

# Supervisory Board Report

The Supervisory Board fully satisfied its responsibilities and duties as stipulated by law, in the Articles of Association and by-laws. All members of the Supervisory Board and its committees took part in all meetings.

We continuously monitored the Executive Board management activities, and actions were monitored on a regular basis; it was ensured that the Company was managed in a legal, orderly, proper and cost-effective manner.

During the reporting year, the Supervisory Board did not make use of the option of inspecting the books and documentation of the Company (Article 111 (2) AktG // German Stock Corporation Act). This was not necessary due to the regular intensive and satisfactory reporting by the Executive Board, the audit by and the discussions with the Auditor (German Public Auditors) and the described supplementary monitoring measures.

## Composition of the Supervisory Board and Executive Board

The Executive Board fully satisfied its verbal and written reporting duty to the Supervisory Board. It involved us and our specialist committees in all material business transactions and highly significant decisions for the Company.

We had in-depth discussions **in the meetings** (both in plenum discussions as well as in the committees) with the Executive Board about the information presented to us. Cooperation with the Board of Directors was characterised in all respects by responsible and targeted activities.

**Outside of the meetings** we regularly consulted within the Supervisory Board, and the Executive Board informed us of important events in the AIXTRON Group in a timely fashion.

**Between meetings** I met regularly with the Chief Executive Officer, Martin Goetzeler. In addition to talking about the current business situation, we also talked about issues related to strategic alignment, the risk situation, risk management and compliance. Between meetings, the Chairman of the Audit Committee, Prof. Dr. Blättchen, and the Chairman of the Technology Committee, Prof. Dr. Denk, maintained active dialogue with the respective Executive Board members responsible.

All Supervisory Board members also received detailed quarterly reports on the status of the Company. Through a protected intranet web portal, the Supervisory Board had access to other documents and information, such as internal control reports, meeting minutes, company presentations, research analyst reports, analyst consensus reports, press releases and AIXTRON's financial reports.

As in every year, we also consulted with the Executive Board on the risk situation, risk management and compliance in the Company and carefully checked the corresponding developments and measures.

The Executive Board presented all transactions subject to approval to the Supervisory Board in a timely fashion. After thorough consultation and review, we gave our consent where appropriate.

## Focus of plenum discussions

In 2014, the Supervisory Board convened in one extraordinary meeting on January 24 and four ordinary meetings on February 24, May 13, September 17 and December 10, all of which were attended by all six members of the Supervisory Committee.

In the **four ordinary meetings**, we regularly conducted in-depth discussions on the development of the business of the AIXTRON Group, particularly in light of the ongoing market weakness and the price/competition pressure. During these meetings we were able to form a sufficient picture of the current business situation using the current financial figures and the updated forecast reports and development plans (orders, revenues, market shares). Deviations from the budget plan during the course of business were explained in detail and justified.

In the ordinary Supervisory Board meetings in February, May, September and December, we were informed of the progress of various projects, relevant product developments (example: new MOCVD system AIX R6; market launch in November), important customer orders (for example: San'an, a major contract from China, obtained and published in September), key developments in the region (for example: closure of the Swedish site, AIXTRON AB), changes in the personnel and internal organisational structure as well as the progress and measures of the Five Point program (example: iSCM Supply Chain Management project which focuses on shortening supply times).

In view of the current situation for margins and earnings, we discussed in detail various proposals to further reduce costs in each of these meetings. To this end, the Executive Board supplied us with detailed cost breakdowns. We used them as a basis to discuss specific measures, particularly to further reduce manufacturing costs significantly (material, production and installation) and sales and administrative costs, and to define targets. For example, under the scope of a newly created "Design-to-Cost" project, we initiated the review of all production costs spanning functions and products and particularly the reduction of the purchase costs of materials and components. Our aim is to improve the overall cost structure and help to turn a profit through stronger management of the various departments to meet financial targets (KPIs) under the Five Point program.

As a result of AIXTRON's strategic alignment with its strong focus on innovation, we agreed with the Executive Board that, for R&D, it only makes sense to limit maximum costs without any other significant cost reductions. Moreover, special priority was given to those R&D projects which focused on developing new fields of the future with existing technologies. The respective innovation processes were discussed for this purpose.

In addition, the following topics were addressed in the individual meetings:

### Supervisory Board meetings in 2014

The **extraordinary meeting on 24 January 2014** primarily dealt with the result of the comprehensive strategic analysis and the newly formulated corporate strategy with a focus on defined technology fields. We also made changes to the responsibilities of the CEO and CFO.

The meeting on **February 24, 2014** concentrated on the Annual and Consolidated Financial Statements for fiscal year 2013 and the respective discussions and resolutions on the agenda. We reported on this information in detail in our report for fiscal year 2013. In addition we looked at the agenda of the 2014 Annual General Meeting and the resolutions it proposed. Finally, we unanimously approved the increase in the current stock option tranche (2013) from 800,000 to 950,000 stock options, particularly so that key employees are adequately included.

At the meeting on **May 13, 2014**, we authorised the Executive Board to buy back treasury shares to use for performance-based remuneration of the Executive Board.

At the meeting on **September 17, 2014**, we issued approvals to pursue various strategic projects. We also resolved to exempt the Chief Executive Officer, Martin Goetzeler, from the ban on multiple representation pursuant to Section 181 2nd Alternative of the German Civil Code (Bürgerliches Gesetzbuch - BGB) so that he can also assume the role of CEO at subsidiaries of AIXTRON SE. We also reallocated the responsibilities of the Executive Board after the departure of the CFO at the time, Wolfgang Breme, in a modified business distribution plan now that the responsibility for finances in the Executive Board lies with the Chief Executive Officer, Martin Goetzeler. Finally, we agreed to another increase in the stock options to be issued under the stock option program 2012 as "Tranche 2014" and "Tranche 2014\_1" to 1.2 million units so that stock options can be offered to a broader group of employees.

On **December 10, 2014**, the Supervisory Board of AIXTRON SE convened for its last ordinary meeting of the year. Here we agreed to the 2015 budget presented by the Executive Board after a detailed discussion, with the provision that the planned expenditures must be monitored regularly along with the progress of the business. Among other elements, the 2015 budget includes detailed sales revenues, income, financial and investment planning data, as well as the planned personnel development at AIXTRON. In addition, it included the new internal organizational structure which envisages responsibilities on the basis of technology fields that were presented to us in the previous meetings by the Executive Board.

Finally, in the last meeting of the year, we conducted a self-evaluation of our activities using an extensive questionnaire distributed to the members of the Supervisory Board in advance of the meeting, which found that the Supervisory Board and its committees are working efficiently.

## Committees

The Supervisory Board currently has four committees: an Audit Committee, a Technology Committee, a Nomination Committee and a Capital Market Committee.

The **Audit Committee** addresses, in particular, the monitoring of the accounting process, compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the implementation of the rules in accordance with Section 404 Sarbanes-Oxley Act (SOA 404). The Chairman of the Audit Committee, Prof. Dr. Blättchen, is an independent Supervisory Board member whose area of expertise is reporting and audits (as required by law: Section 107 (4); Section 100 (5) AktG // German Stock Corporation Act) and who has particular knowledge and experience in the application of internal control processes. In the reporting year as well, the Audit Committee was responsible for the audit of the financial statements and monitored, in particular, the required independence of the auditor and any additional services performed by the auditor. Finally, it issued the mandate to the auditor, identified the focal points of the audit and handled the fee arrangements. The Committee Chair reported regularly on the work of the Audit Committee to the Supervisory Board.

The Audit Committee convened four times in 2014, and the meetings were all attended by all three Committee members. In addition to the financial and earnings situation, the Audit Committee looked at the following issues, among others:

- Restructuring of the "Finances" division following the resignation of the Mr. Wolfgang Breme from the Company's Executive Board and the revision of all corporate representation regulations
- The engagement of the auditing firm Deloitte & Touche GmbH to audit the Individual Financial Statements of AIXTRON SE in accordance with the German Commercial Code (HGB) and the Consolidated Financial Statements of the AIXTRON Group in accordance with IFRS, the US Annual Report in the 20-F form, the risk screening system within the meaning of Section 91 (2) AktG and the internal controls for the financial reporting within the meaning of SOA 404 and prepare a Management Letter and findings in accordance with Section 7.2.3 DCGK (German Code of Corporate Governance at AIXTRON SE).
- Review of the Statement of Independence and the "Management Letter" written by the Auditor (main conclusions from 2013 audits of the Individual Financial Statements and the Consolidated Financial Statements of the AIXTRON Group and of the internal control system).
- Revision of the compliance plan, in part, to comply with the Dodd-Frank Act, the new SEC requirements for what are known as conflict minerals (e.g., tantalum, tungsten, tin, gold) and regular reporting (SEC Form SD); adjustments to the compliance manual; obtaining compliance statements from executives on a quarterly basis.
- Regular discussion of the quarterly report and the semi-annual report in telephone conferences.
- Audit focal points for Deloitte & Touche GmbH for the audit of the 2014 AIXTRON Individual Financial Statements and Consolidated Financial Statements.
- Risk management report (ordinary risk management of the Executive Board pursuant to Section 91 (2) AktG and effectiveness of the risk management system)
- Company audit USA, tax audit Germany
- SOX testing
- Regular review of the 20-F by the SEC
- Implementation of COSO 2013 (updated rules for SOA inspections) to reduce the number of inspections conducted
- Issue of cyber security
- Development of the inventory/stock levels

The **Technology Committee** deals, in particular, with questions of AIXTRON's market positioning in technology, patents, product planning and technology development, potential technology acquisitions and other topics relating to diversification. The Committee Chair, Prof. Denk, regularly reports to the Supervisory Board on the activities of the Technology Committee in the plenum meetings.

In fiscal year 2014, the Technology Committee convened in four meetings which were all attended by all three committee members. The focus of the Technology Committee's work, in addition to the status reports from the individual technology areas, was further developments of products and their critical assessment.

The **Nomination Committee**, consisting of three members, makes nomination proposals to the Supervisory Board if one of the Supervisory Board positions needs to be replaced, taking into account its own objectives on its future composition as well as following the requirements of the DCGK regarding appropriate diversity and an appropriate number of independent Supervisory Board members. The **Nomination Committee** did not convene in fiscal year 2014.

Due to the evaluation of various strategic projects, the Supervisory Board formed a **Capital Market Committee** consisting of two members as of April 12, 2014. The committee with its two members convened on April 27, 2014 and August 22, 2014 in Frankfurt.

## Corporate Governance and Declaration of Conformity

The Supervisory Board regularly checks on the development of the Corporate Governance Standards and, together with the Executive Board, writes a joint **Corporate Governance report**. We will continue to support the Executive Board in its efforts to remain in full compliance with the German Corporate Governance Code recommendations.

In the latest **Declaration of Conformity** in accordance with Section 161 AktG (German Stock Corporation Act) dated February 2015, with the exception of the deviations stated, the Executive and Supervisory Board certified full compliance with the recommendations of the German Corporate Governance Code.

No conflicts of interest were reported by the members of the Supervisory or Executive Board.

## Changes to the Executive Board

As of May 31, 2014 Mr. Wolfgang Breme resigned from the Company's Executive Board that he had been a member of since 2005. We thank Mr. Breme for his long-standing commitment which helped shape the development of AIXTRON for many years. Following Mr. Breme's departure, the Chief Executive Officer (CEO), Mr. Martin Goetzeler, also assumed the role of CFO.

## Audit and Annual Financial Statements

Following the resolution passed at the Company's Annual General Meeting on May 14, 2014, the Supervisory Board awarded the mandate to audit the Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group for fiscal year 2014 to Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf.

The **auditors also reviewed** the Company's Annual Report in Form 20-F and the internal control system in accordance with the Sarbanes-Oxley Act of 2002, as well as measures implemented by the Executive Board to detect, at an early stage, business risks that could potentially jeopardize the performance and existence of the Company. It was also agreed that the auditors would, if necessary, inform the Supervisory Board or make a note in the audit report of any facts found during their examination which conflict with the Declaration of Conformity under Section 161 AktG (German Stock Corporation Act) issued by the Executive Board and the Supervisory Board. As in previous years, the auditors did not make any note of such a finding for fiscal year 2014.

The Financial Statements of AIXTRON SE as of December 31, 2014 and the Management Report were prepared in accordance with the requirements of the German Commercial Code (HGB), while the Consolidated Financial Statements as of December 31, 2014 and the Group Management Report were prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS). The Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group were each given an unqualified audit opinion. The auditors found that the Management Reports of both AIXTRON SE and the AIXTRON Group present a true and fair view of the current position and prospects of AIXTRON SE and the AIXTRON Group.

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group as of December 31, 2014, including the Management Report of the Company and the Group) and the audit reports by the auditors were submitted to the Audit Committee and the full Supervisory Board for examination in a timely manner. We **examined these documents** in detail. The Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group, as well as the respective Management Reports, were **discussed in detail** with the Company's auditors at the Audit Committee and Supervisory Board Meeting on February 23, 2015, with due consideration given to the auditor's reports. The auditor, who participated in both the meeting of the Audit Committee as well as the subsequent meeting of the Supervisory Board meeting, reported on the key audit results, which also covered the internal control and risk management system as they relate to the accounting process, and was available to answer any additional questions raised by the Audit Committee or Supervisory Board. The Supervisory Board also discussed the 2014 Annual Report Form 20-F as required by the U.S. Securities and Exchange Commission (SEC).

Following our own examination, we had no objections to the single-entity or consolidated financial statements submitted. The respective Management Reports matched our own assessment of the Company and the Group's situation. We fully concurred with the auditor's results and opinion and consequently, in a resolution **passed** on February 23, 2015, we approved both the Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group prepared by the Executive Board for fiscal year 2014. The Annual Financial Statements of AIXTRON SE are therefore **formally adopted**. Form 20-F for fiscal year 2014 was approved for filing with the SEC.

## Note of thanks from the Supervisory Board

We would like to thank the Executive Board and all employees around the world. With their personal dedication and loyalty, they have helped initiate various restructuring and cost reduction measures that will benefit our company. We would also like to thank the employee representatives for their constructive work with various boards and councils within the Company. We would also like to express our appreciation to our shareholders for their support and their ongoing confidence in AIXTRON SE.

Herzogenrath, February 2015

AIXTRON SE

Kim Schindelhauer  
Chairman of the Supervisory Board

