# AIXTRON SE

## 2016 Annual General Meeting

Hotel Pullman Aachen Quellenhof, Aachen

May 25, 2016

## Presentation on Agenda Item 1

# “Staying Focused”

**Martin Goetzeler**

CEO

**Dr. Bernd Schulte**

COO

Check against delivery (the spoken word counts).



Investor Relations

May 2016

**[Slide - Presentation Agenda Item 1]**

Ladies and Gentlemen,
Dear Shareholders,

I would like to offer you – also on behalf of Dr. Bernd Schulte – a very warm welcome to this year's Annual General Meeting of AIXTRON SE.

On Monday, we announced a crucial decision for AIXTRON and its shareholders.

The Supervisory Board and Executive Board welcome the intention on the part of Fujian Grand Chip Investment Funds to acquire a majority of the shares in AIXTRON SE via its German subsidiary Grand Chip Investment GmbH. We see this as representing a great opportunity for the company and its shareholders.

I imagine you will have already seen the media reports with details of the envisaged transaction. If you will allow me, I would like to briefly list the benefits before we turn to consider the past financial year:

- The offer is attractive and will strengthen AIXTRON.
- Fujian Grand Chip supports AIXTRON's strategy of pressing ahead with research and development, promoting the development of new products, bringing these to market, and extending the portfolio – all to the benefit of our customers and employees.
- The transaction offers us a long-term perspective for achieving our targets in all of our technology fields.
- The AIXTRON Group's R&D competence and existing technologies will remain at the current technology centers.
- The AIXTRON Group will further strengthen and protect its IP portfolio, which will remain at AIXTRON in Germany, and will work on further developing its technologies.
- The legal and financial headquarters of AIXTRON SE will remain in Herzogenrath, Germany.
- The transaction is focused on growth, and not on cutting costs or staff.
- We will obtain significantly better access to growth markets and will be able to enhance AIXTRON's competitiveness in China. That will benefit all locations.
- And, ladies and gentlemen, you as shareholders in AIXTRON will be offered EUR 6.00 per share in cash – a direct appreciation in the value of the shares – with a 50.7% premium on the average stock market price in the three months preceding the announcement.

We will address this transaction during the debate later in the meeting. I will begin now by reporting on the 2015 financial year.

Looking back, we have to say that 2015 was a challenging, turbulent year, one in which we suffered a painful setback with the unexpected reduction in the San'an order, but one for which there are also many positive aspects can to report. Despite cost management that is just as strict as ever, we have pressed further ahead with diversifying AIXTRON and placing the Group on several pillars. The figures for the 2015 financial year – and here especially the fact that we met our target of generating positive EBITDA in the second half – show that we met many, if not all, of our financial targets – and that without any positive tailwind from the market.

To illustrate this, I would like to begin by looking at four key aspects of the past year. What goals did we set ourselves for 2015 and what did we achieve?

1. Making progress with our diversification

   We aimed to place the company on a broader footing and make it less dependent on its business with production equipment for blue and white gallium-nitride LEDs.

   This is one area where we made significant progress in 2015. We generated almost 75% of our equipment revenues with systems for the production of opto-electronic semiconductors for applications such as laser, infrared or solar cells, for power semiconductors and silicon applications. LED applications only accounted for one quarter of our revenues. One prerequisite for this success involved consistently upholding the strategy of building on two platforms – planetary reactor and showerhead technology.

   After all, there is ever greater demand for applications such as infrared or lasers for use in data communications and for power semiconductors for electric and hybrid cars and renewable energies. In these areas, which predominantly make use of our planetary reactor technology, we currently have a global market share of nearly 70% – albeit based on a not very large market volume. We must now secure and work to extend this position in future, not least to defend the market leadership we have regained in the past three quarters when it comes to new orders for MOCVD systems.

2. Further boosting our research & development

   We aimed to promote our research and development activities at a high level in order to position our products in the market in good time.

   We backed up our words at last year's Annual General Meeting with actions and pressed consistently ahead with R&D projects in our various product segments. Overall, we invested more than EUR 55 million in R&D in 2015, with more than half of this sum being channeled into our forward-looking business fields of OLED, III/V on silicon, carbon nanotubes and power semiconductors. I would like to stress here that we manage these outlays very deliberately and always with a view to accessing new market opportunities for AIXTRON. The entry of an

investor with strong financial resources, such as Grand Chip Investment, which is clearly committed to further developing our product roadmaps and upholding our strategy, would enable us to press ahead at full steam with this strategic approach.

One key focus in the past year was on **OLED** and **Three-Five-on-Silicon (TFOS)**, technologies in which we can point to major successes, with initial test series being performed on our OLED-Gen8 Demonstrator in early 2016 and a second III/V system supplied to one of the world's leading semiconductor manufacturers at the end of 2015. Why is this so important to us? That is because there are natural limits on any further increases in the capacity of silicon-based processors from structure sizes of 7 nanometers upwards, but the requirements in terms of processing large data volumes are nevertheless constantly rising. With our III/VTFOS technology, we can offer a promising alternative.

Here, we also expanded our laboratory activities in the US to enable us to present our new technologies for the production of III/V semiconductors and the OLED **thin film encapsulation (TFE)** technology acquired with PlasmaSi last year to our customers.

In terms of the market positioning of new products, the unsuccessful qualification of our AIX R6 system at our customer San'an – which nevertheless remains a key customer for other areas of our business – was a bitter disappointment. System qualification at other customers, such as Epileds and Epistar, is nevertheless progressing.

We also made progress with graphene and carbon nanostructures (CNT). Even though growth here will only get going after 2019, we already have a promising market position with around 90 customers, mainly in the fields of academic and industrial research. With our broad system portfolio, we are well positioned, particularly when it comes to servicing applications in the fields of semiconductors, entertainment electronics, and batteries.

3. Improving cost management

We aimed to consistently cut the material costs of our products, boost productivity levels in our production and service activities and thus reduce our dependency on exchange rate fluctuations, and uphold cost discipline in our operating costs.

Despite the strength of the US dollar, we managed to reduce our operating costs to EUR 76.5 million in 2015. That is the lowest figure since 2006. Here, we succeeded in further reducing selling and administration expenses by making adjustments and maintaining cost discipline, while also keeping our R&D expenses under control at the targeted level. These cutbacks, some of which painful, even helped us to remain below our target of EUR 80 million here.

We also made progress with our design-to-cost projects and with productivity-enhancing measures in our production and service activities, thus also contributing to the increase in our gross margin in the second half of 2015.

4. Reaching profitability on EBITDA level in second half of 2015

We aimed to gradually improve our profitability over the past year and become profitable in the second half.

We also met this target, even though we could not post most of the revenues planned for the San'an order and were therefore unable to meet our original revenue forecast. More than anything, however, the return to positive EBITDA, i.e. earnings before interest, taxes, depreciation and amortization, of EUR 5.7 million in the second half of the year reflects the diversification of our portfolio – a factor that even enabled our operating earnings (EBIT) figure to approach breakeven.

What this shows is that we succeeded – also benefiting of course from the development in the dollar – in lowering breakeven to below EUR 250 million in the second half of the year. Overall, we improved our earnings for the third time.

Dear Shareholders,

We made progress with major tasks we had set ourselves.

Dr. Schulte and I will now inform you about our activities and the progress made in 2015 and in recent months. We will base our comments on three key topics, namely:

1. An overview of the milestones reached in the past year in terms of the further development and commercialization of our technology and product portfolio

2. Comments on AIXTRON's financial position and earnings performance, and

3. Our expectations for the current 2016 financial year.

I will now hand you over to Dr. Schulte, who will start with an update on the latest status of our technologies and products.

**[Slide – Technology Portfolio]**

Dear shareholders, ladies and gentlemen, good morning,

I too would like to offer you a very warm welcome to the 2016 Annual General Meeting of AIXTRON SE here in Aachen.

As Mr. Goetzeler just said, our diversification strategy is beginning to pay off.

We see this as confirming us in our conviction that, to perform sustainably, AIXTRON has to have several pillars to stand on and has to be present in attractive growth markets at an early stage.

The fact that a large share of our technology fields are still in the development or very early growth stages of their lifecycle is also reflected in our earnings situation.

We are aware that we are channeling large sums in advance into securing our future success.

The development of semiconductor technologies such as **OLED** or **III/V on silicon** nevertheless requires a high volume of capital expenditure – and this will rise even further in future.

It is also clear, however, that we will have to continue making significant, targeted investments in diversifying our business, and thus in the further development of the forward-looking business areas we have defined, if we are to assert ourselves against our competitors in the global market.

In this, we are focusing on technologies close to our core competency – the deposition of complex materials from gaseous states.

And we continue to see great potential here in a variety of applications.

I will therefore begin with our largest area of activity – optoelectronics and power electronics.

**Opto-Power**

**[Slide – Product Lifecycle]**

As a general trend, we have most recently observed a shift in demand towards high-performance, energy-efficient components for use in communications, data storage, or electromobility.

Business with production systems for manufacturing these kinds of semiconductors is therefore picking up, while demand for light-emitting diode (LED) production systems has recently stagnated.

**[Slide – Technology Portfolio]**

**LED**

Consistent with this assessment, the market for MOCVD systems for LED has only developed weakly in recent times. At first glance, that might seem paradoxical, as the trend towards LED lighting – you will also have noticed that in your everyday lives – is continuing apace. The reasons for this are as follows:

- The surplus capacities built up in recent years, especially in Asia, have still not been fully compensated
- Demand for LED chips has grown less rapidly than expected
- Manufacturers are also operating in a very tough competitive climate.

These factors will lead in the short term to very cautious investment policies at many customers and in the long term to a market in which older systems will still be replaced by new, more efficient machinery, but where major orders such as those seen in the past will tend to be rare.

The qualification of our AIX R6 showerhead system at San'an Optoelectronics unexpectedly failed last year due to non-achievement of specifications. However, as already mentioned the system has since been successfully qualified at our Taiwanese customers Epileds and Epistar. The market climate outlined above has nevertheless not made it easier to market this system.

Having said this, in the coming months we expect to receive further decisions from our R6 customers that will provide us with further information about future market opportunities.

Our goal for the months ahead is to successfully complete the qualification of these systems for use in production operations at our customers.

Working together with our customers, we are using this difficult phase in the LED market to increase the LED chip yield by further optimizing the homogeneity of the deposition process.

In future, this optimization using our planetary reactor systems might be taken far enough to enable our customers to waive downstream processes, such as LED chip sorting, and thus to generate substantial cost savings.

**Power electronics**

Energy efficiency is one of the most important trends worldwide. The contribution we are making here involves deposition technologies for innovative **power semiconductors** made of materials such as gallium nitride (GaN) or silicon carbide (SiC). These are beginning to replace silicon modules.

Silicon still accounts for the largest share of the market. The great advantage of semiconductors made of gallium nitride or silicon carbide, however, is to be found in the substantial energy savings they offer due to lower losses and the possibility of significantly miniaturizing these modules due to their greater efficiency.

Key applications here include converters for feeding in regenerative energies or electric and hybrid vehicle technology.

Here, we have seen increasing commercialization and industrialization following the R&D phase needed to qualify the new power electronics systems.

Most recently, these applications have been extended to include the use of power modules for wireless smartphone charging and more energy-efficient management of dishwashers and air-conditioning facilities.

Worldwide, we are now working together with nearly 50 companies in the field of power electronics. In their transition from the R&D phase to the production phase, some of these companies have already issued follow-up orders to AIXTRON.

With our AIX G5 WW (Warm-Wall) and AIX G5+ C planetary reactor systems, we are the leading provider in the power electronics market. As Mr. Goetzeler already said, we have a global market share of almost 70% here.

By consistently supporting our customers and promoting existing market structures, we aim to further expand this position. This way, we should already consolidate our share of this promising growth market during the transition from the development to the production phase.

**Three-Five-On-Silicon (TFOS)**

Our MOCVD technology is successfully used in the **silicon semiconductor industry** as well.

By working with III/V compound semiconductors based on elements in chemical groups III and V, it is possible to continue enhancing the performance capacity of processors.

Based on the latest information, we expect this technology to be put to use for logic chips with 7nm lateral structures from 2018.

The correctness of this assessment is underlined by the supply of a CRIUS-R system for use in the production of III/V compound semiconductors to one of the world's leading semiconductor manufacturers in the 4$^{th}$ quarter of 2015.

Our team, consisting of colleagues from all AIXTRON locations, performed superb work here and successfully installed the system, which had been planned in line with specific customer wishes, within the set timeframe.

**Atomic Layer Deposition (ALD)**

In the silicon semiconductor industry, we are investing not only in the MOCVD systems I just referred to, but also in our atomic layer deposition technology for use in the mass production of solid-state memories.

Here, we are operating in a market characterized by fluctuations in capacity and tough price competition, one in which we nevertheless reported strong growth in our business with our main customer in 2015.

We see very good opportunities here, not least as other QXP systems of ours are currently in the qualification phase at two other memory chip manufacturers.

To enable us to supply production systems to these customers, qualifying these systems will be one of our most important goals this year.

**OLED & Thin Film Encapsulation (TFE)**

We made major progress last year in the field of deposition technology for use in the production of **organic semiconductors**.

This not only included the launch of operations with our Gen8 Demonstrator – Gen8 is a glass surface measuring 2.3 meters by 2.4 meters – but also the ability achieved by this system in March 2016 to demonstrate OLED deposition processes on large surfaces.

Ladies and gentlemen,

You will all now have heard something about organic light-emitting diodes (OLED), not least due to their use in smartphones, increasingly in televisions as well, and in individual cases also in lamps.

We are operating here in what is a permanently growing market – and we intend to participate in this growth.

We are currently holding talks with the world's largest OLED manufacturers. Initial test series have also already been implemented.
In the second half of the year, we expect to receive signals from industry that will give us clarity concerning the further commercialization of our technology. After all, stepping up our cooperation with an OLED manufacturer is crucial for the further steps involved in developing OVPD technology.

We have already reached this important milestone with our OLED thin film encapsulation technology OPTACAP™, which we acquired from PlasmaSi in April 2015.

This technology is key to producing higher-performance, more flexible OLEDs. It facilitates the construction of foldable displays, for example. With the first order received for a research system in Q3/2015 and the talks underway with other display manufacturers, AIXTRON is well on track here.

**Carbon Nanotechnology (CNT)**

One technology that is currently still in a very early stage of development is that used to manufacture ultra-pure carbon-based materials, such as **graphene, carbon nanotubes and nanowires**.

This has potential for future use in applications such as displays, batteries, semiconductors, and numerous other areas.

In the past year, we managed to further boost our position as a global leader in academic and industrial research and to bring new products to market, such as the BM Spider, a system for depositing graphene on metal foil.

Stable demand for our PECVD systems shows that our system technology is an important key to customers enabling them to make use of these forward-looking materials.

We therefore aim to further strengthen and expand AIXTRON's strong market position in this area.

That brings us to the second topic, AIXTRON's **financial position and earnings performance** in the 2015 financial year and first quarter of 2016.

For this, I will hand you back to Mr. Goetzeler and thank you for your interest!

**[Slide – Quarterly Development]**

Ladies and gentlemen,

In 2015, we managed as planned to post positive EBITDA in the second half of the year, to achieve a further slight improvement in our revenues, to comply with our self-imposed target of EUR 80 million for our operating costs, and to further reduce our losses.

Our total order intake decreased slightly compared with the previous year. Our liquidity of EUR 209.4 million and equity ratio of 82% as of December 31, 2015 nevertheless underline our highly robust financial position.

The global trend towards LED lighting continues unabated. Due to surplus capacities and tough competition, however, LED manufacturers' willingness to invest remained very subdued once again in 2015. Not only that, in the second half of the year we also had to absorb the effects of weaker demand for equipment in the memory business.

These factors are confirmed in the slight reduction in our **total order intake** which, at EUR 167.1 million in 2015, fell 16 percent short of the previous year's figure of EUR 198.7 million.

**Revenues** for the 2015 financial year rose year-on-year by 2% from EUR 193.4 million to EUR 197.8 million. We thus managed to generate revenue growth for the second consecutive year, and that although – contrary to our expectations – the major Chinese customer did not qualify the new AIX R6 system and we were therefore unable to meet our original revenue target for 2015. Having said this, we did succeed in offsetting the lack of sales with significant growth in other technology areas.

Of total revenues, 76%, or EUR 151.0 million, involved equipment, and that even though MOCVD systems for LED production only accounted for 26% of equipment revenues. At 60%, the majority of overall revenues in 2015 was once again attributable to customers in Asia. Having said this, the Asian share fell 23 percentage points short of the previous year's figure, a development due not least to the marked drop in demand for LED production equipment. At the same time, the European share of revenues rose to 18%, while revenues in the US market more than quadrupled to 22%.

**[Slide – Consolidated Income Statement]**

In the 2015 financial year, we improved our positive **gross profit** to EUR 49.8 million and our gross margin to 25%. This development was driven both by enhanced product and price structures and by positive foreign exchange items.

This was due not least to the measures taken in recent years to enhance efficiency and productivity, such as the design-to-cost project aimed at achieving long-term reductions in our product costs, a process in which our development and purchasing departments are also involved, as well as new concepts for our service business and the recent restructuring of our material procurement activities.

As a result of improved cost control, other operating income from positive foreign exchange items, and increased research grants, the **operating costs** of EUR 76.5 million in the 2015 financial year were within the cost target of EUR 80 million we had set ourselves.

At EUR 27.8 million, **selling and administration expenses** were around 20% down on the previous year in the 2015 financial year. This was principally due to lower depreciation and amortization, the lower number of employees, and reduced use of external services.

Research and development expenses also decreased in the past financial year, in this case by 17 percent from EUR 66.7 million to EUR 55.4 million. This was in turn chiefly due to savings generated with the restructuring program already initiated in the previous year. We further stepped up our R&D activities for the OLED and silicon semiconductor industry over the same period in view of the further commercialization of these areas.

Taken together, **other operating income and expenses** resulted in net operating income of EUR 6.7 million in 2015, compared with income of EUR 2.2 million in the previous year. At EUR 3.0 million, the government grants for R&D also included in this item, which AIXTRON received for taking part in subsidized research projects, were almost twice as high as in the previous year.

Given the developments in revenues and costs outlined above, our earnings performance did improve further, but still remained in negative territory. Our **operating loss** for the 2015 financial year improved from EUR -58.3 million to EUR -26.7 million, while **earnings before taxes** rose from EUR -57.1 to EUR -26.0 million.

Due to country-specific **taxes on income**, AIXTRON reported an income tax charge of EUR 3.2 million in the past financial year. Some country companies are required to pay country-specific taxes on locally generated profits. These taxes are then reported here in aggregate form. In the 2015 financial year, no deferred tax assets were recognized on loss carryovers of EUR 161.2 million.

The net loss posted by the AIXTRON Group for the 2015 financial year thus amounted to EUR -29.2 million, as against EUR -62.5 million in 2014. That is a great

improvement, but of course still unsatisfactory. The reduction in the loss reflects the continuation of the in-depth restructuring process undergone by AIXTRON in the past two years, high outlays for investments in our future, and ongoing subdued levels of investment demand in major customer markets.

**[Slide – Key Financial AIXTRON SE]**

Based on the accounting requirements of the German Commercial Code (HGB), the AIXTRON Group's parent company – AIXTRON SE – posted an accumulated net loss of EUR -87.3 million for the 2015 financial year. Unlike the net loss for the Group, the result for AIXTRON SE also includes earnings on participating interests in the country companies. That is the reason for the positive variance.

Dear shareholders,

In view of this earnings performance, we will be carrying forward the net loss for the 2015 financial year this year as well and will not be distributing any dividend for the past financial year.

As I already mentioned, given this earnings situation the Executive Board is according top priority to returning the company to profitability. More about that later.

Let us return to the AIXTRON Group and its balance sheet.

**[Slide - Consolidated Statement of Financial Position]**

Despite the losses incurred in the 2015 financial year, AIXTRON is still debt-free and had liquid funds, including short-term financial investments, of EUR 209.4 million at the end of 2015. That is 22% less than in the previous year, a development chiefly due to the acquisition of PlasmaSi and the partial refunding of prepayments already received from San'an Optoelectronics that became due for repayment as a result of the agreed downscaling in contract volumes.

The reduction in inventories to EUR 70.8 million as of December 31, 2015 reflects both the low volume of orders on hand at the end of the year and the depreciation recognized on inventories.

Other asset items showed only insignificant changes compared with the previous year.

At 82%, the equity ratio as of December 31, 2015 rose slightly compared with the figure of 78% as of December 31, 2014. This was due in particular to the structural impact of lower customer prepayments and the resultant reduction in total assets. The increase in other current liabilities from EUR 3.2 million to EUR 25.0 million was due to the envisaged refunding of the second portion of the San'an prepayment. This tranche was settled in the first quarter of 2016.

All this means that AIXTRON still has a strong capital base and remains solidly positioned in terms of its financing.

**[Slide - Consolidated Statement of Cash flows]**

Having reported a cash outflow for operating activities of EUR 33.8 million in the previous year, in the 2015 financial year AIXTRON reported a cash outflow of EUR 45.7 million for operating activities. This figure was chiefly affected by the partial refunding to San'an of the prepayments already received.

The cash flow of EUR 41.2 million from investing activities was primarily attributable to the termination of fixed-term investments with terms of more than three months and amounting to EUR 60.5 million. These were previously recognized as other financial assets. This item was countered by the aforementioned investments of EUR 13.3 million and the payments for the acquisition of PlasmaSi, Inc. in Q2/2015.

The cash flow of EUR 0.145 million for financing activities resulted from the acquisition of treasury stock in the period under report, which was offset only in part by the funds received from issuing shares.

AIXTRON acted on the authorization to buy back treasury stock shares in the 2015 financial year and bought back a total of 35,053 company shares at an average price of EUR 7.14 on May 28, 2015. This average price was around 1 percent lower than the average closing price of AIXTRON's share on the three trading days preceding the buyback. The treasury stocks are used to finance the long-term share-based variable compensation assignable to me after a 3-year holding period. This item is also detailed in the Compensation Report for the 2015 financial year.

The free cash flow amounted to EUR -57.3 million in the past financial year and was due in particular to the partial repayment of the prepayments already received from San'an.

I assure you that in future we will be paying particular attention to safeguarding our liquidity. Here, the development in the free cash flow – an important management figure – will play a key role.

**[Slide – Key Financials Q1/2016]**

Let me now conclude the financial analysis section of this presentation by casting a brief glance at the latest developments in the current financial year. We published our interim report for the first quarter of 2016 on April 26.

We can report positive developments in particular in the business with semiconductors for the opto-electronics and power electronics industries, where there is ever greater demand for high-performance, energy-efficient modules for use in areas such as communications, data storage and electromobility. Not only that, we also saw increased demand in the first quarter for red-orange-yellow LED production systems in particular. Demand for systems in the silicon business remained sluggish, but we expect this to recover over the coming quarters.

Consistent with the orders on hand as of December 31, 2015, developments in the 1st quarter of the current financial year were very subdued, although our order intake improved considerably, especially compared with the preceding quarters.

Total order intake rose to EUR 44.4 million, up 42% compared with Q4/2015, and thus fell only slightly short of the previous year's figure of EUR 48.9 million. With regard to MOCVD systems, we outperformed our competitors for the third time in succession.

At EUR 67.7 million, the equipment order intake was 14% behind the previous year's figure of EUR 79.0 million, but nevertheless improved by 58% compared with the opening balance of EUR 42.9 million at the beginning of 2015.

At EUR 21.4 million, first-quarter revenues are consistent with the low order intake in the second half of 2015. This reflects our customers' continuing caution when it comes to investing, and in particular the weak demand recently seen for production systems for gallium nitride-based, i.e. blue and white LED applications.

Gross profit decreased year-on-year from EUR 8.8 million to EUR 3.1 million, equivalent to a gross margin of 15%. This reduction, which arose despite a favorable product mix, was due to the substantial drop in revenues.

At EUR 17.8 million, operating costs for the first quarter of 2016 were largely stable compared with the figure of EUR 17.6 million for Q1/2015. Current costs at PlasmaSI and negative currency items compared with the previous year were offset by productivity enhancements, improved cost control, and a contractual settlement payment. Compared with the previous quarter, (Q4/2015: EUR 21.1 million), our operating costs fell by 16%, a development chiefly due to increased productivity and higher other operating income.

As a result of the aforementioned factors, our operating earnings (EBIT) for Q1/2016 fell year-on-year from EUR -8.8 million to EUR -14.7 million. The net result for Q1/2016 showed a corresponding reduction.

However, any comparison of these figures should account for the newly added costs of around EUR 1.3 million for PlasmaSi, which was taken over in the second quarter of 2015, and for the year-on-year negative variance of around EUR 4.7 million at the end of the quarter for currency-related translation and measurement differences, i.e. for additional charges totaling EUR 6 million.

The repayment to San'an referred to above and the payment made in connection with the acquisition of PlasmaSi are also reflected in the development in the cash flow in the first quarter. The cash outflow for operating activities came to EUR -19.4 million, while the free cash flow amounted to EUR -20.3 million. Excluding the aforementioned items, both key figures would have been close to breakeven.

## II. Outlook

**[Slide – Summary and Outlook]**

Ladies and gentlemen,

As you can see, we have made major progress in numerous areas and met many, if not all, of the targets we had set ourselves for 2015. Furthermore, we are absolutely convinced by the potential of our technology and product portfolio: AIXTRON is either the market leader or holds a leading position in virtually all areas of technology, and above all in opto- and power electronics. Having said this, our new technologies involve a high volume of forward-looking investment. Given shorter product cycles and the ever higher amount of advanced input involved in strategic partnerships with our customers, these investments are increasing further.

As already announced in our forecasts, 2016 will be another challenging year for AIXTRON. We expect the markets for production equipment for lasers, power semiconductors and specialist LED applications to continue to develop positively. By contrast, the markets for LED and memory element production equipment will still see substantial pressure on prices and surplus capacities and are therefore not expected to benefit in 2016 either from any tailwind in the form of positive market developments.

We nevertheless aim to generate revenues of between EUR 170 million and EUR 200 million in 2016. Provided we reach the upper end of this range and the dollar remains at around EUR 1.10, then we also expect a further – albeit slight – improvement in our earnings position. Key figures will remain negative. The achievement of these targets will depend on the successful market launch of our OLED technology and the completion of major qualification projects at our customers for our AIX R6 MOCVD system and ALD technology. In all of these areas, we expect to see tangible results this year already.

Dear shareholders,

Allow me to summarize all this information. In the second half of 2015, we showed that it is possible for AIXTRON to post a positive performance with its promising product and technology portfolio. However, revenue volumes were still not satisfactory and no improvement is in sight in the near future. Despite the difficult current market climate we nevertheless also face attractive opportunities, especially in our forward-looking business fields, and we aim to exploit these to generate long-term growth.

Past experience shows, however, that the market launch of new technologies accompanied by ongoing investment requirements can also be affected by delays. Here, we have to address the question of how larger R&D projects in particular can be financed. The answer may involve adjusting the portfolio or cutting costs – and

these are options which neither the Supervisory Board nor we on the Management Board would prefer.

With the support of an investor with strong capital resources, such as Fujian Grand Chip, the answer to this question could be far easier. This way, we could bring our entire technology portfolio to market maturity and obtain improved access to core growth markets for semiconductors, especially China. That is why the decision you reach concerning the offer received from Fujian Grand Chip is of such great significance for AIXTRON's future.

On behalf of Dr. Schulte and myself, I would like to take this opportunity to thank the members of the Supervisory Board for their active support of our strategy and our work. I owe a special thank you of course to our employees and employee representatives, who work day in, day out with great dedication to the benefit of our company. Only this way was it possible for us to reach further milestones in the past year.

Ladies and gentlemen,

I would especially like to thank you – the owners of our company – for your trust and your support. We have already taken some important steps forward, but still have a long way to go. Bringing our forward-looking technologies to market maturity, increasing the customer benefits of our products, and continuously enhancing our productivity – those are the objectives into which we will be channeling all of our energies. On that you can rely.

I will now hand you back to Mr. Schindelhauer.