

Supervisory Board Report

For AIXTRON, and consequently also the activities of the Supervisory Board, fiscal year 2016 was dominated by the takeover bid from Grand Chip Investment GmbH (GCI), a wholly-owned subsidiary of Fujian Grand Chip Investment Fund LP (FGC), which was announced on May 23, 2016 and subsequently withdrawn again by the bidder on December 8, 2016. The Executive Board and Supervisory Board as well as the employee representatives had welcomed this offer. GCI withdrew the bid due to the non-fulfilment of an offer condition to obtain regulatory approval from certain bodies, as a result of which the transaction could not be successfully completed.

The Supervisory Board fully satisfied its responsibilities and duties as stipulated by law, in the Articles of Association and by-laws in the 2016 fiscal year. On account of the takeover bid, the Supervisory Board held three additional meetings in the past fiscal year to discuss aspects of the takeover offer and make decisions accordingly.

We continuously monitored the Executive Board's management activities and advised it on all matters important to the Company so that we were assured at all times of the legality, regularity, suitability and efficiency of the company management. As in every year, we also consulted with the Executive Board on the risk situation, risk management and compliance in the Company and carefully checked the corresponding developments and measures.

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

Cooperation between the Supervisory Board and Executive Board

Cooperation with the Board of Directors was characterized in all respects by responsible and targeted activities. The Executive Board fully satisfied its verbal and written reporting duty to the Supervisory Board. It involved us and our specialist committees in all material business transactions and highly significant decisions for the Company and informed us of important events in the AIXTRON Group in a timely fashion, especially in relation to the takeover bid. All information presented to us was subsequently discussed in detail with the Executive Board. The Executive Board presented all transactions subject to approval to the Supervisory Board in a timely fashion. After thorough consultation and review, we gave our consent where appropriate.

As Chairman of the Supervisory Board and in my role as member of the Capital Market Committee, I was also in regular contact with the Chief Executive Officer, Martin Goetzeler, between Supervisory Board meetings. In addition to talking about the current business situation and particulars of the takeover offer, we also talked about issues related to strategic alignment, the risk situation, risk management and compliance. I was personally actively involved in discussions with the appropriate bodies that could grant regulatory approval for the takeover transaction and attended an Executive Board meeting with representatives from the Committee on Foreign Investment in the United States (CFIUS) as well as an Executive Board meeting with representatives from the Federal Ministry for Economic Affairs. I regularly informed the other Supervisory Board members on the progress of the approval process and on the discussions that had taken place in the Capital Market Committee, in particular. Following the lapse of the takeover offer on December 8, I talked through the remaining options for AIXTRON with the Chief Executive Officer in detail in preparation for the plenary discussion.

Between meetings, the Chairman of the Audit Committee, Prof. Dr. Blättchen, and the Chair of the Technology Committee, Prof. Dr. Denk, maintained active dialogue with the respective responsible Executive Board members.

Ahead of the ordinary meetings, all Supervisory Board members also received detailed quarterly reports on the status of the Company as well as other information such as internal control reports, meeting minutes, company presentations, research analyst reports, consensus estimates, press releases and AIXTRON's financial reports and financial releases. In relation to the takeover bid, the Supervisory Board received various further documents in their respective draft stages, which were necessary for an assessment of the transaction and the decision-making of the Supervisory Board.

Even in the absence of the Executive Board members, the Supervisory Board regularly advised on matters relating to the Supervisory Board and on personnel matters concerning the Executive Board.

Focus of plenary sessions

During 2016, the Supervisory Board held **four ordinary Supervisory Board meetings** on February 22, May 24, September 14 and December 14, all of which were attended by all six members of the Supervisory Committee. After the Annual General Meeting, on May 25, 2016, a **constitutive meeting** of the re-elected Supervisory Board took place. All six members were present at this meeting. On account of the greater need for advice in relation to the takeover bid, **three additional Supervisory Board meetings** were held on May 9, May 20 and August 9, which were hosted as teleconferences and attended by all Supervisory Board members.

In the four ordinary meetings, we discussed in detail the general business development of the AIXTRON Group as well as future market opportunities in the various technology groups, especially in view of the now prevailing market conditions and the prospects for individual markets. The Supervisory Board assessed the scenarios for AIXTRON both as an independent company and in terms of the future with a strong strategic partner such as GCI.

During these meetings, we were able to obtain a satisfactory picture of the current business situation using the current financial figures and the updated forecast reports and development plans (orders, sales, competition, market shares). If there were deviations between the course of business and the budget plans, they were explained in detail and justified. In addition, we were informed about new product developments and technologies (examples: micro LEDs and developments in the area of power electronics), key customer orders (example: Samsung) and material organizational developments (examples: expiration of Sunnyvale lease contract, leasing buildings on Kaiserstraße/Herzogenrath and the internal quality initiative).

In relation to the takeover bid, in our ordinary meetings we first focused on the progress in the talks with GCI, then on the conditions of the takeover offer, later on the acceptance threshold and finally on the refusal of supervisory bodies to grant approval and the subsequent end of the transaction.

The three additional meetings were also dedicated to the takeover offer and the associated project work.

Supervisory Board meetings in 2016

The meeting on **February 22, 2016** mainly concentrated on the Annual and Consolidated Financial Statements for fiscal year 2015 and the respective discussions and resolutions. We reported on this information in detail in our report for fiscal year 2015. We also concentrated on the proposed draft of the agenda for the 2016 Annual General Meeting, which we duly released after seeking clarification on the remaining outstanding points. Finally, with a view to the SEC and prospectus liability, we considered various options for adjusting the existing D&O insurance cover for the Executive Board and Supervisory Board. The insurance cover put forward by the Executive Board was approved by the Supervisory Board and signed by the Executive Board after the meeting.

In the meeting on **May 9, 2016**, the current status of Executive Board negotiations with the bidder, especially with regard to structuring a business combination agreement, and alternative scenarios in the event of failed negotiations were presented. Following extensive discussions, these alternative scenarios were then approved by the Supervisory Board.

For the meeting on **May 20, 2016**, shortly before the announcement of the planned takeover by GCI, we were once again provided with important documents on fairness opinion, the business combination agreement, due diligences and information relating to the tenderer and the current status of the proposed funding structure, which we discussed in detail. In addition, we requested an assessment of the probability of the transaction and inquired about potential costs in the event of failure. We talked about the planned announcement and the potential impact on the upcoming Annual General Meeting and subsequently approved the above-mentioned agreement.

Alongside issues such as development in the first quarter, the takeover transaction and the Annual General Meeting, in the meeting on **May 24, 2016** we also discussed various options for the expiration of the lease contract at the Sunnyvale/USA site at the end of October 2017.

In the constitutive meeting of the Supervisory Board, elected by the Annual General Meeting on **May 25, 2016** and held on the same day, the Supervisory Board focused on the election of the Chairman of the Supervisory Board and the appointment of members to the committees provided for in the Supervisory Board's by-laws and pursuant to the Articles of Association. The Supervisory Board members elected me as Chairman of the Supervisory Board. Prof. Dr. Wolfgang Blättchen was chosen as the Deputy Chairman of the Supervisory Board. Prof. Dr. Wolfgang Blättchen, Prof. Dr. Rüdiger von Rosen and I were appointed to the Audit Committee. The members of the Audit Committee subsequently elected Prof. Dr. Blättchen as Chairman of the Audit Committee. Prof. Dr. Petra Denk, Dr. Andreas Biagosch and I were appointed to the Technology Committee. The members of the Technology Committee then elected Prof. Dr. Petra Denk as Chair of the Technology Committee. Prof. Dr. Petra Denk, Prof. Dr. Rüdiger von Rosen and I were appointed to the Nomination Committee. The members of the Nomination Committee then elected Prof. Dr. Rüdiger von Rosen as Chairman of the Nomination Committee. Prof. Dr. Wolfgang Blättchen and I were appointed to the Capital Market Committee.

In the meeting on **August 9, 2016**, we, jointly with the Executive Board of AIXTRON SE, approved the "reasoned statement" pursuant to Section 27 (1) WpÜG that had been compiled after consideration of all interests involved. In this document, published on August 11, 2016, the Executive Board and Supervisory Board of AIXTRON SE recommended that shareholders should accept the voluntary public takeover offer from GCI.

In the meeting on **September 14, 2016**, we concentrated on the appropriateness of Executive Board remuneration, among other topics. To this end, we carried out horizontal comparisons with competitors and the TecDAX as well as a vertical comparison with the upper two management levels in order to ascertain whether the Executive Board remuneration of AIXTRON is appropriate. In addition, we informed ourselves on the current status of the class action suit in the USA, which was filed in January and served in June in connection with the ad hoc release, published on December 9, 2015, on the reduction in the order volume of Chinese customer San'an Optoelectronics.

On **October 10, 2016**, we released the supplementary statement of the Executive Board and Supervisory Board dated October 6 that related to the change in the takeover offer (lowering of the minimum acceptance threshold) for publication on October 11.

The Supervisory Board of AIXTRON SE convened for its final ordinary meeting of the year on **December 14, 2016**. We discussed in detail the 2017 budget presented by the Executive Board, which had been adjusted to the current business forecast following the withdrawal of the takeover offer. The budget was approved with a program of measures, on which the Executive Board will additionally report to the Supervisory Board when certain milestones are reached, beyond standard reporting on the accounts. The 2017 budget includes detailed sales revenue, income, financial and investment plans, as well as the planned personnel development at AIXTRON.

The Supervisory Board examined the proposal from the Executive Board to withdraw from the NASDAQ U.S. stock exchange for reasons of cost and efficiency and in view of the low trading volume in the USA. The Supervisory Board agreed with the proposal put forward by the Executive Board and decided to implement this option.

Finally, we conducted a self-evaluation of our activities using an extensive questionnaire distributed to the members of the Supervisory Board in September 2016, which found that the Supervisory Board and its committees are working efficiently.

Committees

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

The **Audit Committee** addresses, in particular, monitoring of the accounting process, corporate governance & compliance, the effectiveness of the internal control system, the risk management system, the internal audit system and the implementation of the rules in accordance with Section 404 Sarbanes-Oxley Act (SOA 404). The Chairman of the Audit Committee, Prof. Dr. Blättchen, is an independent Supervisory Board member whose area of expertise is reporting and audits (as required by law: Section 107 (4); Section 100 (5) AktG) and who has particular knowledge and experience in the application of internal control processes.

In the reporting year as well, the Audit Committee was responsible for auditing the financial statements and monitored in particular the required independence of the auditor and any additional services performed by the auditor. Finally, it issued the mandate to the auditor, identified the focal points of the audit and handled the fee arrangements. The Committee Chair reported regularly on the work of the Audit Committee to the Supervisory Board.

In 2016, the Audit Committee convened four times, on February 22, May 24, September 13 and December 13; each meeting was attended by all three Committee members. In addition to accounting issues related to the financial and earnings situation, the Audit Committee looked at the following issues, among others:

- The engagement of the auditing firm Deloitte GmbH to audit the Individual Financial Statements of AIXTRON SE and the Consolidated Financial Statements as of December 31, 2016, the US Annual Report on Form 20-F, the early risk detection system in the meaning of Section 91 (2) AktG, the internal controls for the financial reporting in the meaning of SOA 404 and the preparation of a Management Letter and findings in accordance with Section 7.2.3 DCGK (German Code of Corporate Governance) at AIXTRON SE
- Review of the Statement of Independence and the "Management Letter" written by the auditor (main conclusions from 2015 audits of the Individual and Consolidated Financial Statements and the internal control system)
- Audit focal points for Deloitte GmbH for the audit of the 2016 AIXTRON Annual and Consolidated Financial Statements
- 2017 audit focal points of the German Financial Reporting Enforcement Panel (DPR)
- Risk management report (proper risk management of the Executive Board pursuant to Section 91 (2) AktG)
- Regular discussion of the quarterly and the half-yearly reporting in telephone conferences
- Tax audits, especially of AIXTRON SE
- Update of Compliance Manual and e-learning system for compliance training of employees
- Status of the report on the use of "conflict minerals"
- Progress in the improvement of information security
- Anti-corruption guideline, Code of Conduct, Code of Ethics, Compliance Manual
- Internal audit reports
- Dissolution of the Genus Trust
- Changes due to the update to Stock Exchange Regulations at the end of 2015 and the EU-wide Market Abuse Regulation that entered into force in July 2016
- Other relevant guidelines, laws and regulations

The **Technology Committee** deals, in particular, with questions of AIXTRON's market positioning in technology, patents, product planning (product roadmaps) and technology development as well as potential technology acquisitions or partnerships and other topics relating to diversification. In addition to the status reports from the individual technology areas (New Technologies including OLED and Carbon Nano, Opto & Power Electronics and Logic & Memory), the focus of the Technology Committee's work was on the further development of specific products and processes as well as their critical assessment. In the year under review, one focus of the audits was the OLED business. This included observation of target markets for various system generations and focusing on alternative technologies to OVPD, as well as closer examination of power electronics technology. With reference to an external report that was commissioned by the Executive Board, the limitations of production facilities, competing technologies and risks for AIXTRON were analyzed.

The Committee Chair, Prof. Dr. Denk, regularly reported to the Supervisory Board on the activities of the Technology Committee in the plenary meetings. In fiscal year 2016, the Technology Committee held four meetings, on February 22, May 24, September 13 and December 13, at which all the committee members were present.

The **Nomination Committee**, consisting of three members, makes nomination proposals to the Supervisory Board if one of the Supervisory Board positions needs to be replaced. In doing so, it also takes into account its own targets defined in 2010 for its future composition as well as the requirements of the German Corporate Governance Code (DCGK) for appropriate diversity and an appropriate number of independent Supervisory Board members.

Ahead of the upcoming election for the whole Supervisory Board at the Annual General Meeting on May 25, 2016, the Nomination Committee convened twice, on February 21 and May 23. In consideration of the current business situation and with a view to continuity, experience and preservation of necessary expertise, the Nomination Committee recommended that the Supervisory Board composition remain as is. In order to enable progressive personnel changes in the Supervisory Board, the election periods were no longer set uniformly for the Board as a whole. A further meeting took place on December 13, 2016 to discuss personnel matters concerning the Executive Board and the replacement of a Supervisory Board member.

The **Capital Market Committee** has existed at AIXTRON SE since 2014 for the purposes of evaluating, supporting and completing projects with capital market relevance. In fiscal year 2016, this mainly related to the takeover discussions with Chinese investors that had been imminent since autumn 2015, which ultimately resulted in an agreement for a corporate merger. The Capital Market Committee comprises the Chairman and a Deputy Chairman of the Supervisory Board. In 2016, the Committee conducted 29 telephone meetings and two meetings in person. These meetings focused almost exclusively on the discussion of current developments in relation to the complex GCI takeover transaction. The complexity of this planned transaction essentially resulted from the fact that this takeover offer must be carried out both in accordance with German law and with the applicable securities regulations in the USA. As required, the respective advisors also joined meetings of the Capital Market Committee.

Corporate Governance and Declaration of Conformity

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

In the latest **Declaration of Conformity** in accordance with Section 161 AktG dated February 2017, full compliance with the recommendations of the German Corporate Governance Code, with the exception of the deviations stated, is certified.

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

Audit and Annual Financial Statements

Following the resolution passed at the Company's Annual General Meeting on May 25, 2016, the Supervisory Board awarded the mandate to audit the Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group for the 2016 fiscal year to **Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf**.

The auditors also reviewed the Company's internal control system as well as measures implemented by the Executive Board to detect, at an early stage, business risks that could potentially jeopardize the performance and existence of the Company. It was also agreed that the auditors would, if necessary, inform the Supervisory Board or make a note in the audit report of any facts found during their examination which conflict with the Declaration of Conformity under Section 161 AktG issued by the Executive Board and the Supervisory Board. As in previous years, the auditors did not make note of any such findings for the 2016 fiscal year.

The Financial Statements of AIXTRON SE as of December 31, 2016 and the Management Report were prepared in accordance with the requirements of the German Commercial Code (HGB), while the Consolidated Financial Statements as of December 31, 2016 and the Group Management Report were prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS). The independent auditing firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited and gave an unqualified audit opinion to both the Financial Statements and the Consolidated Financial Statements of AIXTRON SE for fiscal year 2016. The auditors found that the Management Reports of both AIXTRON SE and the AIXTRON Group present a true and fair view of the current position and prospects of AIXTRON SE and the AIXTRON Group. The audit team above, with the lead auditor Dr. Holger Reichmann, has been employed for the examination of the accounts of AIXTRON SE since 2012.

The Annual Financial Statement documents (Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements of the AIXTRON Group as of December 31, 2016, including the Management Report of the Company and the Group) and the audit reports by the auditors were submitted to the Audit Committee and the Supervisory Board for examination in a timely manner. **We examined these documents** in detail. The Annual Financial Statements of AIXTRON SE and the Consolidated Financial Statements, as well as the respective Management Reports, **were discussed in detail** at the meeting of the Audit Committee and entire Supervisory Board on February 22, 2017, with due consideration given to the auditor's reports. The auditor, who participated in both the meeting of the Audit Committee as well as the subsequent meeting of the Supervisory Board, reported on the key audit results, which also covered the internal control and risk management system as they relate to the accounting process, and was available to answer any additional questions raised by the Audit Committee or Supervisory Board.

Following our own examination, we had no objections to the Annual or Consolidated Financial Statements submitted. The respective Management Reports matched our own assessment of the Company and the Group's situation. We fully concurred with the auditor's results and opinion and consequently, in a resolution **passed** on February 22, 2017, we approved both the Annual Financial Statements and Consolidated Financial Statements of the Company prepared by the Executive Board for the 2016 fiscal year. The Annual Financial Statements of AIXTRON SE are therefore **formally adopted**.

Note of thanks from the Supervisory Board

We would like to thank the Executive Board and all employees around the world who have once again actively supported us throughout a difficult fiscal year, which was greatly influenced by uncertainty with regard to developments in the planned takeover. We would also like to thank the employee representatives for their constructive work with various boards and councils within the Company. At the same time, we would like to express our appreciation to the shareholders for their support of the planned transaction, even if it was not ultimately successful.

Herzogenrath, February 2017

AIXTRON SE



Kim Schindelhauer
Chairman of the Supervisory Board