2017 Half-Year Group Financial Report

AIXTRON

Interim consolidated financial statements for the six months ended June 30, 2017

Key Financials

(in EUR million)	H1/2017 Adjusted	H1/2017 Restructuring	H1/2017 Actual	H1/2016 Actual	H1/2017 Adjusted vs. H1 2016 Actual %
Order intake	**128.5**	**-**	**128.5**	**95.5**	**34**
Order backlog (Equipment only)	**93.4**	**-**	**93.4**	**86.2**	**8**
Revenues	**114.1**	**-**	**114.1**	**55.5**	**106**
Gross Margin	30.6	2.3	28.3	10.0	n.m.
%	27		25	18	9 pp
EBITDA	-4.0	6.2	-10.2	-20.0	80
EBIT	-9.6	14.5	-24.1	-25.9	63
%	-8		-21	-47	39 pp
Net result	-10.4	14.5	-24.9	-26.6	61
%	-9		-22	-48	39 pp
EPS (EUR)	-0.09	-0.13	-0.22	-0.23	61
Free cash flow*	40.3	-	40.3	-41.0	n.m.

* Operating CF + Investing CF + Changes in Cash Deposits

(in EUR million)	Q2/2017 Adjusted	Q2/2017 Restructuring	Q2/2017 Actual	Q1/2017 Adjusted	Q1/2017 Restructuring	Q1/2017 Actual	+/- (%)
Order intake	**66.6**	**-**	**66.6**	**61.9**	**-**	**61.9**	**8**
Order backlog (Equipment only)	**93.4**	**-**	**93.4**	**87.6**	**-**	**87.6**	**7**
Revenues	**60.6**	**-**	**60.6**	**53.6**	**-**	**53.6**	**13**
Gross Margin	16.0	1.3	14.7	14.7	1.1	13.6	9
%	26	-	24	27	-	25	1 pp
EBITDA	-1.3	3.0	-4.2	-2.7	3.2	-6.0	52
EBIT	-3.6	7.7	-11.3	-5.9	6.8	-12.7	n.m.
%	-6	-	-19	-11		-24	5 pp
Net result	-3.7	7.7	-11.4	-6.7	6.8	-13.5	45
%	-6	-	-19	-12	-	-25	6 pp
EPS (EUR)	-0.03	-0.07	-0.10	-0.06	-0.06	-0.12	50
Free cash flow*	7.0	-	7.0	33.3	-	33.3	n.m.

*Operating CF + investing CF + changes in cash deposits, adjusted for acquisition effects

Please refer to Note 9 in this report for further information on restructuring costs.

Revenues and order intake increased in Q2/2017 / 2017 Revenue and Order Intake guidance raised / AIXTRON on track to return to profitability in 2018

Due to continuing demand for MOCVD systems driven mainly by capacity expansions in the areas of Vertical Cavity Surface Emitting Lasers ("VCSEL"), Red-Orange-Yellow (ROY) and specialty LEDs as well as for power electronics, order intake and revenues remain strong. AIXTRON therefore raises its revenue and order guidance for 2017 to EUR 210m – 230m from EUR 180m – 210m. Management also expects to achieve a positive free cash flow in 2017.

As expected, gross margin and EBIT in Q2/2017 were influenced by low margin shipments of the remaining AIX R6 GaN LED tools from inventory. Furthermore, Gross Margin was influenced by write downs caused by freezing the Company's Thin Film Encapsulation ("TFE") activities in the amount of EUR 1.3m; EBIT in the quarter was influenced by restructuring costs which included above mentioned write downs totaling EUR 7.7m. Free cash flow in the quarter was positive at EUR 7.0m. The establishment of a joint venture for the AIXTRON OLED deposition technology is ongoing and progressing. To support this, APEVA SE, a 100% subsidiary of AIXTRON SE, was founded. All AIXTRON SE employees working in the OLED product line, are planned to be transferred into this company on October 1st, 2017. AIXTRON continues to transform the Company to align R&D expenses with revenues in order to return to profitability in 2018. Please refer to Note 9 in this report for further information on restructuring costs.

Key Balance Sheet Data

(in EUR million)	**June 30, 2017**	**December 31, 2016**
Inventories	36.4	54.2
Advance Payments	33.6	26.1
Trade Receivables	22.0	60.2
Trade Payables	13.9	14.6
Cash	197.1	160.1
Equity	339.8	369.7
Equity Ratio	82%	85%

Key Share Data

	H1/2017		**H1/2016**	
Germany in EUR, USA in USD	Shares	ADS*	Shares	ADS
Closing Price (end of period)	6.16	6.84	5.46	6.08
Period High Price	6.16	6.84	5.72	6.55
Period Low Price	3.15	3.06	2.95	3.25
Number of shares issued (end of period)	112,804,105		112,737,030	
Market capitalization (end of period), million EUR, million USD	694.9	771.6	615.5	685.4

*Trading on NASDAQ ended on December 30, 2016, trading on the OTC Pink Market ended on July 18, 2017.

Table of Contents

Forward-Looking Statements

This document may contain forward-looking statements regarding the business, results of operations, financial condition and earnings outlook of AIXTRON. 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 assessments, expectations and assumptions, of which many are beyond control of AIXTRON, and are subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements. Should these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of AIXTRON may materially vary from those described explicitly or implicitly in the relevant forward-looking statement. 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 , in particular in the chapter Risks in the Annual Report, filed by AIXTRON. Any forward-looking statements contained in this document are based on current expectations and projections of the executive board based on information available 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.
This document is an English language translation of a document in German language. In case of discrepancies, the German language document shall prevail and shall be the valid version.

This financial report should be read in conjunction with the interim financial statements and the additional disclosures included elsewhere in this report.

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

Interim Management Report

1. Business Activity and Strategy

AIXTRON ("the AIXTRON Group" or "the Company") 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 or organic semiconductor materials. Such components are used in a broad range of innovative applications, technologies and industries. These include LED applications, display technologies, data transmission, energy management and conversion, communication, signalling and lighting, metal coating as well as a range of other leading-edge technologies.

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

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

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

Demand for AIXTRON's products is driven by increased processing speed, improved efficiency, energy storage and energy efficiency requirements and the necessity to reduce the cost of ownership 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

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

The deposition technologies for opto and power electronics include Metal-Organic Chemical Vapor Deposition ("MOCVD") for the deposition of compound materials to produce for instance LEDs, lasers, power electronics or other optoelectronic components. For thin film deposition technologies for organic electronics applications including Organic Light Emitting Diodes ("OLED"), AIXTRON offers Polymer Vapor Phase Deposition ("PVPD®") and Organic Vapor Phase Deposition ("OVPD®"). Plasma Enhanced Chemical Vapor Phase Deposition ("PECVD") technology is being employed for the deposition of complex Carbon Nanostructures (Carbon Nanotubes, Nanowires or Graphene). For logic and memory applications, AIXTRON systems are capable of depositing material films on wafers of up to 300mm in diameter for the production of memory chips, by employing technologies such as: Chemical Vapor Deposition ("CVD") and Atomic Layer Deposition ("ALD"). Additionally, MOCVD technology could be applied to deposit compound materials for the development of future logic devices.

The Company's R&D capability is of important strategic significance, as it provides for a competitive, leading edge technology portfolio and supports the future business development. Therefore, AIXTRON is committed to investing specifically in research and development projects to not only further pursue the Company's leading technology position in MOCVD equipment for applications such as specialty LEDs and for the production of wide band gap ("WBG") materials for Power Electronics. AIXTRON also targets to penetrate growth areas in the field of Organic Semiconductors.

Environmental protection and the responsible use of resources are an essential part of AIXTRON's business strategy. The Company's engineers work on improving AIXTRON's systems continuously, both in terms of resource conservation and environmental-friendly design and function. AIXTRON SE's DIN EN ISO 50001:2011 certified energy management system and the EN ISO 14001:2004 certified environmental management system at AIXTRON, Inc. contribute to the efficient use of energy and the careful use of resources.

Management executes on the transformation of the Company. This includes the transfer of activities which are not considered core MOCVD technology for opto and power applications into clearly defined, independent units. In addition to the option to continue, Management will also consider the following options in order to achieve the financial independence of these activities: Freezing or terminating the activity, sale or continuation of the unit together with a partner. The following measures have already been implemented or initiated: TFOS and TFE have been frozen; ALD/CVD has been sold, pending regulatory approvals of the U.S. and Korean authorities, to Eugene Technology, South Korea. APEVA SE has been founded as a subsidiary of AIXTRON SE in order to facilitate the transfer of the OLED activities into an independent unit.

2. Macroeconomic and Industry Developments

Macroeconomic developments

Global economic growth is picking up but its potential is limited by persistent structural problems. Investment activity, manufacturing and trade are recovering, stabilizing commodity prices are easing pressure on commodity exporting economies to some extent. While advanced economies are doing quite well, yet on a lower level since the global financial crisis, the recovery is mainly driven by the emerging and developing countries. Yet, growth there is uneven and problems such as high debt levels, adjustments to structurally lower commodity prices or geopolitical tensions are to be solved. In addition, there is an increased danger of protectionist policies, especially in the advanced economies, which might have a clearly negative effect on global growth through reduced trade and cross-border investment activity. The International Monetary Fund (IMF) in its World Economic Outlook (published April 18, 2017) increased its global growth forecast for 2017 by 0.1 percentage points to 3.5% (2016: 3.1%). While growth in the advanced economies is now projected at 2.0% (2016: 1.7%) the emerging and developing countries are expected to grow by 4.5% (2016: 4.1%).

AIXTRON is much more dependent on industry specific cycles than on the general economic cycle and again therefore does not expect major impacts from the global economic environment on its business development in 2017.

The average exchange rate used by AIXTRON to translate income and expenses denominated in US dollars in the first six months of 2017 was 1.09 USD/EUR (Q1/2017: 1.07 USD/EUR; Q2/2017: 1.12 USD/EUR), which compares to 1.11 USD/EUR in H1/2016. Thus, compared to the same period of the previous year, the average US dollar exchange rate improved by 2 percent in H1/2017. Recently, the US Dollar weakened resulting in an average US dollar exchange rate of 1.12 USD/EUR in Q2/2017. As of June 30, 2017, the US-Dollar was weaker at 1.141 USD/EUR compared to the previous year‘s closing price of 1.055 USD/EUR. If this trend continued then this would negatively impact the results of the coming quarters.

Industry developments

According to the market research institute IHS (at the end of February 2016), the market for WBG **Gallium nitride (GaN) and Silicon Carbide (SiC) based power management devices** is expected to grow from 231 million shipped units in 2015 to 2.0 billion shipped units in 2025. IHS viewed that SiC will account for the majority of WBG shipments power management devices, as SiC adoption could be accelerated by the hybrid and electric vehicle market growth. Leading power semiconductor makers have developed SiC based devices. This year marked a new milestone with some industry players preparing for mass production of SiC MOSFETs for mainstream adoption by various applications including solar power inverters, uninterrupted power supplies (UPS), EV charging stations and onboard chargers (OBC).

According to LEDinside, **fine-pitch LED display** is undoubtedly the LED product category expected to achieve the highest growth in the next few years. The fine pitch LED display market is expected to increase from USD 854 million in 2016 to 1,770 million in 2021, achieving a Compounded Annual Growth Rate (“CAGR”) of 16% between 2016 and 2021.

In recent months numerous industry and capital market analysts have been speculating that leading smartphone OEMs could soon introduce **vertical-cavity surface-emitting laser (“VCSEL”)** based 3D sensing functionalities which have the potential to boost personalized services. Capital market analysts believe that current MOCVD manufacturing capacities for Gallium Arsenide (GaAs) VCSEL devices may not be sufficient due to significant unit growth being expected. Automotive and Datacom applications could grow by 21% CAGR until 2021 (from USD700m to USD2.4bn in 2021). Further they anticipate that coming generations of mobile phones to be equipped with 3D sensors within 2017.

3. Business Performance and Key Developments

Revenues and orders received in the first half of 2017 were up driven by the improved demand for MOCVD systems to produce VCSEL, ROY and specialty LEDs as well as power electronics and CVD systems for the production of flash memory applications.

Total order intake and equipment order backlog both of which increased sequentially in a quarterly comparison as well as year-on-year. Management's view of the positive momentum in orders and revenues has resulted in an increased guidance for 2017.

Compared to the previous quarter, **Revenues** in Q2/2017 increased to EUR 60.6m (Q1/2017: EUR 53.6m). Due to relatively stable **cost of sales** compared to revenues, the **gross profit** was EUR 14.7m with a **gross margin** of 24% (Q1/2017: EUR 13.6m; 25%). This amount includes a write down related to the TFE activities of EUR 1.3m. **Operating expenses** in Q2/2017 including the TFE related write-downs of EUR 5.1m were lower compared to the previous quarter which included the TFOS related write-downs of EUR 5.6m, leading to an **EBITDA** in Q2/2017 of EUR -4.2m (Q1/2017: EUR 6.0m). The **operating result (EBIT)** was EUR -11.3m with an **EBIT margin** of -19% (Q1/2017: EUR 12.7m; -24%). The **net result** amounted to EUR -11.4m (Q1/2017: EUR -13.5m).

Free cash flow in Q2/2017 was positive at EUR 7.0m (Q1/2017: EUR 33.3m).

AIXTRON reported **cash and cash equivalents** (including bank deposits with a maturity of more than 90 days) of EUR 197.1m as of June 30, 2017, which is EUR 37m higher than the EUR 160.1m recorded on December 31, 2016. The difference is mainly attributable to the collection of trade receivables and advance payments from customers.

4. Results of Operations

4.1. Development of Orders

Equipment Orders (in EUR million)	H1/2017	H1/2016	+/-	%
Total Order intake incl. Spares & Service	128.5	95.5	33.0	34
Equipment Order backlog (end of period)	93.4	86.2	7.2	8

As a matter of internal policy, the 2017 US dollar based equipment order intake and backlog are recorded at the current 2017 budget exchange rate of 1.10 USD/EUR (2016: 1.10 USD/EUR).

In H1/2017, **order intake** showed a year-on-year increase of 34% to EUR 128.5m (H1/2016: EUR 95.5m). This was mainly driven by improved demand for MOCVD systems for VCSEL, Red-Orange-Yellow and specialty LEDs as well as power electronics and CVD systems for flash memory. In Q2/2017, total order intake came in at EUR 66.6m, 8 percent higher compared to the previous quarter (Q1/2017: EUR 61.9m). This order development is mainly driven by increased demand from LED and optoelectronic as well as memory applications.

The **equipment order backlog** of EUR 93.4m as at June 30, 2017 was higher both than the EUR 86.2m at the same point in time in 2016 and the Q1/2017 backlog of EUR 87.6m. The majority of the backlog is due for shipment in 2017.

As a matter of strict internal policy, AIXTRON follows clear requirements before recording and reporting received equipment orders as order intake and order backlog. These requirements comprise 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 the requirements of the points 1-4 above.

4.2. Development of Revenues

During the first six months of 2017, AIXTRON recorded **total revenues** of EUR 114.1m, an increase of EUR 58.6m or 106% compared to the same period last year (H1/2016: EUR 55.5m) reflecting improved demand for MOCVD systems for VCSEL, Red-Orange-Yellow and specialty LEDs as well as power electronics and CVD systems for flash memory applications. Compared to the previous quarter, revenues in Q2/2017 increased to EUR 60.6m (Q1/2017: EUR 53.6m).

Equipment revenues in H1/2017 were EUR 94.4m, representing 83% of the total H1/2017 revenues (H1/2016: 36.6m; 66%). In the second quarter 2017, equipment revenues amounted to EUR 50.9m or 84% of revenues (Q2/2016: EUR 24.7m; 72%; Q1/2017: EUR 43.5m; 81%).

The deposition equipment and upgrades bought by AIXTRON's customers in the first half-year 2017 are predominantly used for the production of LEDs, including ROY and specialty LEDs. The second largest end-market in terms of revenues for AIXTRON equipment in the first half-year of 2017 was CVD equipment used for the production of memory devices.

Revenues by Equipment, Spares & Service	**H1/2017**		**H1/2016**		**+/-**	
	m EUR	%	m EUR	%	m EUR	%
Equipment revenues	94.4	83	36.6	66	57.8	158
Other revenues (service, spare parts, etc.)	19.7	17	18.8	34	0.9	5
Total	**114.1**	**100**	**55.5**	**100**	**58.6**	**106**

Revenues by Region	**H1/2017**		**H1/2016**		**+/-**	
	m EUR	%	m EUR	%	m EUR	%
Asia	94.3	82	30.3	55	64.0	211
Europe	8.7	8	13.9	25	-5.2	-37
Americas	11.1	10	11.3	20	-0.2	-2
Total	**114.1**	**100**	**55.5**	**100**	**58.6**	**106**

4.3. Development of Results

Cost Structure	H1/2017		H1/2016		+/-	
	m EUR	% Rev.	m EUR	% Rev.	m EUR	%
Cost of sales	**85.8**	**75**	**45.5**	**82**	**40.3**	**89**
Gross profit	**28.3**	**25**	**10.0**	**18**	**18.3**	**183**
Operating costs	**52.4**	**46**	**35.9**	**65**	**16.4**	**46**
Selling expenses	5.3	5	5.8	10	-0.5	-10
General and administration expenses	9.4	8	8.3	15	1.1	13
Research and development costs	39.5	35	26.0	47	13.5	52
Net other operating (income) and expenses	(1.7)	-2	(4.2)	-8	-2.5	-58

In a yearly comparison, **cost of sales** in H1/2017 increased to EUR 85.8m (75% of revenues) compared to EUR 45.5m (82% of revenues) in H1/2016. H1/2017 cost of sales include low margin AIX R6 sales from inventory in the first half 2017 as well as a write down of EUR 1.3m related to the TFE activities in Q2/2017 and a write down of EUR 1.0m related to the TFOS activities during Q1/2017. The improvement in cost of sales relative to revenues mainly reflects the corresponding revenue levels. The quarterly sequential increase in cost of sales from EUR 40.0m (75% of revenues) in Q1/2017 to EUR 45.9m (76% of revenues) in Q2/2017 was mainly due to the revenue development as well as the previously described TFE related write downs in Q2/2017.

The Company's **gross profit** in H1/2017 was EUR 28.3m (H1/2016: EUR 10.0m), resulting in an improved gross margin of 25% (H1/2016: 18%). In a quarterly comparison, the gross profit in Q2/2017 improved sequentially to EUR 14.7m (Q1/2017: EUR 13.6m), due to above mentioned reasons. Q2/2017 **gross margin** was 1 percentage point lower than the previous quarter at 24% (Q1/2017: 25%; Q2/2016: 20%).

Operating costs in H1/2017 of EUR 52.4m were 46% higher year-on-year compared to EUR 35.9m in H1/2016, including restructuring costs of EUR 12.1m including the write downs related to the TFOS and TFE activities. In a quarterly sequential comparison, operating costs were slightly down to EUR 25.9m compared to EUR 26.4m in Q1/2017.

The operating cost development was influenced by the following single factors:

Selling expenses in H1/2017 were down 10% year-on-year in absolute terms to EUR 5.3m (H1/2016: 5.8m) and improved relative to revenues to 5% (H1/2016: 10%). Sequentially, selling expenses were stable at EUR 2.7m (Q1/2017: EUR 2.6m). In Q2/2017, selling expenses relative to revenues were 4% (Q1/2017: 5%).

In H1/2017, **general and administration expenses** were up by 13% year-on-year to EUR 9.4m (H1/2016: EUR 8.3m). In Q2/2017, general and administration expenses increased sequentially to EUR 5.1m (Q1/2017: EUR 4.3m). The agreed sale of the ALD/CVD memory product line to Eugene Technology as well as other reorganizational measures incurred legal and other fees in the amount of EUR 1.3m in Q2/2017.

Research and development costs in H1/2017 adjusted by TFOS and TFE related write downs totaling EUR 10.6m, increased by 10% year-on-year to EUR 28.8m (H1/2016: EUR 26.0m). Sequentially, adjusted R&D costs in Q2/2017 at EUR 14.7m (Q2/2017 adjusted by EUR 5.1m) were slightly higher compared to EUR 14.1m in Q1/2017 (Q1/2017 adjusted by EUR 5.6m).

Recent examples of **R&D activities with involvement of AIXTRON** are the "SiTaSol" project and the "KoReMO" project, both aiming at reduced cost and increased efficiency in solar cell production technologies. Within the SiTaSol project, started in May 2017, seven European research partners strive to increase conversion efficiencies of crystalline silicon wafer solar cells by combining them with solar cells based on III-V materials. The KoReMo project, launched in March 2017, focuses on production aspects of III-V high-performance solar cells. Such solar cells are mainly being used in industrial applications, due to the high efficiencies exceeding 40%. The five project partners aim at a significantly more cost-effective process chain for these highly efficient III-V solar cells. Ultimately, projects such as SiTaSol and KoReMo target to strengthen the market position of the European semiconductor industry against its competitors from the USA and Asia.

Key R&D Information	H1/2017	H1/2016	+/-
R&D expenses (in EUR million)	28.8*	26.0	2,8
R&D expenses, % of sales	25*	47	-22 pp
R&D employees (period average)	253	254	-1
R&D employees, % of total headcount (period average)	36	35	1 pp

* Before write downs of EUR 5.6m for TFOS in Q1/2017 and EUR 5.1m for TFE in Q2/2017

Net other operating income and expenses in the first half-year of 2017 resulted in an income of EUR 1.7m (H1/2016: EUR 4.2m income). In Q2/2017, net other operating income and expenses were up to EUR 1.5m income (Q1/2017: income of EUR 0.2m).

EUR 1.2m of R&D grants received in H1/2017 (H1/2016: EUR 1.2m; Q2/2017: EUR 0.7m; Q1/2017: EUR 0.4m), were recorded as other operating income.

The **EBITDA** in the first half-year 2017 improved both compared to the previous year (H1/2017: EUR -10.2m, H1/2016: EUR -20.0m) and sequentially (Q2/2017: EUR -4.2m; Q1/2017: EUR -6.0m).

The H1/2017 **operating result (EBIT)** adjusted by restructuring costs of EUR 14.5m, was EUR -9.6m. Compared to the previous year, EBIT was up mainly due to above mentioned effects (H1/2016: EUR -25.9m). Compared to the previous quarter, the operating result in Q2/2017 adjusted by EUR 7.7m, improved to EUR -3.6m (Q1/2017: EUR -5.9m; adjusted by EUR 6.8m).

Due to the above-mentioned developments, **result before taxes** improved from EUR -25.6m in H1/2016 to EUR -23.8m in H1/2017. The result before taxes in H1/2017 includes a net finance income of EUR 0.3m (H1/2016: EUR 0.2m; Q2/2017: EUR 0.1m; Q1/2017: EUR 0.2m). In Q2/2017, the result before taxes was EUR -11.2m (Q1/2017: EUR -12.6m).

In H1/2017, AIXTRON recorded a **tax expense** of EUR 1.1m (H1/2016: EUR 1.0m tax expense; Q2/2017: EUR 0.2m tax expense; Q1/2017: EUR 0.9m tax expense).

Excluding restructuring costs, the Company's **net result** improved year-on-year from EUR -26.6m in H1/2016 to EUR -10,4m in H1/2017.

5. Financial Position and Net Assets

The Company did not have any **bank borrowings** as of June 30, 2017 or December 31, 2016.

Total equity as of June 30, 2017 decreased to EUR 339.8m compared to EUR 369.7m as of December 31, 2016 mainly due to the period's net loss. The **equity ratio** was 82% as of June 30, 2017 (85% as of December 31, 2016).

The AIXTRON Group's **capital expenditures** for the first six months of 2017 amounted to EUR 3.6m (H1/2016: EUR 1.7m), of which EUR 3.3m (H1/2016: EUR 1.4m) related to property, plant and equipment (including testing and laboratory equipment).

Cash and cash equivalents (including cash deposits with a maturity of more than three months) were EUR 197.1m (EUR 169.3m + EUR 27.8m cash deposits) as of June 30, 2017. Compared to EUR 160.1m (EUR 120.0m + EUR 40.0m cash deposits) as of December 31, 2016, the difference of EUR 37.0m reflecting the operational performance resulting from a reduction of trade receivables and an increase of advance payments from customers.

Property, plant and equipment was lower at EUR 65.3m as of June 30, 2017 (EUR 74.2m as of December 31, 2016) mainly due to regular and accelerated depreciation of laboratory equipment in the first six months of 2017.

Goodwill was EUR 68.7m as per June 30, 2017 lower than the EUR 74.6m as per December 31, 2016. There were no impairments in the first half of 2017. Please refer to Note 8 in this report for further information on assets classified as held for sale. The remaining difference was mainly related to exchange rate fluctuations.

Inventories, including raw materials, unfinished and finished goods, decreased to EUR 36.4m as per June 30, 2017 (December 31, 2016: EUR 54.2m). This figure is a reflection of an improved inventory management and shipments of AIX R6 tools from inventory. Please refer to Note 8 in this report for further information on assets classified as held for sale.

On May 25, 2017, AIXTRON, Inc. entered into an agreement for the sale of the assets of the ALD and CVD memory product line, mainly based at AIXTRON, Inc. in Sunnyvale, California to Eugene Technology Inc. The sale is subject to regulatory approvals including CFIUS in the U.S. The CFIUS filing was made on July 17, 2017. Please refer to Note 8 in this report for further information on assets classified as held for sale.

Advance payments from customers increased by EUR 7.5m to EUR 33.6m as of June 30, 2017 compared to EUR 26.1m as of December 31, 2016 reflecting the order intake recorded in H1/2017.

Trade receivables amounted to EUR 22.0m as of June 30, 2017, compared to EUR 60.2m as of December 31, 2016, representing 33 days sales outstanding.

6. Opportunities and Risks

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

Short Term

- Further increasing emergence of compound semiconductor based laser devices such as VCSELs for sensors in automotive and mobile applications.
- Further increasing emergence of compound semiconductor based laser devices for ultrafast Telecom and Datacom infrastructure and data center applications.
- Further increasing adoption of LEDs and specialty LEDs (in particular Red-Orange-Yellow, UV or IR) for Sensor, Fine Pitch Display and other applications.
- Increased emergence of wide band gap SiC based devices for energy efficient power management in automotive, consumer electronics and mobile applications.

Mid- to Long-Term

- Increased emergence of wide band gap GaN based devices for energy efficient power management and communications in automotive, consumer electronics and mobile applications.
- Increasing emergence of compound semiconductor based sensor devices for autonomous driving.
- Further progress in the development of GaN-on-Silicon LEDs and Wafer Level Packaging.
- Development of new wide band gap applications such as RF and System-on-Chip with integrated power management.
- Progress in the development of large area OLED displays requiring efficient deposition technologies such as OVPD.
- Increased development activity for specialized compound solar cell applications.
- Development of applications using Carbon Nanostructures (Carbon Nanotubes, Carbon Nanowires, Graphene, 2D-Materials).
- Development of alternative LED applications such as Visual Light Communication technology or Micro-LED Displays.

A description of the Opportunities and Risks of the Company can be found in the chapter „Opportunities and Risk Report“ of the Annual Report 2016 which is publicly available for download on the Company‘s website at http://www.aixtron.com/en/investors/financial-reports/.

The sale of the ALD/CVD product line to Eugene Technology, South Korea is subject to regulatory approvals, in particular by the Committee on Foreign Investments in the United States (CFIUS) which is considered as a transactional risk.

The Company generates a significant portion of its revenues in currencies other than the Euro. As a result, further weakening of the US Dollar to the Euro may negatively affect the Company’s business as well as the business of AIXTRON’s customers and suppliers.

During the first six months of 2017, AIXTRON Management was not aware of any further significant additions or changes in the risks as described in the 2016 Annual Report referred to above.

7. Outlook

Based on the assessment on AIXTRON's order intake, Management now expects for fiscal year 2017 to achieve revenues and an order intake between EUR 210 million and 230 million.

AIXTRON continues to transform the Company to align R&D expenses with revenues in order to return to profitability in 2018. As the execution of this strategy might have a substantial influence on profit, Management is not guiding on EBITDA, EBIT and net result for fiscal year 2017. Management will provide an update on the 2017 earnings outlook as the above-mentioned plans and measures materialize.

Management expects to achieve a positive free cash flow in 2017 and a positive EBIT for 2018.

Interim Financial Statements

1. Consolidated Income Statement*

*unaudited

in EUR thousands	H1/2017	H1/2016	+/-
Revenues	114,149	55,486	58,663
Cost of sales	85,837	45,492	40,345
Gross profit	**28,312**	**9,994**	**18,318**
Selling expenses	5,267	5,797	-530
General administration expenses	9,376	8,268	1,108
Research and development costs	39,461	26,007	13,454
Other operating income	2,410	5,105	-2,695
Other operating expenses	671	904	-233
Operating result	**-24,053**	**-25,877**	**1,824**
Finance Income	320	255	65
Finance Expense	17	0	17
Net Finance Income	**303**	**255**	**48**
Result before taxes	**-23,750**	**-25,622**	**1,872**
Taxes on income	1,142	1,004	138
Profit/loss attributable to the equity holders of AIXTRON SE (after taxes)	**-24,892**	**-26,626**	**1,734**
Basic earnings per share (EUR)	-0.22	-0.23	0.01
Diluted earnings per share (EUR)	-0.22	-0.23	0.01

2. Consolidated Statement of other Comprehensive Income*

*unaudited

in EUR thousands	H1/2017	H1/2016	+/-
Profit or Loss	**-24,892**	**-26,626**	**1,734**
Currency translation adjustment	-5,320	-5,199	-121
Other comprehensive income	**-5,320**	**-5,199**	**-121**
Total comprehensive income attributable to equity holders of AIXTRON SE	**-30,212**	**-31,825**	**1,613**

3. Consolidated Statement of Financial Position*

*unaudited

in EUR thousands	June 30, 2017	Dec. 31, 2016
Assets		
Property, plant and equipment	65,256	74,157
Goodwill	68,650	74,563
Other intangible assets	1,462	5,426
Other non-current assets	471	544
Deferred tax assets	1,655	1,817
Total non-current assets	**137,494**	**156,507**
Inventories	36,378	54,204
Trade receivables less allowance kEUR 1,226 (2016: kEUR 1,292)	22,004	60,221
Current tax receivables	189	446
Other current assets	5,860	4,804
Other financial assets	27,837	40,021
Cash and cash equivalents	169,267	120,031
Assets classified as held for sale	16,017	0
Total current assets	**277,552**	**279,727**
Total assets	**415,046**	**436,234**
Liabilities and shareholders‘ equity		
Subscribed capital		
Number of shares: 111,657,153 (2016: 111,657,153)	111,657	111,657
Additional paid-in capital	373,689	373,452
Retained earnings	-150,420	-125,528
Income and expenses recognised in equity	4,840	10,160
Total shareholders' equity	**339,766**	**369,741**
Other non-current liabilities	257	2,008
Other non-current accruals and provisions	2,280	2,169
Total non-current liabilities	**2,537**	**4,177**
Trade payables	13,894	14,593
Advance payments from customers	33,551	26,146
Other current provisions	17,055	16,117
Other current liabilities	4,124	2,358
Current tax liabilities	3,461	3,102
Liabilities directly associated with assets classified as held for sale	658	0
Total current liabilities	**72,743**	**62,316**
Total liabilities	**75,280**	**66,493**
Total liabilities and shareholders' equity	**415,046**	**436,234**

4. Consolidated Statement of Cash Flows*

*unaudited

in EUR thousands	H1/2017	H1/2016	+/-
Cash flow from operating activities			
Net income for the period	-24,892	-26,626	1,734
Reconciliation between profit and cash flow from operating activities			
Expense from share-based payments	237	446	-209
Depreciation and amortization expense	13,843	5,924	7,919
Net result from disposal of property, plant and equipment	-79	-6	-73
Deferred income taxes	126	414	-288
Change in			
Inventories	8,590	-8,055	16,645
Trade receivables	37,209	3,582	33,627
Other assets	-2,076	-31	-2,045
Trade payables	-80	1,356	-1,436
Provisions and other liabilities	4,084	-21,629	25,713
Non-current liabilities	-1,568	-648	-920
Advance payments from customers	7,949	6,005	1,944
Cash flow from operating activities	**43,343**	**-39,268**	**82,611**
Cash flow from investing activities			
Cash outflow from acquisitions	0	-4,183	4,183
Capital expenditures in property, plant and equipment	-3,284	-1,465	-1,819
Capital expenditures in intangible assets	-294	-282	-12
Proceeds from disposal of fixed assets	547	9	538
Bank deposits with a maturity of more than 90 days	11,752	32,360	-20,608
Cash flow from investing activities	**8,721**	**26,439**	**-17,718**
Cash flow from financing activities			
Proceeds from issue of equity shares	0	64	-64
Cash flow from financing activities	**0**	**64**	**-64**
Effect of changes in exchange rates on cash and cash equivalents	-2,828	-2,607	-221
Net change in cash and cash equivalents	49,236	-15,372	64,608
Cash and cash equivalents at the beginning of the period	120,031	116,305	3,726
Cash and cash equivalents at the end of the period	**169,267**	**100,933**	**68,334**
Interest received	247	365	-118
Income taxes paid	-534	-627	93
Income taxes received	471	224	247

5. Consolidated Statement of Changes in Equity*

*unaudited

			Income and expense recognized directly in equity		
	Subscribed capital under IFRS	Additional paid-in-capital	Currency translation	Retained Earnings/ Accumulated deficit	Shareholders' equity attributable to the owners of AIXTRON SE
					Total
Balance at January 1, 2017	111,657	373,452	10,160	-125,528	369,741
Share based payments		237			237
Transactions with shareholders					
Own shares acquired					0
New shares issued					0
Net income for the period				-24,892	-24,892
Other comprehensive income			-5,320		-5,320
Total comprehensive income			-5,320	-24,892	-30,212
Balance at June 30, 2017	111,657	373,689	4,840	-150,420	339,766

			Income and expense recognized directly in equity		
	Subscribed capital under IFRS	Additional paid-in-capital	Currency translation	Retained earnings/ Accumulated deficit	Shareholders' equity attributable to the owners of AIXTRON SE
					Total
Balance at January 1, 2016	111,582	372,636	12,249	-99,962	396,505
Share based payments		444			444
Transactions with shareholders					
Own shares acquired					0
New shares issued	16	47			63
Net income for the period				-26,626	-26,626
Other comprehensive income			-5,199		-5,199
Total comprehensive income			-5,199	-26,626	-31,825
Balance at June 30, 2016	111,598	373,127	7,050	-126,588	365,187

Additional Disclosures

1. Accounting Policies

This consolidated interim financial report of AIXTRON SE has been prepared in accordance with International Financial Reporting Standards (IFRS) applicable for Interim Financial Reporting, IAS 34.

The accounting policies adopted in this interim financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016.

The consolidated interim financial statements of AIXTRON SE include the following subsidiaries (collectively referred to as "AIXTRON", "the AIXTRON Group", "the Group" or "the Company"): AIXTRON, Inc., Sunnyvale, California (USA); AIXTRON Ltd., Cambridge (United Kingdom); AIXTRON Korea Co. Ltd., Hwasung (South Korea); AIXTRON China Ltd., Shanghai (PR of China); AIXTRON KK, Tokyo (Japan) and AIXTRON Taiwan Co. Ltd., Hsinchu (Taiwan).

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.

As in previous years, the consolidated interim financial report was not audited according to §317 HGB or reviewed by a certified auditor.

2. Segment Reporting

The following segment information has been prepared in accordance with IFRS 8 „Operating Segments". As AIXTRON has only one operating segment, the information provided relates only to geographical data.

The Company markets and sells its products in Asia, Europe, and the United States, mainly through its direct sales organization and cooperation partners.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical Segments (in EUR thousands)		**Asia**	**Europe**	**Americas**	**Group**
Revenues realized with third parties	**H1/2017**	94,298	8,711	11,140	114,149
	H1/2016	30,299	13,899	11,288	55,486
Segment assets (property, plant and equipment)	**30/06/17**	443	64,801	12	65,256
	31/12/16	977	66,740	6,440	74,157

3. Stock Option Plans

As of June 30, 2017, AIXTRON's employees and Executive Board members held stock options, representing the right to receive AIXTRON common shares. The status of these options developed as follows:

AIXTRON ordinary shares	**Jun 30, 2017**	**Exercised**	**Expired/Forfeited**	**Allocation**	**Dec 31, 2016**
Stock options	1.827.090	0	490.700	0	2.317.790
Underlying shares	1.827.090	0	490.700	0	2.317.790

4. Employees

The total number of employees decreased from 724 on June 30, 2016 to 693 persons on June 30, 2017.

Employees by Region	2017		2016		+/-	
	Jun-30	%	Jun-30	%	abs.	%
Asia	112	16	122	17	-10	-8
Europe	453	66	468	65	-15	-3
USA	128	18	134	18	-6	-4
Total	**693**	**100**	**724**	**100**	**-31**	**-4**

Employees by Function	2017		2016		+/-	
	Jun-30	%	Jun-30	%	abs.	%
Sales	54	8	58	8	-4	-8
Research and Development	251	36	249	34	2	1
Manufacturing and Service	292	42	320	44	-28	-9
Administration	84	12	86	12	-2	-2
Apprentices	12	2	11	2	1	9
Total	**693**	**100**	**724**	**100**	**-31**	**-4**

5. Management

The former CEO Martin Goetzeler left the Company effective February 28, 2017. AIXTRON Supervisory Board Chairman Kim Schindelhauer became interim CEO and took over Mr. Goetzeler´s tasks effective March 1, 2017. Professor Dr. Wolfgang Blättchen, deputy chairman of the Supervisory Board, was elected as chair of the Supervisory Board during Mr. Schindelhauer's work as CEO of the Company.

Dr. Felix Grawert was appointed as a new member to the Executive Board and he will assume the position on August 14, 2017. Dr. Schulte and Dr. Grawert will jointly lead the Company.

The Supervisory Board has extended the contract of Dr. Bernd Schulte to March 31, 2021.

Kim Schindelhauer will rejoin the Supervisory Board as Chairman on September 1, 2017.

6. Related Party Transactions

During the reporting period, AIXTRON did not initiate or conclude any material transactions with related parties.

7. Litigation

On January 4, 2016, a U.S.-based law firm filed a complaint on behalf of a shareholder of the Company, naming AIXTRON as a defendant in a putative class action asserting claims under the Securities and Exchange Act of 1934. On December 20, 2016, the Court entered an opinion granting AIXTRON's motion to dismiss all claims asserted against it. Subsequently, the plaintiff confirmed in January 2017 that he will not pursue an appeal and the time to pursue an appeal has expired. As a result, the order dismissing the complaint is final and the case is closed.

8. Sale of ALD/CVD Memory Product line

On May 25, 2017, AIXTRON, Inc. entered into an agreement for the sale of the assets of the ALD and CVD memory product line, mainly based at AIXTRON, Inc. in Sunnyvale, California to Eugene Technology Inc., a wholly owned U.S. subsidiary of Eugene Technology Co., Ltd, South Korea.

AIXTRON, Inc., the U.S. subsidiary of AIXTRON SE will continue to provide sales and support for its continuing business.

The agreed purchase price before expenses is in a range between USD 45 million and USD 55 million will be paid in cash at closing. The sale includes inventory and other assets. Due to ongoing business, the value of the assets to be disposed of and the purchase price will be determined at time of closing. The transaction is subject to regulatory approvals, including by the Committee on Foreign Investments in the United States (CFIUS) and is expected to close within 2017. The CFIUS filing was made on July 17, 2017.

The major classes of assets and liabilities classified as held for sale, based on June 30, 2017 values are as follows:

(in EUR thousands)	
Goodwill	4,868
Property, plant and equipment	1,861
Inventories	8,279
Other current assets	1,009
Warranty provisions	-658
Net assets classified as held for sale	**15,359**

9. Restructuring costs

During the first half of 2017 the Group has frozen further technology development on both its three-five on silicon (TFOS) and Thin Film Encapsulation (TFE) products. Costs incurred include impairment of assets, and contractual settlements. In addition it has incurred costs in relation to the separation of some of its activities, principally the assets of its ALD/CVD product line.

(in EUR thousands)		
Cost of sales	Contractual settlements	1,000
	Inventory impairment	1,338
Administration expense	Legal and consulting	1,487
R & D expense	Impairment of assets	8,127
	Other costs	2,514
Total		**14,466**

10. Post-Balance Sheet Date Events

There were no known events after June 30, 2017 with a potentially significant effect on AIXTRON's results of operation or financial position.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements for the six months ended June 30, 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the financial year.

Herzogenrath, July 25, 2017

AIXTRON SE

Executive Board