

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 315e 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 26, 2018 for approval and publication.

2. Significant Accounting Policies

A COMPANIES INCLUDED IN CONSOLIDATION

Companies included in consolidation are AIXTRON SE, and companies, controlled by Aixtron SE. 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).

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 36.

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 does 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'
- '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 "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 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 (see note 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 recognized 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 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, unless such exercises 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 of AIXTRON SE. These stock option programs are accounted for by AIXTRON according to IFRS 2. The fair value of options granted 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 warranty 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 acceptance tests 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 full acceptance tests have been successfully completed at the AIXTRON production facility and the significant risks and rewards of ownership has passed to the customer and the customer can benefit from the products either on its own or with other resources that are readily available.

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 the customer cannot benefit from the product either on its own or with other resources that are readily available, 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 IAS 7	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014–2016 Cycle	The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014 - 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests

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
IFRS 17	Insurance Contracts
Amendments to IFRS 2	Classification and Measurement of Share-based payment transactions.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
Annual Improvements to IFRSs 2014 – 2016 cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

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. IFRS 9 applies an "expected" approach to assessing credit losses rather than the existing method which is based on "incurred" losses. The company does not expect that this will have an impact on the date of initial application of the standard (January 1, 2018). The company had no financial instruments and hedging relationships as at the date of initial application of IFRS 9.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the major sources described in note 2 (n) and does not expect that the impact of adopting IFRS 15 will be material to the financial statements as its revenue recognition policies are consistent with the standard. The Group will adopt the modified approach for transition to IFRS 15.

Lease accounting changes included in IFRS 16 are applicable for the reporting periods commencing 2019, although it has not yet been adopted by the EU. The Company does not expect the adoption of IFRS 16 will have a material effect on the financial statements.

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

<i>in EUR thousands</i>	Note	2017	2016	2015
Equipment revenues		188,009	155,653	150,971
Spares and services revenue		42,373	40,824	46,785
Revenue from external customers		230,382	196,477	197,756
Inventories recognized as an expense	16	115,349	104,836	95,143
Reversals of inventory provisions	16	-6,947	-16,525	-10,372
Obsolescence and valuation allowance expense for inventories	16	2,611	0	4,141
Personnel expense	7	60,875	63,136	63,029
Depreciation	11	8,383	12,951	9,146
Amortization	12	4,518	1,421	1,430
Other expenses		67,905	59,678	70,113
Foreign exchange losses	5	1,366	917	704
Other operating income	5	-28,608	-8,548	-8,852
Segment profit / loss		4,930	-21,389	-26,726
Finance income	8	692	583	788
Finance expense	8	-124	-147	-22
Profit or loss before tax		5,498	-20,953	-25,960

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.

For the purpose of monitoring segment performance and allocating resources all assets other than tax assets, cash and other

SEGMENT ASSETS AND LIABILITIES

<i>in EUR thousands</i>	31.12.2017	31.12.2016
Semi-conductor equipment segment assets	204,832	273,919
Unallocated assets	250,285	162,315
Total Group assets	455,117	436,234

<i>in EUR thousands</i>	31.12.2017	31.12.2016
Semi-conductor equipment segment liabilities	83,471	63,391
Unallocated liabilities	2,740	3,102
Total Group liabilities	86,211	66,493

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 and changes 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 153 during 2017 (decreased by kEUR 86 during 2016).

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.

<i>in EUR thousands</i>	2017	2016	2015
Asia	172,338	128,007	118,376
Europe	29,197	30,814	35,772
Americas	28,847	37,656	43,608
Total	230,382	196,477	197,756

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

<i>in EUR thousands</i>	2017	2016	2015
Germany	7,487	9,865	6,705
USA	28,731	37,353	41,937
Korea	44,298	27,086	26,507
China	89,848	64,756	52,571
Taiwan	25,717	22,000	27,375

Revenues from all countries outside Germany were kEUR 222,895, kEUR 186,612, and kEUR 191,051 for the years 2017, 2016, and 2015 respectively.

In 2017 sales to one customer represented 19.3% of Group revenues, with no other customer exceeding 10%. 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%.

<i>in EUR thousands</i>	31,12,2017	31,12,2016
Asia	780	1,521
Europe excluding Germany	10,211	10,800
Germany	112,478	124,057
USA	14,236	18,312
Total Group non current assets	137,705	154,690

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 68,787, kEUR 53,937 and kEUR 55,415 for the years ended December 31, 2017, 2016 and 2015 respectively.

After deducting project funding received and not repayable, net expenses for research and development were kEUR 65,622, kEUR 51,811 and kEUR 52,409 for the years ended December 31, 2017, 2016 and 2015 respectively.

5. OTHER OPERATING INCOME

<i>in EUR thousands</i>	2017	2016	2015
Research and development funding	3,165	2,126	3,006
Income from resolved contract obligations	18	4,288	1,904
Foreign exchange gains	802	734	3,389
Gain on disposal of assets	23,927	0	3
Other	696	1,400	550
	28,608	8,548	8,852

<i>in EUR thousands</i>	2017	2016	2015
Foreign exchange gains	802	734	3,389
Foreign exchange losses (see note 6)	-1,366	-917	-704
Net foreign exchange gains (losses)	-564	-183	2,685
Other foreign exchange gains (losses)	-564	-183	2,685
Net foreign exchange gains (losses)	-564	-183	2,685

The total amount of exchange gains and losses (see also note 6) recognized in profit or loss was a loss of kEUR 564 (2016 loss kEUR 183; 2015 gain kEUR 2,685).

The gain on disposal of assets of kEUR 23,927 (2016: nil; 2015: kEUR 3) includes a profit on disposal of the group's ALD CVD assets in November 2017 of kEUR 23,765. Aixtron received kEUR 60,707 in proceeds for the ALD CVD assets and assumed liabilities to make payments to suppliers of Eugene Technology Inc. of kEUR 9,689 (see note 25).

<i>in EUR thousands</i>	2017
Disposal of ALD CVD assets	
Assets over which Aixtron loses control:	
- Property, plant and equipment	5,220
- Goodwill	1,682
- Inventories	10,394
- Other current assets	3,915
- Warranty and other liabilities	-561
	20,650
Costs of disposal, taxes and licence payments	6,603
Payments to be made to suppliers on behalf of Eugene Technology Inc.	9,689
	36,942
Proceeds	60,707
Profit on disposal of ALD CVD	23,765

6. OTHER OPERATING EXPENSES

<i>in EUR thousands</i>	2017	2016	2015
Foreign exchange losses	1,366	917	704
Losses from the disposal of fixed assets	0	29	8
Additions to allowances for receivables or write-off of receivables	110	299	1,439
Other	159	140	8
	1,635	1,385	2,159

7. PERSONNEL EXPENSE

<i>in EUR thousands</i>	2017	2016	2015
Payroll	53,262	54,411	54,033
Social insurance contributions	6,237	6,518	6,731
Expense for defined contribution plans	1,119	1,454	1,274
Share based payments	257	753	991
	60,875	63,136	63,029

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 note 15.

8. NET FINANCE INCOME

<i>in EUR thousands</i>	2017	2016	2015
Interest income from financial assets			
On financial assets measured at amortised cost	692	583	788
Interest expense from financial liabilities			
On financial liabilities not at fair value through profit or loss	-124	-147	-22
Net finance income	568	436	766

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:

<i>in EUR thousands</i>	2017	2016	2015
Current tax expense (+)/current tax income (-)			
for current year	1,538	1,562	2,164
for prior years	-660	121	-175
Total current tax expense	878	1,683	1,989
Deferred tax expense (+)/deferred tax income (-)			
from temporary differences	351	80	1,157
from changes in local tax rate	20	0	54
from reversals and write-downs	-2,279	1,301	0
Total deferred tax income/expense	-1,908	1,381	1,211
Taxes on income/loss	-1,030	3,064	3,200

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

<i>in EUR thousands</i>	2017	2016	2015
Income/loss before income taxes			
Germany	-2,066	-25,959	-30,479
Outside Germany	7,564	5,006	4,519
Total	5,498	-20,953	-25,960
Income tax expense			
Germany	-514	161	2,192
Outside Germany	-516	2,903	1,008
Total	-1,030	3,064	3,200

The Company's effective tax rate is different from the German statutory tax rate of 32.80% (2016: 32.80%; 2015: 32.80%) which is based on the German corporate income tax rate, including solidarity surcharge, and trade tax.

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

<i>in EUR thousands</i>	2017	2016	2015
Net result before taxes	5,498	-20,953	-25,960
Income tax expense/benefit (German tax rate)	1,803	-6,873	-7,928
Effect from differences to foreign tax rates	-500	-932	-833
Non-deductible expenses	569	730	765
Tax losses not recognized as assets	6,215	11,772	13,798
Recognition / derecognition of deferred tax assets	-1,353	1,301	348
Effect from changes in local tax rate	20	0	54
Effect of the use of loss carryforwards	-4,460	0	-4,113
Effect of permanent differences	2	7	-63
Other	-3,326	-2,941	1,172
Taxes on income/loss	-1,030	3,064	3,200
Effective tax rate	-18.7%	-14.6%	-12.3%

10. CURRENT TAX RECEIVABLE AND PAYABLE

As of December 31, 2017 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 171 (2016: kEUR 446) and kEUR 2,740 (2016: kEUR 3,102) respectively.

11. PROPERTY, PLANT AND EQUIPMENT

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

<i>in EUR thousands</i>	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construction	Total
Cost					
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
Balance at January 1, 2017	65,434	97,405	18,994	2,918	184,751
Additions	20	6,186	525	2,177	8,908
Disposals	1,425	13,695	2,522	45	17,687
Transfers	62	1,583	75	-1,720	0
Effect of movements in exchange rates	-158	-3,122	-641	-167	-4,088
Balance at December 31, 2017	63,933	88,357	16,431	3,163	171,884
Depreciation and impairment losses					
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

<i>in EUR thousands</i>	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Assets under construction	Total
Balance at December 31, 2016	25,780	70,202	14,270	342	110,594
Balance at January 1, 2017	25,780	70,202	14,270	342	110,594
Depreciation charge for the year	1,728	4,126	2,493	36	8,383
Impairments	0	4,821	0	0	4,821
Disposals	1,425	8,685	2,312	0	12,422
Effect of movements in exchange rates	-140	-3,054	-561	-59	-3,814
Balance at December 31, 2017	25,943	67,410	13,890	319	107,562
Carrying amounts					
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
At January 1, 2017	39,654	27,203	4,724	2,576	74,157
At December 31, 2017	37,990	20,947	2,541	2,844	64,322

DEPRECIATION

Depreciation expense amounted to kEUR 8,383 for 2017 and was kEUR 12,951 and kEUR 9,146 for 2016 and 2015 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 2017 by kEUR nil (2016 by kEUR 2,283; 2015 kEUR nil) 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

During the first quarter of 2017 the company decided to freeze development activities for equipment using III-V materials for Logic Chip production (TFOS). In the second quarter of 2017 the company also decided to freeze its activities in the field of Thin Film Encapsulation. As a consequence of these decisions an impairment charge of 4,821 kEUR has been recognized for specific technical equipment and machinery related to those activities.

In 2016 the company received a new valuation of a facility in Herzogenrath in Germany and reversed 885 kEUR of a previous impairment charge. 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 building is expected to be put on the market for sale in the near future.

There were no other impairments or reversals of impairments in 2015, 2016 or 2017.

ASSETS UNDER CONSTRUCTION

Assets under construction relates mainly to self-built systems for development laboratories in 2017 and 2016.

12. INTANGIBLE ASSETS

DEVELOPMENT OF INTANGIBLE ASSETS

<i>in EUR thousands</i>	Goodwill	Other intangible assets	Total
Cost			
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
Balance at January 1, 2017	91,899	47,052	138,951
Acquisitions	0	789	789
Disposals	-1,682	-726	-2,408
Effect of movements in exchange rates	-1,813	-3,123	-4,936
Balance at December 31, 2017	88,404	43,992	132,396
Amortisation and impairment losses			
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
Balance at January 1, 2017	17,336	41,626	58,962
Amortisation and impairment charge for the year	0	4,518	4,518
Disposals	0	726	726
Effect of movements in exchange rates	-161	-3,189	-3,350
Balance at December 31, 2017	17,175	42,229	59,404
Carrying amounts			
At January 1, 2016	75,902	6,392	82,294
At December 31, 2016	74,563	5,426	79,989
At January 1, 2017	74,563	5,426	79,989
At December 31, 2017	71,229	1,763	72,992

AMORTIZATION AND IMPAIRMENT EXPENSES FOR OTHER INTANGIBLE ASSETS

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

<i>in EUR thousands</i>	2017	2016	2015	2017	2016	2015
	Amortisation	Amortisation	Amortisation	Impairment	Impairment	Impairment
Cost of sales	18	18	2	0	0	0
Selling expenses	0	0	0	0	0	0
General administration expenses	780	748	858	0	0	0
Research and development costs	414	655	570	3,307	0	0
	1,212	1,421	1,430	3,307	0	0

Intangible assets in the company's Thin Film Encapsulation activities ceased being used when the company froze this development during 2017. An impairment charge of 3,307 kEUR was recorded.

In 2016, and 2015, 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:

<i>in EUR thousands</i>	
2018	630
2019	358
2020	240
2021	92
2022	30
After 2022	28

The actual amortization can differ from the expected amortization.

IMPAIRMENT OF GOODWILL

At the end of 2017 the Group assessed the recoverable amount of goodwill and determined that no impairment loss had to be recognized (2016: kEUR 0; 2015: kEUR 0).

The carrying value of goodwill was kEUR 71,229 (2016 kEUR 74,563; 2015 kEUR 75,902).

As at the end of 2017 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, 2017 the market capitalization of AIXTRON was Euro 1,294.7 million, based on a share price of Euro 11.58 and issued shares (excluding Treasury Shares) of 111,802,372. 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.

<i>Euro millions, except share price</i>	Impairment Test	Impairment Test	Sensitivity Analysis
	2017	2016	2017
Share price - Euros	11.58	3.10	3.35
Market capitalisation as of December 31	1,294.7	346.0	374.5
Costs to sell in percentage	1.50%	1.50%	1.50%
Costs to sell	-19.4	-5.2	-5.6
Market capitalisation less cost to sell	1,275.3	340.8	368.9
Control premium in percentage	20.00%	20.00%	0.00%
Control premium	255.1	68.2	0.0
Market capitalisation and control premium less cost to sell	1,530.3	409.0	368.9
Net debt	-246.5	-160.1	-246.5
Tax assets	-1.0	0.8	-1.0
Fair value less costs to sell of CGU	1,282.8	249.7	121.4
Carrying amount of the CGU	121.4	210.5	121.4
Surplus of fair value less cost to sell over carrying amount	1161.4	39.2	0.0
Surplus of fair value less cost to sell over carrying amount as a percentage	957%	19%	0%

The fair value less costs to sell, which is the recoverable amount, exceeds the carrying amount of the CGU by 957% (2016 19%).

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 71.1% (2016 9.6%) to Euro 374.5 million (2016 Euro 312.8 million).

13. OTHER NON-CURRENT ASSETS

Other non-current assets totaling kEUR 391 (2016: kEUR 544) include mainly rent deposits for buildings.

14. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

<i>in EUR thousands</i>	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	122	191	0	0	122	191
Trade receivables	49	50	0	0	49	50
Inventories	884	1,309	0	0	884	1,309
Employee benefits	126	125	0	0	126	125
Currency translation	-6	-13	0	0	-6	-13
Provisions and other liabilities	119	60	0	0	119	60
Other	14	12	0	0	14	12
Tax losses	2,280	83	0	0	2,280	83
Deferred tax assets (+) liabilities (-)	3,588	1,817	0	0	3,588	1,817

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 258 (2016: kEUR nil).

Deferred taxes for tax losses in the amount of kEUR 169,731 (2016: kEUR 184,951) and on deductible temporary differences in the amount of kEUR 23,659 (2016: kEUR 9,888) were not recognized. Tax losses in the amount of kEUR 151,685 can be used indefinitely (2016: kEUR 156,650), kEUR nil expire by 2022 (2016: kEUR 21,765, by 2021) and kEUR 18,046 expire after 2022 (2016: kEUR 16,424 after 2021).

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

<i>in EUR thousands</i>	Balance at January 1, 2017	Recognised in income statement	Directly recognised in Other Comprehensive Income	Balance at December 31, 2017
Property, plant and equipment	191	-69	0	122
Trade receivables	50	-1	0	49
Inventories	1,309	-425	0	884
Employee benefits	125	1	0	126
Currency translation	-13	144	-137	-6
Provisions and other liabilities	60	59	0	119
Other	12	2	0	14
Tax losses	83	2,197	0	2,280
	1,817	1,908	-137	3,588

<i>in EUR thousands</i>	Balance at January 1, 2016	Recognised in income statement	Directly recognised 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

15. RESTRUCTURING COSTS

<i>in EUR thousands</i>	2017	2016	2015
Cost of sales	2,338	696	0
General administration expenses	2,214	131	0
Research and development costs	10,642	0	0
	15,194	827	0

During 2017 the company froze its activities in Thin Film Encapsulation and in development of equipment for TFOS applications. The activities of its OVPD development team in Germany were moved into a separate entity, APEVA SE, to facilitate a potential Joint Venture with an external partner for future activities in this field. Aixtron SE retains all intellectual property rights in the Group's OVPD activities to date. The separation and sale of assets of AIXTRON's ALD CVD activities also occurred in 2017.

The costs incurred in restructuring activities mainly relate to the freezing of the TFE and TFOS activities, but also include costs of restructuring the OVPD activity and some severance and similar costs related to ALD CVD and are shown in the table above.

Included in the research and development costs is kEUR 3,307 of impairment of intangible assets and kEUR 4,821 of impairment of technical equipment and machinery. Other costs include inventory write downs and contractual settlements, some severance payments, consultancy, legal and IT costs.

The profit on disposal of ALD CVD assets is shown in note 5.

Restructuring costs in 2016 are mainly severance costs related to reductions in personnel in a number of the company's activities.

16. INVENTORIES

<i>in EUR thousands</i>	2017	2016
Raw materials and supplies	16,017	26,599
Work in process	27,004	24,950
Inventories at customers' locations	0	2,655
	43,021	54,204

<i>in EUR thousands</i>	Note	2017	2016
Inventories recognised as an expense during the period	3	115,349	104,836
Reversals of write-downs recognised during the year	3	-6,947	-16,525
		108,402	88,311
Write-down of inventories during the year	3	2,611	0
Inventories measured at net realisable value		4,316	7,304

The reversal of write-downs recognized during the year in both 2017 and 2016 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

<i>in EUR thousands</i>	2017	2016
Trade receivables	19,528	61,514
Allowances for doubtful accounts	-239	-1,293
Trade receivables - net	19,289	60,221
Prepaid expenses	501	1,288
Reimbursement of research and development costs	783	218
Advance payments to suppliers	86	323
VAT recoverable	2,706	1,932
Other assets	741	1,043
Total other current assets	4,817	4,804
Total trade receivables and other current assets	24,106	65,025

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:

<i>in EUR thousands</i>	2017	2016
Allowance at January 1	1,293	2,410
Translation adjustments	-35	0
Impairment losses recognised	256	405
Used	0	-1,353
Impairment losses reversed	-1,275	-169
Allowance at December 31	239	1,293

Ageing of past due but not impaired receivables:

<i>in EUR thousands</i>	2017	2016
1-90 days past due	2,388	2,524
More than 90 days past due	462	5,046

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 19,289 represent the equivalent of 33 days sales outstanding (2016; kEUR 60,221, 28 DSO).

At the balance sheet date no single customer accounted for more than 10% of trade receivables. In 2016 one customer accounted for 17% of net trade receivables. In 2015 one customer accounted for 22% of 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 2,850 (2016: kEUR 7,570) 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 20,000 (2016: kEUR 40,021) are fixed deposits with banks with a maturity of more than three months at inception of the contracts.

At both December 31, 2017 and 2016 the maturities at inception of the deposits were between 181 and 365 days.

<i>In EUR thousands</i>	2017	2016
Maturity 181 days to 365 days	20,000	40,021
	20,000	40,021

19. CASH AND CASH EQUIVALENTS

<i>in EUR thousands</i>	2017	2016
Cash-in-hand	2	3
Bank balances	226,524	120,028
Cash and Cash equivalents	226,526	120,031

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 (2016: kEUR 0) at December 31, 2017.

20. SHAREHOLDERS' EQUITY

FULLY PAID CAPITAL

<i>in Euro</i>	2017	2016
January 1	112,804,105	112,720,355
Shares issued during the year	120,625	83,750
Issued and fully paid capital at December 31, including Treasury Shares	112,924,730	112,804,105
Treasury shares	-1,122,358	-1,146,952
Issued and fully paid share capital at December 31 under IFRS	111,802,372	111,657,153

The share capital of the company consists of no-par value shares and was fully paid-up during 2017 and 2016. 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 176,224,621 (2016: EUR 218,771,106).

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 2017 and 2016 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

Income and expenses recognized in other comprehensive income are shown in the Statement of Other Comprehensive Income.

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 2017 an expense of kEUR 89 (2016: kEUR 186; 2015: 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; 2017: kEUR nil) was reclassified through Other Comprehensive Income from currency reserves against the Group's retained earnings.

21. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS 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.

	2017	2016	2015
Earnings per share			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	6,528	-24,017	-29,160
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,688,876	111,618,282	111,583,480
Basic earnings/loss per share (EUR)	0.06	-0.22	-0.26
Earnings/loss per share (diluted)			
Net profit/loss attributable to the shareholders of AIXTRON SE in kEUR	6,528	-24,017	-29,160
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share	111,690,533	111,583,480	112,107,905
Dilutive effect of share options	0	0	0
Weighted average number of common shares and ADS for the purpose of Earnings/Loss Per Share (diluted)	111,690,533	111,583,480	112,107,905
Diluted earnings/loss per share (EUR)	0.06	-0.22	-0.26

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	2017	2016	2015
Share options	1,533,765	2,317,790	2,891,815

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 typically do not exceed 10% of qualified employees' base salaries. In 2017 the expense recognized for defined contribution plans amounted to kEUR 1,119 (2016: kEUR 1,454, 2015: kEUR 1,274).

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 for issuance to members of the Executive Board, management and employees of the Company.

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 825,365 common shares were outstanding under this plan as of December 31, 2017.

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 708,400 common shares were outstanding under this plan as of December 31, 2017.

SUMMARY OF STOCK OPTION TRANSACTIONS

AIXTRON SHARE OPTIONS

AIXTRON share options	Number of shares	Average exercise price (EUR)	Number of shares	Average exercise price (EUR)
Balance at January 1	2,317,790	16.60	2,891,815	16.67
Exercised during the year	120,625	4.21	83,750	4.21
Forfeited during the year	663,400	10.54	490,275	19.13
Outstanding at December 31	1,533,765	19.77	2,317,790	16.60
Exercisable at December 31	825,365	25.44	1,008,140	23.24

AIXTRON STOCK OPTIONS AS OF DECEMBER 31, 2017

	Exercise price per share (EUR)	Underlying shares represented by outstanding options	Shares represented by exercisable options	Average option life (in years)
2008	4.17	2,590	2,590	1.0
2009	24.60	392,325	392,325	2.0
2010	26.60	422,450	422,450	3.0
2011	12.55	8,000	8,000	4.0
2014	14.01	21,000	0	7.0
2014	13.14	687,400	0	7.0
		1,533,765	825,365	

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 2017, the personnel expenses from share-based payments, all of which were equity settled share based payments, were kEUR 257 (2016: kEUR 753; 2015: kEUR 991).

As of December 31, 2017 an amount of kEUR 631 relating to stock options granted prior to that date had not yet been recognized as a personnel expense. This amount will be charged over in 2018.

24. PROVISIONS

Development and breakdown of provisions:

<i>in EUR thousands</i>	01.01.2017	Exchange rate differences	Usage	Reversal	Addition	31.12.2017	Current	Non-current
Personnel expenses	5,924	-182	3,021	1,970	5,295	6,046	6,046	0
Warranties	5,947	-65	4,850	697	7,248	7,583	6,179	1,404
Onerous contracts	693	-4	234	56	6	405	405	0
Commissions	123	-7	0	119	143	140	140	0
Other	5,599	-182	2,164	904	6,194	8,543	8,323	220
Total	18,286	-440	10,269	3,746	18,886	22,717	21,093	1,624

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, 2017 and December 31, 2016, 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:

<i>in EUR thousands</i>	2017	2016
Trade payables	14,265	14,593
Liabilities from grants	1,862	1,142
Payroll taxes and social security contributions	1,122	626
VAT and similar taxes	525	189
Other liabilities	12,369	401
Other current liabilities	15,878	2,358
Trade payables and other current liabilities	30,143	16,951

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. Other liabilities includes a remaining amount of kEUR 9,063 payable to suppliers of Eugenus Inc. (see note 5) and kEUR 2,664 received from customers and repayable.

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, 2017 the group had no borrowings (2016 nil). Financial liabilities, all due within one year, of kEUR 30,143 (2016: kEUR 16,951) consisting of trade payables and other liabilities and are shown in note 25, together with an analysis of their maturity.

As at December 31, 2017 the group had kEUR 226,526 cash and cash equivalents (2016: kEUR 120,031) and a further kEUR 20,000 of fixed deposits with banks (2016: kEUR 40,021).

CREDIT RISKS

Financial assets generally exposed to a credit risk are trade receivables, cash and cash equivalents and other intangible assets.

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 und 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:

<i>in EUR thousands</i>	Liabilities		Assets	
	2017	2016	2017	2016
US Dollars	-20,534	-29,040	109,889	67,935
GB Pounds	-958	-974	4,064	10,556

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	
<i>In EUR thousands</i>	2017	2016
Profit or loss	-3,102	-1,549
Other comprehensive income	-251	-2,361
Decrease in value of Euro by 10%	USD Currency Effect	
<i>In EUR thousands</i>	2017	2016
Profit or loss	3,102	1,579
Other comprehensive income	251	2,361

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 2017

<i>in EUR thousands</i>	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	226,526	0	0	0	226,526
Other financial assets	0	0	20,000	0	20,000
Other non-current assets	0	391	0	0	391
Trade receivables	0	18,782	0	507	19,289
Total	226,526	19,173	20,000	507	266,206
At amortized cost	226,526	19,173	20,000		265,699
At fair value				507	507

FINANCIAL LIABILITIES 2017

<i>in EUR thousands</i>	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	14,265	0	14,265
Advance payments from customers (not in scope of IFRS 7)	0	0	30,266	0	30,266
Total	0	0	44,531	0	44,531
At amortized cost	0	0	44,531	0	44,531
At fair value				0	0

FINANCIAL ASSETS 2016

<i>in EUR thousands</i>	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		220,416
At fair value				401	401

FINANCIAL LIABILITIES 2016

<i>in EUR thousands</i>	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		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.

27. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

<i>in EUR thousands</i>	
Not later than one year	1,165
Later than one year and not later than five years	2,194
Later than five years	395
	3,754

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 3,827, kEUR 3,923 and kEUR 4,520 for 2017, 2016 and 2015 respectively.

28. CAPITAL COMMITMENTS

<i>in EUR thousands</i>	2017	2016
Capital expenditures	1,750	1,671
Other expenditures	63,569	30,364
Total commitments with suppliers at Dec 31	65,319	32,035

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:

<i>in EUR thousands</i>	2017	2016	2015
Short-term employee benefits	1,296	1,056	1,041
Share based payments	59	0	0
	1,355	1,056	1,041

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:

<i>in EUR thousands</i>	2017	2016	2015
Fixed remuneration (incl. attendance fee)	333	449	303
	333	449	303

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:

		Share of capital in %	
		2017	2016
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
APEVA SE	Germany	100	N.A.
APEVA Co Ltd	South Korea	100	N.A.

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 and the UK. 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.

33. AUDITORS' FEES

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

<i>in EUR thousands</i>	2017	2016
for audit	483	857
for other confirmation services	28	10
for tax advisory services	103	135
for other services	6	6
	620	1,008

Included in the total amount of fees are fees for the group auditor Deloitte & Touche GmbH, Duesseldorf, in the amount of kEUR 362 for audit (2016: kEUR 697), kEUR 28 for other confirmation services (2016: kEUR 10), kEUR 47 for tax services (2016: kEUR 45) and kEUR 6 for other services (2016: kEUR 6).

The fees for other confirmation services include fees for audits in accordance with renewable energy law (EEG), the Act on Combined Heat and Power (KWKG) and the non-financial statement. Tax consulting services were mainly incurred in connection with a tax audit in Germany and the sale of the ALD/CVD product line in the USA. Other services include fees in connection with GoBD consulting services.

34. EMPLOYEES

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

Employees by Function

	2017	2016
Sales	52	59
Research and Development	240	252
Manufacturing and Service	284	314
Administration	86	82
Employees (§ 314 HGB)	662	707
Executive board members	2	2
	664	709
Apprentices	12	12
	676	721

35. SUPERVISORY BOARD AND EXECUTIVE BOARD

Composition of the Supervisory Board as of December 31, 2017:

- Dipl.-Kfm. Kim Schindelhauer
Hamburg / businessman / Chairman of the Supervisory Board since 2002 to February 28, 2017 and from September 1, 2017 to date
- Prof. Dr. Wolfgang Blättchen
o Leonberg / Managing Director of Blättchen Advisory GmbH / member of the Supervisory Board since 1998 / Deputy Chairman of the Supervisory Board since 2013 to February 28, 2017 and from September 1, 2017 to date / Chairman of the Supervisory Board from March 1 2017 through August 31 2017, Membership of Supervisory Boards and controlling bodies:
 - Membership of Supervisory Boards and controlling bodies:
 - Pfisterer Holding AG, Winterbach – Chairman of the Supervisory Board
 - FAS AG, Stuttgart – member of the Supervisory Board (until July 2017)
- Prof. Dr. Rüdiger von Rosen
Frankfurt/Main / Managing Director of Sino-German M&A Service GmbH / member of the Supervisory Board since 2002
 - Membership of Supervisory Boards and controlling bodies:
 - ICF Kursmakler 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
- Dr. Andreas Biagosch
Munich / Managing Partner 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/India – non-executive director

- Wacker Chemie AG, Munich – member of the Supervisory Board
 - Hinduja Leyland Finance Limited, Chennai/India – non-executive director
 - Athos Service GmbH, Munich - member of the Advisory Board (since September 2017)
- 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
 - Membership of Supervisory Boards and controlling bodies:
 - VAT Group AG, Haag, Switzerland – Chairman of the Board of Directors

The composition of the Company's Executive Board as of December 31, 2017 is:

- Dr. Bernd Schulte
Aachen, physicist, member of the Executive Board since 2002
- Dr. Felix Grawert
Aachen, Dipl.Ing, member of the Executive Board since August 14, 2017

Members of the Executive Board who resigned in the financial year:

- Kim Schindelhauer
Hamburg, Businessman, Chairman, President, Chief Executive Officer and Chief Financial Officer from March 1, 2017 through August 31, 2017
- Martin Goetzeler
Icking, businessman, Chairman, President, Chief Executive Officer and Chief Financial Officer until February 28, 2017

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 for the supply of equipment to customers is generally recognized in two stages, 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 2017, 2016 and 2015 the Company incurred expenses of kEUR 2,611, kEUR nil and kEUR 4,141 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.

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. ACQUISITIONS

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.

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 26, 2018

AIXTRON SE

Executive Board

Dr. Felix Grawert

Dr. Bernd Schulte