Notes

1. GENERAL PRINCIPLES

AIXTRON SE is incorporated as a European Company (Societas Europaea) under the laws of the Federal Republic of Germany. The Company is domiciled at Dornkaulstraße 2, 52134 Herzogenrath, Germany. AIXTRON SE is registered in the commercial register of the District Court ("Amtsgericht") of Aachen under HRB 16590.

The consolidated financial statements of AIXTRON SE and its subsidiaries ("AIXTRON" or "Company") have been prepared in accordance with, and fully comply with

- International Financial Reporting Standards (IFRS), and the interpretations as published by the International Accounting Standards Board (IASB); and also
- International Financial Reporting Standards (IFRS) as adopted for use in the European Union; and also
- the requirements of Section 315a of HGB (German Commercial Law).

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 opto-electronic applications based on compound, silicon, or organic semiconductor materials. Such components are used in fiber optic communication systems, wireless and mobile telephony applications, optical and electronic storage devices, computing, signaling and lighting, displays, as well as a range of other leading-edge technologies.

These consolidated financial statements have been prepared by the Executive Board and have been submitted to the Supervisory Board at its meeting held on February 22, 2017 for approval and publication.

2. SIGNIFICANT ACCOUNTING POLICIES

A COMPANIES INCLUDED IN CONSOLIDATION

Companies included in consolidation are the parent company, AIXTRON SE, and 6 companies, in which AIXTRON SE has a 100% direct shareholding or control. The balance sheet date of all consolidated companies is December 31. A list of all consolidated companies is shown in note 31.

B BASIS OF ACCOUNTING

The consolidated financial statements are presented in Euro (EUR). The amounts are rounded to the nearest thousand Euro (kEUR). Some items in the consolidated statement of financial position and consolidated income statement have been combined under one heading to improve the clarity of presentation. Such items are disclosed and commented on individually in the notes.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if this revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments which have a significant effect on the Company's financial statements are described in Note 37.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by each consolidated company.

C BASES OF CONSOLIDATION

(I) SUBSIDIARIES

Entities over which AIXTRON SE has control are treated as subsidiaries (see note 31). Control exists when the Company is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

All intercompany income and expenses, transactions and balances have been eliminated in the consolidation.

D FOREIGN CURRENCY

The consolidated financial statements have been prepared in Euro (EUR). In the translation of financial statements of subsidiaries outside the Euro-Zone the local currencies are also the functional currencies of those companies. Assets and liabilities of those companies are translated to EUR at the exchange rate as of the balance sheet date. Revenues and expenses are translated to EUR at average exchange rates for the year or at average exchange rates for the period between their inclusion in the consolidated financial statements and the balance sheet date. Net equity is translated at historical rates. The differences arising on translation are disclosed in the Consolidated Statement of Changes in Equity.

Exchange gains and losses resulting from fluctuations in exchange rates in the case of foreign currency transactions are recognized in the income statement in “Other operating income“ or “Other operating expenses“.

E PROPERTY, PLANT AND EQUIPMENT

(I) ACQUISITION OR MANUFACTURING COST

Items of property, plant and equipment are stated at cost, plus ancillary charges such as installation and delivery costs, less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

Costs of internally generated assets include not only costs of material and personnel, but also a share of directly attributable overhead costs, such as employee benefits, delivery costs, installation, and professional fees.

Where parts of an item of property, plant and equipment have different useful lives, they are depreciated as separate items of property, plant and equipment.

(II) SUBSEQUENT COSTS

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing components or enhancement of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. All other costs such as repairs and maintenance are expensed as incurred.

(III) GOVERNMENT GRANTS

Government grants related to the acquisition or manufacture of owned assets are deducted from original cost at the date of capitalization.

(IV) DEPRECIATION

Depreciation is charged on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Useful lives, depreciation method and residual values of property, plant and equipment are reviewed at the year-end date or more frequently if circumstances arise which are indicative of a change. The estimated useful lives are as follows:

Buildings	25 - 33 years
Machinery and equipment	3 - 14 years
Other plant, factory and office equipment	2 - 14 years

The useful lives of leased assets do not exceed the expected lease periods.

F INTANGIBLE ASSETS

(I) GOODWILL

Business combinations are accounted for by applying the purchase method. In respect of business combinations that have occurred since January 1, 2004, goodwill represents the difference between the fair value of the consideration for the business combination and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment loss. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting policy (j)).

(II) RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding using scientific methods, is recognized as an expense as incurred.

Expenditure on development comprises costs incurred with the purpose of using scientific knowledge technically and commercially. As not all criteria of IAS 38 are met AIXTRON did not capitalize such costs.

(III) OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy (j)).

Intangible assets acquired through business combinations are stated at their fair value at the date of purchase.

Expenditure on internally generated goodwill, trademarks and patents is expensed as incurred.

(IV) SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(V) AMORTIZATION

Amortization is charged on a straight-line basis over the estimated useful lives of intangible assets, except for goodwill. Goodwill has a useful life which is indefinite and is tested annually in respect of its recoverable amount. Other intangible assets are amortized from the date they are available for use. Useful lives and residual values of intangible assets are reviewed at the year-end date or more frequently if circumstances arise which are indicative of a change. The estimated useful lives are as follows:

Software	2 - 5 years
Patents and similar rights	5 - 18 years
Customer base and product and technology know how	6 - 10 years

G FINANCIAL INSTRUMENTS

(I) FINANCIAL ASSETS

Financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity investments', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments are recognized at the contract date, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(II) FINANCIAL ASSETS AT FVTPL

Financial assets are classified as at FVTPL where the asset is either

- held for trading or
- it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(III) HELD TO MATURITY INVESTMENTS

Investments with fixed or determinable payments and fixed maturity dates that the Company intends to and has the ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are recorded at amortized cost using the effective interest rate method less any impairment, with revenue recognized on an effective yield basis.

(IV) TRADE RECEIVABLES

Trade receivables and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment.

(V) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(VI) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits with banks with a maturity of less than three months at inception.

(VII) EQUITY INSTRUMENTS

Equity instruments, including share capital, issued by the company are recorded at the proceeds received, net of direct issue costs.

(VIII) FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

(IX) FINANCIAL LIABILITIES AT FVTPL

Financial liabilities are classified as at FVTPL where the liability is either

- held for trading or
- it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(X) OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

(XI) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Company's activities expose it to the financial risks of changes in foreign exchange currency rates (seenote 26). The Company uses foreign exchange forward contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by policies approved by the Executive Board, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the income statement.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

Hedge accounting is discontinued when the derivative financial instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the derivative financial instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

H INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost is determined using weighted average cost.

The cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes direct material and production cost, as well as an appropriate share of overheads based on normal operating capacity. Scrap and other wasted costs are expensed on a periodic basis either as Cost of Sales or, in the case of Beta tools as Research and Development expense.

Allowance for slow moving, excess and obsolete, and otherwise unsaleable inventory is recorded based primarily on either the Company's estimated forecast of product demand and production requirement or historical usage. When the estimated future demand is less than the inventory, the Company writes down such inventories.

I OPERATING RESULT

Operating result is stated before finance income, finance expense and tax.

J IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Goodwill purchased as part of a business acquisition is tested annually for impairment, irrespective of whether there is any indication of impairment. For impairment test purposes, the goodwill is allocated to cash-generating units. Impairment losses are recognized to the extent that the carrying amount exceeds the higher of fair value less cost to sell or value in use of the cash-generating unit.

Property, plant and equipment as well as other intangible assets are tested for impairment, where there is any indication that the asset may be impaired. The company assesses at the end of each period whether there is an indication that an asset may be impaired. Impairment losses on such assets are recognized, to the extent that the carrying amount exceeds either the fair value that would be obtainable from a sale in an arm's length transaction, or the value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and the risks associated with the asset.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals are made only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

An impairment loss in respect of goodwill is not reversed.

K EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income (loss) by the weighted average number of issued common shares (see note 21) for the year. Diluted earnings per share reflect the potential dilution that could occur if options issued under the Company's stock option plans were exercised and convertible bonds were converted, unless such conversion had an anti-dilutive effect.

L EMPLOYEE BENEFITS

(I) DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

(II) SHARE-BASED PAYMENT TRANSACTIONS

The stock option programs allows members of the Executive Board, management and employees of the Company to acquire shares/ADS (see note 23) of the Company. These stock option programs are accounted for by AIXTRON according to IFRS 2. The fair value of options granted after November 7, 2002 is recognized as personnel expense with a corresponding increase in additional paid-in capital. The fair value is calculated at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a mathematical model, taking into account the terms and conditions upon which the options were granted. In the calculation of the personnel expense options forfeited are taken into account.

M PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle this obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money and, where appropriate, the risks associated with the liability.

(I) WARRANTIES

The Company normally offers one or two year warranties on all of its products. Warranty expenses generally include cost of labor, material and related overhead necessary to repair a product free of charge during the warranty period. The specific terms and conditions of those warranties may vary depending on the equipment sold, the terms of the contract and the locations from which they are sold. The Company establishes the costs that may be incurred under its warranty obligations and records a liability in the amount of such costs at the time revenue is recognized. Factors that affect the Company's warranty liability include the historical and anticipated rates of warranty claims and cost per claim.

The Company accrues material and labor cost for systems shipped based upon historical experience. The Company periodically assesses the adequacy of its recorded warranty provisions and adjusts the amounts as necessary.

Extended warranties, beyond the normal warranty periods, are treated as maintenance services in accordance with (n) below.

(II) ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the expected economic benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The amount recognized as a provision is determined as the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received. Before making that provision any impairment loss that has occurred on assets dedicated to that contract are recognized. The provision is discounted to present value if the adjustment is material.

N REVENUE

Revenue is generated from the sale and installation of equipment, spare parts and maintenance services and is recognized when the Company satisfies a performance obligation by transferring goods or services to the customer and it is probable that the economic benefits associated with the transaction will flow to the entity.

The sale of equipment involves a customer acceptance test at AIXTRON´s production facility. After successful completion of this test, the equipment is dismantled and packaged for shipment. Upon arrival at the customer site the equipment is reassembled and installed, which is a service generally performed by AIXTRON engineers. AIXTRON gives no general rights of return, discounts, credits or other sales incentives within its terms of sale. However, occasionally some customers of AIXTRON have specifically negotiated terms and conditions of business.

Revenues from the sale of products that have been demonstrated to meet product specification requirements are recognized upon shipment to the customer, if a full customer acceptance test has been successfully completed at the AIXTRON production facility and the significant risks and rewards of ownership has passed to the customer.

Revenue relating to the installation of the equipment at the customer's site is recognized when the installation is completed and the final customer acceptance has been confirmed.

The portion of the contract revenue related to equipment deferred until completion of the installation services is determined based on either the fair value of the installation services or, if the company determines that there may be a risk that the economic benefits of installation services may not flow to the Company, the portion of the contract amount that is due and payable upon completion of the installation.

Fair value of the installation services is determined based on the price that would be received in an orderly transaction in the principal market for such equipment at the measurement date under current market conditions.

Revenue related to products where meeting the product specification requirements has not yet been demonstrated, or where specific rights of return have been negotiated, is recognized only upon final customer acceptance.

Revenue on the sale of spare parts is recognized when title and risk passes to the customer, generally upon shipment. Revenue from maintenance services is recognized as the services are provided.

The consideration from contracts which include combinations of different performance obligations such as equipment, spares and services is allocated to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the goods or services to the customer. The company uses a combination of methods such as an estimated cost plus margin approach, and allocating discounts proportionately to each performance obligation when determining the consideration for each performance obligation.

O EXPENSES

(I) COST OF SALES

Cost of sales includes such direct costs as materials, labor and related production overheads.

(II) RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Costs of beta tools which do not qualify to be recognized as an asset are expensed as research and development costs.

Project funding received from governments (e.g. state funding) and the European Union is recorded in other operating income, if the research and development costs are incurred and provided that the conditions for the funding have been met.

(III) OPERATING LEASE PAYMENTS

Payments made under operating leases are recognized as expense on a straight-line basis over the term of the lease.

P OTHER OPERATING INCOME

Government grants

Government grants awarded for project funding are recorded in “Other operating income” if the research and development costs are incurred and provided that the conditions for the funding have been met.

Q TAX

The tax expense represents the sum of the current and deferred tax.

Deferred tax assets and liabilities are recorded for all temporary differences between tax and commercial balance sheets and for losses brought forward for tax purposes as well as for tax credits of the companies included in consolidation. The deferred taxes are calculated, based on tax rates applicable at the balance sheet date or known to be applicable in the future. Effects of changes in tax rates on the deferred tax assets and liabilities are recognized upon substantively enacted amendments to the law.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits can be set off against tax credits and tax losses carried forward. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. The recoverability of deferred tax assets is reviewed at least annually.

R SEGMENT REPORTING

An operating segment is a component of the Company that is engaged in business activities and whose operating results are reviewed regularly by the Chief Operating Decision Maker, which the Company considers to be its Executive Board, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. AIXTRON has only one reportable segment.

Accounting standards applied in segment reporting are in accordance with the general accounting policies as explained in this section.

S CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with IAS 7. Cash flows from operating activities are prepared using the indirect method. Cash inflows and cash outflows from taxes and interest are included in cash flows from operating activities.

T RECENTLY ISSUED ACCOUNTING STANDARDS

In the current year, the following new and revised standards have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IFRS10, IFRS12 and IAS28 Investment entities: Applying the Consolidation Exception	No Investment Entities exist in the Group.
Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations	There are no Joint Operations in the Group
Amendments to IAS 1 Disclosure Initiative	The majority of the amendments are clarifications rather than substantive changes to existing requirements.
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments are clarifications rather than substantive changes to existing requirements.
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	The Group does not have agricultural activities.
Amendments to IAS 27 Equity Method in Separate Financial Statements	The amendments do not apply to Consolidated Financial Statements.
Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle	The amendments are mainly concerned with specific guidance and clarification of existing IFRSs.

At the date of authorization of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related clarifications
IFRS 16	Leases
Amendments to IFRS 2	Classification and Measurement of Share-based payment transactions.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate of Joint Venture.
Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses.

The company does not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods. The main effects are expected to be from IFRS 9, 15 and 16.

The company expects that the adoption of IFRS 9 will mainly affect the method of assessing credit risk in reporting periods commencing 2018 and could result in higher provisions for bad debts.

The company's accounting policies already substantially comply with IFRS 15. Additional disclosures are likely to be required.

Lease accounting changes included in IFRS 16 are applicable for the reporting periods commencing 2019. The company does not expect the changes to have a material effect in respect of its existing leases.

3. SEGMENT REPORTING AND REVENUES

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Board, as chief operating decision maker, in order to allocate resources to the segments and to assess their performance.

The Executive Board regularly reviews financial information to allocate resources and assess performance only on a consolidated group basis since the various activities of the group are largely integrated from an operational perspective. In accordance with IFRS, AIXTRON has only one reportable segment.

The company's reportable segment is based around the category of goods and services provided to the semiconductor industry.

Revenues are recognized as disclosed in Note 2 (n).

The company values the revenue deferred for equipment installation services, using a market based approach, based on observed transactions for all such contracts involving two elements where revenue has been recognized during the financial year. This is level 2 within the fair value hierarchy described in IFRS 13. The fair value of the installation services is taken as the most frequently observed (modal value) percentage of the contract price payable upon completion of the installation service.

For contracts where revenue is recognized in two elements, the same method is also used to determine the fair value of products delivered, which is taken to be the most frequently observed (modal value) percentage of the contract value payable upon delivery of the equipment to the customer. This is also level 2 in the fair value hierarchy.

Segment revenues and results

in EUR thousands	Note	2016	2015	2014
Equipment revenues		155,653	150,971	148,543
Spares and service revenue		40,824	46,785	45,254
Revenue from external customers		**196,477**	**197,756**	**193,797**
Inventories recognized as an expense	16	104,836	95,143	134,940
Reversals of inventory provisions	16	-16,525	-10,372	-32,018
Obsolescence and valuation allowance expense for inventories	16	0	4,141	3,016
Personnel expense	7	63,136	63,029	66,409
Depreciation	11	12,951	9,146	15,591
Amortization	12	1,421	1,430	1,409
Other expenses		59,678	70,113	65,384
Foreign exchange losses	5	917	704	1,276
Other operating income	5	-8,548	-8,852	-3,901
Segment loss		**-21,389**	**-26,726**	**-58,309**
Finance income	8	583	788	1,168
Finance expense	**8**	**-147**	**-22**	**0**
Loss before tax		**-20,953**	**-25,960**	**-57,141**

The accounting policies of the reportable segment are identical to the Group's accounting policies as described in note 2. Segment profit represents the profit earned by the segment without the allocation of investment revenue, finance costs and income tax expense. This is the measure reported to the Executive Board for the purpose of resource allocation and assessment of performance.

Segment assets and liabilities

in EUR thousands	12/31/2016	12/31/2015
Semi-conductor equipment segment assets	273,919	266,720
Unallocated assets	162,315	215,233
Total Group assets	**436,234**	**481,953**

in EUR thousands	12/31/2016	12/31/2015
Semi-conductor equipment segment liabilities	63,391	82,574
Unallocated liabilities	3,102	2,874
Total Group liabilities	**66,493**	**85,448**

For the purpose of monitoring segment performance and allocating resources all assets other than tax assets, cash and other financial assets are treated as allocated to the reportable segment. All liabilities are allocated to the reportable segment apart from tax liabilities and post-employment benefit liabilities.

Additions to Property, Plant and Equipment, to Goodwill and to Intangible assets, and the depreciation and amortization expenses are given in notes 11 and 12. Other non-current assets decreased by kEUR 86 during 2016 (increased by kEUR 248 in 2015).

Information concerning other material items of income and expense for personnel expenses and R&D expenses can be found in notes 7 and 4.

GEOGRAPHICAL INFORMATION

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below. Revenues from external customers are attributed to individual countries based on the country in which it is expected that the products will be used.

in EUR thousands	**2016**	**2015**	**2014**
Asia	128,007	118,376	160,240
Europe	30,814	35,772	25,189
Americas	37,656	43,608	8,368
Total	**196,477**	**197,756**	**193,797**

Sales from external customers attributed to Germany, AIXTRON's country of domicile, and to other countries which are of material significance are as follows:

in EUR thousands	**2016**	**2015**	**2014**
Germany	9,865	6,705	6,621
USA	37,353	41,937	8,162
Korea	27,086	26,507	18,641
China	64,756	52,571	106,568
Taiwan	22,000	27,375	20,580

Revenues from all foreign countries outside of Germany were kEUR 186,612 kEUR 191,051, and kEUR 187,176 for the years ended December 31, 2016, 2015, and 2014 respectively.

During 2016 sales to one customer represented 14.6% of Group revenue, with no other customer exceeding 10%. In 2015 sales to one customer were 18.1% of Group revenue, with no other customer exceeding 10%. Sales to four customers in 2014 exceeded 10% of Group revenue, representing 12.2%, 10.9%, 10.4% and 10.1% respectively.

in EUR thousands	**12/31/2016**	**12/31/2015**
Asia	1,521	3,837
Europe excluding Germany	10,800	13,093
Germany	124,057	124,954
USA	18,312	22,372
Total Group non current assets	**154,690**	**164,256**

Non-current assets exclude deferred tax assets, financial instruments, post-employment benefit assets and rights arising under insurance contracts.

4. RESEARCH AND DEVELOPMENT

Research and development costs, before deducting project funding received, were kEUR 53,937, kEUR 55,415 and kEUR 66,739 for the years ended December 31, 2016, 2015 and 2014 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 51,811, kEUR 52,409 and kEUR 64,944 for the years ended December 31, 2016, 2015 and 2014 respectively.

5. OTHER OPERATING INCOME

in EUR thousands	2016	2015	2014
Research and development funding	2,126	3,006	1,795
Income from resolved contract obligations	4,288	1,904	0
Foreign exchange gains	734	3,389	979
Other	1,400	553	1,127
	8,548	**8,852**	**3,901**

in EUR thousands	2016	2015	2014
Foreign exchange gains	734	3,389	979
Foreign exchange losses (see note 6)	-917	-704	-1,276
Net foreign exchange gains (losses)	**-183**	**2,685**	**-297**
Gains (losses) arising on financial instruments at FVTPL	0	0	0
Other foreign exchange gains (losses)	-183	2,685	-297
Net foreign exchange gains (losses)	**-183**	**2,685**	**-297**

The total amount of exchange gains and losses (see alsonote 6) recognized in profit or loss was a loss of kEUR 183, (2015 gain kEUR 2,685; 2014 loss kEUR 297).

6. OTHER OPERATING EXPENSES

in EUR thousands	2016	2015	2014
Foreign exchange losses	917	704	1,276
Losses from the disposal of fixed assets	29	8	29
Additions to allowances for receivables or write-off of receivables	299	1,439	327
Other	140	8	42
	1,385	**2,159**	**1,674**

7. PERSONNEL EXPENSE

in EUR thousands	2016	2015	2014
Payroll	54,411	54,033	57,403
Social insurance contributions	6,518	6,731	6,560
Expense for defined contribution plans	1,454	1,274	1,667
Share based payments	753	991	779
	63,136	**63,029**	**66,409**

Personnel expenses include restructuring costs related to reductions in personnel in a number of the Group's activities. Costs are included in expenses as set out in the table below.

in EUR thousands	2016	2015	2014
Cost of sales	696	0	729
Selling expenses	0	0	424
General administration expenses	131	0	577
Research and development costs	0	0	4,086
	827	**0**	**5,816**

8. NET FINANCE INCOME

in EUR thousands	2016	2015	2014
Interest income from financial assets			
On financial assets measured at amortised cost	583	788	1,168
Interest expense from financial liabilities			
On financial liabilities not at fair value through profit or loss	-147	-22	0
Net finance income	**436**	**766**	**1,168**

Interest income relates to interest on cash and cash equivalents and held to maturity investments.

9. INCOME TAX EXPENSE/BENEFIT

The following table shows income tax expenses and income recognized in the consolidated income statement:

in EUR thousands	2016	2015	2014
Current tax expense (+)/current tax income (-)			
for current year	1,562	2,164	4,093
for prior years	121	-175	719
Total current tax expense/income	**1,683**	**1,989**	**4,812**
Deferred tax expense (+)/deferred tax income (-)			
from temporary differences	80	1,157	989
Income/expense from changes in local tax rate	0	54	0
from reversals and write-downs	1,301	0	-431
Total deferred tax expense	**1,381**	**1,211**	**558**
Taxes on income/loss	**3,064**	**3,200**	**5,370**

Income/loss before income taxes and income tax expense relate to the following regions:

in EUR thousands	2016	2015	2014
Income/loss before income taxes			
Germany	-25,959	-30,479	-61,568
Outside Germany	5,006	4,519	4,427
Total	**-20,953**	**-25,960**	**-57,141**
Income tax expense			
Germany	161	2,192	1,249
Outside Germany	2,903	1,008	4,121
Total	**3,064**	**3,200**	**5,370**

The Company’s effective tax rate is different from the German statutory tax rate of 32.80% (2015 : 32.80%; 2014: 30.55%) which is based on the German corporate income tax rate, including solidarity surcharge, and trade tax.

EUR 1,301k deferred tax assets were derecognized in countries outside of Germany (2015: EUR 348k derecognized; 2014: EUR 431k recognized).

The following table shows the reconciliation from the expected to the reported tax expense:

in EUR thousands	2016	2015	2014
Net result before taxes	**-20,953**	**-25,960**	**-57,141**
Income tax expense/benefit (German tax rate)	-6,873	-7,928	-17,451
Effect from differences to foreign tax rates	-932	-833	-2,291
Non-deductible expenses	730	765	1,848
Tax losses not recgonized as assets	11,772	13,798	27,277
Recognition/derecognition of deferred tax assets	1,301	348	-431
Effect from changes in local tax rate	0	54	0
Effect of the use of loss carryforwards	0	-4,113	-1,390
Effect of permanent differences	7	-63	-24
Other	-2,941	1,172	-2,168
Taxes on income/loss	**3,064**	**3,200**	**5,370**
Effective tax rate	**-14.6%**	**-12.3%**	**-9.4%**

10. CURRENT TAX RECEIVABLE AND PAYABLE

As of December 31, 2016 the current tax receivable and payable, arising because the amount of tax paid in the current or in prior periods was either too high or too low, are kEUR 446 (2015: kEUR 2,538) and kEUR 3,102 (2015: kEUR 2,874) respectively.

11. PROPERTY, PLANT AND EQUIPMENT

in EUR thousands	**Land and buildings**	**Technical equipment and machinery**	**Other plant, factory and office equipment**	**Assets under construction**	**Total**
Cost					
Balance at January 1, 2015	64,368	86,757	18,628	9,604	**179,357**
Additions	344	10,935	416	829	**12,524**
Additions from business combinations	0	52	0	0	**52**
Disposals	76	8,572	2,918	0	**11,566**
Transfers	17	4,355	139	-4,521	**-10**
Effect of movements in exchange rates	304	2,346	297	293	**3,240**
Balance at December 31, 2015	**64,957**	**95,873**	**16,562**	**6,205**	**183,597**
Balance at January 1, 2016	64,957	95,873	16,562	6,205	**183,597**
Additions	846	1,611	354	2,101	**4,912**
Disposals	0	3,142	315	0	**3,457**
Transfers	0	2,956	2,450	-5,406	**0**
Effect of movements in exchange rates	-369	107	-57	18	**-301**
Balance at December 31, 2016	**65,434**	**97,405**	**18,994**	**2,918**	**184,751**
Depreciation and impairment losses					
Balance at January 1, 2015	23,031	65,160	13,867	0	**102,058**
Depreciation charge for the year	1,847	5,391	1,566	342	**9,146**
Reversal of impairment	225	0	0	0	**225**
Disposals	76	8,434	2,896	0	**11,406**
Effect of movements in exchange rates	208	2,250	244	-10	**2,692**
Balance at December 31, 2015	**24,785**	**64,367**	**12,781**	**332**	**102,265**
Balance at January 1, 2016	24,785	64,367	12,781	332	**102,265**
Depreciation charge for the year	2,148	8,973	1,830	0	**12,951**
Reversal of impairment	885	0	0	0	**885**
Disposals	0	3,102	313	0	**3,415**
Effect of movements in exchange rates	-268	-36	-28	10	**-322**
Balance at December 31, 2016	**25,780**	**70,202**	**14,270**	**342**	**110,594**
Carrying amounts					
At January 1, 2015	41,337	21,597	4,761	9,604	**77,299**
At December 31, 2015	40,172	31,506	3,781	5,873	**81,332**
At January 1, 2016	**40,172**	**31,506**	**3,781**	**5,873**	**81,332**
At December 31, 2016	**39,654**	**27,203**	**4,724**	**2,576**	**74,157**

DEPRECIATION

Depreciation expense amounted to kEUR 12,951 for 2016 and was kEUR 9,146 and kEUR 15,591 for 2015 and 2014 respectively.

During each financial year, asset useful lives are reviewed in accordance with IAS 16. The effect of the changes in assets useful lives has been to increase the depreciation expense in 2016 by kEUR 2,283 (2015 kEUR nil; 2014 kEUR 561) compared with the depreciation which would have occurred had the asset useful lives remained unchanged. The changes relate to test equipment which is no longer used.

IMPAIRMENTS

The company decided in 2013 to relocate its main activities from its Kaiserstrasse facility in Herzogenrath to a purpose built building nearby. Consequently, the recoverable amount of the Kaiserstrasse facility was re-assessed as its fair value less costs of disposal.

During 2016 the company obtained a new valuation of the building and has reversed kEUR 885 of the previous impairment of the carrying value of the building.

The valuation was carried out by a professionally qualified valuer (CIS Immobiliengutachter HypZert fuer finanzwirtschaftliche Zwecke) and is level 2 in the hierarchy of valuations in IFRS 13. The valuation was based on observable inputs from comparable property transactions. The valuation given of the building in 2016 was kEUR 5,543 and an allowance for the costs of disposal of kEUR 166 has been made against this.

The valuation was updated on the same basis as at the end of 2015 with a reversal of impairment of kEUR 225 resulting from that valuation.

There were no other impairments or reversals of impairments in 2014, 2015 or 2016.

The building is expected to be put on the market for sale in the near future.

ASSETS UNDER CONSTRUCTION

Assets under construction relates mainly to self-built systems for development laboratories in 2016 and 2015.

12. INTANGIBLE ASSETS

in EUR thousands	Goodwill	Other intangible assets	Total
Cost			
Balance at January 1, 2015	82,486	38,247	**120,733**
Acquisitions	0	696	**696**
Additions from business combinations	10,515	4,655	**15,170**
Transfers	0	10	**10**
Effect of movements in exchange rates	867	2,604	**3,471**
Balance at December 31, 2015	**93,868**	**46,212**	**140,080**
Balance at January 1, 2016	93,868	46,212	**140,080**
Acquisitions	0	389	**389**
Effect of movements in exchange rates	-1,969	451	**-1,518**
Balance at December 31, 2016	**91,899**	**47,052**	**138,951**
Amortisation and impairment losses			
Balance at January 1, 2015	17,673	35,789	**53,462**
Amortisation charge for the year	0	1,430	**1,430**
Effect of movements in exchange rates	293	2,601	**2,894**
Balance at December 31, 2015	**17,966**	**39,820**	**57,786**
Balance at January 1, 2016	17,966	39,820	**57,786**
Amortisation charge for the year	0	1,421	**1,421**
Effect of movements in exchange rates	-630	385	**-245**
Balance at December 31, 2016	**17,336**	**41,626**	**58,962**
Carrying amounts			
At January 1, 2015	64,813	2,458	**67,271**
At December 31, 2015	75,902	6,392	**82,294**
At January 1, 2016	**75,902**	**6,392**	**82,294**
At December 31, 2016	**74,563**	**5,426**	**79,989**

AMORTIZATION AND IMPAIRMENT EXPENSES FOR OTHER INTANGIBLE ASSETS

Amortization and impairment expenses for other intangible assets are recognized in the income statement as follows:

in EUR thousands	**2016**	**2015**	**2014**
	Amortization	Amortization	Amortization
Cost of sales	18	2	0
Selling expenses	0	0	1
General administration expenses	748	858	1,261
Research and development costs	655	570	147
	1,421	**1,430**	**1,409**

In 2016, 2015 and 2014, no impairment losses were incurred and no reversals of impairment losses were made.

The amortization expected to be charged on other intangible assets in the future years is as follows:

in EUR thousands	
2017	1,671
2018	1,454
2019	1,304
2020	521
2021	208
After 2021	572

The actual amortization can differ from the expected amortization.

IMPAIRMENT OF GOODWILL

At the end of 2016 the Group assessed the recoverable amount of goodwill and determined that no impairment loss had to be recognized (2015: kEUR 0; 2014 kEUR 0).

The carrying value of goodwill was kEUR 74,563 (2015 kEUR 75,902; 2014 kEUR 64,813).

As at the end of 2016 the cash generating unit, to which the goodwill has been allocated, is the Aixtron Group Semiconductor Equipment segment.

The recoverable amount of the cash-generating unit is determined through a fair value less cost to sell calculation. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As AIXTRON has only one cash generating unit (CGU), market capitalization of AIXTRON, adjusted for a control premium, has been used to determine the fair value less cost to sell of the cash generating unit. This is level 2 in the hierarchy of fair value measures set out in IFRS 13.

As at December 31, 2016 the market capitalization of AIXTRON was Euro 346.0 million, based on a share price of Euro 3.099 and issued shares (excluding Treasury Shares) of 111,657,153. In an orderly selling process costs are incurred. AIXTRON has used 1.5% to account for the costs to sell. A control premium typically in the range 20%-40% is incurred in the acquisition of a company.

A 20% premium has been applied in this test to adjust the market capitalization to the fair value. Market capitalization was also adjusted for net debt and tax assets prior to comparing it to the carrying amount of the CGU. The analysis shows that the fair value less costs to sell of the CGU AIXTRON exceeds its carrying amount and that Goodwill is not impaired.

Euro millions, except share price	Impairment Test	Impairment Test	Sensitivity Analysis	Sensitivity Analysis
	2016	**2015**	**2016**	**2016**
			No control premium	
Share price - Euros	3.10	4.13	3.10	2.80
Market capitalisation as of December 31	346.0	460.6	346.0	312.8
Costs to sell in percentage	1.50%	1.50%	1.50%	1.50%
Costs to sell	-5.2	-6.9	-5.2	-4.7
Market capitalisation less cost to sell	340.8	453.7	340.8	308.1
Control premium in percentage	20.00%	20.00%	0.00%	20.00%
Control premium	68.2	90.7	0.0	61.6
Market capitalisation and control premium less cost to sell	409.0	544.4	340.8	369.7
Net debt	-160.1	-209.4	-160.1	-160.1
Tax assets	0.8	-3.0	0.8	0.8
Fair value less costs to sell of CGU	249.8	332.0	181.6	210.5
Carrying amount of the CGU	210.5	184.1	210.5	210.5
Surplus of fair value less cost to sell over carrying amount	39.2	147.9	-28.9	0.0
Surplus of fair value less cost to sell over carrying amount as a percentage	19%	80%	-14%	0%

The fair value less costs to sell, which is the recoverable amount, exceeds the carrying amount of the CGU by 19% (2015; 80%).

A sensitivity analysis of the impairment test, in which the control premium is reduced to zero, shows that the carrying amount of the CGU would equal the recoverable amount should the market capitalization of AIXTRON fall by 9.6% (2015 13%) to Euro 312.8 million (2015 Euro 402.5 million).

13. OTHER NON-CURRENT ASSETS

Other non-current assets totaling kEUR 544 (2015: kEUR 630) include mainly rent deposits for buildings.

14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recognized at the level of individual consolidated companies in which a loss was realized in the current or preceding financial year, only to the extent that realization in future periods is probable. The nature of the evidence used in assessing the probability of realization includes forecasts, budgets and the recent profitability of the relevant entity. The carrying amount of deferred tax assets for entities which have made a loss in either the current or preceding year was kEUR nil (2015: kEUR 1,542).

Deferred taxes for tax losses in the amount of kEUR 184,951 (2015: kEUR 161,168) and on deductible temporary differences in the amount of kEUR 9,888 (2015: kEUR 19,555) were not recognized. Tax losses in the amount of kEUR 156,650 can be used indefinitely (2015: kEUR 139,853), kEUR 21,765 expire by 2021 (2015: kEUR nil, by 2020) and kEUR 16,424 expire after 2021 (2015: kEUR 21,215 after 2020).

The following table shows the development of temporary differences during the financial year:

in EUR thousands	Assets		Liabilities			Net
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Property, plant and equipment	191	185	0	0	191	185
Trade receivables	50	1	0	0	50	1
Inventories	1,309	473	0	0	1,309	473
Employee benefits	125	257	0	0	125	257
Currency translation	-13	9	0	0	-13	9
Provisions and other liabilities	60	74	0	0	60	74
Other	12	-35	0	0	12	-35
Tax losses	83	2,278	0	0	83	2,278
Deferred tax assets (+) liabilities (-)	**1,817**	**3,242**	**0**	**0**	**1,817**	**3,242**

in EUR thousands	Balance at January 1, 2016	Recognized in income statement	Directly recognized in Other Comprehensive Income	Balance at December 31, 2016
Property, plant and equipment	185	6	0	**191**
Trade receivables	1	49	0	**50**
Inventories	473	836	0	**1,309**
Employee benefits	257	-132	0	**125**
Currency translation	9	22	-44	**-13**
Provisions and other liabilities	74	-14	0	**60**
Other	-35	47	0	**12**
Tax losses	2,278	-2,195	0	**83**
	3,242	**-1,381**	**-44**	**1,817**

in EUR thousands	Balance at January 1, 2015	Recognized in income statement	Directly recognized in Other Comprehensive Income	Balance at December 31, 2015
Property, plant and equipment	624	-439	0	**185**
Trade receivables	-29	30	0	**1**
Inventories	939	-466	0	**473**
Employee benefits	318	-61	0	**257**
Currency translation	-37	-320	366	**9**
Provisions and other liabilities	80	-6	0	**74**
Other	-90	55	0	**-35**
Tax losses	2,281	-3	0	**2,278**
	4,086	**-1,210**	**366**	**3,242**

15. LONG TERM RECEIVABLE FROM CURRENT TAX

Long term receivables from current tax of the previous year consist of a receivable from corporate tax which will be refunded after more than one year.

16. INVENTORIES

in EUR thousands	2016	2015
Raw materials and supplies	26,599	37,259
Work in process	24,950	20,615
Inventories at customers' locations	2,655	12,943
	54,204	**70,817**

in EUR thousands	Note	2016	2015
Inventories recognised as an expense during the period	3	104,836	95,143
Reversals of write-downs recognised during the year	3	-16,525	-10,372
		88,311	**84,771**
Write-down of inventories during the year	3	0	4,141
Inventories measured at net realisable value		7,304	10,312

The reversal of write-downs recognized during the year in both 2016 and 2015 mainly relates to inventories which had been written down to their net realizable value and subsequently were sold.

17. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Current Assets

in EUR thousands	2016	2015
Trade receivables	61,514	28,366
Allowances for doubtful accounts	-1,293	-2,410
Trade receivables - net	**60,221**	**25,956**
Prepaid expenses	1,288	1,551
Reimbursement of research and development costs	218	1,310
Advance payments to suppliers	323	919
VAT recoverable	1,932	1,046
Other assets	1,043	865
Total other current assets	**4,804**	**5,691**
	65,025	**31,647**

Additions to allowances against trade receivables are included in other operating expenses, releases of allowances are included in other operating income. Allowances against receivables developed as follows:

in EUR thousands	**2016**	**2015**
Allowance at January 1	2,410	945
Translation adjustments	0	16
Impairment losses recognised	405	1,509
Used	-1,353	0
Impairment losses reversed	-169	-60
Allowance at December 31	**1,293**	**2,410**

Ageing of past due but not impaired receivables

in EUR thousands	**2016**	**2015**
1-90 days past due	2,524	2,534
More than 90 days past due	5,046	3,200

Due to the worldwide spread of risks, there is a diversification of the credit risk for trade receivables. Generally, the Company demands no securities for financial assets. In accordance with usual business practice for capital equipment however, the Company mitigates its exposure to credit risk by requiring payment by irrevocable letters of credit and substantial payments in advance from most customers as conditions of contracts for sale of major items of equipment.

At the balance sheet date, net trade receivables of kEUR 60,221 represent the equivalent of 28 days sales outstanding (2015; kEUR 25,956, 17 DSO).

At the balance sheet date one customer accounted for 17% of the company's net trade receivables, no other single customer accounted for more than 10% of trade receivables. In 2015 one customer accounted for 22% of the company's net trade receivables. In determining concentrations of credit risk the company defines counterparties as having similar characteristics if they are connected entities.

Included in the Company's trade receivable balance are debtors with a carrying amount of kEUR 7,570 (2015: kEUR 5,734) which are past due at the reporting date for which the Company has not provided. As there has not been a significant change in credit quality, and although the company has no collateral, the amounts are still considered recoverable.

In determining the financial assets which may be individually impaired the Company has taken into account the likelihood of recoverability based on the past due nature of certain receivables, and our assessment of the ability of all counter-parties to perform their obligations.

18. OTHER FINANCIAL ASSETS

Other financial assets of kEUR 40,021 (2015: kEUR 93,089) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

An analysis of the maturities at December 31, 2016 and 2015 is as follows:

In EUR thousands	**2016**	**2015**
Maturity up to 180 days	0	93,089
Maturity 181 days to 365 days	40,021	0
	40,021	**93,089**

19. CASH AND CASH EQUIVALENTS

in EUR thousands	**2016**	**2015**
Cash-in-hand	3	5
Bank balances	120,028	116,300
Cash and Cash equivalents	**120,031**	**116,305**

Cash and cash equivalents comprise short-term bank deposits with an original maturity of 3 months or less. The carrying amount and fair value are the same.

Bank balances included kEUR 0 given as security (2015: kEUR 0) at December 31, 2016.

20. SHAREHOLDERS'EQUITY

FULLY PAID CAPITAL

in Euro	**2016**	**2015**
January 1	112,720,355	112,694,555
Shares issued during the year	83,750	25,800
Issued and fully paid capital at December 31, including Treasury Shares	112,804,105	112,720,355
Treasury shares	-1,146,952	-1,138,572
Issued and fully paid share capital at December 31 under IFRS	**111,657,153**	**111,581,783**

The share capital of the company consists of no-par value shares and was fully paid-up during 2016 and 2015. Each share represents a portion of the share capital in the amount of EUR 1.00.

AUTHORIZED SHARE CAPITAL

Authorized share capital, including issued capital, amounted to EUR 218,771,106 (2015: EUR 219,214,144).

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital mainly includes the premium on increases of subscribed capital as well as cumulative expense for share-based payments.

In 2016 and 2015 all shares issued were the results of stock options being exercised.

The Company regards its shareholders' equity as capital for the purpose of managing capital. Changes in Shareholders' equity are shown in the Consolidated Statement of Changes in Equity. The Company considers its capital resources to be adequate.

INCOME AND EXPENSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

in EUR thousands	Currency translation	Total
Balance at December 31, 2013	**-8,683**	**-8,683**
Change in currency translation	11,815	11,815
Balance at December 31, 2014	**3,132**	**3,132**
Change in currency translation	9,117	9,117
Balance at December 31, 2015	**12,249**	**12,249**
Change in currency translation	-2,089	-2,089
Balance at December 31, 2016	**10,160**	**10,160**

The foreign currency translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currency is not the Euro.

During 2016 an expense of kEUR 186 (2015 kEUR nil; 2014 kEUR nil) was recorded from the remeasurement of defined benefit obligations.

As a result of the liquidation in 2016 of Aixtron AB, a currency translation adjustment of kEUR 1,568 (2015 kEUR nil; 2014 kEUR nil) was reclassified through Other Comprehensive Income from currency reserves against the Group's retained earnings.

21. LOSS PER SHARE

BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the weighted-average number of common shares outstanding during the reporting period.

DILUTED LOSS PER SHARE

The calculation of the diluted loss per share is based on the weighted-average number of outstanding common shares and of common shares with a possible dilutive effect resulting from share options being exercised under the share option plan.

	2016	2015	2014
Loss per share			
Net loss attributable to the shareholders of AIXTRON SE in kEUR	-24,017	-29,160	-62,511
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,618,282	111,583,480	112,107,905
Basic loss per share (EUR)	**-0.22**	**-0.26**	**-0.56**
Loss per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	-24,017	-29,160	-62,511
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,618,282	111,583,480	112,107,905
Dilutive effects of share options	0	0	0
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share (diluted)	111,618,282	111,583,480	112,107,905
Diluted loss per share (EUR)	**-0.22**	**-0.26**	**-0.56**

The following securities issued were not included in the computation of the diluted earnings per share, as their effect would be anti-dilutive:

Number of shares	2016	2015	2014
Share options	2,317,790	2,891,815	3,521,639

22. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLAN

The Company grants retirement benefits to qualified employees through various defined contribution pension plans. The expenses incurred for defined contribution plans mainly arise from two pension plans in subsidiaries. The contributions made by the company do not exceed 10% of qualified employees' base salaries. In 2016 the expense recognized for defined contribution plans amounted to kEUR 1,454 (2015: kEUR 1,274, 2014: kEUR 1,667).

In addition to the Company's retirement benefit plans, the company is required to make contributions to state retirement benefit schemes in most of the countries in which it operates. The company is required to contribute a specified percentage of payroll costs to the retirement schemes in order to fund the benefits. The only obligation of the group is to make the required contributions.

23. SHARE-BASED PAYMENT

The Company has different fixed option plans which reserve shares of common stock and AIXTRON American Depository Shares (ADS) for issuance to members of the Executive Board, management and employees of the Company. Each AIXTRON ADS represents the beneficial ownership in one AIXTRON common share. The following is a description of these plans:

AIXTRON STOCK OPTION PLAN 1999

In May 1999, options were authorized to purchase 3,000,000 shares of common stock (after giving effect to capital increases, stock splits, and the EURO conversion). The stock options can be exercised when 15 years have elapsed since their issue. Under the terms of the 1999 plan, options were granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date. Under this plan options for the purchase of 384,450 common shares were outstanding as of December 31, 2016.

AIXTRON STOCK OPTION PLAN 2007

In May 2007, options were authorized to purchase 3,919,374 shares of common stock. 50% of the granted options may be executed after a waiting period of not less than two years, further 25% after three years and the remaining 25% after at least four years. The options expire 10 years after they have been granted. Under the terms of the 2007 plan, options were granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 20%. Options to purchase 1,008,140 common shares were outstanding under this plan as of December 31, 2016.

AIXTRON STOCK OPTION PLAN 2012

In May 2012, options were authorized to purchase shares of common stock. The granted options may be exercised after a waiting period of not less than four years. The options expire 10 years after they have been granted. Under the terms of the 2012 plan, options are granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 30%. Options to purchase 925,200 common shares were outstanding under this plan as of December 31, 2015.

SUMMARY OF STOCK OPTION TRANSACTIONS

AIXTRON share options	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
	2016		2015	
Balance at January 1	2,891,815	16.67	3,521,639	21.02
Granted during the year	0	0.00	0	0.00
Exercised during the year	83,750	4.21	25,800	4.08
Forfeited during the year	490,275	19.13	604,024	42.61
Outstanding at December 31	2,317,790	16.60	2,891,815	16.67
Exercisable at December 31	1,008,140	23.24	1,214,165	20.46

AIXTRON STOCK OPTIONS AS OF DECEMBER 31, 2016

	Exercise price per share (EUR)	Underlying shares represented by outstanding options	Shares represented by exercisable options	Average option life (in years)
2002	7.48	384,450	0	0.5
2007	10.09	116,375	116,375	1.0
2008	4.17	12,340	12,340	2.0
2009	24.60	405,475	405,475	3.0
2010	26.60	440,950	440,950	4.0
2011	12.55	8,000	8,000	5.0
2012	15.75	25,000	25,000	6.0
2013	14.01	21,000	0	8.0
2014	13.14	904,200	0	8.0
		2,317,790	**1,008,140**	

ASSUMPTIONS USED TO CALCULATE FAIR VALUES AND SHARE-BASED PAYMENT EXPENSES

The fair value of services received in return for stock options granted is measured by reference to the fair value of the stock options granted. The fair value of the stock options is determined on the basis of a mathematical model. In accordance with IFRS 2 the measurement includes only options which were granted after November 7, 2002.

In 2016, the personnel expenses from share-based payments, all of which were equity settled share based payments, were kEUR 753 (2015: kEUR 991; 2014: kEUR 779).

As of December 31, 2016 an amount of kEUR 1,509 relating to stock options granted prior to that date had not yet been recognized as a personnel expense. This amount will be charged over the periods to 2018. The expected allocation of the expense is as follows: 2017: kEUR 878 and 2018 kEUR 631.

AIXTRON SHARE OPTIONS GRANTED

	in 2014 (October)	in 2014 (June)
Fair value on grant date	EUR 3.79	EUR 4.26
Price per share	EUR 10.11	EUR 10.77
Exercise price	EUR 13.14	EUR 14.01
Expected volatility	50.53%	50.92%
Option life	10.0 years	10.0 years
Expected dividend payments	EUR 0.13	EUR 0.13
Risk-free interest rate	1.03%	1.46%

The expected volatility is based on historical volatility.

24. PROVISIONS

Development and breakdown of provisions

in EUR thousands	01/01/2016	Exchange rate differences	Usage	Reversal	Addition	12/31/2016	Current	Non-current
Personnel expenses	5,624	47	1,704	810	2,767	5,924	5,924	0
Warranties	6,466	-84	5,674	0	5,239	5,947	4,050	1,897
Onerous contracts	2,636	1	1,591	630	277	693	693	0
Commissions	425	2	223	81	0	123	123	0
Other	6,336	18	3,623	1,032	3,900	5,599	5,327	272
Total	**21,487**	**-16**	**12,815**	**2,553**	**12,183**	**18,286**	**16,117**	**2,169**

PERSONNEL EXPENSES

These include mainly provisions for holiday pay, payroll and severance costs, which are financial liabilities.

PROVISIONS FOR ONEROUS CONTRACTS

These include provisions associated with contracts where the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received. These mainly relate to supply contracts for materials which are excess to the forecast future requirements.

COMMISSIONS

Commissions are payable to sales agents and are recorded as financial liabilities.

WARRANTIES

Warranty provisions are the estimated unavoidable costs of providing parts and service to customers during the normal warranty periods.

OTHER PROVISIONS

Other provisions consist mainly of the estimated cost of services received.

For provisions existing at both December 31, 2016 and December 31, 2015, the economic outflows resulting from the obligations that are provided for are expected to be settled within one year of the respective balance sheet date for current provisions and within two years of the respective balance sheet date, but more than one year, for non-current provisions.

25. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

The liabilities consist of the following:

in EUR thousands	2016	2015
Trade payables	**14,593**	**9,814**
Liabilities from grants	1,142	2,665
Payroll taxes and social security contributions	626	655
VAT and similar taxes	189	644
Other liabilities	401	21,004
Other current liabilities	**2,358**	**24,968**
Trade payables and other current liabilities	**16,951**	**34,782**

The carrying amount of trade payables and other current liabilities approximates their fair value. Trade payables, grant liabilities, taxes and other liabilities fall due for payment within 90 days of receipt of the relevant goods or services.

26. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods, the basis of measurement that are used in preparing the financial statements and the other accounting policies that are relevant to an understanding of the financial statement are disclosed in note 2 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The group seeks to minimize the effects of any risk that may occur from any financial transaction. Key aspects are the exposures to liquidity risk, credit risk, interest rate risk and currency risk arising in the normal course of the Company's business.

The AIXTRON Group's central management coordinates access to domestic and international financial institutions and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposure to risk by likelihood and magnitude. These risks cover all aspects of the business, including financial risks; and the risk management system is in accordance with the corporate governance recommendations specified in the German Corporate Governance Code.

Liquidity risks

Liquidity risk is the risk that the Group is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. Managing liquidity risk is one of the central tasks of AIXTRON SE. In order to be able to ensure the Group's solvency and flexibility at all times cash and cash equivalents are projected on the basis of regular financial and liquidity planning.

As at December 31, 2016 the group had no borrowings (2015 nil). Financial liabilities, all due within one year, of kEUR 16,951 (2015 kEUR 34,782) consisting of trade payables and other liabilities and are shown in Note 25, together with an analysis of their maturity.

As at December 31, 2016 the group had kEUR 120,031 cash and cash equivalents (2015 kEUR 116,305) and a further kEUR 40,021 of fixed deposits with banks (2015 kEUR 93,089).

CREDIT RISKS

Financial assets generally exposed to a credit risk are trade receivables (see note 17) and cash and cash equivalents.

The Group's cash and cash equivalents are kept with banks that have a good credit standing. Central management of the Group assesses the counter-party risk of each financial institution dealt with and sets limits to the Group's exposure to those institutions. These credit limits are reviewed from time to time so as to minimize the default risk as far as possible and to ensure that concentrations of risk are managed.

The maximum exposure of the Group to credit risk is the total amount of receivables, financial assets and cash balances as described in notes 17, 18 and 19.

For receivables measured at fair value, the maximum amount of the exposure to credit risk is the amount of receivables measured at fair value as disclosed in note 26. There are no credit derivatives or similar instruments which mitigate the maximum exposure to credit risk and there has been no change during the period or cumulatively in the fair value of such receivables that is attributable to changes in the credit risk.

MARKET RISKS

The Company’s activities expose it to the financial risks of changes in foreign currency exchange rates and interest rate risks. Interest rate risks are not material as the company only receives a minor amount of interest income. The Company does not use derivative financial instruments to manage its exposure to interest rate risk. Cash deposits are made with the company’s bankers at the market rates prevailing at inception of the deposit for the period and currency concerned. There has been no change to the Company’s exposure to market risk or the manner in which it manages and measures the risk.

FOREIGN CURRENCY RISK

The Company may enter into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts to hedge the exchange rate risk arising on the export of equipment. The main exchange rates giving rise to the risk are those between the US Dollar, Pound Sterling and Euro.

The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

in EUR thousands	Liabilities		Assets	
	2016	**2015**	**2016**	**2015**
US Dollars	-29,040	-24,416	67,935	112,313
GB Pounds	-974	-1,903	10,556	10,489

Exposures are reviewed on a regular basis and are managed by the Company through sensitivity analysis.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to US Dollar exchange rate risks through its worldwide activities.

The following table details the company’s sensitivity to a 10% change in the value of the Euro against the Dollar. A positive number indicates an increase in profit and other equity, a negative number indicates a reduction in profit and other equity.

Increase in value of Euro by 10%		**USD Currency Effect**
In EUR thousands	**2016**	**2015**
Profit or loss	-1,549	-6,482
Other comprehensive income	-2,361	-1,404
Decrease in value of Euro by 10%		
In EUR thousands	**2015**	**2014**
Profit or loss	1,579	6,482
Other comprehensive income	2,361	1,404

The sensitivity analysis represents the foreign exchange risk at the year-end date only. It is calculated by revaluing the Group's financial assets and liabilities, existing at 31 December, denominated in US-Dollars by 10%. It does not represent the effect of a 10% change in exchange rates sustained over the whole of the financial year, only the effect of a different rate occurring on the last day of the year.

FAIR VALUES

Cash and cash equivalents, Loans and receivables and Held to maturity investments are stated at amortized cost. At FVTPL are classed as at fair value through profit or loss and are designated as such upon initial recognition. At FVTPL includes accrued receivables arising as the difference between the fair value of revenue (note 3) and the invoiced amounts. The fair value is level 2 in the fair value hierarchy.

The fair values and the carrying amounts of the financial instruments shown in the balance sheet are shown in the following table. Financial assets are classified into categories.

FINANCIAL ASSETS 2016

in EUR thousands	Cash and cash equivalents	Loans and receivables	Held to-maturity investments	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Cash and cash equivalents	120,031	0	0	0	120,031
Other financial assets	0	0	40,021	0	40,021
Other non-current assets	0	544	0	0	544
Trade receivables	0	59,820	0	401	60,221
Total	**120,031**	**60,364**	**40,021**	**401**	**220,817**
At amortized cost	**120,031**	**60,364**	**40,021**	**0**	**220,416**
At fair value				**401**	**401**

FINANCIAL LIABILITIES 2016

in EUR thousands	Cash and cash equivalents	Loans and receivables	Other payables	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Trade payables	0	0	14,593	0	14,593
Advance payments from customers (not in scope of IFRS 7)	0	0	26,146	0	26,146
Total	0	0	**40,739**	**0**	**40,739**
At amortized cost	0	0	**40,739**	**0**	**40,739**
At fair value				**0**	**0**

TRADE RECEIVABLES/PAYABLES

For trade receivables/payables due within less than one year, measured at amortized cost, the fair value is taken to be the carrying amount.

FINANCIAL ASSETS 2015

in EUR thousands	Cash and cash equivalents	Loans and receivables	Held to-maturity investments	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Cash and cash equivalents	116,305	0	0	0	116,305
Other financial assets	0	0	93,089	0	93,089
Other non-current assets	0	630	0	0	630
Trade receivables	0	25,542	0	414	25,956
Total	**116,305**	**26,172**	**93,089**	**414**	**235,980**
At amortized cost	**116,305**	**26,172**	**93,089**		**235,566**
At fair value				**414**	**414**

FINANCIAL LIABILITIES 2015

in EUR thousands	Cash and cash equivalents	Loans and receivables	Other payables	At FVTPL	Total Carrying amount and fair value
	at amortised cost	at amortised cost	at amortised cost	at fair value	
Trade payables	0	0	9,814	0	9,814
Advance payments from customers (not in scope of IFRS 7)	0	0	24,011	0	24,011
Total	**0**	**0**	**33,825**	**0**	**33,825**
At amortized cost	**0**	**0**	**33,825**		**33,825**
At fair value	0	0		**0**	**0**

27. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

in EUR thousands	
Not later than one year	3,798
Later than one year and not later than five years	2,628
Later than five years	80
	6,506

The Company leases certain office and plant facilities, office furniture and motor vehicles under various operating leases. Under most of the lease commitments for office and plant facilities the Company has options to renew the leasing contracts. The leases typically run for a period between one and fifteen years. None of the leases include contingent rentals.

The expenses for leasing contracts were kEUR 3,923, kEUR 4,520 and kEUR 4,150 for 2016, 2015 and 2014 respectively.

28. CAPITAL COMMITMENTS

As of December 31, 2016, the Company had entered into purchase commitments with suppliers in the amount of kEUR 30,364 (2015: kEUR 19,104) for purchases within the next 12 months. In addition, commitments for capital expenditures for fixed assets are kEUR 1,671 (2015: kEUR 1,059) as of December 31, 2016.

29. CONTINGENCIES

The Company is involved in various legal proceedings or can be exposed to a threat of legal proceedings in the normal course of business. The Executive Board regularly analyses these matters, considering any possibilities of avoiding legal proceedings or of covering potential damages under insurance contracts and has recognized, where required, appropriate provisions. It is not expected that such matters will have a material effect on the Company's net assets, results of operations and financial position.

30. IDENTITY OF RELATED PARTIES

Related parties of the Company are members of the Executive Board and members of the Supervisory Board.

EXECUTIVE BOARD AND SUPERVISORY BOARD REMUNERATION

The disclosures for key management personnel compensation required according to IAS 24 contain the remuneration of the Executive Board and the Supervisory Board.

Remuneration of the members of the Executive Board:

in EUR thousands	2016	2015	2014
Short-term employee benefits	1,056	1,041	1,387
Share based payments	-	-	628
	1,056	**1,041**	**2,015**

Share based payments refer to the fair value of share options at grant date and also includes that portion of bonus agreements which is settled in shares.

Remuneration of the members of the Supervisory Board:

in EUR thousands	2016	2015	2014
Fixed remuneration (incl. attendance fee)	449	303	293
	449	**303**	**293**

Individual amounts and further details regarding the remuneration of the members of the Executive Board and Supervisory Board are disclosed in the Remuneration Report which is an integral part of the Group Management Report.

31. CONSOLIDATED ENTITIES

AIXTRON S.E. controls the following subsidiaries:

	Country	Share of capital in %	
		2016	2015
AIXTRON Inc	USA	100	100
AIXTRON Ltd.	England & Wales	100	100
AIXTRON Korea Co. Ltd.	South Korea	100	100
AIXTRON Taiwan Co. Ltd.	Taiwan	100	100
AIXTRON KK	Japan	100	100
AIXTRON China Ltd	P. R. China	100	100

AIXTRON AB was put into liquidation and deconsolidated as of June 2016.

The assets held in the Genus trust were attributed, as beneficial owner, to AIXTRON, as control existed through the trust relationship with AIXTRON SE. The assets were transferred to AIXTRON and the Trust dissolved during 2016.

All companies in the Group are engaged in the supply of equipment to the semiconductor industry. Design and manufacture of equipment takes place at the entities in Germany, UK and USA. Service and distribution takes place at all locations.

32. EVENTS AFTER THE REPORTING PERIOD

There are no events which have occurred after the balance sheet date, of which the directors have knowledge, which would result in a different assessment of the Company’s net assets, results of operation and financial position.

During 2017, the Group has commenced pursuing options for some of its activities in order to allow the continuation of development projects with high up-front expenses. These options include looking for partners, joint ventures or other alternatives. As this process is in its early stages, it is not possible to estimate its financial effects.

33. AUDITORS'FEES

Fees expensed in the income statement for the services of the group auditor Deloitte are as follows:

in EUR thousands	2016	2015
for audit	857	731
for other confirmation services	10	33
for tax advisory services	135	124
for other services	6	18
	1,008	**906**

Included in the total amount of fees are fees for the group auditor Deloitte GmbH, Wirtschaftsprüfungsgesellschaft, Duesseldorf, in the amount of kEUR 697 for audit (2015: kEUR 583), kEUR 10 for other confirmation services (2015: kEUR 33), kEUR 45 for tax services (2015: kEUR 41) and kEUR 6 for other services (2015: kEUR 18).

34. EMPLOYEES

Compared to last year, the average number of employees during the current year was as follows:

EMPLOYEES BY FUNCTIONS

	2016	2015
Sales	59	61
Research and Development	252	265
Manufacturing and Service	314	326
Administration	82	88
Employees (§ 314 HGB)	**707**	**740**
Executive board members	2	2
	709	**742**
Apprentices	12	15
	721	**757**

35. SUPERVISORY BOARD AND EXECUTIVE BOARD

Composition of the Supervisory Board as of December 31, 2016

- Dipl.-Kfm. Kim Schindelhauer
  - Hamburg / businessman /Chairman of the Supervisory Board since 2002
- Prof. Dr. Wolfgang Blättchen
  - Leonberg / Financial Advisor / member of the Supervisory Board since 1998 / Deputy Chairman of the Supervisory Board since February 27, 2013

    Membership of Supervisory Boards and controlling bodies:

    - Pfisterer Holding AG, Winterbach - Chairman of the Supervisory Board
    - FAS AG, Stuttgart - member of the Supervisory Board
- Prof. Dr. Rüdiger von Rosen
  - Frankfurt/Main / businessman / member of the Supervisory Board since 2002

    Membership of Supervisory Boards and controlling bodies:

    - ICF Bank AG, Frankfurt/Main – Deputy Chairman of the Supervisory Board
    - Paladin Asset Management Investment AG, Hannover – Chairman of the Supervisory Board
- Prof. Dr. Petra Denk
  - Unterschleißheim / Professor of Energy Economics / member of the Supervisory Board since 2011

    Membership of Supervisory Boards and controlling bodies:

    - Pfisterer Holding AG, Winterbach - member of the Supervisory Board(since September 22, 2015)
- Dr. Andreas Biagosch
  - Munich / Managing Director Impacting I GmbH & Co KG / member of the Supervisory Board since May 2013

    Membership of Supervisory Boards and controlling bodies

    - Lürssen Maritime Beteiligungen, Bremen, member of the Advisory Board
    - Ashok Leyland Limited, Chennai/Indien - non-executive director
    - Wacker Chemie AG, Munich – member of the Supervisory Board (since February 4, 2015)
    - Hinduja Leyland Finance Limited, Chennai/Indien - non-executive director (since 2016)
- Dr. Ing. Martin Komischke
  - Morgarten/Switzerland / President of the Board of Directors of Hoerbiger Holding AG, Zug/Switzerland / member of the Supervisory Board since May 2013

The composition of the Company's Executive Board is:

- Martin Goetzeler, Aachen, businessman, Chairman, President and Chief Executive Officer since March 1, 2013
- Dr. Bernd Schulte, Aachen, physicist, Executive Vice President and Chief Operating Officer since 2002

36. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of AIXTRON's Consolidated Financial Statements requires the Company to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts and related disclosures and are made in order to fairly present the Company's financial position and results of operations. The following accounting policies are significantly impacted by these estimates and judgments that AIXTRON believes are the most critical to aid in fully understanding and evaluating its reported financial results:

REVENUE RECOGNITION

Revenue is generally recognized in two stages for the supply of equipment to customers, partly on delivery and partly on final installation and acceptance (see note 2 (n)). The Company believes, based on past experience, that this method of recognizing revenue fairly states the revenues of the Company. The judgements made by management include an assessment of the point at which substantially all of the risks and rewards of ownership have passed to the customer.

VALUATION OF INVENTORIES

Inventories are stated at the lower of cost and net realizable value. This requires the Company to make judgments concerning obsolescence of materials. This evaluation requires estimates, including both forecasted product demand and pricing environment, both of which may be susceptible to significant change. The carrying amount of inventories is disclosed in note 16.

As disclosed in notes 3 and 16, during the years 2016, 2015 and 2014 the Company incurred expenses of kEUR nil, kEUR 4,141 and kEUR 3,016 respectively arising mainly from changes to past assumptions concerning net realizable value of inventories and excess and obsolete inventories. In future periods, write-downs of inventory may be necessary due to (1) reduced demand in the markets in which the Company operates, (2) technological obsolescence due to rapid developments of new products and technological improvements, or (3) changes in economic or other events and conditions that impact the market price for the Company's products. These factors could result in adjustment to the valuation of inventory in future periods, and significantly impact the Company's future operating results.

Although commitments for the manufacture of 25 AIX R6 systems in excess of customer contracts existed as of December 31, 2015, by the end of 2016 only 2 AIX R6 systems were not covered by customer orders.

INCOME TAXES

At each balance sheet date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to future taxable income. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize future tax benefits. The carrying amount of deferred tax assets is disclosed in note 14.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. At each balance sheet date, the Company assesses the valuation of the liabilities which have been recorded as provisions and adjusts them if necessary. Because of the uncertain nature of the timing or amounts of provisions, judgement has to be exercised by the Company with respect to their valuation. Actual liabilities may differ from the estimated amounts. Details of provisions are shown in Note 24.

LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to various legal proceedings and claims. The Company, based upon advice from legal counsel, believes that the matters the Company is aware of are not likely to have a material adverse effect on its financial condition or results of operations. The Company is not aware of any unasserted claims that may have a material adverse effect on its financial condition or results of operation.

37. Acquisition of PlasmaSi Inc

On April 1st, 2015 the group acquired 100% of the voting equity interests of PlasmaSi Inc.(USA), obtaining control of the company. PlasmaSi enables the encapsulation of organic thin-films by depositing ultra-thin, light weight and flexible barrier films through its proprietary technology which is particularly well suited to OLED displays. In combining AIXTRON's OVPD technology with PlasmaSi's innovative approach the Company expects to be able to add significant value in the production of flexible OLED applications.

The amounts recognized in 2015 in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

in EUR thousands	
Cash & cash equivalents	1,471
Property, plant & equipment	52
Other current assets	24
Identifiable intangible assets	4,655
Other current liabilities	-2,541
Other non-current liabilities	-2,256
Contingent consideration	-4,236
Total identifiable liabilities	**-2,831**
Goodwill	10,515
Net assets acquired & consideration	**7,684**
Satisfied by :	
Cash paid	**7,684**
Cash consideration	7,684
Less: cash acquired	-1,471
Net cash outflow on acquisition	**6,213**

In March 2015, AIXTRON made a short term loan to PlasmaSi Inc. of USD 1.65m which is included in the other current liabilities assumed. The cash acquired of kEUR 1,471 is effectively the cash needed to repay this loan to AIXTRON.

The goodwill arising on the acquisition of kEUR 10,515 is underpinned by a number of elements which individually cannot be quantified. The most significant of these is the competitive advantage gained from AIXTRON's complimentary products. None of the goodwill is expected to be deductible for tax purposes. Individually identifiable and quantifiable intangible assets amount to kEUR 4,655 and represent the fair value of the developed technology acquired.

Contingent consideration was paid in 2016.

Herzogenrath, February 22, 2017

AIXTRON SE

Executive Board

Martin Goetzeler
Chief Executive Officer

Dr. Bernd Schulte
Chief Operating Officer