INFICON

ANNUAL REPORT 2016

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.

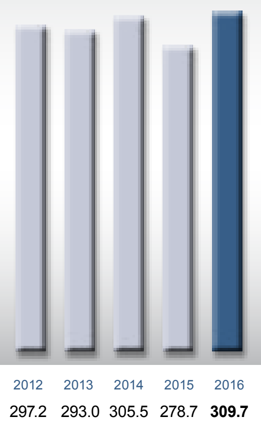
We also leverage our expertise to provide unique, toxic chemical analysis products for emergency response, security, and environmental monitoring as well as instruments for energy and petrochemical applications.

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

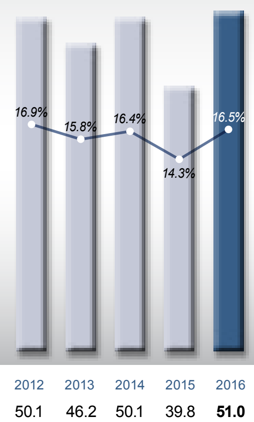
Additional copies of this report may be downloaded from the Investors section of our website, www.inficon.com, Investor section

Cover photo: INFICON instrumentation is used in a variety of applications, including manufacturing of emerging flexible OLED displays.

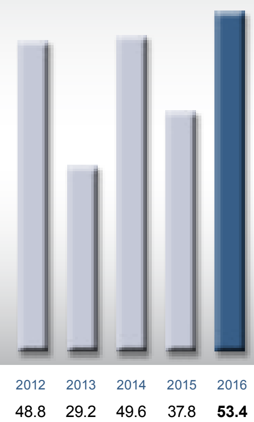
Key Figures – At a Glance



Net sales



Operating income
(in % of Net sales)



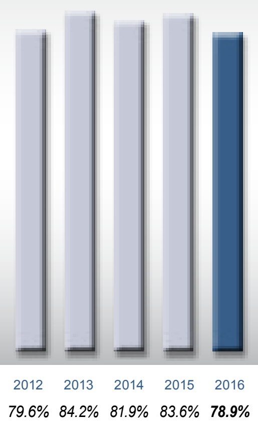
Cash flow from operations

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

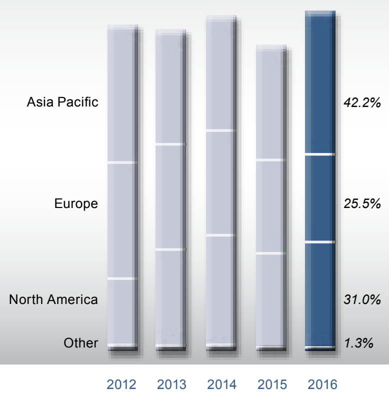
	2012	2013	2014*	2015	2016
Net sales	297.2	293.0	305.5	278.7	**309.7**
Research and development	26.7	27.8	27.3	24.6	**26.8**
Selling expense	29.3	30.1	32.4	30.3	**32.5**
General and administrative expense	40.9	43.3	45.8	41.1	**45.9**
Operating income	50.1	46.2	50.1	39.8	**51.0**
in % of net sales	*16.9%*	*15.8%*	*16.4%*	*14.3%*	***16.5%***
EBITDA	59.9	52.6	56.8	44.5	**58.4**
in % of net sales	*20.2%*	*18.0%*	*18.6%*	*16.0%*	***18.8%***
Net income	39.9	35.3	37.3	30.1	**40.3**
Cash and short-term investments	92.2	75.0	81.0	60.9	**63.9**
Cash flow from operations	48.8	29.2	49.6	37.8	**53.4**
Capital expenditures	6.6	12.7	8.0	22.7	**5.3**
Total assets	215.6	213.6	216.5	204.5	**213.4**
Long-term debt	–	–	–	–	**–**
Shareholders' equity	171.5	179.8	177.3	171.0	**168.3**
Equity Ratio in %	*79.6%*	*84.2%*	*81.9%*	*83.6%*	***78.9%***
Employees	940	942	948	959	**990**

** Restated according to FER 31*

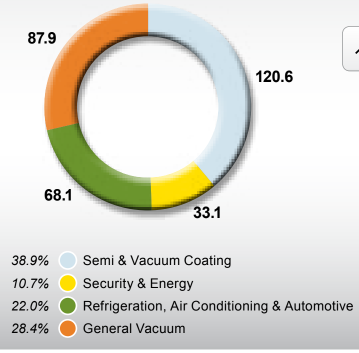
Key Figures – At a Glance



Equity Ratio



Direct Sales by Geographic Region



2016 Sales by End Market

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

	2012	2013	2014*	2015	2016
Ratios per Share					
Net income per share – diluted	17.86	15.23	15.94	12.72	**16.94**
Shareholders' equity per share – diluted	76.70	77.58	75.77	72.34	**70.71**
Free cash flow per share – diluted	18.32	6.55	17.20	5.97	**19.89**
Return on equity %	*23.3%*	*19.6%*	*21.0%*	*17.6%*	***24.0%***
Dividend/Distribution per share (CHF)	16.00	14.00	15.00	13.00	**16.00****
Share price (CHF) at December 31,	219.10	343.75	308.25	320.25	**367.00**

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

	2012	2013	2014*	2015	2016
Direct Sales by Geographic Region					
Asia-Pacific	124.8	103.9	107.6	102.6	**130.7**
Europe	107.0	96.9	95.4	84.9	**79.0**
North America	60.5	87.7	98.4	87.3	**96.1**
Other	4.9	4.5	4.1	3.9	**3.9**
Sales by End Market					
Semi & Vacuum Coating	96.1	102.1	100.6	97.2	**120.6**
Security & Energy	28.6	27.2	35.9	22.1	**33.1**
Refrigeration, Air Conditioning & Automotive	47.8	47.9	54.3	57.6	**68.1**
General Vacuum	124.7	115.8	114.7	101.8	**87.9**

** Restated according to FER 31*

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 2011 from legal reserves from capital contributions	CHF 16.00 distribution per share for 2012 from legal reserves from capital contributions	CHF 14.00 distribution per share for 2013 from legal reserves from capital contributions	CHF 15.00 distribution per share for 2014 from legal reserves from capital contributions	CHF 13.00 distribution per share for 2015 from legal reserves from capital contributions CHF 16.00 proposed distribution per share for 2016 from legal reserves from capital contributions

Acquisitions / Divestments

+ Applied Sensor Sweden AB Assets of hydrogen gas sensing specialist – Vacuum Valve product line divestment	+ Sycon Instruments Inc. Assets of thin film specialist + KeyX Assets of hydrogen leak detector specialist			+ InstruTech, Inc. Assets of vacuum process specialist, Feb 1, 2016

Sales / Marketing / Achievements

New sales location in India Korea capability expansion	US Presidential Award for Exports	R&D 100 Award for Stripe High Speed Capacitance Diaphragm Vacuum Gauge R&D 100 Award for Micro GC Fusion Gas Analyzer Golden Gas Award for Micro GC Fusion Gas Analyzer INFICON joins Sematech to develop analysis and monitoring solutions for semiconductor manu-facturing equipment	Inauguration of new production facility at Syracuse/NY, USA	Chief Sales Officer hired; focus on growth and sales excellence Technology Day for Analysts, Investors and Media, Nov 9, 2016, in Balzers/FL Launched rollout for fully integrated CRM system
2012	2013	2014	2015	2016

Recent Milestones and Achievements

Innovation is key at INFICON. In our 17 years of existence we have developed and launched over 70 new products.

Technology Leadership

2012	2013	2014	2015	2016
Transpector MPH Residual Gas Analyzer with industry leading performance for all gas analysis applications The INFICON Porter CDG020D Capacitance Diaphragm Gauge designed for stable, long-term performance in industrial environments LDS3000 Helium/ Hydrogen Leak Detector sets new standards for accuracy, reproducibility of measurement results and speed of leak detection Composer Elite Binary Gas Concentration Monitor for LED manufacturing processes Private label service leak detector	Cube Calibration/ Reference Vacuum Measurement Instrument Edge Capacitance Diaphragm Gauge, for high-temperature semi applications EtherCAT interfaces for Vacuum Gauge line Gemini Cold Cathode Inverted Magnetron all purpose Vacuum Gauge Stripe High Speed Vacuum Gauge Transpector MPH Residual Gas Analyzer for semiconductor applications Micro GC Fusion Gas Analyzer Spot OEM Capacitance Diaphragm Pressure Sensor	Stripe 10m Torr Full Scale Capacitance Diaphragm Gauge IRwin Mobile Methane Leak Detector HLD 6000 Refrigerant Leak Detector Sensistor Sentrac Hydrogen Leak Detector Vortex Dual Refrigerant Recovery Machine	Contura S400 Leak Detector for packaging to detect any leak without tracer gas and without damage to the packages used in various industries Wey-Tek HD Wireless Refrigerant Charging Scale Design study Helios UL3000 Fab Leak Detector, designed together with our key customers especially to meet the high precision requirements of semiconductor applications	Micro GC Fusion® 4-Module System Gas Analyzer UL3000Fab Leak Detector finalized and launched Expansion of IRwin® Methane Leak Detector family with IRwin SX* range intended for use in potentially explosive atmospheres (ATEX) INFICON Porter™ CDG020D Capacitance Diaphragm Gauge for Ultra High Purity Applications

Target Markets

	Semi & Vacuum Coating	Security & Energy	Refrigeration, Air Conditioning & Automotive	General Vacuum
Market	*In situ* metrology and process control for semiconductor manufacturers, manufacturers of capital equipment for semiconductor devices (OEMs), and for thin film coating applications including flat panel displays (LCD and OLED), solar cells, LED lighting systems, data storage media, scientific and consumer optics, and architectural glass coatings.	Analysis of chemical agents and toxic industrial chemicals in air, water or soil for military, emergency response and environmental events. Gas analysis for the petro-chemical industry, including oil and gas production, refining, and alternative energy. Leak detection and monitoring of landfills, industrial processes, and utilities.	Leak detection for quality control in the manufacturing of commercial and consumer air conditioners and appliances. Technologies for air condition-ers and air bags, fuel tanks, and other components in the automotive industry. After-sale service for repair.	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.
Growth Drivers	Fast growth of electronic consumer products in emerging markets Increasing complexity and manufacturing cost of products Miniaturization for portability and online/mobile communication Increased demand for intelligent sensors (MEMS, optical, etc.) OLED technology replacing LCD over the next few years	Imminent threats to national and global political and economic stability Public opinion, driven by fear of terror, supports and drives governments to allocate resources to homeland security Government agencies (military, police, etc.) faced with more and new tasks for national emergencies Growing environmental concerns	Increased government regulation to reduce environmental pollution and increase energy efficiency Increased quality standards and technology/process control New refrigerants for air conditioning General growth in demand for air conditioning Growing demand for house-hold appliances in emerging economies	Life Science R&D budgets Easier use of vacuum for industrial and research applications Higher quality standards Global GDP growth New energy and fuel applications Extended shelf life
Long-term market trends	Ambient Intelligence			Ambient Intelligence
	Sustainability	Sustainability	Sustainability	
	Rising Middle Class		Rising Middle Class	Rising Middle Class
	International Security	International Security		

Target Markets

Semi & Vacuum Coating	Security & Energy	Refrigeration, Air Conditioning & Automotive	General Vacuum
Products			
Industrial gas analyzers, mass spectrometers, and process control sensors			Industrial gas analyzers, mass spectrometers, and process control sensors
Vacuum gauges, controllers, components and feedthroughs		Vacuum gauges, controllers, components and feedthroughs	Vacuum gauges, controllers, components and feedthroughs
Leak detectors	Leak detectors	Leak detectors	Leak detectors
Thin film controllers			
Chemical detectors and monitors	Chemical detectors and monitors		
	Micro gas chromatography	Micro gas chromatography	Micro gas chromatography
Sensor integration software			
Quartz crystal technologies			Quartz crystal technologies
Gas concentration monitor			Gas concentration monitor
RF sensing technology			
		Service tools	

Letter to our Shareholders

Dear Shareholders

At INFICON, innovation is focusing on the future needs of a broad array of industries. During 2016, we expanded our leading positions in vacuum technology and leak detection in existing and new application areas with the market introduction of several new or upgraded products. Centered on INFICON's core competencies, our new products are designed to widen the scope of our technological expertise and thus create new growth areas. Indeed, 2016 has seen the first promising revenues from several of our recently launched products.

With sales of USD 309.7 million and an operating income of USD 51.0 million, INFICON increased its sales by 11% and its operating income by 28%. The operating income margin improved from 14.3% in 2015 to 16.5%. We are confident that INFICON is well positioned to defend and expand its position as a technology leader and to seize future growth opportunities.

Underpinned by the solid financial results for 2016 and based on the outlook, the Board of Directors proposes to the upcoming Annual General Meeting the distribution of CHF 16.00 per share out of capital reserves.

Letter to our Shareholders

In 2016, sales grew by 11.1% compared with the figures of 2015. A mid-term analysis of the annual sales figures of the last six years shows, however, a largely flat revenue trend, oscillating around USD 300 million. After considerable investments into its marketing and sales capabilities over the last years and especially based on its strong innovation pipeline which creates new momentum and leads to promising new growth opportunities, INFICON's sales figures should rise in the future. In 2016, INFICON invested USD 26.8 million in Research and Development and added personnel to its global sales force. We attended over 40 trade shows around the globe and gave numerous technology and product presentations to specific industry audiences. In addition, for investors and analysts, INFICON hosted a technology day at its Balzers production site in November.

In November, INFICON hosted a Technology Day at its Balzers production site in Liechtenstein. Investors, financial analysts and journalists became more familiar with INFICON's latest product developments and participated in a guided tour of the production plant. In his opening speech, the Chairman of INFICON, Dr. Beat E. Lüthi, presented INFICON's key strategic thrusts, and CEO Lukas Winkler spoke about how INFICON will implement these steps.

Letter to our Shareholders

Growth opportunities in target markets

In the Semi & Vacuum Coating market, our business benefits from the ongoing strong demand for OLED flat panel displays and memory chips. In addition, newly launched products such as the *Porter CDG 020D* and the *UL3000Fab* – all presented in more detail and with photos below – broaden our position as experts in pressure measurement and leak detection.

The Security & Energy market has traditionally been dominated by our flagship product *HAPSITE*®, the only truly man-portable detection and analysis device for volatile organic compounds. New products such as the natural gas detection device family *IRwin* or the addition of the *Micro GC Fusion 4-Module System* to the versatile Fusion product range have considerably broadened the scope of our offering in this application area towards oil and gas mining, refining and transportation.
In the Refrigeration, Air Conditioning & Automotive markets, we expect to see continued growth in our global automotive business. Over the past five years, vacuum technology and especially leak detection have become process critical technologies for the production of many components included in today's cars.

While the traditional refrigeration and air conditioning market is expected to remain stable on a high level, service tools should benefit from the maintenance need of the installed base.

With innovative products like *Contura S400,* INFICON addresses additional markets and entirely new application areas such as testing packaging for airtightness, e.g. in the food industry. With the acquisition of InstruTech, INFICON has expanded its position in the general vacuum application area in North America.

Micro GC Fusion 4-Module System

Using Fusion Auto-Sensing Technology (FAST), Micro GC Fusion simplifies and accelerates gas analysis for on-site and in-lab applications.

At the Technology Day, participants were shown how various new INFICON products work. Packages were tested for their air tightness with INFICON's innovative Contura S400 leak detector. The visitors were amazed to see how the Contura foil chamber closes around a bag of crisp potato chips without crunching even one of the chips.

Broad financial improvements in 2016

The annual sales of INFICON rose by 11.1% to USD 309.7 million. Of all target markets, only **General Vacuum** posted weaker sales. A portion of its 13.7% sales decline, however, was due to a customer reclassification to other target markets. All other markets INFICON tracks achieved rather strong sales increases. The strongest surge was achieved in the **Security & Energy** market which rose by 49.8% to USD 33.1 million. This increase reflects the firm focus on speedy shipments in the second half of the year after having struggled with some bottlenecks in the first quarters. The **Semi & Vacuum Coating** market also posted strong sales figures. Benefitting from an ongoing high demand for OLED displays and a generally strong demand in the traditional semiconductor business, INFICON reports a 24.1% increase to record-high USD 120.6 million for this market. The sales statistics for the **Refrigeration, Air Conditioning & Automotive** market shows also a clear upward trend of 18.2% to also record-high USD 68.1 million. This improvement was largely due to the solid demand from the global automotive industry. Ever more, key building parts of modern cars – including battery stacks for E-vehicles – are leak tested with INFICON equipment. As a contrast, the traditional refrigeration and air conditioning business was rather flat on a high level.

IRwin Methane Leak Detector

Together with an innovative probe system specially designed for natural gas leak detection, IRwin Methane Leak Detector allows for easy and effective survey of gas pipelines.

INFICON achieved an operating income of USD 51.0 million, up from 39.8 million a year ago. This represents an increase of 28.3% and the operating income margin improved from 14.3% in the prior year to now 16.5%. After taxes, net income for the period was USD 40.3 million – an increase of over USD 10 million compared with the preceding year.

Letter to our Shareholders

Outlook and Dividend

With our unique product offering and through our strong marketing foothold in all geographic areas, INFICON is today targeting the global markets for vacuum control, gas analysis, leak detection and thin film deposition. If the growing world economy is not disturbed by any political or other causes, we are expecting to see continued solid growth in the Semi & Vacuum Coating markets. The Refrigeration, Air Conditioning & Automotive should also continue to thrive, mostly based on the solid demand of the global car industry for leak-testing equipment while the traditional air conditioning and refrigeration market is expected to trend sideways on a high level. We believe to have seen the lows of the sales development in the General Vacuum market in the third quarter. As the effect from the mentioned customer reclassification will no longer affect the figures and as the general economic trend is now also more pleasant in Europe, we expect to see slightly growing demand in this target market. After strongly pushing shipments in 2016, we cautiously forecast just stable sales in the Security & Safety market which is still heavily dependent on large-scale orders from public entities. Overall, INFICON expects to see rising sales volumes in the quarters ahead. From a current perspective, we expect for the fiscal year 2017 sales of over USD 320 million and an operating income margin of at least 17%.

UL3000Fab Helium Leak Detector

Next generation leak detector for the demanding requirements of semiconductor applications.

Letter to our Shareholders

From a geographic point of view, we are expecting an overall promising trend going forward. With some uncertainties overshadowing the economy, we expect to see growth in Asia and especially China. In Europe, the economy should continue to slowly gather momentum while the business in the Americas tends to flatten.

We have the product offering that fits our customers' current and future needs and allows us to enter new markets and applications. INFICON has appointed a Chief Sales Officer who firmly focuses on sales growth and sales excellence. He is supported by a technical sales team who are eager to show clients how INFICON can help them increase their performance. We are convinced that INFICON will generate further organic growth in the future. And last but not least, our financial strength and independence allow INFICON to maintain its selective and successful acquisition strategy.

Based on INFICON's sound performance in 2016 and its outlook, the Board of Directors has decided to propose to the Annual General Meeting of Shareholders scheduled for April 11, 2017 to pay out CHF 16.00 per share out of capital reserves. In total, this amounts to 95% of the 2016 earnings.

Management and Board appreciate the ongoing support by our shareholders. We would also like to thank all our colleagues at INFICON for their commitment and hard work, and our valued customers and business partners for their continued trust.

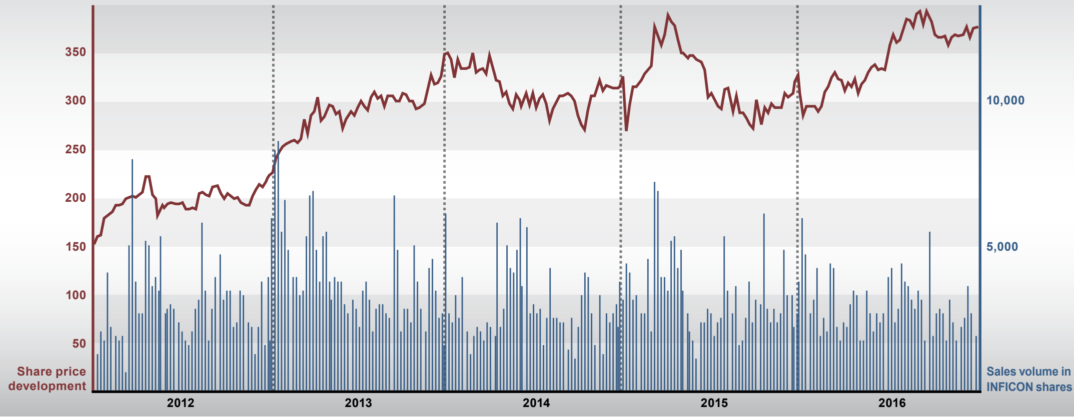
Yours sincerely,

Dr. Beat E. Lüthi	Lukas Winkler	Matthias Tröndle
Chairman	CEO	CFO

Porter CDG020D Ultra high purity

Porter CDG020D Capacitance Diaphragm Gauge is a high quality, cost effective, gas type independent absolute pressure sensor designed for stable, long life performance in industrial environments.

Investor Relations

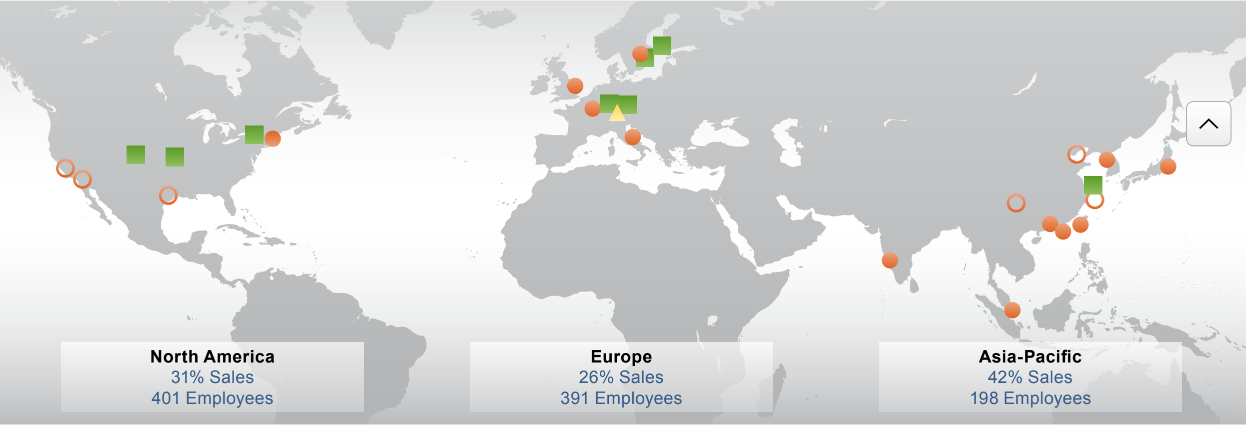


Company Capital	The share capital of INFICON Holding AG consists of 2,375,297 registered shares with a nominal value of CHF 5.00 each.
Stock Market Trading	The registered shares are listed on SIX Swiss Exchange under – the SIX Security Number 1102994 – ISIN CH0011029946 – the symbol IFCN
Important Dates* * Subject to change	April 11, 2017: Annual General Meeting of Shareholders, Bad Ragaz, Switzerland April 21, 2017: First quarter 2017 results July 26, 2017: Second quarter 2017 results / half-year results 2017 October 19, 2017: Third quarter 2017 results March 2018: Fourth quarter 2017 results / Year-end results 2017
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

	2012	2013	2014	2015	2016
Key Figures per Share (CHF)					
Price at year-end	219.10	343.75	308.25	320.25	**367.00**
Highest price	222.20	347.50	346.75	391.00	**396.25**
Date	*Apr. 19*	*Dec. 30*	*Jan. 08*	*Apr. 14*	***Sep. 06***
Lowest price	153.10	219.70	250.00	252.00	**270.50**
Date	*Jan. 6*	*Jan. 3*	*Oct. 16*	*Oct. 21*	***Feb. 09***
Earnings per share	17.86	15.23	15.94	12.72	**16.94**
Equity per share	76.70	77.58	75.77	72.34	**70.71**
Dividend/Distribution per share	16.00	14.00	15.00	13.00	**16.00***

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

Global Presence



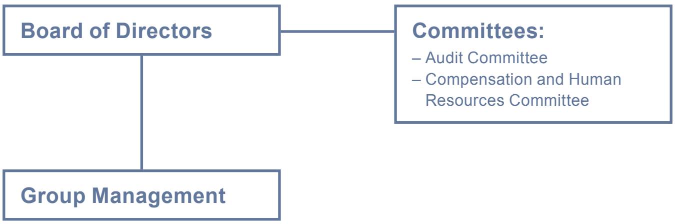
INFICON Holding AG
Bad Ragaz, Switzerland
Parent Company

- **INFICON AG**
  Balzers, Liechtenstein
- **INFICON Inc.**
  Syracuse, NY, USA
  - **INFICON EDC Inc.**
    Overland Park, KS, USA
  - **INFICON InstruTech LLC**
    Longmont, CO, USA
- **INFICON AB**
  Linköping, Sweden
- **INFICON Instruments Shanghai Co. Ltd.**
  Shanghai, China
- **INFICON GmbH**
  Bad Ragaz, Switzerland
  - **INFICON GmbH**
    Cologne, Germany
  - **INFICON Aaland Ab.**
    Mariehamn, Finland
- **INFICON S.A.R.L.**
  Courtaboeuf, France
- **INFICON Ltd.**
  Blackburn, United Kingdom
- **INFICON S.r.l.**
  Bozen, Italy
- **INFICON Pte. Ltd.**
  Singapore
  - **INFICON India Pvt. Ltd.**
    Pune, India
- **INFICON Ltd.**
  Hong Kong
- **INFICON (Guangzhou) Instruments Co., Ltd.**
  Guangzhou, China
- **INFICON Ltd.**
  Chubei City, Taiwan
- **INFICON Ltd.**
  Bungdang, Korea
- **INFICON Co., Ltd.**
  Yokohama-Shi, Japan

Group Administration / Management
Manufacturing
Sales entities
Sales offices

Group Organization

(as of March 10, 2017)



Board of Directors	Dr. Beat E. Lüthi	Chairman	Zürich, Switzerland
	Dr. Richard Fischer	Vice Chairman	Rankweil, Austria
	Vanessa Frey	Member	Uitikon, Switzerland
	Beat Siegrist	Member	Herrliberg, Switzerland
	Dr. Thomas Staehelin	Member	Riehen, Switzerland
Audit Committee	Dr. Thomas Staehelin	Chairman	
	Vanessa Frey		
	Beat Siegrist		
Compensation and Human Resources Committee	Beat Siegrist	Chairman	
	Dr. Richard Fischer		
	Dr. Thomas Staehelin		
Group Management	Lukas Winkler	President and Chief Executive Officer	
	Matthias Tröndle	Vice President and Chief Financial Officer	

Investor Relations

Matthias Tröndle, Vice President and CFO
INFICON HOLDING AG, Hintergasse 15 B, CH-7310 Bad Ragaz, Switzerland
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Fax +41 81 300 4988
E-mail: matthias.troendle@inficon.com

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 January 1, 2016.

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

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

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

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

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

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

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

1 Group Structure and Shareholders

1.1 Group Structure

Operational Group Structure
See page 16.

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

Listed Corporation: INFICON Holding AG
INFICON Holding AG is based in Bad Ragaz, Switzerland. It has a share capital of TCHF 11,876 made up of 2,375,297 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, 2016 was TCHF 871,734 based on shares outstanding.

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, 2016.

Number of shares	Number of shareholders
> 50,000	9
10,000–50,000	6
1–9,999	2,608
Total	2,623

Shareholders by Country
Based upon number of registered shareholders as of December 31, 2016.

Country	Number of shareholders
Switzerland	2,486
Germany	51
United States of America	11
Liechtenstein	14
Rest of Europe	44
Rest of World	17
Total	2,623

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, 2016:

Issued share capital	2,375,297	TCHF	11,876
Conditional share capital	79,558	TCHF	398

The issued share capital comprises 2,375,297 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 522 through the issuance of 104,347 registered shares of CHF 5 each by the exercise of option rights granted to employees and members of the Board of Directors of the Company. As of December 31, 2016, a total of 24,789 (2015: 25,597) options have been exercised reducing the available conditional shares to 79,558 and the conditional share capital to TCHF 398.

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, 2016 and 2015.

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.

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, 2016 a total of 49,714 exercisable options are held by current and former employees and Board of Directors. For a more detailed discussion of stock option plans, please see Notes to Consolidated Financial Statements, Note 13, "Share-based Plans".

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

3 Board of Directors

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

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

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

According to the law, the Board of Directors is responsible for the ultimate direction and supervision of INFICON Holding AG. The Board of Directors has delegated the conduct of the day-to-day business operations to the Company's Group Management comprising the Chief Executive Officer and Chief Financial Officer. Group Management is responsible for the management of INFICON Holding AG and for all other matters except for those reserved by law and the Articles of Incorporation. The Board of Directors is required to resolve all matters, which are not defined by the law, Articles of Incorporation, or management bylaws as being the responsibility of any other governing body. According to the Swiss Code of Obligations and to the Articles of Incorporation the following non-transferable and inalienable responsibilities are incumbent on the Board of Directors:

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

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

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 five 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 three quarterly conference calls. The Compensation and Human Resources Committee holds four or more meetings per year.

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

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

Number of meetings and conference calls in 2016:

	Board of Directors	Audit Committee	Compensation and Human Resources Committee
Number of meetings in 2016	5	4	4
Approx. average duration of meetings (in hours)	7.8	1.9	4.7
Dr. Richard Fischer	5	4	4
Vanessa Frey	5	4	4
Dr. Beat E. Lüthi	5	4	4
Beat Siegrist	5	4	4
Dr. Thomas Staehelin	5	4	4
KPMG personally	—	1	—
KPMG calling in	—	2	—
Number of conference calls 2016	—	3	—
Approx. average duration of conference calls (in hours)	—	0.8	—
Dr. Richard Fischer	—	3	—
Vanessa Frey	—	2	—
Dr. Beat E. Lüthi	—	3	—
Beat Siegrist	—	3	—
Dr. Thomas Staehelin	—	3	—
KPMG	—	2	—

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

The Company's Board of Directors is composed of:

Dr. Beat E. Lüthi, Citizen of Switzerland, 1962
Chairman of the Board of Directors

Educational Background
1980–1986 Swiss Federal Institute of Technology, ETH, Master in Electrical Engineering
1987–1990 Ph.D. at ETH/BWI 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

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

Current Board Mandates
Since 2003 INFICON Holding AG, Member

Vanessa Frey, Citizen of Switzerland, 1980
Director, Member of the Audit Committee

Educational Background

2000–2002	University of St. Gallen, Switzerland Undergraduate Studies in Economics, Business Administration and Law
2003–2004	Stockholm School of Economics, Sweden Master of Science in International Economics and Business. Major in Finance

Executive Experience

2004–2006	Handelsbanken Capital Markets, Corporate Finance, Stockholm, Sweden
2007	HSZ Group, Asset Manager, Hong Kong
Since 2007	CEO of Corisol Holding AG, Family Office, Zug

Previous Board Mandates

2010–2011	South Pole Carbon Asset Management
2010–2012	Absolute Invest, Member

Current Board Mandates

Since 2002	Corisol Holding AG, Member
Since 2008	Swiss Small Cap Invest , Member
Since 2008	KWE Beteiligungen AG, Member
Since 2012	Garaventa Lift AG, Vice Chairwoman
Since 2012	INFICON Holding AG, Member
Since 2014	Schweiter Technologies AG, Member
Since 2016	Zur Rose Group AG, Member

Beat Siegrist, Citizen of Switzerland, 1960
Director, Member of the Audit Committee, Chairman of the Compensation and Human Resources Committee

Educational Background

1980–1985	Swiss Federal Institute of Technology, ETH, Master in Electrical Engineering
1987–1988	INSEAD, Fontainebleau France, MBA

Executive Experience

1985–1986	Contraves AG (Defense Equipment), Development Engineer
1987–1993	McKinsey&Co. (Consulting), first McKinsey Fellows in Switzerland, Consultant and Project Manager
1993–1995	Outsourcing AG (Reorganisation and Outsourcing 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

Current Board Mandates

Since 1996	SSM Schärer Schweiter Mettler AG, Chairman
Since 2003	Phoenix Mecano AG, Member
Since 2008	Schweiter Technologies AG, Chairman
Since 2010	INFICON Holding AG, Member
Since 2013	Garaventa Lift AG, Chairman

Dr. Thomas Staehelin, Citizen of Switzerland, 1947
Director, Chairman of the Audit Committee, Member of the Compensation and Human Resources Committee

Educational Background

1967–1971	University of Basel, lic. iur. (Master in Law)
1972–1974	University of Basel, Ph.D. in Law
1973–1975	Various traineeships
1975	Admission to the Bar

Professional Experience

1973	Swiss Bank Corporation, London
1974	SG Warburg & Co., Ltd., London (Portfolio Management, Corporate Finance)
1975–today	FROMER Advokatur und Notariat, Swiss Corporate and Tax Attorney, and Partner

Previous Board Mandates

1991-2012	Siegfried Holding AG, Vice-Chairman (1991-1998 Chairman)
1996–2008	JRG Gunzenhauser AG, Vice-Chairman
2005–2008	Lenzerheide Bergbahnen AG, Vice-Chairman

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 2005 Scobag Privatbank AG, Chairman
Since 2006 Stamm Bau AG, Chairman

Good Citizenship Mandates

1977–2013 "Allgemeine Musikgesellschaft Basel," President
1982–2014 Swiss Association of Privately Held Companies, Chairman
2001–today Chamber of Commerce of Basle, Chairman
2001–today 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 First Elected	Term Expires
Dr. Beat E. Lüthi	May 2012	April 2017
Dr. Richard Fischer	May 2003	April 2017
Vanessa Frey	May 2012	April 2017
Beat Siegrist	May 2010	April 2017
Dr. Thomas Staehelin	May 2001	April 2017

3.4 Internal Organizational Structure

Refer to page 16.

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.

4 Group Management

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

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

Lukas Winkler, Citizen of Switzerland, 1962
President and Chief Executive Officer
(since January 2004)

Educational Background

1982–1986	Swiss Federal Institute of Technology (ETH), Zürich, Dipl. Ing. ETH, BWI
1999–2001	Syracuse University, NY, USA, Executive MBA

Executive Experience

1987–1989	General Motors Europe AG, Switzerland, Engineer
1989–1991	Maschinenfabrik Rieter AG, Switzerland, Project Manager
1991–1992	Maschinenfabrik Rieter AG, Switzerland, Department Head
1993–1994	UNAXIS-Balzers AG, Liechtenstein and Switzerland, Manager Logistics
1995–1996	UNAXIS-Balzers AG, Liechtenstein and Switzerland, Manager Production
1996–2003	Balzers and Leybold Instrumentation and INFICON AG, Liechtenstein, Vice President and General Manager (member of the Executive Team)
2004–today	INFICON Holding AG, Bad Ragaz, Chief Executive Officer

Matthias Tröndle, Citizen of Germany, 1960
Vice President and Chief Financial Officer
(since September 2008)

Educational Background

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

Executive Experience

1985–1988	Digital Equipment Corporation (DEC), Stuttgart, Financial Analyst Software Development and Sales
1988–1995	Hewlett Packard GmbH, Germany, Senior Financial Analyst Headquarters Germany Finance Manager of two subsidiaries in Germany and Switzerland Accounts Receivables and Credit Manager Accounting & Reporting Manager Leasing & Remarketing Commercial Manager Leasing & Remarketing Division
1995–2003	Solectron GmbH, Germany, Director Finance Germany
2003–2003	Solectron Romania SRL, Timisoara – Romania, Director Finance Eastern Europe (9 months)
2003–2008	Solectron Europe BV, Amsterdam, Senior Director Finance Europe
2008–today	INFICON Holding AG, Switzerland, Chief Financial Officer

4.2 Other Activities and Vested Interests

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

4.3 Management Contracts

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

5 Compensation, Shareholdings and Loans

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

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 33⅓% 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 2016 audit were approximately TUSD 302.

8.3 Additional Fees
No additional fees were paid to the Group Auditor in 2016.

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 2016 the audit firm attended two conference calls and two meeting calling in (see Frequency of Meetings of the Board of Directors and its Committees).

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

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

9 Information policy

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

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

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

A 2016 half-year report was published online in August 2016.

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 2016 closed on December 31, 2016. 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. INFICONs overall remuneration policy is performance oriented and contains a variable component which applies to all staff.

The Compensation and Human Resources Committee (hereinafter referred to as "CHR Committee") annually reviews the principles of the remuneration policy. Based on a proposal of this Committee, the Board of Directors decides on the level of compensation for the members of the Board and the Group Management annually, once the audited financial results have been submitted to the Board. The CHR Committee consists of three members of the Board of Directors: Currently Beat Siegrist (Chairman), Dr. Richard Fischer and Dr. Thomas Staehelin.

2 Board of Directors Compensation

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

The CHR Committee annually proposes the total compensation levels for the Chairman and the other members of the Board. The CHR Committee bases its judgement 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 Annual General Meeting for the term of office until the closing of the following 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 working days after the Annual General Meeting.

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

3 Compensation to Members of Group Management

Based on a proposal of the CHR Committee, the Board of Directors asks annually at the 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 day following the 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 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 relevant share price for allocation purposes is the average share price on the day of allotment.

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 & shares) depend on the fulfillment of individual performance goals and on the Group's financial performance. For Group Management members, the target variable compensation is at 80% of the base salary and 90% for the CEO. The financial performance based bonus criteria must meet a certain minimum threshold for eligibility. The total variable annual compensation is capped at 200% of the annual base cash compensation.

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

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

As described above, the structure and the variable compensation elements of the Group Management have been reworked and modified during 2015. For the first time after 2012 the fixed base cash salary of the Group Management members has been adjusted in 2016. The variable compensation has been adjusted according to the financial performance and the individual performance goals.

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, subject to revision in accordance with the afore-mentioned Ordinance.

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 Annual General Meeting of the Shareholders for a term of office that runs until the end of the next 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 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 General Meeting of Shareholders;
4. to submit proposals to the Board of Directors to the attention of the 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 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 2016 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.

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 2016

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

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

** The shares are valued based on the volume weighted average share price at the day of the share purchases with no discount applied for the blocking periods until April 29, 2019.

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

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

b) Compensations 2015

	Base compensation Cash	Variable compensation Cash bonus accrued	Shares granted ** (Ordinary allocation)		Shares granted *** One-time allocation		Employer social security contributions	Other compensation ****	Total 2015
	TCHF	TCHF	Number	TCHF	Number	TCHF	TCHF	TCHF	TCHF
Board of Directors*:									
Dr. Beat E. Lüthi Chairman	126	—	187	63	—	—	14	—	203
Dr. Richard Fischer Vice Chairman	94	—	140	47	—	—	14	—	155
Vanessa Frey Member	63	—	94	31	—	—	7	—	101
Beat Siegrist Chairman of CHR Committee	80	—	119	40	—	—	12	—	132
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	119	40	—	—	30	—	150
Total	**443**	—	**659**	**221**	—	—	**77**	—	**741**
Group Management:									
Lukas Winkler President and Chief Executive Officer	422	105			178	60	96	20	703
Total	**692**	**165**			**290**	**98**	**176**	**40**	**1,171**

* 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 2015/2016. 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 volume weighted average share price at the day of the share purchases with no discount applied for the blocking periods until April 29, 2018.

*** The shares are valued based on the volume weighted average share price at the day of the share purchases with no discount applied for the blocking periods until July 1, 2019.

**** 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 Annual General Meeting of the Shareholders. The allotment occurs five working days after the Annual General Meeting of the Shareholders (grant date). The total amount of compensation of TCHF 713 compares to the amount of TCHF 840 approved during the 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.

For the Group Management the base compensation increased by 8% in 2016. The average share price on the fifth day following the Annual General Meeting will serve as the calculation base to establish the number of shares, which are allotted 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 1,347 compares to the maximum ceiling amount of TCHF 5,125 approved during the 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 social security 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 2016. No such loans were outstanding as of December 31, 2016.

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 9, 2017 of INFICON Holding AG for the year ended December 31, 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the tables a) and b) in section 7 on page 31 as well as sections 8 to 10 on page 32 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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, 2016 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 10, 2017

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

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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 that group approach.

The sites of INFICON AB in Linköping, Sweden and INFICON EDC Inc. in Overland Park, USA have been certified for the first time according ISO 14001. This first certification has addressed the environmental requirements; the environmental aspects have been systematically assessed and adjusted. Compliance with environmental legislation has also been analyzed and assessed.

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

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

3 Safety and Health at Work

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

4 Environmental Stewardship

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

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

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

5 Resource and Energy Efficiency

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

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

Innovation

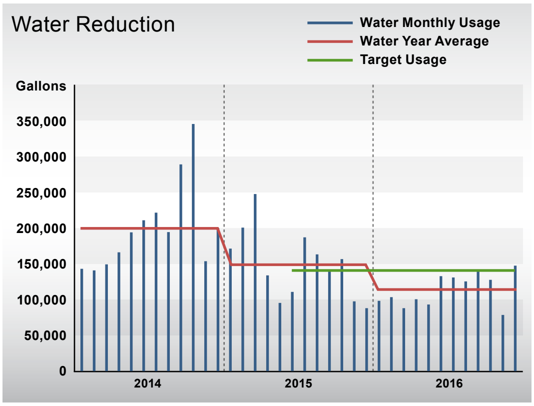
Through its leading research and development, INFICON develops environmentally friendly products and thus meets the sustainability needs of its customers. Through the development of new controllers a total of 101.9 tons of CO_2 emissions can be saved annually (Reduction of 90%/a).

Buildings and Constructions

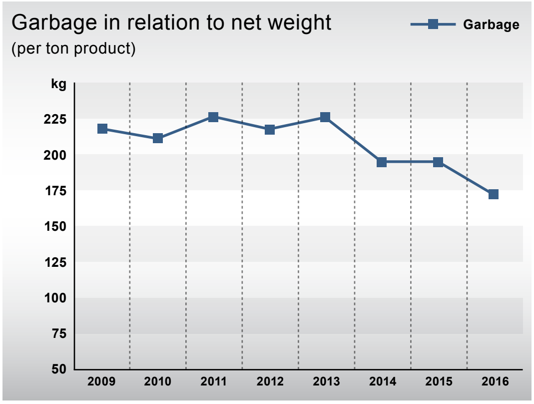
INFICON is constantly striving to improve its energy balance and thus optimize the emission output per location. For example, air conditioning and building technology are optimized for buildings (better insulation, better room temperature management). Today, two sites are connected to a woodchip district heating. At INFICON AG in Balzers, Liechtenstein the former natural gas heating was switched to woodchip district heating. This saves 130 t CO_2 emissions per year (Reduction 82%/a). For the new buildings (Cologne, Syracuse and Aaland) the latest state of the climate technology was applied. At most locations, temperature control (heating / cooling), ventilation, particle count, lighting and shading are monitored and regulated by a building management system in order to optimize the operating performance and costs.

Resources

One site has been able to reduce water consumption by 43% and the consumption of alcohol by 37% (since January 2014) and keep it at a low level with consistent austerity measures.



We have reduced the garbage of all our manufacturing facilities since 2013 by 24% per ton products.



Logistics

In addition to factors such as profitability and punctuality, we also focus on environmentally friendly transport services. As airfreight contributes a great deal to environmental pollution, we have switched to direct delivery between Europe and the USA (instead of indirectly via agencies). We were able to save 20.0 t CO_2 emissions.

INFICON implemented video conferencing systems at all sites to reduce travel.

General

INFICON strives to maximize its resource and energy efficiency across the entire life span 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 ensure that they also follow its environmental requirements.

Financial Review

(US Dollars in Millions)

Income Statement

Net Sales

In 2016, net sales increased by 11.1% or USD 31.0 million to USD 309.7 million from USD 278.7 million in 2015. As this includes a negative impact of USD 0.8 million or 0.3 percentage points from changes in currency exchange rates (FX impacts) and a positive impact of USD 5.5 million or 2.0 percentage points from acquisitions, the net sales increased organically by 9.4% in 2016. Refrigeration, Air Conditioning & Automotive sales achieved a new record level with USD 68.1 million and increased 18.2% or USD 10.5 million, mainly due to increased market share in the Automotive market and solid sales with Refrigeration and Air Conditioning Manufacturers. Sales to the Semi & Vacuum Coating market achieved a new annual sales record with USD 120.6 million. This represents an increase in net sales of USD 23.4 million or 24.1% and this was driven by the increased demand for OLED flat panel displays and memory chips mainly in Asia. Security & Energy market sales increased 49.8% or USD 11.0 million primarily due to higher government spending for security and environmental applications, especially in North America. The General Vacuum market sales decreased by USD 13.9 million or 13.7% largely due to lower sales to European distributors.

Gross Profit

Gross profit margin was 50.4% for 2016 as compared with 48.7% for 2015. The increase is driven by the higher volume as well as favorable product mix, while we experienced some negative FX impacts.

Research and Development

Research and development costs increased to USD 26.8 million or 8.6% of sales, as compared with USD 24.6 million in 2015. This increase of 8.8% is driven by higher variable compensation and acquisition impacts.

Selling, General and Administrative (SGA)

Selling, general and administrative costs increased to USD 78.4 million or 25.3% of sales in 2016 from USD 71.5 million or 25.6% of sales in 2015. This increase is due to investments into our selling and marketing capabilities, acquisition impacts and higher variable compensation costs, while we had some slightly favorable FX impacts.

Operating Result

Income from operations increased to USD 51.0 million or 16.5% of sales for 2016 from USD 39.8 million or 14.3% of sales for 2015. The profitability was impacted by the higher sales volume, an improved gross profit margin and a cost structure that has been kept under control.

Financial Result

The decrease in the financial result by USD 0.4 million to USD 0.7 million is mainly driven by the decrease in foreign currency losses.

Income Taxes

Income taxes increased to USD 9.9 million or 19.8% of income before taxes for 2016 from USD 7.1 million or 19.0% of income before taxes for 2015. The slightly higher tax rate was driven by the mix in earnings and tax rates among the Company’s different tax jurisdictions.

Net Result and Diluted Earnings per Share

Net income and diluted earnings per share was USD 40.3 million and USD 16.94 per share for 2016, as compared with USD 30.1 million and USD 12.72 per share for 2015. The 33.2% increase in earnings per share is in line with the 34.2% increase in net income.

(US Dollars in Millions)

Balance Sheet and Liquidity

Trade accounts receivable increased by USD 9.1 million to USD 42.6 million at December 31, 2016 as compared with USD 33.5 million at December 31, 2015. This increase was driven by the substantially higher sales volume in the last quarter of 2016 as compared with the same period in 2015.

Inventories decreased by USD 0.1 million to USD 36.9 million at December 31, 2016 as compared with USD 37.0 million at December 31, 2015. Inventory turns increased to 3.8 in 2016 from 3.6 in 2015 using a 4-point average of quarter-end inventory balances.

Cash and short-term investments at December 31, 2016 totaled USD 63.9 million, an increase of USD 3.0 million as compared with USD 60.9 million at December 31, 2015. Cash flow from operations achieved a new annual record level and totaled USD 53.4 million in 2016 as compared with USD 37.8 million in 2015. The increase was influenced by a higher net income and higher levels of trade accounts payable and provisions, partially offset by a higher level of trade accounts receivable.

Accrued expenses and deferred income increased by USD 1.7 million. This increase is driven by higher accrued salaries and wages, deferred revenue, as well as other accruals.

Consolidated Balance Sheet

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

Assets	Note	December 31, 2016	December 31, 2015
Cash and cash equivalents		**59,317**	57,080
Short-term investments		**4,584**	3,820
Trade accounts receivable, net	4	**42,590**	33,490
Inventories net	5	**36,920**	37,045
Prepayments and accrued income		**1,759**	1,301
Other current assets		**3,934**	5,175
Total current assets		**149,104**	137,911
Property, plant, and equipment	6	**47,998**	50,736
Intangible assets	8	**6,295**	4,419
Deferred tax assets		**8,498**	9,826
Financial assets		**1,535**	1,561
Total non-current assets		**64,326**	66,542
Total assets		**213,430**	204,453
Liabilities and Shareholders' Equity			
Trade accounts payable		**8,014**	4,757
Short-term provisions	10	**13,830**	8,648
Income taxes payable		**4,316**	4,042
Accrued expenses and deferred income	9	**10,841**	9,089
Other current liabilities		**2,552**	2,707
Total current liabilities		**39,553**	29,243
Long-term provisions	10	**2,346**	1,934
Deferred tax liabilities	11	**3,203**	2,311
Total non-current liabilities		**5,549**	4,245
Total liabilities		**45,102**	33,488
Common stock	12	**6,656**	6,586
Own shares (Treasury shares)	12	**(441)**	(539)
Retained earnings		**171,951**	172,637
Foreign currency translation		**(9,838)**	(7,719)
Total shareholders' equity		**168,328**	170,965
Total liabilities and shareholders' equity		**213,430**	204,453

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*	**2016**	2015
Net sales	*15*	**309,680**	278,690
Cost of sales		**153,523**	142,847
Gross profit		**156,157**	135,843
Research and development		**26,767**	24,602
Selling expense		**32,471**	30,339
General and administrative expense		**45,892**	41,141
Operating result		**51,027**	39,761
Financial result	*16*	**(723)**	(1,093)
Ordinary result		**50,304**	38,668
Non-operating result	*16*	**(62)**	(1,553)
Earnings before income taxes (EBT)		**50,242**	37,115
Income taxes	*17*	**9,923**	7,060
Net result		**40,319**	30,055
Earnings per share:	*18*		
Basic		**17.05**	12.81
Dilution		**(0.11)**	(0.09)
Diluted		**16.94**	12.72

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	Own shares	Retained earnings	Foreign currency translation	Total shareholders' equity
Balance at December 31, 2014*		**6,514**	**—**	**—**	**174,681**	**(3,860)**	**177,335**
Net result					30,055		30,055
Foreign currency translation						(3,859)	(3,859)
Issuance of common stock from exercise of stock options	*13*	72	4,924				4,996
Acquisition of own shares				(1,154)			(1,154)
Disposal of own shares				615			615
Stock-based compensation			1,088				1,088
Distribution from legal reserve (CHF 15 per share)			(6,012)		(32,051)		(38,063)
Adjustment of Goodwill	*7*				(48)		(48)
Balance at December 31, 2015		**6,586**	**—**	**(539)**	**172,637**	**(7,719)**	**170,965**
Net result					40,319		40,319
Foreign currency translation						(2,119)	(2,119)
Issuance of common stock from exercise of stock options	*13*	70	5,506				5,576
Acquisition of own shares				(561)			(561)
Disposal of own shares				659			659
Stock-based compensation			783				783
Distribution from legal reserve (CHF 13 per share)			(6,289)		(25,928)		(32,217)
Adjustment of Goodwill	*7*				(15,077)		(15,077)
Balance at December 31, 2016		**6,656**	**—**	**(441)**	**171,951**	**(9,838)**	**168,328**

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

** Restated according to FER 31*

Consolidated Statement of Cash Flows

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

Year ended December 31,	*Note*	**2016**	2015
Cash flows from operating activities:			
Net result		**40,319**	30,055
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	*6*	**6,626**	6,197
Amortization	*8*	**1,471**	1,338
Result from disposal of fixed assets		**29**	22
Deferred Taxes		**2,151**	(109)
Stock based compensations		**783**	1,088
Changes in operating assets and liabilities, excluding effects from acquisition:			
Trade accounts receivable		**(9,537)**	5,497
Inventories		**173**	(1,256)
Other assets		**505**	(473)
Trade accounts payable		**3,372**	(2,172)
Accrued liabilities and short-term provisions		**7,180**	(4,349)
Income taxes payable		**369**	1,596
Other liabilities		**(85)**	408
Net cash provided by operating activities		**53,356**	37,842
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(5,154)**	(22,664)
Disposal of property, plant and equipment		**280**	187
Purchase of intangible assets		**(855)**	(1,072)
Disposal of intangible assets		**1**	1
Acquisitions of businesses net of cash acquired	*3*	**(17,677)**	(199)
Purchase of short-term investments		**(10,868)**	(2,022)
Disposal of short-term investments		**10,104**	8,199
Net cash used in investing activities		**(24,169)**	(17,570)
Cash flows from financing activities:			
Proceeds from exercise of stock options	*13*	**5,576**	4,996
Cash distribution from legal reserves		**(32,217)**	(38,063)
Purchase/disposal of own shares		**98**	(539)
Proceeds from borrowings		**13,283**	—
Repayments of borrowings		**(13,283)**	—
Net cash used in financing activities		**(26,543)**	(33,606)
Effect of exchange rate changes on cash and cash equivalents		**(407)**	(571)
Change in cash and cash equivalents		**2,237**	(13,906)
Cash and cash equivalents at beginning of period		**57,080**	70,986
Cash and cash equivalents at end of period		**59,317**	57,080

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

Notes to Consolidated Financial Statements

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

1 Description of Business

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

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

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

2 Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Company. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP FER) and are based on the subsidiaries' annual financial statements at December, 31, which are prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle with the exception of certain items such as derivative financial instruments and short-term investments, which are carried on the balance sheet at their fair value. The consolidated financial statements comply with the Listing Rules of the SIX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of INFICON Holding AG approved the consolidated financial statements on March 10, 2017 for submission to the Annual General Meeting on April 11, 2017.

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.

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

The following companies are included in these consolidated financial statements:

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

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

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.

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

Research and Development
Research and development costs are expensed as incurred.
Shipping and Handling Costs
Revenue and costs associated with shipping products to customers are included in sales or cost of sales.

Share-based Plan
Since 2001, a stock option plan for Directors, as well as for Group Management and key employees is in place. The granting of options under the stock option plan does result in the recognition of personnel expenses. The effect on equity is recognized in equity at the time the options are exercised.

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. The allocation of shares does result in the recognition of personnel expenses.

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	
		2016	2015	**2016**	2015
1 Swiss Franc	USD	**0.9816**	1.0104	**1.0154**	1.0402
Euro	USD	**1.0541**	1.0926	**1.1068**	1.1103
Japanese Yen	USD	**0.0085**	0.0083	**0.0092**	0.0083
Hong Kong Dollar	USD	**0.1289**	0.1290	**0.1288**	0.1290
Korean Won	USD	**0.0008**	0.0009	**0.0009**	0.0009

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

3 Acquisitions and Disposals

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 is 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.

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

As of November 4,	2009
Inventory	57
Equipment	15
Goodwill	4,848
Intangible assets	290
Net assets acquired	5,210
Accrued contingent consideration	(4,600)
Purchase price at closing	(610)
Total fair value of consideration	(5,210)

A commercial dispute regarding the final earn-out payments has been settled in July 2016. Due to this final settlement, the contingent consideration has been revalued to USD 8,000 and has been paid out in July 2016. This was the final settlement.

Sycon
On October 21, 2013, the Company acquired substantially all the assets of Sycon Instruments, Inc., a developer and manufacturer of instrumentation for the measurement and control of thin film processes. The acquisition further strengthens the Company's leading position in the thin film controller market. It also increases opportunities for the Company in the optical manufacturing market.

The purchase price was USD 2,500 at closing. Additionally, there is an earn-out to be paid based on sales growth over a two year period. At the acquisition date, the Company has performed a fair value calculation which resulted in USD 100 of contingent consideration.

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

As of October 21,	2013
Inventory, net	930
Equipment	20
Goodwill	1,430
Intangible assets	220
Net assets acquired	2,600
Accrued contingent consideration	(100)
Purchase Price at closing	(2,500)
Total fair value of consideration	(2,600)

As of December 31, 2015, the fair value of the contingent consideration amounted to USD 69.
The remaining earn-outs have been paid out in 2016. This was the final settlement.

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

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

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

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

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

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

4 Trade Accounts Receivable

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

	2016	2015
Trade accounts receivable, gross	**43,881**	34,151
Bad debt allowance	**(1,291)**	(661)
Total trade accounts receivable, net	**42,590**	33,490

5 Inventories net

Inventories consist of the following at December 31:

	2016	2015
Raw material	**25,333**	24,744
Work-in-process	**7,748**	4,370
Finished goods	**3,772**	7,916
Advance Payments to suppliers	**67**	15
Net balance at December 31,	**36,920**	37,045

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

6 Property, Plant, and Equipment

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

Property, plant, and equipment 2016	Land	Buildings	Machinery and equipment	Leasehold improvements	Prepayments and tangible fixed assets under construction	Demonstration equipments	Other tangible fixed assets	Total property, plant, and equipment
At cost								
At January 1, 2016	2,800	40,199	49,053	10,652	1,135	5,279	11,529	120,647
Additions	—	1,431	1,968	168	584	857	246	5,254
Disposals	—	(437)	(3,295)	(59)	(39)	(291)	(1,366)	(5,487)
Reclassifications	—	251	177	—	(824)	—	(3)	(399)
Exchange Differences	(74)	(394)	(946)	(311)	(11)	(117)	(359)	(2,212)
At December 31, 2016	**2,726**	**41,050**	**46,957**	**10,450**	**845**	**5,728**	**10,047**	**117,803**
Accumulated depreciations:								
At January 1, 2016	388	10,646	37,199	8,582	—	4,800	8,296	69,911
Systematic depreciation	2	1,722	3,120	515	—	530	737	6,626
Disposals	—	(438)	(3,205)	(59)	—	(215)	(1,290)	(5,207)
Reclassifications	—	—	1	—	—	—	(1)	—
Exchange Differences	—	(87)	(805)	(261)	—	(104)	(268)	(1,525)
At December 31, 2016	**390**	**11,843**	**36,310**	**8,777**	**—**	**5,011**	**7,474**	**69,805**
Net book values:								
At January 1, 2016	2,412	29,553	11,854	2,070	1,135	479	3,233	50,736
At December 31, 2016	**2,336**	**29,207**	**10,647**	**1,673**	**845**	**717**	**2,573**	**47,998**

Property, plant, and equipment 2015	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
At cost								
At January 1, 2015	3,037	24,095	50,891	10,686	3,448	—	12,429	104,586
Additions	—	430	2,604	86	18,203	770	571	22,664
Disposals	—	(1,227)	(5,456)	(80)	(106)	(25)	(411)	(7,305)
Reclassifications	—	18,033	1,712	—	(20,372)	4,534	66	3,973
Exchange Differences	(237)	(1,132)	(698)	(40)	(38)	—	(1,126)	(3,271)
At December 31, 2015	**2,800**	**40,199**	**49,053**	**10,652**	**1,135**	**5,279**	**11,529**	**120,647**
Accumulated depreciations:								
At January 1, 2015	385	11,308	40,097	8,183	—	—	8,534	68,507
Systematic depreciation	3	665	3,556	508	—	573	891	6,196
Disposals	—	(1,227)	(5,405)	(80)	—	(15)	(390)	(7,117)
Reclassifications	—	—	(495)	—	—	4,242	23	3,770
Exchange Differences	—	(100)	(554)	(29)	—	—	(762)	(1,445)
At December 31, 2015	**388**	**10,646**	**37,199**	**8,582**	**—**	**4,800**	**8,296**	**69,911**
Net book values:								
At January 1, 2015	2,652	12,787	10,794	2,503	3,448	—	3,895	36,079
At December 31, 2015	**2,412**	**29,553**	**11,854**	**2,070**	**1,135**	**479**	**3,233**	**50,736**

7 Goodwill

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

Theoretical movement schedule for goodwill:

	2016	2015
At cost		
At January 1,	**3,594**	8,382
Additions from acquisitions of subsidiaries	**15,077**	48
Elimination of fully amortized goodwill items	**(910)**	(4,719)
Exchange Differences	**(47)**	(117)
At December 31,	**17,714**	3,594
Accumulated amortization		
At January 1,	**2,211**	5,403
Amortization expense	**2,711**	1,626
Elimination of fully amortized goodwill items	**(910)**	(4,719)
Exchange Differences	**(42)**	(99)
At December 31,	**3,970**	2,211
Theoretical net book values		
At January 1,	**1,383**	2,979
At December 31,	**13,744**	1,383

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

Impact on income statement:

	2016	2015
Operating result according to income statement	**51,027**	39,761
Amortization of goodwill	**(2,711)**	(1,626)
Theoretical operating result incl. amortization of goodwill	**48,316**	38,135
Net result according to income statement	**40,319**	30,055
Amortization of goodwill	**(2,711)**	(1,626)
Theoretical net result incl. amortization of goodwill	**37,608**	28,429

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

Impact on balance sheet:

	2016	2015
Equity according to balance sheet	**168,328**	170,965
Equity as % of total assets	**78.9%**	83.6%
Theoretical capitalization of goodwill (net book value)	**13,744**	1,383
Theoretical equity incl. net book value of goodwill	**182,072**	172,348
Theoretical equity incl. net book value of goodwill as % of total assets	**80.1%**	83.7%

No indication for impairment of goodwill has been identified.

8 Intangible Assets

Intangible assets 2016	Techno-logy	Software	Other	Total
At cost				
At January 1, 2016	7,807	6,461	2,059	16,327
Additions	206	625	2,224	3,055
Disposals	—	(249)	—	(249)
Reclassifications	34	365	—	399
Exchange Differences	(176)	(178)	(50)	(404)
At December 31, 2016	**7,871**	**7,024**	**4,233**	**19,128**
Accumulated amortization				
At January 1, 2016	5,862	4,918	1,128	11,908
Systematic amortization	372	732	367	1,471
Disposals	—	(248)	—	(248)
Reclassifications	41	(3)	(38)	—
Exchange Differences	(138)	(133)	(27)	(298)
At December 31, 2016	**6,137**	**5,266**	**1,430**	**12,833**
Net book values				
At January 1, 2016	1,945	1,543	931	4,419
At December 31, 2016	**1,734**	**1,758**	**2,803**	**6,295**

Intangible assets 2015	Techno-logy	Software	Other	Total
At cost				
At January 1, 2015	7,805	5,972	2,060	15,837
Additions	103	934	35	1,072
Disposals	—	(435)	—	(435)
Reclassifications	—	103	(35)	68
Exchange Differences	(101)	(113)	(1)	(215)
At December 31, 2015	**7,807**	**6,461**	**2,059**	**16,327**
Accumulated amortization				
At January 1, 2015	5,463	4,924	810	11,197
Systematic amortization	486	523	329	1,338
Disposals	—	(435)	—	(435)
Exchange Differences	(87)	(95)	(10)	(192)
At December 31, 2015	**5,862**	**4,918**	**1,128**	**11,908**
Net book values				
At January 1, 2015	2,342	1,048	1,250	4,640
At December 31, 2015	**1,945**	**1,543**	**931**	**4,419**

9 Accrued Expenses and Deferred Income

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

	2016	2015
Salaries, wages and related costs	**4,757**	4,315
Deferred revenue	**1,006**	646
Professional fees	**943**	793
Other	**4,135**	3,335
Balance at December 31,	**10,841**	9,089

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

10 Provisions

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

Provisions 2015	Warranty	Pension	Bonus & Commissions	Restructuring	Other	Total
At January 1, 2015	2,466	75	9,554	121	1,815	14,031
Creation	324	14	6,389	—	164	6,891
Utilizations	(140)	—	(8,455)	(121)	(248)	(8,964)
Reversals	(213)	(72)	(693)	—	(36)	(1,014)
Exchange Differences	(91)	(3)	(262)	—	(6)	(362)
At December 31, 2015	**2,346**	**14**	**6,533**	**—**	**1,689**	**10,582**
Short-term	2,020	14	6,533	—	81	8,648
Long-term	326	—	—	—	1,608	1,934

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.

11 Deferred Tax Liabilities

	2016	2015
At January 1,	**2,311**	2,149
Creation	**828**	155
Reversals	**79**	—
Exchange Differences	**(15)**	7
At December 31,	**3,203**	2,311

12 Shareholder's Equity

As of December 31, 2016, shareholder's equity consists of 2,375,297 issued and outstanding bearer shares (2015: 2,350,508) with a par value of CHF 5 (2015: CHF 5).

Under the Swiss Code of Obligations, the shareholders may decide on an increase of the share capital in a specified aggregate par value up to 50% of the existing share capital, in the form of authorized capital to be used at the discretion of the Board of Directors. The Board of Directors is currently not authorized to issue new registered shares. The General Meeting of Shareholders approved conditional capital in the amount of 260,000 shares in 2012, which shall be issued upon the exercise of option rights, which some employees and members of the Board of Directors will be granted pursuant to the Employee Incentive Plans. The Board of Directors will regulate the details of the issuances. As of December 31, 2016 and 2015, 79,558 and 104,347 shares of CHF 5 each, respectively, were available for issuance.

a) Own Shares 2016

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

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

b) Own Shares 2015

	Number of own shares	Price per share in CHF Highest	Lowest	Volume-weighted average
Balance as of January 1	—			—
Purchases May 4–May 29, 2015	1,784	348.00	333.00	341.03
Purchases August 25–August 31, 2015	800	300.75	277.50	290.47
Purchases November 5–November 30, 2015	1,000	302.50	283.75	289.76
Allocation to Members of the Board of Directors	(659)			
Allocation to Group Management and Key Employees	(1,125)			
Balance as of December 31	**1,800**			

At December 31, 2016, acquisition cost for directly held own shares amounted to TCHF 555 compared with TCHF 523 at December 31, 2015.

The statutory or legal reserves that may not be distributed amount to TCHF 2,590 at December 31, 2015 and at December 31, 2016.

13 Share-based Plans

Stock Option Plans

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

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

The options have been granted in Swiss Francs.

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

	Options	Weighted average exercise price (CHF)
Outstanding at December 31, 2014	126,188	243.15
Granted	—	—
Cancelled	(2,525)	279.34
Exercised	(25,597)	187.84
Outstanding at December 31, 2015	98,066	256.65
Granted	—	—
Cancelled	(1,675)	279.30
Exercised	(24,789)	219.56
Outstanding at December 31, 2016	71,602	268.95
Exercisable at December 31, 2016	49,714	255.24

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

	2016	2015
Increase in Common stock	**70**	72
Increase in Capital reserves	**5,506**	4,924
Total	**5,576**	4,996

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 closing market price on the day of allotment, which occurs five working days after the Ordinary Annual General Meeting.

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

The impact of all share-based plans on the income statement as per December 31, 2016 and 2015, amounts to USD 1,425 and USD 1,713 respectively.

14 Employee Benefit Plans

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

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

	Surplus / Deficit	Economical surplus/ deficit of the organization		Change to prior year period recognized in the current result of the period	Contributions concerning the business period	Pension benefit expenses within personnel expenses	
	31.12.2016	31.12.2016	31.12.2015	2016	2016	2016	2015
Pension institutions with surplus	7,999	—	—	—	(771)	(771)	(1,572)
Pension institutions with deficit	(3,323)	—	—	—	(2,266)	(2,266)	(1,661)
Total	4,676	—	—	—	(3,037)	(3,037)	(3,233)

15 Business Segments

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

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

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

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

16 Financial and non-operating result

The financial result consists of the following:

	2016	2015
FX loss	**(709)**	(1,223)
Interest income (expense)	**(14)**	130
Total financial result	**(723)**	(1,093)

The non-operating result of USD 62 (2015: USD 1,553) relates to restructuring expenses in Balzers (Liechtenstein).

17 Income Taxes

Tax expense consists of the following:

	2016	2015
Current tax expense	**7,703**	6,909
Deferred tax expense	**2,220**	151
Total	**9,923**	7,060

As of December 31, 2016, the group average tax rate for calculating deferred taxes was 19.8% (2015: 19.0%).

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

Income tax expense before impact of tax loss carry forwards	9,376
Effect of additions to tax loss carry forwards	6
Effect of utilization to tax loss carry forwards	(2,424)
Effect of previously unrecognized tax loss carry forwards	2,281
Effect of re-evaluation to tax loss carry forwards	684
Income tax expense after impact of tax loss carry forwards	9,923

The entitlement for deferred income taxes on tax losses carried forward not yet used was USD 564 at December 31, 2016, as compared with USD 2,956 at December 31, 2015.

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

18 Earnings per Share

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

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

	2016	2015
Numerator:		
Net income	**40,319**	30,055
Denominator:		
Weighted average shares outstanding	**2,364,457**	2,346,238
Effect of dilutive stock options	**15,981**	16,966
Denominator for diluted earnings per share	**2,380,438**	2,363,205
Earnings per share:		
Basic	**17.05**	12.81
Dilution	**(0.11)**	(0.09)
Diluted	**16.94**	12.72

For the year ended December 31, 2016, the fully diluted earnings per share calculation excluded 300 options to purchase shares since these shares would have been anti-dilutive for 2016, compared with 35,575 options in 2015, respectively.

19 Commitments and Contingencies

A summary of contractual commitments and contingencies as of December 31, 2016 is as follows:

	Operating leases	Purchase Commitments	Total
2017	4,348	4,626	8,974
2018	4,313	1,074	5,387
2019	3,598	101	3,699
2020	3,060	—	3,060
2021	914	—	914
Thereafter	510	—	510
Total	16,743	5,801	22,544

The Company leases some of its facilities and machinery and equipment under operating leases, expiring in years 2017 through 2022. 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 2016, 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.

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

20 Related Party Transaction

In 2016 USD 8 (2015 USD 5) were paid to related parties for assisting in the preparation of shareholder meetings and other corporate actions.

21 Additional Information Required by Swiss Law

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

	2016	2015
Total personnel costs	**102,796**	94,303

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:

	2016		2015	
	Shares owned	**Options owned**	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	**602**	**1,800**	393	1,800
Dr. Richard Fischer	**25,139**	**675**	24,983	675
Vanessa Frey*	**302**	**900**	197	900
Beat Siegrist	**8,833**	**500**	8,700	500
Dr. Thomas Staehelin	**2,733**	**1,050**	2,600	1,050
Total Board of Directors	**37,609**	**4,925**	36,873	4,925
Group Management:				
Lukas Winkler, President & CEO	**4,496**	**4,869**	4,278	6,000
Matthias Tröndle, Group CFO	**240**	**938**	112	2,744
Total Group Management	**4,736**	**5,807**	4,390	8,744

* Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.25% (2015: 19.45%) in INFICON Holding AG.

21 Subsequent Events

The Company has evaluated subsequent events through March 10, 2017, which represents the date when the consolidated financial statements were available to be issued.

KPMG

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, 2016 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 56) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, 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

Acquisition of business

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, 2016 amounted to USD 309.7 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

Acquisition of business

Key Audit Matter

In February 2016, the Group acquired substantially all assets of InstruTech, Inc. for a total consideration of USD 10.18 million. The accounting for this acquisition requires management to exercise judgement and is based on a number of assumptions, notably:

- The fair value measurement of intangible assets acquired;
- The fair value measurement of the contingent consideration;
- Accounting treatment and classification of potential intangible assets, goodwill and acquisition related costs.

The Group engaged a valuation expert to assist in the identification and measurement of the contingent consideration and the intangible assets.

Our response

With the support of our valuation specialists, we challenged the valuation of intangible assets and the contingent consideration.

Among others, our audit procedures included the following:

- Analyzing the purchase agreement to determine whether conditions contained within the agreement were appropriately reflected in the acquisition accounting;
- Considering the appropriateness of the fair values ascribed to intangible assets and the contingent consideration;
- Challenging the assumptions used by the Group's valuation expert in his report supporting intangible assets and contingent consideration with the support of our valuation specialists; and
- Evaluating proper accounting and disclosure of the transaction in the consolidated financial statements.

For further information on acquisition of business refer to the following:

— Note 3 "Acquisitions and Disposals" 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 10, 2017

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

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Balance Sheet

INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

Assets	Notes	**December 31, 2016**	December 31, 2015
Cash		**689**	2,013
Other short-term receivables			
- from third parties		**13**	5
- from companies in which the entity holds an investment		**656**	670
Prepaid expenses and accrued income		**89**	133
Total current assets		**1,447**	2,821
Financial assets			
- Loans granted to companies in which the entity holds an investment		**74,537**	74,689
Investments	*2.1*	**300,018**	300,018
Total non-current assets		**374,555**	374,707
Total assets		**376,002**	377,528
Liabilities and Shareholders' Equity			
Accrued expenses and deferred income	*2.2*	**817**	593
Provisions for unrealized exchange gain		**2,075**	41
Total short-term liabilities		**2,892**	634
Total liabilities		**2,892**	634
Share capital	*2.3*	**11,876**	11,753
Legal capital reserves			
- Reserves from capital contributions	*2.4*	**88,479**	113,728
Legal retained earnings			
- General legal retained earnings		**2,590**	2,590
Voluntary retained earnings			
- Available earnings			
- Profit brought forward		**249,379**	228,776
- Profit for the year		**21,223**	20,570
Treasury shares	*2.5*	**(437)**	(523)
Total shareholders' equity		**373,110**	376,894
Total liabilities and shareholders' equity		**376,002**	377,528

Statement of Income

INFICON Holding AG, Bad Ragaz/Switzerland

(CHF in Thousands)

Year ended December 31,	*Notes*	**2016**	2015
Dividend income		**19,414**	19,624
Other financial income	*2.6*	**3,969**	3,803
Total income		**23,383**	23,427
Financial expenses		**240**	888
Other operating expenses	*2.7*	**1,695**	1,793
Direct taxes	*2.8*	**225**	176
Total expenses		**2,160**	2,857
Profit for the year		**21,223**	20,570

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 market price at grant date. 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, **2016** (in 1,000)	December 31, 2015 (in 1,000)
INFICON Inc. **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%**	100%
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 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			
INFICON S.r.l. **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, CO, USA**			
Limited Liability Company			
Equity interest **		**100%**	
Purpose: Manufacturing and Sales			

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

2.2 Accrued expenses and deferred income

	December 31,	
In CHF 1,000	**2016**	2015
Liabilities to third parties	**426**	204
Liabilities to governing bodies (Board of Directors and auditors)	**391**	389
Total	**817**	593

2.3 Issued, authorized and conditional share capital
Share capital in the amount of TCHF 11,876 (2015: TCHF 11,753) consists of 2,375,297 (2015: 2,350,508) registered shares at a nominal value of CHF 5 each.

Issued share capital / share capital increase
During 2016, employees and members of the Board of Directors of INFICON exercised stock options which resulted in 24,789 new shares being issued and increased nominal share capital by CHF 123,945. The share premium thereon of CHF 5,318,836 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 521,735 through the issuance of 104,347 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 2016, employee stock options were exercised resulting in an increase in share capital of 24,789 shares. The remaining available balance of conditional share capital at December 31, 2016, is CHF 397,790.

2.4 Reserves from capital contributions
The reserves from capital contributions include the premium from capital increases in the years 2000–2016, less the distributions to shareholders.

2.5 Treasury shares

a) Treasury Shares 2016

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

b) Treasury Shares 2015

		Price per share in CHF		
	Number of treasury shares	Highest	Lowest	Volume-weighted average
Balance as of January 1	—			—
Purchases May 4–May 29, 2015	1,784	348.00	333.00	341.03
Purchases August 25–August 31, 2015	800	300.75	277.50	290.47
Purchases November 5–November 30, 2015	1,000	302.50	283.75	289.76
Allocation to Members of the Board of Directors	(659)			
Allocation to Group Management and Key Employees	(1,125)			
Balance as of December 31	**1,800**			

The above mentioned timeline is the period within which the bank purchased the instructed quantity of shares. At December 31, 2016, acquisition cost for directly held treasury shares amounted to TCHF 437 (2015: TCHF 523). The treasury shares are reserved for compensations due in 2017. These shares are non-dividend bearing shares.

2.6 Other financial income
Other financial income amounts to TCHF 3,969 (2015: TCHF 3,803) and consists mostly of interest income from loans to companies in which the entity holds an investment.

2.7 Other operating expenses

In CHF 1,000	December 31, 2016	2015
Administrative expenses	**945**	900
Share based payments	**223**	218
Consulting expenses	**157**	125
Withholding taxes	**220**	383
Other operating expenses	**150**	167
Total	**1,695**	1,793

2.8 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,	2016	2015
KWE Beteiligungen AG	**19.25%**	19.45%
7-Industries Holding B.V.	**9.55%**	9.65%
UBS Fund Management (Schweiz) AG	**4.98%**	5.11%

Any significant shareholder notifications during 2016 and since January 1, 2017, 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:

	2016		2015	
	Shares owned	**Options owned**	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	**602**	**1,800**	393	1,800
Dr. Richard Fischer	**25,139**	**675**	24,983	675
Vanessa Frey*	**302**	**900**	197	900
Beat Siegrist	**8,833**	**500**	8,700	500
Dr. Thomas Staehelin	**2,733**	**1,050**	2,600	1,050
Total Board of Directors	**37,609**	**4,925**	36,873	4,925
Group Management:				
Lukas Winkler, President & CEO	**4,496**	**4,869**	4,278	6,000
Matthias Tröndle, Group CFO	**240**	**938**	112	2,744
Total Group Management	**4,736**	**5,807**	4,390	8,744

* Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.25% (2015: 19.45%) in INFICON Holding AG.

The members of the Group Management held together on December 31, 2016 directly and indirectly a total of 0.20% (2015: 0.19%) bearer shares or 0.20% (2015: 0.19%) of the voting rights of INFICON. The members of the Board of Directors held together on December 31, 2016 directly and indirectly a total of 20.83% (2015: 21.02%) bearer shares or 20.83% (2015: 21.02%) of the voting rights of INFICON.

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

a) Share-based compensations 2016	Shares granted	
	Quantity	Value in CHF 1,000
Total Board of Directors	736	223
Total Group Management and Key Employees	1,475	456
Total	**2,211**	**679**

b) Share-based compensations 2015	Shares granted	
	Quantity	Value in CHF 1,000
Total Board of Directors	659	221
Total Group Management and Key Employees	1,125	379
Total	**1,784**	**600**

In 2014 the Directors' Stock Option Plan and in 2015 the Key Employee Stock Option Plan, both from 2001, were terminated and a share program was introduced. The relevant share price for allocation purposes is the closing market price on the day of allotment, which occurs five working days 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

	December 31,	
In CHF 1,000	**2016**	2015
Guarantees in favor of affiliated companies	**4,357**	10,160
Guarantee in favor of a third party	**—**	1,500

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.

The guarantee in favor of a third party was to cover any obligation to provide cash cover in connection with outstanding contingent liabilities of INFICON GmbH, Cologne/Germany. The guarantee was terminated in 2016.

Appropriation of Available Earnings

INFICON Holding AG, Bad Ragaz/Switzerland

(Proposal of the Board of Directors)

In CHF 1,000	December 31, 2016	2015
Reserves from capital contributions at beginning of year	**113,728**	144,210
Transfer from general legal retained earnings		
Share premium on exercised stock options	**5,319**	4,680
Distribution to shareholders	**(30,568)**	(35,162)
Reserves from capital contributions	**88,479**	113,728
Profit brought forward	**249,379**	228,776
Profit for the year	**21,223**	20,570
Available earnings	**270,602**	249,346

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

Reserves from capital contribution before proposed distribution	**88,479**
Distribution from capital contribution reserve (2016: CHF 16.00 each share)*	**38,005**
Reserves from capital contribution after proposed distribution	**50,474**

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

Statutory Auditor's Report

To the General Meeting of INFICON Holding AG, Bad Ragaz

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of INFICON Holding AG, which comprise the balance sheet as at December 31, 2016, 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 62 to 69) for the year ended December 31, 2016 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

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 10, 2017

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

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Certain statements contained in this Annual Report are forward-looking statements that do not relate solely to historical or current facts. Forward-looking statements can be identified by the use of words such as “may”, “believe”, “will”, “expect”, “project”, “assume”, “estimate”, “anticipate”, “plan” or “continue.” These forward-looking statements address, among other things, our strategic objectives, trends in vacuum technology and in the industries that employ vacuum instrumentation, such as the semiconductor and related industries and the anticipated effects of these trends on our business. These forward-looking statements are based on the current plans and expectations of our management and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, as well as future results of operations and financial condition. Some of these risks and uncertainties are discussed in the Company’s Annual Report for fiscal 2016.

As a consequence, our current and anticipated plans and our future prospects, results of operations and financial condition may differ from those expressed in any forward-looking statements made by or on behalf of our Company. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2016 Annual Report

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