

Group Management Report

Group Management Report as of December 31, 2014

This Management Report relates to the Consolidated Financial Statements of AIXTRON SE including the following subsidiaries (collectively referred to as "AIXTRON", "the AIXTRON Group", "the Group" or "the Company"): AIXTRON, Inc., Sunnyvale, California (USA); AIXTRON Ltd., Cambridge (United Kingdom); AIXTRON AB, Lund (Sweden); AIXTRON Korea Co. Ltd., Seoul (South Korea); AIXTRON China Ltd., Shanghai (PR of China); AIXTRON KK, Tokyo (Japan); and AIXTRON Taiwan Co. Ltd., Hsinchu (Taiwan).

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. All financial information contained in this Management Report, including comparable prior year numbers, is reported in accordance with IFRS. Further information about the adherence to reporting standards is contained in section "Significant Accounting Policies" of the notes to the Consolidated Financial Statements.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

Forward-Looking Statements

This document may contain forward-looking statements regarding the business, results of operations, financial condition and earnings outlook of AIXTRON within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These statements may be identified by words such as "may", "will", "expect", "anticipate", "contemplate", "intend", "plan", "believe", "continue" and "estimate" and variations of such words or similar expressions. These forward-looking statements are based on our current views and assumptions and are subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements. Actual results and trends may differ materially from those reflected in our forward-looking statements. This could result from a variety of factors, such as actual customer orders received by AIXTRON, the level of demand for deposition technology in the market, the timing of final acceptance of products by customers, the condition of financial markets and access to financing for AIXTRON, general conditions in the market for deposition plants and macroeconomic conditions, cancellations, rescheduling or delays in product shipments, production capacity constraints, extended sales and qualification cycles, difficulties in the production process, the general development in the semi-conductor industry, increased competition, fluctuations in exchange rates, availability of public funding, fluctuations and/or changes in interest rates, delays in developing and marketing new products, a deterioration of the general economic situation and any other factors discussed in any reports or other announcements filed by AIXTRON with the U.S. Securities and Exchange Commission. Any forward-looking statements contained in this document are based on current expectations and projections of the Executive Board and on information currently available to it and are made as at the date hereof. AIXTRON undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise, unless expressly required to do so by law.

1. Fundamental Information about the Group

1.1. Organizational Structure

The table below shows a list of the AIXTRON subsidiaries as of December 31, 2014:

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

* The shares in the Genus Trust are attributed to AIXTRON as the beneficial owner, as control exists due to the trust relationship with AIXTRON SE

1.2. Management and Control

As of December 31, 2014, AIXTRON's Executive Board ("Management") consisted of the following two individuals:

Name	Position	First Appointment	End of Term
Martin Goetzeler	Chairman, President and Chief Executive Officer	March 1, 2013	February 28, 2017
Dr. Bernd Schulte	Executive Vice President and Chief Operating Officer	April 1, 2002	March 31, 2018

Wolfgang Breme, the former Executive Vice President and Chief Financial Officer, resigned from office as of May 31, 2014.

As of December 31, 2014, AIXTRON's Supervisory Board consisted of the following six individuals:

Name	Position	Member since	End of Term
Kim Schindelhauer ¹⁾²⁾³⁾⁴⁾⁵⁾	Chairman of the Supervisory Board	2002	AGM 2016
Prof. Dr. Wolfgang Blättchen ¹⁾⁴⁾	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee, Independent Financial Expert ⁶⁾	1998	AGM 2016
Dr. Andreas Biagosch ²⁾		2013	AGM 2016
Prof. Dr. Petra Denk ²⁾³⁾	Chair of the Technology Committee	2011	AGM 2016
Dr. Martin Komischke		2013	AGM 2016
Prof. Dr. Rüdiger von Rosen ¹⁾³⁾	Chairman of the Nomination Committee	2002	AGM 2016

1) Member of the Audit Committee

2) Member of the Technology Committee

3) Member of the Nomination Committee

4) Member of the Capital Market Committee

5) Former AIXTRON Executive Board Member

6) Since 2005

1.3. Locations

The Company has its registered office in Herzogenrath, Germany, and had a total of 12 facilities worldwide owned or rented as of December 31, 2014:

Facility location	Use	Approx. size (m ²)	Lease expiry
Herzogenrath, Germany (owned)	Manufacturing, Service, Engineering	12.457	-
Herzogenrath, Germany (owned)	Headquarters, R&D, Manufacturing, Engineering	16.000	-
Aachen, Germany (leased)	R&D	200	02/28/2016
Cambridge, UK (leased)	Manufacturing, Engineering, R&D	2.180	09/13/2019
Cambridge, UK (leased)	Sales, Service, Engineering	1.386	06/27/2020
Sunnyvale, CA, USA (leased)	Manufacturing, Sales, Service, Engineering, R&D	9.338	10/31/2017
Seoul, South Korea (leased)	Sales, Service	1.032	12/31/2015
Shanghai, China (leased)	Sales, Service	755	07/31/2016
Suzhou, China (leased)	Sales, Service	537	06/21/2016
Hsinchu, Taiwan (leased)	Sales, Service	1.417	12/31/2017
Tainan, Taiwan (leased)	Service	203	05/27/2016
Tokyo, Japan (leased)	Sales, Service	364	09/30/2016

1.4. Business Model

AIXTRON is a leading provider of deposition equipment to the semiconductor industry. The Company's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and optoelectronic applications based on compound, silicon, or organic semiconductor materials. Such components are used in displays, signaling, lighting, fiber optic communication systems, wireless and mobile telephony applications, optical and electronic storage devices, computing, as well as a range of other leading-edge applications.

AIXTRON's business activities include developing, producing and installing equipment for the deposition of semiconductor materials, process engineering, consulting and training, including ongoing customer support and after-sales service.

AIXTRON supplies its customers with both production-scale material deposition systems and small scale systems for Research & Development ("R&D") or small scale production.

Demand for AIXTRON's products is driven by increased processing speed, improved efficiency, and reduced cost of ownership requirements for current and emerging microelectronic and optoelectronic components. The ability of AIXTRON's products to precisely deposit thin material films and the ability to control critical surface dimensions in these components, enables manufacturers to improve performance, yield and quality in the fabrication process of advanced microelectronic and optoelectronic devices.

Environmental protection and the responsible use of resources are an essential part of AIXTRON's business strategy. The Company's engineers work on improving AIXTRON's systems continuously, both in terms of resource conservation and environmental-friendly design and function. With the implementation of an energy management system implemented on Company level according to DIN EN ISO 50001:2011 contributes to the efficient use of energy and the careful use of resources.

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

1.5. Technology and Products

AIXTRON's product range includes customer-specific systems capable of depositing material films on a diverse range of different substrate sizes and materials.

The deposition process technologies include Metal-Organic Chemical Vapor Deposition ("MOCVD") for the deposition of compound materials as for the production of LEDs, Power Electronics or processors as well as thin film deposition of organic materials. These include Polymer Vapor Phase Deposition ("PVPDTM"), Organic Vapor Phase Deposition ("OVDP[®]") especially for large area deposition for Organic Light Emitting Diodes ("OLED") applications. Plasma Enhanced Chemical Vapor Phase Deposition ("PECVD") is being employed for the deposition of complex Carbon Nanostructures (Carbon Nanotubes, Nanowires or Graphene).

For silicon semiconductor applications, AIXTRON systems are capable of depositing material films on wafers of up to 300mm in diameter, by employing technologies such as: Chemical Vapor Deposition ("CVD") and Atomic Layer Deposition ("ALD").

The following table summarizes the products and technologies AIXTRON offers to its customers for use in specific applications and devices:

Material	Compound Semiconductors	Organic Semiconductors	Silicon Semiconductors
Systems Technology	MOCVD	OVPD [®]	CVD
	CVD	PVPD [™]	ALD
	PECVD		MOCVD
Products	Planetary Reactor [®]	OVPD [®] R&D and Production Systems	Lynx-iXP CVD
	Close Coupled Showerhead [®]	PRODOS PVPD [™] R&D and Production Systems	QXP-8300 ALD
	Nano CVD Reactors: BM Series		CRIUS R MOCVD
Potential Applications/Devices	LEDs	OLEDs for displays	CVD WSi Gate stacks for DRAM and 3D NAND
	Optoelectronics (photo diodes, lasers, modulators for telecom/datacom)	OLEDs for solid state lighting	Metal and High k Oxide films for capacitor/Gate Stacks in DRAMs, NAND and Logic Devices
	Laser devices for consumer electronics (CDs, DVDs)	Organic transparent thin film solar cells	High Mobility Channel for Logic Devices
	High-Frequency devices (such as Hetero Bipolar Transistors and High Electron Mobility Transistors) for wireless datacom	Electronic semiconductor structures, e.g. for flexible displays	
	Silicon Carbide (SiC) based High Power Devices	Functional polymer layers	
	Gallium Nitride (GaN) based Power Devices	Dielectric or passivating polymer layers	
	Solar cells		
	Carbon Nanostructures for electronic, display & heat sink applications		
	Graphene structures for electronic applications		

AIXTRON also offers a comprehensive range of peripheral equipment and services. Additionally, the Company offers its customers training, consulting and support services as well as after-sales service.

AIXTRON is constantly working on the improvement of existing technologies and products. In the course of the last three years, AIXTRON has introduced several new system generations and technologies, such as the QXP-8300 silicon semiconductor technology, the AIX R6 Close Coupled Showerhead[®] reactor technology and the PRODOS line of PVPD[™] systems in the organic semiconductor material space.

1.6. Research and Development

In addition to the R&D center at its headquarters in Herzogenrath, AIXTRON also operates R&D laboratories in Aachen (Germany), in Cambridge (United Kingdom) and in Sunnyvale (United States). These in-house research laboratories are equipped with the latest version of AIXTRON systems and are used to research and develop new equipment, materials and processes for the production of semiconductor structures .

AIXTRON's R&D activities in 2014 included development programs for new products as well as continual improvement programs for AIXTRON's existing products. Additionally, Design-to-Cost-Programs have been initiated in order to reduce material costs on a continuous basis e.g. by improving the design of externally procured components. AIXTRON is also working on customer-specific development projects and often does research within the framework of publicly funded projects.

The Company's R&D capability remains of important strategic significance, as it provides for a competitive, state-of-the-art technology portfolio and supports the future business development. Therefore, AIXTRON is committed to investing specifically in research and development projects to not only further pursue the Company's leading technology position in MOCVD equipment but also to penetrate growth markets in the fields of Power Electronics, Organic Semiconductors and next generation Memory and Logic applications. Key aspects of the Company's R&D activities in fiscal year 2014 comprised the launch of the new MOCVD Showerhead tool generation AIX R6, further progress made in the OLED area and the start of a project to integrate compound based materials in future logic structures (Three-Five-On-Silicon TFOS). These expenditures are monitored very closely. The Company's R&D program comprised a team of on average 285 dedicated and highly skilled R&D employees in 2014 (2013: 297; 2012: 337).

For more information regarding R&D expenses from 2012 through 2014, refer to "Development of Results" in this report.

The following provides specific examples of AIXTRON's research and development activities in fiscal year 2014:

In the first months of 2014, AIXTRON commissioned a new R&D cluster that demonstrates the core processes used to produce organic semiconductors. This enables the efficient demonstration of the various processes for the deposition of organic thin-films for OLEDs and flexible electronics under industrial production conditions. The R&D cluster offers an integrated demonstration environment of the various processes at device level which provides evidence of the specific advantages offered by AIXTRON's core technologies OVPD® and PVPD™.

In November 2014, AIXTRON introduced the newly developed AIX R6 Close Coupled Showerhead® reactor technology. This new tool allows customers to significantly reduce their cost of ownership compared to incumbent AIXTRON tools.

Additionally, AIXTRON was involved with a number of different publicly funded R&D projects, an example of which is the completion of the publicly funded NeuLand project. This project aims to reduce power losses for example in feeding electricity into the grid or switch-mode power supplies for PC and TV sets, solar inverters or motor drives, using innovative, integrated semiconductor devices based on Silicon Carbide (SiC) and Gallium Nitride on Silicon (GaN-on-Si). Moreover, AIXTRON has teamed up with research institution Fraunhofer IISB (Institute for Integrated Systems and Device Technology) in Erlangen, Germany, to develop 150mm Silicon Carbide (SiC) epitaxy processes using the new AIXTRON 8x150 mm G5WW Vapor Phase Epitaxy system. A variety of SiC devices are already commercially available and the implementation of the 150mm SiC technology is targeted to facilitate a widespread adoption of SiC in Power Electronics.

1.7. Patents

AIXTRON aims to secure its technology by patenting and protecting inventions, provided it is strategically expedient and possible for the Company to do so. As of December 31, 2014, the Company had 196 patent families available (December 31, 2013: 198 patent families), of which 102 were patent protected and patents were pending for the remaining 94. For 30 patent families, patent protection was applied for within fiscal year 2014. Patent protection for inventions is usually applied for in those sales markets relevant for AIXTRON, specifically in Europe, China, Japan, South Korea, Taiwan and the United States. Patents are maintained and renewed annually and will expire between 2015 and 2034.

AIXTRON also has exclusive and non-exclusive licenses to patents owned by others covering certain AIXTRON's products, as well as SAP Software licenses.

AIXTRON is the licensee of certain patents owned by Centre National de la Recherche Scientifique and Universal Display Corporation which are important to the Company's operations in the fields of complex material deposition. AIXTRON sells certain reactor technologies under the terms of those licenses, which apply to the principles of delivering precursor material into a vacuum vapor deposition chamber.

1.8. Manufacturing and Procurement

The AIXTRON Manufacturing operation is principally involved in the final assembly stage of production, including equipment configuration and tuning as well as the final inspection. The Company purchases all of the components and most of the assemblies required to manufacture the equipment from third-party suppliers and contractors. AIXTRON's contractors and suppliers are carefully selected and qualified to be able to source, supply and/or partially assemble and test individual equipment parts and sub-assemblies. For strategic reasons, there are typically several suppliers for each AIXTRON equipment component/assembly. However, AIXTRON single sources some key components for its systems and is therefore dependent on contracts with the specific supplier of such components. AIXTRON's own staff manages the whole manufacturing process and in conjunction with external contractors executes the final manufacturing steps.

Within its 5-Point-Program, the Company started a Supply-Chain-Project, which, among other things, targets to further reduce risks in the procurement and storage of material by improving delivery lead times to enable faster deliveries to customers.

AIXTRON has a DIN EN ISO 9001 certified process oriented management system. The certification was confirmed in November 2014 following a successful certification audit. In 2014, the energy management system of the Company was certified according to DIN EN ISO 50001:2011.

The Company complies with all national and international standards and procedures for the equipment industry that are applicable to AIXTRON products.

The "CE" label qualification confirms the conformity of AIXTRON products with the applicable European directives and standards. Moreover, the "UL" standard for admission of AIXTRON products to the US market and the recommended requirements of the SEMI organization are also complied with.

When developing new AIXTRON equipment and upgrades, among other things, the international "Restriction of Hazardous Substances Directive, RoHS" is strictly adhered to, as are the internal compliance requirements to meet these specific national and international rules and standards. The certifications from several independent institutions, such as "TÜV" and "ETL" also confirm compliance of AIXTRON's products with national and international requirements and specifications.

AIXTRON commits itself and its suppliers to ethical and moral standards for the purchase and usage of conflict minerals (gold, tantalum, tin and tungsten). AIXTRON is continuously striving for transparency regarding the origin of these minerals to comply with the rules and regulations of the U.S. Dodd-Frank Act for Conflict Minerals (Section 1502). Therefore, a process has been established assuring that, together with its suppliers the supply chain of the minerals can be disclosed. The result of the vendor related due-diligence is filed annually with the Securities and Exchange Commission on AIXTRON's form SD.

1.9. Sales and Service

The AIXTRON Group markets and sells its products worldwide, principally through its own direct sales organization, but also through appointed dealers and sales representatives.

AIXTRON's own Sales and Service Organization provides a full range of customer services, from the initial support of the customized development of an AIXTRON system, through to the final installation and the ongoing customer training as well as the operational support of its systems (after-sales service).

As part of its 5-Point-Program, Management established a team of Key Customer Satisfaction Managers to support the competitiveness of AIXTRON customers. Target of this measure is to enhance the customer relationships.

1.10 Employees

AIXTRON's success very much depends on the achievements and motivation of the Company's staff. The employees are recruited on the basis of professional and personal qualifications and experience. Apart from the direct advertising of job opportunities to attract new employees, AIXTRON regularly participates in job fairs and other career events, has local press coverage, and enjoys close collaborative relationships with universities worldwide, including locally: the RWTH Aachen University and the University of Cambridge.

As a global Company with an international corporate culture, AIXTRON places great value on diversity and sees it also as a competitive advantage. The overall aim is to create a productive work environment, to prevent social discrimination of any kind, and to cultivate equal opportunities.

Management and leadership quality of an organization also have great impact on the success of a company. Therefore, AIXTRON also promotes these qualities within its 5-Point-Program. As part of this, a worldwide employee survey was carried out for the first time in fiscal year 2014. This survey resulted in concrete suggestions for improvement, which the Management team will specifically target.

In 2014, the total number of employees increased by 2%, from 776 employees at the end of 2013 (2012: 964) to 789 at December 31, 2014. This was mainly attributable to the increase of 11% in Research and Development (regionally located in Europe) related to increased project related tasks in the area of Organic Semiconductors. While Manufacturing and Service positions saw the biggest reduction, it still comprises the largest group of permanent employees.

Employees by Function	2014		2013		2012		2014-2013	
	Dec-31	%	Dec-31	%	Dec-31	%	abs.	%
Sales	65	8	66	8	88	9	-1	-1
Research & Development	292	37	264	34	333	35	28	11
Manufacturing & Service	322	41	338	44	427	44	-16	-4
Administration	110	14	108	14	116	12	2	2
Total	789	100	776	100	964	100	13	2

As of December 31, 2014, the majority of AIXTRON's worldwide permanent employees were based in Europe, the region that saw an increase in headcount in fiscal year 2014 due to the above mentioned headcount increase in R&D mainly in Europe.

Employees by Region	2014		2013		2012		2014-2013	
	Dec-31	%	Dec-31	%	Dec-31	%	abs.	%
Asia	154	20	168	22	188	20	-14	-8
Europe	521	66	491	63	660	68	30	6
USA	114	14	117	15	116	12	-3	-3
Total	789	100	776	100	964	100	13	2

1.11. Customers and Geographic Regions

Among other things, AIXTRON's semiconductor device customers are engaged in the manufacturing of LEDs, wireless device, Power Electronics, optoelectronics, memory and logic components. Some of these customers are vertically integrated device manufacturers who serve the entire value chain down to the end consumer. Others are independent component suppliers who deliver chips and components produced on AIXTRON equipment to the next link in the value chain, namely, the electronic device manufacturers. The Company's customers also include research centers and universities. Most of the world's leading electronic device manufacturers produce in Asia and consequently, the majority of AIXTRON sales continue to be delivered into this region.

See also "Development of Revenues" for a breakdown of revenues by technology and region.

1.12. Competitive Positioning

AIXTRON's main competitor in MOCVD applications remains Veeco Instruments Inc. (USA) ("Veeco") with part of its "LED & Solar" business segment. AIXTRON also competes with a number of Asian manufacturers including Taiyo Nippon Sanso (Japan). As a consequence of the rising LED end-market expectations and prospects for MOCVD equipment demand, there is evidence that equipment companies from adjacent industries continue to attempt to qualify their own MOCVD tools with customers. For example, Jusung Engineering Co. Ltd. (South Korea), Nuflare Technology Inc. (Japan) and Valence Process Equipment (USA) are known to have been active in the development of in-house equipment solutions for the production of LEDs. Some local Chinese companies are also working on the development and production of MOCVD equipment, supported by respective government initiatives.

Based on the latest published market share research by Gartner Dataquest (Forecast: Semiconductor Manufacturing Equipment, Worldwide, April 2014), it was estimated that the share of the worldwide MOCVD equipment market (estimated 2013 total market value: USD 325 million) held by AIXTRON in 2013 was around 41%. In the same report, the Company's strongest competitor in terms of sales, Veeco Instruments Inc., had an estimated market share of approximately 55%. AIXTRON continues to target retaining a market leading position in the global MOCVD market. In the more recent forecast "Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update" (December 2014) Gartner Dataquest anticipated that the total value of the 2014 MOCVD equipment market would increase to approximately USD 376 million with Veeco and AIXTRON continuing to be the main players in this market.

For emerging Organic Semiconductor applications, AIXTRON competes with established manufacturers such as Ulvac, Inc. (Japan), Tokki Corporation (Japan), SNU Precision (South Korea), Sunic System (South Korea) and a number of other smaller companies. While these competitors use established vacuum thermal evaporation ("VTE") technology or polymer technology to produce organic light emitting diodes (OLEDs), AIXTRON offers OLED manufacturers its own highly innovative organic vapor phase deposition (OVPD[®]) and PVPDTM (polymer vapor phase deposition) large area deposition technologies. In AIXTRON's opinion, due to a perceived superior process technology and the potential for reducing OLED manufacturing costs, these technologies have the potential to compete successfully with VTE and polymer technologies, especially in the field of large area displays. AIXTRON is well positioned as a potential deposition system supplier for next generation OLEDs and large area deposition applications that are anticipated to be used mainly in large displays as well as future potential lighting, solar cell, and other electronic OLED applications.

As AIXTRON's system technology and customer applications are still in the market entry phase, Organic Semiconductor market share information is therefore not meaningful at this point in time.

For CVD-, MOCVD- and ALD-technologies for Silicon applications, AIXTRON competes with a variety of other equipment companies, including Applied Materials, Inc. (USA), Tokyo Electron Ltd. (Japan), ASM International N.V. (Netherlands), IPS Technology (South Korea), Jusung Engineering Co. Ltd. (South Korea), and Hitachi Kokusai Electric Co. Inc. (Japan). Applied Materials, Inc. (USA) and Tokyo Electron Ltd. (Japan) have signed an agreement to merge, but completion of the merger is delayed due to outstanding regulatory approvals. With the Company's currently available silicon semiconductor manufacturing technologies and thin film processes, AIXTRON is potentially well positioned to offer advanced films for 25nm node and below for Memory and Logic Integrated Circuits (ICs). AIXTRON technologies enable extremely high precision in depositing very thin material layers and facilitate the consistent coating of complex three-dimensional microelectronic device structures. Moreover, they offer the semiconductor industry new material deposition possibilities for the next generation semiconductor devices, and, in AIXTRON's opinion, present high development potential for the future.

The specific market niche to be addressed by AIXTRON's system technologies for the production of specialized applications such as gate stacks and capacitors was estimated by Gartner Dataquest in its latest forecast of December 2014 to be valued at USD 788 million for 2014. For memory device production systems of the 25nm node and below, AIXTRON has generated revenues during 2014. As AIXTRON addresses a market niche, market share of the total market is still not considered meaningful at this point in time.

1.13. Financial and Other Performance Indicators

The Executive Board has implemented dedicated control systems and procedures to manage, monitor, analyze, and document Company risks and opportunities, including a key performance indicator system addressing relevant business areas, with a primary focus on the "Market", "Finance" and "Technology Development" control areas.

In the "Market" control area, using third party reports and direct customer dialog, AIXTRON pursues a market-led product development strategy through the careful examination of market trends and customer requirements. The objective of this strategy is to ensure the timely market availability of new and appropriately competitive product generations in line with customer requirements.

In the "Finance" control area, the Executive Board uses a range of internal and external financial and non-financial performance indicators with particular focus on: order intake, revenues, margin contributions (prime margin), operating result and free cash flow. Product related financial performance indicators are subsumed in individual business plans. The objective of these controls is to ensure that profitable revenue growth is matched with cost and asset efficiency to achieve sustainable value generation.

In the "Technology Development" control area, the Executive Board again uses a range of performance indicators to evaluate the progress of key research and development projects. The Management regularly reviews compliance with project plans, pre-defined targets and quality gates, such as timelines, quality, cost and margin targets. Following the release of new products for example, the Management monitors closely the development of revenues and margin profiles. The objective of this review process is to ensure that ongoing technological developments retain not only the necessary level of technological standards but also commercial competitiveness throughout the life of the product.

1.14. Government Regulation

Due to the nature of AIXTRON's products, the shipment of some products to customers in certain countries requires the Company to obtain an export license from statutory authorities in Germany, the UK and the US, including, for example, the Bundesamt für Wirtschaft und Ausfuhrkontrolle, BAFA in Germany, the Department for Business, Innovation and Skills in the UK as well as the Department of State and the Department of Commerce in the US.

Research and development activities, as well as the manufacturing and demonstration of the Company's products involve the use of potentially harmful chemical and hazardous materials and radioactive compounds and as a result, AIXTRON is subject to stringent environmental and safety regulations in connection with its business operations (such as industrial safety regulations, the ordinance on hazardous substances, labor protection laws or the workplaces ordinance).

The Company is also subject to the rules and regulations promulgated by the SEC, including those defined under the Sarbanes-Oxley Act of 2002 and the Dodd Frank-Act of 2010. In addition, AIXTRON is subject to other regulations, for example the provisions of the US Foreign Corrupt Practices Act and the UK Bribery Act relating to the maintenance of books and records and anti-bribery controls.

2. Report on Economic Position

2.1. Global Economy

As a producer of capital goods the AIXTRON Group is affected by the global economic development as far as it has an effect on its own supply chain and cost of sales as well as on its customers' sales projections and therefore also on their investment behavior.

Global economic development throughout the year 2014 remained subdued and regionally unbalanced. Among other things, the recovery in the euro area was not as strong as previously expected and many emerging countries, including China, are facing a generally lowered growth potential. The sharply decreasing oil price at the end of the year 2014 is putting additional pressure on many oil-exporting countries including those in emerging markets. Moreover, there are increasing risks to the global economy from geopolitical tensions in Europe and the Middle East. In particular, the economic sanctions against Russia are already affecting growth rates both in Europe and globally. On the other hand, the US economy is showing strong, robust growth that has led the Federal Reserve to continue the cautious tightening of its monetary policy and phase out of its bond-buying program. In total, the International Monetary Fund (IMF), in the January update of its World Economic Outlook, saw global growth remaining at the previous year's level of 3.3%. However, this global economic environment had no specific effects on AIXTRON's business development in fiscal year 2014.

In the first half year of fiscal year 2014, the US dollar exchange rate was moving in a range between 1.35 USD/EUR and 1.40 USD/EUR. In the third quarter of fiscal year 2014, the US dollar gained significant strength against the background of negative spillovers from the geopolitical conflict in Ukraine, the European growth perspectives and the expansionary monetary policy of the European Central Bank aiming to cut increasingly deflationary tendencies in the European Union. On the other hand, the US economy performed well, the Federal Reserve has phased out its bond buying program at the end of fiscal year 2014 and it is expected that it will start raising interest rates again in the first half of fiscal year 2015, all of which was positive for the US dollar in the second half of fiscal year 2014. Thus, at the end of fiscal year 2014, the US dollar exchange rate improved significantly by 12% from USD/EUR 1.377 at the end of 2013 to 1.217 USD/EUR. The average exchange rate used by AIXTRON to translate income and expenses denominated in US dollars in the fiscal year 2014 was 1.334 USD/EUR (Q1/2014: 1.37 USD/EUR; Q2/2014: 1.37 USD/EUR; Q3/2014: 1.34 USD/EUR; Q4/2014: 1.254 USD/EUR) which was virtually the same level as in the previous year (2013: 1.328 USD/EUR). Thus, there were no significant exchange rate effects on AIXTRON's revenues and earnings development in fiscal year 2014.

AIXTRON Management continues to monitor carefully the developments of the global economy and the financial markets, and regularly examines what can potentially be done to mitigate negative exogenous effects on AIXTRON's business.

2.2. The Semiconductor Equipment Market

In 2014, the electronics equipment industry in total grew by 2.3% (according to Gartner Dataquest, Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update, December 2014) which was below the recorded world real GDP growth of 3.3% (according to the IMF World Economic Outlook January 2015 update).

In comparison, the subset, semiconductor capital spending, showed an increase of about 13% in 2014. A further subset, specific spending on Wafer Fab equipment (WFE), which includes spending on deposition tools supplied by AIXTRON, grew by 16% year on year (according to Gartner Dataquest, December 2014). The worldwide MOCVD equipment market as subset of the WFE market is expected to increase by 16% to approximately USD 376 million in 2014, from an estimated total market value of USD 325 million in 2013 (Gartner Dataquest, Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update, December 2014).

The sale of MOCVD systems for the manufacturing of LEDs continued to be the largest revenue driver for AIXTRON in 2014, representing 68% (2013: 39%; 2012: 48%), of its total equipment revenues.

2.3. The LED Market

The market for Gallium nitride based, LED devices which can be produced with AIXTRON's compound semiconductor equipment, was expected to have grown by 32% measured in units in 2014 according to a report from IHS (an independent semiconductor market research institute), published in November 2014. However, according to industry sources, LED prices have dropped by 20-30% throughout the year and are expected to decline at the same rate in 2015. Concurrently, the market for Gallium nitride based, high brightness LED devices was predicted to grow in 2015 by only 7% to USD 18.2 billion from USD 17 billion in 2014 (IHS).

The continuous reduction of LED prices, governmental policy changes and efforts from the supply chain, have all contributed positively to increasing the momentum for LED lighting adoption across commercial, industrial and consumer segments.

According to the market research institute IHS (November 2014), the market for LEDs for general lighting is expected to grow from 820 million shipped units in 2014 to 3.5 billion shipped units in 2020. The penetration of LED-lamps relative to total lamps is expected to rise from 5% in 2014 to 27% in 2020, supported by the increasing availability of attractively priced, quality LED lighting products.

2.4. Results of Operations

2.4.1. Development of Revenues

In fiscal year 2014, AIXTRON recorded total revenues of EUR 193.8 million, an increase of EUR 10.9 million, or 6%, compared to EUR 182.9 million in 2013 (2012: EUR 227.8 million) mainly due to increased demand from LED chip makers. At the end of September 2014, AIXTRON received a large multiple tool order from Chinese manufacturer San'an Optoelectronics Co., Ltd. for 50 new generation AIX R6 MOCVD Showerhead tools. The order is being processed and will have an impact on order intake and revenues in fiscal year 2015 and beyond. The 2014 equipment revenues increased by 8% to EUR 148.5 million (2013: EUR 138.0 million; 2012: EUR 176.9 million), with demand for MOCVD Equipment for LED manufacturing remaining the largest contributor to AIXTRON's equipment revenues, representing 68%. Total equipment sales generated 77% of total revenues in 2014 (2013: 75%; 2012: 78%).

23% of total revenues in 2014 were generated by sales of spare parts and service, which is 2 percentage points lower than in 2013 (2013: 25%; 2012: 22%) and mainly due to the higher equipment revenue figure. In absolute terms, sales of spare parts and service were at EUR 45.3 million largely stable in 2014 compared to 2013. The sales volume of manufacturing equipment increased slightly 2013: EUR 44.9 million; 2012: EUR 50.9 million).

Revenues by Equipment, Spares & Service	2014		2013		2012		2014-2013	
	m EUR	%	m EUR	%	m EUR	%	m EUR	%
Equipment revenues	148.5	77	138.0	75	176.9	78	10.5	8
Other revenues (service, spare parts, etc.)	45.3	23	44.9	25	50.9	22	0.4	1
Total	193.8	100	182.9	100	227.8	100	10.9	6

In 2014, the major part of total revenues, 83%, continued to be generated by sales to customers in Asia, which was 5 percentage points higher than in the previous year (2013: 78%; 2012: 78%). 13% of revenues in 2014 were generated in Europe (2013: 13%; 2012: 9%) and the remaining 4% in the Americas (2013: 9%; 2012: 13%).

Revenues by Region	2014		2013		2012		2014-2013	
	m EUR	%	m EUR	%	m EUR	%	m EUR	%
Asia	160.2	83	141.8	78	177.4	78	18.4	13
Europe	25.2	13	24.2	13	21.4	9	1.0	4
Americas	8.4	4	16.9	9	29.0	13	-8.5	-50
Total	193.8	100	182.9	100	227.8	100	10.9	6

2.4.2. Development of Results

Cost Structure

	2014		2013		2012		2014-2013	
	Full Year		Full Year		Full Year		m EUR	%
	m EUR	% Rev.	m EUR	% Rev.	m EUR	% Rev.		
Cost of sales	152.3	79	190.3	104	227.4	100	-38.0	-20
Gross profit	41.5	21	-7.4	-4	0.4	0	48.9	n.m.
Operating costs	99.8	52	88.4	48	132.8	58	11.4	13
Selling expenses	16.0	8	29.0	16	34.8	15	-13.0	-45
General and administration expenses	19.3	10	18.2	10	19.6	9	1.1	6
Research and development costs	66.7	34	57.2	31	72.9	32	9.5	17
Net other operating income and expenses	-2.2	-1	-16.0	-9	5.5	2	13.8	86

Cost of Sales

In 2014, cost of sales decreased year on year by 20% or EUR 38 million from EUR 190.3 million to EUR 152.3 million (2012: EUR 227.4 million). 2014 cost of sales also included inventory write-downs and ramp-up costs for new products. 2013 cost of sales included 35.2 million of unusual items consisting mainly of inventory write-downs. 2013 unusual items in cost of sales were significantly higher than the above mentioned effects. Consequently, 2014 cost of sales relative to revenues decreased to 79% (2013: 104%; 2012: 100%).

Gross Profit, Gross Margin

Against the background of the aforementioned previous year's unusual items, the Company's gross profit in 2014 increased year-on-year to EUR 41.5 million (2013: EUR -7.4 million; 2012: EUR 0.4 million), resulting in a gross margin of 21% after -4% in 2013 (2012: 0%).

Operating Costs

Operating costs in 2014 were below the targeted EUR 100 million at EUR 99.8 million despite of significantly higher R&D spending and further restructuring costs.

This development was influenced by the following factors:

Due to a lower rate of volume related costs, **selling expenses** in 2014 decreased in absolute terms by 45% from EUR 29.0 million to EUR 16 million (2012: EUR 34.8 million). Selling expenses relative to revenues were down to 8% (2013: 16%; 2012: 15%).

Driven by projects, **general and administration expenses** in fiscal year 2014 slightly increased by 6% in absolute terms and were stable in relative terms at EUR 19.3 million or 10% of revenues (2013: EUR 18.2 million or 10% of revenues; 2012: EUR 19.6 million or 9% of revenues).

Key R&D Information	2014	2013	2012	2014-2013
R&D expenses (in EUR million)	66.7	57.2	72.9	17%
R&D expenses, % of sales	34	31	32	
R&D employees (period average)	285	297	337	-4%
R&D employees, % of total headcount (period average)	36	35	34	

Research and development costs were up 17% from EUR 57.2 million in 2013 (2012: EUR 72.9 million) to EUR 66.7 million in 2014, reflecting the Company's commitment to innovation as well as pre-launch development costs related to the AIX R6 new generation MOCVD tool and progress made in the OLED area. Such expenditures are being made very specifically in the Company's targeted future markets such as OLED, Power Electronics or Logic and are monitored very closely.

Personnel Costs	2014	2013	2012	2014-2013	
	m EUR	m EUR	m EUR	m EUR	%
Cost of Sales	22.3	25.7	30.9	-3.4	-13
Selling, General and Administrative expenses	16.1	17.8	19.3	-1.7	-10
Research and Development costs	28.1	24.0	30.9	4.1	17
Total	66.5	67.5	81.1	-1.0	-2

Due to the 2013 global staff reductions becoming effective mostly not before the second half of the year 2013, the average number of Group employees declined again from 847 in 2013 to 785 in 2014 (2012: 983), resulting in 2% lower **personnel costs** of EUR 66.5 million compared to EUR 67.5 million in 2013 (2012: EUR 81.1 million). In line with the announcement in December 2014 to further reduce staff by cutting approximately 60 jobs, personnel costs across all functions include restructuring charges amounting to EUR 5.8 million in fiscal year 2014 (2013: EUR 5.2 million; 2012: EUR 5.1 million). At the end of the period on December 31, 2014, in absolute terms, the number of employees increased from 776 as of December 31, 2013 to 789 as of December 31, 2014 (December 31, 2012: 964).

Net other operating income and expenses for the fiscal year 2014 resulted in an income of EUR 2.2 million (2013: EUR 16.0 million income, including insurance compensation; 2012: EUR -5.5 million expense).

In 2014, the Company recorded a **net currency expense** of EUR -0.3 million (2013: EUR 0.5 million net income; 2012: EUR -6.9 million net expense) resulting from currency and translation differences.

The EUR 1.8 million of **R&D grants** received in 2014 (2013: EUR 2.5 million; 2012: EUR 2.7 million), were recorded as "other operating income".

Total operating costs in 2014 came in at EUR 99.8 million and were up compared to the prior year from EUR 88.4 million (2012: EUR 132.8 million), primarily due to the above mentioned effects recorded in 2013 which did not reoccur on the same level in 2014. Operating costs relative to revenues were 52% in 2014, 4 percentage points more than the 48% in 2013 (2012: 58%).

Operating Result

The absolute operating result improved in a year-on-year comparison by EUR 37.4 million and came in at EUR -58.3 million in 2014 (2013: EUR -95.7 million; 2012: EUR -132.3 million) resulting in an EBIT margin of -30% (2013: -52%; 2012: -58%). Despite higher R&D costs in fiscal year 2014, this positive development is attributable to the above mentioned higher unusual items included in the previous year's figures.

Result Before Taxes

Result before taxes improved year-on-year by EUR 38.1 million from EUR -95.2 million in 2013 (2012: EUR -129.9 million) to EUR -57.1 million in 2014, with a net finance income of EUR 1.2 million (2013: EUR 0.5 million income; 2012: EUR 2.3 million income).

Interest & Taxes	2014	2013	2012	2014-2013	
	m EUR	m EUR	m EUR	m EUR	%
Net Interest Income/Expense	1.2	0.5	2.3	0.7	140
Interest Income	1.2	0.8	2.3	0.4	50
Interest Expenses	0.0	-0.3	0.0	0.3	-100
Tax Expenses	-5.4	-5.8	-15.5	0.4	-7

In 2014, AIXTRON recorded a country specific **tax expense** of EUR -5.4 million (2013: tax expense of EUR -5.8 million; 2012: tax expense of EUR -15.5 million). Unrecognized deferred tax assets related to tax losses at December 31, 2014 totaled EUR 129.5 million (2013: EUR 88.7 million; 2012: EUR 90.9 million).

Profit/Loss Attributable to the Equity holders of AIXTRON SE (after taxes)

The 2014 after-tax result attributable to the equity holders of AIXTRON SE was EUR -62.5 million or -32% of revenues, and EUR -101.0 million (-55% of revenues) in 2013 (2012: EUR -145.4 million or -64% of revenues).

Net Result AIXTRON SE – Use of Results

AIXTRON SE, the parent company of the AIXTRON Group, recorded a net accumulated loss in accordance with German generally accepted accounting principles, (German GAAP) based on the German Commercial Code, HGB, of EUR -53.6 million for 2014 (2013: loss of EUR -1.1 million; 2012: loss of EUR -51.6 million).

As they did with the 2013 loss, AIXTRON's Executive and Supervisory Boards will propose to the annual general meeting that the 2014 loss should be carried forward and consequently no dividend payment should be made for 2014 (2013: no dividend; 2012: no dividend).

2.4.3. Development of Orders

Equipment Orders (in EUR million)	2014	2013	2012	2014-2013	
				m EUR	%
Equipment order intake	153.4	133.2	131.4	20.2	15
Equipment order backlog (end of period)	65.2	59.6	79.4	5.6	9

As a matter of internal policy, the 2014 US dollar denominated order intake and backlog were recorded at the 2014 budget exchange rate of 1.35 USD/EUR (2013: 1.30 USD/EUR; 2012: 1.40 USD/EUR).

Mainly driven by higher demand from LED chip makers, **equipment order intake** in 2014 was up 15% year-on-year by EUR 20.2 million and came in at a total of EUR 153.4 million (2013: EUR 133.2 million; 2012: EUR 131.4 million). The order intake in 2014 was not influenced by the aforementioned 50-tool order, which is in line with AIXTRON's strict order intake policy. Due to the agreed and ongoing qualification process, order intake is booked only when in line with customer confirmed shipment dates and upon availability of the shipping documents. Recording of the 50-tool order will commence in Q1/2015.

The total **equipment order backlog** of EUR 65.2 million at December 31, 2014 was 9% higher than the EUR 59.6 million at the same point in time in 2013 (December 31, 2012: EUR 79.4 million) and 12% higher than the 2014 opening backlog of EUR 58.1 million. The 2014 year-end order backlog was revalued at the 2015 budget rate of 1.25 USD/EUR as per January 1, 2015, leading to an opening equipment order backlog of EUR 69.0 million for 2015.

As a matter of strict internal policy, AIXTRON follows clear internal requirements before recording and reporting received orders as order intake and order backlog. These requirements comprise of all of the following minimum criteria:

1. The receipt of a firm written purchase order,
2. the receipt of the agreed deposit,
3. accessibility to the required shipping documentation,
4. a customer confirmed agreement on a system specific delivery date.

In addition and reflecting current market conditions, the Company's Management reserves the right to assess whether the actual realization of each system order is sufficiently likely to occur in a timely manner according to Management's opinion. When Management concludes, that there is sufficient likelihood of realizing revenue on any specific system or that there is an unacceptable degree of risk of not realizing revenue on any specific system, Management will include or exclude the order, or a portion of the order, into or from the recorded order intake and order backlog figures, regardless of compliance with requirements of the points 1-4 above.

2.5. Financial Position

2.5.1. Corporate Financial Management

AIXTRON has a central financial management system to control its global liquidity, interest and currency management.

Due to the volatile nature of the semiconductor business, a sufficient level of cash is essential to expeditiously finance potential business needs. The Company's need for cash is generally provided for through operating cash flows. In order to secure future financing and support the indispensable R&D activities, the Company has access to a strong equity capital base. Furthermore, approved by the Annual General Meeting, and subject to Supervisory Board approval, the Company has the authority to issue equity instruments to be able to raise additional liquidity on the capital market if required.

AIXTRON conducts a large part of its business in foreign currencies, i.e. in currencies other than the Euro. The most prevalent foreign currency relevant to AIXTRON is the US Dollar. Unfavorable exchange rate movements, especially the US Dollar/Euro exchange rate, will adversely affect the Company's results of operation. In order to manage foreign exchange risks, the Company routinely monitors if and to what extent currency hedging instruments should be used. In 2014, no currency hedging instruments were used.

2.5.2. Funding

The Company's stated share capital as of December 31, 2014 amounted to EUR 112,694,555 (December 31, 2013: EUR 112,613,445; December 31, 2012: EUR 101,975,023) divided into 112,694,555 registered shares with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. All registered shares are fully paid in. AIXTRON has an American Depositary Share ("ADS") program. The Company's ADSs, each representing one ordinary share, trade on the NASDAQ Global Select Market.

The Company has a number of stock option programs in place that grant the members of the Executive Board and employees the right to purchase AIXTRON shares or ADS under certain conditions. In fiscal year 2014, 81,110 stock options (2013: 415,289 options; 2012: 185,496 options) were exercised, resulting in delivery of in total 81,110 ordinary shares. In fiscal year 2014, 1,150,400 new stock options were granted under the 2012 stock option plan (2013: 0; 2012: 31,000).

AIXTRON ordinary shares	Dec 31, 14	Exercised	Expired/Forfeited	Allocation	Dec 31, 13
Stock options	3,291,896	81,110	437,095	1,150,400	2,659,701
Underlying shares	3,521,639	81,110	831,086	1,150,400	3,283,435
AIXTRON ADS	Dec 31, 14	Exercised	Expired/Forfeited	Allocation	Dec 31, 13
Stock options	0	0	5,590	0	5,590
Underlying shares	0	0	5,590	0	5,590

A more detailed description of the different stock option plans and a summary of all the stock option transactions can be found in Note 23 to the Company's Consolidated Financial Statements "Share-based payments".

The Company recorded no **bank borrowings** as of December 31, 2014, 2013 and 2012.

Where necessary, AIXTRON SE provides loans and financial security facilities to its subsidiaries to enable the business to continue to operate efficiently. The Company has granted no security interests in its own land and buildings.

The **equity ratio** was 78% as of December 31, 2014, compared to 83% as of December 31, 2013 (December 31, 2012: 84%). This development was principally attributable to the fiscal year's net loss.

In 2014, the return on equity (ROE) based on the negative 2014 Group's net result in proportion to the average total shareholders' equity at the start and end of the year was -15% (2013: -22%; 2012: -26%).

In order to finance future developments, the Company regularly explores and assesses on an ongoing basis, potential funding opportunities available in the market.

2.5.3. Investments

The AIXTRON Group's total capital expenditures in fiscal year 2014 amounted to EUR 13.4 million (2013: EUR 10.1 million; 2012: EUR 16.5 million).

In 2014, EUR 12.6 million (2013: EUR 9.6 million; 2012: EUR 15.8 million) were related to property, plant and equipment (including testing and laboratory equipment such as the OLED R&D Cluster). The remaining EUR 0.8 million in 2014 (2013: EUR 0.5 million; 2012: EUR 0.7 million) were related to intangible assets including software licenses.

In 2015, investments will again be made mainly for laboratory and test equipment.

The increase of EUR 9.9 million in bank deposits with a maturity of at least three months in 2014 was recorded as cash outflow from investing activities. In 2013 bank deposits with a maturity of at least three months increased by EUR 30.4 million which was recorded as cash outflow from investing activities.

All 2014, 2013 and 2012 expenditures were funded out of operating cash flow and available cash resources.

2.5.4. Liquidity

Cash and cash equivalents including cash deposits with a maturity of at least three months, most of which is held in Euros (also see "Investments"), decreased by 12% or EUR 38.2 million to EUR 268.1 million (EUR 116.6 million + EUR 151.5 million financial assets) as of December 31, 2014 (December 31, 2013: EUR 306.3 million, equaling EUR 167.5 million + EUR 138.9 million; December 31, 2012: EUR 209.5 million, equaling EUR 99.7 million + EUR 109.8 million).

Specific items that lowered the 2014 year-end liquidity came predominantly from the 2014 net loss (EUR -62.5 million), the above-mentioned capital expenditures and the inventory build-up. These cash outflows were only partially offset by increased received advance payments from customers.

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

2.6. Assets

2.6.1. Property, Plant and Equipment

Due to depreciation, the value of property, plant and equipment was slightly down from EUR 79.9 million as of December 31, 2013 (December 31, 2012: EUR 97.6 million) to EUR 77.3 million as of December 31, 2014.

2.6.2. Goodwill

The value of goodwill at EUR 64.8 million remained broadly stable compared to EUR 64.1 million as per December 31, 2013 (December 31, 2012: EUR 64.3 million). The minimal differences were solely due to exchange rate fluctuations. There were no other additions or impairments in the three years from 2012 through 2014.

2.6.3. Other Intangible Assets

The value of other intangible assets decreased from EUR 3.1 million as per December 31, 2013 (December 31, 2012: EUR 4.2m) to EUR 2.5 million as per December 31, 2014. As in 2013 and 2012, differences arose mainly from amortization, being higher than the investments made.

2.6.4. Inventories

Inventories, including raw materials, work in progress and finished goods, were up by 23% from EUR 66.2 million as of December 31, 2013 (December 31, 2012: EUR 126.0 million) to EUR 81.7 million as of December 31, 2014, reflecting the requirements for new MOCVD tools, including work in progress for received orders as well as spares to increase service levels.

2.6.5. Trade Receivables

Trade receivables remained largely stable in line with the still subdued business volume (December 31, 2013: EUR 27.7 million; December 31, 2012: EUR 37.3 million) at EUR 26.3 million as of December 31, 2014.

2.6.6. Liabilities

Trade payables as of December 31, 2014 increased by 22% year-on-year to EUR 16.4 million compared to EUR 13.5 million as of December 2013 (December 31, 2012: EUR 9.7 million), related to the inventory build-up. **Other current provisions** decreased from EUR 32.1m as of December 31, 2013 to EUR 28.1 million as of December 31, 2014 (December 31, 2012: EUR 28.2m). This development is mainly due to the usage and lower provision requirements resulting from process improvements within the 5-Point-Program and despite of restructuring related provisions having been built in Q4/2014. **Advance payments from customers** as of December 31, 2014 were up by EUR 20.8 million to EUR 67.0 million compared to EUR 46.2 million as of December 31, 2013 (December 31, 2012: EUR 46.0m) and were influenced by the advanced payments received from the above mentioned 50-tool order.

2.7. Management Assessment of Company Situation

Throughout fiscal year 2014, AIXTRON executed its strategy to consistently invest into future business fields including deposition technologies for Power Electronics, OLED, Memory, Logic and Carbon Nanomaterials including Graphene. The Company has seen market interest and demand from customers in all of these fields.

Demand for LED chips is growing due to an increasing penetration of LED technology in the lighting market and strong demand of LEDs for displays, leading to high utilization rates of LED producers. Market demand for LED production equipment has also grown.

AIXTRON has launched the AIX R6, its new generation MOCVD showerhead tool. The tool specifically addresses lower cost of ownership requirements from customers who are facing very competitive industry dynamics. At the end of September 2014, AIXTRON received a large order from Chinese manufacturer San'an Optoelectronics Co., Ltd. for 50 AIX R6 tools. The order is being processed and will have an impact on order intake and revenues in 2015 and beyond. In addition to this order, AIXTRON is currently positioning the new tool with further customers in the market. Management expects that the performance of the new AIX R6 tool, including higher throughput and lower cost of ownership, will allow for a higher price level. Efficiency and productivity enhancements in serial production will enable a consistent reduction of cost of sales, improving the lower gross margin levels during the production ramp up phase. The new AIX R6 tool is currently being qualified for mass production at a number of different customers. Management expects that timing of the qualification process could vary depending on individual specification criteria and the experience levels customers have with AIXTRON's showerhead technology.

After a slow first half of 2014, demand for AIXTRONs QXP-tools for DRAM memory production has recovered in the second half of the year, marking the beginning of an expected positive trend.

Additionally, good progress has been made in the area of OLED deposition technologies. The OLED R&D Cluster has been commissioned, successfully running customer demos to demonstrate AIXTRONs deposition capabilities in this space. Currently, the Gen8 Demonstrator is being installed in order to prove the scalability of the organic deposition technology on very large substrates. It is expected to be commissioned in the first half of 2015.

In parallel, AIXTRON is executing on its 5-Point-Program specifically addressing the further reduction of material costs as well as further improvements in Supply Chain, Service and Production processes preparing the ground to return to sustainable profitability. To support this strategy, AIXTRON has announced a further 8% reduction of staff or approximately 60 jobs, reflecting the shift of regional and technological requirements. At the same time, Management will execute on its productivity programs in all areas of the Company to further optimize the cost structure whilst sustaining the targeted investments into the defined future business fields.

The business development was in line with Management's expectations. However, the Company's Management continues to consider this development as not satisfactory.

Due to the progress made in AIXTRONs strategic initiatives and the steps forward the Company has made in its operating programs and in the development of its products, Management remains confident that the Company is on track to return to its path of success.

The Company has a strong balance sheet and a strong liquidity without any bank borrowings.

3. Report on Post-Balance Sheet Date Events

There were no business events with a potentially significant effect on AIXTRON's results of operation, financial position, and net assets after the close of fiscal year 2014.

4. Remuneration Report

The remuneration report summarizes the principles of the remuneration system for the members of the Executive Board and Supervisory Board of AIXTRON SE explains the structure and amount of the remuneration paid. The remuneration of each member of the Executive Board and Supervisory Board for the fiscal year 2014 is presented on an individual basis. The remuneration report is based on the recommendations of the German Corporate Governance Code and includes the disclosures required by the German Commercial Code (Handelsgesetzbuch - HGB) and the International Financial Reporting Standards (IFRS). The remuneration report is part of the Group Management Report.

4.1. Principles of Management Compensation

4.1.1. Executive Board

The Supervisory Board as a whole is responsible for establishing the structure of the remuneration system and for the total remuneration for individual members of the Executive Board. It regularly discusses and reviews remuneration for appropriateness to ensure that Management is not taking unreasonable risks.

The remuneration level of the Executive Board members of AIXTRON SE is aligned not only with the commercial and financial situation and future prospects of the Company and the level and structure of Executive Board remuneration at comparable companies but also with the compensation structure in place in other areas of the Company. In addition, the responsibilities, experience and contribution of each individual Executive Board member, and the desire to retain them, are taken into account when calculating the remuneration.

The current remuneration system was approved by AIXTRON's shareholders at the Annual General Meeting held on May 23, 2013.

Executive Board remuneration currently consists of three components: fixed remuneration (including benefits in kind and payments into a private pension insurance), a variable bonus, and may include stock-based remuneration.

4.1.1.1. Fixed remuneration

The Executive Board employment contracts stipulate an annual income for the fixed remuneration component. The fixed remuneration component is non-performance-related and is paid out on a monthly basis (13 times a year) as a salary. Additional payments in kind are made, chiefly consisting of company car usage and payments for private pension insurance.

4.1.1.2. Variable bonus

The limited variable bonus scheme for the collective Executive Board (profit-sharing) is based on consolidated net income for the year and is paid from an "accrued internal bonus pool", defined as up to 10% of the modified consolidated net income for the year, but not to exceed EUR 6.5 million in total. The modified consolidated net income for the year is obtained from the Company's Consolidated Financial Statements (IFRS) certified by the auditor, less a consolidated loss carry forward figure and those amounts that are to be allocated to retained earnings in the Annual Financial Statements of AIXTRON by law or in accordance with the Articles of Association. The consolidated loss carry forward is obtained from consolidated net losses from previous years, less consolidated net income from subsequent fiscal years.

The variable bonus – paid out of the above mentioned "accrued internal bonus pool" – will be paid half through a monetary element and half in shares. That part of the variable bonus payable in shares will be converted into whole numbers of shares of the Company and will be deferred until the third bank working day following the ordinary General Meeting in the third fiscal year after having been granted to the Board members. The number of the shares to be granted for the part of the variable bonus payable in shares will be determined in accordance with the closing price of the share of the Company on the third bank working day following the ordinary General Meeting, which is presented with the annual financial statements of the Company and the consolidated financial statements for the fiscal year for which the bonus is granted. The shares will be delivered from treasury shares. Thus, during the multi-year waiting period, the Executive Board members will take part in both positive and negative developments of the Company's share price so that the variable compensation structure is clearly oriented toward a sustainable business development.

4.1.1.3. Stock-based remuneration

In addition, as a variable component acting as a long-term incentive with an element of risk, the members of the Executive Board may receive a share-based payment in the form of options that are granted under AIXTRON's stock option plans. The stock option plans, including the exercise thresholds, are adopted at each General Meeting. The number of options granted to the Executive Board is stipulated by the Supervisory Board. Further details on the outstanding stock options of the Executive Board as well as comments on the respective stock option plans are set out further in this report.

4.1.1.4. Commitments in connection with the termination of Executive Board membership

If the tenure of any Executive Board member ends prematurely as result of a revocation of the appointment, such member of the Executive Board will receive a severance payment in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the employment contract, however, not exceeding an amount equal to twice the annual compensation (severance cap). Any payments beyond this severance payment shall be excluded.

If the tenure of any Executive Board member ends prematurely because the employment contract is terminated by mutual agreement, the total amount of any payments agreed to be paid by the Company to the Executive Board member as part of such an agreement may not exceed the amount of the severance payment which the Executive Board member would receive in the event of a revocation of the appointment with due regard to the severance cap.

If the tenure of any Executive Board member ends prematurely because the employment contract is terminated after a change of control, such member of the Executive Board will receive a severance payment in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the employment contract, however, not exceeding the severance cap, i.e. an amount equal to twice the annual compensation. Any payments beyond this severance payment shall be excluded. A change of control situation exists if a third party or a group of third parties who contractually combine their shares in order to act subsequently as a third party, directly or indirectly holds more than 50% of the Company's registered share capital.

4.1.1.5. Other

The current Executive Board members have no individual Company pension benefits, which would result in pension provisions being required to be made by AIXTRON, and receive no loans from the Company.

4.1.2. Supervisory Board

Remuneration of the Supervisory Board is regulated in Article 17 of AIXTRON's Articles of Association. Accordingly, the annual fixed compensation for individual members of the Supervisory Board is EUR 25,000. The Chairman's compensation is three times this amount and the Deputy Chairman's one and a half times the amount received by a regular member of the Supervisory Board.

The members of the Supervisory Board also receive, in aggregate, a limited variable compensation of 1% of the Company's net income, less an amount corresponding to 4% of the paid-in contributions to the share capital. The Chairman of the Supervisory Board receives 6/17, the Deputy Chairman 3/17, and each other member of the Supervisory Board 2/17 of the variable remuneration. The variable compensation is limited to fourfold the annual fixed compensation of each Supervisory Board member. In addition, committee members receive an attendance fee of EUR 2,000 for attending a committee meeting, with the Chairman of the committee receiving triple this amount. The total annual attendance fee per Supervisory Board member is limited to one-and-a-half times that individual's fixed remuneration.

The Supervisory Board members receive no loans from the Company.

4.1.3. D&O insurance

The Company has a D&O insurance contract in place, covering the activities of members of the Executive Board and members of the Supervisory Board. Pursuant to the amended § 93, Section 2 AktG following the Act on the Appropriateness of Executive Board remuneration (VorstAG), as well as to the amended recommendation in chapter 3.8. German Corporate Governance Code, the deductible for members of the Executive Board and member of the Supervisory Board is equal to a minimum of 10% of the respective, potential loss incurred. The deductible cannot exceed a factor of 1.5 of the respective annual fixed remuneration.

4.2. Individual remuneration structure

4.2.1. Executive Board remuneration

The total Executive Board remuneration in fiscal year 2014 amounted to EUR 2.014,775 million (2013: EUR 2.584.834 million; 2012: EUR 1.124.274 million). The success-independent remuneration of the Executive Board in 2014 was at EUR 1.136.775 million (2013: EUR 2.084.834; 2012: EUR 1.124.274 million).

Mr Goetzeler received a contractually guaranteed bonus of EUR 500,000 which will be paid half in cash and half in shares. That part of the bonus payable in shares will be converted into whole numbers of shares of the Company and will be deferred until the third bank working day following the ordinary General Meeting in the third fiscal year after having been granted to the Board members. No further variable bonus was paid for the fiscal year 2014. During the past fiscal year, the Members of the Executive Board were allocated 50,000 (100,000 in total) options each (2013: 0; 2012: 0).

The appointment of the former Chief Financial Officer, Mr Wolfgang Breme, was terminated by mutual agreement effective as of May 31, 2014. Following the termination of Mr Breme's appointment, Mr Breme exercised 13,000 stock options. Stock options that had not been exercised were cancelled without compensation.

4.3. Information according to Nr 4.2.5 German Corporate Governance Code (DCGK)

4.3.1. Value of benefits granted displayed according to DCGK

The following table according to DCGK shows the value of benefits granted to the individual members of the Executive Board in fiscal year 2014 as well as the minimum and maximum values that can be achieved.

For the one-year variable compensation, in line with the requirement of the DCGK, the target value (i.e. the value in the event of 100% goal achievement) granted for the year under review is stated. The multi-year variable compensation granted in the year under review is broken down into different plans are stated.

Benefits granted	Martin Goetzeler				Wolfgang Breme				Dr. Bernd Schulte				Paul Hyland			
	Chief Executive Officer				Chief Financial Officer				Chief Operating Officer				Chief Executive Officer			
	Member of the Executive Board since March 1, 2013				Member of the Executive Board from March 1, 2005 until May 31, 2014				Member of the Executive Board since March 7, 2002				from March 7, 2002 until February 28, 2013			
	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Fixed compensation	506,667	600,000	600,000	600,000	330,769	141,667	141,667	141,667	365,000	365,000	365,000	365,000	65,728	0	0	0
Compensation from early termination of mandate	0	0	0	0	0	0	0	0	0	0	0	0	780,000	0	0	0
Fringe benefits	11,063	13,104	13,104	13,104	10,745	4,477	4,477	4,477	12,527	12,527	12,527	12,527	2,335	0	0	0
Total	517,730	613,104	613,104	613,104	341,514	146,144	146,144	146,144	377,527	377,527	377,527	377,527	848,063	0	0	0
One-year variable compensation	250,000	250,000	250,000	1,444,444	0	0	0	902,778	0	0	0	1,805,556	0	0	0	0
Multi-year variable compensation	250,000	439,000	0	1,883,444	0	0	0	902,778	0	189,000	0	189,000	0	0	0	0
Deferral from one-year variable compensation	250,000	250,000	0	1,694,444	0	0	0	902,778	0	0	0	0	0	0	0	0
Stock option program 2012 (blackout period: 4 years)	0	189,000	0	189,000	0	0	0	0	0	189,000	0	189,000	0	0	0	0
Stock option program 2007 (blackout period: 2 years)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock option program 2002 (blackout period: 2 years)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	500,000	689,000	250,000	3,327,889	0	0	0	1,805,556	0	189,000	0	1,994,556	0	0	0	0
Service cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,017,730	1,302,104	863,104	3,940,993	341,514	146,144	146,144	1,951,699	377,527	566,527	377,527	2,372,082	848,063	0	0	0

4.3.2. Allocation displayed according to DCGK

As the benefits granted to the members of the Executive Board in a fiscal year does not always result in a corresponding payment in the respective fiscal year, the following table shows severally - in line the relevant recommendation of the DCGK - the value of the actual allocation (amount disbursed) in the fiscal year 2014.

According to the recommendations of the DCGK, for the fixed compensation and the one-year variable compensation the allocation (amount disbursed) for the respective fiscal year is entered. For subscription rights and other share-based payments, the time of allocation and the allocation amount is deemed to be the relevant time and value under German tax law.

Benefits allocated	Martin Goetzeler		Wolfgang Breme		Dr. Bernd Schulte		Paul Hyland	
	Chief Executive Officer		Chief Financial Officer		Chief Operating Officer		Chief Executive Officer	
	Member of the Executive Board since March 1, 2013		Member of the Executive Board from March 1, 2005 until May 31, 2014		Member of the Executive Board since March 7, 2002		left: February 28, 2013	
	2013	2014	2013	2014	2013	2014	2013	2014
Fixed compensation	506,667	600,000	330,769	141,667	365,000	365,000	65,728	0
Compensation from early termination of mandate	0	0	0	0	0	0	780,000	0
Fringe benefits	11,063	13,104	10,745	4,477	12,527	12,527	2,335	0
Total	517,730	613,104	341,514	146,144	377,527	377,527	848,063	0
One-year variable compensation	250,000	250,000	0	0	0	0	0	0
Multi-year variable compensation	0	0	512,600	74,100	0	108,640	836,777	0
Deferral from one-year variable compensation	0	0	0	0	0	0	0	0
Stock option program 2012 (blackout period: 4 years)	0	0	0	0	0	0	0	0
Stock option program 2007 (blackout period: 2 years)	0	0	512,600	74,100	0	0	210,405	0
Stock option program 2002 (blackout period: 2 years)	0	0	0	0	0	108,640	626,372	0
Other	0	0	0	0	0	0	0	0
Total	250,000	250,000	512,600	74,100	0	108,640	836,777	0
Service cost	0	0	0	0	0	0	0	0
Total	767,730	863,104	854,114	220,244	377,527	486,167	1,684,840	0

As of December 31, 2014, the AIXTRON Executive Board held a total of 396,160 options for the purchase of 398,140 shares of the Company (December 31, 2013: 505,116; December 31, 2012: 923,516 shares). The number of shares underlying the options is set out below. The actual profits from exercising the stock options may differ significantly from the figures shown in the table.

Executive Board Member	Allocation date	Outstanding	Exercisable	Option value on allocation	Exercise price	Maturity	Total Outstanding Shares
		(Shares)	(Shares)	(EUR)	(EUR)		
Martin Goetzeler	Oct 2014	50,000	0	189,000	13,14	Oct 2024	50,000
Dr. Bernd Schulte	Oct 2014	50,000	0	189,000	13,14	Oct 2024	
	Nov 2010	52,000	26,000	461,240	26,60	Nov 2020	
	Nov 2009	52,000	39,000	448,240	24,60	Nov 2019	
	Nov 2008	52,000	52,000	92,040	4,17	Nov 2018	
	Dec 2007	52,000	52,000	225,680	10,09	Dec 2017	
	Nov 2006	55,000	55,000	84,150	3,83	Nov 2016	
	May 2002	27,500	0	152,625	7,48	May 2017	
	May 2001	5,000	0	106,500	26,93	May 2016	
	May 2000	2,640	660	55,981	67,39	May 2015	348,140
Total		398,140	224,660				398,140

Under IFRS 2, the "Option value at grant date" is also used as the basis for recognizing options issued after November 7, 2002 under expenses on the Income Statement. For stock options issued prior to November 7, 2002, the fair value was determined using the Black-Scholes model.

The expenses for stock based compensations including the stock based variable bonus for each individual member of the Executive Board are as follows:

in EUR thousands	2014	2013	2012
Martin Goetzeler	263	250	0
Paul Hyland	0	-532	249
Wolfgang Breme	-76	118	244
Dr. Bernd Schulte	53	118	249

In 2014, options to acquire 158,976 AIXTRON shares expired, mainly due to the termination of Wolfgang Breme (2013: 207,000; 2012: 0). The expenses for the unvested expired options have been reversed in accordance with IFRS 2.

In fiscal year 2014, current Executive Board members exercised 48,000 options (2013: 211,500; 2012: 39,000).

	Date of exercise	Weighted average share price at date of exercise	Number of shares
2014			
Dr. Bernd Schulte	November 21, 2014	9.57	35,000
Wolfgang Breme	August 28, 2014	9.88	13,000
2013			
Paul Hyland	November 21, 2013	9.84	39,000
Paul Hyland	November 18, 2013	9.81	117,500
Wolfgang Breme	May 31, 2013	13.71	55,000
2012			
Wolfgang Breme	November 30, 2012	9.54	39,000

The current Executive Board members have no individual company pension benefits which would result in pension provisions being required to be made by the company. Instead, the Executive Board annual pension allowance is paid by AIXTRON and included in the fixed remuneration, and is transferred by the Executive Board members into independent insurance contracts with a benevolent fund or similar plan. The allowance amounts to EUR 40,000 for other members of the Executive Board in the years 2014, 2013 and in 2012, payments of EUR 40,000 per year were made to Paul Hyland (in 2013: two months pro rata until termination of appointment) and Wolfgang Breme (in 2014: five months pro rata until termination of appointment) and Dr Bernd Schulte respectively. In the year 2014 and 2013, payments of EUR 80,000 per annum (in 2013: 10 months pro rata since start of appointment) were made to Mr Goetzeler.

4.3.3. Supervisory Board Remuneration

In fiscal year 2014, the remuneration of the Supervisory Board totaled EUR 292,500 (2013: EUR 290,042; 2012: EUR 302,500). For the years 2012 to 2014, Supervisory Board remuneration may be broken down as follows:

Supervisory Board Member	Year	Fixed	Variable	Attendance	Total
		(EUR)	(EUR)	Fee (EUR)	
Kim Schindelbauer ^{1/2/3/4/5} (Chairman of the Supervisory Board)	2014	75,000	0	16,000	91,000
	2013	75,000	0	20,000	95,000
	2012	75,000	0	18,000	93,000
Prof. Dr. Wolfgang Blättchen ^{1/4} (Deputy Chairman of the Supervisory Board since Feb 27, 2013) (Chairman of the Audit Committee)	2014	37,500	0	24,000	61,500
	2013	35,556	0	24,000	59,556
	2012	25,000	0	24,000	49,000
Dr. Andreas Biagosch ² (since May 23, 2013)	2014	25,000	0	8,000	33,000
	2013	15,139	0	2,000	17,139
	2012	0	0	0	0
Prof. Dr. Petra Denk ^{2/3} (since May 19, 2011) (Chair of the Technology Committee)	2014	25,000	0	24,000	49,000
	2013	25,000	0	28,000	53,000
	2012	25,000	0	26,000	51,000
Dr. Martin Komischke (since May 23, 2013)	2014	25,000	0	0	25,000
	2013	15,139	0	0	15,139
	2012	0	0	0	0
Prof. Dr. Rüdiger von Rosen ^{1/3} (Chairman of the Nomination Committee)	2014	25,000	0	8,000	33,000
	2013	25,000	0	20,000	45,000
	2012	25,000	0	6,000	31,000
Karl-Hermann Kuklies (until January 30, 2013)	2014	0	0	0	0
	2013	2,083	0	0	2,083
	2012	25,000	0	0	25,000
Dr. Holger Jürgensen ⁶ (until January 30, 2013) (Deputy Chairman of the Supervisory Board until January 30, 2013)	2014	0	0	0	0
	2013	3,125	0	0	3,125
	2012	37,500	0	16,000	53,500
Total	2014	212,500	0	80,000	292,500
	2013	196,042	0	94,000	290,042
	2012	212,500	0	90,000	302,500

¹⁾ Member of the Audit Committee

²⁾ Member of the Technology Committee

³⁾ Member of the Nomination Committee

⁴⁾ Member of the Capital Markets Committee

⁵⁾ Former AIXTRON Executive Board Member

⁶⁾ Honorary Chairman of the Supervisory Board

As in previous years, there were no payments made to any Supervisory Board member for advisory services in fiscal year 2014.

5. Opportunities and Risk Report

5.1. Opportunities

The development of next generation material deposition technology remains AIXTRON's core competency. It is an area where the Company has developed a global leadership position. AIXTRON Management intends to keep this focus and positioning while at the same time expanding this core know-how into both existing and emerging markets. AIXTRON remains committed to investing in R&D to not only maintain the Company's leading technology position in MOCVD equipment for LEDs but also to enable greater penetration into markets such as for Power Electronics, Organic Semiconductors, next generation Memory and Logic applications.

A key milestone in the field of MOCVD technology was the release of AIXTRON's new generation equipment AIX R6 in November 2014. AIXTRON is working actively with a number of customers to qualify the tool for mass production and to support customers in their growth plans based on this technology.

Another important field for AIXTRON is Power Electronics based on compound semiconductor materials such as Gallium Nitride (GaN) and Silicon Carbide (SiC). Electronic devices based on these material combinations are especially suitable for high voltage applications and are extremely energy efficient. Such device applications can be found in electric vehicles, transformers, converters or feed-in of renewable energy into the grid. AIXTRON expects higher equipment demand as the penetration of above mentioned devices is gaining momentum.

AIXTRON will also continue to implement its strategy to address the large area organic semiconductor application markets with the Company's deposition technology for organic materials, OVPD[®] and PVPD[™]. The exclusively licensed OVPD[®] technology allows a highly efficient deposition of organic material, especially on large area substrates, and offers a number of advantages over other technologies in terms of material consumption and yield. Demonstration and qualification efforts are closely linked to the expansion plans of potential customers in this field.

The Company also aims to make further inroads into the research and development community with its PECVD technology, aimed at manufacturing Carbon Nanostructures including Carbon Nanotubes, Carbon Nanowires and Graphene. The potential applications for advanced Carbon Nanostructures include, among other things, display technologies, semiconductor technologies or composite materials. The significant number of AIXTRON R&D tools installed and the close collaboration with customers allow the Company to align its roadmaps with the market requirements of this emerging technology.

AIXTRON's Silicon team has developed the high throughput QXP-8300 ALD deposition tool aimed specifically at providing efficient and innovative solutions for memory applications. AIXTRON's QXP tool is production qualified at a major Korean chip manufacturer and is in the process of production qualification at two other memory chip manufacturers. In the mid- to long-term, AIXTRON therefore sees further growth potential with this technology. In addition, based on R&D projects and customer feedback, AIXTRON sees tangible opportunities to further support the miniaturization of logic device structures with the use of compound semiconductor materials.

AIXTRON expects that the following market trends and **opportunities** in the relevant end-user markets could have a positive effect on future business:

Short Term

- Further increasing adoption of LEDs for exterior, public infrastructure and commercial lighting.
- Increasing adoption of LEDs for consumer and residential general lighting applications.
- Market positioning of the new AIX R6 MOCVD tool for LED manufacturing
- Increased usage of GaN based devices for energy efficient Power Electronics.
- Increased emergence of high volume Silicon Carbide (SiC) production applications and emerging hybrid and electrical automotive and photovoltaic transistor applications.
- Development of next generation NAND and DRAM memory devices.

Mid- to Long-Term

- Increasing use of LEDs for industrial lighting.
- Progress in the development of technologies for large area OLED displays as well as organic material large area deposition and OLED lighting.
- Further progress in the development of GaN-on-Silicon LEDs.
- Increased emergence and further development of plastic electronics / flexible organic TFT backplanes.
- Increased development activity for specialized compound solar cell applications.
- Increasing requirements for High-k and interconnect components, implying a new approach to production technologies.
- Progress in the convergence of compound semiconductor material applications for further miniaturization, e. g. substituting materials in the silicon semiconductor industry.
- Development of applications using Carbon Nanostructures (Carbon Nanotubes, Carbon Nanowires, Graphene).
- Development of alternative LED applications such as Visual Light Communication technology.

5.2. Risk Management

A large number of systems and procedures for monitoring, analyzing, and documenting business risks and opportunities are deployed at several levels of the organization. Risk and measure reporting is the core component of AIXTRON's strategic risk and opportunity management. Risk managers, responsible for implementing risk reporting, have been appointed in different areas of the Company and at all subsidiaries.

In addition to the aforementioned, as an international technology company, AIXTRON is engaged in business operations worldwide and is, consequently, exposed to a variety of risks. The Company may also benefit from the opportunities related to the risks it is exposed to. To exploit these opportunities and to minimize risks, AIXTRON established a Company-wide risk management system that is continuously being adapted to the evolving business environment and business processes.

To minimize risks and to capitalize on opportunities, AIXTRON pursues a forward looking product strategy, by observing current and identifying anticipated future market trends and customer requirements and continuously striving to develop and maintain unique selling propositions related to its technology. This product strategy incorporates measures for honing the Company's profile in its target market, for building new partnerships and alliances, as well as for training third parties engaged to market, sell, and deploy AIXTRON products. In fiscal year 2014, the Company continued to monitor market trends and the activities of its competitors and evaluated market analyses and forecasts produced by leading market research companies. Project management and quality assurance systems are routinely deployed in all areas of product development where risk awareness and evaluation play a crucial role. Therefore, AIXTRON uses systems for project management and quality control in this area.

These measures are accompanied by a training and development program for managers and specialist employees, and by procedures to maintain and expand the necessary infrastructure when required.

AIXTRON deploys accounting, control, and forecasting software for the global monitoring and management of core enterprise information. Regular reporting processes ensure that information on business and market trends is regularly updated. In addition to annual budget planning, real-time forecasts are used to continuously review and update the Company's plans. As part of the Company's financial control procedures, variances between actual and budget figures are continuously identified and analyzed and serve as basis for corrective measures as necessary.

Furthermore, the Executive Board analyzes the Company's net assets, financial position, and results of operations on a continuous basis. The frequent exchange of knowledge and experiences at all hierarchy levels worldwide ensures the constant and efficient flow of information as well as rapid decision-making.

The Executive Board informs and includes, where required, the Supervisory Board in all key decisions at least once every quarter, and normally at shorter intervals. The Audit Committee of the Supervisory Board meets regularly with the Executive Board to discuss, analyze, and monitor financial issues arising in the course of the Company's business activities. Internal guidelines governing risk management, insider trading, and the disclosure of share price sensitive information ensure compliance with all applicable laws and the implementation of the corporate governance recommendations specified in the German Corporate Governance Code.

The Company's Supervisory Board is informed about the status, plausibility, and further development of the risk management system by the Executive Board on an ongoing basis. In addition, it is the Company's auditor's duty, to inform the Supervisory Board about their audit of the risk management early warning system.

5.3. Internal Control over Financial Reporting

AIXTRON's Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in the Securities Exchange Act of the US Code of Federal Regulations, Title 17, Chapter II, §240, 13a-15(f) or 15d-15(f)) to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of AIXTRON; (ii) provide reasonable assurance that all transactions are recorded as necessary to permit the preparation of AIXTRON's Consolidated Financial Statements and the proper authorization of receipts and expenditures of AIXTRON are being made in accordance with authorization of AIXTRON's Management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of AIXTRON's assets that could have a material effect on AIXTRON's Consolidated Group Financial Statements.

Management assessed AIXTRON's internal control over financial reporting as of December 31, 2014, the end of its fiscal year. Management based its assessment on criteria established in the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and AIXTRON's overall control environment. This assessment is supported by testing and monitoring. If a test should reveal a problem, proper feedback will be given and appropriate action will be taken to resolve the issue. This internal control over the financial reporting system, designed to be dynamic, is being continually adapted to reflect the progressive development of the Company.

Based on the Company's assessment, Management has concluded that AIXTRON's internal control over financial reporting was effective as of December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. AIXTRON's Management reviewed the results of Management's assessment jointly with the Audit Committee of AIXTRON's Supervisory Board.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this annual report and has issued an attestation report on the effectiveness of AIXTRON's internal control over financial reporting pursuant to Section 404 of the U.S. Sarbanes Oxley Act of 2002.

5.4. Single Risk Factors

5.4.1. Currency Exchange Risks and Other Financial Risks

AIXTRON conducts a large part of its business in foreign currencies, i.e., in currencies other than the Euro. The most prevalent foreign currency relevant to AIXTRON is the US Dollar. Unfavorable exchange rate movements, especially the US Dollar/Euro exchange rate, will adversely affect the Company's results of operation. In order to manage foreign exchange risks, the Company routinely monitors if and to what extent currency hedging instruments should be used. In 2014, no currency hedging instruments were used. Nevertheless, Management actively manages the currency risk of balance sheet items by pursuing an active balancing of assets and liabilities held in foreign currencies, specifically in US Dollars.

AIXTRON conducts business with a large number of customers worldwide and is therefore exposed to the risk of bad debt losses. This potential risk is significantly reduced by down payments, letters of credit or bank guarantees. Further information on this subject is contained in section 17. "Trade receivables and other current assets" of the Notes to the Consolidated Financial Statements for 2014.

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

The Company's need for cash is generally provided for, through operating cash flows and, to a smaller extent, through grants. The Company currently commands adequate cash and cash equivalents to meet business needs and carries no debt. However, should AIXTRON not be able to generate sufficient sales revenues, due to a prevailing weak market demand, then this may significantly harm operating results and cash flows in the future. If AIXTRON cannot quickly and appropriately realign its business structure in line with adverse conditions, the need for additional external funding may arise. If it is not possible to acquire sufficient funding, AIXTRON could be forced to delay or reduce operations.

5.4.2. Company-Specific Risks, Market and Competition Risks

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

A persistence of the current market environment with subdued market demand for LED manufacturing equipment would lead to the order intake situation not improving. This could have a significantly adverse impact on the Company's net assets, financial position, and results of operations.

The semiconductor manufacturing equipment industry can be affected by the cyclical nature of the semiconductor industry. Although semiconductors are used in many different products, the markets for those products are interrelated to various degrees. The industry has historically experienced sudden changes in supply and demand for semiconductors. The timing, length and severity of these industry cycles are difficult to predict. During periods of declining demand for semiconductor manufacturing equipment, AIXTRON needs to be able to quickly and effectively align its cost structure with prevailing market conditions, to manage its inventory levels to reduce the possibility of future inventory write-downs resulting from obsolescence, and to motivate and retain key employees. Because a certain proportion of AIXTRON's costs are fixed in the near term, the Company's ability to reduce expenses quickly in response to revenue shortfalls is limited. During periods of rapid growth, AIXTRON's business must be able to acquire and/or develop sufficient manufacturing capacity and inventory to meet customer demand, and to attract, hire, assimilate and retain a sufficient number of qualified people.

AIXTRON's business operates in a highly competitive industry characterized by increasingly rapid technological changes, and if the Company does not develop new products in a timely manner, in response to changing market conditions or customer requirements, it may not be able to compete successfully in this market. AIXTRON's competitive advantage and future success depend on its ability to successfully develop new products and technologies as well as new markets for its products and services. They also depend on the introduction of new products to the marketplace in a timely manner as well as the qualification of new products with its customers and the commencement and adjustment of production to meet customer demands.

AIXTRON often faces lengthy sales and qualification cycles for its products and customer contracts regularly include demanding technical or other commercial hurdles which have to be met. Therefore in many cases the Company must invest time and funds with no assurance that these efforts or expenditures will result in revenues.

Revenues from AIXTRON's systems primarily depend upon the decision of a prospective customer to invest in or upgrade its manufacturing capabilities, which typically involves a significant capital commitment by the customer. AIXTRON often experiences delays in obtaining system orders while customers evaluate and receive internal commercial or technical approvals for the purchase of these systems.

The Company's customers may experience difficulties in acquiring manufacturing facilities or maintaining a sufficient flow of raw materials and components or accessing cash to achieve their increased manufacturing output. Should this occur, customers could request to delay AIXTRON system shipments. These delays may include the time necessary to plan, design or complete a new or expanded semiconductor fabrication facility. Due to these factors, the Company expends substantial funds as well as marketing and management efforts to sell its semiconductor production systems. These expenditures and efforts may not result in revenues.

The Company's customers often accelerate or delay expenditures, or they cancel or reschedule their orders. As a result, AIXTRON must be able to react quickly to these changes in supply and demand. Failure to quickly align the Company's cost structure and manufacturing capabilities with industry fluctuations could lead to significant losses or a failure to capitalize on increased demand opportunities. In either event, the results of operations may be adversely affected, which could result in significant volatility in the market price of the Company's ordinary shares and ADS.

To partly protect AIXTRON from negative effects of the cyclicity of the semiconductor markets, AIXTRON outsources a large part of its production to third party suppliers. To minimize risks in this area, the company generally dual sources the supply of procured key items.

AIXTRON invests heavily into R&D and AIXTRON's future success depends highly on its ability to translate the knowledge gained from R&D into commercial success. Should this fail, then this could have a significantly adverse impact on the Company's net assets, financial position, and results of operations.

Because in the past there has been substantial industry litigation regarding patents and other intellectual property rights infringements, AIXTRON cannot exclude the possibility of itself infringing upon intellectual property rights of third parties or of itself being held liable for allegedly infringing upon third party intellectual property rights. The costs associated with such litigation could be substantial. Among other things, AIXTRON therefore pursues a continuous assessment of its intellectual property.

Information on risks, can also be found in section "Risk Factors" in AIXTRON's 2014 20 F Report, which has been filed with the U.S. Securities and Exchange Commission on February 24, 2015.

5.5. Overall Statement to the Risk Situation

Neither within fiscal year 2014 nor at the time of writing has the Executive Board identified any risks that could jeopardize the Company's continued existence.

6. Report on Expected Developments

6.1. Future Market Environment and Opportunities

In their World Economic Outlook January 2015 update report, the IMF forecasts global growth to increase to 3.5% in 2015 (2014: 3.3%). Global growth will receive a boost from lower oil prices being more than offset by other factors such as investment weakness. At this point in time, AIXTRON does not expect any significant influence on its business development from the global economic environment. However, the possibility of further setbacks to the global economy cannot be ruled out.

Gartner Dataquest estimated (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update, December 2014) that semiconductor capital spending in 2014 grew by 12.9% to USD 65 billion. In the same report, Gartner forecasts a stable semiconductor capital spending at circa USD 66 billion (+0.8%) in 2015 and then declining again to USD 65 billion in 2016 (Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update).

In Wafer Fab equipment, the segment where AIXTRON competes, Gartner expects a 6.8% annual increase in the size of the market from USD 31.6bn in 2014 to USD 33.7bn in 2015 and a decline to 32.8bn in 2016.

According to some financial and market analysts, the value of MOCVD equipment was expected to have reached a range of USD 250 million to USD 450 million by the end of 2014. It is expected to be within the range of USD 290 million and USD 610 million in 2015. The market will need to increase manufacturing capacity driven by increasing demand for LEDs.

According to one market analyst's opinion, the total silicon power transistor market is expected to grow from USD 8.9 billion to 10.2 billion between 2013 and 2018 (Gartner, April 2014). According to a study from IHS, the market for SiC and GaN Power Electronics devices, which can be produced using AIXTRON equipment, is estimated to generate a volume of USD 663 million by 2017. Estimates of an accessible market size for the respective production equipment are based on internal assessments and are therefore not meaningful at this point in time.

AIXTRON Management believes that the markets AIXTRON addresses with its organic large area, OVPD[®], PVPD[™] and PECVD technologies bear substantial growth potential in the mid- to long-term. This growth potential in the market for organic deposition systems from the necessity of the device manufacturers to invest into technologies that enable them to achieve improved features and aggressive cost reduction targets. In the highly competitive market space of TVs or large area Displays, efficient manufacturing technologies such as those provided by AIXTRON are required to be able to compete. The market volume for OLED devices including OLED TVs are expected by DisplaySearch in its OLED Shipment and Forecast Report to grow from c. USD 10 billion in 2014 to c. USD 20 billion in 2021. However, as with all emerging technologies, there is an element of risk associated with the timing of AIXTRON's technology being adopted by the market. Estimates of an accessible OLED or Carbon Nanostructure equipment market size are based on internal assessments and are therefore not disclosed.

The specific market niche to be addressed by AIXTRON's ALD technology for the production of specialized applications such as gate stacks and capacitors is estimated to be valued at USD 449 million by the end of 2014 (2015e: USD 514 million; 2016e: USD 515 million) (Gartner Dataquest Forecast: Semiconductor Manufacturing Equipment, Worldwide, 4Q14 Update, December 2014). AIXTRON's QXP tool is production qualified by a major Korean memory chip manufacturer and is in production qualification at two other memory chip manufacturers. AIXTRON therefore sees further growth potential with this technology.

6.2. Expected Results of Operations and Financial Position

For ALD equipment to produce memory chips, Management expects an increase of demand in 2015. Management also sees near term equipment growth potential from an increasing penetration of GaN- and SiC-based power devices. Global demand for LEDs continues to grow driven by the increasing adoption of LEDs into the general lighting market. Despite this encouraging development, most AIXTRON LED customers currently remain reluctant to invest significantly into additional manufacturing capacity for LEDs. However, Management continues to expect an improving demand for MOCVD-production capacity as total demand for LEDs continues to increase. Nevertheless, the exact timing and extent of such a pickup of equipment demand remains difficult to predict.

MOCVD production equipment for LEDs will remain the largest and volatile driver of AIXTRON's revenues in 2015. Consequently, Management is unable to make any precise forecast for the Company's revenues and earnings in the current fiscal year 2015. Nevertheless, as a result of the accelerated cost reductions and restructuring of the Company, earnings will see another year-on-year improvement in 2015.

The guidance for the 2014 revenue and earnings development, which was published in the Annual Report 2013, was achieved.

Based on the current assessment on AIXTRON's order situation, including current risks and opportunities as well as on the internal budget rate of USD/EUR 1.25, Management expects AIXTRON to achieve revenues in fiscal year 2015 between EUR 220 and 250 million with a corresponding increase to order intake.

The overall financial performance in fiscal year 2015 will be impacted by the successful positioning of the new AIX R6 tool and its production ramp up, as well as by the execution of crucial R&D projects. Nevertheless, Management expects to achieve a sequential improvement of results in both halves of 2015 (compared with the previous six month periods). Management also expects to reach EBITDA break-even within the second half of fiscal year 2015 with EBIT, net result and free cash flow continuing to improve significantly but remaining negative for the full year 2015.

R&D investments will have a significant impact on the actual amount of operating expenses. AIXTRON considers the consistent execution on its product roadmap for its future technologies, such as OLED, Power Electronics, Logic, etc., in terms of timing, quality and cost a core objective.

In fiscal year 2015, Management will continue its activities to increase efficiency with a particular emphasis on costs, margin contributions and the allocation of funds. The Company will focus on the successful positioning of the new AIX R6 MOCVD equipment and the targeted investments in AIXTRON's relevant future technologies.

In the short-term, a stronger than currently expected market upturn depends largely on the progress of the penetration of LED applications in the general lighting market, which could lead to higher demand for LED production equipment. An improvement of the macroeconomic environment could further support this development.

As in previous years, Management expects that the Company does not require any external bank debt financing in 2015. Furthermore, the Company will retain its strong equity base also in the foreseeable future.

6.3. Overall Statement on the Future Development

Due to our proven ability to develop and market best-in-class enabling deposition equipment for a variety of markets, we continue to believe in the positive short- mid- and long-term outlook for AIXTRON and its targeted markets.

As at December 31, 2014, AIXTRON had no binding agreements for participation financing, company acquisition or transfers of parts of the Company.

7. Information concerning section 315 (4) of the German Commercial Code (“HGB”) on takeovers

The Company’s stated share capital as of December 31, 2014 amounted to EUR 112,694,555 (December 31, 2013: EUR 112,613,445; December 31, 2012: EUR 101,975,023) divided into 112,694,555 registered shares with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. Each no-par value share represents the proportionate share in AIXTRON’s stated share capital and carries one vote at the Company’s annual shareholders’ meeting. All registered shares are fully paid in. The Company has issued a share certificate representing multiples of shares (global share); shareholders do not have the right to the issue of a share certificate representing their share(s). There are no voting or transfer restrictions on AIXTRON’s registered shares that are related to the Company’s Articles of Association. There are no classes of securities endowed with special control rights, nor are there any provisions for control of voting rights, if employees participate in the share capital without directly exercising their voting rights.

Additional funding needs could be covered by the following additional capital as authorized by the annual shareholders’ meeting:

Funding Sources (EUR or number of shares)	2014 31-Dec	Approved since	Expiry Date	2013 31-Dec	2012 31-Dec	2014-2013
Issued shares	112,694,555	--	--	112,613,445	101,975,023	81,110
Authorized Capital 2014 - Capital increase for cash or contribution in kind with or without existing shareholders' preemptive rights	45,883,905	05/14/2014	05/13/2019	0	0	45,883,905
Authorized Capital 2012 - Capital increase for cash or contribution in kind with existing shareholders' preemptive rights	10,422,817	05/16/2012	05/15/2017	10,422,817	10,422,817	0
Authorized Capital 2011 - Capital increase for cash or contribution in kind with or without existing shareholders' preemptive rights	cancelled	05/19/2011	05/18/2016	30,248,813	40,471,946	(30,248,813)
Conditional Capital I 2012 - Authorization to potentially issue convertible notes or warrants in future	40,715,810	05/16/2012	05/15/2017	40,715,810	40,715,810	0
Conditional Capital II 2012 - Stock Options Program 2012	4,208,726	05/16/2012	05/15/2017	4,208,726	4,208,726	0
Conditional Capital II 2007 - Stock Options Program 2007	2,890,613	05/22/2007	12/31/2018	2,927,226	3,136,628	-36,613
Conditional Capital 4 - Stock Options Program 2002	471,713	05/22/2002	12/31/2016	516,210	722,097	-44,497
Conditional Capital 2 - Stock Options Program 1999	1,926,005	05/26/1999	12/31/2017	1,926,005	1,926,005	0

In accordance with section 71 (1) no. 8 German Corporations Act, AktG, the Company is authorized until May 13, 2019, with the approval of the Supervisory Board, to purchase its own shares representing an amount of up to EUR 11,262,429 of the share capital. This authorization may not be used by the Company for the purpose of trading in own shares. The authorization may be exercised in full, or in part, once, or on several occasions by the Company. The shares may be purchased (1) on the stock market or (2) by way of a public offer to all shareholders made by the Company or (3) by way of a public invitation to submit offers for sale.

Any amendment to the Articles of Association related to capital measures requires a 75% majority of the share capital represented at the Annual General Meeting (Article 59 SE Regulation, SE-VO; §179 German Corporations Act, AktG). Other amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least one half of the share capital is represented, a simple majority of the votes cast.

As of December 31, 2014, about 21% of AIXTRON shares were held by private individuals, with around 79% held by institutional investors. The largest AIXTRON non-institutional shareholder was Camma B.V., Renesse (Netherlands) with 6.8% holdings in AIXTRON stock. Circa 93.2% of the shares were considered as free float according to Deutsche Börse’s definition.

The Supervisory Board appoints and removes from office the members of the Executive Board, who may serve for a maximum term of six years before being reappointed.

If a change of control situation exists, the individual members of the Executive Board are entitled to terminate their service relationship with AIXTRON with a notice period of three months to the end of the month and to resign from their post on the termination date. Upon termination of the services as a result of a change of control, such member of the Executive Board will receive a severance pay in an amount equal to the fixed and variable compensation expected to be owed by the Company for the remaining term of the service contract, however, not exceeding an amount equal to twice the annual compensation. A change of control situation exists if a third party or a group of third parties who contractually combine their shares in order to act subsequently as a third party, directly or indirectly hold more than 50% of the Company's authorized capital. Apart from the above mentioned, there are no further changes of control provisions.

8. Responsibility Statement

Responsibility Statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 4 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the Consolidated Financial Statements:

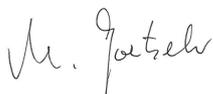
“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.”

Herzogenrath, February 23, 2015

AIXTRON SE, Herzogenrath

Executive Board

Martin Goetzler
Chief Executive Officer



Dr. Bernd Schulte
Chief Operating Officer

