

# 2012

## HALF-YEAR REPORT



**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, 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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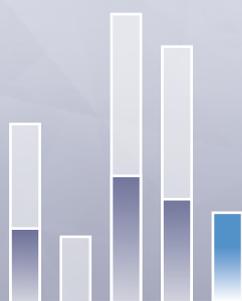
# KEY FIGURES **5** YEARS



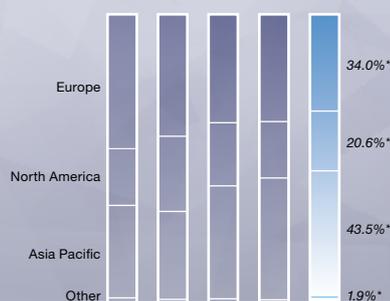
According to Swiss GAAP FER  
(US Dollars in Millions,  
except per share amounts)

	Half-Year	Full Year
	2012	2011
Net sales	<b>156.2</b>	163.7
Research and development	<b>13.5</b>	12.1
Selling, general and administrative	<b>36.0</b>	33.4
Operating income	<b>27.5</b>	31.7
<i>in % of net sales</i>	<b>17.6%</b>	19.4%
EBITDA	<b>29.5</b>	32.8
<i>in % of net sales</i>	<b>18.9%</b>	20.1%
Net income	<b>19.4</b>	21.1
Cash and short-term investments	<b>57.0</b>	80.1
Cash flow from operations	<b>15.9</b>	18.2
Capital expenditures	<b>3.5</b>	3.7
Total assets	<b>183.5</b>	218.0
Long-term debt	<b>—</b>	—
Shareholders' equity	<b>141.4</b>	145.6
<i>Equity ratio in %</i>	<b>77.0%</b>	66.8%
Employees	<b>944</b>	881

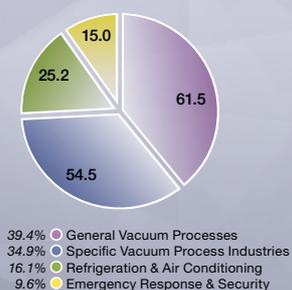
### Cash flow from Operations



### Direct Sales by Geographic Region



### H1/12 Sales by End Market



	2008	2009	2010	2011	2012
Full Year	31.3	11.6	50.3	44.6	
Half-Year	13.1	-0.6	22.4	18.2	15.9
	US-GAAP		Swiss GAAP FER		

2008 2009 2010 2011 2012  
 \* 2012 allocation is based on the first 6 months and all other allocations are based on 12 months

	Half-Year	Full Year	
	2012	2011	
<b>Ratios per Share</b>			
Net income per share – diluted	<b>8.73</b>	9.55	18.30
Shareholders' equity per share – diluted	<b>63.52</b>	65.94	69.57
Free cash flow per share – diluted	<b>5.6</b>	6.4	17.9
<i>Return on equity %*</i>	<b>27.5%</b>	29.0%	26.3%

\* Percentages have been annualized for 6 month figures

### Direct Sales by Geographic Region

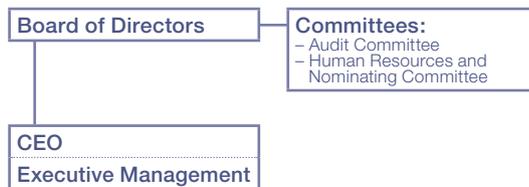
	Half-Year	Full Year	
	2012	2011	
Europe	<b>53.2</b>	61.5	116.2
North America	<b>32.1</b>	31.5	60.3
Asia-Pacific	<b>68.0</b>	69.1	132.2
Other	<b>2.9</b>	1.6	3.4

### Sales by End Market

	Half-Year	Full Year	
	2012	2011	
General Vacuum Processes	<b>61.5</b>	68.9	132.6
Specific Vacuum Process Industries	<b>54.5</b>	62.1	110.7
Refrigeration & Air Conditioning	<b>25.2</b>	25.5	50.5
Emergency Response & Security	<b>15.0</b>	7.2	18.3

# GROUP ORGANIZATION

(per August 7, 2012)



<b>Board of Directors</b>	Dr. Beat E. Lüthi Dr. Richard Fischer Vanessa Frey Beat Siegrist Dr. Thomas Staehelin	Chairman Vice Chairman Member Member Member	Zürich, Switzerland Rankweil, Austria Zürich, Switzerland Herrliberg, Switzerland Riehen, Switzerland
<b>Audit Committee</b>	Dr. Thomas Staehelin Vanessa Frey Beat Siegrist	Chairman	
<b>Human Resources and Nominating Committee</b>	Beat Siegrist Dr. Richard Fischer Dr. Thomas Staehelin	Chairman	
<b>Executive Management</b>	Lukas Winkler Matthias Tröndle Peter Maier Dr. Ulrich Döbler Dr. Urs Wälchli	President and Chief Executive Officer Vice President and Chief Financial Officer Vice President and General Manager, Intelligent Sensor Solutions Vice President and General Manager, Leak Detection Tools Vice President and General Manager, Vacuum Control Products	
<b>Investor Relations</b>	Matthias Tröndle, Vice President and CFO INFICON HOLDING AG, Hintergasse 15 B, CH-7310 Bad Ragaz, Switzerland CEO/CFO Office at INFICON AG, Alte Landstrasse 6, FL-9496 Balzers, Liechtenstein Tel. +423 388 3512 Fax +423 388 3890 E-mail: matthias.troendle@inficon.com		
<b>Board and Executive Secretary</b>	Elisabeth Kühne, General Secretary to the Board of Directors INFICON, Alte Landstrasse 6, FL-9496 Balzers, Liechtenstein Tel. +423 388 3510 Fax +423 388 3850 E-mail: elisabeth.kuehne@inficon.com		

# FINANCIAL REVIEW

(US Dollars in Millions)

## INCOME STATEMENT

### Net Sales

Net sales for the six months ended June 30, 2012 were USD 156 million compared with USD 164 million for the same period in 2011, representing a 4.5% decrease including a negative impact of 1.2% from changes in currency exchange rates. The Specific Vacuum Process Industries market experienced a decrease in sales of USD 7.6 million or 12.2% due to a decreased demand from semiconductor and equipment makers, as well as for thin film coating processes mainly in North America. The General Vacuum Processes market sales decreased by USD 7.4 million or 10.7% largely due to a decrease in sales to European distributors and direct sales to industrial OEM's devices. Refrigeration & Air Conditioning sales decreased 1.2% or USD 0.3 million mainly due to the decrease in sales to RAC manufacturers in Asia. Emergency Response & Security market sales increased 108.3% or USD 7.8 million primarily due to increased government spending for security and environmental applications especially in Asia and North America.

### Gross Profit Margin

Gross profit margin was 49.2% for the six months ended June 30, 2012 compared with 47.2% for the same period in 2011. The increase is driven by a further reduction of production costs as well as a favorable product mix.

### Research and Development Expenditures

Research and development expenditures were USD 13.5 million or 8.6% of sales for the six months ended June 30, 2012, as compared with USD 12.1 million or 7.4% of sales for the same period in 2011. The USD 1.4 million increase is driven by new hires and acquisitions and reflects intensified new product development efforts.

### Selling, General and Administrative Costs (SGA)

Selling, general, and administrative costs for the first six months of 2012 were USD 36.0 million or 23.0% of sales, as compared with USD 33.4 million or 20.4% of sales for the same period a year ago. The increase reflects investments into our sales force and acquisitions, offset by lower commissions on sales and variable compensation.

### Other Expense

Other expense was USD 1.0 million for the six months ended June 30, 2012, as compared with USD 2.2 million for the same period in 2011. Foreign currency losses accounted for USD 1.1 million of the expense for 2012 versus USD 2.0 million in 2011.

### Provision for Income Taxes

Provision for income taxes was USD 7.0 million at a 26.4% effective tax rate for the six months ended June 30, 2012, compared with income taxes of USD 8.5 million at a 28.6% effective tax rate for the same period in 2011. The slightly lower effective tax rate was driven by the mix in earnings and tax rates among the Company's different tax jurisdictions.

### Net Income and Diluted Earnings per Share

Net income and diluted earnings per share was USD 19.4 million and 8.73 for the six months ended June 30, 2012, as compared with USD 21.1 million and 9.55 for the first half of 2011. The 8.6% decrease in earnings per share is a result of the 7.9% decrease in net income.

## BALANCE SHEET AND LIQUIDITY

Working capital amounted to USD 61.3 million or 19.6% of sales, as compared with USD 62.4 million or 20.0% of sales at December 31, 2011. This decrease is due to increased accounts payable, offset by slightly higher net inventory.

Cash and short-term investments totaled USD 57.0 million at June 30, 2012, which was a decrease of USD 34.1 from USD 91.1 million at December 31, 2011. During the first half of 2012 cash flow from operations was USD 15.9 million versus USD 18.2 million in the first half of 2011.

## OUTLOOK

With the clear focus on our long-term strategy and based on our technology, our leading market position and various new product launches in 2012 we are cautiously confident for the coming months.

We see ongoing overcapacity in the photovoltaic, flat panel display and LED market and the uncertain economic development in Europe might influence the General Vacuum Processes market. We expect short-term weaker demand in the Semiconductor sector with positive signals for the end of the year with continued investments in sensors and software.

While we see a certain market saturation in China for the Refrigeration & Air Conditioning market, we expect higher investments in new industrial leak-detection applications as well as some market recoveries for the Emergency Response & Security market.

# CONSOLIDATED INTERIM BALANCE SHEET

(Unaudited)

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

	June 30, 2012	December 31, 2011	June 30, 2011
<b>ASSETS</b>			
Cash and cash equivalents	56,998	88,715	79,959
Short-term investments	0	2,360	95
Trade accounts receivable, net	37,103	37,194	44,376
Inventories	33,481	31,866	33,876
Prepayments and accrued income	1,214	1,053	1,206
Other current assets	4,094	3,709	4,493
<b>Total current assets</b>	<b>132,890</b>	<b>164,897</b>	<b>164,005</b>
Property, plant and equipment	28,890	28,055	29,763
Intangible assets	4,305	4,587	2,863
Deferred tax assets	15,722	18,932	19,723
Financial assets	1,710	1,631	1,643
<b>Total non-current assets</b>	<b>50,627</b>	<b>53,205</b>	<b>53,992</b>
<b>Total assets</b>	<b>183,517</b>	<b>218,102</b>	<b>217,997</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Trade accounts payable	9,253	6,621	10,134
Short-term borrowings	2,515	17,466	17,448
Short-term provisions	10,628	14,742	15,872
Income taxes payable	2,899	9,016	8,080
Accrued expenses and deferred income	10,101	9,828	11,161
Other current liabilities	1,048	463	308
<b>Total current liabilities</b>	<b>36,444</b>	<b>58,136</b>	<b>63,003</b>
Long-term provisions	3,522	3,540	5,311
Deferred tax liabilities	1,598	2,549	2,118
Pension liabilities	557	544	1,764
Other non-current liabilities	43	102	183
<b>Total non-current liabilities</b>	<b>5,720</b>	<b>6,735</b>	<b>9,376</b>
<b>Total liabilities</b>	<b>42,164</b>	<b>64,871</b>	<b>72,380</b>
Common stock	6,210	6,147	6,127
Capital reserves	13,354	43,595	42,890
Retained earnings	121,789	103,489	96,600
<b>Total shareholders' equity</b>	<b>141,353</b>	<b>153,231</b>	<b>145,617</b>
<b>Total liabilities and shareholders' equity</b>	<b>183,517</b>	<b>218,102</b>	<b>217,997</b>

Since January 1, 2012, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability. The accompanying notes form an integral part of the consolidated interim financial statements.

# CONSOLIDATED INTERIM STATEMENT OF INCOME

(Unaudited)

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

Six months ended June 30,	Note	2012	2011
Net sales		<b>156,241</b>	163,661
Cost of sales		<b>79,300</b>	86,458
Gross profit		<b>76,941</b>	77,203
Research and development		<b>13,468</b>	12,074
Selling expense		<b>14,989</b>	13,910
General and administrative expense		<b>20,976</b>	19,526
Operating result		<b>27,508</b>	31,693
Financial result		<b>(1,170)</b>	(1,963)
Non-operating result		<b>70</b>	(183)
Earnings before income taxes (EBT)		<b>26,408</b>	29,547
Income taxes		<b>6,974</b>	8,452
Net result		<b>19,434</b>	21,095
Earnings per share:			
Basic	5	<b>8.81</b>	9.67
Diluted	5	<b>8.73</b>	9.55

Since January 1, 2012, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability. The accompanying notes form an integral part of the consolidated interim financial statements.

# CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

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

	Note	Common stock	Capital reserves	Retained earnings	Foreign currency adjustment	Accumulated other comprehensive income (loss)	Total shareholders' equity
<b>January 1, 2011 according to US GAAP</b>		<b>6,091</b>	<b>69,578</b>	<b>120,404</b>	<b>(43,357)</b>	<b>7,470</b>	<b>160,186</b>
Reclassification of FX differences				(43,357)	43,357		0
Reclassification of other comprehensive income				7,470		(7,470)	0
Charge of goodwill from acquisitions				(19,434)			(19,434)
Charge of acquired customer relationships (as part of goodwill)				(1,030)			(1,030)
Pension assets and liabilities				3,026			3,026
Elimination of stock option effects			(2,989)	2,989			0
Effect on deferred taxes				(1,954)			(1,954)
<b>January 1, 2011 according to Swiss GAAP FER</b>		<b>6,091</b>	<b>66,589</b>	<b>68,114</b>	<b>0</b>	<b>0</b>	<b>140,794</b>
Net income				21,095			21,095
Foreign currency translation adjustments	3				7,925		7,925
Issuance of common stock from exercise of stock options		36	1,649				1,685
Distribution from legal reserve (CHF 10 per share)			(25,347)				(25,347)
Goodwill offset against equity (from acquisition)				(534)			(534)
<b>Balance at June 30, 2011</b>		<b>6,127</b>	<b>42,890</b>	<b>88,675</b>	<b>7,925</b>	<b>0</b>	<b>145,617</b>
<b>January 1, 2012 according to Swiss GAAP FER</b>		<b>6,147</b>	<b>43,595</b>	<b>102,952</b>	<b>537</b>	<b>0</b>	<b>153,231</b>
Net income				19,434			19,434
Foreign currency translation adjustments	3				(1,134)		(1,134)
Issuance of common stock from exercise of stock options		63	3,626				3,689
Distribution from legal reserve (CHF 14 per share)			(33,867)				(33,867)
<b>Balance at June 30, 2012</b>		<b>6,210</b>	<b>13,354</b>	<b>122,386</b>	<b>(597)</b>	<b>0</b>	<b>141,353</b>

# CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(Unaudited)

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

Six months ended June 30,	2012	2011
Cash flows from operating activities:		
Net income	19,434	21,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,581	2,783
Amortization	447	55
Deferred taxes	2,170	5,297
Changes in operating assets and liabilities, excluding effects from acquisition:		
Trade accounts receivable	(253)	(4,514)
Inventories	(1,985)	(3,551)
Other assets	(576)	(766)
Trade accounts payable	3,029	1,803
Accrued liabilities	(3,012)	(6,610)
Income taxes payable	(5,909)	2,812
Other liabilities	(46)	(213)
<b>Net cash provided by operating activities</b>	<b>15,880</b>	<b>18,191</b>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,512)	(4,132)
Acquisitions of businesses net of cash acquired	(655)	0
Change in short-term investments	2,360	2,115
<b>Net cash used in investing activities</b>	<b>(1,807)</b>	<b>(2,017)</b>
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,689	1,685
Cash dividend paid/distribution from legal reserve	(33,867)	(25,347)
Increase in short-term borrowings	0	15,050
Decrease in short-term borrowings	(14,951)	(1,054)
<b>Net cash used in financing activities</b>	<b>(45,129)</b>	<b>(9,666)</b>
Effect of exchange rate changes on cash and cash equivalents	(661)	5,333
Change in cash and cash equivalents	(31,717)	11,841
Cash and cash equivalents at beginning of period	88,715	68,118
<b>Cash and cash equivalents at end of period</b>	<b>56,998</b>	<b>79,959</b>

Since January 1, 2012, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability. The accompanying notes form an integral part of the consolidated interim financial statements.

# NOTES TO CONSOLIDATED INTERIM 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 (Aktien-gesellschaft) 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, LED lighting and industrial vacuum coating applications. Other users of vacuum based processes include the life sciences, research, aerospace, packaging, heat treatment, laser cutting, oil and gas transportation and processing, alternative energy, utilities, 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 as well as instruments for energy and petrochemical applications.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements comprise the unaudited interim financial statements for the six months ended June 30, 2012. Since the beginning of 2012, the consolidated financial statements are prepared in accordance with Swiss GAAP FER. The consolidated interim financial statements, which have been prepared in accordance with Swiss GAAP FER 12 "Interim reporting," do not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Unless explained below, the accounting policies applied according to Swiss GAAP FER correspond to those previously applied under US GAAP.

### **Conversion from US GAAP to Swiss GAAP FER**

The Company decided to change its financial reporting standard from US GAAP to Swiss GAAP FER, effective January 1, 2012.

The accounting standards IFRS and US GAAP will converge significantly in the coming years. The related regulatory changes, including the increasingly elaborate and complex regulatory details, audit provisions, and the high internal and external costs that go along with these standards are making them less and less suitable for small and medium-sized companies listed on SIX Swiss Exchange. INFICON has thus submitted its request to SIX Swiss Exchange to migrate the listing of its shares from the Main Standard to the Domestic Standard where SWISS GAAP FER is an accepted reporting standard. Swiss GAAP FER enables the Company to present high-quality consolidated financial statements in accordance with the "true and fair view" principle.

The significant changes of accounting policies and presentation according to Swiss GAAP FER compared with the previously applied US GAAP accounting policies are summarized hereafter.

### **Acquisitions and Goodwill**

At the date of acquisition, goodwill from acquisitions as well as acquired customer relationships are fully offset against equity according to the allowed treatment of Swiss GAAP FER 30, "Consolidated financial statements." According to US GAAP, goodwill from acquisitions was capitalized and tested annually for impairment. Similarly, acquired customer relationships were capitalized and amortized on a straight-line basis over their estimated useful lives.

During acquisitions, the purchase price component contingent upon future performance is estimated at acquisition date and included in the calculation of goodwill. Under US GAAP, any subsequent adjustments to these contingent considerations were included in the income statement. Under Swiss GAAP FER, any subsequent adjustments are reflected as a change in goodwill and therefore offset against equity.

### **Pension**

According to Swiss GAAP FER 16, "Pension benefit obligations," the existing economic obligations and respective benefits relating to Swiss pension schemes are measured

based on the Swiss pension plan financial statements prepared in accordance with Swiss GAAP FER 26, "Accounting of pension plans." The expected economic impacts of pension schemes of foreign subsidiaries are measured according to a valuation method, which is adequate to the respective pension institution. According to US GAAP, defined benefit plans were measured using the projected unit credit method and recognized in accordance with ASC 715.

#### Share-based payments

Under US GAAP, options granted to directors, management and key employees under the Stock Option Plans resulted in the recognition of personnel expenses in the amount of the fair value of the options at grant date, allocated over the vesting period of the option. Under Swiss GAAP FER, the granting of such options does not result in the recognition of personnel expenses. Only the effect on equity is recognized at the time the options are exercised.

#### Foreign currency hedges

According to US GAAP, unrealized gains and losses on foreign currency hedges were allocated to other comprehensive income, which is directly included in equity. Under Swiss GAAP FER, such unrealized gains and losses are included in the income statement.

#### Presentation and structure

The structure and presentation of the balance sheet, the income statement, the statement of shareholders' equity and the statement of cash flows have been adjusted to reflect the requirements of Swiss GAAP FER.

#### Summary of conversion adjustments

The mentioned changes in valuation and recognition of assets and liabilities result in corresponding deferred income tax effects in the balance sheet and income statement.

Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability. The following schedules illustrate the effects of the conversion from US GAAP to Swiss GAAP FER on equity and net result:

	1.1.2012	30.6.2011	1.1.2011
<b>Equity according to US GAAP</b>	<b>176,093</b>	<b>166,892</b>	<b>160,186</b>
Adjustments on conversion to Swiss GAAP FER:			
Charge of goodwill from acquisitions	(26,174)	(19,967)	(19,434)
Charge of acquired customer relationships (as part of goodwill)	(1,634)	(862)	(1,030)
Pension assets and liabilities	7,983	1,099	3,026
Deferred income tax assets and liabilities	(3,037)	(1,545)	(1,954)
<b>Total adjustment to equity</b>	<b>(22,862)</b>	<b>(21,275)</b>	<b>(19,392)</b>
<b>Equity according to Swiss GAAP FER</b>	<b>153,231</b>	<b>145,617</b>	<b>140,794</b>

	Full year 2011	Half year 2011
<b>Net result according to US GAAP</b>	<b>43,716</b>	<b>21,600</b>
Adjustments on conversion to Swiss GAAP FER:		
Elimination amortization of acquired customer relationships	336	168
Elimination of adjustment of contingent considerations from acquisitions	(1,900)	0
Personnel expenses: Pension costs	(4,000)	(14)
Personnel expenses: Stock option plan	1,019	487
Unrealized gain on foreign currency hedges	46	30
Deferred income tax expense	1,067	(1,177)
<b>Total adjustment to net result</b>	<b>(3,432)</b>	<b>(505)</b>
<b>Net result according to Swiss GAAP FER</b>	<b>40,284</b>	<b>21,095</b>

## 3 CURRENCY TRANSLATION

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	
	June 30, 2012	Dec 31, 2011	June 30, 2011	Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2011	June 30, 2012	June 30, 2011
Swiss Franc	1.0466	1.0644	1.1985	1.0768	1.1003
Euro	1.2590	1.2939	1.4425	1.2973	1.4038
Japanese Yen	0.0126	0.0129	0.0123	0.0126	0.0122
Hong Kong Dollar	0.1289	0.1287	0.1285	0.1289	0.1285
Korean Won	0.0009	0.0009	0.0009	0.0009	0.0009

## 4 ACQUISITIONS

#### Verionix Inc.

On November 4, 2009, the Company acquired substantially all the assets of Verionix Inc., a developer of gas sensor, gas composition sensors and gas analyzers. The acquisition expands the Company's position in the gas analysis market. It also increases opportunities for the Company in the semiconductor, LCD and solar manufacturing markets.

The purchase price was USD 610 at closing. Additionally, there is an earn-out capped at USD 8,718 to be paid based on units sold over a four year period. At the acquisition date, the Company had performed a fair value calculation which resulted in USD 4,600 of contingent consideration. As of June 30, 2011, the fair value of the contingent consideration amounted to USD 4,000. As of December 31, 2011,

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the fair value of the contingent consideration was reduced by USD 1,900, which reduced goodwill accordingly, which is offset against equity under Swiss GAAP FER. As of June 30, 2012, the fair value of the contingent consideration amounts to USD 2,100.

## Cumulative Helium Leak Detection (CHLD)

On December 22, 2010, the Company acquired the Cumulative Helium Leak Detection (CHLD) technology from the Pernicka Corporation. The acquisition expands the Company's position in the hermetic sealed parts market. It also increases opportunities for the Company in the medical implants, electronic hybrid circuits and components for satellites markets.

The purchase price was USD 1,500 at closing. Additionally, there is an earn-out to be paid based on units sold over a four year period. At the acquisition date, the Company has performed a fair value calculation which resulted in USD 500 of contingent consideration. As of June 30, 2011 and 2012, the fair value of the contingent consideration amounts to USD 500 and USD 500, respectively.

## Adixen

On August 31, 2011, the Company acquired the stock of Adixen Scandinavia AB, a global leader in leak detection with hydrogen as a testing gas. This acquisition complements the Company's expertise in leak detection applications with potentially higher leak rates including industries such as public utilities, automotive and fuel cell technology.

The purchase price was USD 7,225, less cash acquired at closing.

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

As of August 31,	2011
Cash and cash equivalents	262
Accounts receivable	595
Inventory	579
Deferred tax assets	369
Other current assets	124
Equipment	321
Goodwill	5,598
Intangible assets	78
Assets acquired	7,926
Accrued liabilities assumed	(701)
Net assets acquired	7,225

## Photovac

On November 15, 2011, the Company acquired substantially all the assets of Photovac Inc., a developer and manufacturer of volatile organic compound (VOC) detection equipment. The addition of Photovac's products and sensor technology to the already proven line of chemical detection and monitoring systems will help the Company expand its market reach in environmental monitoring and emergency response markets.

The purchase price was USD 3,465 at closing. Additionally, there is an earn-out to be paid based on units sold over a two year period. At the acquisition date, the Company has performed a fair value calculation which resulted in USD 550 of contingent consideration. As of June 30, 2012, the fair value of the contingent consideration amounts to USD 550.

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

As of November 15,	2011
Inventory	675
Other current assets	90
Equipment	80
Goodwill	1,460
Intangible assets	1,710
Net assets acquired	4,015
Accrued contingent consideration	(550)
Purchase price at closing	(3,465)
Total fair value of consideration	(4,015)

## 5 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 half-years ended June 30:

Six months ended June 30,	2012	2011
Numerator:		
Net income	19,434	21,095
Denominator:		
Weighted average shares outstanding	2,205	2,181
Effect of dilutive stock options	20	27
Denominator for diluted earnings per share	2,225	2,208
Earnings per share:		
Basic	8.81	9.67
Diluted	8.73	9.55

## 6 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 7, 2012, which represents the date when the consolidated financial statements were available to be issued.



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