

Group Management Report

Group Management Report as of December 31, 2013

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); Nanoinstruments Ltd. (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 issued by the International Accounting Standards Board ("IASB"). 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, 2013:

| 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% |
| Nanoinstruments Ltd. | England & Wales | 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, 2013, AIXTRON's Executive Board ("Management") consisted of the following three individuals:

| Name | Position | First Appointment | End of Term |
|-------------------|--|-------------------|-------------------|
| Martin Goetzeler* | Chairman, President and Chief Executive Officer | March 1, 2013 | February 28, 2017 |
| Wolfgang Breme | Executive Vice President and Chief Financial Officer | April 1, 2005 | March 31, 2016 |
| Dr. Bernd Schulte | Executive Vice President and Chief Operating Officer | April 1, 2002 | March 31, 2015 |

*) Successor of Paul Hyland who held this position until February 28, 2013

As of December 31, 2013, 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, Chairman of the Capital Markets Committee | 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⁾⁴⁾ | 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 2013 Capital Markets 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 15 facilities worldwide owned or rented as of December 31, 2013:

| Facility location | Use | Approx. size (m ²) | Lease expiry |
|-------------------------------|---|--------------------------------|--------------|
| Herzogenrath, Germany (owned) | Headquarters, Manufacturing, Service, Engineering | 12,457 | - |
| Herzogenrath, Germany (owned) | Research & Development, Manufacturing, Engineering, Sales, Administration | 16,000 | - |
| Aachen, Germany (leased) | Research & Development | 200 | 02/28/2016 |
| Cambridge, UK (leased) | Manufacturing, Engineering, Research & Development | 2,180 | 09/13/2019 |
| Cambridge, UK (leased) | Sales, Service, Engineering | 1,386 | 06/27/2020 |
| Lund, Sweden (leased) | Engineering, Service | 449 | 12/31/2014 |
| Sunnyvale, CA, USA (leased) | Manufacturing, Sales, Service, Engineering, Research & Development | 9,338 | 10/31/2017 |
| Seoul, South Korea (leased) | Sales, Service | 1,032 | 12/31/2015 |
| Shanghai, China (leased) | Sales, Service | 755 | 07/31/2014 |
| Suzhou, China (leased) | Sales, Service | 537 | 06/21/2014 |
| Yangzhou, China (leased) | Sales, Service | 90 | 10/14/2014 |
| Hsinchu, Taiwan (leased) | Sales, Service | 1,417 | 12/31/2014 |
| Hsinchu, Taiwan (leased) | Sales, Service | 476 | 03/31/2014 |
| Tainan, Taiwan (leased) | Service | 203 | 05/27/2016 |
| Tokyo, Japan (leased) | Sales, Service | 364 | 09/30/2014 |

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.

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 demands 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. With the planned implementation of an energy management system according to DIN EN ISO 50001:2011 AIXTRON will contribute to the efficient use of energy and the careful use of resources. The Company's engineers work diligently to continuously improve AIXTRON's systems, both in terms of resource conservation and environmental-friendly design and function.

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 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 ("OVPD^{®n}") 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 | | |
| Products | Planetary Reactor [®] | OEC-200 (Cluster Environment for R&D Platform) | Lynx CVD |
| | Close Coupled Showerhead [®] | OVPD-200 (OVPD system for OEC-200 cluster platform) | QXP-8300 |
| | Nano CVD Reactors BM Series | PRODOS-200 (PVPD system for OEC-200 cluster platform) | |
| | | OVPD Production Systems (Gen2 and larger) | |
| | | PRODOS Production Systems (Gen2 and larger) | |
| Potential Applications/Devices | LEDs | OLEDs for displays | Metal and Oxide films for CMOS gate stacks |
| | Optoelectronics (photo diodes, lasers, modulators for telecom/datacom) | OLEDs for solid state lighting | Metal and Oxide films for capacitor structures in DRAMs, NAND and PCRAMS |
| | Laser devices for consumer electronics (CDs, DVDs) | Organic transparent thin film solar cells | |
| | 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 films | |
| | Solar cells | | |
| | Carbon Nanostructures for electronic, display & heat sink applications | | |
| | Graphene structures for electronic applications | | |

(as of December 31, 2013)

AIXTRON also offers a comprehensive range of peripheral equipment and services. Additionally, the Company offers its customers training, consulting and support services.

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 G5 planetary reactor[®] platform family, including its latest member, the G5+, the CRIUS[®] II-XL 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 state-of-the-art 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.

As the Company's R&D capability remains a factor of key strategic significance, AIXTRON is committed to investing continuously 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 process applications. A thorough analysis of AIXTRON's technology fields confirmed the Management's view on targeted future opportunities and the R&D investments in these fields and further technology areas with great market potential have been identified. R&D expenditures are monitored closely and are being made specifically in the defined growth areas. Moreover, a newly developed product development process is being successfully implemented in all new development projects, leading to more controlled and defined development processes. The Company's R&D program comprised a team of on average 297 dedicated and highly skilled R&D employees in 2013 (2012: 337; 2011: 279).

For more information regarding R&D expenses from fiscal year 2011 through 2013, refer to "Development of Results" in this report.

Underlining the commitment to remain a recognized technology and market leading Company, R&D activities in 2013 included continual improvement programs for AIXTRON's existing products and markets, i.e. the delivery of more process capabilities, factory integration, increased automation and the development of new system architectures, all of which are targeted at enabling customers, who are faced with increasing margin pressure, to achieve improvements in throughput efficiencies and total cost of ownership.

Specific examples for AIXTRON's research and development activities that are targeted to develop new technology and market opportunities outside of the LED industry, include a number of new publicly funded research projects launched in 2013. In all of these projects, AIXTRON acts as the industry partner responsible for deposition technology. In the "Graphene-FET flagship" project, for example, a graphene deposition technology is being developed for numerous future applications, such as in wireless communications, display technology, sensors, and for energy saving. The "SMARTONICS" project targets the future market for organic electronics (e.g. for OLEDs, sensors). In the "MoWSeS" project, new 2D nanostructures/materials are being developed and could be put to future use in transistor technology.

1.7. Patents

AIXTRON aims to secure its technology by patenting and protecting inventions and know-how, provided it is strategically expedient and possible for the Company to do so. As of December 31, 2013, 198 patent-protected inventions were in use, of which 24 were registered in the reporting period. Patent protection for these inventions applies in those sales markets relevant for AIXTRON, specifically in Europe, China, Japan, South Korea, Taiwan and the United States. These patents are maintained and renewed annually and will expire between 2014 and 2033.

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 deposition technologies. Under the terms of those licenses, AIXTRON sells epitaxial reactors that manage the layering of materials, produced by thin film deposition processes that enable the high precision liquid injection, evaporation and gas phase deposition of metal organic materials required to produce photoelectric and electronic devices. Similar principles are employed in the design of Organic Vapor Phase Deposition equipment for use in the manufacture of organic light emitting devices. Management finds it impractical to quantify the portion of revenues attributable to products that incorporate the technology governed by these agreements because all product sales can be aggregated into one group based upon the common technology.

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 as described above.

In 1994, AIXTRON was awarded the international quality management standard certification DIN EN ISO 9001. In 2003, the process-oriented management system was successfully certified in accordance with worldwide quality standard DIN EN ISO 9001:2000. In October 2009, this certification was updated to DIN EN ISO 9001:2008.

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, amongst others 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.

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.

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 atmosphere, to prevent social discrimination against minorities, and to cultivate equal opportunities.

Management and leadership quality of an organization also have great impact on the success of a company. Therefore, AIXTRON targets to promote these qualities in the course of its 5 Point Program described below.

In 2013, the total number of employees decreased by 20%, from 964 employees at the end of 2012 (2011: 978) to 776 at December 31, 2013. This was mainly attributable to the global staff reductions of approximately 20% in the course of the Company's 5 Point Program to reduce its cost base and return to profitability. Due to the staff reduction program and the continuously subdued business volume the biggest absolute decrease in personnel was recorded in the Manufacturing & Service department while the biggest relative decrease was seen in the Sales department. The largest group of permanent employees continue to be employed in Manufacturing and Service positions. In 2012, the biggest individual increase in employees occurred in R&D, which grew by 5%, and the largest number of permanent employees were those in Manufacturing and Service positions.

| Employees by Function | 2013 | | 2012 | | 2011 | | 2013-2012 | |
|-------------------------|------------|------------|------------|------------|------------|------------|-------------|------------|
| | Dec-31 | % | Dec-31 | % | Dec-31 | % | abs. | % |
| Sales | 66 | 8 | 88 | 9 | 85 | 9 | -22 | -25 |
| Research & Development | 264 | 34 | 333 | 35 | 318 | 32 | -69 | -21 |
| Manufacturing & Service | 338 | 44 | 427 | 44 | 450 | 46 | -89 | -21 |
| Administration | 108 | 14 | 116 | 12 | 125 | 13 | -8 | -7 |
| Total | 776 | 100 | 964 | 100 | 978 | 100 | -188 | -20 |

As of December 31, 2013, the majority of AIXTRON's worldwide permanent employees were – as in previous years – based in Europe. However, this region was also most affected by the global staff reductions.

| Employees by region | 2013 | | 2012 | | 2011 | | 2013-2012 | |
|---------------------|------------|------------|------------|------------|------------|------------|-------------|------------|
| | Dec-31 | % | Dec-31 | % | Dec-31 | % | abs. | % |
| Asia | 168 | 22 | 188 | 20 | 181 | 19 | -20 | -11 |
| Europe | 491 | 63 | 660 | 68 | 660 | 67 | -169 | -26 |
| USA | 117 | 15 | 116 | 12 | 137 | 14 | 1 | 1 |
| Total | 776 | 100 | 964 | 100 | 978 | 100 | -188 | -20 |

1.11. Customers and Geographic Regions

Amongst others, AIXTRON's semiconductor device customers are engaged in the manufacturing of LEDs, integrated circuits, wireless devices, power electronics, optoelectronics, logic and data storage 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 revenues by region.

1.12. Competitive Positioning

AIXTRON's main competitor in MOCVD applications is still Veeco Instruments Inc. (USA) with part of its "LED & Solar" business segment. AIXTRON also competes with a number of Asian manufacturers including Taiyo Nippon Sanso (Japan), amongst others. As a consequence of the rising LED end-market expectations and positive 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 (April 2013), it was estimated that the share of the worldwide MOCVD equipment market (estimated 2012 total market value: USD 446 million) held by AIXTRON in 2012 was around 45%. In the same report, the Company's main competitor in terms of sales, Veeco Instruments Inc., had an estimated market share of approximately 52%. Viewed in the mid to long term, AIXTRON continues to target a market leading position in the global MOCVD market. In a more recent report (December 2013) Gartner Dataquest anticipated that the total value of the 2013 MOCVD equipment market would decrease to approximately USD 314 million with AIXTRON and Veeco remaining 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 (OVDP[®]) and PVPD[™] (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 in 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 neither available nor meaningful at this point in time.

For CVD and ALD 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. With the Company's currently available silicon semiconductor manufacturing technologies, AIXTRON is potentially well positioned to offer advanced films for 28nm node and below for memory and logic integrated circuits (ICs). These 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 of 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 December 2013 to be valued at USD 247 million for 2013. For memory device production systems of the 28nm node and below, AIXTRON still experienced relatively low order intake and revenue levels during 2013. AIXTRON's market share in this area is therefore still not considered meaningful at this point in time.

1.13. Key Performance Indicators

The Executive Board has implemented numerous 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 key performance indicators with particular focus on: order intake, total sales, contribution margins, net result data and cash flow. 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 uses a range of internal and external key performance indicators to evaluate the progress of key research and development projects. The Management regularly reviews compliance with project plans and pre-defined targets, such as timelines, cost and margin targets. Following the release of new products for example, the Management monitors closely the development of sales revenues and margin profiles. The objective of this review process is to ensure that ongoing projects retain the necessary level of technological and 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.

Because AIXTRON's securities are publicly traded in the US, 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-Acts 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 customers' sales projections and therefore also on their investment behavior.

While the global economy did not face major new challenges throughout the fiscal year 2013, global growth according to the International Monetary Fund (IMF) remained subdued at 3.0%. The reason for this is a moderate recovery in the developed economies while growth dynamic in major emerging and developing countries has diminished significantly. Financial markets have also experienced a further stabilization throughout the fiscal year 2013. Therefore, there was no significant impulse for AIXTRON's business development from the global economic environment.

Following a slight increase of the US dollar exchange rate in the course of the first half of fiscal year 2013, the US currency showed a weaker development in the second half of fiscal year 2013. Among other things, this development was attributable to the monetary policy of the US Federal Reserve and the political controversy over the increase of the authorized federal debt ceiling. Consequently, compared to the closing price at the end of fiscal year 2012, the US dollar depreciated by approximately 4% to 1.377 USD/EUR as of December 31, 2013 (2012: 1.319 USD/EUR). The average exchange rate used by AIXTRON to translate income and expenses denominated in US dollars of 1.328 USD/EUR in 2013 (2012: 1.286 USD/EUR) was approximately 3% below the previous year's figure. AIXTRON's revenue and earnings were negatively affected by the decline in the US dollar.

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

2.2. The Semiconductor Equipment Market

In 2013, the electronics equipment industry in total grew by 2% (according to Gartner Dataquest, December 2013) which was below the recorded world real GDP growth (according to the IMF World Economic Outlook update published on January 21, 2014)

In comparison, the subset, semiconductor capital spending, showed a decline of about 4.6% in 2013. A further subset, specific spending on Wafer Fab equipment (WFE), which includes spending on deposition tools supplied by AIXTRON, declined by 9.1% year on year (according to Gartner Dataquest, December 2013). The worldwide MOCVD equipment market as subset of the WFE market declined by 30% to approximately USD 314 million in 2013, from an estimated total market value of USD 446 million in 2012 (Gartner Dataquest, March 2013 and December 2013).

The largest revenue driver for AIXTRON in 2013 continued to be the sale of MOCVD systems for the manufacturing of High Brightness ("HB") LEDs, which represented 39% (2012: 48%; 2011: 83%), of its total equipment revenues.

2.3. The LED Market

The market for Gallium nitride based LEDs which can be produced with AIXTRON's compound semiconductor equipment, was expected to have grown by 17% measured in units in 2013 according to a report from IHS (an independent semiconductor market research institute), published in January 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 2014. Concurrently, the market for Gallium nitride based LED devices was predicted to grow in 2014 by only 4% to USD 12.9bn from USD 12.4bn in 2013 (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 (December 2013), the global market for LEDs for general lighting is expected to grow from 495 million shipped units in 2013 to 3.6 billion shipped units in 2020. The penetration of LED-lamps relative to total lamps is expected to rise from 3% in 2013 to 31% 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 2013, AIXTRON recorded total revenues of EUR 182.9 million, a decrease of EUR 45.0 million, or 20%, compared to EUR 227.8 million in 2012 (2011: EUR 611.0 million). Despite noticeably increasing capacity utilization rates in AIXTRON's target industries, for example at leading Taiwanese and Korean LED chip manufacturers, demand for AIXTRON's production equipment remained at a very low level throughout the fiscal year 2013. The 2013 decrease in revenues was mainly driven by a generally reluctant investment behavior of AIXTRON's customers in light of the prevailing excess capacity in LED production that could not yet be fully absorbed by the growing demand for LED products. One of the consequences of such behavior was a significantly lower demand for AIXTRON's MOCVD deposition equipment than expected at the beginning of the year. The low market demand led to a lower price level for these tools. The 2013 equipment revenues declined by 22% to EUR 138.0 million (2012: EUR 176.9 million; 2011: EUR 556.3 million). In fiscal year 2013, MOCVD equipment for LED production continued to account for the largest portion of AIXTRON's total equipment revenues representing 39%. With the release of a new generation product in the current fiscal year, AIXTRON expects selling prices and margin contributions in this segment to increase.

Order intake for the full year 2013 remained flat year-on-year at EUR 133.2 million (2012: 131.4 million; 2011: EUR 513.4 million).

The deposition equipment and upgrades bought by AIXTRON's customers are predominantly used for the production of LEDs, which in turn are primarily employed as backlighting devices for LCD displays, but also increasingly in general lighting applications. The next biggest end-market in terms of revenues for AIXTRON equipment in the fiscal year 2013 was ALD equipment for the production of DRAM memory chips. Total equipment sales generated 75% of total revenues in 2013 (2012: 78%; 2011: 91%).

25% of total revenues in 2013 were generated by sales of spare parts and service, which is 3 percentage points higher than in 2012 (2012: 22%; 2011: 9%) and mainly due to the low equipment revenues baseline. In absolute terms, sales of spare parts and service were 12% lower in 2013 compared to 2012 despite a larger installed base of manufacturing equipment (2013: EUR 44.8 million; 2012: EUR 51.0 million; 2011: EUR 54.7 million).

| Revenues by Technology | 2013 | | 2012 | | 2011 | | 2013-2012 | |
|---|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | m EUR | % | m EUR | % | m EUR | % | m EUR | % |
| Equipment revenues | 138.0 | 75 | 176.9 | 78 | 556.3 | 91 | -38.9 | -22 |
| Other revenues (service, spare parts, etc.) | 44.8 | 25 | 51.0 | 22 | 54.7 | 9 | -6.2 | -12 |
| Total | 182.9 | 100 | 227.8 | 100 | 611.0 | 100 | -44.9 | -20 |

The major part of total revenues, 78% of total revenues in 2013, continues to be generated by sales to customers in Asia, which, despite generally decreasing sales revenues, was at the same percentage as in the previous year (2012: 78%; 2011: 90%). 13% of revenues in 2013 were generated in Europe (2012: 9%; 2011: 4%) and the remaining 9% in the USA (2012: 13%; 2011: 6%).

| Revenues by Region | 2013 | | 2012 | | 2011 | | 2013-2012 | |
|--------------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | m EUR | % | m EUR | % | m EUR | % | m EUR | % |
| Asia | 141.8 | 78 | 177.5 | 78 | 547.8 | 90 | -35.7 | -20 |
| Europe | 24.2 | 13 | 21.4 | 9 | 26.3 | 4 | 2.8 | 13 |
| USA | 16.9 | 9 | 29.0 | 13 | 36.9 | 6 | -12.1 | -42 |
| Total | 182.9 | 100 | 227.8 | 100 | 611.0 | 100 | -44.9 | -20 |

2.4.2. Development of Results

| Cost Structure | 2013 | | 2012 | 2011 | 2013-2012 | | | |
|---|--------------|------------|--------------|------------|--------------|-----------|--------------|-------------|
| in EUR million | | | | | YoY | | | |
| | % Rev. | | % Rev. | % Rev. | % | | | |
| Cost of sales | 190.3 | 104 | 227.4 | 100 | 379.5 | 62 | -37.1 | -16 |
| Gross profit | -7.4 | -4 | 0.4 | 0 | 231.4 | 38 | -7.8 | n.a. |
| Operating costs | 88.4 | 48 | 132.7 | 58 | 118.5 | 19 | -44.4 | -33 |
| Selling expenses | 29.0 | 16 | 34.8 | 15 | 32.1 | 5 | -5.8 | -17 |
| General and administration expenses | 18.2 | 10 | 19.6 | 9 | 34.0 | 6 | -1.4 | -7 |
| Research and development costs | 57.2 | 31 | 72.9 | 32 | 50.4 | 8 | -15.7 | -22 |
| Net other operating (income) and expenses | -16.0 | -9 | 5.5 | 2 | 2.0 | 0 | -21.5 | n.a. |

At the Annual General Meeting on May 23, 2013, the newly appointed President and CEO of AIXTRON, Mr. Martin Goetzeler, introduced a 5 Point Program to restore the Company's sustainable profitability even under difficult market conditions. A number of targeted individual projects were designed to address the following topics: 1) focus on customer benefits; 2) utilization of technology and product portfolio; 3) processes; 4) attention to clearly defined financial targets; 5) strengthening of AIXTRON's management and corporate culture. A pivotal element of this program is the increase of the Company's cost efficiency and a proactive asset management. Inventory write-downs and restructuring costs were consequently EUR 6 million higher than in fiscal year 2012.

Cost of Sales

In 2013, cost of sales decreased year on year by 16% in absolute terms from EUR 227.4 million to EUR 190.3 million (2011: EUR 379.5 million). The decrease is particularly attributable to lower revenue-related costs. Due to a negative effect of EUR 5.2 million in connection with a fire in a third-party warehouse in the UK, cost of sales relative to revenues was 104% in 2013 (2012: 100%; 2011: 62%).

Gross Profit, Gross Margin

Against the background of the aforementioned items as well as lower selling prices for MOCVD equipment and despite numerous cost reduction measures taken per the 5 Point Program, the Company's gross profit in 2013 decreased year-on-year to EUR -7.4 million (2012: EUR 0.4 million; 2011: EUR 231.4 million), resulting in a negative gross margin of 4% after 0% in 2012 (2011: 38%).

Operating Costs

As part of the above-mentioned 5 Point Program the Executive Board decided amongst others to reduce the operating costs (excluding restructuring and transformation expenses), which included a staff reduction of approximately 20% across all functional areas worldwide. The majority of the employees affected in Germany, i.e. more than 100 employees, were released through termination agreements.

A positive effect of these measures was the initial optimization of the Company's cost structures which is partially reflected in the decrease of selling, general and administration expenses from EUR 54.4 million in 2012 to EUR 47.2 million in 2013.

This development was influenced by the following factors:

In line with the revenue development, **selling expenses** in 2013 decreased in absolute terms by 17% from EUR 34.8 million in 2012 to EUR 29.0 million (2011: EUR 32.1 million). Selling expenses relative to revenues were stable at 16% (2012: 15%; 2011: 5%).

In 2013, **general and administration expenses** declined by 7% to EUR 18.2 million (2012: EUR 19.6 million; 2011: EUR 34.0 million) and were mainly influenced by reduced costs for external services as well as lower software license fees. General and administration expenses relative to revenues were virtually stable at 10% in 2013 (2012: 9%; 2011: 6%) which was due to the included restructuring expenses which contained severance payments.

| Key R&D Information | 2013 | 2012 | 2011 | 2013-2012 |
|--|------|------|------|-----------|
| R&D expenses (million EUR) | 57.2 | 72.9 | 50.4 | -22% |
| R&D expenses, % of sales | 31 | 32 | 8 | |
| R&D employees (period average) | 297 | 337 | 279 | -12% |
| R&D employees, % of total headcount (period average) | 35 | 34 | 32 | |

As the Company's R&D capability remains a factor of key strategic significance, **research and development expenses** were carefully analyzed in the course of the 5 Point Program and are focused on specific growth areas such as OLED and Power Electronics. Additionally, the Company constantly monitors existing technologies. As an outcome of this monitoring process, it was determined that the short term sales prospects for a product group based on AIXTRON's planetary technology, have deteriorated due to a shift of capital expenditure plans of important customers. However, since this technology bears substantial technical advantages in particular when using wafer sizes of 6 or 8 inch, its positive commercial potential in the mid- to long term remains unchanged. The Company therefore continues to make focused investments into the development of this technology.

Thus, 2013 R&D expenditures were reduced significantly to EUR 57.2 million (2012: EUR 72.9 million; 2011: EUR 50.4 million), reflecting efficiency gains and a more focused R&D approach. AIXTRON's R&D activities serve to further pursue the technological leadership in MOCVD systems and to secure leading positions in other forward-looking technologies.

| Personnel Costs | 2013 | 2012 | 2011 | 2013-2012 | |
|--|-------------|-------------|-------------|--------------|-------------|
| | m EUR | m EUR | m EUR | m EUR | % |
| Cost of Sales | 25.7 | 30.9 | 26.5 | -5.2 | -17% |
| Selling, General and Administrative expenses | 17.8 | 19.3 | 25.9 | -1.4 | -8% |
| Research and Development costs | 24.0 | 30.9 | 24.2 | -6.9 | -22% |
| Total | 67.5 | 81.1 | 76.6 | -13.5 | -17% |

As a result of the global staff reductions across all operating areas the average number of Group employees declined from 983 in 2012 to 847 in 2013 (2011: 864), also resulting in 17% lower personnel costs of EUR 67.5 million, although including severance payments, compared to EUR 81.1 million in 2012 (2011: EUR 76.6 million). Due to lower revenues, personnel expenses as a percentage of revenues were stable at 37% in 2013 (2012: 36%; 2011: 13%). At the end of the period on December 31, 2013, in absolute terms, the number of employees decreased from 964 as of December 31, 2012 to 776 as of December 31, 2013 (December 31, 2011: 978).

2013 net other operating income and expenses gave an operating income of EUR 16.0 million (2012: EUR 5.5 million expense; 2011: EUR 2.0 million expense). The write-down of a building expected to be put on the market for sale in the near future amounting to EUR 9.9 million was, amongst others, more than offset by the insurance proceeds of EUR 22.5 million resulting from a fire. The 2012 net expense was mainly attributable to the impact from currency effects not being offset by increased R&D grants received during the year.

In 2013, the Company recorded a net currency income of EUR 0.5 million (2012: EUR 6.9 million net expense; 2011: EUR 2.1 million net expense) resulting from currency and translation differences.

The EUR 2.5 million of R&D grants received in 2013 (2012: EUR 2.7 million; 2011: EUR 1.4 million), were recorded as "other operating income".

In 2013, total operating costs decreased year-on-year by 33% to EUR 88.4 million (2012: EUR 132.7 million; 2011: EUR 118.5 million). Operating costs relative to revenues were 48% in 2013, 10 percentage points lower than the 58% in 2012 (19% in 2011).

Operating Result

The absolute operating result improved in a year-on-year comparison by EUR 36.6 million and came in at EUR -95.7 million in 2013 (2012: EUR -132.3 million; 2011: EUR 112.9 million) resulting in an EBIT margin of -52% (2012: -58%; 2011: 18%). This development is mainly due to realized operating cost savings and the previously mentioned insurance proceeds leading to the EBIT improvement over the previous year.

Result Before Taxes

Result before taxes improved year-on-year by EUR 34.7 million from EUR -129.9 million in 2012 (2011: EUR 115.0 million) to EUR -95.2 million in 2013, with a net finance income of EUR 0.5 million (2012: EUR 2.3 million income; 2011: EUR 2.1 million income).

| Interest & Taxes | 2013 | 2012 | 2011 | 2013-2012 | |
|------------------------------------|-------------|--------------|--------------|-------------|-------------|
| | m EUR | m EUR | m EUR | m EUR | % |
| Net Interest Income/Expense | 0.5 | 2.3 | 2.1 | -1.8 | -78% |
| Interest Income | 0.8 | 2.3 | 3.4 | -1.5 | -65% |
| Interest Expenses | -0.3 | 0.0 | -1.3 | -0.3 | n.a. |
| Tax Expenses | -5.8 | -15.5 | -35.4 | 9.7 | -63% |

In 2013, AIXTRON recorded a country specific tax expense of EUR 5.8 million (2012: tax expense of EUR 15.5 million; 2011: tax expense of EUR 35.4 million). Unrecognized deferred tax assets related to tax losses at December 31, 2013 totaled EUR 88.7 million (2012: EUR 90.9 million; 2011: EUR 16.1 million).

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

The 2013 after-tax result attributable to the equity holders of AIXTRON SE was EUR -101.0 million or -55% of revenues, and EUR -145.4 million (-64% of revenues) in 2012 (2011: EUR 79.5 million or 13% 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 1.1 million for 2013 (loss 2012: EUR 51.6 million; profit 2011: EUR 77.0 million).

As they did with the 2012 loss, AIXTRON's Executive and Supervisory Boards will propose to the annual general meeting that the 2013 loss should be carried forward and consequently no dividend payment should be made for 2013 (2012: no dividend; 2011: dividend of EUR 0.25 per share or a total of EUR 25.4 million).

2.4.3. Development of Orders

| Equipment Orders | 2013 | 2012 | 2011 | 2013-2012 | |
|---|-------|-------|-------|-----------|-----|
| (in EUR million) | | | | m EUR +/- | % |
| Equipment order intake | 133.2 | 131.4 | 513.4 | 1.8 | 1 |
| Equipment order backlog (end of period) | 59.6 | 79.4 | 141.0 | -19.8 | -25 |

In 2013, **equipment order intake** at EUR 133.2 million was broadly unchanged year-on-year compared to EUR 131.4 million of the fiscal year 2012 (2011: EUR 513.4 million). This is a result of the continuously subdued demand for new production equipment from AIXTRON customers and lower selling prices for MOCVD equipment sold out of excess inventories, throughout the fiscal year 2013. As a matter of internal policy, order intake in US Dollars was recorded at a budget exchange rate for 2013, which had been set at 1.30 USD/EUR at the beginning of the year (2012: 1.40 USD/EUR; 2011: 1.35 USD/EUR).

The total **equipment order backlog** of EUR 59.6 million at December 31, 2013 was 25% lower than the EUR 79.4 million at the same point in time in 2012 (December 31, 2011: EUR 141.0 million) and 29% lower than the 2013 opening backlog of EUR 83.8 million, revalued as of January 1, 2013, at the US-Dollar exchange rate of 1.30 USD/EUR valid at that time. As of year-end 2013, the US Dollar denominated order backlog was recorded at a 2013 budget exchange rate, which had been set at 1.30 USD/EUR at the beginning of the year (2012: 1.40 USD/EUR; 2011: 1.35 USD/EUR). In the course of fiscal year 2013, the order backlog was corrected downwards by approximately EUR 18.8 million to reflect the backlog's current risk profile. This order backlog was revalued at the 2014 budget rate of 1.35 USD/EUR as per January 1, 2014, leading to an opening equipment order backlog of EUR 58.1 million for 2014.

As a matter of strict internal policy, AIXTRON follows clear internal requirements before recording and reporting received equipment 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 respective 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 and, to a smaller extent, through grants. 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 2013, no currency hedging instruments were used.

2.5.2. Funding

The Company made use of one of the above-mentioned authorizations to issue equity instruments in October 2013. On October 23, 2013, AIXTRON announced that the Executive Board had, with the consent of the Supervisory Board, agreed to increase the Company's share capital by partially utilizing its authorized capital of up to EUR 10,223,133.00 by issuing up to 10,223,133 new no-par value shares, corresponding to approximately 10% of the Company's share capital, for cash. Shareholders' subscription rights were excluded. On October 24, 2013, AIXTRON announced that the 10,223,133 new shares (shares without par value) were subscribed by investors via an accelerated book building process. The placement price was EUR 9.90 per share. The gross proceeds for the Company from the capital increase amounted to EUR 101.2 million. The proceeds from the issue will be used to further strengthen the Company's technological leadership by selectively investing in additional growth areas for the Company, including projects related to technologies for the manufacturing of Power Electronics, Organic LEDs (OLEDs) and Silicon Semiconductor applications. Additionally, the capital increase will strengthen the financial flexibility of AIXTRON by reinforcing its balance sheet and cash position.

Taking into account the execution of the capital increase, the Company's stated **share capital (Grundkapital)** as of December 31, 2013 amounted to EUR 112,613,445 (December 31, 2012: EUR 101,975,023; December 31, 2011: EUR 101,789,527) divided into 112,613,445 registered shares with a proportional interest in the share capital of EUR 1.00 per no-par value registered share. AIXTRON has an American Depositary Share ("ADS") program. The Companies 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 American Depositary Shares under certain conditions. In fiscal year 2013, 415,289 stock options (2012: 185,496; 2011: 609,661 options) were exercised, resulting in delivery of in total 415,289 ordinary shares. In fiscal year 2013, no new stock options were granted (2012 tranche of the 2007 stock option plan: 31,000 options; 2011 tranche of the AIXTRON stock option plan 2007: 14,000 options respectively).

| AIXTRON ordinary shares | Dec 31, 13 | Exercised | Expired/Forfeited | Allocation | Dec 31, 12 |
|-------------------------|------------|-----------|-------------------|------------|------------|
| Stock options | 2,659,701 | 415,289 | 536,108 | 0 | 3,611,098 |
| Underlying shares | 3,283,435 | 415,289 | 575,402 | 0 | 4,274,126 |
| AIXTRON ADS | Dec 31, 13 | Exercised | Expired/Forfeited | Allocation | Dec 31, 12 |
| Stock options | 5,590 | 0 | 1,020 | 0 | 6,610 |
| Underlying shares | 5,590 | 0 | 1,020 | 0 | 6,610 |

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. "Share-based payments" to the Company's Consolidated Financial Statements.

The Company recorded no **bank borrowings** as of December 31, 2013, 2012 and 2011.

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** at 83% as of December 31, 2013, compared to 84% as of December 31, 2012 (December 31, 2011: 81%) was broadly stable, principally due to the positive effect of the capital increase virtually compensating the fiscal year's net loss.

In 2013, the return on equity (ROE) based on the negative 2013 Group's net result in proportion to the average total shareholders' equity at the start and end of the year was -22% (2012: -26%; 2011: 13%).

In order to support 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 2013 amounted to EUR 10.1 million (2012: EUR 16.5 million; 2011: EUR 30.2 million).

In 2013, EUR 9.6 million (2012: EUR 15.8 million; 2011: EUR 27.2 million) were related to property, plant and equipment (including testing and laboratory equipment). In 2014, investments will be made mainly for laboratory and test equipment.

The remaining EUR 0.5 million (2012: EUR 0.7 million; 2011: EUR 3.0 million) were related to intangible assets including software licenses.

The majority of capital expenditures (82%) for the year 2013 (2012: 63%; 2011: 88%) were invested in Germany and such expenditures for 2014 are also generally expected to be invested primarily in Germany.

The increase of EUR 30.4 million in bank deposits with a maturity of at least three months in 2013 was recorded as cash outflow from investing activities. In 2012 bank deposits with a maturity of at least three months decreased by EUR 11.9 million and were recorded as cash inflow from investing activities.

All 2013, 2012 and 2011 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 at inception, most of which is held in Euros (also see "Investments"), increased by 46% or EUR 96.8 million to EUR 306.3 million (EUR 167.5 million + EUR 138.9 million financial assets). December 31, 2012: 209.5 million (EUR 99.7 million + EUR 109.8 million); December 31, 2011: 295.2 million (EUR 172.9 million + EUR 122.3 million).

Specific items that lowered the 2013 year end liquidity came, amongst other factors, from the 2013 net loss (EUR -101.0 million) and the above mentioned capital expenditures. The capital increase with gross proceeds of EUR 101.2 million and the sale of goods from inventory had a positive impact.

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

2.6. Assets

2.6.1. Property, Plant and Equipment

The value of property, plant and equipment decreased year on year from EUR 97.6m as of December 31, 2012 (December 31, 2011: EUR 96.2m) to EUR 79.9m as of December 31, 2013, principally due to the recorded write-downs, for a building expected to be put on the market for sale in the near future amounting to EUR 9.9 million, in combination with lower investments.

2.6.2. Goodwill

The value of goodwill at EUR 64.1m remained broadly stable compared to EUR 64.3m as per December 31, 2012 (December 31, 2011: EUR 64.1m) with a minimal influence from currency translation adjustments. There were no other significant additions or impairments in the three years from 2011 through 2013.

2.6.3. Other Intangible Assets

The value of other intangible assets decreased from EUR 4.2m as per December 31, 2012 (December 31, 2011: EUR 6.2m) to EUR 3.1m as per December 31, 2013. As in 2012 and 2011, differences arose mainly from amortization.

2.6.4. Inventories

Inventories, including raw materials, work in progress and finished goods, decreased by 47% from EUR 126.0m as of December 31, 2012 (December 31, 2011: EUR 184.6m) to EUR 66.2m as of December 31, 2013. This is principally explained by shipments made out of inventory as well as write-downs which amounted to EUR 35 million. The valuation of inventories reflects the current risk situation of the AIXTRON product-mix.

2.6.5. Trade Receivables

Trade receivables decreased in line with the still subdued business volume by 26% from EUR 37.3m as of December 31, 2012 (December 31, 2011: EUR 78.6m) to EUR 27.7m as of December, 2013.

2.6.6. Liabilities

Trade payables basically remained on a low level but increased year-on-year on the balance sheet date as of December 31, 2013 by 40% to EUR 13.5m compared to EUR 9.7m as of December 2012 (December 31, 2011: EUR 20.5m). Other current provisions increased from EUR 28.2m as of December 31, 2012 to EUR 32.1m as of December 31, 2013 (December 31, 2011: EUR 36.6m) mainly due to increased warranty provisions. Advance payments from customers as of December 31, 2013 were virtually stable at EUR 46.2m compared to EUR 46.0m as of December 31, 2012 (December 31, 2011: EUR 64.9m).

2.7. Management Assessment of Company Situation

Against the backdrop of the expected general lighting cycle with LED penetration in general lighting still being on very low levels and the continuously subdued customer demand for new production equipment, 2013 was another challenging year for AIXTRON. At the beginning of the year 2013, Management expected fiscal year 2013 to become better than 2012. The first quarter 2013 though was characterized by a deterioration of future prospects and the Management had to initiate a comprehensive restructuring program to adapt the Company to the new market conditions. Amongst others, this included significant inventory write-downs totaling EUR 35 million. While high capacity utilization rates at leading LED manufacturers suggested that the overcapacity of MOCVD deposition equipment was further diminishing, there has still been no significant pick-up in the demand for new AIXTRON equipment.

As a consequence, the new President and CEO, Martin Goetzeler, who took office on March 1, 2013, introduced a 5 Point Program to restore the Company's sustainable profitability. The ongoing program went along with a global staff reduction of about 20%, cost reductions and the optimization of the Company's structures and processes.

AIXTRON customers are in the course of optimizing their processes for the production of more powerful and cost-efficient devices and AIXTRON is actively supporting the industry in this development with its newly implemented technical key account structure and its own product roadmap. Moreover, AIXTRON is reducing significantly both its lead times and the timeframe from the conception of a product to its volume production.

Although the market demand for AIXTRON's production equipment is still on low levels, it is Management's opinion that the overall prospects for the various end-markets and industries that AIXTRON is offering its deposition technologies to remain positive and that the measures comprised in the 5 Point Program will contribute to a further improvement of the Company's earnings situation in the fiscal year 2014.

In order to support and secure the Company's competitive position the Management also decided on the execution of a capital increase in October 2013. Gross proceeds from the issue are used to further strengthen the Company's technological leadership by investing in additional growth areas for the Company, including projects related to technologies for the manufacturing of Power Electronics, Organic LEDs (OLEDs) and Silicon Semiconductor applications. Additionally, the capital increase is strengthening the financial flexibility of AIXTRON by reinforcing its balance sheet and cash position.

Management believes that the Company is well positioned to seize the future opportunities in its markets and to retain a leading position in its industry.

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 2013.

4. Remuneration Report

4.1. Principles of Management Compensation

The Supervisory Board is responsible for establishing the structure of the Executive Board remuneration system and for the total remuneration for the individual Executive Board members. The appropriateness of the remuneration components, and the likelihood that they do not encourage Management to take unreasonable risks, are regularly reviewed by the Supervisory Board.

The remuneration level of the Executive Board members of AIXTRON SE is aligned with the commercial and financial situation and future prospects of the Group and the level and structure of Executive Board remuneration at comparable companies as well as 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. Executive Board remuneration currently consists of three components: fixed remuneration (including benefits in kind and payments into an individual private pension insurance), a variable bonus, and may include stock-based 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 salary. Payments in kind are made, chiefly consisting of company car usage and payments for individual private pension insurance plans.

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. For Executive Board members whose contracts were adjusted or newly issued in 2013, the variable bonuses which are provided from the "accrued internal bonus pool" as defined above will be paid half through a monetary element and half in shares. The other member, with existing contract, will continue to receive a full cash bonus if applicable. 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. This new compensation structure was approved by AIXTRON's shareholders at the Annual General Meeting held on May 23, 2013.

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 number of options granted to the Executive Board is determined by the Supervisory Board.

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.

Remuneration of the Supervisory Board is regulated by 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.

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. Information on the Executive Board remuneration according to Section 4.2.5 German Corporate Governance Code

Further detailed information on the compensation of the individual Executive Board members according to Section 4.2.5 of the German Corporate Governance Code and on the compensation of the Supervisory Board members as well as a detailed list of outstanding Executive Board stock options can be found in note 30. "Identity of related parties" of the Consolidated Financial Statements.

5. Opportunities and Risk Report

5.1. Opportunities

The development of state-of-the-art 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 but also to enable greater penetration into markets such as for power management, organic semiconductors and next generation memory applications.

A key milestone in the field of MOCVD technology will be the release of new generation equipment in the course of fiscal year 2014, which is also expected to enable a more stable price level and higher margin contribution.

Another important market segment for AIXTRON are 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 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 patented 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 throughput. Shortly, AIXTRON will start to operate a research cluster tool for the production of OLEDs in its laboratory so that interested customers can observe the capabilities of the OVPD[®] technology. Moreover, AIXTRON is working on a new demonstration system for efficient organic layer deposition up to a substrate size of Gen8 (2,300 mm x 2,500 mm) based on AIXTRON's OVPD[®] process technology. The new demonstration system will for the first time demonstrate the advantages of this technology with regard to efficient production of organic light-emitting diodes for displays and lighting applications on an industrial scale.

The Company also aims to make further inroads into the research community with its PECVD technology, aimed at manufacturing Carbon Nanostructures including Carbon Nanotubes, Carbon Nanowires and Graphene.

AIXTRON's Silicon team has developed the high throughput QXP-8300 ALD deposition tool aimed specifically at providing innovative solutions for memory applications and integrated circuits. AIXTRON's QXP tool has been production qualified by 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, AIXTRON sees chances to promote further 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 may 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.
- Increased usage of GaN based devices for energy efficient power electronics.
- Development of next generation NAND, DRAM and PCRAM memory devices.
- Increased emergence of high volume Silicon Carbide (SiC) production applications and emerging hybrid and electrical automotive and photovoltaic transistor applications.

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

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 has established a Company-wide risk management system that is continuously being adapted to the evolving business environment and business processes.

A large number of systems and procedures for monitoring, analyzing, and documenting business risks and opportunities are deployed at several levels of the organization. The Whistleblower policy and procedure, as an example, helps to quickly identify critical issues allowing them to be addressed before critical exposure occurs and thereby preventing further escalation. Accurate and timely reporting is the core component of AIXTRON's risk and opportunity management. Risk managers, responsible for implementing risk reporting, have been appointed in different areas of the Company and at all subsidiaries.

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 strives 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 2013, 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.

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 they serve as the 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 and 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, 2013, the end of its fiscal year. Management based its assessment on criteria established in the 1992 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, 2013 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, 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

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 2013, no currency hedging instruments were used.

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 2013.

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.

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.

The Company's customers may experience difficulties in acquiring manufacturing facilities or maintaining a sufficient flow of raw materials or accessing cash to achieve their increased manufacturing output. Should this occur, customers could request to delay AIXTRON system shipments.

The Company's customers often accelerate or delay expenditures, as well as attempt to cancel or reschedule their orders, in reaction to variations in their businesses or market conditions. 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. Amongst others, AIXTRON therefore pursues a continuous assessment of its intellectual property.

For more information on risks, please refer to section "Risk Factors" in AIXTRON's 2013 20 F-Report, which has been filed with the U.S. Securities and Exchange Commission on February 25, 2014.

5.5. Overall Statement to the Risk Situation

Neither within fiscal year 2013 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 update report published on January 21, 2014, the IMF forecasts global growth to increase from 3.0% in 2013 to 3.7% in 2014. A remarkable increase of growth rates is expected particularly in the advanced economies, with the euro zone leaving recession behind and returning to noticeable growth. Therefore, 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 (in their December 2013 report) that semiconductor capital spending in 2013 declined by 4.6% to USD 56bn. In the same report, Gartner forecasts a recovery of semiconductor capital spending by circa 9.9% to USD 61.5bn in 2014, growing further to USD 69bn in 2015.

In Wafer Fab equipment, the segment where AIXTRON competes, Gartner expects a 16% annual increase in the size of the market from USD 26.9bn to USD 31.3bn in 2014, before growth will continue in 2015 (to USD 36.6bn).

According to some financial and market analysts, the value of MOCVD equipment was expected to have reached a range of USD 305 million to USD 340 million by the end of 2013. It is expected to develop towards a range of USD 340 million to USD 375 million in 2014, as the market recovers from the current excess of manufacturing capacity for LEDs. In 2015, the same analysts expect the investment activity to pick up again, leading to a market size range of USD 339 million to USD 635 million.

According to one market analyst's opinion, the total silicon power management device market is expected to grow from USD 10.2bn to 14.2bn between 2011 and 2016 (Gartner, August 2012). 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 740 million by 2016. Estimates of an accessible market size for the respective production equipment are however 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 stems 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 Displays, efficient manufacturing technologies such as those provided by AIXTRON are required to be able to compete. 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 or market share are neither available nor meaningful at this point in time.

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 260m by the end of 2013 (2014e: USD 318m; 2015e: USD 401m) (Gartner Dataquest in August 2013). AIXTRON's QXP tool has been production qualified by a major Korean 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

Global demand for LEDs continues to grow due to the increasing adoption of LEDs into the general lighting market. Despite this encouraging development, AIXTRON customers currently remain reluctant to meaningfully invest into additional LED manufacturing capacity.

However, Management expects the demand for MOCVD-production capacity to improve as demand for LEDs continues to increase. Nevertheless, the exact timing and extent of such a pickup remains difficult to predict. Visibility of orders still remains low.

As MOCVD production equipment in 2014 will again account for the largest share of AIXTRON's revenues, the Management is unable to make any precise forecast for the Company's revenues and earnings in the current fiscal year 2014. However, as a result of the already advanced cost reductions and restructuring of the Company, results will see a year-on-year improvement in the fiscal year 2014. Based on the current view on the demand situation, Management expects for fiscal year 2014 to achieve revenues on the level of fiscal year 2013 and expects to generate a negative but much improved EBIT figure for the full fiscal year 2014. Concurrently, Management also expects a negative return on equity. In addition to the revenue share of MOCVD equipment for the production of LEDs, further revenue contributions will stem from the sale of spare parts and services as well as other equipment technologies for the production of memory chips or power electronics.

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

In the fiscal year 2014, we will also continue our activities to increase efficiency with a particular emphasis on costs and use of funds. Moreover, we will focus on the release of our new MOCVD equipment generation and our targeted investments in AIXTRON's relevant future technologies.

In case of a significant market upturn, especially in the field of LED applications, the fiscal year 2014, in terms of revenues and earnings, might turn out better than currently expected. In the short-term such a market upturn depends largely on the progress of the penetration of LED applications in the general lighting market. The expected improvement of the macroeconomic environment could further support this development.

We continue to expect that the Company does not require any external bank debt financing also in 2014. Furthermore, we expect to retain our 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.

The EBIT break-even point, under the premise of a 40% gross margin to be achieved and operating costs of approximately EUR 100 million, will be reached at revenue levels of approximately EUR 250 million.

As at December 31, 2013, 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 stated share capital (Grundkapital) of AIXTRON SE as of December 31, 2013 amounted to EUR 112,613,445 (December 31, 2012: 101,975,023; December 31, 2011: EUR 101,789,527) divided into 112,613,445 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 | 2013 31- Dec | Approved since | Expiry Date | 2012 31- Dec | 2011 31- Dec | 2013-2012 |
|--|-----------------|-------------------|----------------|-----------------|-----------------|-------------|
| <i>(EUR or number of shares)</i> | | | | | | |
| Issued shares | 112,613,445 | -- | -- | 101,975,023 | 101,789,527 | 10,638,422 |
| 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 | 0 | 0 |
| Authorized Capital 2011 - Capital increase for cash or contribution in kind with or without existing shareholders' preemptive rights | 30,248,813 | 05/19/2011 | 05/18/2016 | 40,471,946 | 40,471,946 | -10,223,133 |
| 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 | 0 | 0 |
| Conditional Capital II 2012 - Stock Options Program 2012 | 4,208,726 | 05/16/2012 | 05/15/2017 | 4,208,726 | 0 | 0 |
| Conditional Capital II 2007 - Stock Options Program 2007 | 2,927,226 | 05/22/2007 | 12/31/2018 | 3,136,628 | 3,298,774 | -209,402 |
| Conditional Capital 4 - Stock Options Program 2002 | 516,210 | 05/22/2002 | 12/31/2016 | 722,097 | 745,447 | -205,887 |
| 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 20, 2018, with the approval of the Supervisory Board, to purchase its own shares representing an amount of up to EUR 10,208,612 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.

Any amendment to the Articles of Association related to capital measures requires a 75% majority of the share capital represented at the general shareholders' 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, 2013, about 20% of AIXTRON shares were held by private individuals, with around 80% 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 principal opportunities and risks associated with the expected development of the Group."

February 24, 2014

AIXTRON SE, Herzogenrath

Executive Board

Martin Goetzeler

Wolfgang Breme

Dr. Bernd Schulte