



ANNUAL REPORT

**2017**

# Company Overview

INFICON provides world-class instruments for gas analysis, measurement and control.

These analysis, measurement and control products are essential for gas leak detection in air conditioning, refrigeration, and automotive manufacturing.

They are vital to equipment manufacturers and end-users in the complex fabrication of semiconductors and thin film coatings for optics, flat panel displays, solar cells, LED lighting, and industrial vacuum coating applications.

Other users of vacuum based processes include the life sciences, research, aerospace, food and general packaging, heat treatment, laser cutting, oil and gas transportation and processing, alternative energy, utilities, and many other industrial processes.

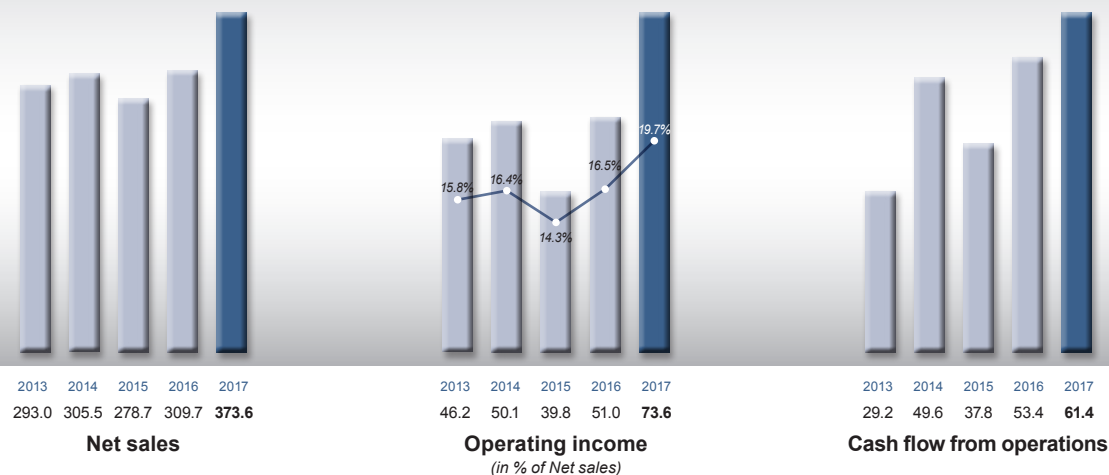
We also leverage our expertise to provide unique, toxic chemical analysis products for emergency response, security, and environmental monitoring as well as instruments for energy and petrochemical applications.

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INFICON publishes its annual report online.  
This edition has been optimized for easy reading on your computer and mobile devices.

Additional copies of this report may be downloaded from the Investors section of our website, [www.inficon.com](http://www.inficon.com), Investor section

## Key Figures – At a Glance

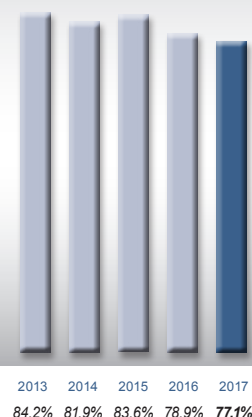


According to Swiss GAAP FER  
(US Dollars in Millions, except per share amounts)

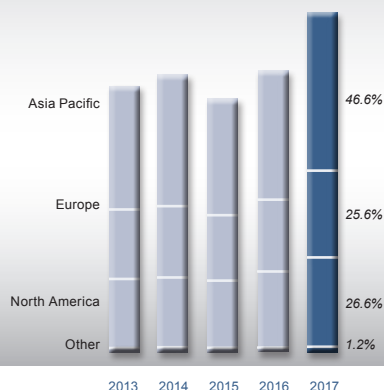
	2013	2014*	2015	2016	2017
Net sales	293.0	305.5	278.7	309.7	<b>373.6</b>
Research and development	27.8	27.3	24.6	26.8	<b>28.2</b>
Selling, general and administrative expense	73.4	78.2	71.4	78.4	<b>86.8</b>
Operating result	46.2	50.1	39.8	51.0	<b>73.6</b>
<i>in % of net sales</i>	<i>15.8%</i>	<i>16.4%</i>	<i>14.3%</i>	<i>16.5%</i>	<i>19.7%</i>
EBITDA	52.6	56.8	44.5	58.4	<b>81.8</b>
<i>in % of net sales</i>	<i>18.0%</i>	<i>18.6%</i>	<i>16.0%</i>	<i>18.8%</i>	<i>21.9%</i>
Net result	35.3	37.3	30.1	40.3	<b>59.5</b>
<i>in % of net sales</i>	<i>12.1%</i>	<i>12.2%</i>	<i>10.8%</i>	<i>13.0%</i>	<i>15.9%</i>
Cash and short-term investments	75.0	81.0	60.9	63.9	<b>85.0</b>
Cash flow from operations	29.2	49.6	37.8	53.4	<b>61.4</b>
Capital expenditures	12.7	8.0	22.7	5.3	<b>14.3</b>
Total assets	213.6	216.5	204.5	213.4	<b>268.6</b>
Long-term debt	–	–	–	–	<b>–</b>
Stockholders' equity	179.8	177.3	171.0	168.3	<b>207.0</b>
<i>Equity Ratio in %</i>	<i>84.2%</i>	<i>81.9%</i>	<i>83.6%</i>	<i>78.9%</i>	<i>77.1%</i>
Employees	942	948	959	990	<b>1,028</b>

\* Restated according to FER 31

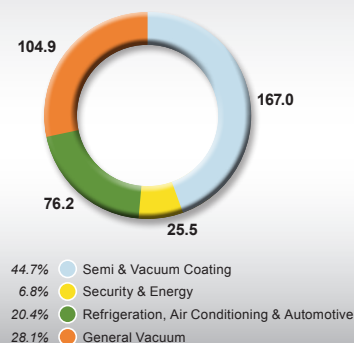
## Key Figures – At a Glance



**Equity Ratio**



**Direct Sales by Geographic Region**



**2017 Sales by End Market**

According to Swiss GAAP FER  
(US Dollars in Millions, except per share amounts)

	2013	2014*	2015	2016	2017
<b>Ratios per Share</b>					
Earnings per share – diluted	15.23	15.94	12.72	16.94	<b>24.57</b>
Shareholders' equity per share – diluted	77.58	75.77	72.34	70.71	<b>85.49</b>
Free cash flow per share – diluted	6.55	17.20	5.97	19.89	<b>19.07</b>
Return on equity %	19.6%	21.0%	17.6%	24.0%	<b>31.7%</b>

Dividend/Distribution per share (CHF)	14.00	15.00	13.00	16.00	<b>20.00**</b>
Share price (CHF) at December 31,	343.75	308.25	320.25	367.00	<b>608.50</b>

### Direct Sales by Geographic Region

Asia-Pacific	103.9	107.6	102.6	130.7	<b>174.2</b>
Europe	96.9	95.4	84.9	79.0	<b>95.7</b>
North America	87.7	98.4	87.3	96.1	<b>99.2</b>
Other	4.5	4.1	3.9	3.9	<b>4.5</b>

### Sales by End Market

Semi & Vacuum Coating	102.1	100.6	97.2	120.6	<b>167.0</b>
Security & Energy	27.2	35.9	22.1	33.1	<b>25.5</b>
Refrigeration, Air Conditioning & Automotive	47.9	54.3	57.6	68.1	<b>76.2</b>
General Vacuum	115.8	114.7	101.8	87.9	<b>104.9</b>

\* Restated according to FER 31

\*\* The proposed distribution is to be paid out from reserves from capital contributions.

## Recent Milestones and Achievements

INFICON was formed in June 2000 from the instrumentation businesses of three well-known international vacuum technology companies which were merged in 1996 under the Swiss Company OC Oerlikon.

Our initial public offering was November 9, 2000, both on SIX Swiss Exchange and NASDAQ. In 2005, INFICON delisted its stock from NASDAQ. INFICON started to pay out dividends in 2006, and changed its reporting standard from US GAAP to Swiss GAAP FER in 2012. Since our inception, we have acquired and integrated various companies and technologies.

### Corporate

CHF 16.00 distribution per share for 2012 from legal reserves from capital contributions	CHF 14.00 distribution per share for 2013 from legal reserves from capital contributions	CHF 15.00 distribution per share for 2014 from legal reserves from capital contributions	CHF 13.00 distribution per share for 2015 from legal reserves from capital contributions	CHF 16.00 distribution per share for 2016 from legal reserves from capital contributions  CHF 20.00 proposed distribution per share for 2017 from legal reserves from capital contributions
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### Acquisitions / Divestments

+ Sycon Instruments Inc. Assets of thin film specialist  + KeyX Assets of hydrogen leak detector specialist			+ InstruTech, Inc. Assets of vacuum process specialist, Feb 1, 2016	
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### Sales / Marketing / Achievements

US Presidential Award for Exports	R&D 100 Award for Stripe High Speed Capacitance Diaphragm Vacuum Gauge R&D 100 Award for Micro GC Fusion Gas Analyzer Golden Gas Award for Micro GC Fusion Gas Analyzer INFICON joins Sematech to develop analysis and monitoring solutions for semiconductor manufacturing equipment	Inauguration of new production facility at Syracuse/NY, USA	Chief Sales Officer hired; focus on growth and sales excellence Technology Day for Analysts, Investors and Media, Nov 9, 2016, in Balzers/FL Launched rollout for fully integrated CRM system	CRM go live Implementation of a collaboration tool
2013	2014	2015	2016	2017

## Recent Milestones and Achievements

Innovation is key at INFICON. In our 18 years of existence we have developed and launched over 70 new products.

### Technology Leadership

<p>Cube Calibration/Reference Vacuum Measurement Instrument</p> <p>Edge Capacitance Diaphragm Gauge, for high-temperature semi applications</p> <p>EtherCAT interfaces for Vacuum Gauge line</p> <p>Gemini Cold Cathode Inverted Magnetron all purpose Vacuum Gauge</p> <p>Stripe High Speed Vacuum Gauge</p> <p>Transpector MPH Residual Gas Analyzer for semiconductor applications</p> <p>Micro GC Fusion Gas Analyzer</p> <p>Spot OEM Capacitance Diaphragm Pressure Senso</p> <p>2013</p>	<p>Stripe 10m Torr Full Scale Capacitance Diaphragm Gauge</p> <p>IRwin Mobile Methane Leak Detector</p> <p>HLD 6000 Refrigerant Leak Detector</p> <p>Sensistor Sentrac Hydrogen Leak Detector</p> <p>Vortex Dual Refrigerant Recovery Machine</p> <p>2014</p>	<p>Contura S400 Leak Detector for packaging to detect any leak without tracer gas and without damage to the packages used in various industries</p> <p>Wey-Tek HD Wireless Refrigerant Charging Scale</p> <p>Design study Helios UL3000 Fab Leak Detector, designed together with our key customers especially to meet the high precision requirements of semiconductor applications</p> <p>2015</p>	<p>Micro GC Fusion® 4-Module System Gas Analyzer</p> <p>UL3000Fab Leak Detector finalized and launched</p> <p>Expansion of IRwin® Methane Leak Detector family with IRwin SX* range intended for use in potentially explosive atmospheres (ATEX)</p> <p>INFICON Porter™ CDG020D Capacitance Diaphragm Gauge for Ultra High Purity Applications</p> <p>2016</p>	<p>Transpector® SPS RGA is a residual gas analyzer (RGA) especially developed for single pressure sampling (SPS). This low-risk and high-reward solution is ideal for Semi and display manufacturing</p> <p>LDS 3000 AQ leak detector to use forming gas or helium in a simple accumulation chamber</p> <p>Stripe® high-speed, 200°C heated Capacitance Diaphragm Gauge with EtherCAT interface</p> <p>2017</p>
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## Target Markets

<b>Semi &amp; Vacuum Coating</b>	<b>Security &amp; Energy</b>	<b>Refrigeration, Air Conditioning &amp; Automotive</b>	<b>General Vacuum</b>
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### Market

In situ metrology and process control for semiconductor manufacturers, manufacturers of capital equipment for semiconductor devices (OEMs), and for thin film coating applications including flat panel displays (LCD and OLED), solar cells, LED lighting systems, data storage media, scientific and consumer optics, and architectural glass coatings.	<p>Analysis of chemical agents and toxic industrial chemicals in air, water or soil for military, emergency response and environmental events.</p> <p>Gas analysis for the petrochemical industry, including oil and gas production, refining, and alternative energy.</p> <p>Leak detection and monitoring of landfills, industrial processes, and utilities.</p>	<p>Leak detection for quality control in the manufacturing of commercial and consumer air conditioners and appliances.</p> <p>Technologies for air conditioners and airbags, fuel tanks, and other components in the automotive industry.</p> <p>After-sale service for repair.</p>	Vacuum technology applications such as aerospace, heat treating, analytical instrumentation, food packaging, vacuum furnace and metallurgy, and research reached through private-label partners who are global manufacturers of vacuum pumps. INFICON also serves a growing portion of this market directly.
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### Growth Drivers

<p>Fast growth of electronic consumer products in emerging markets.</p> <p>Increasing complexity and manufacturing cost of products.</p> <p>Miniaturization for portability and online/mobile communication.</p> <p>Increased demand for intelligent sensors (MEMS, optical, etc.).</p> <p>Strong growth of OLED technology (IoT, Big Data).</p>	<p>Imminent threats to national and global political and economic stability.</p> <p>Fear of terror, leads governments to allocate resources to homeland security.</p> <p>Government agencies (military, police, etc.) faced with more and new tasks for national emergencies.</p> <p>Growing environmental concerns.</p> <p>E-cars, existing and new battery technology</p>	<p>Increased government regulation to reduce environmental pollution and increase energy efficiency.</p> <p>Increased quality standards and technology/process control.</p> <p>New refrigerants for air conditioning.</p> <p>General growth in demand for air conditioning.</p> <p>Growing demand for household appliances in emerging economies.</p>	<p>Life Science</p> <p>R&amp;D budgets</p> <p>Easier use of vacuum for industrial and research applications.</p> <p>Higher quality standards</p> <p>Global GDP growth</p> <p>New energy and fuel applications.</p> <p>Extended shelf life</p>
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### Long-term market trends

Ambient Intelligence			Ambient Intelligence
Sustainability	Sustainability	Sustainability	
Wealth / consumption		Wealth / consumption	Wealth / consumption
International Security	International Security		

# Target Markets

Semi & Vacuum Coating	Security & Energy	Refrigeration, Air Conditioning & Automotive	General Vacuum
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## Products

Industrial gas analyzers, mass spectrometers, and process control sensors.			Industrial gas analyzers, mass spectrometers, and process control sensors.
Vacuum gauges, controllers, components and feedthroughs.		Vacuum gauges, controllers, components and feedthroughs	Vacuum gauges, controllers, components and feedthroughs.
Leak detectors	Leak detectors	Leak detectors	Leak detectors
Thin film controllers			
Chemical detectors and monitors.	Chemical detectors and monitors		
	Micro gas chromatography	Micro gas chromatography	Micro gas chromatography
Application-based software solutions			
Quartz crystal technologies			Quartz crystal technologies
RF sensing technology			
		Service tools	



# Letter to our Shareholders

Dear Shareholders

INFICON is broadly positioned at the forefront of vacuum technology. Over the past years, we have widened the scope of our activities by penetrating our traditional target markets deeper, by introducing vacuum technology to new application areas, by continually focusing on research & development, and by means of targeted acquisitions. As a result, INFICON has achieved a remarkable sales increase during the year under review. In addition, we are entering new growth areas by highlighting the customer benefits of our technology to industries which are only now discovering its advantages.

Year-over-year, INFICON reports a 21% sales increase to USD 373.6 million for 2017. With an operating income of USD 73.6 million up from USD 51.0 million a year ago, INFICON strengthened its operating income margin to 19.7%. In the light of these strong results, the Board of Directors proposes to the Annual General Meeting of Shareholders to distribute CHF 20.00 per share out of capital reserves. This represents a pay-out ratio of 86.3%.

## Letter to our Shareholders

The many growth initiatives initiated over the past couple of years are bearing fruit. Besides favourable market conditions INFICON has strengthened its marketing and sales power and noticeably enlarged its global technical sales team. Well-trained INFICON sales personnel is quickly at hand wherever our customers are located worldwide. As in prior years, we spoke to many of our existing customers and to a growing number of new leads at international and regional trade shows. What is more, we meet ever more frequently with potential new customers at in-house product presentations. With the global rollout of a highly performing customer relationship management tool, our marketing and sales process has gained focus and implementation power. In addition, INFICON has kept up its investments into research and development. In 2017, INFICON invested USD 28.2 million into R&D (USD 26.8 million in 2016).

### Deeper market penetration and new applications in existing markets

Vacuum technology is a vital success factor for our customers in all four end markets INFICON traditionally serves. In the Semiconductor & Vacuum Coating

market, our instruments help producers of manufacturing equipment as well as end products ranging from computer chips to flat screens, architectural and optical coatings and solar panels to accurately control their processes and maximize their production yield. In the Refrigeration, Air Conditioning & Automotive end market, INFICON technology and products are used to guarantee the leak tightness of cooling systems – both in the OEM market as well as after sales. In the Automotive industry, vacuum technology has broadly established itself as the method of choice in many quality assurance tasks. Lubricants, coolants and wiper or brake fluid, fuel and air bag propellants can escape through the smallest leaks. Car manufactures and their suppliers require solutions that can detect even the smallest leaks. With the rising share of electric bicycles, motorcycles, and cars, leak-tightness testing of lithium-ion batteries has become a significant new field for INFICON's testing equipment as new capacities for the manufacture of such batteries are quickly added in western countries and especially also in China. In the Security & Energy market, INFICON tools help identify potentially hazardous volatile organic compounds in air, water, and soil, both for civil and defensive purposes. In our broadest market, the General Vacuum



*INFICON's presence at the Semicon trade show in South Korea*

## Letter to our Shareholders

application market, our products are used to control many processes in the life sciences, aerospace, food and general packaging, heat treatment, laser cutting, oil and gas mining, transportation and processing, as well as many research applications. This broad market focus and the generally positive economic trend have well supported INFICON's growth in 2017 and allowed us to gain market share in various application areas.

### Tapping into new applications

Some new industries and application areas are just now discovering the benefits of vacuum technology. Yet, moving away from long-standing and well-known procedures to technologically more innovative ways of measuring and controlling processes often requires more than technical arguments. Customers who are about to turn to vacuum technology need to learn and understand the potential and power of vacuum technology. The automotive industry has already widely grasped the advantages of our key technologies. The oil and gas industry follows suit and the food packaging industry promises new growth opportunities.

We are confident we will generate a large amount of our future growth building on our strong market positions and technological expertise. We hold number 1 and number 2 positions in important applications areas such as measuring thin film coating, finding leaks, measuring

a wide range of pressures and in gas analysis. Of course, we want to expand these positions further and use them as a platform for future growth.

### Constant stream of product innovation

INFICON underpinned its technological leadership in 2017 by improving key features of existing tools and products and by launching new sensors, monitoring systems and instruments. In 2017 again, we introduced several new products and customer-specific versions of existing tools.

Transpector SPS is a residual gas analyzer (RGA) especially developed for single pressure sampling (SPS). It combines a cost effective inlet system with a field-proven ion source and pumping package. The resulting low-risk and high-reward gas analysis solution is ideal for general vacuum and industrial applications, including metallurgy and heat treatment applications such as vacuum arc re-melting (VAR). Monitoring processes for stable high pressure, the new product helps its users maximize throughput and yields and minimize scrap with the most sensitive air leak and process contamination detection for single pressure applications. Transpector SPS delivers industry-leading detection limits and measurement speeds and can be configured to many specific applications and budgets.



*Transpector SPS, a residual gas analyzer especially developed for single pressure sampling, is ideal for Semi and display manufacturing.*

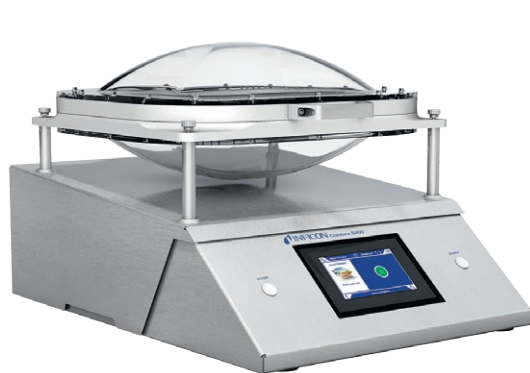


*LDS3000 AQ is the first leak detector to use cost-efficient forming gas or helium in an accumulation chamber.*

## Letter to our Shareholders

Targeting the car making industry, the newly launched LDS3000 AQ is a very cost-effective system to test automotive components for fluid leaks. In fact, it is the first leak detector to use cost-efficient so-called forming gas in a simple accumulation chamber. The LDS3000 AQ is very sensitive and can detect leaks down to the  $10^{-5}$  mbar-l/s range. It detects fluid leaks as reliably as helium vacuum leak testing, but with cost nearly at the cost of air testing. This makes the new system very interesting for the highly competitive automotive industry to quality test various components for fluid leaks.

A good example of how INFICON is targeting new application areas is the Contura S400 leak detector. This patented innovation focuses on the packaging industries. For instance, would you have known that many food packages are not as tight as expected? The most common causes of packaging leaks are in the sealing seam or in the material itself. Leaky food packaging results in contents that don't reach the calculated shelf life and prematurely spoil. To protect food companies from unnecessary costs incurred by spoilt or returned goods and potentially resulting reputation issues, INFICON has developed its broadly acclaimed, non-destructive testing machine Contura S400. Addressing the European market first, this new testing device has met great interest and we are now seeing a growing demand for this break-through testing device.



*Contura S400 is used for non-destructive leak-testing of food packages.*

At INFICON, innovation is a customer-oriented process. A new addition to the Stripe product family illustrates how flexibly INFICON can respond to newly emerging semiconductor process needs. INFICON developed a new 200°C heated version of its Stripe Capacitance Diaphragm Gauge family especially for precise and fast process control in modern atomic layer deposition (ALD) and chemical vapor deposition (CVD) processes. The Stripe high-speed CDG family are the fastest instruments available for highly accurate vacuum measurement. These instruments use an innovative heating concept which guarantees a cool-to-the-touch surface. Featuring an EtherCAT fieldbus interface, their response time of less than 2ms enables unprecedented productivity increases.

### Strong results in 2017

In 2017, INFICON grew its sales by 20.6% to a record-high sales volume of USD 373.6 million. The strongest increase was recorded in the Semiconductor & Vacuum Coating market, where sales surged by 38.5% to reach a new high. The ongoing strong demand from semiconductor equipment manufacturers as well as from the end user market provided a solid basis for this development which was additionally supported by the ever-wider adoption of OLED technology in the displays market. Various INFICON products benefit from this trend.



*Stripe 200 is a new addition to INFICON's renowned family of Stripe Capacitance Diaphragm Gauges.*

## Letter to our Shareholders

The market for General Vacuum applications also stated a strong plus of 19.3%. The globally dynamic economic momentum supported the increase in this broadly-based market while focused marketing efforts helped to expand market shares. With its recent innovations targeting additional application fields such as food packaging INFICON successfully tapped into new growth areas and expects to generate further growth in the years ahead.

The traditional market for Air Conditioning and Refrigeration developed rather stably even though the Asian markets showed some signs of saturation. The overall sales increase of 11.9% recorded last year was mostly attributable to the Automotive market which is included in these figures, and the after-sales products we sell into the Refrigeration and Air Conditioning market. Besides leak testing of subcomponents of modern cars, the trend towards E-mobility was a sturdy growth driver for INFICON. The engines of electric cars and

specially their battery stacks are an important new application area in need of accurate leak testing. Predominantly in China, new battery manufacturing capacities were added in 2017, while the trend towards electric cars continues globally.

INFICON had expected a rather sluggish sales trend for the Security & Energy market from the beginning of the year. This market is largely dependent on large government orders and their timing. Sales, in fact, fell short of the prior year figures in the first three quarters and only started to accelerate in the last quarter of 2017. Going forward, INFICON is confident about the long-term attractiveness of this market.

### Well-managed cost base

The marketing and sales efforts, including also additional staff show in higher selling, general, and administrative costs of USD 86.8 million. Also included in the



*Leak detector UL3000 in use.*

## Letter to our Shareholders

cost are the Group-wide roll-out of a new customer relationship management system and the introduction of a new collaboration tool. Overall, costs increased by 11%; this is clearly under-proportionate compared with the general sales increase. Due to the higher sales volume, a favorable product mix and a generally tight cost management, INFICON achieved a 44% higher operating income of USD 73.6 million, yielding a strong margin of 19.7%. The net result for the period amounted to USD 59.5 million, an increase of 48% over the prior year. Fully diluted, this translates into earnings per share of USD 24.57 after USD 16.94 a year ago.

In 2017, INFICON generated a cash flow from operations of USD 61.4 million. At year-end, the liquid assets amounted to USD 85 million and the balance sheet features a strong equity ratio of 77%. With a view to the strong financial results and the financial stamina of the Company, the Board of Directors proposes to the Annual General Meeting to distribute for the year 2017 per share CHF 20.00 out of existing capital reserves.

We would like to thank all our customers, suppliers, business partners and shareholders for their continued trust and support. At INFICON, the talented workforce on all levels remains committed to customer benefits. We work today on the solutions that address our customers' needs tomorrow. So, a heartfelt "thank you" also goes out to all INFICON staff across the globe.

Yours sincerely

Dr. Beat E. Lüthi  
Chairman

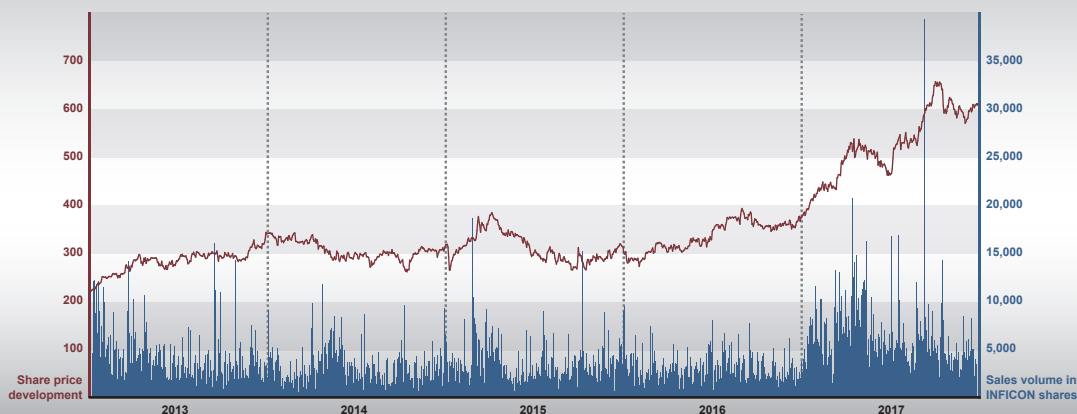
Lukas Winkler  
CEO

Matthias Tröndle  
CFO





## Investor Relations



### Company Capital

The share capital of INFICON Holding AG consists of 2,413,083 registered shares with a nominal value of CHF 5 each.

### Stock Market Trading

The registered shares are listed on SIX Swiss Exchange under

- the SIX Security Number 1102994
- ISIN CH0011029946
- the symbol IFCN

### Important Dates\*

\*Subject to change

April 12, 2018: Annual General Meeting of Shareholders, Bad Ragaz, Switzerland

April 20, 2018: First quarter 2018 results

July 26, 2018: Second quarter 2018 results / half-year results 2018

October 18, 2018: Third quarter 2018 results

March 2019: Fourth quarter 2018 results / Year-end results 2018

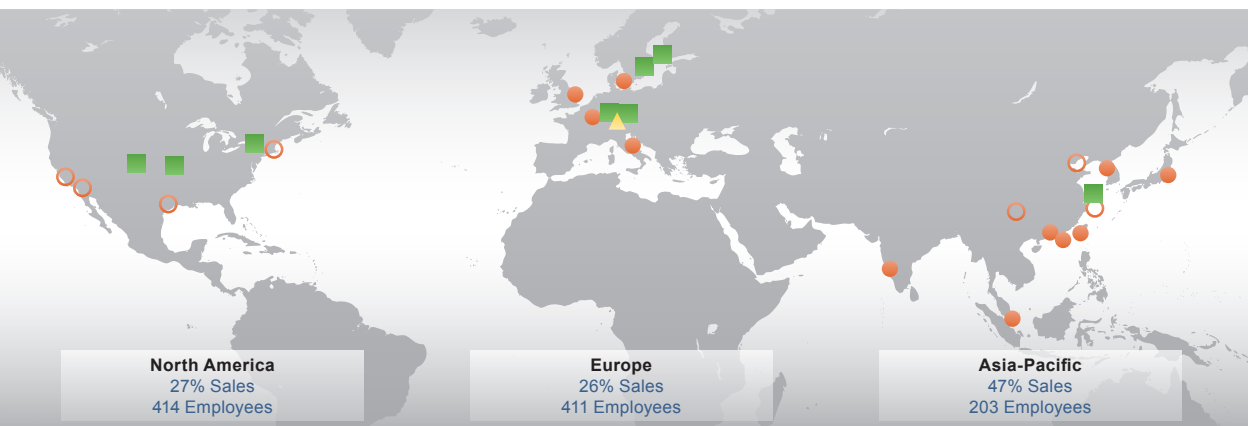
### Internet/E-mail Alerts

E-mail alerts: The latest financial information from INFICON can automatically be sent via E-mail alert; sign up is available in the Investors section of the INFICON website [www.inficon.com](http://www.inficon.com)

	2013	2014	2015	2016	2017
<b>Key figures per share (CHF)</b>					
Price at year-end	343.75	308.25	320.25	367.00	<b>608.50</b>
Highest price	347.50	346.75	391.00	396.25	<b>660.50</b>
Date	<i>Dec. 30</i>	<i>Jan. 08</i>	<i>Apr. 14</i>	<i>Sep. 06</i>	<b><i>Oct. 13</i></b>
Lowest price	219.70	250.00	252.00	270.50	<b>371.50</b>
Date	<i>Jan. 3</i>	<i>Oct. 16</i>	<i>Oct. 21</i>	<i>Feb. 09</i>	<b><i>Jan. 03</i></b>
Earnings per share (basic)	15.23	15.94	12.72	16.94	<b>24.57</b>
Equity per share	77.58	75.77	72.34	70.71	<b>85.49</b>
Dividend/Distribution per share	14.00	15.00	13.00	16.00	<b>20.00*</b>

\* The proposed distribution is to be paid out from reserves from capital contributions.

## Global Presence





# Group Organization

(as of March 9, 2018)

## Board of Directors and Group Management



# Group Organization

(as of March 9, 2018)



## Board and Executive Secretary

Elisabeth Kühne, General Secretary to the Board of Directors  
INFICON HOLDING AG, Hintergasse 15 B, CH-7310 Bad Ragaz, Switzerland  
Tel. +41 81 300 4980  
Fax +41 81 300 4988  
E-mail: [elisabeth.kuehne@inficon.com](mailto:elisabeth.kuehne@inficon.com)

# Corporate Governance

## Introduction

This Corporate Governance Report explains the principles of management and control of INFICON Holding AG at the highest corporate level in accordance with the Directive on Information relating to Corporate Governance (the Corporate Governance Directive) issued by the SIX Swiss Exchange on January 1, 2017.

Corporate governance of INFICON Holding AG complies with the principles and recommendations of the "Corporate Governance – Swiss Code of Best Practice."

INFICON Holding AG is committed to continually reviewing its corporate governance framework, with a view to related developments.

The Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations (hereinafter referred to as "Ordinance"), subject to transitional provisions, has caused certain changes in our corporate governance.

All elements of the Ordinance have been fully introduced with the amendment of the Articles of Incorporation of INFICON Holding AG.

Information on Board of Directors and Company Management compensation is outlined in our Compensation Report, beginning on page 28.

Furthermore, the Company's internal guidelines regarding corporate governance are provided in its Articles of Incorporation, Organizational Regulations, Board Committee Charters, Code of Business Conduct and Ethics, as well as internal policies.

The following Corporate Governance Report follows the structure of SIX Swiss Exchange.

## 1 Group Structure and Shareholders

### 1.1 Group Structure

#### Operational Group Structure

See page 17.

INFICON Holding AG is the parent company of the INFICON group which operates from 16 countries and consists of a parent company, 8 manufacturing companies, 10 sales and service subsidiaries, and a management company located in Bad Ragaz, Switzerland which performs administrative, inter-company financing, and intellectual property management functions. The legal entity structure of the INFICON group is seen on page 15.

#### Listed Corporation: INFICON Holding AG

INFICON Holding AG is based in Bad Ragaz, Switzerland. It has a share capital of TCHF 12,065 made up of 2,413,083 shares with a nominal value of CHF 5 each. Registered shares are listed on SIX Swiss Exchange under security number 1102994, ISIN CH0011029946 and symbol IFCN.

Since January 3, 2012, the registered shares of INFICON Holding AG are traded on SIX Swiss Exchange's Domestic Standard.

Market capitalization at December 31, 2017 was TCHF 1,468,361.01 based on shares outstanding.

# Corporate Governance

## Share Capital and Percentage of Shares Held by Subsidiaries

See statutory financial statements, Note 2.1, "Investments."

### 1.2 Significant Shareholders

#### Shareholder Structure

Based on number of registered shareholders as of December 31, 2017.

Number of shares	Number of shareholders
> 50,000	6
10,000–50,000	10
1–9,999	3,169
<b>Total</b>	<b>3,185</b>

#### Shareholders by Country

Based upon number of registered shareholders as of December 31, 2017.

Country	Number of shareholders
Switzerland	2,933
Germany	81
United States of America	60
Liechtenstein	25
Rest of Europe	62
Rest of World	24
<b>Total</b>	<b>3,185</b>

#### Major Shareholders

See statutory financial statements, Note 3.2, "Significant Shareholders."

### 1.3 Cross-shareholdings

INFICON Holding AG has no cross-shareholdings.

## 2 Capital Structure

### 2.1 Capital (Issued, Authorized & Conditional)

Registered shares of CHF 5 each at December 31, 2017:

Issued share capital	2,413,083	TCHF	12,065
Conditional share capital	41,772	TCHF	209

The issued share capital comprises 2,413,083 registered shares of CHF 5 each. Each share entitles the registered owner to one vote at the General Meeting of Shareholders, as well as a share of dividends or distribution from capital contribution reserve, if any, declared by the Company and proceeds from liquidation, corresponding to its nominal value as a percentage of the total nominal value of issued share capital.

### 2.2 Authorized and Conditional Share Capital

The Board of Directors is currently not authorized to issue new registered shares.

The Articles of Incorporation provide for a conditional capital (according to Art. 653 of the Swiss Code of Obligations) of a maximum of TCHF 398 through the issuance of 79,558 registered shares of CHF 5 each by the exercise of option rights granted to employees and members of the Board of Directors of the Company. As of December 31, 2017, a total of 37,786 (2016: 24,789) options have been exercised reducing the available conditional shares to 41,772 and the conditional share capital to TCHF 209.

### 2.3 Changes in Shareholders' Equity

Changes in shareholders' equity are presented in the consolidated statements of shareholders' equity section of the consolidated financial statements for INFICON Holding AG for the years ended December 31, 2017 and 2016.

### 2.4 Shares

For further information refer to Note 2.1, "Capital" as above. No participation certificates are issued.

### 2.5 Profit Sharing Certificates

The Company currently has no profit sharing certificates.

# Corporate Governance

## 2.6 Limitations on Transferability and Nominee Registrations

The Articles of Incorporation contain no special regulations regarding limitations on transferability and nominee registrations.

## 2.7 Convertible Bonds and Warrants/Options

By December 31, 2015, both the Directors' Stock Option Plan as well as the Management & Key Employee Stock Option Plan have been terminated. As of December 31, 2017 a total of 25,740 exercisable options are held by current and former employees and Board of Directors. For a more detailed discussion of stock option plans, please see Notes to Consolidated Financial Statements, Note 13, "Share-based Plans".

The Company currently has no convertible bonds or bonds with warrants.

## 3 Board of Directors

### 3.1 Members of the Board of Directors, other Activities and Vested Interests, and Internal Organizational Structure

#### Board of Directors and Management Board

Our Articles of Incorporation provide that the Board of Directors may consist of three or more members at any time. Directors are elected and removed by shareholder resolution. Members of our Board of Directors serve one-year terms and may be re-elected upon completion of their term of office. The shareholders may remove the directors without cause. Our five directors currently in office were elected by shareholder resolution.

All members of the Board of Directors are non-executive Board members.

According to the law, the Board of Directors is responsible for the ultimate direction and supervision of INFICON Holding AG. The Board of Directors has delegated the conduct of the day-to-day business operations to the Company's Group Management comprising the Chief Executive Officer and Chief Financial Officer. Group Management is responsible for the management of INFICON Holding AG and for all other matters except for those reserved by law and the Articles of Incorporation.

The Board of Directors is required to resolve all matters, which are not defined by the law, Articles of Incorporation, or management bylaws as being the responsibility of any other governing body. According to the Swiss Code of Obligations and to the Articles of Incorporation the following non-transferable and inalienable responsibilities are incumbent on the Board of Directors:

- Ultimate management of the Corporation and the issuance of the necessary directives;
- Determination of the organization;
- Structuring of the accounting system and of the financial controls, as well as the financial planning insofar as this is necessary to manage the Corporation;
- Appointment and the removal of the persons entrusted with the management and representation of the Corporation and the granting of the signatory power;
- Ultimate supervision of the persons entrusted with the management, particularly with regard to compliance with the law, the Articles of Incorporation and regulations and directives;
- The preparation of the business report as well as the General Meeting of Shareholders, and the implementation of the latter's resolutions;
- Notification of the judge in the case of over-indebtedness;
- Passing of resolutions regarding the subsequent payment of capital with respect to non-fully paid in shares;
- Passing of resolutions confirming increases in the share capital and regarding the amendments to the Articles of Incorporation entailed thereby;
- Examination of the professional qualifications of the specially qualified auditors in those cases in which the law foresees the use of such auditors.

The Board of Directors, as of the date of this report, has established an Audit Committee and a Compensation and Human Resources Committee. Each of these committees has regulations, which outline its duties and responsibilities. The Board of Directors elects the Chairman for each committee. The committees meet regularly carrying out preparatory work to provide the Board of Directors with updates and recommendations at its regular meetings. Their respective chairperson sets the agendas for the committee meetings. The length of the meetings range from an hour up to an entire day, depending on the agenda as decided by the chairman.

# Corporate Governance

## The Audit Committee

The Audit Committee consists of three non-executive members of the Board of Directors. Currently, the Audit Committee is comprised of the following members:

Dr. Thomas Staehelin, Chairman  
Vanessa Frey  
Beat Siegrist

The responsibilities of the Audit Committee include:

- Recommending to the Board of Directors the independent public accountants to be selected to conduct the annual audit of our books and records;
- Reviewing the proposed scope of such audit and approving the audit fees to be paid;
- Reviewing the adequacy and effectiveness of our accounting and internal financial controls with the independent public accountants and our financial and accounting staff;
- Reviewing and approving transactions between the Company, its directors, officers and affiliates; and
- Reviewing and reassessing, on an annual basis, the adequacy of our audit committee charter.

## The Compensation and Human Resources Committee

The Compensation and Human Resources Committee is to provide a general review of our compensation and benefit plans to ensure they meet corporate financial and strategic objectives, as well as to make recommendations to the Board regarding appointment, dismissal and career development of executive management positions. The responsibilities of the Compensation and Human Resources Committee also include the goal settings and the administration of employee incentive plans. The Compensation and Human Resources Committee consists of three non-executive members of the Board of Directors. Currently, the Compensation and Human Resources Committee is comprised of the following members:

Beat Siegrist, Chairman  
Dr. Richard Fischer  
Dr. Thomas Staehelin

## Frequency of Meetings of the Board of Directors and its Committees

The Board of Directors holds six or more meetings per year and additional ad hoc meetings and conference calls as necessary. The Audit Committee holds four meetings per year in addition to four quarterly conference calls. The Compensation and Human Resources Committee holds four or more meetings per year.

The following table does not include preparation of meetings, travel time as well as various separate meetings:

- Meetings with audit firm
- Meetings with Group Management
- Meetings with shareholders



# Corporate Governance

Number of meetings and conference calls in 2017:

	Board of Directors	Audit Committee	Compensation and Human Resources Committee
<b>Number of meetings in 2017</b>	6	4	4
<b>Approx. average duration of meetings (in hours)</b>	5.3	0.6	2.1
Dr. Richard Fischer	6	4	4
Vanessa Frey	6	4	3
Dr. Beat E. Lüthi	6	4	4
Beat Siegrist	6	4	4
Dr. Thomas Staehelin	6	4	4
KPMG calling in	—	2	—
<b>Number of conference calls in 2017</b>	1	4	—
<b>Approx. average duration of conference calls (in hours)</b>	0.4	1.0	—
Dr. Richard Fischer	1	4	—
Vanessa Frey	1	4	—
Dr. Beat E. Lüthi	1	4	—
Beat Siegrist	1	3	—
Dr. Thomas Staehelin	1	4	—
KPMG	—	2	—

The meetings took place in Zurich (Switzerland), Bad Ragaz (Switzerland), Balzers (Liechtenstein), Syracuse (USA), Overland Park (USA), Longmont (USA), Cologne (Germany) and Vitznau (Switzerland).

**The Company's Board of Directors is composed of:**

## **Dr. Beat E. Lüthi, Citizen of Switzerland, 1962**

Chairman of the Board of Directors

### *Educational Background*

1980–1986 Swiss Federal Institute of Technology, ETH, Master in Electrical Engineering  
 1987–1990 Ph.D. at ETH/BWL on “Management of Industrial Software Projects”  
 1994 INSEAD, Fontainebleau France, International Executive Program

### *Executive Experience*

1987–1990 Zellweger Uster (Quality Control Products), Project Manager

1990–1998 Mettler-Toledo (Weighing Equipment): Business Unit Leader for System Business General Manager of Mettler-Toledo (Switzerland) AG  
 1998–2002 Feintool International (Fineblanking Presses and Parts), Chief Executive Officer and Member of the Board  
 2002–2007 Mettler-Toledo (Weighing Equipment), Member of the Group Executive Team and Chief Executive Officer of the Laboratory Division  
 Since 2007 CTC Analytics AG (Laboratory Robots), Chief Executive Officer and Member of the Board

### *Previous Board Mandates*

2002–2005 Soudronic AG, Bergdietikon  
 2007–2010 Uster Technologies AG, Uster  
 2007–2011 Addex Pharma SA, Geneva  
 2007–2011 Stadler Rail AG, Bussnang  
 2002–2013 Bossard AG, Zug

### *Current Board Mandates*

Since 2010 Straumann AG, Basel  
 Since 2012 INFICON Holding AG, Chairman  
 Since 2017 Orell Füssli Holding AG, Zürich

## **Dr. Richard Fischer, Citizen of Austria, 1955**

Vice Chairman of the Board of Directors and Member of the Compensation and Human Resources Committee

### *Educational Background*

1973–1979 Technical University of Vienna, Master of Science in Electrical and Electronical Engineering  
 1979–1982 Technical University of Vienna, Assistant Professor, Ph.D. with excellence

### *Executive Experience*

1982–1984 Gama, Access Systems, Austria, R&D Manager and Technical Director  
 1984–2004 VAT Holding AG, Switzerland, Chief Executive Officer

### *Previous Board Mandates*

1990–2011 ARS GmbH, Member  
 2008–2009 Netservice AG, Chairman  
 2003–2014 VAT Holding AG, Switzerland, Chairman

# Corporate Governance

## *Current Board Mandates*

Since 2003 INFICON Holding AG, Member

## **Vanessa Frey, Citizen of Switzerland, 1980**

Director, Member of the Audit Committee

## *Educational Background*

2000–2002 University of St. Gallen, Switzerland

Undergraduate Studies in Economics,  
Business Administration and Law

2003–2004 Stockholm School of Economics, Sweden

Master of Science in International  
Economics and Business.

Major in Finance

## *Executive Experience*

2004–2006 Handelsbanken Capital Markets,  
Corporate Finance, Stockholm, Sweden

2007 HSZ Group, Asset Manager, Hong Kong

Since 2007 CEO of Corisol Holding AG,  
Family Office, Zug

## *Previous Board Mandates*

2010–2011 South Pole Carbon Asset Management

2010–2012 Absolute Invest, Member

## *Current Board Mandates*

Since 2002 Corisol Holding AG, Member

Since 2008 Swiss Small Cap Invest, Member

Since 2008 KWE Beteiligungen AG, Member

Since 2012 Garaventa Lift AG, Vice Chairwoman

Since 2012 INFICON Holding AG, Member

Since 2014 Schweiter Technologies AG, Member

Since 2016 Zur Rose Group AG, Member

## **Beat Siegrist, Citizen of Switzerland, 1960**

Director, Member of the Audit Committee, Chairman of  
the Compensation and Human Resources Committee

## *Educational Background*

1980–1985 Swiss Federal Institute of Technology,  
ETH, Master in Electrical Engineering

1987–1988 INSEAD, Fontainebleau France, MBA

## *Executive Experience*

1985–1986 Contraves AG (Defense Equipment),  
Development Engineer

1987–1993 McKinsey&Co. (Consulting), first McKinsey  
Fellows in Switzerland, Consultant and  
Project Manager

1993–1995 Outsourcing AG (Reorganisation and Out-  
sourcing of Productions), Founder and CEO

1996–2008 Schweiter Technologies (Machinery  
Equipment for Textiles, Semiconductor  
and Optics), CEO

2008–2012 Essilor (Ophthalmic Lens Manufacturer),  
Member of the Executive Team and President  
of machinery division Satisloh, which was  
sold to Essilor from Schweiter Technologies

## *Previous Board Mandates*

2002–2012 Ismeca Semiconductor Holding SA, Chairman

2000–2013 Satisloh Holding AG, Member

1996–2017 SSM Schärer Schweiter Mettler AG, Chairman

## *Current Board Mandates*

Since 2003 Phoenix Mecano AG, Member

Since 2008 Schweiter Technologies AG, Chairman

Since 2010 INFICON Holding AG, Member

Since 2013 Garaventa Lift AG, Chairman

## **Dr. Thomas Staehelin, Citizen of Switzerland, 1947**

Director, Chairman of the Audit Committee, Member of  
the Compensation and Human Resources Committee

## *Educational Background*

1967–1971 University of Basel, lic. iur. (Master in Law)

1972–1974 University of Basel, Ph.D. in Law

1973–1975 Various traineeships

1975 Admission to the Bar

## *Professional Experience*

1973 Swiss Bank Corporation, London

1974 SG Warburg & Co., Ltd., London  
(Portfolio Management, Corporate Finance)

1975–today FROMER Advokatur und Notariat, Swiss  
Corporate and Tax Attorney, and Partner

## *Previous Board Mandates*

1991–2012 Siegfried Holding AG, Vice-Chairman  
(1991–1998 Chairman)

1996–2008 JRG Gunzenhauser AG, Vice-Chairman

2005–2008 Lenzerheide Bergbahnen AG, Vice-Chairman



# Corporate Governance

## *Current Board Mandates*

Since 1978 Kühne + Nagel International AG, Member  
Since 1993 Lantal Textiles AG, Chairman (since 2010)  
Since 2001 INFICON Holding AG, Member  
Since 2002 Swissport International AG, Member (since 2016)  
Since 2005 Scobag Privatbank AG, Chairman  
Since 2006 Stamm Bau AG, Chairman  
Since 2017 Rezidor Hotel Group AB, Member

## *Good Citizenship Mandates*

1977–2013 “Allgemeine Musikgesellschaft Basel,” President  
1982–2014 Swiss Association of Privately Held Companies, Chairman  
2001–2017 Chamber of Commerce of Basle, Chairman  
2001–2017 Member of the Board of Directors of “economiesuisse” (Swiss Business Federation)  
2006–today Swiss Business Association Saudi Arabia (SBASA), Chairman, and Saudi Swiss Business Council (SSBC), Co-Chairman  
2012–today Switzerland Global Enterprise, Director

## **3.2 Other Activities and Vested Interests**

Pursuant to Article 21 c) of the company's Articles of Incorporation the Board members maximum number of board mandates is twenty-five with not listed companies whereof five with listed companies. For further information refer to Note 3.1.

## **3.3 Elections and Terms of Office**

In accordance with the Ordinance and the company's Articles of Incorporation members of the Board of Directors and its Chairman as well as Compensation and Human Resources Committee members are elected for a respective one-year term of office.

Election occurs at the General Meeting of Shareholders.

The members of the Board of Directors were elected individually as follows:

<b>Board of Directors</b>	<b>Date</b>	<b>Term</b>
	<b>First Elected</b>	<b>Expires</b>
Dr. Beat E. Lüthi	May 2012	April 2018
Dr. Richard Fischer	May 2003	April 2018
Vanessa Frey	May 2012	April 2018
Beat Siegrist	May 2010	April 2018
Dr. Thomas Staehelin	May 2001	April 2018

## **3.4 Internal Organizational Structure**

Refer to page 17.

## **3.5 Definition of Areas of Responsibility**

The Board of Directors has delegated authority to the Company's Group Management comprising the Chief Executive Officer and Chief Financial Officer to execute the Company's approved annual budget. INFICON Holding AG has a comprehensive financial and enterprise reporting system to gather and report its financial results. The quarterly financial results are reviewed and approved by the Audit Committee prior to issuance to the public. Additionally, the Board of Directors provides oversight and approval for potential acquisitions or strategic partnerships.

## **3.6 Information and Control Instruments vis-à-vis Group Management**

Information regarding the current state of the business is provided continuously at the meetings of the Board of Directors in an appropriate format and is presented by the persons bearing responsibility for oversight of the financial and operational aspects of the business.

The Board of Directors receives monthly reports from Group Management.

Furthermore, the Audit Committee reviews the financial performance and assesses the effectiveness of the internal and external audit processes as well as the internal risk management and processes.

Members of the Board of Directors and Group Management attend the Audit Committee meetings.

The external auditors, KPMG AG, Zurich, conduct their audit in compliance with Swiss law and in accordance with Swiss auditing standards.

# Corporate Governance

## 4 Group Management

### 4.1 Members of Group Management, other Activities and Vested Interests, Management Contracts

Our Group Management is responsible for our day-to-day management. The officers have individual responsibilities established by our Organizational Regulations and by the Board of Directors.

#### Lukas Winkler, Citizen of Switzerland, 1962

President and Chief Executive Officer (since January 2004)

##### *Educational Background*

1982–1986 Swiss Federal Institute of Technology (ETH), Zürich, Dipl. Ing. ETH, BWI

1999–2001 Syracuse University, NY, USA, Executive MBA

##### *Executive Experience*

1987–1989 General Motors Europe AG, Switzerland, Engineer

1989–1991 Maschinenfabrik Rieter AG, Switzerland, Project Manager

1991–1992 Maschinenfabrik Rieter AG, Switzerland, Department Head

1993–1994 UNAXIS-Balzers AG, Liechtenstein and Switzerland, Manager Logistics

1995–1996 UNAXIS-Balzers AG, Liechtenstein and Switzerland, Manager Production

1996–2003 Balzers and Leybold Instrumentation and INFICON AG, Liechtenstein, Vice President and General Manager (member of the Executive Team)

2004–today INFICON Holding AG, Bad Ragaz, Chief Executive Officer

#### Matthias Tröndle, Citizen of Germany, 1960

Vice President and Chief Financial Officer (since September 2008)

##### *Educational Background*

1982–1985 University of Cooperative Education, Mannheim, Degree in Business Administration (Diplom-Betriebswirt)

##### *Executive Experience*

1985–1988 Digital Equipment Corporation (DEC), Stuttgart, Financial Analyst Software Development and Sales

1988–1995 Hewlett Packard GmbH, Germany, Senior Financial Analyst Headquarters Germany  
Finance Manager of two subsidiaries in Germany and Switzerland  
Accounts Receivables and Credit Manager  
Accounting & Reporting Manager Leasing & Remarketing  
Commercial Manager Leasing & Remarketing Division

1995–2003 Solectron GmbH, Germany, Director Finance Germany

2003–2003 Solectron Romania SRL, Timisoara – Romania, Director Finance Eastern Europe (9 months)

2003–2008 Solectron Europe BV, Amsterdam, Senior Director Finance Europe

2008–today INFICON Holding AG, Switzerland, Chief Financial Officer

### 4.2 Other Activities and Vested Interests

Pursuant to Article 21 c) of the company's Articles of Incorporation Group Management members maximum number of board mandates is five with not listed companies whereof one with listed companies. Refer to Note 4.1 for any activities and vested interests.

### 4.3 Management Contracts

INFICON Holding AG has not entered into any management contracts with third parties outside the Group.

## 5 Compensation, Shareholdings and Loans

Please refer to Note 3.3 "Shares and Share Options owned by Group Management and Members of the Board of Directors, including any related parties," of the statutory financial statements of INFICON Holding AG for details of Board members' and Group Managements' shareholdings and to the Compensation Report for disclosures pertaining to compensation, as well as the content and method of determining the compensation and shareholdings programs. Pursuant to Article 21, no loans or advances were made by the INFICON Group to members of the Board of Directors or to Group Management during the financial year.

# Corporate Governance

## 6 Shareholder Participation

### 6.1 Voting-Rights and Representation Restrictions

Each INFICON share carries one vote at our shareholders' meetings. Voting rights may be exercised only after a shareholder has been recorded in our share register (Aktienbuch) as a shareholder with voting rights. INFICON may enter into agreements with banks or financial companies which hold shares for the account of other persons (nominees) regarding the exercise of the voting rights related to the shares.

INFICON shares are cleared and settled through SIX Securities Services AG. The shares will not be physically represented by certificates but will be managed collectively in book-entry form by SIX Securities Services AG. Shareholders are therefore not entitled to have their shares physically represented and delivered in certificate form (aufgehobener Titeldruck). They can, however, request a statement confirming their ownership of the shares.

### 6.2 Statutory Quorums

The Articles of Incorporation contain no quorums greater than that set out by the applicable legal provisions.

### 6.3 General Meetings of Shareholders

The Articles of Incorporation contain no rules on the convocation of the General Meeting of Shareholders that differ from applicable legal provisions.

### 6.4 Agenda

Shareholders holding shares with a par value of at least TCHF 500 have the right to request in writing, at least 50 days prior to the day of the respective shareholders' meeting, that a specific proposal be discussed and voted upon at such shareholders' meeting.

### 6.5 Entries into the Share Register

Only those shareholders with voting rights whose names were recorded in the Company's register of shareholders on the respective closing date may attend the General Meeting of Shareholders and exercise their voting rights. The Board of Directors endeavors to set the closing date for registration as close as possible to the date of the General Meeting of Shareholders, i.e. not more than 3 to 4 weeks before the General Meeting of Shareholders. There are no exceptions to this rule regarding the closing date for registration.

## 7 Changes of Control and Defense Measures

### 7.1 Duty to Make an Offer

The Company's Articles of Incorporation do not include "opting-out" or "opting-up" clauses and accordingly under Article 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading a shareholder who acquires 33 ⅓% or more of the Company's shares is obliged to submit a public offer for the remaining shares.

### 7.2 Clauses on Changes of Control

The Directors, Management & Key Employee Share-based plans contain a provision whereby all unvested outstanding options vest and blocked shares release upon change in control.

## 8 Auditors

### 8.1 Duration of the Mandate and Term of Office of the Lead Auditor

Statutory auditors pursuant to Art. 727 and 728, respectively, of the Swiss Code of Obligations is KPMG AG, Zurich, elected for one year. KPMG AG commenced its mandate as statutory auditors of INFICON Holding AG in April 2014. The lead engagement partner, Mr. Toni Wattenhofer, has been responsible for the audit of the statutory and consolidated financial statements of INFICON Holding AG since financial year 2014. The significant subsidiaries of INFICON Holding AG are audited by member firms of KPMG AG.

### 8.2 Auditing Fees

Audit fees of the Group Auditor for the 2017 audit were approximately TUSD 299.

### 8.3 Additional Fees

No additional fees were paid to the Group Auditor in 2017.

## 8.4 Supervisory and Control Instruments Pertaining to the Audit

Each year the Audit Committee reviews and discusses the scope of the proposed audit work and the timely quarterly reviews, and evaluates the performance and fees of the auditors. Periodically the lead auditor participates in the Audit Committee meetings. In 2017 the audit firm attended two conference calls and two meeting calling in (see Frequency of Meetings of the Board of Directors and its Committees).

Criteria applied to the performance and compensation evaluation of KPMG AG includes: technical and operational competence, independent and objective view, sufficient resources employed, focus on areas of significant risk to INFICON, ability to provide effective, practical recommendations and effective communication and coordination with the Audit Committee and financial management.

Following the audit work, the auditors submit a report on their results, including all communications required, to the Audit Committee and to the Board of Directors in accordance with Swiss auditing standards. The Audit Committee meets with the auditors to discuss and review their feedback. Based on this information, the Audit Committee determines changes and improvements as necessary.

## 9 Information policy

INFICON Holding AG pursues an information policy which is based on truthfulness, timeliness, and continuity. Matters potentially affecting the share price are published immediately as ad hoc announcements, in accordance with ad hoc publicity requirements of SIX Swiss Exchange.

Annual financial reports are published online for the benefit of shareholders and potential investors in March following the year-end closing.

Key financial figures are prepared and issued in a press release on a quarterly basis.

A 2017 half-year report was published online in August 2017.

Information available for investors can be found at [www.inficon.com](http://www.inficon.com).

# Compensation Report

## Introduction

This Compensation Report describes the principles of remuneration at INFICON. The report is prepared in accordance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations of November 20, 2013 (hereinafter referred to as "Ordinance"). The report also follows the recommendations defined in Appendix 1 to the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and complies with Chapter 5 of the Appendix to the SIX Swiss Exchange Guidelines concerning information on corporate governance. The Articles of Incorporation have been considered in this compensation report. The Articles of Incorporation can be accessed with the following link:

[http://bit.ly/IFCN\\_AoInc](http://bit.ly/IFCN_AoInc)

Unless otherwise indicated, all information refer to the financial year 2017 closed on December 31, 2017. In the compensation report the share based payment is disclosed based on the year of allotment (grant date). All other compensation is disclosed according to the accrual principle: i.e. the compensation is reported in the respective period (i.e. financial year) in which it is recorded in the financial statements.

## 1 Remuneration Policy

INFICON is a globally active Group which maintains a remuneration policy in accordance with general market practice which also considers individual performance. This ensures the Group's ability to hire and retain the right talents. Individual remuneration corresponds to responsibility and complies with requirements, skills, the Group's economic success and individual performance. INFICON's overall remuneration policy is performance oriented and contains a variable component which applies to all staff.

The Compensation and Human Resources Committee (hereinafter referred to as "CHR Committee") annually reviews the principles of the remuneration policy. Based on a proposal of this Committee, the Board of Directors decides on the level of compensation for the members of the Board and the Group Management annually, once the audited financial results have been submitted to the

Board. The CHR Committee consists of three members of the Board of Directors: Currently Beat Siegrist (Chairman), Dr. Richard Fischer and Dr. Thomas Staehelin.

## 2 Board of Directors Compensation

The compensation to the members of the Board of Directors consists of a fixed yearly cash element which makes up 2/3 of the total compensation and a defined share allotment which makes up 1/3 of the total compensation. The shares are subject to a 3-year holding period. The compensation includes Swiss Social Security and Unemployment Insurance contributions. The members of the Board of Directors do not participate in any pension scheme of the company.

The CHR Committee annually proposes the total compensation levels for the Chairman and the other members of the Board. The CHR Committee bases its judgment on Committee member's experience. If needed the CHR Committee might use external compensation surveys and professional insights. The Board of Directors then deliberates on the level of total compensation for the members of the Board. The total amount of the compensation is then proposed to the Ordinary Annual General Meeting for the term of office until the closing of the following Ordinary Annual General Meeting of Shareholders.

The total compensation paid to the Board of Directors conforms to conferred responsibilities and market conditions.

In 2014 the Directors' Stock Option Plan from 2001 was terminated and the share program was introduced. The shares are subject to a 3-year mandatory holding period. The relevant share price for allocation purposes is the average share price on the day of allotment. The allotment occurs five trading days after the Ordinary Annual General Meeting.

Neither attendance fees nor flat rate expenses are paid. However, direct incurred expenses, such as travel and accommodation are reimbursed.

# Compensation Report

## 3 Compensation to Members of Group Management

Based on a proposal of the CHR Committee, the Board of Directors asks annually at the Ordinary Annual General Meeting for the approval of the compensation for Group Management.

The CHR Committee bases its judgement on Committee member's experience and, if deemed necessary, by external compensation benchmarks.

The compensation for the Members of the Group Management consists of a fixed base compensation paid in cash and a variable compensation. The variable compensation is based on individual performance and the group's financial results. 50% of the variable compensation is paid in cash, 25% are provided by shares subject to a four-year blocking period and 25% provided by restricted shares allotted over the following four years which are not subject to any blocking period.

The average share price on the fifth trading day following the Ordinary Annual General Meeting will serve as the calculation base to establish the number of shares.

The compensation includes Social Security and Unemployment Insurance, pension plan contributions as well as a car allowance.

Similar to the 2014 introduction of the share program for the Board of Directors, in 2015 the Ordinary Annual General Meeting agreed to replace the stock options program for Members of Group Management with a performance-related, variable compensation by means of shares.

The variable cash compensation serves as an incentive to achieve short-term goals and the variable share program is a long-term incentive and affect a long-term relationship to the enterprise in line with the shareholder's interest. The composition and amount of the compensation are in accordance with the sector and labor market and are reviewed periodically.

Both variable compensation elements (cash and shares) depend on the fulfillment of individual performance goals and on the Group's financial performance. For Group

Management members, the target variable compensation is at 80% of the base salary and 90% for the CEO. The financial performance based bonus criteria must meet a certain minimum threshold for eligibility. The total variable annual compensation is capped at 200% of the annual base cash compensation.

The financial performance based bonus is depending on the annual results of operating income, asset management and productivity targets, weighted for approximately 77%. The individual performance goals, weighted for approximately 23%, are based on individual performance objectives.

The specific metrics for the target bonus as well as the range between maximum and minimum variable compensation are determined by the Board of Directors via preparation and recommendation by the CHR Committee. The achievement of the financial performance goals are calculated based on the annual result following the close of the financial year. Achievement of the individual performance is determined by the Board of Directors as recommended by the CHR Committee.

As described above, the structure and the variable compensation elements of the Group Management have been reworked and modified during 2015. The fixed base cash salary of the Group Management did not change in 2017. The variable compensation has been adjusted according to the financial performance and the individual performance goals.

# Compensation Report

## 4 Authority and Determination of Compensation

INFICON's existing CHR Committee acts as the relevant body in accordance with the Ordinance Against Excessive Compensation with respect to Listed Stock Corporations and its Articles of Incorporation.

The CHR Committee prepares the recommendations submitted to the Board of Directors for compensation for the Board of Directors and the Group Management.

The CHR Committee consists of at least three members of the Board of Directors who are elected by the Ordinary Annual General Meeting of the Shareholders for a term of office that runs until the end of the next Ordinary Annual General Meeting of the Shareholders. Re-election is allowed.

The CHR Committee constitutes itself. It appoints its chairperson from among its members. The Board of Directors has issued rules on the organization and decision-making powers of the CHR Committee.

The CHR Committee has the following duties and competencies in particular:

1. to submit proposals to the Board of Directors regarding the determination of Group Management compensation principles;
2. to submit proposals to the Board of Directors to the attention of the Ordinary General Meeting of the Shareholders regarding the total amounts of compensation of the Board of Directors and Group Management;
3. to submit proposals to the Board of Directors regarding the compensation of the members of the Board of Directors and the fixed and variable compensation of the Group Management within the respective total amount approved by the Ordinary General Meeting of Shareholders;
4. to submit proposals to the Board of Directors to the attention of the Ordinary General Meeting of Shareholders regarding amendments to the Articles of Incorporation with respect to the system of compensation to compensate the Board of Directors and the Group Management.

The compensations of the Board of Directors and the fixed and variable compensations of the Group Management are subject to authorization by the Ordinary General Meeting of the Shareholders.

## 5 Severance Compensations

No severance payments have been contractually defined for members of the Board of Directors or the Group Management. For the financial year 2017 no severance compensations were paid.

## 6 Employment Contracts

The Company may enter into fixed-term or open-ended employment contracts with the members of the Group Management. Fixed-term employment contracts shall have a maximum duration of one year; a renewal is allowed.

The employment contracts of the Group Management members make no provision for unusually long notice periods or contract terms. Open-ended employment contracts of the Group Management have a notice period of a maximum of twelve months and make no provisions for unusually long notice periods or contracts terms.

Non-competition agreements are allowed for the period following termination of the employment contract. In compensation for such agreements, a compensation not exceeding the affected member's last annual salary may be paid for up to one year.



# Compensation Report

## 7 Compensations to the Board of Directors and Group Management

The compensation to members of the Board of Directors and the aggregate to the Group Management shown in the tables below are gross and based on the accrual principle.

### a) Compensations 2017

	Base compen- sation	Variable compen- sation	Shares granted	Employer social security contribu- tions	Other compen- sation ****	Total 2017
	Cash	Cash bonus accrued				
	TCHF	TCHF	Number	TCHF	TCHF	TCHF
Board of Directors*:						
Dr. Beat E. Lüthi Chairman	126	—	120	63	39	228
Dr. Richard Fischer Vice Chairman	94	—	90	48	10	152
Vanessa Frey Member	63	—	60	32	7	102
Beat Siegrist Chairman of CHR Committee	80	—	76	40	9	129
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	76	40	18	138
<b>Total</b>	<b>443</b>	<b>—</b>	<b>** 422</b>	<b>223</b>	<b>83</b>	<b>749</b>
Group Management:						
Lukas Winkler President and Chief Executive Officer	458	280	259	118	166	20 1,042
<b>Total</b>	<b>748</b>	<b>455</b>	<b>*** 409</b>	<b>186</b>	<b>256</b>	<b>40 1,685</b>

\* For the Board of Directors the base compensation as well as the shares granted are part of the compensation for the one year election term 2017/2018. The shares were transferred to the members of the Board of Directors at the beginning of the election term.

\*\* The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting with no discount applied for the blocking period until April 20, 2020.

\*\*\* The total share amount consists of  
— shares granted as variable compensation for 2017 with a four years blocking period until July 1, 2021  
— shares allotted according to the last years share plans after ending of the blocking period (4 year allotment, 1/4 each year).

The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting of each individual year with no discount applied for blocking periods.

\*\*\*\* Other compensation comprise payments mainly related to car allowances.

### b) Compensations 2016

	Base compen- sation	Variable compen- sation	Shares granted	Employer social security contribu- tions	Other compen- sation ****	Total 2016
	Cash	Cash bonus accrued				
	TCHF	TCHF	Number	TCHF	TCHF	TCHF
Board of Directors*:						
Dr. Beat E. Lüthi Chairman	126	—	209	64	14	204
Dr. Richard Fischer Vice Chairman	94	—	156	47	10	151
Vanessa Frey Member	63	—	105	32	7	102
Beat Siegrist Chairman of CHR Committee	80	—	133	40	9	129
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	133	40	7	127
<b>Total</b>	<b>443</b>	<b>—</b>	<b>** 736</b>	<b>223</b>	<b>47</b>	<b>713</b>
Group Management:						
Lukas Winkler President and Chief Executive Officer	457	175	218	67	98	20 817
<b>Total</b>	<b>747</b>	<b>270</b>	<b>*** 346</b>	<b>107</b>	<b>183</b>	<b>40 1,347</b>

\* For the Board of Directors the base compensation as well as the shares granted are part of the compensation for the one year election term 2016/2017. The shares were transferred to the members of the Board of Directors at the beginning of the election term.

\*\* The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting with no discount applied for the blocking period until April 28, 2019.

\*\*\* The total share amount consists of  
— shares granted as variable compensation for 2016 with a four years blocking period until July 1, 2020.  
— shares allotted according to the last year share plan after ending of the blocking period (4 year allotment, 1/4 each year).  
The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting of each individual year with no discount applied for blocking periods.

\*\*\*\* Other compensation comprise payments mainly related to car allowances.

The compensation to the Chairman and the other Board members did not change compared to the previous year. The shares have been granted for the current term of office until the next Ordinary Annual General Meeting of the Shareholders. The allotment occurs five trading days after the Ordinary Annual General Meeting of the Shareholders (grant date). The total amount of compensation of TCHF 749 compares to the amount of TCHF 800 approved during the Ordinary Annual General Meeting of Shareholders. The difference is mainly driven by higher amounts requested for potential Employer Social Security and Unemployment Insurance contributions which are due in case of stock option exercises.



## Compensation Report

The base compensation to the Group Management did not change compared to the previous year. The difference in total compensation between the year 2017 and 2016 is mainly driven by higher variable performance related compensations (cash bonus and shares) and related Employer Social Security and Unemployment Insurance contributions. The average share price on the fifth trading day after the Ordinary Annual General Meeting will serve as the calculation base to establish the number of shares, which are allotted on July 1<sup>st</sup>. The variable compensation has been adjusted according to the achievement of the financial and individual performance targets.

The total amount of compensation for the Group Management of TCHF 1,685 compares to the maximum ceiling amount of TCHF 3,500 approved during the Ordinary Annual General Meeting of the Shareholders.

The main differences are due to the fact that the amounts for the potential event of further members being added to the Group Management and the amounts for a potential disadvantage compensation have not been required at all, further the variable performance related compensation (and related Employer Social Security and Unemployment Insurance contributions) has been lower.

### 8 Compensations for Former Members of Governing Bodies

There was no compensation to former members of the Board of Directors.

### 9 Additional Fees and Remunerations

No additional fees or remunerations were paid to members of the Governing Bodies and their related parties.

### 10 Loans to Members of Governing Bodies

No loans were granted to current or former members of governing bodies and their related parties during 2017. No such loans were outstanding as of December 31, 2017.



# Report of the Statutory Auditor

To the General Meeting of Shareholders of INFICON Holding AG, Bad Ragaz

We have audited the accompanying remuneration report dated March 9, 2018 of INFICON Holding AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables a) and b) in section 7 on page 31 as well as sections 8 to 10 on page 32 of the compensation report.

## Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

## Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the remuneration report for the year ended December 31, 2017 of INFICON Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Toni Wattenhofer  
Licensed Audit Expert  
Auditor in Charge

Lars Klossack  
Licensed Audit Expert

Zürich, March 9, 2018

# Environmental Protection, Safety and Product Stewardship

## 1 Comprehensive Approach

INFICON's approach to sustainability is a comprehensive one. In its business decisions and conduct the Company takes into account economic, environmental and social aspects at both strategic and operational levels.

## 2 General

INFICON's commitment to sustainability is evidenced by the fact that all manufacturing sites, except for the newly incorporated INFICON InstruTech LLC in Longmont, Colorado, USA, are already certified according to ISO 14001:2015. With that new ISO release, all manufacturing locations are required to analyze their risks and opportunities with regards to sustainability in a systematic way and to minimize their risks. These certified locations are integrated in a joint group certificate which brings advantages with regards to communications, sharing of information, best practices and standardization of processes. And it is also planned to integrate the new location INFICON InstruTech LLC into this group approach in 2019.

INFICON also observes the standards set out in the Code of Conduct of the "Electronic Industry Citizenship Coalition (EICC)."

All manufacturing facilities observe and comply with international and regional legislation, as well as guidelines. Moreover, the Company observes the UN Security Council Report S/2006/525 regarding so called "conflict minerals."

## 3 Safety and Health at Work

Employee safety is a top priority at INFICON. The Company has endeavored for many years to prevent accidents from happening at all sites and to limit their secondary effects. To this end, employees are regularly trained and educated on work safety and health protection.

## 4 Environmental Stewardship

Environmental protection, safety and product stewardship have long been key priorities at INFICON. The first manufacturing facility already met ISO 14001 standards as early as 1998.

Environmental management means that all ecological aspects are analyzed systematically and that the corresponding need for action is identified. The manufacturing facilities are themselves in charge of setting priorities and implementing the actions they deem necessary.

The Company observes the RoHS directive 2011/65/ EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment, the European Union's REACH regulation on chemicals and their safe use, and monitors the "SVHC Candidate List" which lists substances of very high concern.

## 5 Resource and Energy Efficiency

Many INFICON products help to reduce the impact on environment:

- Leak detectors detect harmful gases which then can be sealed;
- Gauges control the production process and as a consequence reduce waste and energy consumption;
- Gas analysis products can create contamination profiles as a basis to remove the contamination.

Resource conservation is important for INFICON and is individually driven by the locations. EcoDesign is a focus area within the Company's research and development function.

### Innovation

Through its leading research and development, INFICON develops environmentally friendly products and thus meets the sustainability needs of its customers.

Taking into account the entire life cycle of a product, attention is paid already to the aspects of sustainability and resource efficiency at the time of developing new products. This includes as well the development

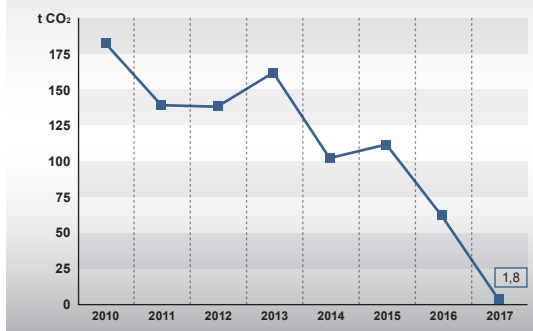
# Environmental Protection, Safety and Product Stewardship

of products with the lowest possible energy consumption throughout their whole life cycle.

## Buildings and Constructions

INFICON is constantly striving to improve its energy balance and thus optimize the emission output per location. For example, air conditioning and building technology are optimized for buildings (better insulation, better room temperature management). Today, two sites are connected to a woodchip district heating. At INFICON AG in Balzers, Liechtenstein the former natural gas heating was switched to woodchip district heating. This saves 142.4 t CO<sub>2</sub> emissions per year (Reduction 98.8%/a). For the new buildings (Cologne, Syracuse and Aaland) the latest state of the climate technology was applied. At most locations, temperature control (heating/cooling), ventilation, particle count, lighting and shading are monitored and regulated by a building management system in order to optimize the operating performance and costs.

CO<sub>2</sub> emission "Heating" for Balzers, LI



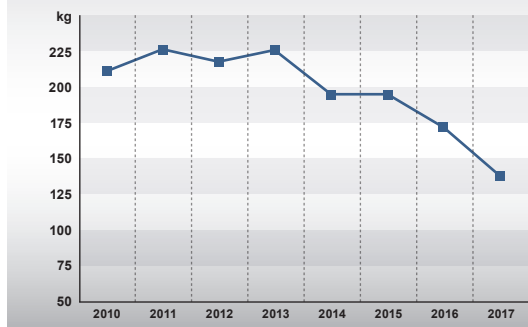
## Resources

All producing locations strive to reduce their consumption of resources. To achieve this, all sites independently define their improvement measures. A monitoring is carried out by group-wide and location-related key figures.

Reducing the amount of waste is one of the company goals in context to consumption of resources. Therefore a consistent recycling of industrial waste has been implemented group wide. As an example, one production facility unit was able to reduce its abrasive consumption by 62% (7,250 kg) and ordinary waste by 51% (18,600 kg) in 2017.

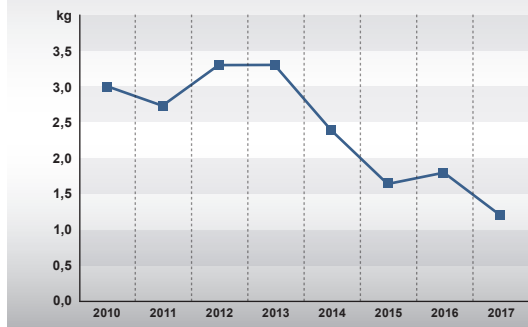
Overall INFICON has reduced the garbage of all manufacturing facilities since 2013 by 39% per ton products.

Garbage in relation to net weight for all manufacturing facilities (per ton product)



At the same time, the company was able to reduce the hazardous waste of all manufacturing facilities by 63.6% since 2013.

Hazardous waste in relation to net weight for all manufacturing facilities (per ton product)



# Environmental Protection, Safety and Product Stewardship

## Logistics

In addition to factors such as reliability and punctuality, INFICON also focus on environment-friendly transport services. In 2017 the company was able to save 25.3 t CO<sub>2</sub> emission by optimizing their supply chain in regard to airfreight transports.

## General

INFICON strives to maximize its resource and energy efficiency across the entire life cycle of its products and manufacturing facilities, beginning with the production of materials and processes, extending to their use, decommissioning and ultimate disposal. INFICON works together with its suppliers to make sure its environmental requirements are implemented by them as well.



# Financial Review

(US Dollars in Millions)

## Income Statement

### Net Sales

In 2017 net sales increased by 20.6% or USD 63.9 million to USD 373.6 million from USD 309.7 million in 2016. As this includes a positive impact of USD 1.1 million or 0.4 percentage points from changes in currency exchange rates (FX impacts) and a positive impact of USD 0.6 million or 0.2 percentage points from acquisitions, the net sales increased organically by 20.1% in 2017.

The Semi & Vacuum Coating market reached a new annual sales record of USD 167.0 million. This increase of USD 46.4 million or 38.5% was supported by an ongoing shift towards OLED displays and an increased demand from semiconductor end-user and equipment makers mainly in Asia. The General Vacuum market sales increased by USD 17.0 million or 19.3% reflecting the generally more favorable economic trend. The surge is both attributable to an increase in sales to European distributors and direct sales to industrial OEMs. Refrigeration, Air Conditioning & Automotive sales achieved a new record level with USD 76.2 million and increased 11.9% or USD 8.1 million, mainly due to higher sales to the automotive industry including electromobility/ battery applications in all regional markets. Sales to the Security & Energy market decreased by 23% or USD 7.6 million primarily influenced by the first three quarters of the year. Reflecting the long-term nature of this project business dominated by large public sector customers both in security and environmental applications, the last quarter of 2017 closed with a growth in sales.

### Gross Profit

Gross profit margin was 50.5% for 2017 as compared with 50.4% for 2016.

### Research and Development

Research and development costs increased to USD 28.2 million or 7.5% of net sales, as compared with USD 26.8 million or 8.6% in 2016. This increase of 5.2% is driven by our continued development efforts as well as higher variable compensation.

### Selling, General and Administrative (SGA)

Selling, general and administrative costs increased to USD 86.8 million or 23.2% of sales in 2017 from USD 78.4 million or 25.3% of sales in 2016. This increase is due to investments into additional headcounts, our capabilities and higher variable compensation costs.

### Operating Result

Income from operations increased to USD 73.6 million or 19.7% of sales for 2017 from USD 51.0 million or 16.5% of sales for 2016. This improvement reflects mainly the increase in sales volume with a favorable product mix as well as an efficient steering of costs.

### Financial Result

The decrease in the financial result by USD 0.5 million to USD 1.2 million is essentially driven by the increase in foreign currency losses.

### Income Taxes

Provision for income taxes was USD 12.8 million or 17.8% of earnings before taxes for 2017 compared with USD 9.9 million or 19.8% of income before taxes for 2016. The slightly lower rate was driven by the mix in earnings and tax rates among the Company's different tax jurisdictions.

### Net Result and Diluted Earnings per Share

Net income and diluted earnings per share was USD 59.5 million and USD 24.57 per share for 2017, as compared with USD 40.3 million and USD 16.94 per share for 2016. The 45.0% in diluted earnings per share is a result of the increase in net income.

# Financial Review

(US Dollars in Millions)

## Balance Sheet and Liquidity

Trade accounts receivable increased by USD 11.0 million to USD 53.6 million at December 31, 2017 as compared with USD 42.6 million at December 31, 2016. This increase was driven by the substantially higher sales volume in the last quarter of 2017 as compared with the same period in 2016.

Inventories increased by USD 11.1 million to USD 48.1 million at December 31, 2017 as compared with USD 36.9 million at December 31, 2016. Inventory turns increased to 4.2 in 2017 from 3.8 in 2016 using a 4-point average of quarter-end inventory balances.

Cash and short-term investments at December 31, 2017 totaled USD 85.0 million, which represents an increase of USD 21.1 million as compared with USD 63.9 million at December 31, 2016. Cash flow from operations achieved a record level of USD 61.4 million in 2017 as compared with USD 53.4 million in 2016. The increase was mainly driven by an increased net income which was partially offset by a higher level of inventories.

Short-term provisions increased by USD 6.9 million. This increase is mainly driven by higher accrued bonus and sales commission.



# Consolidated Balance Sheet

(US Dollars in Thousands, except share and per share amounts)

	Note	December 31, 2017	December 31, 2016
<b>Assets</b>			
Cash and cash equivalents		83,015	59,317
Short-term investments		2,014	4,584
Trade accounts receivable	4	53,596	42,590
Inventories	5	48,066	36,920
Prepayments and accrued income		1,647	1,759
Other current assets		5,764	3,934
<b>Total current assets</b>		<b>194,102</b>	<b>149,104</b>
Property, plant, and equipment	6	56,966	47,998
Intangible assets	8	5,293	6,295
Deferred tax assets		9,262	8,498
Financial assets		2,954	1,535
<b>Total non-current assets</b>		<b>74,475</b>	<b>64,326</b>
<b>Total assets</b>		<b>268,577</b>	<b>213,430</b>
<b>Liabilities and Shareholders' Equity</b>			
Trade accounts payable		10,350	8,014
Short-term provisions	10	20,714	13,830
Income taxes payable		6,976	4,316
Accrued expenses and deferred income	9	12,550	10,841
Other current liabilities		4,504	2,552
<b>Total current liabilities</b>		<b>55,094</b>	<b>39,553</b>
Long-term provisions	10	3,402	2,346
Deferred tax liabilities	11	3,114	3,203
<b>Total non-current liabilities</b>		<b>6,516</b>	<b>5,549</b>
<b>Total liabilities</b>		<b>61,610</b>	<b>45,102</b>
Common stock	12	6,762	6,656
Treasury shares	12	(1,373)	(441)
Retained earnings		203,261	171,951
Foreign currency translation		(1,683)	(9,838)
<b>Total shareholders' equity</b>		<b>206,967</b>	<b>168,328</b>
<b>Total liabilities and shareholders' equity</b>		<b>268,577</b>	<b>213,430</b>

The accompanying notes form an integral part of the consolidated financial statements.

## Consolidated Statement of Income

(US Dollars in Thousands, except share and per share amounts)

Year ended December 31,	Note	2017	2016
Net sales	15	373,581	309,680
Cost of sales		185,076	153,523
Gross profit		188,505	156,157
Research and development		28,193	26,767
Selling expense		31,486	32,471
General and administrative expense		55,269	45,892
Operating result		73,557	51,027
Financial result	16	(1,223)	(723)
Ordinary result		72,334	50,304
Non-operating result		—	(62)
Earnings before income taxes (EBT)		72,334	50,242
Income taxes	17	12,848	9,923
Net result		59,486	40,319
Earnings per share:	18		
Basic		24.79	17.05
Dilution		0.22	(0.11)
Diluted		24.57	16.94

The accompanying notes form an integral part of the consolidated financial statements.

# Consolidated Statement of Shareholders' Equity

(US Dollars in Thousands, except share and per share amounts)

	Note	Common stock	Capital reserves	Treasury Shares	Retained earnings	Foreign currency translation	Total shareholders' equity
Balance at December 31, 2015		6,586	—	(539)	172,637	(7,719)	170,965
Net result					40,319		40,319
Foreign currency translation adjustments						(2,119)	(2,119)
Issuance of common stock from exercise of stock options	13	70	5,506				5,576
Acquisition of treasury shares				(561)			(561)
Disposal of treasury shares				659			659
Stock-based compensation			783				783
Distribution from legal reserve (CHF 13 per share)			(6,289)		(25,928)		(32,217)
Adjustment of Goodwill	7				(15,077)		(15,077)
Balance at December 31, 2016		6,656	—	(441)	171,951	(9,838)	168,328
Net result					59,486		59,486
Foreign currency translation adjustments						8,155	8,155
Issuance of common stock from exercise of stock options	13	106	9,819				9,925
Acquisition of treasury shares				(1,717)			(1,717)
Disposal of treasury shares				785			785
Stock-based compensation			453				453
Distribution from legal reserve (CHF 16 per share)			(10,272)		(28,176)		(38,448)
Adjustment of Goodwill	7				—		—
Balance at December 31, 2017		6,762	—	(1,373)	203,261	(1,683)	206,967

The accompanying notes form an integral part of the consolidated financial statements.

# Consolidated Statement of Cash Flows

(US Dollars in Thousands, except share and per share amounts)

Year ended December 31,	Note	2017	2016
Cash flows from operating activities:			
Net result		59,486	40,319
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6	7,432	6,626
Amortization	8	2,105	1,471
Result from disposal of fixed assets		165	29
Deferred Taxes		(480)	2,151
Stock based compensations		453	783
Changes in operating assets and liabilities, excluding effects from acquisition:			
Trade accounts receivable		(9,560)	(9,537)
Inventories		(9,546)	173
Other assets		(2,968)	505
Trade accounts payable		1,874	3,372
Accrued liabilities and short-term provisions		7,341	7,180
Income taxes payable		2,341	369
Other liabilities		2,751	(85)
<b>Net cash provided by operating activities</b>		<b>61,394</b>	<b>53,356</b>
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(14,305)	(5,154)
Disposal of property, plant, and equipment		329	280
Purchase of intangible assets		(918)	(855)
Disposal of intangible assets		—	1
Acquisitions of businesses net of cash acquired		—	(17,677)
Purchase of short-term investments		(11,372)	(10,868)
Disposal of short-term investments		13,942	10,104
<b>Net cash used in investing activities</b>		<b>(12,324)</b>	<b>(24,169)</b>
Cash flows from financing activities:			
Proceeds from exercise of stock options	13	9,925	5,576
Cash distribution from legal reserves		(38,448)	(32,217)
Purchase/disposal of treasury shares		(932)	98
Proceeds from borrowings		18,146	13,283
Repayments of borrowings		(18,146)	(13,283)
<b>Net cash used in financing activities</b>		<b>(29,455)</b>	<b>(26,543)</b>
Effect of exchange rate changes on cash and cash equivalents		4,083	(407)
Change in cash and cash equivalents		23,698	2,237
Cash and cash equivalents at beginning of period		59,317	57,080
<b>Cash and cash equivalents at end of period</b>		<b>83,015</b>	<b>59,317</b>

The accompanying notes form an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 1 Description of Business

INFICON Holding AG (INFICON or the "Company") is domiciled in Bad Ragaz, Switzerland, as a corporation (Aktiengesellschaft) organized under the laws of Switzerland.

The Company's stock is traded on the SIX Swiss Exchange in Switzerland. INFICON provides world-class instruments for gas analysis, measurement and control, and our products are essential for gas leak detection in air conditioning, refrigeration and automotive manufacturing. They are vital to equipment manufacturers and end-users in the complex fabrication of semiconductors and thin film coatings for optics, flat panel displays, solar cells and industrial vacuum coating applications. Other users of vacuum based processes include the life sciences, research, aerospace, packaging, heat treatment, laser cutting and many other industrial processes. The Company also leverages its expertise in vacuum technology to provide unique, toxic chemical analysis products for emergency response, security, and environmental monitoring.

INFICON has best in class manufacturing facilities in Europe, the United States and China, as well as subsidiaries in China, Finland, France, Germany, India, Italy, Japan, Korea, Liechtenstein, Singapore, Sweden, Switzerland, Taiwan, the United Kingdom and the United States.

## 2 Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Company. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP FER) and are based on the subsidiaries' annual financial statements at December, 31, which are prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle with the exception of certain items such as derivative financial instruments

and short-term investments, which are carried on the balance sheet at their fair value. The consolidated financial statements comply with the Listing Rules of the SIX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of INFICON Holding AG approved the consolidated financial statements on March 9, 2018 for submission to the Annual General Meeting on April 12, 2018.

### Consolidation

These consolidated financial statements include INFICON Holding AG and all companies that INFICON controls. Control exists if INFICON (the "Group") holds directly or indirectly more than half of the voting rights, or has other means of controlling the company.

The financial statements of subsidiaries are prepared using uniform classification and accounting policies. The reporting date for INFICON Holding AG, all subsidiaries and the consolidated financial statements is December 31.

The full consolidation method is applied to all subsidiaries over which control exists. Their assets, liabilities, income and expenses are incorporated in full. The purchase method of consolidation is used to account for the acquisition of subsidiaries. Under this method, the carrying amount of the investment in a subsidiary is offset against the Group's share of the fair value of the subsidiary's net assets. Intercompany transactions and balances are eliminated. Unrealized intercompany profits on goods and services supplied within the Group but not yet sold to third parties are eliminated on consolidation.

Companies acquired or established or those in which the Group increases its interest and thereby obtains control during the year are consolidated from the date of formation or date on which control commences. Companies are deconsolidated from the date that control effectively ceases upon disposal or a reduction in ownership interest.

## Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

The following companies are included in these consolidated financial statements:

Company	Domicile	Participation rate
INFICON Holding AG	Bad Ragaz (CH)	
INFICON GmbH	Bad Ragaz (CH)	100%
INFICON (Guangzhou) Instruments Co., Ltd.	Guangzhou (CN)	100%
INFICON Instruments Shanghai Co. Ltd.	Shanghai (CN)	100%
INFICON GmbH	Cologne (DE)	100%
INFICON Aaland Ab.	Mariehamn (FI)	100%
INFICON S.A.R.L.	Courtaboeuf (FR)	100%
INFICON Ltd.	Hong Kong (HK)	100%
INFICON India Pvt. Ltd.	Pune (IN)	100%
INFICON S.r.l.	Bozen (IT)	100%
INFICON Co., Ltd.	Yokohama-Shi (JP)	100%
INFICON Ltd.	Bungdang (KR)	100%
INFICON AG	Balzers (LI)	100%
INFICON AB	Linköping (SE)	100%
INFICON Pte. Ltd.	Singapore (SG)	100%
INFICON Ltd.	Chubei City (TW)	100%
INFICON Ltd.	Blackburn (UK)	100%
INFICON Inc.	Syracuse, NY (US)	100%
INFICON EDC Inc.	Overland Park, KS (US)	100%
INFICON InstruTech LLC.	Longmont, CO (US)	100%

### Significant Accounting Policies and Estimates

The preparation of financial statements in conformity with Swiss GAAP FER requires management to make estimates and assumptions that affect the reported and disclosed amounts of (contingent) assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses. Management bases its estimates and judgments on historical experience and on various other factors believed to be reasonable under the circumstances that form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The main estimates include provisions, allowances for trade accounts receivables and inventories.

### Cash and Cash Equivalents and Short-Term Investments

The Company considers all highly-liquid investments with an original maturity of three months or less on their acquisition date to be cash equivalents. The Company classifies investments with an original maturity of more

than three months on their acquisition date as short-term investments. Short-term investments consist of certificates of deposit, time deposits, or money market mutual funds.

### Trade Accounts Receivable

Trade accounts receivable and other current receivables are recognized at nominal value less allowance for any impairment. Doubtful receivables are provided for by way of specific allowances for known or alleged specific risks. Furthermore, an additional lump-sum allowance is set-up based on accounts receivable aging and taking into account the actual losses expected based on past experience.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Purchasing discounts received are offset against the production cost of inventories. Production cost comprises all direct material and manufacturing costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined by the moving average method. Appropriate allowances are made for slow-moving inventories and obsolete inventories are fully written off. If the net realizable value of inventories is lower than their purchase price or production cost, then their carrying amount is written down as necessary.

### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation and less any impairment loss. Expenditures for major renewals and improvements that extend the useful lives of property, plant and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in earnings. The Group does not depreciate land.

## Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

The estimated useful lives and depreciation periods in years are as follows:

Category	Years
Buildings	20–30
Building and land improvements	10–20
Machinery and equipment	5–10
Vehicles	5–10
Content, furniture and fixtures	5–10
Business machines	5–10
Information technology (hardware)	3–5
Demonstration equipment	2

### *Intangible Assets*

Acquired intangible assets are recognized in the balance sheet if they are to bring measurable benefits to the company over several years. They are valued at historical cost less straight-line amortization over the estimated useful lives of 3 to 10 years. Customer relationships are not considered as Intangible Assets.

### *Goodwill*

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Group's interest in the fair value of the recognized assets and liabilities at the date of acquisition. Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalization and amortization of goodwill is disclosed in the notes to the consolidated financial statements. For the determination of goodwill from acquisitions, parts of the purchase price contingent on future performance are estimated at the date of acquisition. Any changes in contingent consideration are offset against goodwill in equity.

### *Impairment of Non-current Assets and Goodwill*

At every balance sheet date an assessment is made for non-current assets (in particular property, plant, equipment, intangible assets, financial assets as well as goodwill offset against equity) whether indicators for impairment exist. If indicators for a continuous impairment exist, the recoverable amount of the asset is determined. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-

generating unit to which the asset belongs. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized separately in the income statement. As goodwill is fully offset against equity at the date of acquisition, impairment of goodwill will not affect income, but be disclosed in the notes to the consolidated financial statements.

### *Pension Benefits*

Pension benefit assets and obligations are recognized in the consolidated financial statements according to legal regulations of the respective countries. The actual economic impact of pension plans is calculated at each balance sheet date. A pension asset is recorded when an economic benefit exists, meaning that such economic benefit will be used to reduce future pension contributions by the Company. A pension liability is recognized when an economic obligation exists, meaning if the requirements to record a provision are met.

### *Trade Payables and Other Payables*

Trade accounts payable and Other liabilities are recognized at par value.

### *Provisions*

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. A provision for the expected costs associated with restructuring is recognized when a detailed restructuring plan has been developed and the measures have been approved and communicated before the balance sheet date.

### *Revenue Recognition*

Revenues primarily relate to the sale of instruments for gas analysis, measurement and control and is recognized when risks and rewards as well as control has been passed to the acquirer and income and related expense can be determined reliably. This generally coincides with the delivery of the instruments.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## Research and Development

Research and development costs are expensed as incurred.

## Shipping and Handling Costs

Revenue and costs associated with shipping products to customers are included in sales or cost of sales.

## Share-based Plan

Since 2001, a stock option plan for Directors, as well as for Group Management and key employees is in place. In 2014 the Directors' Stock Option Plan from 2001 was terminated and a share program was introduced. The shares are subject to a 3-year mandatory holding period.

In 2015 the Group Management and Key Employee Stock Option Plan from 2001 was terminated and a share program was introduced. Within this plan, 50% of the shares are allotted on the grant date and are subject to a four-year blocking period. The remaining 50% will be allotted over the next four years – one fourth each year – and will not be subject to any blocking period.

Share-based compensation is stated at fair value at the grant date and recognized in personnel expense in the period in which the service is performed.

## Income Tax Expense

Current income tax is calculated on taxable profits for the year and recognized on an accrual basis. Deferred income tax is provided, using the liability method, on all temporary differences and recognized as tax liabilities or assets. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The same method is also used to provide for differences arising on acquisitions between the fair value and tax base of the assets acquired. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right and intends to settle its current tax assets and liabilities on a net basis. Deferred tax is calculated using local tax rates that have been enacted by the balance sheet date. Tax losses carried forward and tax credits are recognized as deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized.

## Foreign Currency Translation

The functional currency of the Company's foreign subsidiaries is the applicable local currency. For those subsidiaries, assets and liabilities are translated to US Dollars at year-end exchange rates. Income and expense accounts are translated at the average monthly exchange rates in effect during the year. The effects of foreign currency translation adjustments are taken to retained earnings (currency translation difference) and not recognized in the income statement.

The following foreign exchange rates versus the US Dollar have been applied when translating the financial statements of the Company's major subsidiaries:

Currency		Period-end rates		Average rates		
		2017	2016	2017	2016	
1	Swiss Franc	USD	1.0249	0.9816	1.0157	1.0154
	Euro	USD	1.1993	1.0541	1.1293	1.1068
	Japanese Yen	USD	0.0089	0.0085	0.0089	0.0092
	Hong Kong Dollar	USD	0.1280	0.1289	0.1283	0.1288
	Korean Won	USD	0.0009	0.0008	0.0009	0.0009



# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 3 Acquisitions

### InstruTech

On February 1, 2016, the Company acquired substantially all assets of InstruTech, Inc., a developer and manufacturer of highly specialized vacuum gauges as well as one- and multi-channel controller products that complement INFICON's existing product range and are used in many governmental, academic and industrial research and analysis labs and units. The acquisition strengthens the Company's research and production base and enhances its presence in the United States in existing and new markets.

The purchase price was USD 9,677 at closing. Additionally, there is an earn-out to be paid based on units sold over a three-year period. At the acquisition date, the Company has performed a fair value calculation which resulted in USD 500 of contingent consideration.

The following table summarizes the fair values of the assets acquired at the acquisition date:

As of February 1,	2016
Inventory	800
Equipment	100
Goodwill	7,077
Intangible assets	2,200
<b>Net assets acquired</b>	<b>10,177</b>
Accrued contingent consideration	(500)
Purchase Price at closing	(9,677)
<b>Total fair value of consideration</b>	<b>(10,177)</b>

The results of this acquisition is included in the Company's consolidated operations beginning on the date of acquisition.

The fair value of the contingent consideration is unchanged compared to prior year.

## 4 Trade Accounts Receivable

Trade accounts receivable and related bad debt allowance are recorded as follows as at December 31:

	2017	2016
Trade accounts receivable, gross	<b>54,882</b>	43,881
Bad debt allowance	<b>(1,286)</b>	(1,291)
<b>Total trade accounts receivable, net</b>	<b>53,596</b>	42,590

## 5 Inventories

Inventories consist of the following at December 31:

	2017	2016
Raw material	<b>33,146</b>	25,333
Work-in-process	<b>4,779</b>	7,748
Finished goods	<b>10,121</b>	3,772
Advance Payments to suppliers	<b>20</b>	67
<b>Balance at December 31,</b>	<b>48,066</b>	36,920

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 6 Property, Plant, and Equipment

The components of property, plant, and equipment consist of the following at December 31:

Property, plant, and equipment 2017	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayments and tangible fixed assets under construction	Demonstration equipments	Other tangible fixed assets	Total property, plant, and equipment
<b>At cost</b>								
At January 1, 2017	2,726	41,050	46,957	10,450	845	5,728	10,047	117,803
Additions	—	851	4,799	72	6,128	1,635	820	14,305
Disposals	—	—	(1,868)	—	(125)	(493)	(352)	(2,838)
Reclassifications	—	537	148	—	(1,265)	47	533	—
Exchange Differences	279	1,435	2,020	432	170	421	1,311	6,068
At December 31, 2017	3,005	43,873	52,056	10,954	5,753	7,338	12,359	135,338

### Accumulated depreciations:

At January 1, 2017	390	11,843	36,310	8,777	—	5,011	7,474	69,805
Systematic depreciation	—	1,825	3,245	520	—	960	882	7,432
Impairment	—	—	—	—	—	—	—	—
Disposals	—	—	(1,862)	—	—	(310)	(337)	(2,509)
Reclassifications	—	—	(51)	—	—	50	2	—
Exchange Differences	—	295	1,658	372	—	363	956	3,644
At December 31, 2017	390	13,963	39,300	9,669	—	6,074	8,976	78,372

### Net book values:

At January 1, 2017	2,336	29,207	10,647	1,673	845	717	2,573	47,998
At December 31, 2017	2,615	29,910	12,756	1,285	5,753	1,264	3,383	56,966

Property, plant, and equipment 2016	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayments and tangible fixed assets under construction	Demonstration equipments	Other tangible fixed assets	Total property, plant, and equipment
<b>At cost</b>								
At January 1, 2016	2,800	40,199	49,053	10,652	1,135	5,279	11,529	120,647
Additions	—	1,431	1,968	168	584	857	246	5,254
Disposals	—	(437)	(3,295)	(59)	(39)	(291)	(1,366)	(5,487)
Reclassifications	—	251	177	—	(824)	—	(3)	(399)
Exchange Differences	(74)	(394)	(946)	(311)	(11)	(117)	(359)	(2,212)
At December 31, 2016	2,726	41,050	46,957	10,450	845	5,728	10,047	117,803

### Accumulated depreciations:

At January 1, 2016	388	10,646	37,199	8,582	—	4,800	8,296	69,911
Systematic depreciation	2	1,722	3,120	515	—	530	737	6,626
Impairment	—	—	—	—	—	—	—	—
Disposals	—	(438)	(3,205)	(59)	—	(215)	(1,290)	(5,207)
Reclassifications	—	—	1	—	—	—	(1)	—
Exchange Differences	—	(87)	(805)	(261)	—	(104)	(268)	(1,525)
At December 31, 2016	390	11,843	36,310	8,777	—	5,011	7,474	69,805

### Net book values:

At January 1, 2016	2,412	29,553	11,854	2,070	1,135	479	3,233	50,736
At December 31, 2016	2,336	29,207	10,647	1,673	845	717	2,573	47,998

## 7 Goodwill

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalization and amortization of goodwill is disclosed below:

Theoretical movement schedule for goodwill:

	2017	2016
<b>At cost</b>		
At January 1,	17,714	3,594
Additions from acquisitions of subsidiaries	—	15,077
Elimination of fully amortized goodwill items	—	(910)
Exchange Differences	135	(47)
At December 31,	17,849	17,714

### Accumulated amortization

At January 1,	3,970	2,211
Amortization expense	3,408	2,711
Elimination of fully amortized goodwill items	—	(910)
Exchange Differences	123	(42)
At December 31,	7,501	3,970

### Theoretical net book values

At January 1,	13,744	1,383
At December 31,	10,348	13,744

Goodwill is theoretically amortized on a straight-line basis usually over 5 years.

Impact on income statement:

	2017	2016
Operating result according to income statement	73,557	51,027
Amortization of goodwill	(3,408)	(2,711)
Theoretical operating result incl. amortization of goodwill	70,149	48,316
Net result according to income statement	59,486	40,319
Amortization of goodwill	(3,408)	(2,711)
Theoretical net result incl. amortization of goodwill	56,078	37,608

Impact on balance sheet:

	2017	2016
Equity according to balance sheet	206,967	168,328
Equity as % of total assets	77.1%	78.9%
Theoretical capitalization of goodwill (net book value)	10,348	13,744
Theoretical equity incl. net book value of goodwill	217,315	182,072
Theoretical equity incl. net book value of goodwill as % of total assets incl. net book value of goodwill	77.9%	80.1%

No indication for impairment of goodwill has been identified.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 8 Intangible Assets

Intangible assets 2017	Technology	Software	Other	Total
<b>At cost</b>				
At January 1, 2017	7,871	7,024	4,233	19,128
Additions	165	549	204	918
Disposals	—	(154)	—	(154)
Reclassifications	—	1	(1)	—
Exchange Differences	328	372	101	801
At December 31, 2017	8,364	7,792	4,537	20,693

<b>Accumulated amortization</b>				
At January 1, 2017	6,137	5,266	1,430	12,833
Systematic amortization	654	1,037	414	2,105
Disposals	—	(154)	—	(154)
Exchange Differences	276	296	44	616
At December 31, 2017	7,067	6,445	1,888	15,400

<b>Net book values</b>				
At January 1, 2017	1,734	1,758	2,803	6,295
At December 31, 2017	1,297	1,347	2,649	5,293

Intangible Assets 2016	Technology	Software	Other	Total
<b>At cost</b>				
At January 1, 2016	7,807	6,461	2,059	16,327
Additions	206	625	2,224	3,055
Disposals	—	(249)	—	(249)
Reclassifications	34	365	—	399
Exchange Differences	(176)	(178)	(50)	(404)
At December 31, 2016	7,871	7,024	4,233	19,128

<b>Accumulated amortization</b>				
At January 1, 2016	5,862	4,918	1,128	11,908
Systematic amortization	372	732	367	1,471
Disposals	—	(248)	—	(248)
Reclassifications	41	(3)	(38)	—
Exchange Differences	(138)	(133)	(27)	(298)
At December 31, 2016	6,137	5,266	1,430	12,833

<b>Net book values</b>				
At January 1, 2016	1,945	1,543	931	4,419
At December 31, 2016	1,734	1,758	2,803	6,295

## 9 Accrued Expenses and Deferred Income

The components of accrued liabilities are as follows at December 31:

	2017	2016
Salaries, wages and related costs	6,396	4,757
Deferred revenue	443	1,006
Professional fees	1,027	943
Other	4,684	4,135
Balance at December 31,	12,550	10,841

## 10 Provisions

Provisions 2017	Warranty	Pension	Bonus & Commissions	Other	Total
At January 1, 2017	2,497	37	11,398	2,244	16,176
Creation	728	1,106	17,264	202	19,300
Utilizations	(99)	(39)	(10,600)	(207)	(10,945)
Reversals	(249)	—	(749)	(46)	(1,044)
Exchange Differences	128	(5)	489	17	629
At December 31, 2017	3,005	1,099	17,802	2,210	24,116
Short term	2,677	77	17,802	158	20,714
Long term	328	1,022	—	2,052	3,402

Provisions 2016	Warranty	Pension	Bonus & Commissions	Other	Total
At January 1, 2016	2,346	14	6,533	1,689	10,582
Creation	541	39	11,410	749	12,739
Utilizations	(310)	(14)	(5,996)	(141)	(6,461)
Reversals	(34)	—	(348)	(46)	(428)
Exchange Differences	(46)	(2)	(201)	(7)	(256)
At December 31, 2016	2,497	37	11,398	2,244	16,176
Short term	2,193	37	11,398	202	13,830
Long term	304	—	—	2,042	2,346

### Discounting

There are no material discounting effects for the long-term provisions.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## Warranty

INFICON gives warranties in connection with the products and services it provides. These are based on local legislation or contractual arrangements.

The provision is calculated from past experience. The current provision for liability claims is based on actual claims reported, which are generally settled within one year. The long-term provision is based on historical experience for warranties with more than one year remaining warranty period.

## 11 Deferred Tax Liabilities

	2017	2016
At January 1,	3,203	2,311
Creation	246	828
Reversals	(469)	79
Exchange Differences	134	(15)
At December 31,	3,114	3,203

## 12 Shareholder's Equity

As of December 31, 2017, shareholder's equity consists of 2,413,083 issued and outstanding bearer shares (2016: 2,375,297) with a par value of CHF 5 (2016: CHF 5).

Under the Swiss Code of Obligations, the shareholders may decide on an increase of the share capital in a specified aggregate par value up to 50% of the existing share capital, in the form of authorized capital to be used at the discretion of the Board of Directors. The Board of Directors is currently not authorized to issue new registered shares. The General Meeting of Shareholders approved conditional capital in the amount of 260,000 shares in 2012, which shall be issued upon the exercise of option rights, which some employees and members of the Board of Directors will be granted pursuant to the Employee Incentive Plans. The Board of Directors will regulate the details of the issuances.

As of December 31, 2017 and 2016, 41,772 and 79,558 shares of CHF 5 each, respectively, were available for issuance.

### a) Treasury Shares 2017

	Number of treasury shares	Price per share in CHF		
		Highest	Lowest	Volume-weighted average
Balance as of January 1	1,289			
Purchases April 19 – April 20, 2017	700	538.50	511.00	523.46
Purchases May 18, 2017	500	497.00	495.00	495.98
Purchases October 19, 2017	1,000	612.50	610.50	611.04
Purchases November 11, 2017	800	585.00	574.50	581.00
Allocation to Members of the Board of Directors	(422)			
Allocation to Group Management and Key Employees	(1,498)			
Balance as of December 31	2,369			

### b) Treasury Shares 2016

	Number of treasury shares	Price per share in CHF		
		Highest	Lowest	Volume-weighted average
Balance as of January 1	1,800			
Purchases January 14 – January 29, 2016	700	291.50	275.75	286.47
Purchases November 2 – November 13, 2016	1,000	366.25	345.00	353.85
Allocation to Members of the Board of Directors	(736)			
Allocation to Group Management and Key Employees	(1,475)			
Balance as of December 31	1,289			

At December 31, 2017, acquisition cost for directly held own shares amounted to TCHF 1,694 compared with TCHF 555 at December 31, 2016.

The statutory or legal reserves that may not be distributed, amount to TCHF 2,590 at December 31, 2017 and at December 31, 2016.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 13 Share-based Plans

### Stock Option Plans

In fiscal year 2001, the Board of Directors approved the Directors' Stock Option Plan. The Directors' Stock Option Plan is solely for members of the Board, who are not employees of INFICON. The Company has granted options to the eligible Directors in May of each year and the options are nontransferable. All options have been granted at prices equal to 100% of the market value of the common stock at the date of grant. The plan includes specific requirements for the Directors who are removed or resign from the Board.

In fiscal year 2001, the Board of Directors approved the Management & Key Employee Stock Option Plan. The purpose of the plan is to provide key employees of the Company with an opportunity to become shareholders, and in addition, to obtain options on shares and allow them to participate in the future success of the Company. The options have been granted in Swiss Francs.

The following is a summary of option transactions under the two plans:

	Options	Weighted average exercise price (CHF)
Outstanding at December 31, 2015	98,066	256.65
Granted	—	—
Cancelled	(1,675)	279.30
Exercised	(24,789)	219.56
Outstanding at December 31, 2016	71,602	268.95
Granted	—	—
Cancelled	(1,188)	273.12
Exercised	(37,786)	259.96
Outstanding at December 31, 2017	32,628	279.22
Exercisable at December 31, 2017	25,740	271.72

The exercise of options under the stock option plan led to the following increase in shareholder's equity.

	2017	2016
Increase in Common stock	106	70
Increase in Capital reserves	9,819	5,506
Total	9,925	5,576

By December 31, 2015, both the Directors' Stock Option Plan as well as the Management & Key Employee Stock Option Plan have been terminated.

### Share Plans

In 2014 a share program for the Board of Directors has been introduced. The shares are subject to a 3-year mandatory holding period.

In 2015 a share program for Management & Key Employees has been introduced. It is intended that the plan will provide an additional incentive for key employees to maintain continued employment, contribute to the future success and prosperity, and enhance the value of the Company. Within this plan, 50% of the shares are allotted on the grant date and are subject to a four year blocking period. The remaining 50% will be allotted over the next four years – one fourth each year – and will not be subject to any blocking period. The relevant share price for allocation purposes is the average price of the shares as of the fifth trading day after the Ordinary Annual General Meeting.

The impact of all share-based plans on the income statement as per December 31, 2017 and 2016, amounts to USD 1,386 and USD 1,425 respectively.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 14 Employee Benefit Plans

INFICON employees in certain countries (primarily the United States, Liechtenstein, and Germany) participate in contributory and non-contributory defined benefit plans. Benefits under the defined benefit plans are generally based on years of service and average pay. The company funds the plans in accordance with local regulations in the specified countries.

The economical benefits and economical obligations of the pension plans and the relating pension benefit expenses are summarized in the following table:

	Surplus / deficit	Group's economic share		Change from prior period recognized in the current result of the period	Contributions concerning the business period	Pension costs within personnel expense	
	2017	2017	2016	2017	2017	2017	2016
Pension institutions with surplus	968	—	—	—	(1,088)	(1,088)	(771)
Pension institutions with deficit	431	—	—	—	(1,500)	(1,500)	(2,266)
Pension institutions without own assets	—	(1,022)	—	(1,022)	—	(1,022)	—
Total	1,399	(1,022)	—	(1,022)	(2,588)	(3,610)	(3,037)

## 15 Business Segments

The Company is a global supplier of instrumentation for gas analysis, measurement and control. The Board of Directors is responsible for the ultimate direction and supervision of INFICON Holding AG and delegates the day to day management to Group Management. In 2013, the Board of Directors decided to condense the management of the Company to only comprising the CEO and the CFO as this best reflects the operational management of INFICON.

Group Management steers the business globally and the allocation of resources, assessment of performance and the respective reporting is made for the Group as a whole.

Although the Company discloses net sales into various end markets, the Company uses a key account concept and thus focuses on customers, regardless of products, technologies or regions.

Since the Company operates in one global segment, all information required by FER31 can be found in the consolidated financial statements.

## 16 Financial result

The financial result consists of the following:

	2017	2016
FX loss	<b>(1,277)</b>	(709)
Interest Income (Expense)	<b>54</b>	(14)
<b>Total financial result</b>	<b>(1,223)</b>	<b>(723)</b>

## 17 Income Taxes

Tax expense consists of the following:

	2017	2016
Current tax expense	<b>13,701</b>	7,703
Deferred tax expense	<b>(853)</b>	2,220
<b>Total</b>	<b>12,848</b>	<b>9,923</b>

As of December 31, 2017, the group average tax rate for calculating deferred taxes was 17.8% (2016: 19.8%).

The impact from changes in tax loss carried forward on income taxes are shown in the following table:

Income tax expense before impact of tax loss carry forwards	13,338
Effect of additions to tax loss carry forwards	75
Effect of utilization of tax loss carry forwards	(773)
Effect of previously unrecognized tax loss carry forwards	—
Effect of re-evaluation of tax loss carry forwards	208
<b>Income tax expense after impact of tax loss carry forwards</b>	<b>12,848</b>

The entitlement for deferred income taxes on tax losses carried forward not yet used was USD 75 at December 31, 2017, as compared with USD 564 at December 31, 2016.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 18 Earnings per Share

The Company computes basic earnings per share, which is based on the weighted average number of common shares outstanding, and diluted earnings per share, which is based on the weighted average number of common shares outstanding and all dilutive common equivalent shares outstanding. The dilutive effect of options is determined under the treasury stock method using the average market price for the period.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31:

	2017	2016
Numerator:		
Net income	59,486	40,319
Denominator:		
Weighted average shares outstanding	2,399,330	2,364,457
Effect of dilutive stock options	21,624	15,981
Denominator for diluted earnings per share	2,420,954	2,380,438
Earnings per share:		
Basic	24.79	17.05
Dilution	(0.22)	(0.11)
Diluted	24.57	16.94

For the year ended December 31, 2017, the fully diluted earnings per share calculation excluded no options to purchase shares since these shares would have been anti-dilutive for 2017, compared with 300 options in 2016, respectively.

## 19 Commitments and Contingencies

A summary of contractual commitments and contingencies as of December 31, 2017 is as follows:

	Operating Leases	Purchase Commitments	Total
2018	4,660	7,684	12,344
2019	4,512	1,945	6,457
2020	4,201	467	4,668
2021	1,152	—	1,152
2022	718	—	718
Thereafter	606	—	606
<b>Total</b>	<b>15,850</b>	<b>10,096</b>	<b>25,946</b>

The Company leases some of its facilities and machinery and equipment under operating leases, expiring in years 2018 through 2023. Generally, the facility leases require the Company to pay maintenance, insurance and real estate taxes.

Purchase obligations include amounts committed under legally enforceable contracts or purchase orders for goods or services with defined terms as to price, quantity, delivery and termination liability.

The Group has a number of risks arising in the ordinary course of business from contingent or probable liabilities in connection with litigation and outstanding tax assessments.

Provisions have been recognized to the extent that the outcome of such matters can be reliably estimated. No provisions have been made where the outcome is uncertain or the risk is not quantifiable.

At year-end 2017, no guarantees in favor of third parties existed. The Group has not given any other guarantees in respect of its business relationships with third parties. There are no subordination agreements with third parties.

# Notes to Consolidated Financial Statements

(US Dollars in Thousands, except share and per share amounts)

## 20 Related Party Transaction

In 2017 Corisol Holding AG, a company owned by the members of the Frey family, including Vanessa Frey, board member of INFICON Holding AG, granted a short-term loan of MCHF 17 to INFICON Holding AG. The agreed interest was 0.1%. The temporary loan was repaid after 9 months.

## 21 Additional Information Required by Swiss Law

As required by article 959 of the Swiss Code of Obligations, the following supplementary information is disclosed:

	2017	2016
Total personnel costs	<b>115,504</b>	102,796

### Compensations Disclosure

Please refer to the Compensation Report for disclosures pertaining to compensations to the Board of Directors and Group Management.

### Shares and Share Options owned by Members of the Board of Directors and Group Management

The number of shares and options owned by the Board of Directors and Group Management for the years ended December 31:

	2017		2016	
	Shares owned	Options owned	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	<b>772</b>	—	602	1,800
Dr. Richard Fischer	<b>25,229</b>	<b>675</b>	25,139	675
Vanessa Frey *	<b>259</b>	—	302	900
Beat Siegrist	<b>8,909</b>	<b>500</b>	8,833	500
Dr. Thomas Staehelin	<b>2,809</b>	—	2,733	1,050
<b>Total Board of Directors</b>	<b>37,978</b>	<b>1,175</b>	<b>37,609</b>	<b>4,925</b>

### Group Management

Lukas Winkler, President & CEO	<b>4,524</b>	<b>1,400</b>	4,496	4,869
Matthias Tröndle, Group CFO	<b>309</b>	<b>313</b>	240	938
<b>Total Group Management</b>	<b>4,833</b>	<b>1,713</b>	<b>4,736</b>	<b>5,807</b>

\*Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 18.95% (2016: 19.25%) in INFICON Holding AG.

## 22 Subsequent Events

The Company has evaluated subsequent events through March 9, 2018, which represents the date when the consolidated financial statements were available to be issued. On February 1, 2018 the Company founded a sales entity in Copenhagen, Denmark.





# Statutory Auditor's Report

To the General Meeting of INFICON Holding AG, Bad Ragaz

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of INFICON Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 55) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



#### Revenue recognition

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Revenue recognition

### Key Audit Matter

Revenues are an important metric considered by external and internal stakeholders. Revenues recognized for the year ended December 31, 2017 amounted to USD 373.6 million and primarily related to the sale of instruments for gas analysis, measurement and control.

The Group recognizes revenues related to the sale of instruments when risks, rewards and control are transferred to the counterparty. In general, contractual agreements with customers define when risks and rewards are transferred. There is a risk that revenue may be recognized in the wrong accounting period.

There is an additional risk that revenues may be deliberately overstated as a result of management override resulting from the pressure management may feel to achieve planned results. This could for example occur by manipulating inputs in the Group's accounting system.

### Our response

We performed testing of the key controls around revenue recognition, which included performing walkthroughs and testing the operating effectiveness of internal controls.

Among others, our substantive procedures included detailed cut off testing of revenue transactions to either side of the balance sheet date with reference to shipping documentation. Utilizing audit software tools, we investigated differences in prices and quantity between the purchase order, shipping documentation and invoice. In addition, we examined trends in gross margin percentages across the current period in comparison to prior period.

In addition to the procedures described above, we further addressed the risk of management override by analysing credits recognized in the period after the balance sheet date and utilizing our audit software tools to identify high-risk journal entries that were based on specific characteristic surrounding the risk of an overstatement of revenues.

For further information on revenue recognition refer to the following:

- Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements

### Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer  
Licensed Audit Expert  
Auditor in Charge

Lars Klossack  
Licensed Audit Expert

Zurich, March 9, 2018

# Balance Sheet

## INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

	Notes	December 31, 2017	December 31, 2016
<b>Assets</b>			
Cash		7,403	689
Other short-term receivables			
from third parties		16	13
from companies in which the entity holds an investment		642	656
Prepaid expenses and accrued income		79	89
<b>Total current assets</b>		<b>8,140</b>	<b>1,447</b>
Financial assets			
Loans granted to companies in which the entity holds an investment		71,812	74,537
Investments	2.1	300,018	300,018
<b>Total non-current assets</b>		<b>371,830</b>	<b>374,555</b>
<b>Total assets</b>		<b>379,970</b>	<b>376,002</b>
<b>Liabilities and Shareholders' Equity</b>			
Other short-term liabilities	2.2	47	—
Accrued expenses and deferred income	2.3	918	817
Provisions for unrealized exchange gain		—	2,075
<b>Total short-term liabilities</b>		<b>965</b>	<b>2,892</b>
<b>Total liabilities</b>		<b>965</b>	<b>2,892</b>
Share capital	2.4	12,065	11,876
Legal capital reserves			
Reserves from capital contributions	2.5	59,790	88,479
Legal retained earnings			
General legal retained earnings		2,590	2,590
Voluntary retained earnings			
Available earnings			
Profit brought forward		270,710	249,379
Profit for the year		35,213	21,223
Treasury shares	2.6	(1,363)	(437)
<b>Total shareholders' equity</b>		<b>379,005</b>	<b>373,110</b>
<b>Total liabilities and shareholders' equity</b>		<b>379,970</b>	<b>376,002</b>

# Statement of Income

## INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

Year ended December 31,	Notes	2017	2016
Dividend income		<b>34,433</b>	19,414
Other financial income	2.7	<b>4,147</b>	3,969
<b>Total income</b>		<b>38,580</b>	<b>23,383</b>
Financial expenses	2.8	<b>1,077</b>	240
Other operating expenses	2.9	<b>2,115</b>	1,695
Direct taxes	2.10	<b>175</b>	225
<b>Total expenses</b>		<b>3,367</b>	<b>2,160</b>
<b>Profit for the year</b>		<b>35,213</b>	<b>21,223</b>

# Notes to the Financial Statements

## INFICON Holding AG, Bad Ragaz/Switzerland

### 1 Principles

#### 1.1 General Aspects

The financial statements of INFICON Holding AG, Bad Ragaz (the "Company"), were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32<sup>nd</sup> title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

The information contained in the financial statements relates to the ultimate parent company alone, while the consolidated financial statements reflect the economic situation of INFICON Group as a whole.

#### 1.2 Valuation Methods and Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Swiss Francs using year-end rates of exchange, except investments which are translated at historical rates. Transactions during the year in foreign currencies are translated at the exchange rates effective at the relevant transaction dates. Foreign currency gains and losses are recognized in the statement of income.

#### 1.3 Financial assets

Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are deferred. Financial assets include long-term loans to subsidiaries.

#### 1.4 Investments

The investments in subsidiaries are carried at lower of cost or their intrinsic value.

#### 1.5 Treasury Shares

Treasury shares are recognized at acquisition costs including transaction costs and deducted from shareholders' equity at the time of acquisition. The acquisition costs are calculated with the FIFO method (first in – first out). In case of resale, the gain or loss is recognized through the voluntary retained earnings.

#### 1.6 Share-based payments

Share-based compensation programs for the Board of Directors are in place since 2014 and for Group Management and Key Employees since 2015. Treasury shares are used in these programs and the cost is determined by reference to the average market price of the shares as of the fifth trading day after the Ordinary Annual General Meeting. The difference between the acquisition costs and the average market price at grant date is allocated to the retained earnings.

For the Board of Director's program, costs are allocated over the first year after allocation (vesting period). The costs of granted shares are recognized in other operating expenses.

#### 1.7 Cash Flow statement and additional disclosures

As INFICON Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER), no cash flow statement and notes with additional information are required for the Company.

# Notes to the Financial Statements

## INFICON Holding AG, Bad Ragaz/Switzerland

### 2 Disclosure on Balance Sheet and Income Statement Items

#### 2.1 Investments

The subsidiaries included in INFICON Holding AG's investment portfolio are shown below.

Company	Currency	December 31, 2017	2016
(in 1,000) (in 1,000)			
<b>INFICON Inc.</b>			
<b>Syracuse, USA</b>			
Share Capital	USD	*	*
Share in capital and voting rights		100%	100%
Purpose: Manufacturing, Sales and Service			
<b>INFICON AG</b>			
<b>Balzers, Liechtenstein</b>			
Share Capital	CHF	6,000	6,000
Share in capital and voting rights		100%	100%
Purpose: Manufacturing, Sales and Service			
<b>INFICON GmbH</b>			
<b>Bad Ragaz, Switzerland</b>			
Share Capital	CHF	2,000	2,000
Share in capital and voting rights		100.0%	100.0%
Purpose: Management Company			
<b>INFICON GmbH</b>			
<b>Cologne, Germany</b>			
Share Capital	EUR	1,026	1,026
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing, Sales and Service			
<b>INFICON Aaland Ab</b>			
<b>Mariehamn, Finland</b>			
Share Capital	EUR	60	60
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing			
<b>INFICON AB</b>			
<b>Linköping, Sweden</b>			
Share Capital	SEK	3,810	3,810
Share in capital and voting rights		100%	100%
Purpose: Manufacturing and Sales			
<b>INFICON Ltd.</b>			
<b>Blackburn, United Kingdom</b>			
Share Capital	GBP	400	400
Share in capital and voting rights		100%	100%
Purpose: Sales and Service			
<b>INFICON S.A.R.L.</b>			
<b>Courtaboeuf, France</b>			
Share Capital	EUR	108	108
Share in capital and voting rights		100%	100%
Purpose: Sales			
<b>INFICON S.r.l.</b>			
<b>Bozen, Italy</b>			
Share Capital	EUR	10	10
Share in capital and voting rights		100%	100%
Purpose: Sales			

Company	Currency	December 31, 2017	2016
(in 1,000) (in 1,000)			
<b>INFICON Co., Ltd.</b>			
<b>Yokohama-Shi, Japan</b>			
Share Capital	JPY	90,000	90,000
Share in capital and voting rights		100%	100%
Purpose: Sales			
<b>INFICON Ltd.</b>			
<b>Chubei City, Taiwan</b>			
Share Capital	TWD	52,853	52,853
Share in capital and voting rights		100%	100%
Purpose: Sales			
<b>INFICON Ltd.</b>			
<b>Bungdang-Ku, Korea</b>			
Share Capital	KRW	600,000	600,000
Share in capital and voting rights		100%	100%
Purpose: Manufacturing and Sales			
<b>INFICON Pte. Ltd.</b>			
<b>Singapore</b>			
Share Capital	SGD	1,797	1,797
Share in capital and voting rights		100%	100%
Purpose: Sales			
<b>INFICON Ltd.</b>			
<b>Pune, India</b>			
Share Capital	INR	18,920	18,920
Share in capital and voting rights **		100%	100%
Purpose: Sales			
<b>INFICON Ltd.</b>			
<b>Hong Kong</b>			
Share Capital	HKD	8,780	8,780
Share in capital and voting rights		100%	100%
Purpose: Sales			
<b>INFICON (Guangzhou) Instruments Co., Ltd.</b>			
<b>Guangzhou</b>			
Share Capital	RMB	9,837	9,837
Share in capital and voting rights		100%	100%
Purpose: Service			
<b>INFICON Instruments (Shanghai) Co., Ltd.</b>			
<b>Shanghai</b>			
Share Capital	USD	2,180	2,180
Share in capital and voting rights		100%	100%
Purpose: Manufacturing			
<b>INFICON EDC Inc.</b>			
<b>Syracuse, USA</b>			
Share Capital	USD	500	500
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing, Sales and Service			
<b>INFICON InstruTech LLC</b>			
<b>Longmont, USA</b>			
Limited Liability Company			
Equity Interest **		100%	100%
Purpose: Manufacturing and Sales			

\* INFICON Inc. has issued 100 shares at a nominal value of USD 0.01 per share  
 \*\* Indirect participation



# Notes to the Financial Statements

## Inficon Holding AG, Bad Ragaz/Switzerland

### 2.2 Other short-term liabilities

	December 31,	
In CHF 1,000	2017	2016
Liabilities to third parties	4	—
Liabilities to governing bodies (Auditors)	43	—
<b>Total</b>	<b>47</b>	<b>—</b>

### 2.3 Accrued expenses and deferred income

	December 31,	
In CHF 1,000	2017	2016
Liabilities to third parties	472	426
Liabilities to governing bodies (Board of Directors and auditors)	446	391
<b>Total</b>	<b>918</b>	<b>817</b>

### 2.4 Issued, authorized and conditional share capital

Share capital in the amount of TCHF 12,065 (2016: TCHF 11,876) consists of 2,413,083 (2016: 2,375,297) registered shares at a nominal value of CHF 5 each.

#### Issued share capital/share capital increase

During 2017, employees and members of the Board of Directors of INFICON exercised stock options which resulted in new shares being issued and increased nominal share capital by CHF 188,930. The share premium thereon of CHF 9,634,052 has been credited to the reserves from capital contributions.

#### Conditional Share Capital

The articles of incorporation provide for a conditional capital of a maximum of CHF 397,790 through the issuance of 79,558 registered shares of CHF 5 each by the exercise of option rights granted to employees and members of the Board of Directors of the Company. In 2017, employee stock options were exercised resulting in an increase in share capital of 37,786 shares. The remaining available balance of conditional share capital at December 31, 2017, is CHF 208,860.

### 2.5 Reserves from capital contributions

The reserves from capital contributions include the premium from capital increases in the years 2000–2017, less the distributions to shareholders.

### 2.6 Treasury shares

#### a) Treasury Shares 2017

	Number of treasury shares	Price per share in CHF		
		Highest	Lowest	Volume-weighted average
Balance as of January 1	1,289			
Purchases April 19 – April 20, 2017	700	538.50	511.00	523.46
Purchases May 18, 2017	500	497.00	495.00	495.98
Purchases October 19, 2017	1,000	612.50	610.50	611.04
Purchases November 11, 2017	800	585.00	574.50	581.00
Allocation to Members of the Board of Directors	(422)			
Allocation to Group Management and Key Employees	(1,498)			
<b>Balance as of December 31</b>	<b>2,369</b>			

#### b) Treasury Shares 2016

	Number of treasury shares	Price per share in CHF		
		Highest	Lowest	Volume-weighted average
Balance as of January 1	1,800			
Purchases January 14 – January 29, 2016	700	291.50	275.75	286.47
Purchases November 2 – November 13, 2016	1,000	366.25	345.00	353.85
Allocation to Members of the Board of Directors	(736)			
Allocation to Group Management and Key Employees	(1,475)			
<b>Balance as of December 31</b>	<b>1,289</b>			

The above mentioned timeline is the period within which the bank purchased the instructed quantity of shares. At December 31, 2017, acquisition cost for directly held treasury shares amounted to TCHF 1,363 (2016: TCHF 437). The treasury shares are reserved for compensations due in 2018. These shares are non-dividend bearing shares.

### 2.7 Other financial income

Other financial income amounts to TCHF 4,147 (2016: TCHF 3,969) and consists mostly of interest income from loans to companies in which the entity holds an investment.

# Notes to the Financial Statements

## Inficon Holding AG, Bad Ragaz/Switzerland

### 2.8 Financial expenses

Financial expenses amount to TCHF 1,077 (2016: TCHF 240) and consist mostly of foreign currency losses from loans to companies in which the entity holds an investment.

### 2.9 Other operating expenses

	December 31,	
In CHF 1,000	2017	2016
Administrative expenses	1,188	945
Share based payments	226	223
Consulting expenses	320	157
Withholding taxes	151	220
Other operating expenses	230	150
<b>Total</b>	<b>2,115</b>	<b>1,695</b>

### 2.10 Direct taxes

The tax charge includes income and capital taxes.

## 3 Other Information

### 3.1 Full-time Equivalents

INFICON Holding AG does not have any employees.

### 3.2 Significant Shareholders

The following shareholders owned more than 5 percent of voting rights:

December 31,	2017	2016
KWE Beteiligungen AG	18.95%	19.25%
7-Industries Holding B.V.	9.40%	9.55%
Chase Nominees Ltd.	5.14%	1.84%

Any significant shareholder notifications during 2017 and since January 1, 2018, can be accessed via the following weblink to the database search page of the disclosure office:

[http://bit.ly/IFCN\\_major\\_Shareholders](http://bit.ly/IFCN_major_Shareholders)

### 3.3 Shares and Share Options owned by Group Management and Members of the Board of Directors, including any related parties

The number of shares and share options owned by the Board of Directors and Group Management for the years ended December 31:

	2017		2016	
	Shares owned	Options owned	Shares owned	Options owned
<b>Board of Directors:</b>				
Dr. Beat E. Lüthi	772	—	602	1,800
Dr. Richard Fischer	25,229	675	25,139	675
Vanessa Frey *	259	—	302	900
Beat Siegrist	8,909	500	8,833	500
Dr. Thomas Staehelin	2,809	—	2,733	1,050
<b>Total Board of Directors</b>	<b>37,978</b>	<b>1,175</b>	<b>37,609</b>	<b>4,925</b>

#### Group Management

Lukas Winkler, President & CEO	4,524	1,400	4,496	4,869
Matthias Tröndle, Group CFO	309	313	240	938
<b>Total Group Management</b>	<b>4,833</b>	<b>1,713</b>	<b>4,736</b>	<b>5,807</b>

\*Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 18.95% (2016: 19.25%) in INFICON Holding AG.

The members of the Group Management held together on December 31, 2017 directly and indirectly a total of 0.20% (2016: 0.20%) bearer shares or 0.20% (2016: 0.20%) of the voting rights of INFICON. The members of the Board of Directors held together on December 31, 2017 directly and indirectly a total of 20.52% (2016: 20.83%) bearer shares or 20.52% (2016: 20.83%) of the voting rights of INFICON.

## Notes to the Financial Statements

### INFICON Holding AG, Bad Ragaz/Switzerland

#### 3.4 Shares for Group Management, Key Employees and Members of the Board of Directors

##### a) Share-based compensations 2017

	Shares granted	
	Quantity	Value in CHF 1,000
Total Board of Directors	422	223
Total Group Management and Key Employees	1,498	670
<b>Total</b>	<b>1,920</b>	<b>893</b>

##### b) Share-based compensations 2016

	Shares granted	
	Quantity	Value in CHF 1,000
Total Board of Directors	736	223
Total Group Management and Key Employees	1,475	456
<b>Total</b>	<b>2,211</b>	<b>679</b>

In 2014 the Directors' Stock Option Plan and in 2015 the Key Employee Stock Option Plan, both from 2001, were terminated and a share program was introduced. The relevant share price for allocation purposes is the the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting. Shares for compensation to Group Management and key employees are transferred at acquisition costs to the respective legal entity.

#### 3.5 Contingent Liabilities

In CHF 1,000	December 31,	
	2017	2016
Guarantees in favor of affiliated companies	<b>2,457</b>	4,357

The guarantees in favor of affiliated companies are to cover credit facilities with various banks in Europe. However, none of the credit facilities are drawn.

## Appropriation of Available Earnings

### INFICON Holding AG, Bad Ragaz/Switzerland

(Proposal of the Board of Directors)

In CHF 1,000	December 31,	
	2017	2016
Reserves from capital contributions at beginning of year	<b>88,479</b>	113,728
Transfer from general legal retained earnings		
Share premium on exercised stock options	<b>9,634</b>	5,319
Distribution to shareholders	<b>(38,323)</b>	(30,568)
<b>Reserves from capital contributions</b>	<b>59,790</b>	88,479
Profit brought forward *	<b>270,710</b>	249,379
Profit for the year	<b>35,213</b>	21,223
<b>Available earnings</b>	<b>305,923</b>	270,602

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation:

Reserves from capital contribution before proposed distribution	<b>59,790</b>
Distribution from capital contribution reserve	
(2017: CHF 20.00 each share) **	<b>48,262</b>
Reserves from capital contributions after proposed distribution	<b>11,528</b>

\* The difference between the profit brought forward of TCHF 270,710 at December 31, 2017, and the available earnings of TCHF 270,602 at December 31, 2016, mainly results from gains on treasury shares.

\*\* The proposed distribution from capital contribution reserve represents an estimated amount. This will be adjusted to take into account any new shares entitled to a distribution from legal reserves which are issued subsequent to December 31, and prior to the date of the distribution.



# Statutory Auditor's Report

To the General Meeting of INFICON Holding AG, Bad Ragaz

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of INFICON Holding AG, which comprise the balance sheet as at December 31, 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 60 to 67) for the year ended December 31, 2017 comply with Swiss law and the company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer  
Licensed Audit Expert  
Auditor in Charge

Lars Klossack  
Licensed Audit Expert

Zurich, March 9, 2018

## Imprint and Contact

### Note regarding forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “estimates,” “continue,” “may” and similar expressions) should be considered to be forward-looking statements. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the company to be materially different from those expressed or implied by such forward-looking statements. Many of these

risks and uncertainties relate to factors that are beyond the company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the performance, security and reliability of the company's information technology systems, political, economic and regulatory changes in the countries in which the company operates or in economic or technological trends or conditions. As a result, investors are cautioned not to place undue reliance on such forward-looking statements.

Except as otherwise required by law, INFICON disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this report.

### Investor Relations

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