that essential core team, capable of manufacturing circa 200 systems per year.
- In case of having to ramp up as business picks up again, we could do this by doing what we have done before, where we already have produced 150 systems in a quarter, equivalent to 600 systems a year. We would in this case bring back the relevant contractors, possibly even with the same people who left earlier.
- So, we're reasonably confident in a pick up of the business again and because we've done it before, it is mainly about the capital investments and the management required supporting a ramp up scenario.
- So we are well positioned for any upcoming challenges.
- Let's now move to the next slide showing our balance sheet.

Slide 11 – Consolidated Statement of Financial Position [WB]

- AIXTRON's financial position is still very strong, and we do not require any external debt financing.
- 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 continued to increase because of the continuing investment program in our new R&D center in Herzogenrath.
- Phase Two of the building project was completed in 2011 and includes a new application lab as well as a production facility for prototypes and customer-specific systems. This additional facility, which will house a further 150 personnel, also enabled us to reunite formerly outsourced departments into one building
- After the staff has moved in, this R&D facility is now fully operational and provides us with the much needed infrastructure we need to support our ongoing investments in R&D. The research and development laboratories are equipped with the latest technology so that our 'specials' and prototype production can take place under optimal conditions.
- The new space had also become necessary, because our latest generation systems – not only for the manufacturing of LEDs – have a considerably bigger footprint than previous generations.
- We will of course also use these facilities to further enhance the productivity and performance of our new products, always with the aim of delivering our customers the best available technology.
- Second 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 295 million represents a decrease of around 23% compared with the previous year. This decrease is due to lower customer prepayments along with the capital expenditure I mentioned earlier and the effect of the 2010 dividend payment.

- Our determination to maintain safe cash balances is what will allow us to pay a dividend for 2011, in line with our company policy, and to support our R&D program that is so vital to take us through the next investment cycle of our customers.
- In line with decreasing order intake in the second half of the year, our advance payments from customers decreased by almost half in comparison with 2010 to EUR 65 million.
- Needless to say; AIXTRON remains well funded, and fully able to finance all its operational and investment requirements on its own, i.e. without debt financing. We continue to have no restrictions on our use of cash resources.
- In addition to that, we have full access to the capital markets and ask you here today to vote in favor of the proposed capital measures. This will leave your company, for several years, with the respective courses of actions - if the need arises.
- However, we do not have any specific plans for the time being.
- Let’s now take a brief look at our cash flow statement on the following slide.

Slide 12 – Consolidated Statement of Cash Flows [WB]

- With our significantly reduced group result, we have seen outflows of some EUR 6 million in the operating business.
- The difference between net profit and operating cash flow is first of all explained by the increased working capital, meaning higher receivables and inventory, mainly caused by the customer deferrals and delays that we have previously described.
- However, the strongly reduced customer deposits, by more than EUR 50 million, which I have already mentioned before, had the biggest influence.
- The positive balance in investing cash flow is mainly due to changes in cash deposits with a maturity of more than 90 days. This type of reporting follows international accounting standards.
- Our cash outflow from financing activities of about EUR 57.5 million in 2011 was primarily caused by the dividend payment of more than EUR 60.7 million in May of last year. This impact was reduced to a small extent by inflows from exercises of employee stock options.

Slide 13 – AIXTRON SE Key Financials [WB]

- Ladies and gentlemen, as you know, we are held to prepare not only consolidated group figures under IFRS, we also have to prepare our financial statements under the German HGB legislation, as these are relevant for tax purposes and dividend payment.
- This individual financial statement of AIXTRON SE was also published, but is not part of the Annual Report.
- AIXTRON SE is as in previous years by far the strongest company in the group.
- The majority of the business volume is channeled through the parent company and we are not intending to change our finance processes here, since this procedure allows us to optimize our business from a financial perspective.
- In 2011, AIXTRON SE's revenues totaled EUR 594.9 million, after EUR 776.7 million in fiscal 2010, a decline of 23%.
- In 2011, AIXTRON SE achieved a net result of EUR 25.6 million, 87% lower compared to the prior year's level of EUR 195.1 million. It is important to note that the individual group companies' dividends are yet to be received.
- Taking retained earnings of EUR +64.2 million and the transfer to retained earnings of EUR -12.8 million into account, the accumulated net result for fiscal 2011 is EUR 77.0 million, compared with EUR 124.9 million in 2010.
- As mentioned, the Supervisory Board and Executive Board propose today to pay a dividend of EUR 25.4 million or 25 Eurocents per share for fiscal year 2011, compared to EUR 60.7 million or 60 Eurocents per share for fiscal 2010.
- EUR 51.5 million shall be carried forward to new account.
- We ask you, our shareholders, for your approval to this proposal.
- Now back to the group results.
- Let me now take you through the composition of our total revenues

Slide 14 – Revenue Analysis [WB]

- It looks like there is not much news on the revenue composition front:
- 91% of revenues came from systems, the remaining 9% from spares and services, which is back to the more usual ratio seen previously in 2008 and 2009.
- While the large majority of our systems, namely 83%, are used to manufacture LEDs, still primarily for backlighting purposes, but increasingly also for general LED lighting applications,
- While it continues to be difficult to be precise as to how many of our systems are intended for use in manufacturing LEDs for general lighting applications. We believe that the majority of the deliveries made during the year 2011 are intended for this purpose, in one form or another.
- Regionally, 90% of revenues were generated by sales to Asia, with the remaining 10% split between Europe and the US.
- The important change to previous years is the shift inside Asia. China accounted for more than 50% of our business in 2011. This is a significant shift and as Paul explained posed a number of challenges we had to deal with.

Slide 15 – 2011 24-Month Business Development [WB]

- This slide might look familiar to you. It shows the equipment order intake, backlog and revenues over eight quarters, with orders and backlog valued in 2011 at our budgeted exchange rate of 1.35 US Dollars per Euro.
- The reduction of order intake in the second half of 2011 becomes apparent on this chart. In total, order intake was down 31% year on year.
- You can see from the top chart that, after posting record order numbers for several quarters in a row up until Q2, order intake significantly declined in Q3 and Q4.
- In accordance with the decision we have already explained, you can also see here the reduction in our order backlog which left us at the year end with a total backlog down 49% year on year at EUR 141 million.
- Following our regular internal procedure, this figure has been revalued with our 2012 budget rate of 1.40 USD/EUR to EUR 136.8m on January 1st, 2012.

Slide 16 – Q1/2012 24-Month Business Development [WB]

- Before giving you a more detailed update on our Q1 2012 results, I would like to point out, that orders have not significantly improved in the first quarter as you can see on this slide.
- The Backlog at the end of the first quarter has remained fairly stable at EUR 136.2m compared to the opening backlog level of EUR 136.8m.
- Finally, Revenues have gone down to EUR 42m, reflecting the currently subdued and therefore unpleasant demand situation in the market.
- Let me now continue with a recap on the Q1/2012 results we published in April of this year.

Slide 17 – Q1 Financial Highlights [WB]

- On this slide you can see a year on year comparison between the first quarter of this year and the first quarter of 2011.
- The strong 12 month contrast in market conditions between these two quarters makes them difficult to compare. So have revenues decreased by 80% from EUR 205.4m to EUR 42.0m at the end of the first quarter 2012. Sequentially, Revenues were down by 70%, after a Q4/2011 performance of EUR 140.1m, which was strongly influenced by a few but large shipments executed before the end of last year making the decline look more dramatic than it actually was.
- Our gross profit decreased correspondingly by 90% year on year, to EUR 10.3m in Q1/2012, resulting in a gross margin of 25% compared with 51% at the same time last year. Compared to Q4/2011, the Gross Margin was up by 17pp to 25% as Q4 was specifically influenced by a ca. EUR 40m write down we took on inventory, which brought the gross margin of that quarter down to 8%. Net of that inventory effect; the Q4/2011 Gross Margin would have been at ca. 37%.
- Our EBIT came in negative at EUR -18.3m, down from EUR 74.9m compared to the same period of the previous year.
- This equates to a negative EBIT margin for the first quarter of 2012 of -44%, a significant change from the 36% we recorded last year.
- Accordingly, our net result was EUR -12.3m, and EPS fell to EUR -0.12 in Q1/2011 after a gain of EUR 0.52 in first quarter 2011. In Q4/2011, basic EPS was with EUR -0.11 on a comparable level as in Q1/2012.
- As we had predicted during our 2011 full year discussions, Q1/2012 equipment order intake remained low at EUR 31.5m, only 15% of the EUR 210.3m we recorded in Q1/2011 but 8% up on the previous quarter figure of EUR 29.3m, suggesting that the current order intake levels may represent the 'trough' level of the current cycle.

- The strong comparative year-on-year reduction in demand was particularly evident in Asia, from where, historically, we have typically generated about 90% of our revenues.

- The most severe individual market slowdown in demand was in China, which had for the first time in our history, become the largest individual market for our systems in 2011 and consequently, where the abruptness of the slowdown in orders was most profound.

- The equipment order backlog stands at EUR 136.2m, all of which we believe will be shipped during 2012.

- Free cash flow in Q1/2012 was negative at EUR -5.6m compared to a positive free cash flow of EUR 11.7m in Q1/2011, mainly due to our capital expenditures for tangible and intangible assets of EUR 6.3m in Q1/2012 which were focused on R&D investments.

- Cash and cash equivalents fell by 2% to EUR 288.9m as of March 31, 2012, compared to EUR 295.2m as of December 31, 2011.

Slide 18 – 2012 EBIT Breakeven Model [WB]

- Unfortunately, we're not yet in a position to be able to commit to a 2012 full-year revenue guidance at this time, as we are still looking for more tangible evidence of a market recovery.
- However, I would like to share with you, how we believe a break even scenario could look like and what we have to achieve to reach this target.
- The light blue segment on the bottom right hand side shows the EUR 136m of system orders in our Order Backlog, which we expect to deliver during this year.
- You can see in the grey segment of the pie chart that we are expecting about EUR 30m to come from Spares revenue during the remaining three quarters of 2012.
- Finally, in the red segment on the left hand side of the pie chart, you can see that we need to receive about EUR 67m of shippable orders in the course of this year, to achieve the EBIT profitability point in our model.
- As mentioned before - we continue to be confident to reach our EBIT profitability target in 2012, providing circumstances don't change significantly.

Slide 19 – Agenda: Market update [WB]

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

Slide 20 – Operational Summary [PH]

- Thank you, Wolfgang.
  - Let me now try to give you an overview of our positioning and my view of the current market situation.
  - So, in summary;
  - I think that we've made it clear today that 2011 was an extraordinary year and that the first quarter of this year has continued in the same vein.
  - We do not expect a dramatic improvement in Q2 of 2012. The first two quarters of this year will remain 'tough'. It's important to be realistic.
  - But we remain more positive about the potential prospects in the second half of 2012 and into 2013.
  - As Wolfgang said before - we're not yet in a position to be able to commit to a 2012 full-year revenue guidance at this time. We first need to see some more tangible evidence of the "potential prospects" that I spoke of earlier.
  - However, we are still targeting to deliver an EBIT positive performance in 2012, providing circumstances don't change significantly.
  - That confidence comes from the belief we have in the strength of our business foundations.
  - We have a solid balance sheet, sufficient cash and no debt.
  - Such strong foundations enable us to continue a healthy R&D program through which we can strengthen our existing products and services.
  - We believe that our current product portfolio consists of the most productive technologies available on the market, but we intend to continue to work on improving our products and services, as well as adding more products to our portfolio.
  - The opening, in March, of our Systems Demonstration & Training Center in Suzhou, China, is both evidence of our improved customer service support and represents an increased physical presence in arguably the largest potential end market for LED lighting.

- In addition to our current product development enhancements, we have also increased our MOCVD future product development activities and R&D investments into new technology and market areas in order to prepare ourselves for future LED and ‘Beyond LED’ opportunities.

Slide 21 – Fit for the future: Beyond LEDs [PH]

- These R&D and infrastructure investments are essential elements of what we believe will make us **'Fit for the future'**.
- As I touched on at the beginning of our presentation, the core of your company is our ability to continuously offer more productive systems to the market, supporting our customers' desire to constantly reduce their production costs and increase their competitiveness.
- This continuous improvement ability is vital for our future, both in 'LED and Beyond'.
- In this context, it is important to recognize that we are not a company limited to just LED market opportunities….. albeit that the LED market is very substantial.
- We continue to work on new technologies used in the manufacturing process of complex material films for other semiconductor applications.
- These "Beyond LED" technologies include; other emerging MOCVD applications such as; power electronics, large area deposition equipment to produce organic semiconductors like OLEDs, or silicon semiconductor system technologies for next generation applications, where we expect to see an increased convergence between compound and silicon semiconductors.
- In the longer term; we continue to make good progress providing equipment for the research community who are addressing carbon nanostructure applications, including graphene and carbon nanotubes.
- The volume commercialization of these nanostructure applications could be more than 5 years out, but the work we are doing today will allow us to maintain our strong market positioning when these new applications gain commercial traction.
- Complementing and enhancing our R&D work, we are also actively engaged in a number of publicly and industry funded research projects to jointly work on the development and eventual commercialization of a number of these and other emerging technologies.
- The development of state-of-the-art complex material deposition technology remains AIXTRON's core competency and one which the Company has developed an acknowledged competitive advantage.

- We intend to continue this ‘Pure Play’ positioning and plan to further expand this core know-how into both existing and emerging markets, whilst retaining our MOCVD equipment market leadership position.

- Before closing the presentation, let me now share some broader business issue thoughts with you, as to where I believe the LED industry, our most immediate market opportunity, is now and the status of the transition from LED backlighting application driven demand, towards the emergence of LED general lighting driven demand and the impact on the need for more LED production equipment.
- I would compare the market ‘lull’ we are in now, with being in the ‘eye of an investment storm’ and so it’s important to recognize how that ‘storm’ delivered us to where we are today, before we can speculate on where we will be in the future.

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Slide 22 – Equipment Revenues by Application [PH]

- If you look at our revenue history as far back as 2003, up to the present day, it's not difficult to draw a very positive trend line that any new emerging technology would be very pleased with.
- It is, in fact, only the last two years, 2010 & 2011, that stand out as positive exceptions above that 'trend line' and clearly, 2012 will be below that 'trend line'.
- In my view, there are **four contributing elements** that have created both the extraordinary 'beyond trend' performance in these two years and the inevitable 'below trend' performance in 2012.

Slide 23 – Equipment Order Intake by Quarter [PH]

- **Number one:** the initial 2008/2009 financial crisis – characterized by the Lehman Brothers demise – drove our - and most other industries' order levels down to close to the lowest we had seen in the preceding decade.
- By Q1/2009 our order intake had dropped by two thirds of what we had been receiving only 12 months before.

Slide 24 – Equipment Order Intake by Quarter 2 [PH]

- **Number two:** The surprise introduction timing of Samsung's LED TV backlighting products in Q2/2009 led to a surge investment period by nearly all LCD TV players.
- In the following 12 months, our order intake rose more than five fold.

Slide 25 – Equipment Order Intake by Quarter ex-China [PH]

- **Number three:** Step forward to 2010: National and regional subsidies and strategic investments in China, supported by a Government 5 year strategic plan to create a sustainable Chinese LED lighting industry, extended the LED TV backlighting investment cycle for another year and a half, peaking, for us, at a quarterly record order intake level of EUR 222m in Q2/2011, about 30% higher still than the Q2/2010 figure.
- The height of this last, purely strategically driven investment peak, marked on this slide by light blue lines, has simply added to the ‘excitement’ factor of the ‘rollercoaster’ effect we are coming to terms with now in 2011 and 2012!

Slide 26 – Equipment Order Intake by Quarter ex-China [PH]

- **Number four:** By 2011, the continuing fragility of the economy, especially in the Euro zone, led to increasing global consumer uncertainty, credit tightness and specifically in the LED industry; a timing imbalance between; Capacity (too many systems), Capability (not enough customer expertise) and Consumption (not enough LED product demand yet).
- In Q3 of last year, there was a dramatic and abrupt slow-down in new orders – which is where we find ourselves now.

Slide 27 – Equipment Order Intake by Quarter ex-China 2 [PH]

- My argument is that these extraordinary, perhaps even; artificially induced elements, created a positive investment 'storm' that drove our business above the 'Trend Line', and in that we are currently in the 'eye of that storm'….We are now below the 'Trend Line' in 2012 .
- As I firmly believe that the vast majority of LED backlighting capacity has already been installed, the time it will take before the second half of the investment 'storm' hits us, namely a resurgence of production tool demand, will depend principally on **just two factors**:
- **Firstly**; the speed at which the current customers' production 'overcapacity' can be absorbed.
- Some of our customers' capacity utilization figures are already increasing and I don't think that we should assume that all of the current overcapacity is necessarily capable of delivering the expected device quality and quantity the LED lighting industry will demand.
- The **second factor** is the speed at which LED lighting applications are adopted.
- I am very encouraged by what I saw at the recent Frankfurt Light + Building Fair – the vast majority of the products presented in the world's biggest trade fair for lighting, were LED lighting products.

Slide 28 – LED lighting market continues to grow [PH]

- Outside in the lobby, where our Team from Marketing Communications has again assembled a comprehensive exhibition of AIXTRON technology and what our customers do with our systems, you can see that prices for LED lighting products have been consistently falling – which is another good sign generally for our business.
- We are getting closer to what I have called before, the “tipping point”, especially for commercial LED lighting applications.
- Whereas one year ago, the average price for a 60W equivalent LED light bulb was still USD 37, the price today is 32% lower at USD 25 on average.
- At the same time the total LED lighting market size, - not just LEDs, but the whole LED luminaire business, has grown in revenue terms by 69% to USD 9.3 billion.
- These developments make me confident, that the volume investments into Solid State Lighting production equipment will start no later than 2013.
- When exactly will that investment cycle start? –
- Although we still can't predict a precise revenue figure for 2012, I still maintain that we will either see a slow climb in demand during 2012 and much bigger demand in 2013, or it will remain flat in 2012, but still a big increase in 2013.
- I should say here, that we are seeing increasing quotation activities, supporting my opinion that the prospects for the second half of 2012, will be better than the first six months. We are hopeful that increased quotes will, in time, lead to increased orders.
- The point that I would make, is that the current ‘eye of the investment storm’ Market environment we are in now, is not ‘permanent’.
- We remain very positive about our mid to long-term business prospects beyond the current ‘lull’ in the market.
- And although we would not choose to be here, the only ‘real benefit’ of being in the ‘eye of the storm’ is that it gives you the opportunity to ‘clear the decks’ from the first half of the storm and to prepare for the second half…………..

- …and that's exactly what we are doing.

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Slide 29 – Closing remarks – Always One Step Ahead [PH]

- Ladies and Gentlemen,
  I hope that we have been able to clarify for you today how we are currently addressing the challenges that a weak market is throwing at us and that we have conveyed to you that that 'weakness', has been mainly triggered by external effects, strongly influenced by the continuingly fragile global economy.
- Despite these challenges, we believe that we are well positioned with our solid financial business model and our technology expertise and that we are prepared for an imminent pick up in the LED general lighting market and other technology opportunities 'Beyond LED'.
- In 'tough times' we cannot afford or tolerate any complacency within the business and I assure you that we are continuing to work hard to achieve our stated ambition to remain "Always one step ahead".
- Before I finish; let me take this opportunity to thank all of our employees for their exceptional efforts last year. Reduced revenues do not mean reduced effort.
- I would like to recognize here that the extraordinarily different circumstances in 2011 drew out an extraordinary effort and commitment from our employees, for which I would like to thank, both them, and their very understanding families.
- As we all know; the value of experience and expertise is even more evident in difficult times, and so on behalf of the Executive Board, I would also like to thank the Supervisory Board for all of their active involvement and support throughout the year.
- Finally; I would like to thank you as shareholders and owners of this business, for your loyal support and understanding and on behalf of the AIXTRON Executive Board, I would like to assure you of our continued personal commitment to AIXTRON SE.
- Thank you for your attention.