



Annual Report 2013



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, 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.

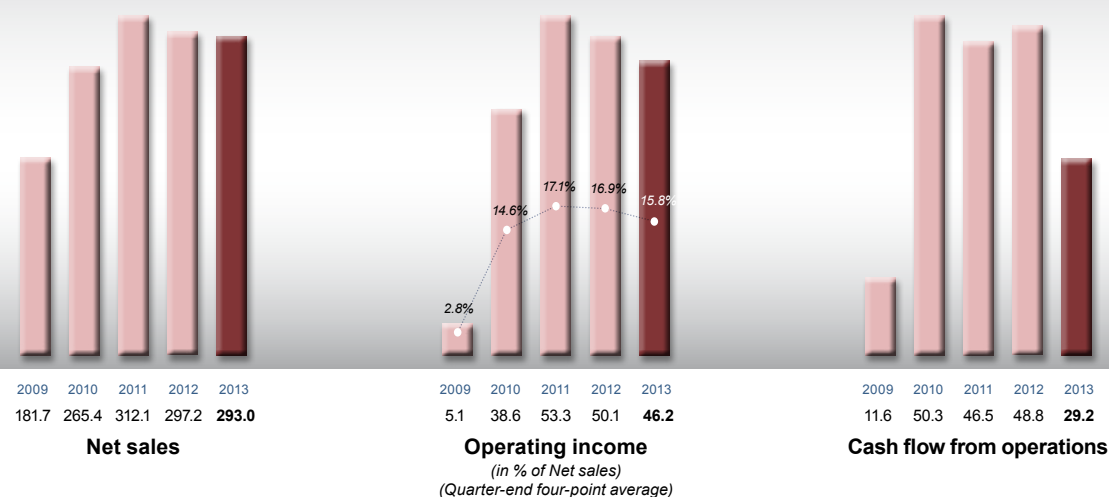
INFICON publishes its annual report online. This year's edition has been optimized for easy reading on your computer and mobile devices.

Additional copies of this report may be downloaded from the Investors section of our website,

www.inficon.com, Investor section

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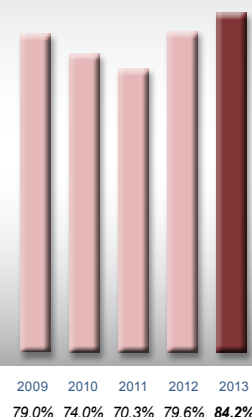
Key Figures – At a Glance



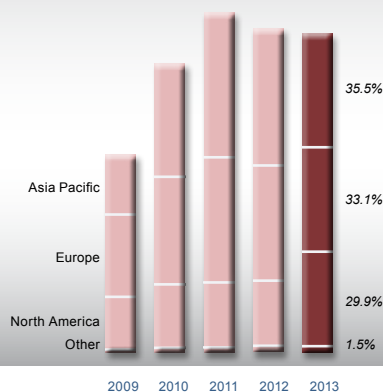
2009–2010 according to US GAAP
 2011–2013 according to Swiss GAAP FER
 (US Dollars in Millions, except per share amounts)

	2009	2010	2011	2012	2013
Net sales	181.7	265.4	312.1	297.2	293.0
Research and development	20	23.2	24.7	26.7	27.8
Selling, general and administrative	50.7	63.3	71.2	70.2	73.4
Operating income	5.1	38.6	53.3	50.1	46.2
in % of net sales	2.8%	14.6%	17.1%	16.9%	15.8%
EBITDA	12.3	43.3	59.0	59.9	52.6
in % of net sales	6.8%	16.3%	18.9%	20.2%	18.0%
Net income	2.3	27.1	40.3	39.9	35.3
Cash and short-term investments	32.3	70.3	91.1	92.2	75.0
Cash flow from operations	11.6	50.3	46.5	48.8	29.2
Capital expenditures	8.7	3.6	7.5	6.6	12.7
Total assets	170.5	216.3	218.1	215.6	213.6
Long-term debt	—	—	—	—	—
Stockholders' equity	134.7	160.2	153.2	171.5	179.8
Equity Ratio in %	79.0%	74.0%	70.3%	79.6%	84.2%
Employees	807	843	909	940	942

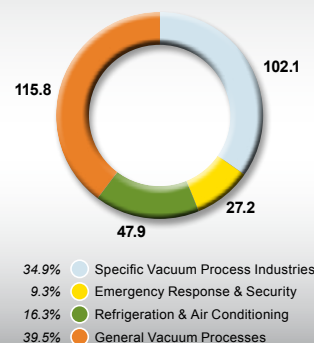
Key Figures – At a Glance



Equity Ratio



Direct Sales by Geographic Region



2013 Sales by End Market

2009–2010 according to US GAAP
 2011–2013 according to Swiss GAAP FER
 (US Dollars in Millions, except per share amounts)

	2009	2010	2011	2012	2013
Ratios per Share					
Net income per share – diluted	1.06	12.47	18.29	17.86	15.23
Shareholders' equity per share – diluted	62.67	73.78	69.57	76.70	77.58
Free cash flow per share – diluted	1.34	21.52	17.92	18.32	6.55
Return on equity %	1.7%	16.9%	26.3%	23.3%	19.6%
Dividend/Distribution per share (CHF)					
Dividend/Distribution per share (CHF)	4.00	10.00	14.00	16.00	14.00*
Share price (CHF) at December 31,	117.50	179.50	154.00	219.10	343.75

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

Direct Sales by Geographic Region

	2009	2010	2011	2012	2013
Asia-Pacific	54.3	103.4	132.2	124.8	103.9
Europe	76.8	100.0	116.2	107.0	96.9
North America	49.2	59.0	60.3	60.5	87.7
Other	1.4	3.0	3.4	4.9	4.5

Sales by End Market

	2009	2010	2011	2012	2013
Specific Vacuum Process Industries	48.4	91.8	110.7	96.1	102.1
Emergency Response & Security	22.5	22.0	18.3	28.6	27.2
Refrigeration & Air Conditioning	29.1	42.3	50.5	47.8	47.9
General Vacuum Processes	81.7	109.3	132.6	124.7	115.8

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 10 companies.



Corporate

CHF 6.00 dividend payment per share for 2008	CHF 4.00 dividend payment per share for 2009	CHF 10.00 distribution per share for 2010 from legal reserves from capital contributions	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 contribution CHF 14.00 proposed distributions per share for 2013 from legal reserves from capital contribution
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Acquisitions / Divestments

+ Verionix Inc.	+ Micro GC product line from Agilent Technologies Inc. + Cumulative Helium Leak detection (CHLD) technology from Pernicka Corporation	+ Hydrogen leak detection specialist Adixen Scandinavia AB from Pfeiffer Vacuum + Assets of VOC detection specialist Photovac Inc.	+ Assets of hydrogen gas sensing specialist Applied Sensor Sweden AB – Vacuum Valve product line	+ Assets of thin film specialist Sycon Instruments Inc., Syracuse/USA + Assets of hydrogen leak detector specialist KeyX, Leipzig/Germany
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Sales / Marketing

2009	China sales and service expansion	New sales location in Italy	New sales location in India Korea capability expansion	US Presidential Award for Exports
2010				
2011				
2012				
2013				

Recent Milestones and Achievements

Innovation is key at INFICON. In our 14 years of existence we have developed and launched over 70 new products.



Technology Leadership

<p>T-Guard Leak Detection Sensor for automotive, refrigeration and air conditioning markets</p> <p>2009</p>	<p>T-Guard was awarded an R&D 100 Award as well as a 2010 Good Design Award</p> <p>CMS5000 Water and Air Quality Monitoring</p> <p>IC6 Thin Film Deposition Controller</p> <p>PCG Pirani Capacitance Diaphragm Gauge product family</p> <p>2010</p>	<p>Quantus LP100 for real-time contamination and endpoint detection for critical process environments</p> <p>Cygnus 2 Thin Film Deposition Controller with unique features designed for OLED processes</p> <p>Pernicka 700H leak detector combining mass spectrometer expertise with cryogenic ultra-high vacuum</p> <p>Sensistor Hydrogen leak detector family</p> <p>Photovac ComboPro 2020, an intrinsically safe, versatile VOC Photoionization Detector</p> <p>2011</p>	<p>Transpector MPH Residual Gas Analyzer with industry leading performance for all gas analysis applications</p> <p>The INFICON Porter CDG020D Capacitance Diaphragm Gauge designed for stable, long-term performance in industrial environments</p> <p>LDS3000 Helium/ Hydrogen Leak Detector sets new standards for accuracy, reproducibility of measurement results and speed of leak detection</p> <p>Composer Elite Binary Gas Concentration Monitor for LED manufacturing processes</p> <p>Private label service leak detector</p> <p>2012</p>	<p>Cube Calibration/ Reference Vacuum Measurement Instrument</p> <p>Edge Capacitance Diaphragm Gauge, for high-temperature semi applications</p> <p>EtherCAT interfaces for Vacuum Gauge line</p> <p>Gemini Cold Cathode Inverted Magnetron all purpose Vacuum Gauge</p> <p>Stripe High Speed Vacuum Gauge</p> <p>Transpector MPH Residual Gas Analyzer for semiconductor applications</p> <p>Micro GC Fusion Gas Analyzer</p> <p>Spot OEM Capacitance Diaphragm Pressure Sensor</p> <p>2013</p>
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Target Markets

Specific Vacuum Process Industries	Emergency Response & Security	Refrigeration & Air Conditioning	General Vacuum Processes
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Market

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

<p>Fast growth of electronic consumer products in emerging markets</p> <p>Increasing complexity and manufacturing cost of products</p> <p>Miniaturization for portability and online/mobile communication</p> <p>Increasing demand for solar/ photovoltaic energy and energy-efficient lighting systems such as LED</p>	<p>Imminent threats to national and global political and economic stability</p> <p>Public opinion, driven by fear of terror, supports and drives governments to allocate resources to homeland security</p> <p>Government agencies (military, police, etc.) faced with more and new tasks for national emergencies</p> <p>Growing environmental concerns</p>	<p>Increased government regulation to reduce environmental pollution and increase energy efficiency</p> <p>Increased quality standards and technology/process control</p> <p>New refrigerants for air conditioning</p> <p>General growth in demand for air conditioning</p> <p>Growing demand for household appliances in emerging economies</p>	<p>Life Science</p> <p>R&D budgets</p> <p>Easier use of vacuum for industrial and research applications</p> <p>Higher quality standards</p> <p>Global GDP growth</p> <p>New energy and fuel applications</p>
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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

Specific Vacuum Process Industries	Emergency Response & Security	Refrigeration & Air Conditioning	General Vacuum Processes
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Products

Industrial gas analyzers, mass spectrometers, and process control sensors			Industrial gas analyzers, mass spectrometers, and process control sensors
Vacuum gauges, controllers, components and feedthroughs		Vacuum gauges, controllers, components and feedthroughs	Vacuum gauges, controllers, components and feedthroughs
Leak detectors	Leak detectors	Leak detectors	Leak detectors
Thin film controllers			
Chemical identification detectors	Chemical identification detectors		Chemical identification detectors
	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	



EtherCAT Vacuum Instrumentation

INFICON is the first vacuum gauge supplier providing EtherCAT interfaces for its vacuum gauge line.



Gemini Inverted Magnetron Vacuum Gauges

INFICON's powerful new compact workhorse for all vacuum measurement applications to measure from 1 bar to 1×10^{-5} mbar.



FabGuard Explorer Software

Comprehensive, low-cost gas analysis software that is easy-to-use, yet surprisingly powerful.



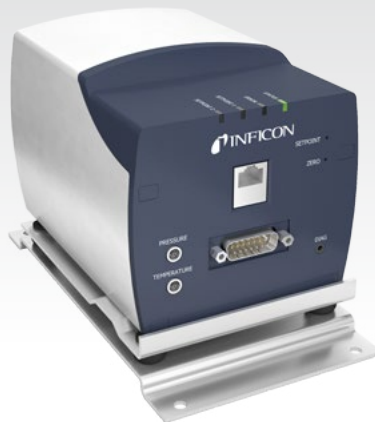
Edge Capacitance Diaphragm Gauge

Highly accurate vacuum measurement instrument designed for harsh semiconductor manufacturing environments.



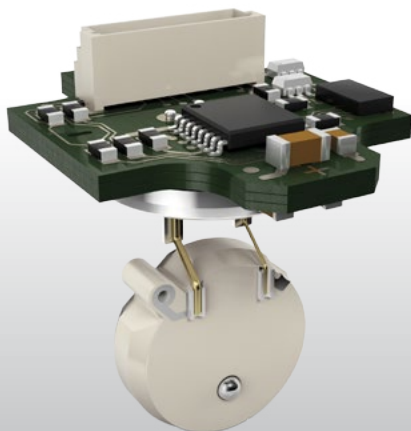
Stripe CDG045DHS 0.05 ... 1000Torr / Mbar

With a less than 1 ms response time, this Capacitance Diaphragm Gauge opens up new fields of applications in atomic layer deposition, high speed process controls in semiconductor and general fast high vacuum applications.



Cube CDGSCI

This Capacitance Diaphragm Instrument is the most accurate and stable vacuum gauge available and is designed as a reference device to standardize measurement systems for vacuum research applications.



Spot CDS500D

This suspended Ceramic Capacitance Diaphragm Sensor is designed for easy integration into limited space in specific vacuum instruments and systems.



Micro GC Fusion

Micro GC Fusion is the first temperature programmable Micro GC that offers fast temperature ramping using capillary columns for accurate onsite analysis.

Letter to our Shareholders

Dear Shareholders

Innovation is a key driver at INFICON. In 2013, our strategic spending in research and development amounted to 9.5% of sales and resulted in the launch of many new products and innovations. We also complemented our market leading portfolio of vacuum technologies with additional know-how. Our impressive innovation track record, a promising product pipeline and INFICON's corporate strategy provide a sound and steadfast basis for our business. As advanced vacuum technology becomes more easily accessible, a growing range of industrial, environmental, research and defense markets and applications is discovering the unparalleled measurement and process control accuracy of INFICON sensors, controllers, and components. INFICON's strategy therefore is to anticipate future needs of our established customers on the one hand and to provide emerging new applications early on with bespoke vacuum technology solutions and tools on the other.

While focusing on those longer-term objectives, INFICON continued to run its global organization flexibly and successfully: In the challenging year 2013 which in certain target industries and geographic areas saw some diverging trends, we achieved sales of USD 293.0 million, an organic increase of 1.9% over the prior year's figure, taking into account negative exchange rate impacts as well as acquisition and divestiture effects. Net income for the year stands at a firm USD 35.3 million. After having paid out practically the full net profit of 2012 to our shareholders, after considerable investments in new products, technologies, buildings, and sales and marketing capabilities, INFICON's balance sheet is still highly liquid, debt-free and shows an impressive equity ratio of over 84%.

In view of these results and INFICON's excellent position in the global vacuum technology market, the Board of Directors proposes to the upcoming Annual General Meeting of Shareholders to distribute CHF 14.00 per share. In total, INFICON is thus distributing its entire net income to the shareholders. This high payout ratio emphasizes the Board's and Management's positive assessment for INFICON's outlook.

Letter to our Shareholders



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

Expanding our Technological Leadership Position

2013 has seen a remarkable sequence of INFICON products and technology launches. As shown on pages 8 and 9, a total of eight new products were launched on a global scale. This high innovation pace is based on a strong commitment to in-house research and development and allows INFICON to expand its leadership in its established end markets. Early entries into emerging fields prepare the ground for future growth. Based on existing core technology and carefully targeted, often long-term business development activities we are also positioning ourselves early as technology partners of choice in newly emerging markets. This broadly balanced business approach mitigates the effects on group results of the often diverging business cycles in the various target markets.

Intensified Sales and Marketing Initiatives

Significant investments were made to strengthen the skills and effectiveness of INFICON's global sales organization. Individual marketing initiatives were defined for each key market. These initiatives focused on the superior added value INFICON is providing to its end users with its hardware, software and consulting services. We also intensified our best practice sharing and learning programs in 2013 in combination with a global pricing initiative. The goal of all these measures is to accelerate organic growth in all regions and market areas based on sales and marketing excellence.

Letter to our Shareholders

Performance of our Four Target Markets

In the Specific Vacuum Process Industries market, the sales trend was invigorated both in North America and in Asia during the course of the year. The last quarter, in fact, was one of the strongest ever in the semiconductor industry. The vacuum coating applications such as solar panels, flat panel displays and also LED and OLED technology, however, remained rather slow. Year over year, sales grew by 6.2% to USD 102.1 million.

Towards year-end, INFICON achieved new quarterly record sales with large shipments of portable devices to analyze hazardous organic volatile compounds (HAPSITE) to customers in North America, Europe and Asia; year over year, the USD 27.2 million generated in this end market were 4.9% short of the prior year's record high figure.

Over the course of the year, sales to the Refrigeration and Air Conditioning market remained stable with a small plus of 0.2% to USD 47.9 million, benefitting from a gradual recovery of the demand in Asia and a sound automotive business.

The sales to customers in the General Vacuum Applications market benefitted from a gradually increasing direct business, as the sales to private label customers in Europe developed rather sluggishly. Despite support from successful leak detector sales into this end market, overall revenue of USD 115.8 million remained 7.1% below the respective prior year's figure.

Operational and Financial Strength Allows Strategic Investments into the Future

A more favorable sales mix, ongoing optimizations in production and new products – designed for lower cost – have increased the gross profit margin to a robust 50.3% of sales – a strong testament to INFICON's operational strength. During the year under review, INFICON spent 9.5% of sales on research and product development. In addition, we have expanded our technology platform with the acquisition of additional thin film deposition know-how from Syracuse-based Sycon Instruments Inc. and complementing competencies in hydrogen accumulation leak detection technology from KeyX Prüfsysteme, Leipzig. Last but not least, INFICON invested considerable means into new buildings at its production site in Cologne/Germany, and in its global sales and marketing organization. In addition, we returned practically the full net income of fiscal 2012 to shareholders and kept our balance sheet debt free. Even after all these targeted expenses, INFICON closed the year with a solid income from operations of USD 46.2 million which translates into a margin of 15.8%. Net income amounted to USD 35.3 million or 12.1% of sales.

The previous year's net income figure of USD 39.9 million included USD 4.5 million of non-operating income which largely related to the sale of the vacuum valve business at the end of 2012.

The considerable investments paving the road for future growth also show in INFICON's balance sheet and cash flow statements: Cash flow from operations for the full year 2013 reached a respectable USD 29.2 million after a high USD 48.8 million a year ago. Although 19% below the prior year's level, INFICON still held significant cash of USD 75.0 million at year-



Letter to our Shareholders

end. Higher accounts receivable and inventories reflect the accelerated business level in the last quarter of the year. INFICON closed the year with a newly increased equity ratio of a strong 84.2%.

Outlook 2014 and Beyond

From a current perspective, INFICON expects to generate for the business year 2014 net sales between USD 290 to 320 million and an income from operations of USD 44 to 56 million. Developing strongholds in new vacuum technology applications will continue to be a major strategic thrust. Over the past years, INFICON has successfully built a growing automotive business. We see similar opportunities for INFICON technology in applications such as the oil and gas industry, mining and excavation, new energy sources and public utilities as well as food packaging, general industrial quality control and lighting. Developing a bespoke offering for these emerging industries and penetrating the markets as they arise will be a key focus of INFICON in the years to come.

Focus on Shareholder Value

The stock market honored INFICON's successful development in 2013. We have seen a lot of interest in our shares, both from the local Swiss shareholder base as well as from international investors. In addition to a considerable increase of the stock price, INFICON's shareholders benefitted during the year under review from a distribution of CHF 16.00 per share for the year 2012. In view of the solid year-end results 2013, INFICON's promising market position and its positive market outlook, the Board of Directors proposes to the Annual General Meeting of Shareholders of April 29, 2014 to distribute CHF 14.00 per share for fiscal 2013. The total payout thus equals again the full net income generated during the year.

We would like to thank our shareholders for their ongoing support, our employees for their loyal commitment and their contributions to INFICON's success at all levels across our global organization. We also thank our valued customers and business partners for their continued trust in our skills to supply state-of-the-art vacuum technology. At INFICON, we remain committed to meet your expectations.

Yours sincerely

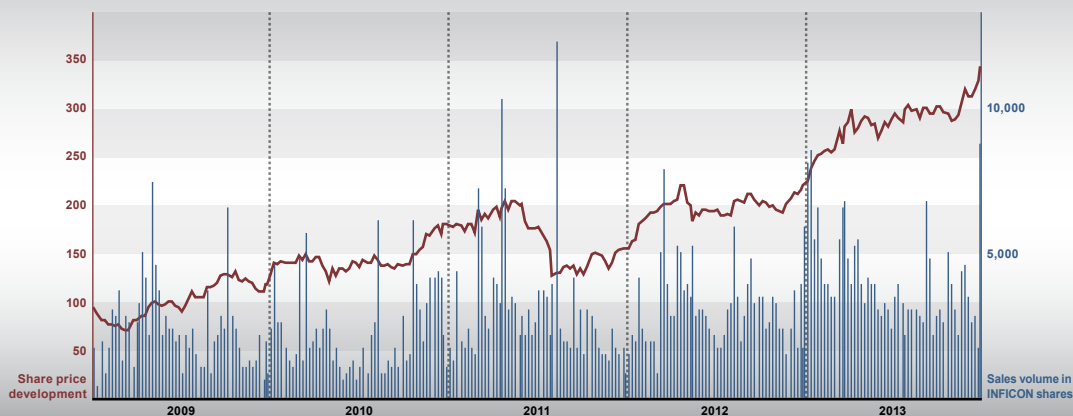


Dr. Beat E. Lüthi
Chairman of the Board of Directors



Lukas Winkler
Chief Executive Officer

Investor Relations



Company Capital

The share capital of INFICON Holding AG consists of 2,305,098 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 16, 2014: First quarter 2014 results
 April 29, 2014: Annual General Meeting of Shareholders, Bad Ragaz, Switzerland
 August 7, 2014: Second quarter 2014 results/half-year results 2014
 October 22, 2014: Third quarter 2014 results
 March 2015: Fourth quarter 2014 results/Year-end results 2014

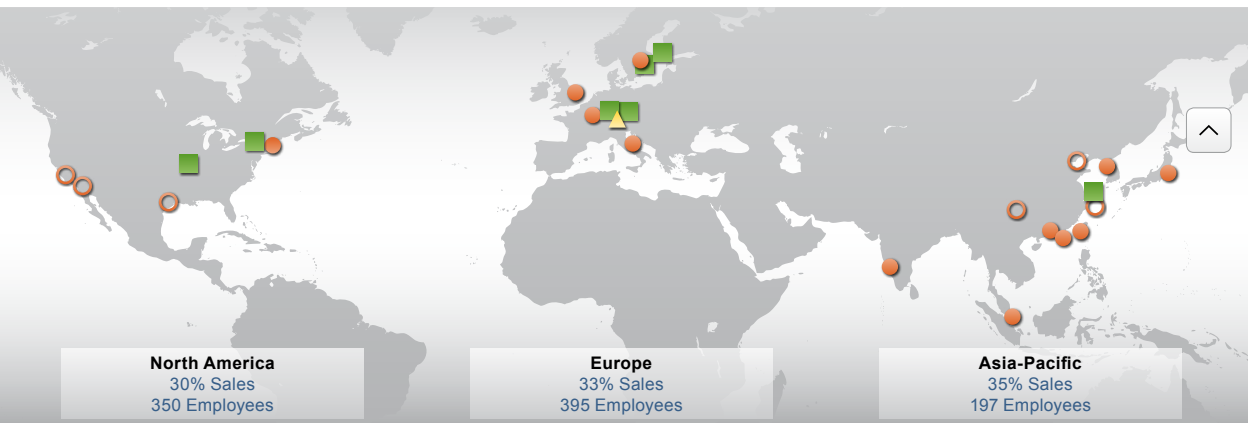
Internet/E-mail Alerts

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

	2009	2010	2011	2012	2013
Key Figures per Share (CHF)					
Price at beginning of year	87.80				
Price at year-end	117.50	179.50	154.00	219.10	343.75
Highest price	134.20	186.80	208.50	222.20	347.50
<i>Date</i>	<i>Oct. 23</i>	<i>Dec. 7</i>	<i>May. 4</i>	<i>Apr. 19</i>	<i>Dec. 30</i>
Lowest price	68.00	119.80	120.00	153.10	219.70
<i>Date</i>	<i>Mar. 10</i>	<i>Jan. 4</i>	<i>Aug. 8</i>	<i>Jan. 6</i>	<i>Jan. 3</i>
Earnings per share	1.06	12.47	18.29	17.86	15.23
Equity per share	62.67	73.78	69.57	76.70	77.58
Dividend/Distribution per share	4.00	10.00	14.00	16.00	14.00*

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

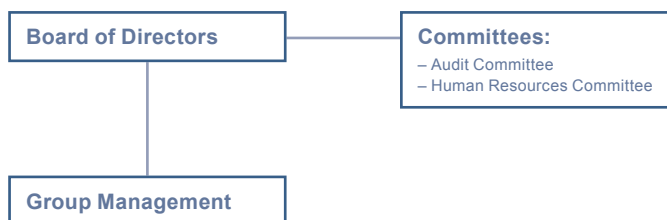
Global Presence



Group Organization

(as of March 11, 2014)

Board of Directors and Group Management



Board of Directors	Dr. Beat E. Lüthi Dr. Richard Fischer Vanessa Frey Beat Siegrist Dr. Thomas Staehelin	Chairman Vice Chairman Member Member Member	Zürich, Switzerland Rankweil, Austria Zürich, Switzerland Herrliberg, Switzerland Riehen, Switzerland
Audit Committee	Dr. Thomas Staehelin Vanessa Frey Beat Siegrist	Chairman	
Human Resources Committee	Beat Siegrist Dr. Richard Fischer Dr. Thomas Staehelin	Chairman	
Group Management	Lukas Winkler Matthias Tröndle	President and Chief Executive Officer 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 Tel. +41 81 300 4980 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		

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 SIX Swiss Exchange on October 29, 2008.

Corporate governance of INFICON Holding AG complies with the principles and recommendations of the "Corporate Governance – Swiss Code of Best Practice" published by economiesuisse on February 2, 2008. The principles and rules of INFICON Holding AG on corporate governance are laid down in the Articles of Incorporation, Organizational Regulations and the Regulations of the board committees of INFICON Holding AG.

INFICON Holding AG is committed to continually reviewing its corporate governance framework, with a view to related developments, including, but not limited to, the Swiss Ordinance against excessive compensation in listed stock corporations (so-called "Minder Initiative").

Furthermore, the Company's internal guidelines regarding corporate governance are provided in its Articles of Incorporation, Organizational Regulations, Board Committee Charters, Code of 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, 7 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 shown on page 15.

Listed Corporation: INFICON Holding AG

INFICON Holding AG is based in Bad Ragaz, Switzerland. It has a share capital of TCHF 11,525 made up of 2,305,098 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.

December 30, 2011, was the last trading day for registered shares of INFICON Holding AG on the Main Standard. 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, 2013 was TCHF 792,377 based on shares outstanding.

Share Capital and Percentage of Shares Held by Subsidiaries

See statutory financial statements, Note 2, "Investments in Subsidiaries."

1.2 Significant Shareholders

Shareholder Structure

Based on number of registered shareholders as of December 31, 2013.

Number of shares	Number of shareholders
> 50,000	8
10,000–50,000	12
1–9,999	1,705
Total	1,725

Shareholders by Country

Based upon number of registered shareholders as of December 31, 2013.

Country	Number of shareholders
Switzerland	1,537
Germany	65
United States of America	39
Liechtenstein	22
Rest of Europe	44
Rest of World	18
Total	1,725

Major Shareholders

See statutory financial statements, Note 3, "Equity."

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, 2013:

Issued share capital	2,305,098	TCHF 11,525
Conditional share capital	149,757	TCHF 749

The issued share capital comprises 2,305,098 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 1,066 through the issuance of 213,103 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, 2013, a total of 63,346 (2012: 46,897) options have been exercised reducing the available conditional shares to 149,757 and the conditional share capital to TCHF 749.

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, 2013 and 2012. For the year ended 2011, please refer to the 2011 Annual Report.

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

In conjunction with the employee and director stock option programs, current and former employees as well as current and former members of the Board of Directors held as of December 31, 2013 a total of 34,200 exercisable options. These options entitle holders to acquire a total of 34,200 registered shares of INFICON Holding AG. All shares resulting from the exercise of stock options are covered by shares that can be created from conditional capital resulting in an increase in share capital. The aggregate par value of shares purchasable by means of outstanding options amounts to TCHF 171. For a more detailed discussion of stock option plans, please see Notes to Consolidated Financial Statements, Note 12., "Stock Option 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 one 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. The 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 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 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 Human Resources Committee

The 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 Human Resources Committee also include the administration of employee incentive plans. The Human Resources Committee consists of three non-executive members of the Board of Directors. Currently, the 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 Human Resources Committee holds three 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 2013:

	Board of Directors	Audit Committee	Human Resources Committee
Number of meetings in 2013	5	4	3
Approx. average duration of meetings (in hours)	5.7	3.0	2.7
Dr. Richard Fischer	5	4	3
Vanessa Frey	5	4	3
Dr. Beat E. Lüthi	5	4	3
Beat Siegrist	5	4	3
Dr. Thomas Staehelin	5	4	3
PricewaterhouseCoopers calling in	—	2	—
Number of conference calls 2013	1	3	—
Approx. average duration of conference calls (in hours)	0.8	1.1	—
Dr. Richard Fischer	1	2	—
Vanessa Frey	1	3	—
Dr. Beat E. Lüthi	1	3	—
Beat Siegrist	1	3	—
Dr. Thomas Staehelin	1	2	—
PricewaterhouseCoopers	—	3	—

The meetings took place in Balzers (Liechtenstein), Syracuse (USA), Cologne (Germany), Bungdang-Ku (Korea) 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

Corporate Governance

- 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 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 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

Beat Siegrist, Citizen of Switzerland, 1960

Director, Member of the Audit Committee, Chairman of the 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 Ismecca Semiconductor Holding SA (CH), Chairman
2000–2013 Satisloh Holding AG (CH), Member

Current Board Mandates

Since 1996 SSM Schärer Schweiter Mettler AG (CH), Chairman
Since 2003 Phoenix Mecano AG (CH), Member
Since 2008 Schweiter Technologies AG (CH), 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 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, Chairman (since 2010)
Since 2001 INFICON Holding AG, Member
Since 2002 Swissport International AG, Chairman
Since 2005 Scobag Privatbank AG, Chairman
Since 2006 Stamm Bau AG, Chairman

Good Citizenship Mandates

1977–2013 "Allgemeine Musikgesellschaft Basel", President
1982–today Swiss Association of Privately Held Companies, Chairman since 2008
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

3.2 Other Activities and Vested Interests

For further information refer to Note 3.1.

3.3 Elections and Terms of Office

According to the Articles of Incorporation, the members of the Board of Directors are elected for a term of one year. 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	May 2014
Dr. Richard Fischer	May 2003	May 2014
Vanessa Frey	May 2012	May 2014
Beat Siegrist	May 2010	May 2014
Dr. Thomas Staehelin	May 2001	May 2014

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 the Executive 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 the 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, PricewaterhouseCoopers AG, Zürich, conduct their audit in compliance with Swiss law and in accordance with Swiss auditing standards.

4 Group Management

4.1 Members of the 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, Headquarters 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

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 the compensation report pertaining to compensation, shareholdings and loans, as well as the content and method of determining the compensation and shareholdings programs.

6 Shareholder Participation

6.1 Voting-Rights and Representation Restrictions

Each of our shares 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. We 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.

Our shares are cleared and settled through SIS SegalInterSettle AG. The shares will not be physically represented by certificates but, will be managed collectively in book-entry form by SIS

SegalInterSettle 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, i.e. not more than 3 to 4 weeks before the General Meeting. 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 32 of the Swiss Securities Exchanges and Securities Trading Act 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 Key Employee Stock Option plan contains a provision whereby all unvested outstanding options vest upon a change in control and the one year restriction on exercise of options for the Directors Stock Option plan is released upon a 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 PricewaterhouseCoopers AG, Zürich, elected for one year. PricewaterhouseCoopers AG commenced its mandate as statutory auditors of INFICON Holding AG in June 2002. The lead engagement partner, Mr. Stefan Räbsamen, has been responsible for the audit of the statutory and consolidated financial statements of INFICON Holding AG since financial year 2009. The significant subsidiaries of INFICON Holding AG are audited by member firms of PricewaterhouseCoopers.

8.2 Auditing Fees

Audit fees of the Group Auditor for the 2013 audit were approximately TUSD 312 (TCHF 278).

8.3 Additional Fees

Fees paid to Group Auditor for non-audit services, consisting of tax services, rendered during 2013 were approximately TUSD 146 (TCHF 135).

8.4 Supervisory and Control Instruments Pertaining to the Audit

The Audit Committee appointed PricewaterhouseCoopers AG in 2002 as a lead auditor.

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 2013 the audit firm attended three 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 PricewaterhouseCoopers 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 2013 half-year report was published online in August 2013.

Information available for investors can be found at www.inficon.com.

Compensation Report

Introduction

This report describes the principles of remuneration at INFICON. Unless otherwise indicated, all information refers to the financial year 2013 closed on December 31, 2013. This 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 Guidelines concerning information on corporate governance and the requirements regarding transparency as defined in Art 663b^{bis} and Art 663c of the Swiss Code of Obligations.

1 Remuneration Policy

INFICON is a globally active company which maintains a remuneration policy in accordance with general market practice and individual performance. This ensures the Company's ability to hire and retain the right talent. Individual remuneration complies with requirements, skills, performance and the Company's economic success. Overall remuneration policy is performance oriented and contains a variable component which applies to all staff.

The Human Resources 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 to the members of the Board and the Group Management annually once the audited financial results have been submitted to the Board.

No consultant was appointed by the Board of Directors to develop the principles of the remuneration policy.

2 Compensations to Acting Members of Governing Bodies

Compensation to the Board of Directors, the members of Group Management as well as the highest-paid member of the Group Management are displayed in tabular form

in the Notes to Consolidated Financial Statements, Note 19, "Additional Information Required by Swiss law."



3 Board of Directors Compensation

Remuneration of the Chairman of the Board of Directors and other Board members comprises a fixed cash component and a component consisting of stock options.

The Human Resources Committee annually proposes the total compensation levels for the Chairman and the other members of the Board. The Human Resources Committee bases its judgement on Committee member's experience which is supported by external compensation surveys as and when required.

The Board of Directors then decides on the level of cash compensation and the stock options allotment for the members of the Board. Every Board member receives a fixed number of stock options according to their responsibilities and functions.

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

Stock options have a duration of seven years. They are exercisable one year after allocation. The exercise price equals the quoted market price on the day of the option allotment. The allotment occurs five working days after the Ordinary Annual General Meeting. The amount of stock options remained unchanged versus the prior year.

Neither attendance fees nor flat rate expenses are paid.

The compensation to the Chairman and the other Board members did not change over the previous year.

4 Compensation to Former Members of the Board of Directors

No compensations were paid.

Compensation Report

5 Compensation to Members of the Group Management

Based on a proposal of the Human Resource Committee, the Board of Directors decides annually on the compensation to Group Management. The Human Resources Committee bases its judgement on Committee member's experience and if necessary by sporadic external compensation benchmarks. The benchmarks are based on the specific position as well as the market and employment conditions in the relevant country.

Group Management receives a fixed base cash salary, a performance and results oriented bonus, as well as a fixed number of INFICON Holding AG stock options according to their functional grade.

The performance and results oriented bonus serves as an incentive to achieve short-term goals and options affect a long-term relationship to the enterprise. The composition and amount of the compensation are in accordance with the sector and labour market and are reviewed annually. The bonus depends on the fulfilment of individual/strategic performance goals and on the company's economic performance. For Group Management members the target bonus is at 50% of the base salary and 60% for the CEO. The economic performance is based on operating profit as well as on working capital, weighted for approximately 70%. Weighting of individual/strategic goals accounts for approximately 30%. Yearly goals are defined by the Board of Directors.

The base compensation to Group Management members did not change in 2013. Variable compensation has been adjusted according to the economic performance and the individual performance objectives.

Share-based remuneration in terms of options is a long term incentive. A fixed number of stock options are allotted to each member of the Group Management. The amount of stock options remained unchanged versus the prior year. They have a duration of seven years. Each year a quarter of the options may be exercised. The allotment occurs five working days after the Ordinary Annual General Meeting.

6 Severance Compensations

No severance payments have been contractually defined for members of the Board of Directors or the Group Management. For the financial year 2013 no severance compensations were paid.

7 Loans to Governing Bodies

No loans were granted to members of the Board of Directors or Group Management.

8 Employment Contracts

The employment contracts of the Group Management members make no provision for unusually long notice periods or contract terms. Furthermore, allotted options of option plan participants are automatically fully vested.

9 Share Ownership of Governing Bodies

The members of the Group Management held together on December 31, 2013 directly and indirectly a total of 0.22% bearer shares or 0.22% of the voting rights of INFICON. The members of the Board of Directors held together on December 31, 2013 directly and indirectly a total of 20.36% bearer or 20.36% of the voting rights in INFICON. Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.11% (2012: 19.65%) in INFICON Holding AG.



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.

In an external rating carried out in 2012, INFICON was compared against a select group of peer companies in Switzerland and received an above-average rating for sustainability. The comprehensive review included the following criteria: "Renewal and adaptability; cycles of material, energy, and information; interconnection of organization and operations; location and needs; materials usage as well as systems and legal compliance" (Source: Swiss & Global Asset Management AG, 2012).

2 General

INFICON's commitment to sustainability is evidenced by the fact that all manufacturing sites strive to obtain ISO 14001 certification and to maximize the resource and energy efficiency of products.

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.

3 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. All key facilities have since then achieved these standards, and have passed interim audits as well as re-certification.

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 2002/95/EG (now 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.

Two key manufacturing facilities are certified according to the Canon group's "Green Procurement Standards," which include four elements: "A: Environmental management system for business activities," "B: Performance of business activities," "C: Management of chemical substances in products," and "D: Performance of parts and materials."

4 Resource and Energy Efficiency

Resource conservation is important to INFICON and is individually driven by the locations. One key manufacturing facility reduced energy consumption by 5%, another site installed a heat recovery system for its new building and a third location has been able to save energy by reducing production space by 20%.

The main areas in which resources are conserved are "travel and transport," "storage" and "packaging." INFICON implemented video conferencing systems at all sites to reduce travel.

The combination of reduced storage, optimization of transport routing and means, coupled with economic use of raw materials and special packaging material has resulted in a further reduction of waste.

A case in point: INFICON introduced a number of "travel and transport" actions (commuting to work concepts, impact on transportation route and means,



Environmental Protection, Safety and Product Stewardship

video conferencing) at one manufacturing facility, and thus were able to bring down CO₂ emissions by 42% (from 2007 to 2009), and to keep them at that level.

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.

Moreover, the Company observes the UN Security Council Report S/2006/525 regarding so called “conflict minerals.”

5 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.



Financial Review

(US Dollars in Millions)

Income Statement

Net Sales

In 2013, Net Sales decreased by USD 4.2 million or 1.4% to USD 293.0 million from USD 297.2 million in 2012. As this includes a negative impact of USD 8.5 million or 2.8% from acquisitions and divestitures as well as USD 1.4 million or 0.5% from changes in currency exchange rates, Net Sales grew organically by 1.9% in 2013. The Specific Vacuum Process Industries market experienced an increase in sales of USD 6.0 million or 6.2% due to an increased demand from semiconductor and equipment makers in North America, as well as for thin film coating processes in North America and Asia. The General Vacuum Processes market sales decreased by USD 8.9 million or 7.1% largely due to a decrease in sales to European distributors and direct sales to industrial OEMs. Refrigeration & Air Conditioning sales remained stable, increasing 0.2% or USD 0.1 million, where additional sales to RAC manufacturers in North America offset decreases in Asia and Europe. Emergency Response & Security market sales decreased 4.9% or USD 1.4 million primarily due to decreased government spending for security and environmental applications in Asia.

Gross Profit

Gross profit margin was 50.3% for 2013 versus 49.5% for 2012. The increase is driven by a further reduction of production costs as well as a favorable product mix.

Research and Development

Research and development costs increased to USD 27.8 million from USD 26.7 million in 2012. The USD 1.1 million increase is driven by new hires and acquisitions and reflects intensified new product development efforts as well as integration of new technologies. The spending on research and development as a percentage of net sales ended at 9.5% in 2013 versus 9.0% in 2012.

Selling, General and Administrative (SGA)

Selling, general, and administrative costs increased to USD 73.4 million or 25.0% of sales in 2013 from USD 70.2 million or 23.6% of sales in 2012. The increase reflects investments into our selling and marketing capabilities and infrastructure, offset by lower variable compensation.

Income from Operations

Income from Operations decreased to USD 46.2 million or 15.8% of net sales for 2013 from USD 50.1 million or 16.9% of net sales for 2012. The profitability was impacted by the decline in sales that was offset by the improved gross profit margin and a cost structure that has been kept under control.

Financial Result

Interest income slightly increased to USD 0.2 million for 2013 versus USD 0.1 million for 2012. Foreign currency losses accounted for USD 1.2 million of the expense for 2013 versus USD 1.5 million in 2012.

Non-operating Result

Other Income was USD 0.5 million for 2013 versus USD 4.5 million for 2012. The gain of 2012 was impacted by the sale of INFICON's non-core business vacuum valves product line.

Provision for Income Taxes

Provision for income taxes decreased to USD 10.4 million or 22.8% of income before taxes for 2013 from a provision of USD 13.3 million or 24.9% of income before taxes for 2012. The lower effective tax rate was driven by the mix in earnings and tax rates among the Company's different tax jurisdictions.

Net Income and Diluted Earnings per Share

Net income and diluted earnings per share was USD 35.3 million and 15.23 for 2013 as compared with USD 39.9 million and 17.86 for 2012. The 14.7% decrease in earnings per share is a result of the 11.6% decrease in net income.



Financial Review

(US Dollars in Millions)

Balance Sheet and Liquidity

Trade accounts receivable, net increased by USD 5.8 million to USD 41.9 million at December 31, 2013 as compared with USD 36.1 million at December 31, 2012. This increase was driven by considerably higher sales in the last quarter 2013 as compared with 2012. Days Sales Outstanding ended at 46.7 days for 2013 versus 45.3 days for 2012 using a 4-point average of quarter-end balances.

Inventories, net increased by USD 3.2 million to USD 34.8 million at December 31, 2013 as compared with USD million 31.6 at December 31, 2012. Inventory turns slightly decreased to 4.4 in 2013 versus 4.5 in 2012 using a 4-point average of quarter-end inventory balances.

Cash and short-term investments at December 31, 2013 totaled USD 75.0 million, a decrease of USD 17.2 million when compared with USD 92.2 million at December 31, 2012. The Cash Flow from operations totaled USD 29.2 million in 2013 versus USD 48.8 million in 2012. The reduction was influenced by higher Capital Expenditures, acquisitions and a higher dividend payment in 2013 as compared with 2012.



Consolidated Balance Sheet

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

	Note	December 31, 2013	December 31, 2012
Assets			
Cash and cash equivalents		74,965	92,237
Trade accounts receivable, net	4	41,890	36,149
Inventories	5	34,770	31,566
Prepayments and accrued income		1,394	1,011
Other current assets		5,345	3,708
Total current assets		158,364	164,671
Property, plant, and equipment	6	37,270	29,921
Intangible assets	8	5,284	4,633
Deferred tax assets		10,930	14,543
Financial assets		1,797	1,785
Total non-current assets		55,281	50,882
Total assets		213,645	215,553
Liabilities and Shareholders' Equity			
Trade accounts payable		8,197	6,004
Short-term borrowings		—	2,323
Short-term provisions	10	11,921	15,611
Income taxes payable		369	3,187
Accrued expenses and deferred income	9	9,097	12,305
Other current liabilities		816	529
Total current liabilities		30,400	39,959
Long-term provisions	10	2,378	838
Deferred tax liabilities		1,056	3,233
Total non-current liabilities		3,434	4,071
Total liabilities		33,834	44,030
Common stock	11	6,458	6,279
Capital reserves		—	17,472
Retained earnings		173,353	147,772
Total shareholders' equity		179,811	171,523
Total liabilities and shareholders' equity		213,645	215,553

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	2013	2012
Net sales	14	292,983	297,208
Cost of sales		145,641	150,216
Gross profit		147,342	146,992
Research and development		27,760	26,668
Selling expense		30,068	29,326
General and administrative expense		43,318	40,887
Operating result		46,196	50,111
Financial result		(999)	(1,411)
Ordinary result		45,197	48,700
Non-operating result	3	531	4,503
Earnings before income taxes (EBT)		45,728	53,203
Income taxes	15	10,418	13,272
Net result		35,310	39,931
Earnings per share:	16		
Basic		15.45	18.01
Diluted		15.23	17.86

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	Retained earnings	Foreign currency adjustment	Total shareholders' equity
Balance at December 31, 2011		6,147	43,595	102,952	537	153,231
Net income				39,931		39,931
Foreign currency translation adjustments					2,096	2,096
Issuance of common stock from exercise of stock options	12	132	7,744			7,876
Distribution from legal reserves (CHF 14 per share)			(33,867)			(33,867)
Adjustment of Goodwill				2,256		2,256
Balance at December 31, 2012		6,279	17,472	145,139	2,633	171,523
Net income				35,310		35,310
Foreign currency translation adjustments					1,268	1,268
Issuance of common stock from exercise of stock options	12	179	11,925			12,104
Distribution from legal reserves (CHF 16 per share)			(29,397)	(9,536)		(38,933)
Adjustment of Goodwill				(1,461)		(1,461)
Balance at December 31, 2013		6,458	—	169,452	3,901	179,811

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

Consolidated Statement of Cash Flows

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

Year ended December 31,	Note	2013	2012
Cash flows from operating activities:			
Net income		35,310	39,931
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6	5,722	5,575
Amortization	8	1,352	1,175
Result from disposal of fixed assets		(43)	—
Deferred Taxes		1,524	5,152
Changes in operating assets and liabilities, excluding effects from acquisition:			
Trade accounts receivable		(5,828)	889
Inventories		(1,934)	698
Other assets		359	320
Trade accounts payable		2,547	(837)
Accrued liabilities and short-term provisions		(6,858)	3,050
Income taxes payable		(2,921)	(6,044)
Other liabilities		(34)	(1,120)
Net cash provided by operating activities		29,196	48,789
Cash flows from investing activities:			
Purchases/Disposals of property, plant, and equipment		(12,325)	(6,646)
Purchases/Disposals of intangible assets		(1,679)	(1,169)
Acquisitions of businesses net of cash acquired	3	(2,979)	(654)
Change in short-term investments		—	2,360
Net cash used in investing activities		(16,983)	(6,109)
Cash flows from financing activities:			
Proceeds from exercise of stock options	12	12,104	7,876
Cash distribution from legal reserves		(38,933)	(33,867)
Decrease in short-term borrowings		(2,323)	(15,143)
Net cash used in financing activities		(29,152)	(41,134)
Effect of exchange rate changes on cash and cash equivalents		(333)	1,976
Change in cash and cash equivalents		(17,272)	3,522
Cash and cash equivalents at beginning of period		92,237	88,715
Cash and cash equivalents at end of period		74,965	92,237

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

2 Summary of Significant Accounting Policies

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 current 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 11, 2014 for submission to the Annual General Meeting on April 29, 2014.

Consolidation

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

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

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

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



Notes to Consolidated Financial Statements

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

The following companies are included in these consolidated financial statements:

Company	Domicile	Participation rate
INFICON Holding AG	Bad Ragaz (CH)	100%
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%

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, reserves, accruals and provisions.

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 provisions 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 company does not depreciate land.

Notes to Consolidated Financial Statements

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

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

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

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.

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.

Bank Debt

Bank debt is recognized at nominal value. Discounts are netted with bank debt and recognized on a straight-line basis in the financial result of the income statement over the period of the respective bank loan. Bank debt is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

Notes to Consolidated Financial Statements

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

Revenue Recognition

Revenue is recognized when risks and rewards as well as control has been passed to the acquirer and income and related expenses can be determined reliably. This generally coincides with the delivery of goods or the rendering of service.

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 and cost of sales, respectively.

Stock Option Plan

Since 2001, a stock option plan for Directors, as well as for management and key employees is in place. The granting of options under the stock option plan does not result in the recognition of personnel expenses. The effect on equity is recognized in equity at the time the options are exercised.

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	
			2013	2012	2013	2012
1	Swiss Franc	USD	1.1243	1.0913	1.0776	1.0655
	Euro	USD	1.3783	1.3183	1.3293	1.2849
	Japanese Yen	USD	0.0095	0.0116	0.0103	0.0126
	Hong Kong Dollar	USD	0.1290	0.1290	0.1289	0.1289
	Korean Won	USD	0.0009	0.0009	0.0009	0.0009

Notes to Consolidated Financial Statements

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

3 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 was USD 610 at closing. Additionally, there is an earn-out capped at USD 8,718 to be paid based on units sold over a four year period. At the acquisition date, the Company had performed a fair value calculation which resulted in USD 4,600 of contingent consideration.

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)

As of December 31, 2013, the Company has re-evaluated the fair value calculation of the contingent consideration. As a result, the contingent consideration has been reduced by USD 200, which reduced goodwill accordingly, which is offset against equity under Swiss GAAP FER. As of December 31, 2013, the fair value of the contingent consideration has been reduced to zero.

Cumulative Helium Leak Detection (CHLD)

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

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

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

As of December 22,	2010
Inventory	31
Goodwill and intangible assets	1,969
Net assets acquired	2,000
Accrued contingent consideration	(500)
Purchase price at closing	(1,500)
Total fair value of consideration	(2,000)

As of December 31, 2013, the Company has re-evaluated the fair value calculation of the contingent consideration. As a result, the contingent consideration has been reduced by USD 69, which reduced goodwill accordingly, which is offset against equity under Swiss GAAP FER. As of December 31, 2013, the fair value of the contingent consideration amounts to USD 431.

Notes to Consolidated Financial Statements

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

Adixen

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

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

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

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

Photovac

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

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

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

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

As of December 31, 2013, the Company has re-evaluated the fair value calculation of the contingent consideration. As a result, the contingent consideration has been reduced by USD 100, which reduced goodwill accordingly, which is offset against equity under Swiss GAAP FER. As of December 31, 2013, the fair value of the contingent consideration has been reduced to zero.

Notes to Consolidated Financial Statements

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

Applied Sensors

On March 1, 2012, the Company acquired substantially all the assets of Applied Sensor Sweden AB, a developer and manufacturer of hydrogen gas sensing products. The acquisition of the technology and research know-how expands the Company's unique knowledge in hydrogen sensing technology and will help to strengthen its market position in the Refrigeration and Air-Conditioning as well as the Automotive and Industrial market.

The purchase price was USD 659 at closing.

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

As of March 1,	2012
Fixed assets	350
Goodwill	309
Net assets acquired	659

Vacuum Valves

INFICON has sold its vacuum valves product line, which is based at its site in Balzers/Liechtenstein, to VAT, a leading manufacturer of vacuum valves headquartered in Haag/Switzerland, effective as of December 31, 2012. As INFICON does not cover the full range of this product category and thus does not hold a leading market position, the Company does not consider these products to be part of its core business. Phasing out the valve production has led to a few job redundancies at INFICON's plant in Balzers, which have been achieved by normal personnel turnover and early retirements. After deducting inventory and respective restructuring cost from the selling price, the sale has led to a contribution to the non-operating result of USD 532 in 2013, as compared with USD 4,300 in 2012.

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, 2013, the fair value of the contingent consideration amounts to USD 100.

Notes to Consolidated Financial Statements

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

KeyX

On Dezember 16, 2013, the Company acquired substantially all the assets of KeyX Prüfsysteme GmbH, Leipzig. With this acquisition the Company extends its know-how on accumulation technologies and its portfolio in terms of Hydrogen leak detection. It will also help the Company to extend its market share in the automotive market.

The purchase price was USD 400 at closing.

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

As of December 16,	2013
Goodwill	400
Net assets acquired	400

The results of these acquisitions were included in the Company's consolidated operations beginning on the date of acquisition. The pro forma consolidated statements reflecting the operating results as if the acquisitions occurred at the beginning of the periods presented, would not differ materially from the operating results of the Company as reported for the twelve months ended December 31, 2013 and 2012, respectively.

4 Trade Accounts Receivable

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

	2013	2012
Trade accounts receivable, gross	42,342	36,793
Bad debt allowance	(452)	(644)
Total trade accounts receivable, net	41,890	36,149

5 Inventories

Inventories consist of the following at December 31:

	2013	2012
Raw material	25,631	20,726
Work-in-process	3,524	3,303
Finished goods	5,382	7,057
Advance Payments to suppliers	233	480
Balance at December 31,	34,770	31,566

Notes to Consolidated Financial Statements

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

6 Property, Plant, and Equipment

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

Property, plant, and equipment 2013	Land	Buildings	Machinery and equipment	Capital leases	Prepayments and tangible fixed assets under construction	Other tangible fixed assets	Total
At cost							
At January 1, 2013	2,696	16,084	51,759	10,682	2,731	11,219	95,171
Additions	536	1,084	2,600	283	6,673	1,778	12,954
Disposals	—	—	(3,315)	(130)	(180)	(233)	(3,858)
Reclassifications	—	7,168	188	—	(7,504)	148	—
Exchange Differences	91	191	565	300	81	398	1,626
At December 31, 2013	3,323	24,527	51,797	11,135	1,801	13,310	105,893
Accumulated depreciations:							
At January 1, 2013	377	10,198	39,115	7,882	(0)	7,678	65,250
Systematic depreciation	5	544	3,579	498	—	1,096	5,722
Disposals	—	—	(3,052)	(125)	—	(232)	(3,409)
Reclassifications	—	—	(1)	—	—	1	—
Exchange Differences	—	78	441	239	—	302	1,060
At December 31, 2013	382	10,820	40,082	8,494	(0)	8,845	68,623
Net book values:							
At January 1, 2013	2,319	5,886	12,644	2,800	2,731	3,541	29,921
At December 31, 2013	2,941	13,707	11,715	2,641	1,801	4,465	37,270

Property, plant, and equipment 2012	Land	Buildings	Machinery and equipment	Capital leases	Prepayments and tangible fixed assets under construction	Other tangible fixed assets	Total
At cost							
At January 1, 2012	2,659	15,766	49,730	10,394	433	9,517	88,499
Additions	—	228	4,384	151	2,726	1,589	9,078
Disposals	—	—	(1,201)	(35)	(252)	(532)	(2,020)
Reclassifications	—	—	(1,664)	(67)	(184)	270	(1,645)
Exchange Differences	37	90	510	239	8	375	1,259
At December 31, 2012	2,696	16,084	51,759	10,682	2,731	11,219	95,171
Accumulated depreciations:							
At January 1, 2012	372	9,655	36,805	7,386	—	6,226	60,444
Systematic depreciation	5	516	3,813	425	—	816	5,575
Disposals	—	—	(827)	(35)	(71)	(465)	(1,398)
Reclassifications	—	—	(1,023)	(67)	71	840	(179)
Exchange Differences	—	27	347	173	—	261	808
At December 31, 2012	377	10,198	39,115	7,882	(0)	7,678	65,250
Net book values:							
At January 1, 2012	2,287	6,111	12,925	3,008	433	3,291	28,055
At December 31, 2012	2,319	5,886	12,644	2,800	2,731	3,541	29,921

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:

	2013	2012
At cost		
At January 1,	15,361	23,674
Additions from acquisitions of subsidiaries	1,830	91
Subsequent Purchase Price Adjustments	(369)	(2,350)
Elimination of fully amortized goodwill items	(7,537)	(6,197)
Exchange Differences	188	143
At December 31,	9,473	15,361

Accumulated amortization		
At January 1,	10,579	15,134
Amortization expense	1,373	1,535
Elimination of fully amortized goodwill items	(7,537)	(6,197)
Exchange Differences	77	107
At December 31,	4,492	10,579

Theoretical net book values		
At January 1,	4,782	8,540
At December 31,	4,981	4,782

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

Impact on income statement:

	2013	2012
Operating result according to income statement	46,196	50,111
Amortization of goodwill	(1,373)	(1,535)
Theoretical operating result incl. amortization of goodwill	44,823	48,576
Net result according to income statement	35,310	39,931
Amortization of goodwill	(1,373)	(1,535)
Theoretical net result incl. amortization of goodwill	33,937	38,396

Notes to Consolidated Financial Statements

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

Impact on balance sheet: The activity of goodwill was as follows:

	2013	2012
Equity according to balance sheet	179,811	171,523
Equity as % of total assets	84.2%	79.6%
Theoretical capitalization of goodwill (net book value)	4,981	4,782
Theoretical equity incl. net book value of goodwill	184,792	176,305
Theoretical equity incl. net book value of goodwill as % of total assets	84.5%	80.0%

8 Intangible Assets

Intangible assets 2013	Techno- logy	Software	Other	Total
At cost				
At January 1, 2013	7,212	7,195	353	14,760
Additions	631	1,246	69	1,946
Disposals	(11)	(599)	—	(610)
Reclassifications	600	(597)	—	3
Exchange Differences	176	117	(4)	289
At December 31, 2013	8,608	7,362	418	16,388

Accumulated amortization

At January 1, 2013	5,037	4,860	230	10,127
Systematic amortization	581	712	59	1,352
Disposals	(5)	(591)	—	(596)
Reclassifications	—	3	—	3
Exchange Differences	126	97	(5)	218
At December 31, 2013	5,739	5,081	284	11,104

Net book values

At January 1, 2013	2,175	2,335	123	4,633
At December 31, 2013	2,869	2,281	134	5,284

Intangible assets 2012	Techno- logy	Software	Other	Total
At cost				
At January 1, 2012	6,960	7,466	320	14,746
Additions	43	982	3	1,028
Disposals	—	(212)	—	(212)
Reclassifications	65	(1,041)	30	(946)
Exchange Differences	144	—	—	144
At December 31, 2012	7,212	7,195	353	14,760

Accumulated amortization

At January 1, 2012	4,335	5,656	168	10,159
Systematic amortization	545	593	37	1,175
Disposals	—	(252)	—	(252)
Reclassifications	65	(1,035)	25	(945)
Exchange Differences	92	(102)	—	(10)
At December 31, 2012	5,037	4,860	230	10,127

Net book values

At January 1, 2012	2,625	1,810	152	4,587
At December 31, 2012	2,175	2,335	123	4,633

9 Accrued Liabilities

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

	2013	2012
Salaries, wages and related costs	4,913	4,775
Deferred revenue	647	2,168
Professional fees	510	482
Other	3,027	4,880
Balance at December 31,	9,097	12,305

Notes to Consolidated Financial Statements

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

10 Provisions

Provisions 2013	Warranty	Pension	Bonus & Commissions	Restructuring	Other	Total
At January 1, 2013	2,757	300	10,014	2,948	430	16,449
Creation	58	—	8,722	—	1,882	10,662
Utilizations	(4)	—	(9,783)	(2,137)	(79)	(12,003)
Reversals	(84)	(50)	(259)	(573)	(91)	(1,057)
Exchange Differences	25	(34)	136	89	32	248
At December 31, 2013	2,752	216	8,830	327	2,174	14,299
Short-term	2,381	216	8,830	327	167	11,921
Long-term	371	—	—	—	2,007	2,378

Provisions 2012	Warranty	Pension	Bonus & Commissions	Restructuring	Other	Total
At January 1, 2012	3,365	415	11,364	—	3,138	18,282
Creation	171	11	10,015	2,948	431	13,576
Utilizations	(88)	(54)	(10,548)	—	(3,139)	(13,829)
Reversals	(732)	(57)	(1,033)	—	—	(1,822)
Exchange Differences	41	(15)	216	—	—	242
At December 31, 2012	2,757	300	10,014	2,948	430	16,449
Short-term	2,349	300	10,014	2,948	—	15,611
Long-term	408	—	—	—	430	838

Discounting

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

Restructuring

The restructuring provisions charged to income include obligations relating to the sale of INFICON's non-core business vacuum valves product line.

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 Shareholder's Equity

As of December 31, 2013, shareholder's equity consists of 2,305,098 issued and outstanding shares (2012: 2,241,752) with a par value of CHF 5 (2012: 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, 2013 and 2012, 149,757 and 213,103 shares of CHF 5 each, respectively, were available for issuance.

The statutory or legal reserves that may not be distributed amount to TCHF 2,305 at December 31, 2013, as compared with TCHF 2,242 at December 31, 2012.

12 Stock Option Plans

Directors' Stock Option Plan

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 grants options to the eligible Directors in May of each year and the options are nontransferable. All options are 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.

Management & Key Employee Stock Option Plan

In fiscal year 2001, the Board of Directors approved the Key Employee Stock Option Plan. The purpose of

Notes to Consolidated Financial Statements

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

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. 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. Accordingly, the Company will, from time to time during the term of this plan, grant to such key employees options to purchase shares in such amounts as the Company shall determine, subject to the conditions provided in the plan. The plan shall remain in effect through April 26, 2017.

The options are 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, 2011	157,870	165.41
Granted	33,500	201.90
Cancelled	(2,476)	157.23
Exercised	(46,897)	156.13
Outstanding at December 31, 2012	141,997	177.23
Granted	34,300	284.75
Cancelled	(1,825)	(198.01)
Exercised	(63,346)	(179.10)
Outstanding at December 31, 2013	111,126	209.01
Exercisable at December 31, 2013	34,200	158.77

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

	2013	2012
Increase in Common stock	179	132
Increase in Capital reserves	11,925	7,744
Total	12,104	7,876

13 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 plan recognized in the current result of the period	Contributions concerning the business period	Pension benefit expenses and personnel expenses
	31.12.2013	31.12.2013	31.12.2012	2013	2013
Pension institutions with surplus	9,174	—	14	(14)	(2,758)
Pension institutions with deficit	(44)	—	—	(182)	(182)
Total	9,130	—	14	(14)	(2,940)

14 Business Segments

The Company is a global supplier of instrumentation for analysis, monitoring, and control in the general vacuum processes, semiconductor and vacuum coating, refrigeration and air conditioning, and emergency response and security markets. The Company consists of one single business segment. Information on the Company's sales by geographic location (determined by country of destination) was as follows:

	2013	2012
Asia-Pacific	103,854	124,803
Europe	96,895	106,990
North America	87,708	60,464
Other	4,526	4,951
Total	292,983	297,208

Notes to Consolidated Financial Statements

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

15 Income Taxes

Tax expense consists of the following:

	2013	2012
Current tax expense	8,982	8,200
Deferred tax expense	1,436	5,072
Total	10,418	13,272

As of December 31, 2013, the group average tax rate for calculating deferred taxes was 22.8% (2012: 24.9%).

The entitlement for deferred income taxes on tax losses carried forward not yet used was USD 776 at December 31, 2013, as compared with USD 954 at December 31, 2012.

16 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:

	2013	2012
Numerator:		
Net income	35,310	39,931
Denominator:		
Weighted average shares outstanding	2,285,157	2,216,845
Effect of dilutive stock options	32,562	19,435
Denominator for diluted earnings per share	2,317,719	2,236,280
Earnings per share:		
Basic	15.45	18.01
Diluted	15.23	17.86

For the year ended December 31, 2013, the fully diluted earnings per share calculation excluded 34,100 options to purchase shares since these shares would have been anti-dilutive for 2013, compared with 88,250 options in 2012, respectively.

17 Derivative Financial Instruments

The Company has derivative instruments, in the form of forward exchange contracts, to hedge against future movements in foreign exchange rates that affect certain foreign currency denominated sales and related purchase transactions, caused by currency exchange rate volatility. These contracts have durations of less than one year. The Company attempts to match the forward contracts with the underlying items being hedged in terms of currency, amount and maturity. The primary currencies in which the Company has exposure are the Japanese Yen, Swiss Franc, Euro, and US Dollar.

Unsettled forward exchange contracts:

	2013	2012
Positive fair value	79	228
Notional amounts	915	1,711

These forward exchange contracts have maturities until 2014. Positive fair values are recorded as other current assets, while negative fair values have been recognized in other current liabilities. Any change in fair value is recorded in the income statement.

18 Commitments and Contingencies

A summary of contractual commitments and contingencies as of December 31, 2013 is as follows:

	Operating leases	Fixed Inventory Purchase Commitments	Total
2014	4,759	3,455	8,214
2015	4,376	861	5,237
2016	4,057	38	4,095
2017	3,324	—	3,324
2018	3,266	—	3,266
Thereafter	6,305	—	6,305
Total	26,087	4,354	30,441

The Company leases some of its facilities and machinery and equipment under operating leases, expiring in years 2014 through 2021. Generally, the facility leases require the Company to pay maintenance, insurance and real estate taxes.

Notes to Consolidated Financial Statements

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

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 2013, no guarantees (previous year none) in favor of third parties existed. The Group has not given any other guarantees in respect of its business relationships with third parties. There are no subordination agreements with third parties.

19 Additional Information Required by Swiss Law

As required by article 663 paragraph 3 of the Swiss Code of Obligations, the following supplementary information is disclosed:

	2013	2012
Total personnel costs	98,523	90,782

The fire insurance values of property, plant and equipment at December 31:

	2013	2012
Buildings and improvements	40,301	32,438
Machinery and equipment	83,120	70,263
Total	123,421	102,701

Compensations to Acting Members of Governing Bodies

The compensations accrued to members of the Board of Directors and the aggregate for the Group Management in accordance with article 663b^{bis} and article 663c of the Swiss Code of Obligations for the years ended December 31 are as follows:

a) Compensations 2013

	Base compensation	Variable compensation	Share options granted*		Social security contributions	Other compensation	Total 2013
	Cash TUSD	Accrued bonus TUSD	Number	TUSD	TUSD	TUSD	TUSD
Board of Directors:							
Dr. Beat E. Lüthi	136	—	900	39	11	—	186
Dr. Richard Fischer	102	—	675	29	12	—	143
Vanessa Frey	68	—	450	20	6	—	94
Beat Siegrist	76	—	500	22	8	—	106
Dr. Thomas Staehelin	79	—	525	23	7	—	109
Total	461	—	3,050	133	44	—	638
Group Management:							
Lukas Winkler President & CEO	464	227	2,000	98	152	22	963
Total **	757	356	3,250	160	258	44	1,575

* Share options granted are valued according to the fair value of options granted using the Black-Scholes option-pricing model. The share option plan has remained unchanged.

** Composition of Group Management changed from 2012 to 2013 (5 vs. 2 members).

b) Compensations 2012

	Base compensation	Variable compensation	Share options granted*		Social security contributions	Other compensation	Total 2012
	Cash TUSD	Accrued bonus TUSD	Number	TUSD	TUSD	TUSD	TUSD
Board of Directors:							
Dr. Beat E. Lüthi	148	—	900	35	—	—	183
Dr. Richard Fischer	105	—	700	27	10	—	142
Vanessa Frey	67	—	450	18	8	—	93
Beat Siegrist	71	—	475	19	8	—	98
Dr. Thomas Staehelin	78	—	525	21	8	19**	126
Total	469	—	3,050	120	34	19	642
Executive Management:							
Lukas Winkler President & CEO	451	288	2,000	76	97	20	932
Total **	1,519	892	6,250	238	374	103	3,126

* Share options granted are valued according to the fair value of options granted using the Black-Scholes option-pricing model. The share option plan has remained unchanged.

** Compensation for assisting in the preparation of shareholder meetings and other corporate actions.

*** The current Board members Vanessa Frey and Dr. Beat E. Lüthi did not receive any compensation in 2012 due to the retroactive payment after the full year of service.

Notes to Consolidated Financial Statements

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

Compensations Disclosure

The content and method of determining the compensation and share-ownership programs for the members of the Board of Directors and for the Group Management are proposed by the Human Resources Committee and approved by the Board of Directors once a year.

Compensations to Former Members of Governing Bodies

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

Share Ownership and Options Owned

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

	2013		2012	
	Shares owned	Options owned	Shares owned	Options owned
Board of Directors:				
Dr. Beat E. Lüthi	195	900	—	—
Dr. Richard Fischer	21,000	2,050	21,000	2,325
Vanessa Frey	*	450	*	—
Beat Siegrist	7,475	975	7,000	950
Dr. Thomas Staehelin	250	3,150	250	3,471
Total Board of Directors	28,920	7,525	28,250	6,746
Group Management:				
Lukas Winkler, President & CEO	5,000	6,000	4,000	11,000
Matthias Tröndle, Group CFO	150	3,126	150	3,751
Total Group Management	5,150	9,126	4,150	14,751

* Vanessa Frey as part of the Frey family owns through KWE Beteiligungen AG 19.11% (2012: 19.65%) in INFICON Holding AG.

Additional Fees and Remunerations

No reportable fees or remunerations were paid to members of the Board of Directors or members of Group Management.

Loans to Members of Governing Bodies

No loans were granted to current or former members of governing bodies during 2013. No such loans were outstanding as of December 31, 2013.

Related Party Transaction

In 2013 USD 16 (2012 see “b) Compensations 2012, other compensation”) were paid to related parties for assisting in the preparation of shareholder meetings and other corporate actions.

Risk Assessment Disclosures

Effective risk assessment is an integral part of the Company's group-wide enterprise risk management. Based on guidelines received from the Board of Directors, the Group Management and the Finance function oversee the risk management process, and report to the Board and the Audit Committee on a regular basis. Processes and organizational measures have been defined to ensure that risks are continuously and consistently identified, assessed, mitigated and reported.

As an important element of the group-wide enterprise risk management, INFICON established and maintains adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements, to the Group Management and the Board of Directors.

20 Subsequent Events

The Company has evaluated subsequent events through March 11, 2014, which represents the date when the consolidated financial statements were available to be issued.

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of INFICON Holding AG, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of shareholders' equity, consolidated statement of cash flows and notes (pages 32 to 50), for the year ended December 31, 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal

control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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.



PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'St. Räbsamen'.

Stefan Räbsamen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Bettinaglio'.

Martin Bettinaglio
Audit expert

Zurich, March 11, 2014

Balance Sheet

INFICON Holding AG

(CHF in Thousands, except share and per share amounts)

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	5,695	10,482
Other receivables - third parties	409	44
Receivables – subsidiaries	913	1,732
Prepaid expenses	197	36
Total current assets	7,214	12,294
Notes receivable – subsidiaries	6'130	—
Investments in subsidiaries	300,018	300,018
Total long-term assets	306,148	300,018
Total assets	313,362	312,312
Liabilities and Shareholders' Equity		
Payables – subsidiaries	—	10
Accrued liabilities	461	656
Total current liabilities	461	666
Total liabilities	461	666
Share capital; CHF 5 par value, 2,305,098 shares issued (2012: 2,241,752 shares issued)	11,525	11,209
Legal reserves		
General legal reserve	2,590	2,589
Legal reserves from capital contributions	173,347	198,767
Retained earnings	125,439	99,081
Total shareholders' equity	312,901	311,646
Total liabilities and shareholders' equity	313,362	312,312

Statement of Income

INFICON Holding AG

(CHF in Thousands)

Year ended December 31,	2013	2012
Income from investments in subsidiaries	27,798	84,311
Administrative expenses	(1,378)	(1,453)
Income from operations	26,420	82,858
Interest income	12	33
Interest expense	—	(382)
Other expense	—	(22)
Foreign currency exchange loss	(64)	(95)
Other loss	(52)	(466)
Income before income taxes	26,368	82,392
Income tax expense	(11)	(8)
Net income	26,357	82,384



Notes to the Financial Statements

INFICON Holding AG

1 Description of Company

The information contained in the financial statements of INFICON Holding AG, Bad Ragaz, relates to the ultimate parent company alone, while the consolidated financial statements reflect the economic situation of INFICON Group as a whole. INFICON Holding AG, Bad Ragaz, (the "Company") financial statements are prepared in compliance with Swiss Corporate Law.

Applying the transitional provision of the new accounting law, these financial statements have been prepared in accordance with the provision on accounting and financial reporting of the Swiss Code of Obligations effective until December 31, 2012.

2 Investments in Subsidiaries

The investments in subsidiaries are carried in aggregate at lower of cost or their intrinsic value. The subsidiaries included in INFICON Holding AG's investment portfolio are shown on page 55.

3 Equity

Refer to Notes to Consolidated Financial Statements for a description of the Company's capital and the related stock plans.

The Company is aware of the following significant shareholders entered in the share register.

The percentages are calculated using registered shares per December 31, 2013 and 2012 of 2,305,098 and 2,241,752 respectively.

December 31,	2013	2012
KWE Beteiligungen AG	19.11%	19.65%
7-Industries Holding B.V.	9.84%	10.11%
Chase Nominees Ltd.	7.01%	4.60%
UBS Fund Management (Schweiz) AG	4.97%	4.20%
Lombard Odier Asset Management	3.48%	3.57%
Crédit Suisse Funds AG	3.32%	

There were no other shareholders entered in the share register holding more than 3 percent of the voting rights at December 31, 2013.

Any significant shareholder notifications during 2013 and since January 1, 2014, can be accessed via the following weblink to the database search page of the disclosure office:

http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html

4 Issued, Authorized and Conditional Share Capital

Issued Share Capital / Share Capital Increase

During 2013, employees and member of the Board of Directors of INFICON exercised stock options which resulted in 63,346 new shares being issued and increased nominal share capital by CHF 316,730. The share premium thereon of CHF 11,028,640 has been credited to the legal reserves from capital contributions. At December 31, 2013, the number of issued INFICON Holding AG shares amounted to 2,305,098 (2012: 2,241,752) with a nominal value of CHF 5 each.

Conditional Share Capital

The articles of incorporation provide for a conditional capital of a maximum of CHF 1,065,515 through the issuance of 213,103 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 2013, employee stock options were exercised resulting in an increase in share capital of 63,346 shares. The remaining available balance of conditional share capital at December 31, 2013, is CHF 748,785.

5 Disclosure of Management Compensation

Refer to Notes to the Consolidated Financial Statements, Note 19, "Additional Information Required by Swiss Law."

Notes to the Financial Statements

INFICON Holding AG

Investments in Subsidiaries

Company	Currency	December 31, 2013 (in 1,000)	December 31, 2012 (in 1,000)
INFICON Inc.			
Syracuse, USA			
Share Capital	USD	*	*
Ownership		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON AG			
Balzers, Liechtenstein			
Share Capital	CHF	6,000	6,000
Ownership		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON GmbH			
Bad Ragaz, Switzerland			
Share Capital	CHF	2,000	2,000
Ownership		100%	100%
Purpose: Management Company			
INFICON GmbH			
Cologne, Germany			
Share Capital	EUR	1,026	1,026
Ownership**		100%	100%
Purpose: Manufacturing, Sales and Service			
INFICON Aaland Ab			
Mariehamn, Finland			
Share Capital	EUR	60	60
Ownership**		100%	100%
Purpose: Manufacturing			
INFICON AB.			
Linköping, Sweden			
Share Capital	SEK	3,810	3,810
Ownership		100%	100%
Purpose: Manufacturing			
INFICON Ltd.			
Blackburn, United Kingdom			
Share Capital	GBP	400	400
Ownership		100%	100%
Purpose: Sales			
INFICON S.A.R.L.			
Courtaboeuf, France			
Share Capital	EUR	108	108
Ownership		100%	100%
Purpose: Sales			
INFICON S.r.l.			
Bozen, Italy			
Share Capital	EUR	10	10
Ownership		100%	100%
Purpose: Sales			

Company	Currency	December 31, 2013	December 31, 2012
INFICON Co., Ltd.			
Yokohama-Shi, Japan			
Share Capital	JPY	400,000	400,000
Ownership		100%	100%
Purpose: Sales			
INFICON Ltd.			
Chubei City, Taiwan			
Share Capital	TWD	52,853	52,853
Ownership		100%	100%
Purpose: Sales			
INFICON Ltd.			
Bungdang-Ku, Korea			
Share Capital	KRW	600,000	600,000
Ownership		100%	100%
Purpose: Manufacturing and Sales			
INFICON Pte. Ltd.			
Singapore			
Share Capital	SGD	1,797	1,797
Ownership		100%	100%
Purpose: Sales			
INFICON Ltd.			
Pune, India			
Share Capital	INR	18,920	18,920
Ownership**		100%	100%
Purpose: Sales			
INFICON Ltd.			
Hong Kong			
Share Capital	HKD	8,780	8,780
Ownership		100%	100%
Purpose: Sales			
INFICON (Guangzhou) Instruments Co., Ltd.			
Guangzhou			
Share Capital	RMB	9,837	9,837
Ownership		100%	100%
Purpose: Service			
INFICON Instruments (Shanghai) Co., Ltd.			
Shanghai			
Share Capital	USD	2,180	2,180
Ownership		100%	100%
Purpose: Manufacturing			
INFICON EDC Inc.			
Syracuse, USA			
Share Capital	USD	*	*
Ownership**		100%	100%
Purpose: Manufacturing, Sales and Service			

* The Company was issued 100 shares of INFICON, Inc. which have a nominal value of USD 0.01 per share

** Indirect participation

Notes to the Financial Statements

INFICON Holding AG

6 Contingent Liabilities

	December 31,	
In CHF 1,000	2013	2012
Guarantees in favor of affiliated companies	9,554	10,695

7 Risk Assessment Disclosures required by Swiss Law

Refer to Notes to the Consolidated Financial Statements, Note 19, "Additional Information Required by Swiss Law."



Appropriation of Available Earnings

(Proposal of the Board of Directors)

In CHF 1,000	December 31,	
	2013	2012
Legal reserves from capital contributions at beginning of year	198,767	222,684
Transfer from general legal reserve		
Share premium on exercised stock options	11,029	7,088
Distribution to shareholders	(36,449)	(31,005)
<u>Legal reserves from capital contributions</u>	<u>173,347</u>	<u>198,767</u>
Retained earnings at beginning of year	99,081	16,697
Net income	26,357	82,384
<u>Retained earnings</u>	<u>125,438</u>	<u>99,081</u>

Legal reserves from capital contribution before proposed distribution	173,347
Distribution from capital contribution reserve (2013: CHF 14.00 each share)*	(32,271)
Legal reserves from capital contribution after proposed distribution	141,076

* 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.

Report of the Statutory Auditor on the Financial Statements

INFICON Holding AG, Bad Ragaz

As statutory auditor, we have audited the financial statements of INFICON Holding AG, which comprise the balance sheet, statement of income and notes (pages 52 to 56), for the year ended December 31, 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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 reserves comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.



PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'St. Räbsamen'.

Stefan Räbsamen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Bettinaglio'.

Martin Bettinaglio
Audit expert

Zurich, March 11, 2014



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 2013.

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.



2013 Annual Report

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