

# Letter to the Shareholders

**Dear shareholders,**

Focused on long-term profitable opportunities for growth: That best summarizes the reorientation of AIXTRON in 2017. Our positive earnings in the year may have been based on the one-off effect of the sale of our product line for memory chips, but with the reorientation, we created a foundation that allows us to return our business to sustainable profitability in the future. At the same time, both our core business for opto and power electronic components as well as deposition systems for OLED displays of our subsidiary APEVA provide discernible growth prospects for the coming years.

Based on our strengthened position in the markets we address as well as more efficient production, we recently managed to achieve higher gross margins compared to previous years. In addition, we can feel the tailwind of increasing demand, especially in opto-electronics. With total revenues of EUR 230 million, we reached the upper range of our target in 2017 while order intake also developed better than expected at EUR 263 million.

## **Successful reorientation**

The positive result was achieved through the changes we have made to our product portfolio in 2017: We froze our activities in III-V on silicon (TFOS) and thin film encapsulation (TFE) and sold the ALD/CVD product line for memory chips to Eugene Technology. These steps better align research and development costs with our revenues. We are working towards partnerships, joint ventures or other cooperation possibilities as well. Through this the necessary investment may be spread across several shoulders and customer access could be strengthened.

One example is the establishment of our subsidiary APEVA SE, through which we want to push forward the development and commercialization of our OLED technology. In that regard, we are currently in advanced talks with potential partners and investors. In parallel, we are working closely with a large Asian display manufacturer in order to qualify our technology for the production of OLED displays. Following the successful commissioning of a development system in 2017 for the substrate size Gen1 (200 x 200mm), we are now preparing the installation of a larger Gen2 system (370 x 470 mm) at our customer's facility.

In order to be able to expand AIXTRON's product portfolio further in the future, too, we will develop our innovative technology for the production of graphene, carbon nanotubes and carbon nanowires. The future potential of these materials which will be used in a large number of possible applications, such as displays, batteries or semiconductor components in the future, is promising.

## **Profitable growth in the core business**

In the coming years, AIXTRON will focus on the many applications of our core MOCVD technology, especially in the area of opto and power electronics. We are the technology leader in these markets - a position we intend to maintain. Systems for opto and power electronics not only contributed the majority of revenues of AIXTRON in the past year – but sales are also expected to grow.

In 2017, AIXTRON profited in particular from the increasing significance of opto-electronics for the large technology trends of digitization and communication. Numerous current and future applications in the consumer electronics industry (3D sensing, displays, virtual/augmented reality), in IT and telecommunications (optical and wireless data transfer, Internet of Things) as well as in the automobile industry (sensor technology for autonomous driving) are inseparable from the laser- and RF-chips, ROY- and infrared-LEDs our systems produce.

Revenues from systems, including for production of red, orange and yellow (ROY) and UV LEDs increased. In contrast, systems for high-volume production of blue LEDs for general lighting applications continue to lose significance for us. Competition has recently become tougher here, resulting in low and thus unattractive margins.

In power electronics, we expect increasing demand for our systems in the coming years, driven by a growing number of applications in the automobile industry, power generation as well as telecommunications and consumer electronics. Among other things, the high-performance- and high-frequency capable components based on gallium nitride (GaN) and silicon carbide (SiC) are increasingly applied in electric vehicles (electric powertrains, charging stations) as well as for use in wireless charging or the upcoming 5G mobile network.

Dear Shareholders,

The successful 2017 would not have been possible without the commitment and capabilities of AIXTRON's employees. We would like to thank them first.

We would also like to express a big thank you to our supervisory board for the prompt and constructive discussions in all matters of the company's management and its support for AIXTRON's strategy for the future as well as its chairman Kim Schindelbauer who assumed the chairmanship of the executive board for half a year in 2017 and initiated the reorientation of the company and its way forward.

In addition, we would like to thank you, our shareholders, for your loyal support during AIXTRON's reorientation. The significant stock price increase in the previous year demonstrates that the markets have regained confidence in our company and are convinced of our innovative power. Let us continue on the path towards sustainable profitability in 2018 together!

Yours sincerely,

Dr. Felix Grawert and Dr. Bernd Schulte



**Dr. Felix Grawert**

**Dr. Bernd Schulte**