



ANNUAL REPORT

2018

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.

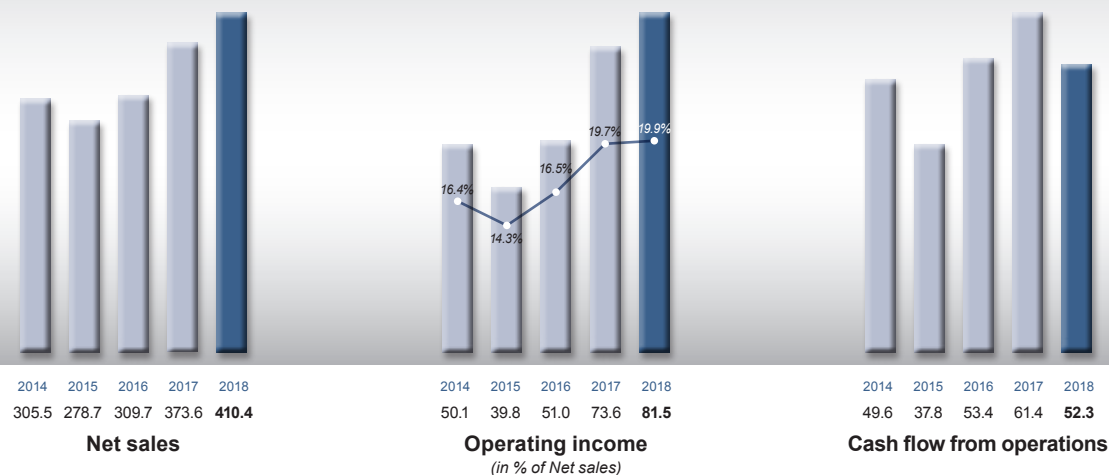
Other users of vacuum based processes include the life sciences, research, aerospace, food and general packaging, heat treatment, laser cutting, oil and gas transportation and processing, alternative energy, utilities, and many other industrial processes.

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, Investor section

Key Figures – At a Glance

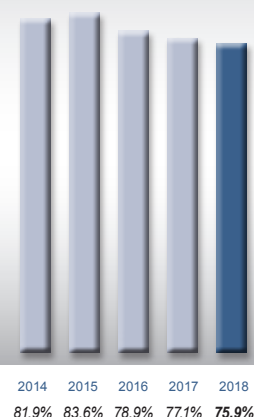


According to Swiss GAAP FER
(US Dollars in Millions, except per share amounts)

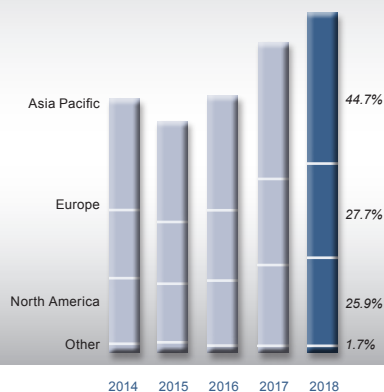
	2014*	2015	2016	2017	2018
Net sales	305.5	278.7	309.7	373.6	410.4
Research and development	27.3	24.6	26.8	28.2	31.7
Selling, general and administrative expense	78.2	71.4	78.4	86.8	91.7
Operating result	50.1	39.8	51.0	73.6	81.5
<i>in % of net sales</i>	16.4%	14.3%	16.5%	19.7%	19.9%
EBITDA	56.8	44.5	58.4	81.8	90.3
<i>in % of net sales</i>	18.6%	16.0%	18.8%	21.9%	22.0%
Net result	37.3	30.1	40.3	59.5	64.2
<i>in % of net sales</i>	12.2%	10.8%	13.0%	15.9%	15.6%
Cash and short-term investments	81.0	60.9	63.9	85.0	62.3
Cash flow from operations	49.6	37.8	53.4	61.4	52.3
Capital expenditures	8.0	22.7	5.3	14.3	20.3
Total assets	216.5	204.5	213.4	268.6	271.2
Long-term debt	–	–	–	–	–
Stockholders' equity	177.3	171.0	168.3	207.0	205.8
<i>Equity Ratio in %</i>	81.9%	83.6%	78.9%	77.1%	75.9%
Employees	948	959	990	1,028	1,118

* Restated according to FER 31

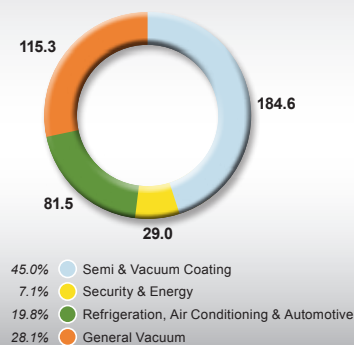
Key Figures – At a Glance



Equity Ratio



Direct Sales by Geographic Region



2018 Sales by End Market

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

	2014*	2015	2016	2017	2018
Ratios per Share					
Earnings per share – diluted	15.94	12.72	16.94	24.57	26.40
Shareholders' equity per share – diluted	75.77	72.34	70.71	85.49	84.65
Free cash flow per share – diluted	17.20	5.97	19.89	19.07	12.99
Return on equity %	21.0%	17.6%	24.0%	31.7%	31.1%
<hr/>					
Dividend/Distribution per share (CHF)	15.00	13.00	16.00	20.00	22.00**
Share price (CHF) at December 31,	308.25	320.25	367.00	608.50	497.60

Direct Sales by Geographic Region

	2014	2015	2016	2017	2018
Asia-Pacific	107.6	102.6	130.7	174.2	183.5
Europe	95.4	84.9	79.0	95.7	113.6
North America	98.4	87.3	96.1	99.2	106.1
Other	4.1	3.9	3.9	4.5	7.2

Sales by End Market

	2014	2015	2016	2017	2018
Semi & Vacuum Coating	100.6	97.2	120.6	167.0	184.6
Security & Energy	35.9	22.1	33.1	25.5	29.0
Refrigeration, Air Conditioning & Automotive	54.3	57.6	68.1	76.2	81.5
General Vacuum	114.7	101.8	87.9	104.9	115.3

* Restated according to FER 31

** The proposed distribution is to be paid out from reserves from capital contributions and from retained earnings

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 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 distribution per share for 2017 from legal reserves from capital contributions CHF 22.00 proposed distribution per share for 2018
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Acquisitions / Divestments

		+ InstruTech, Inc. Assets of vacuum process specialist, Feb 1, 2016		+ Final Phase Systems LLC, Assets of a Software Developer, Oct 1, 2018 + Techno-Tools Corp., Assets of a manufacturer of hand-held leak detectors, Oct 10, 2018
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Sales / Marketing / Achievements

<p>R&D 100 Award for Stripe High Speed Capacitance Diaphragm Vacuum Gauge</p> <p>R&D 100 Award for Micro GC Fusion Gas Analyzer</p> <p>Golden Gas Award for Micro GC Fusion Gas Analyzer</p> <p>INFICON joins Sematech Consortium</p> <p>2014</p>	<p>Inauguration of new production facility at Syracuse/NY, USA</p> <p>2015</p>	<p>Chief Sales Officer hired; focus on growth and sales excellence</p> <p>Technology Day for Analysts, Investors and Media, Nov 9, 2016, in Balzers/FL</p> <p>Launched rollout for fully integrated CRM system</p> <p>2016</p>	<p>CRM go live</p> <p>Implementation of a collaboration tool</p> <p>2017</p>	<p>Moving into new and larger premises for sales, application, service, and logistics in Kawasaki and Chubu, Japan</p> <p>Launch of CONTURA S400 for food packaging industry in North America after successful launch in Europe</p> <p>R&D 100 Finalist Award for Contura S400</p> <p>2018</p>
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Recent Milestones and Achievements

Innovation is key at INFICON. In our 19 years of existence we have developed and launched over 70 new products.

Technology Leadership

<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>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>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>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>Transpector XPR 3+ RGA integrates a new generation of miniaturized quadrupole mass spectrometer for rapid gas change monitoring</p> <p>SPOT CDS500 featuring two measuring cells for wide range pressure measurement</p> <p>IRwin Variants G, the world's most compact methane analyzer with integrated gas chromatography for ethane analysis</p> <p>XL3000, the world's most powerful sniffer leak detector for H₂ and Helium</p>
2014	2015	2016	2017	2018

Target Markets

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

<p>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>	<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 petrochemical industry, including oil and gas production and refining, alternative energy sources.</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, lithium-ion batteries, and other components in the automotive industry.</p> <p>After-sale service for repair.</p>	<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.</p>
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Growth Drivers

<p>Growing demand for electronic consumer products in emerging markets.</p> <p>Increasing complexity and manufacturing cost of goods.</p> <p>Miniaturization for portability and mobile communication.</p> <p>Rising demand for intelligent sensors (MEMS, optical, etc.).</p> <p>Strong growth of new applications (Big Data, IoT, Virtual/Augmented reality, artificial intelligence, autonomous driving)</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>Regulations to reduce environmental pollution and increase energy efficiency.</p> <p>Rising demand for air conditioning and new refrigerants.</p> <p>Growing demand for household appliances in emerging economies.</p> <p>Lithium-ion battery and fuel cell technologies, E-mobility.</p> <p>Increasing demand for leak tight automotive parts.</p>	<p>Life Science.</p> <p>R&D budgets.</p> <p>Easier use of vacuum for industrial and research applications.</p> <p>Rising quality standards.</p> <p>Global GDP growth.</p> <p>New energy and fuel applications.</p> <p>Food packaging, 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
Application-based software solutions			
Quartz crystal technologies			Quartz crystal technologies
RF sensing technology			
		Service tools	

Letter to our Shareholders

Dear Shareholders

INFICON closed the year 2018 with 10% sales growth to USD 410.4 million. Our investments into new products and the continuous refinement of our existing offering along with the targeted expansion of our marketing and sales efforts have allowed INFICON to exceed the worldwide economic trends. The results of 2018 thus document INFICON's strong position in the four chosen target markets across the globe.

The operating income of USD 81.5 million represents an increase of 11% over the previous year and yields an operating income margin of 19.9%. The Board of Directors proposes to the Annual General Meeting of Shareholders to distribute CHF 22.00 per share – CHF 5.00 out of capital reserves and CHF 17.00 as ordinary dividend. The distribution to the shareholders thus represents a pay-out ratio of 83.9%.



The new SPOT CDS500 gauge is designed into small OEM vacuum instruments, featuring two measuring cells to cover a wide range of pressure.



The new Transpector XPR 3+ miniaturized quadrupole mass spectrometer provides industry-leading speed and accuracy for modern semiconductor and display manufacturing.

Letter to our Shareholders

As a global leader in vacuum instrumentation technology, INFICON serves a continually growing array of industrial, governmental and scientific customers around the globe which we group into four target markets: Semiconductor & Vacuum Coating made up for 45% of sales in 2018, while sales to a varied customer base in General Vacuum Applications accounted for 28% of our annual sales. Another 20% went to customers in the Refrigeration, Air Conditioning & Automotive market and, finally, 7% of our sales were achieved in the Security & Energy market. The diverse backgrounds of our customers comprising both private and public sector, the focus on many different industries with their own specific developments and underlying trends, as well as our global marketing and sales footprint help us moderate the ups and downs of individual business and market cycles.

Shift in demand in the Semi & Vacuum Coating business

The year 2018 started off on a very strong note in all target markets and global areas. During the course of the business year it became clear that the stunning growth dynamics INFICON had witnessed over the past quarters would slow down: The boom in the OLED market reached its peak and additional capital investments of our customers started to slow down. The strong growth in Asia and China in particular also started

to lose some momentum, partially caused by the uncertainties spread by the trade war between the USA and China.

Beside the slowdown in new OLED capacity investments, the traditional semiconductor business continued to be solid – supported both by a stable demand from equipment manufacturers and the end consumer market alike.

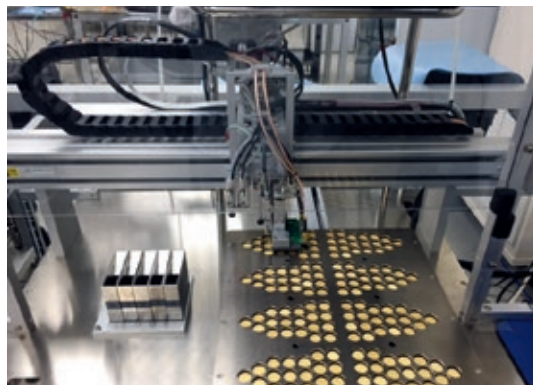
Year-over-year, INFICON grew 10.5% in the Semi & Vacuum Coating market and achieved USD 184.6 million in sales.

Stability of General Vacuum business rooted in broad customer base

The positive business trends in Europe underpinned the robust sales figures in the General Vacuum market in 2018. The customer mix comprising both private and public sector clients led to a continued sales development. INFICON's efforts to serve this market directly as well as through its private label partnerships paid off, too. We believe that we successfully expanded our market share during the year. As a true leader in vacuum instrumentation technology, INFICON is a preferred partner of the international science and research community. Especially large and long-term research projects are only marginally influenced by



The CGD020D Porter is designed for stable long-term use in industrial environments of Semi & Vacuum Coating and General Vacuum.



Quartz crystals are consumables needed to monitor the deposition rate in situ, in vapor deposition applications and automate thin film processes in conjunction with a thin film controller.

Letter to our Shareholders

short-term business cycles. The internationally orchestrated research for alternative energy sources is a good illustrating example: In the south of France, 35 nations are collaborating to build the world's largest magnetic fusion reactor. Fusion, the nuclear reaction that powers the sun and other stars, is a potential source of non-carbon emitting and virtually unlimited energy. This may well lead the way into the future. Hence the name of this project: ITER which means "way" or "road" in Latin. INFICON has already supplied various components to this potentially game-changing science research project.

The introduction of new product categories like e.g. CONTURA S400, a non-destructive leak-testing machine for packaging, will root our future sales development more broadly. The European food industry responded well to the new leak testing concept CONTURA introduces to the food packaging industry. Having seen encouraging orders from European customers, we have started to introduce this product also in North America.

In the General Vacuum market segment INFICON closed the year with a 10% sales increase to USD 115.3 million.



Vacuum instrumentation technology is used in an ever wider variety of applications: Automated Leak Testing of Battery Enclosures.

Stable refrigeration and air conditioning business, growth in automotive applications

INFICON achieved rising sales in its Refrigeration, Air Conditioning & Automotive target market. The annual sales picked up some 7% and reached USD 81.5 million.

Keeping a high profile on international markets is key to future sales. In Asia, the INFICON brand is well known as we have been present in this region for many decades and even before many of the international vacuum pump manufactures – a major customer group of ours. INFICON is known throughout the world for its technology leadership, its customer support services and its “can-do” attitude. This and our long-standing track record for state-of-the-art leak testing of automotive components such as airbags, wheel wells, as well as various air conditioning and engine components has certainly facilitated our successful entry into the testing of lithium-ion battery housings. Today, China is by far the largest manufacturer of these batteries which are used for any kind of electronic vehicles. The extraordinary growth of road-based E-mobility, both for passenger and cargo vehicles, sparked a great demand for lithium-ion batteries. These battery stacks have to be absolutely leak tight, as any contact with the ambient air could lead to explosions. The high brand recognition in Asia helped us to position ourselves in this growth marked as a true first mover. As the Chinese battery manufacturers are now setting up plants in Europe and North America, we see an ongoing demand for our technology from this side.



Food packaging is a new industry discovering the advantages of vacuum instrumentation technology through CONTURA S400.

Letter to our Shareholders

Large public sector orders dominate Security & Energy business

The development of INFICON's smallest target market, Security & Energy, is largely dependent on public sector orders and their timing. The products we sell into this market allow the immediate identification of potentially hazardous volatile organic compounds. Therefore, the products are mostly used for defence and environmental protection and to a lesser extent to guarantee the security of oil and gas refinement and transportation.

Year-over-year, sales to this target market grew in 2018 by 13.7% to USD 29 million.

Record results in 2018

INFICON grew its sales in 2018 by 10% to a record-high volume of USD 410.4 million. To accommodate the growth, reduce the dependency on certain suppliers and to guarantee for timely and seamless production, INFICON has strategically increased the stock levels of key components over the course of the year at several of its manufacturing sites. At the same time, our investments into research and development were higher than in previous years. This reflects on the one hand our general focus on the development of new products and the ongoing refinement of our existing offering. On the other hand, it is also the consequence of the acquisition of two smaller businesses during the course of the year. Overall, R&D costs rose 12.4% in 2018 while the general, sales, and administrative costs showed an under-proportionate increase of 5.6%.

The gross margin decreased slightly from 50.5% to now 49.9%, whereas the operating profit margin rose from 19.7% to now 19.9%. With a net profit of USD 64.2 million up from USD 59.5 million a year ago, INFICON achieved earnings of USD 26.40 per share after USD 24.57 at the end of 2017.

In 2018, INFICON generated a cash flow from operations of USD 52.3 million after USD 61.4 million in 2017. The Company closed the reporting year with liquid assets of USD 62.3 million and a strong, debt-free balance sheet with an equity ratio of 75.9%. In the light of the robust financial results, the financial strength and the business prospects of the Company, the Board of Directors proposes to the Annual General Meeting to distribute for the year 2018 per share CHF 22.00 (CHF 5.00 from capital reserves and CHF 17.00 as ordinary dividend).

The Board and the Group Management would like to thank all our customers, suppliers, business partners and shareholders for their continued trust and support. A heartfelt "thank you" also goes out to our around 1,150 INFICON employees around the world. Without their talent and initiative, the positive development and the convincing results would not have been possible.

Yours sincerely



Dr. Beat E. Lüthi
Chairman

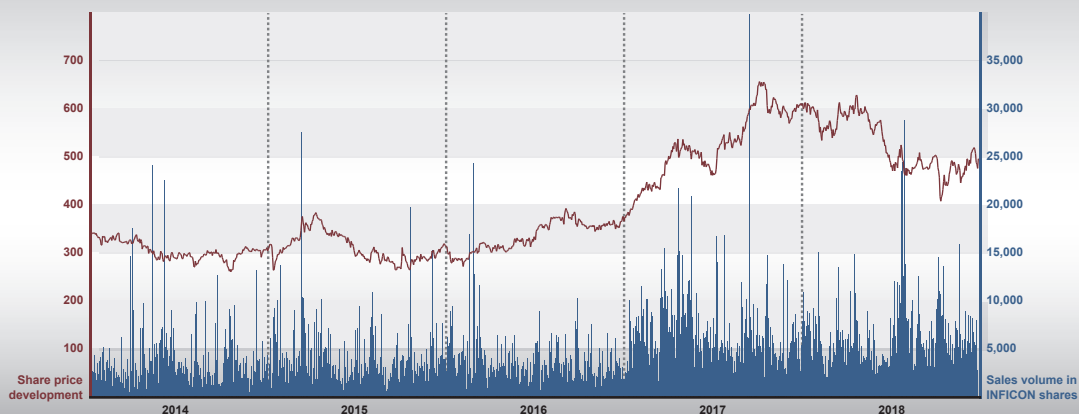
Lukas Winkler
CEO

Matthias Tröndle
CFO



from left to right:
Dr. Beat E. Lüthi, Lukas Winkler, Matthias Tröndle

Investor Relations



Company Capital

The share capital of INFICON Holding AG consists of 2,421,683 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

March 28, 2019: Annual General Meeting of Shareholders, Bad Ragaz, Switzerland

April 17, 2019: First quarter 2019 results

July 25, 2019: Second quarter 2019 results / half-year results 2019

October 17, 2019: Third quarter 2019 results

March 2020: Fourth quarter 2019 results / Year-end results 2019

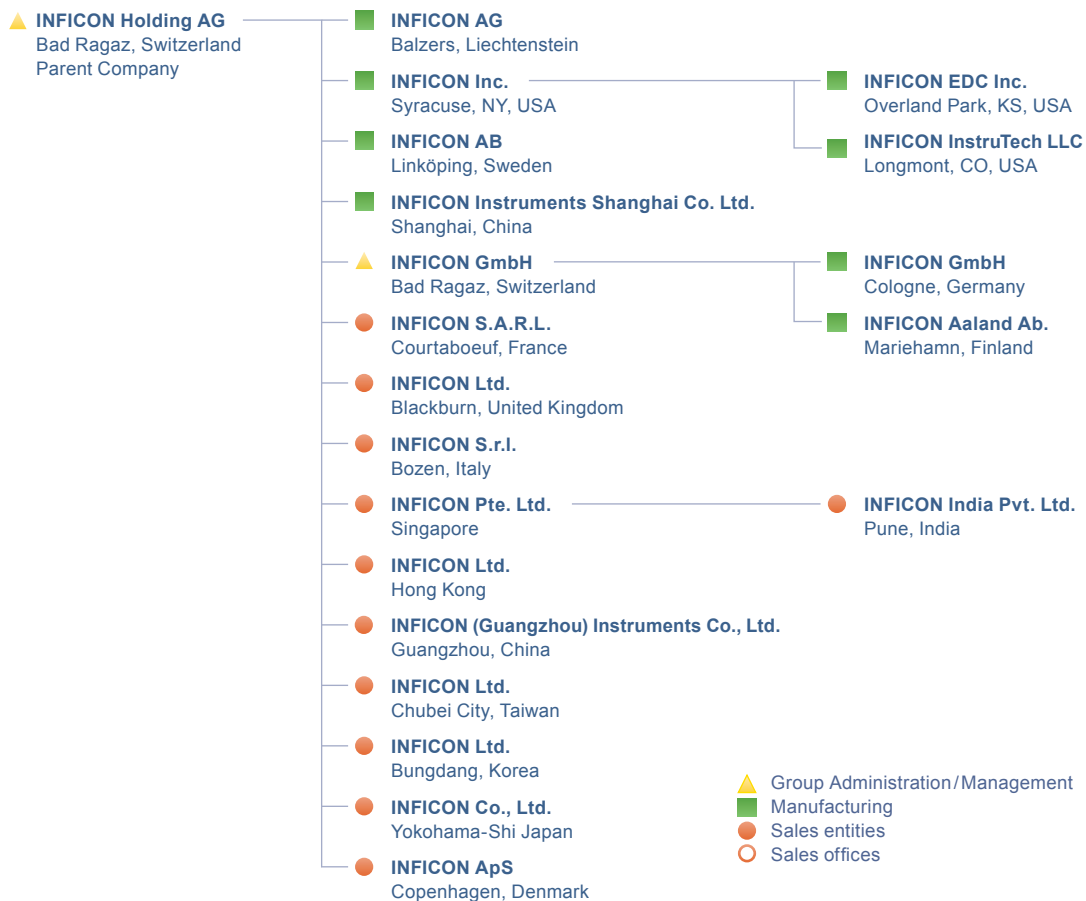
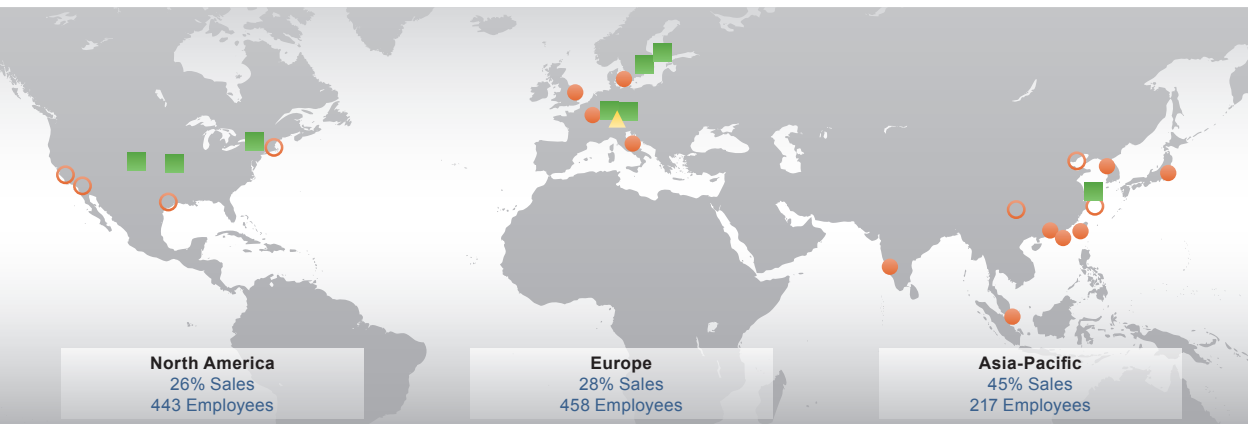
Internet/E-mail Alerts

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

	2014	2015	2016	2017	2018
Key figures per share (CHF)					
Price at year-end	308.25	320.25	367.00	608.50	497.60
Highest price	346.75	391.00	396.25	660.50	636.00
Date	Jan. 08	Apr. 14	Sep. 06	Oct. 13	Apr. 23
Lowest price	250.00	252.00	270.50	371.50	403.80
Date	Oct. 16	Oct. 21	Feb. 09	Jan. 03	Oct. 11
Earnings per share (basic)	15.94	12.72	16.94	24.57	26.40
Equity per share	75.77	72.34	70.71	85.49	84.65
Dividend/Distribution per share	15.00	13.00	16.00	20.00	22.00*

* The proposed distribution is to be paid out from reserves from capital contributions and from retained earnings.

Global Presence



Group Organization

(as of March 4, 2019)

Board of Directors and Group Management



*Back row from left to right: Dr. Richard Fischer, Dr. Beat E. Lüthi (Chairman), Vanessa Frey, Dr. Thomas Staehelin, Beat Siegrist
Front row from left to right: Lukas Winkler (CEO), Matthias Tröndle (CFO)*

Group Organization

(as of March 4, 2019)



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

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 March 20, 2018.

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 26.

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 15.

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, 11 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 13.

Listed Corporation: INFICON Holding AG

INFICON Holding AG is based in Bad Ragaz, Switzerland. It has a share capital of TCHF 12,108 made up of 2,421,683 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, 2018 was TCHF 1,205,029 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, 2018.

Number of shares	Number of shareholders
> 50,000	4
10,000 – 50,000	13
1 – 9,999	4,373
Total	4,390

Shareholders by Country

Based upon number of registered shareholders as of December 31, 2018.

Country	Number of shareholders
Switzerland	3,939
Germany	215
United States of America	51
Liechtenstein	22
Rest of Europe	135
Rest of World	28
Total	4,390

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, 2018:

Issued share capital	2,421,683	TCHF 12,108
Conditional share capital	33,172	TCHF 166

The issued share capital comprises 2,421,683 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 209 through the issuance of 41,772 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. During 2018 a total of 8,600 (2017: 37,786) options have been exercised reducing the available conditional shares to 33,172 and the conditional share capital to TCHF 166.

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, 2018 and 2017.

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, 2018 a total of 24,003 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 11, "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 five 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 2018:

	Board of Directors	Audit Committee	Compensation and Human Resources Committee
Number of meetings in 2018	6	4	4
Approx. average duration of meetings (in hours)	5.0	0.3	1.4
Dr. Richard Fischer	5	3	3
Vanessa Frey	6	4	4
Dr. Beat E. Lüthi	6	4	4
Beat Siegrist	6	4	4
Dr. Thomas Staehelin	6	4	4
KPMG calling in	—	1	—
Number of conference calls in 2018	—	5	—
Approx. average duration of conference calls (in hours)	—	1.2	—
Dr. Richard Fischer	—	4	—
Vanessa Frey	—	5	—
Dr. Beat E. Lüthi	—	5	—
Beat Siegrist	—	5	—
Dr. Thomas Staehelin	—	5	—
KPMG	—	2	—

The meetings took place in Bad Ragaz (Switzerland), Balzers (Liechtenstein), Shanghai (China), 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 Mandate

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
2012–2018 Garaventa Lift AG, Vice Chairwoman

Current Board Mandates

Since 2002 Corisol Holding AG, Member
Since 2008 Swiss Small Cap Invest, Member
Since 2008 KWE Beteiligungen AG, Member
Since 2012 INFICON Holding AG, Member
Since 2014 Schweiter Technologies AG, Member
Since 2016 Zur Rose Group AG, Member
Since 2018 IMG Technologies Private Limited,
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
2013–2018 Garaventa Accessibility AG, Chairman

Current Board Mandates

Since 2003 Phoenix Mecano AG, Member
Since 2008 Schweiter Technologies AG, Chairman
Since 2010 INFICON Holding AG, Member

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
2005–2018 Scobag Privatbank AG, 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 2006 Stamm Bau AG, Chairman
Since 2017 Radisson Hospitality 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:

Board of Directors	Date	Term
	First Elected	Expires
Dr. Beat E. Lüthi	May 2012	March 2019
Dr. Richard Fischer	May 2003	March 2019
Vanessa Frey	May 2012	March 2019
Beat Siegrist	May 2010	March 2019
Dr. Thomas Staehelin	May 2001	March 2019

3.4 Internal Organizational Structure

Refer to page 15.

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

Current Board Mandate

Since 2018 KLH Holding AG, Member

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 2018 audit were approximately TUSD 307.

8.3 Additional Fees

No additional fees were paid to the Group Auditor in 2018.

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 2018 the audit firm attended two conference calls and one 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 2018 half-year report was published online in August 2018.

Information available for investors can be found at 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

Unless otherwise indicated, all information refer to the financial year 2018 closed on December 31, 2018. 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. One member of the Board of Directors participates in the 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 90%. The individual performance goals, weighted for approximately 10%, 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.

The fixed base cash salary of the Group Management did not change in 2018. 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 2018 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 2018

	Base compensation	Variable compensation	Shares granted	Employer social security contributions	Other compensation ****	Total 2018
	Cash	Cash bonus accrued	Number	TCHF	TCHF	TCHF
Board of Directors*:						
Dr. Beat E. Lüthi Chairman	126	—	105	63	26	215
Dr. Richard Fischer Vice Chairman	94	—	78	47	22	163
Vanessa Frey Member	63	—	53	32	22	117
Beat Siegrist Chairman of CHR Committee	80	—	67	41	9	130
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	67	41	6	127
Total	443	—	** 370	224	85	752
Group Management:						
Lukas Winkler President and Chief Executive Officer	459	215	367	194	115	20 1,003
Total	751	335	*** 580	306	201	40 1,633

* 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 2018/2019.
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 19, 2021.

*** The total share amount consists of
— shares granted as variable compensation for 2018 with a four years blocking period until July 1, 2022
— 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 2017

	Base compensation	Variable compensation	Shares granted	Employer social security contributions	Other compensation ****	Total 2017
	Cash	Cash bonus accrued	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
Total	443	—	** 422	223	83	749
Group Management:						
Lukas Winkler President and Chief Executive Officer	458	280	259	118	166	20 1,042
Total	748	455	*** 409	186	256	40 1,685

* 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.

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 752 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 2018 and 2017 is mainly driven by changes in variable performance related compensation elements (cash bonus and shares) and related lower 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 1st. 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 1,633 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 2018. No such loans were outstanding as of December 31, 2018.



Report of the Statutory Auditor

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

We have audited the remuneration report dated March 4, 2019 of INFICON Holding AG for the year ended December 31, 2018. 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 29 as well as sections 8 to 10 on page 30 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, 2018 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 4, 2019

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 "Responsible Business Alliance (RBA)."

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."

INFICON also strives to cooperate and support any initiatives from authorities or governments regarding sustainability. As an example, INFICON Aaland Ab will take part in the program of the local government program for sustainability.

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.

Environmental Protection, Safety and Product Stewardship

Innovation

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

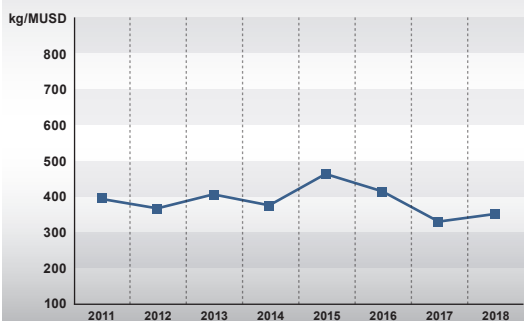
Taking into account the entire life cycle of a product, attention is paid already to the aspects of sustainability and resource efficiency at the time of developing new products. This includes as well the development of products with the lowest possible energy consumption throughout their whole life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

Resources

All manufacturing sites 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.

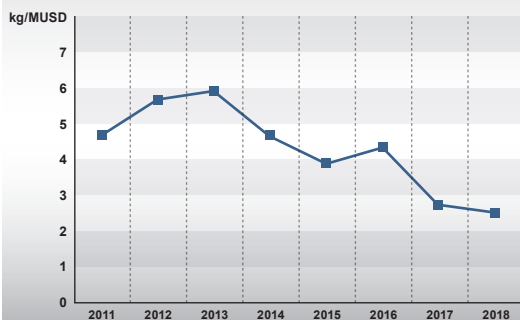
Reducing the amount of waste is one of the company goals in context to consumption of resources. Therefore a consistent recycling of industrial waste has been implemented group wide. The production of garbage in relation to net sales has been reduced from 394.1 kg/MUSD in 2011 to 347.5 kg/MUSD in 2018, this represents a decrease of 12%.

Production of Garbage in relation to Net Sales
(all manufacturing sites)



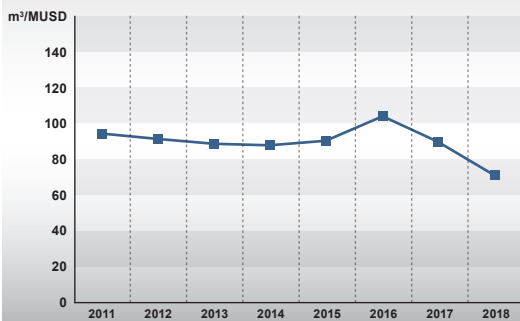
The production of hazardous waste in relation to net sales has been reduced from 4.7 kg/MUSD in 2011 to 2.6 kg/MUSD in 2018, which represents a decrease of 45% since 2011.

Production of Hazardous Waste in relation to Net Sales
(all manufacturing sites)



The consumption of water in relation to net sales has been reduced by 20% from 95.8 m³/MUSD in 2011 to 76.8 m³/MUSD in 2018.

Consumption of Water in relation to Net Sales
(all manufacturing sites)

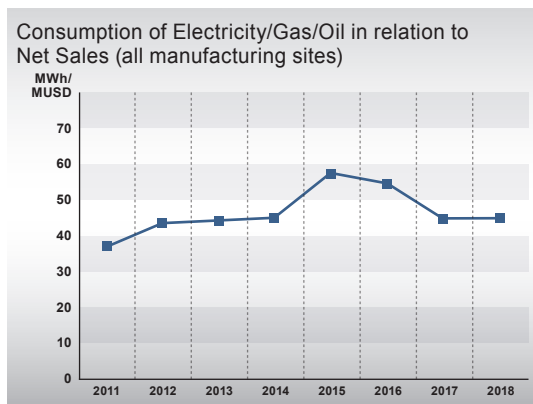


Environmental Protection, Safety and Product Stewardship

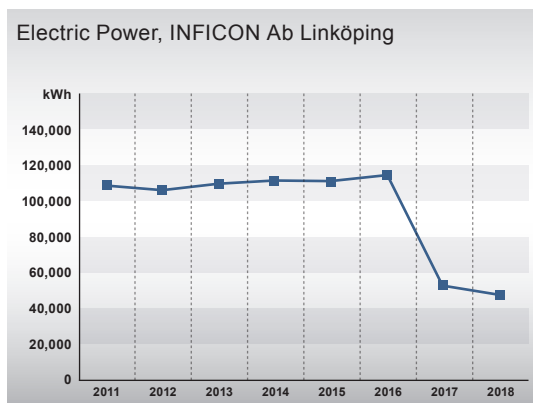
Buildings and Constructions

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).

Overall INFICON manufacturing sites, the consumption of electricity, gas and oil in relation to net sales increased from 38.6 MWh/MUSD in 2011 to 45.8 MWh/MUSD. This increase of 19% is opposite to a sales growth of 32% from 2011 to 2018.



INFICON AB in Linköping, Sweden managed to reduce the consumption of electrical power by 14% from 2017 to 2018 thanks to a modern and more efficient building technology.



Logistics

In addition to factors such as reliability and punctuality, INFICON also focus on environment-friendly transport services.

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 2018, net sales increased by 9.9% or USD 36.8 million to USD 410.4 million from USD 373.6 million in 2017. As this includes a positive impact of USD 5.8 million or 1.5 percentage points from changes in currency exchange rates (FX impacts) and a positive impact of USD 1.2 million or 0.3 percentage points from acquisitions, the net sales increased organically by 8.0% in 2018.

Sales to the Semi & Vacuum Coating market increased by USD 17.6 million or 10.5% to USD 184.6 million driven by a strong demand for OLED capacity in the first half of 2018 and a stable demand from the traditional semiconductor business, which continued to be solid. The General Vacuum market sales rose by USD 10.4 million or 9.9%. The customer mix comprising both private and public sector clients led to continued sales. Refrigeration, Air Conditioning & Automotive sales increased by 7.0% or USD 5.3 million to USD 81.5 million. The growth is based on a stable refrigeration and air conditioning business as well as an increase in automotive applications. Sales to the Security & Energy market increased by 13.7% or USD 3.5 million. Sales in this market are characterised by a long-term project business dominated by large public sector customers.

Gross Profit

Gross profit margin was 49.9% for 2018 as compared with 50.5% for 2017 slightly lower due to unfavourable mix impacts.

Research and Development

Research and development costs increased to USD 31.7 million or 7.7% of net sales, as compared with USD 28.2 million or 7.5% in 2017. This increase of 12.4% is driven by our continued development efforts as well as impacts from acquisitions and foreign currency translation.

Selling, General, and Administrative (SGA)

Selling, general, and administrative costs increased to USD 91.7 million or 22.3% of sales in 2018 from USD 86.8 million or 23.2% of sales in 2017. This increase is due to headcount additions and investments in marketing and selling capabilities as well as foreign currency translation impacts.

Operating Result

Income from operations increased to USD 81.5 million or 19.9% of sales for 2018 from USD 73.6 million or 19.7% of sales for 2017. This increase of 10.7% is due to higher a sales volume, a solid gross profit margin and underproportional rise in operational costs.

Financial Result

The decrease in the financial result by USD 0.1 million to USD 1.4 million is essentially driven by the increase in foreign currency losses.

Income Taxes

Provision for income taxes was USD 16.0 million or 19.9% of earnings before taxes for 2018 compared with USD 12.8 million or 17.8% of income before taxes for 2017. The higher rate was driven by the mix in earnings and tax rates among the Company's different tax jurisdictions and favourable US tax reform impacts in 2017.

Net Result and Diluted Earnings per Share

Net income and diluted earnings per share was USD 64.2 million and USD 26.40 per share for 2018, as compared with USD 59.5 million and USD 24.57 per share for 2017. The increase of 7.4% in diluted earnings per share is a result of the 7.9% increase in net income.

Financial Review

(US Dollars in Millions)

Balance Sheet and Liquidity

Inventories increased by USD 17.2 million to USD 65.3 million at December 31, 2018 as compared with USD 48.1 million at December 31, 2017. Inventory turns decreased to 3.5 in 2018 from 4.2 in 2017 using a 4-point average of quarter-end inventory balances. To reduce some dependencies on certain components and suppliers, the stock levels have been strategically increased over the course of the year.

Property, Plant & Equipment increased by USD 7.7 to USD 64.7 at December 31, 2018 compared to USD 57.0 at December 31, 2017, due to an increase in capacity and modernization of machinery and equipment.

Long-term provisions increased by USD 8.2 million affected mainly by the acquisitions of business made in 2018.

Cash and short-term investments at December 31, 2018 totaled USD 62.3 million, which represents a decrease of USD 22.7 million as compared with USD 85.0 million at December 31, 2017. Cash flow from operations totaled USD 52.3 million in 2018 as compared with USD 61.4 million in 2017. The decrease is driven by an increased level of inventories and impacts from acquisitions.

Consolidated Balance Sheet

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

	Note	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents		61,065	83,015
Short-term investments		1,239	2,014
Trade accounts receivable	3	53,701	53,596
Inventories	4	65,253	48,066
Prepayments and accrued income		2,068	1,647
Other current assets		5,582	5,764
Total current assets		188,908	194,102
Property, plant, and equipment	5	64,742	56,966
Intangible assets	6	6,414	5,293
Deferred tax assets		7,654	9,262
Financial assets		3,471	2,954
Total non-current assets		82,281	74,475
Total assets		271,189	268,577
Liabilities and Shareholders' Equity			
Trade accounts payable		8,573	10,350
Short-term provisions	7	16,947	20,714
Income taxes payable		7,118	6,976
Accrued expenses and deferred income	8	12,607	12,550
Other current liabilities		5,798	4,504
Total current liabilities		51,043	55,094
Long-term provisions	7	11,631	3,402
Deferred tax liabilities	9	2,759	3,114
Total non-current liabilities		14,390	6,516
Total liabilities		65,433	61,610
Common stock		6,786	6,762
Treasury shares		(1,215)	(1,373)
Retained earnings		205,467	203,261
Foreign currency translation		(5,282)	(1,683)
Total shareholders' equity		205,756	206,967
Total liabilities and shareholders' equity		271,189	268,577

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	2018	2017
Net sales		410,447	373,581
Cost of sales		(205,574)	(185,076)
Gross profit		204,873	188,505
Research and development		(31,695)	(28,193)
Selling expense		(33,336)	(31,486)
General and administrative expense		(58,368)	(55,269)
Operating result		81,474	73,557
Financial result	13	(1,353)	(1,223)
Ordinary result		80,121	72,334
Earnings before income taxes (EBT)		80,121	72,334
Income taxes	14	(15,954)	(12,848)
Net result		64,167	59,486
Earnings per share:	15		
Basic		26.54	24.79
Dilution		(0.14)	(0.22)
Diluted		26.40	24.57

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, 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	11	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	12				0		0
Balance at December 31, 2017		6,762	—	(1,373)	203,261	(1,683)	206,967
Net result					64,167		64,167
Foreign currency translation adjustments						(3,599)	(3,599)
Issuance of common stock from exercise of stock options	11	24	2,234				2,258
Acquisition of treasury shares				(1,050)			(1,050)
Disposal of treasury shares				1,208			1,208
Stock-based compensation			112				112
Distribution from legal reserve (CHF 20 per share)			(2,346)		(47,576)		(49,922)
Adjustment of Goodwill	12				(14,385)		(14,385)
Balance at December 31, 2018		6,786	—	(1,215)	205,467	(5,282)	205,756

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

Consolidated Statement of Cash Flow

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

Year ended December 31,	Note	2018	2017
Cash flows from operating activities:			
Net result		64,167	59,486
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5	8,603	7,432
Amortization	6	1,598	2,105
Result from disposal of fixed assets		21	165
Deferred Taxes		1,071	(480)
Stock based compensations		112	453
Changes in operating assets and liabilities, excluding effects from acquisition:			
Trade accounts receivable		(976)	(9,560)
Inventories		(17,871)	(9,546)
Other assets		(896)	(2,968)
Trade accounts payable		(1,569)	1,874
Accrued liabilities and provisions		(3,614)	7,341
Income taxes payable		274	2,341
Other liabilities		1,388	2,751
Net cash provided by operating activities		52,308	61,394
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(20,261)	(14,305)
Disposal of property, plant, and equipment		2,910	329
Purchase of intangible assets		(463)	(918)
Disposal of intangible assets		200	0
Acquisitions of businesses net of cash acquired	17	(8,376)	0
Purchase of short-term investments		(2,396)	(11,372)
Disposal of short-term investments		3,171	13,942
Net cash used in investing activities		(25,215)	(12,324)
Cash flows from financing activities:			
Proceeds from exercise of stock options	11	2,258	9,925
Cash distribution from legal reserves		(49,922)	(38,448)
Purchase/disposal of treasury shares		158	(932)
Proceeds from borrowings		21,417	18,146
Repayments of borrowings		(21,417)	(18,146)
Net cash used in financing activities		(47,506)	(29,455)
Effect of exchange rate changes on cash and cash equivalents		(1,537)	4,083
Change in cash and cash equivalents		(21,950)	23,698
Cash and cash equivalents at beginning of period		83,015	59,317
Cash and cash equivalents at end of period		61,065	83,015

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, Denmark, 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 February 27, 2019 for submission to the Annual General Meeting on March 28, 2019.

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%
INFICON ApS	Kopenhagen (DK)	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.

Research and Development

Research and development costs are expensed as incurred.

Notes to Consolidated Financial Statements

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

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		
		2018	2017	2018	2017	
1	Swiss Franc	USD	1.0202	1.0249	1.0228	1.0157
	Euro	USD	1.1454	1.1993	1.1815	1.1293
	Japanese Yen	USD	0.0091	0.0089	0.0091	0.0089
	Hong Kong Dollar	USD	0.1277	0.1280	0.1276	0.1283
	Korean Won	USD	0.0009	0.0009	0.0009	0.0009

Notes to Consolidated Financial Statements

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

3 Trade Accounts Receivable

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

	2018	2017
Trade accounts receivable, gross	55,807	54,882
Bad debt allowance	(2,106)	(1,286)
Total trade accounts receivable, net	53,701	53,596

4 Inventories

Inventories and related reserves consist of the following at December 31:

	2018	2017
Raw material	53,761	39,024
Work-in-process	8,931	5,533
Finished goods	9,186	10,968
Advance Payments to suppliers	223	20
Inventory Valuation Adjustment	(6,848)	(7,479)
Balance at December 31,	65,253	48,066

5 Property, Plant, and Equipment

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

	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
Property, plant, and equipment 2018								
At cost								
At January 1, 2018	3,005	43,873	52,056	10,954	5,753	7,338	12,359	135,338
Additions	24	420	11,703	209	2,878	1,055	1,154	17,443
Disposals	—	—	(801)	(164)	—	(123)	(215)	(1,303)
Reclassifications	—	—	1,671	37	(1,708)	—	—	—
Exchange Differences	(104)	(551)	(492)	(63)	(167)	(208)	(603)	(2,188)
At December 31, 2018	2,925	43,742	64,137	10,973	6,756	8,062	12,695	149,290

Accumulated depreciations:

At January 1, 2018	390	13,963	39,300	9,669	—	6,074	8,976	78,372
Systematic depreciation	—	1,417	4,579	433	—	1,244	930	8,603
Disposals	—	—	(766)	(164)	—	(121)	(201)	(1,252)
Reclassifications	—	—	—	—	—	—	—	—
Exchange Differences	—	(124)	(374)	(59)	—	(185)	(433)	(1,175)
At December 31, 2018	390	15,256	42,739	9,879	—	7,012	9,272	84,548

Net book values:

At January 1, 2018	2,615	29,910	12,756	1,285	5,753	1,264	3,383	56,966
At December 31, 2018	2,535	28,486	21,398	1,094	6,756	1,050	3,423	64,742

	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
Property, plant, and equipment 2017								
At cost								
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
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

Notes to Consolidated Financial Statements

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

6 Intangible Assets

Intangible assets 2018	Technology	Software	Other	Total
At cost				
At January 1, 2018	8,364	7,792	4,537	20,693
Additions	2,171	380	387	2,938
Disposals	(640)	(52)	(344)	(1,036)
Reclassifications	—	5	(5)	—
Exchange Differences	(67)	(72)	(10)	(149)
At December 31, 2018	9,828	8,053	4,565	22,446

Accumulated amortization

At January 1, 2018	7,067	6,445	1,888	15,400
Systematic amortization	397	889	312	1,598
Disposals	(640)	(52)	(144)	(836)
Exchange Differences	(61)	(63)	(6)	(130)
At December 31, 2018	6,763	7,219	2,050	16,032

Net book values

At January 1, 2018	1,297	1,347	2,649	5,293
At December 31, 2018	3,065	834	2,515	6,414

Intangible Assets 2017	Technology	Software	Other	Total
At cost				
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

Accumulated amortization

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

Net book values

At January 1, 2017	1,734	1,758	2,803	6,295
At December 31, 2017	1,297	1,347	2,649	5,293

7 Provisions

Provisions 2018	Warranty	Pension	Bonus & Commissions	Other	Total
At January 1, 2018	3,005	1,099	17,802	2,210	24,116
Creation	962	267	13,660	10,472	25,361
Utilizations	(122)	(316)	(16,618)	(153)	(17,209)
Reversals	(660)	—	(841)	(2,035)	(3,536)
Exchange Differences	(56)	23	(110)	(11)	(154)
At December 31, 2018	3,129	1,073	13,893	10,483	28,578
Short term	2,809	80	13,893	165	16,947
Long term	320	993	—	10,318	11,631

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

Other long-term provision includes USD 9,300 contingent consideration from acquisition of business in 2018.

Discounting

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

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.

Notes to Consolidated Financial Statements

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

8 Accrued Expenses and Deferred Income

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

	2018	2017
Salaries, wages and related costs	6,667	6,396
Deferred revenue	334	443
Professional fees	845	1,027
Other	4,761	4,684
Balance at December 31,	12,607	12,550

9 Deferred Tax Liabilities

	2018	2017
At January 1,	3,114	3,203
Creation	388	246
Reversals	(700)	(469)
Exchange Differences	(43)	134
At December 31,	2,759	3,114

10 Shareholders' Equity

As of December 31, 2018, shareholders' equity consists of 2,421,683 issued and outstanding bearer shares (2017: 2,413,083) with a par value of CHF 5 (2017: 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 share capital in the amount of 260,000 shares in 2012, which shall be issued upon the exercise of option rights granted pursuant to the Employee Incentive Plans to employees and members of the Board of Directors of the Company. The Board of Directors will regulate the details of the issuances.

As of December 31, 2018 the remaining available balance of conditional share capital amounts to 33,172 shares (2017: 41,772 shares) of each CHF 5.

a) Treasury Shares 2018

	Number of treasury shares	Price per share in CHF		Volume-weighted average
		Highest	Lowest	
Balance as of January 1	2,369			
Purchases June 20, 2018	500	540.00	533.50	536.15
Purchases August 7, 2018	704	482.00	476.60	478.92
Purchases October 9, 2018	500	464.00	459.20	460.11
Purchases October 11, 2018	500	413.80	405.80	410.46
Allocation to Members of the Board of Directors	(370)			
Allocation to Group Management and Key Employees	(1,703)			
Balance as of December 31	2,500			

a) Treasury Shares 2017

	Number of treasury shares	Price per share in CHF		Volume-weighted average
		Highest	Lowest	
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			

At December 31, 2018, the acquisition costs for a number of 2,204 shares purchased during the year amounted to CHF 1,044 compared with CHF 1,694 at December 31, 2017, for a number of 3,000 purchased shares in 2017.

The statutory or legal reserves that may not be distributed, amount to CHF 2,590 at December 31, 2018 (December 31, 2017: CHF 2,590).

Notes to Consolidated Financial Statements

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

11 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, 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
Granted	—	—
Cancelled	(25)	307.25
Exercised	(8,600)	255.42
Outstanding at December 31, 2018	24,003	287.72
Exercisable at December 31, 2018	24,003	287.72

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

	2018	2017
Increase in Common stock	24	106
Increase in Capital reserves	2,234	9,819
Total	2,258	9,925

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, 2018 amounts to USD 1,135 (2017: USD 1,386).

Notes to Consolidated Financial Statements

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

12 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:

	2018	2017
At cost		
At January 1,	17,849	17,714
Additions from acquisitions of subsidiaries	14,885	—
Subsequent Purchase Price Adjustments	(500)	—
Elimination of fully amortized goodwill items	(2,744)	—
Exchange Differences	(28)	135
At December 31,	29,462	17,849
Accumulated amortization		
At January 1,	7,501	3,970
Amortization expense	3,106	3,408
Elimination of fully amortized goodwill items	(2,744)	—
Exchange Differences	(27)	123
At December 31,	7,836	7,501
Theoretical net book values		
At January 1,	10,348	13,744
At December 31,	21,626	10,348

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

Impact on income statement:

	2018	2017
Operating result according to income statement	81,474	73,557
Amortization of goodwill	(3,106)	(3,408)
Theoretical operating result incl. amortization of goodwill	78,368	70,149
Net result according to income statement	64,167	59,486
Amortization of goodwill	(3,106)	(3,408)
Theoretical net result incl. amortization of goodwill	61,061	56,078

Impact on balance sheet:

	2018	2017
Equity according to balance sheet	205,756	206,967
Equity as % of total assets	75.9%	77.1%
Theoretical capitalization of goodwill (net book value)	21,626	10,348
Theoretical equity incl. net book value of goodwill	227,382	217,315
Theoretical equity incl. net book value of goodwill as % of total assets incl. net book value of goodwill	77.7%	77.9%

No indication for impairment of goodwill has been identified.

13 Financial result

The financial result consists of the following:

	2018	2017
FX loss	(1,412)	(1,277)
Interest Income (Expense)	59	54
Total financial result	(1,353)	(1,223)

14 Income Taxes

Tax expense consists of the following:

	2018	2017
Current tax expense	14,701	13,701
Deferred tax expense	1,253	(853)
Total	15,954	12,848

As of December 31, 2018, the group average tax rate for calculating deferred taxes was 19.9% (2017: 17.8%).

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

	2018	2017
Income tax expense before impact of tax loss carry forwards	16,029	13,338
Effect of additions to tax loss carry forwards	—	75
Effect of utilization of tax loss carry forwards	(75)	(773)
Effect of previously unrecognized tax loss carry forwards	—	—
Effect of re-evaluation of tax loss carry forwards	—	208
Income tax expense after impact of tax loss carry forwards	15,954	12,848

The entitlement for deferred income taxes on tax losses carried forward not yet used was USD 0 at December 31, 2018, as compared with USD 75 at December 31, 2017.

Notes to Consolidated Financial Statements

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15 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:

	2018	2017
Numerator:		
Net income	64,167	59,486
Denominator:		
Weighted average shares outstanding	2,417,902	2,399,330
Effect of dilutive stock options	12,701	21,624
Denominator for diluted earnings per share	2,430,603	2,420,954
Earnings per share:		
Basic	26.54	24.79
Dilution	(0.14)	(0.22)
Diluted	26.40	24.57

For the year ended December 31, 2018, the fully diluted earnings per share calculation excluded no options to purchase shares since these shares would have been anti-dilutive for 2018.

16 Employee Benefit Plans

INFICON employees in Liechtenstein, United States, Germany and Japan 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	
	2018	2018	2017	2018	2018	2018	2017
Pension institutions with surplus	2,740	—	—	—	(2,342)	(2,342)	(1,088)
Pension institutions with deficit	(694)	—	—	—	(2,740)	(2,740)	(1,500)
Pension institutions without own assets	—	(993)	(1,022)	29	(186)	(157)	(1,022)
Total	2,046	(993)	(1,022)	29	(5,268)	(5,239)	(3,610)

Notes to Consolidated Financial Statements

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

17 Acquisitions

Final Phase Systems

On October 1, 2018, the Company acquired part of the assets of Final Phase Systems LLC a developer of comprehensive Industrial Engineering Software for the semiconductor manufacturing industry. The acquisition of FPS is the latest step in INFICON's vision to provide the semiconductor and display manufacturing industries with the most advanced factory and process control tools available.

The purchase price was USD 5,000 at closing. Additionally, there is an earn-out to be paid, based on a defined sales performance over a three-year period. The Company has performed a fair value calculation which resulted in USD 9,300 as contingent consideration.

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

As of October 1,	2018
Equipment	5
Intangible assets	2,075
Assets acquired	2,080
Goodwill	12,220
Total	14,300
Accrued contingent consideration	(9,300)
Cash used for acquisition	5,000

Techno-Tools Corporation

On October 10, 2018, the Company acquired a part of the assets from Techno-Tools Corporation, a developer and manufacturer of hand-held leak detectors. This acquisition will grow the Company's leading position as a supplier of leak detectors to the heating, ventilation, air conditioning and refrigeration service markets. It also expands opportunities in the automotive service market.

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

As of October 10,	2018
Inventory	276
Equipment	35
Intangible assets	400
Assets acquired	711
Goodwill	2,665
Total	3,376
Cash used for acquisition	3,376

The results of both acquisitions are included in the Company's consolidated operations beginning on the date of acquisition.

Notes to Consolidated Financial Statements

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

18 Commitments and Contingencies

A summary of contractual commitments and contingencies is as follows:

At December 31, 2018	Operating Leases	Purchase Commitments	Total
2019	4,903	6,382	11,285
2020	3,976	3,644	7,620
2021	3,823	113	3,936
2022	3,292	—	3,292
2023	2,424	—	2,424
Thereafter	19,569	—	19,569
Total	37,987	10,139	48,126

At December 31, 2017	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	607	—	607
Total	15,850	10,096	25,946

The Company leases some of its facilities and machinery and equipment under operating leases, expiring in years 2019 through 2034. 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 2018, 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.

19 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.

20 Related Party Transaction

In 2018 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 20 (2017: MCHF 17) to INFICON Holding AG. The agreed interest was 0.1%. The temporary loan was repaid after 9 months.

Notes to Consolidated Financial Statements

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

21 Additional Information Required by Swiss Law

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

	2018	2017
Total personnel costs	121,440	115,504

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:

	2018		2017	
	Shares owned	Options owned	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	1,210	—	772	—
Dr. Richard Fischer	25,982	—	25,229	675
Vanessa Frey *	218	—	259	—
Beat Siegrist	15,476	—	8,909	500
Dr. Thomas Staehelin	2,876	—	2,809	—
Total Board of Directors	45,762	—	37,978	1,175

Group Management

Lukas Winkler, President & CEO	4,691	1,000	4,524	1,400
Matthias Tröndle, Group CFO	444	313	309	313
Total Group Management	5,135	1,313	4,833	1,713

*Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.49% (2017: 18.95%) in INFICON Holding AG.

22 Subsequent Events

The Company has evaluated subsequent events through March 4, 2019, which represents the date when the consolidated financial statements were available to be issued.



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, 2018 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 38 to 54) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 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, 2018 amounted to USD 410.4 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 4, 2019

Balance Sheet

INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

	Notes	December 31, 2018	December 31, 2017
Assets			
Cash		5,022	7,403
Other short-term receivables			
from third parties		7	16
from companies in which the entity holds an investment		1,747	642
Prepaid expenses and accrued income		63	79
Total current assets		6,839	8,140
Financial assets			
Loans granted to companies in which the entity holds an investment		71,981	71,812
Investments	2.1	300,026	300,018
Total non-current assets		372,007	371,830
Total assets		378,846	379,970
Liabilities and Shareholders' Equity			
Other short-term liabilities	2.2	14	47
Accrued expenses and deferred income	2.3	760	918
Total short-term liabilities		774	965
Total liabilities		774	965
Share capital	2.4	12,108	12,065
Legal capital reserves			
Reserves from capital contributions	2.5	13,670	59,790
Legal retained earnings			
General legal retained earnings		2,590	2,590
Voluntary retained earnings			
Available earnings			
Profit brought forward		305,832	270,710
Profit for the year		45,089	35,213
Treasury shares	2.6	(1,217)	(1,363)
Total shareholders' equity		378,072	379,005
Total liabilities and shareholders' equity		378,846	379,970

Statement of Income

INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

Year ended December 31,	Notes	2018	2017
Dividend income		43,804	34,433
Other financial income	2.7	4,107	4,147
Total income		47,911	38,580
Financial expenses	2.8	573	1,077
Other operating expenses	2.9	2,062	2,115
Direct taxes	2.10	187	175
Total expenses		2,822	3,367
Profit for the year		45,089	35,213

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 (32nd 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, 2018	2017
INFICON Inc.		(in 1,000)	(in 1,000)
Syracuse, USA			
Share Capital	USD	*	*
Share in capital and voting rights		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON AG			
Balzers, Liechtenstein			
Share Capital	CHF	6,000	6,000
Share in capital and voting rights		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON GmbH			
Bad Ragaz, Switzerland			
Share Capital	CHF	2,000	2,000
Share in capital and voting rights		100.0%	100.0%
Purpose: Management Company			
INFICON GmbH			
Cologne, Germany			
Share Capital	EUR	1,026	1,026
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON Aaland Ab			
Mariehamn, Finland			
Share Capital	EUR	60	60
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing			
INFICON AB			
Linköping, Sweden			
Share Capital	SEK	3,810	3,810
Share in capital and voting rights		100%	100%
Purpose: Manufacturing and Sales			
INFICON ApS			
Kopenhagen, Denmark			
Share Capital	DKK	50	—
Share in capital and voting rights		100%	—
Purpose: Sales			
INFICON Ltd.			
Blackburn, United Kingdom			
Share Capital	GBP	400	400
Share in capital and voting rights		100%	100%
Purpose: Sales and Service			
INFICON S.A.R.L.			
Courtaboeuf, France			
Share Capital	EUR	108	108
Share in capital and voting rights		100%	100%
Purpose: Sales			

Company	Currency	December 31, 2018	2017
INFICON S.r.l.		(in 1,000)	(in 1,000)
Bozen, Italy			
Share Capital	EUR	10	10
Share in capital and voting rights		100%	100%
Purpose: Sales			
INFICON Co., Ltd.			
Yokohama-Shi, Japan			
Share Capital	JPY	90,000	90,000
Share in capital and voting rights		100%	100%
Purpose: Sales			
INFICON Ltd.			
Chubei City, Taiwan			
Share Capital	TWD	52,853	52,853
Share in capital and voting rights		100%	100%
Purpose: Sales			
INFICON Ltd.			
Bungdang-Ku, Korea			
Share Capital	KRW	600,000	600,000
Share in capital and voting rights		100%	100%
Purpose: Manufacturing and Sales			
INFICON Pte. Ltd.			
Singapore			
Share Capital	SGD	1,797	1,797
Share in capital and voting rights		100%	100%
Purpose: Sales			
INFICON Ltd.			
Pune, India			
Share Capital	INR	18,920	18,920
Share in capital and voting rights **		100%	100%
Purpose: Sales			
INFICON Ltd.			
Hong Kong			
Share Capital	HKD	8,780	8,780
Share in capital and voting rights		100%	100%
Purpose: Sales			
INFICON (Guangzhou) Instruments Co., Ltd.			
Guangzhou			
Share Capital	RMB	9,837	9,837
Share in capital and voting rights		100%	100%
Purpose: Service			
INFICON Instruments (Shanghai) Co., Ltd.			
Shanghai			
Share Capital	USD	2,180	2,180
Share in capital and voting rights		100%	100%
Purpose: Manufacturing			
INFICON EDC Inc.			
Syracuse, USA			
Share Capital	USD	500	500
Share in capital and voting rights **		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON InstruTech LLC			
Longmont, USA			
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	2018	2017
Liabilities to third parties	14	4
Liabilities to governing bodies (Auditors)	—	43
Total	14	47

2.3 Accrued expenses and deferred income

	December 31,	
In CHF 1,000	2018	2017
Liabilities to third parties	294	472
Liabilities to governing bodies (Board of Directors and auditors)	466	446
Total	760	918

2.4 Issued, authorized and conditional share capital

Share capital in the amount of TCHF 12,108 (2017: TCHF 12,065) consists of 2,421,683 (2017: 2,413,083) registered shares at a nominal value of CHF 5 each.

Issued share capital/share capital increase

During 2018, employees and members of the Board of Directors of INFICON exercised stock options which resulted in 8'600 new shares being issued and increased nominal share capital by CHF 43,000. The share premium thereon of CHF 2,153,646 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 208,860 through the issuance of 41,772 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 2018, employee stock options were exercised resulting in an increase in share capital of 8,600 shares. The remaining available balance of conditional share capital at December 31, 2018, is CHF 165,860.

2.5 Reserves from capital contributions

The reserves from capital contributions include the premium from capital increases in the years 2000–2018, less the distributions to shareholders.

Due to existing different practices regarding the accounting of the stamp duties incurred in connection with the increase in share capital there is a deviation of the reserves from capital contributions stated in the statutory financial statements of INFICON Holding AG (CHF 13,669,588) and the amount the Swiss Federal Tax Administration recognizes (CHF 13,205,225) at December 31, 2018.

2.6 Treasury shares

a) Treasury Shares 2018

	Number of treasury shares	Price per share in CHF		
		Highest	Lowest	Volume-weighted average
Balance as of January 1	2,369			
Purchases June 20, 2018	500	540.00	533.50	536.15
Purchases August 7, 2018	704	482.00	476.60	478.92
Purchases October 9, 2018	500	464.00	459.20	460.11
Purchases October 11, 2018	500	413.80	405.80	410.46
Allocation to Members of the Board of Directors	(370)			
Allocation to Group Management and Key Employees	(1,703)			
Balance as of December 31	2,500			

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			

At December 31, 2018, the acquisition costs for a number of 2,204 shares purchased during the year amounted to CHF 1,044 compared with CHF 1,694 at December 31, 2017, for a number of 3,000 purchased shares in 2017. The treasury shares are reserved for compensations due in 2019. These shares are non-dividend bearing shares.

Notes to the Financial Statements

Inficon Holding AG, Bad Ragaz/Switzerland

2.7 Other financial income

Other financial income amounts to TCHF 4,107 (2017: TCHF 4,147) and consists mostly of interest income from loans to companies in which the entity holds an investment.

2.8 Financial expenses

Financial expenses amount to TCHF 573 (2017: TCHF 1,077) 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	2018	2017
Administrative expenses	962	1,188
Share based payments	231	226
Consulting expenses	32	320
Withholding taxes	651	151
Other operating expenses	186	230
Total	2,062	2,115

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,	2018	2017
KWE Beteiligungen AG	19.49%	18.95%
7-Industries Holding B.V.	9.36%	9.40%
Chase Nominees Ltd.	5.37%	5.14%

Any significant shareholder notifications during 2018 and since January 1, 2019, can be accessed via the following weblink to the database search page of the disclosure office:

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:

	2018		2017	
	Shares owned	Options owned	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	1,210	—	772	—
Dr. Richard Fischer	25,982	—	25,229	675
Vanessa Frey *	218	—	259	—
Beat Siegrist	15,476	—	8,909	500
Dr. Thomas Staehelin	2,876	—	2,809	—
Total Board of Directors	45,762	—	37,978	1,175
Group Management				
Lukas Winkler, President & CEO	4,691	1,000	4,524	1,400
Matthias Tröndle, Group CFO	444	313	309	313
Total Group Management	5,135	1,313	4,833	1,713

*Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.49% (2017: 18.95%) in INFICON Holding AG.

The members of the Group Management held together on December 31, 2018 directly and indirectly a total of 0.21% (2017: 0.20%) bearer shares or 0.21% (2017: 0.20%) of the voting rights of INFICON. The members of the Board of Directors held together on December 31, 2018 directly and indirectly a total of 21.38% (2017: 20.52%) bearer shares or 21.38% (2017: 20.52%) 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 2018

	Shares granted	
	Quantity	Value in CHF 1,000
Total Board of Directors	370	224
Total Group Management and Key Employees	1,703	874
Total	2,073	1,098

b) 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
Total	1,920	893

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. As of December 31, 2018, there are 24,003 exercisable options which expire on May 7, 2021.

As to the share-based compensations the relevant share price for allocation purposes is 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,	
	2018	2017
Guarantees in favor of affiliated companies	1,684	2,457

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,	
	2018	2017
Reserves from capital contributions at beginning of year	59,790	88,479
Share premium on exercised stock options	2,154	9,634
Distribution to shareholders	(48,274)	(38,323)
Reserves from capital contributions	13,670	59,790
Profit brought forward *	305,832	270,710
Profit for the year	45,089	35,213
Available earnings	350,921	305,923

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

Reserves from capital contribution before proposed distribution	13,670
Distribution from capital contribution reserve	
(2018: CHF 5.00 each share) **	12,108
Reserves from capital contributions after proposed distribution	1,562

Available earnings before proposed distribution	350,921
Distribution from available earnings	
(2018: CHF 17.00 each share) **	41,169
Available earnings after proposed distribution	309,752

* The difference between the profit brought forward of TCHF 305,832 at December 31, 2018, and the available earnings of TCHF 305,923 at December 31, 2017, mainly results from losses on treasury shares.

** The proposed distribution from capital contribution reserve represents and from the available earnings 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, 2018, 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, 2018 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 4, 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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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.

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