



HALF-YEAR REPORT 2008
HALBJAHRESBERICHT 2008



Company Overview

Unternehmensporträt

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 original equipment manufacturers (OEMs) and end-users in the complex fabrication of semiconductors and thin film coatings for flat panel displays, solar cells, magnetic and optical storage media, scientific and consumer optics, and architectural glass coatings. Other industrial users of our vacuum technology include the life sciences, research, aerospace, food packaging, heat treating, sterilization, and laser cutting and many others. We also leverage our expertise in vacuum technology to provide unique, toxic chemical analysis products for emergency response, security, and environmental monitoring.

The INFICON Half-Year Report 2008 is presented for your convenience in English and German. The English language version is binding. Additional copies of this report may be downloaded from the Investor Relations section of our website, www.inficon.com, under Financial Reports.

INFICON bietet Messgeräte der Spitzenklasse für die Analyse, Messung und Regelung von Gasen.

Unsere Analyse-, Mess- und Regelprodukte sind von entscheidender Bedeutung in der Gaslecksuche, in der Klimatechnik, der Kühlgeräteherstellung sowie für die Hersteller von Produktionsanlagen (Original Equipment Manufacturers – OEMs) und Endverbraucher bei der komplexen Herstellung von Halbleitern und Dünnschichtbeschichtungen für Flachbildschirme, Solarzellen, magnetischen und optischen Speichermedien, Präzisionsoptik in Wissenschaft und Konsum sowie architektonische Glasvergütungen. Weitere Industrieanwendungen unserer Vakuumtechnologie sind: Life Sciences, Forschung, Raumfahrt, Nahrungsmittelverpackung, Wärmebehandlung, Sterilisation, Lasertrennen und viele weitere. Unsere Expertise in der Vakuumtechnologie kommt zudem in der Entwicklung von einzigartigen Geräten zur Analyse giftiger Gase in der Notfallhilfe, Sicherheitsüberwachung und Industriehygiene zum Einsatz.

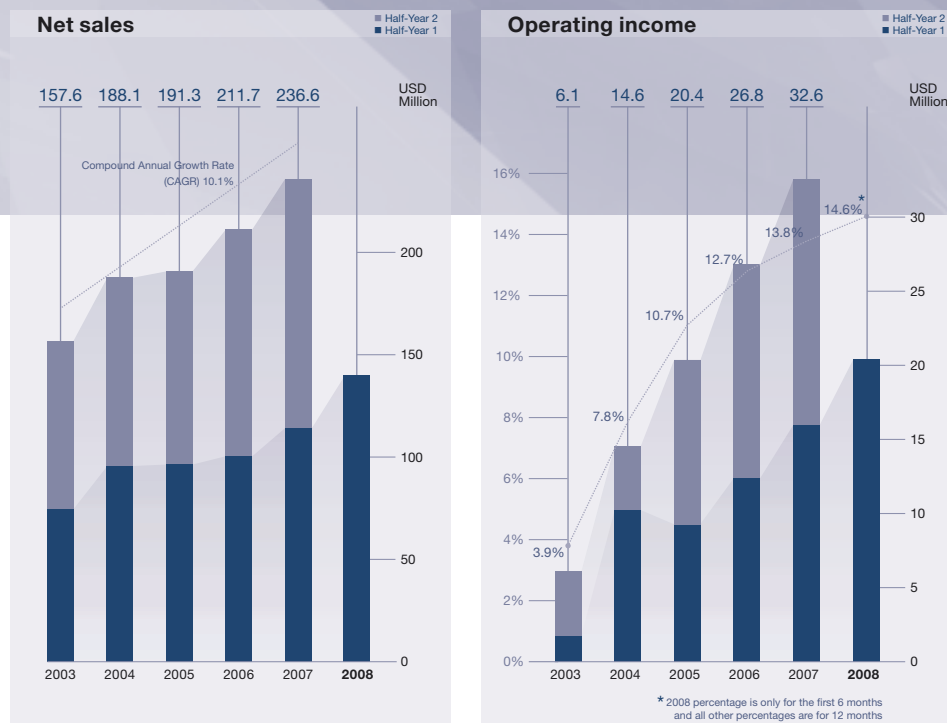
Der INFICON Halbjahresbericht 2008 umfasst Texte in Deutsch und Englisch; die englischen Texte sind verbindlich. Weitere Exemplare des Halbjahresberichts können im Bereich Investor Relations der INFICON Website www.inficon.com unter Financial Reports herunter geladen werden.

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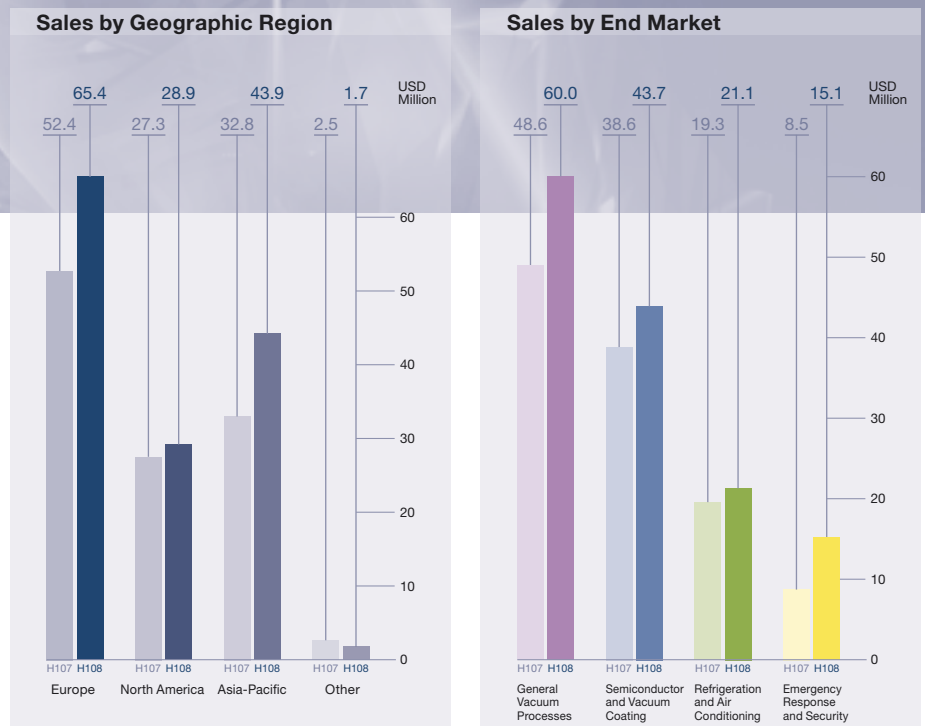
According to U.S. GAAP
(U.S. Dollars in Millions,
except per share amounts)



The first six months of 2008 was another
very successful period for INFICON ...

INFICON hat in den ersten sechs Monaten des
Jahres 2008 sehr erfolgreich gearbeitet ...

	Half-Year		Full Year
	2008	2007	2007
Net sales	139.9	115.0	236.6
Research and development	11.3	10.1	20.3
Selling, general and administrative	31.4	28.2	57.2
Operating income	20.4	16.1	32.6
<i>in % of net sales</i>	14.6%	14.0%	13.8%
EBITDA	23.9	19.1	38.8
<i>in % of net sales</i>	17.1%	16.6%	16.4%
Net income	14.9	12.4	24.5
Cash and short-term investments	34.6	55.4	39.3
Cash flow from operations	13.1	13.2	30.2
Capital expenditures	3.0	3.2	5.7
Total assets	186.6	194.3	181.6
Long term debt	—	—	—
Shareholders' equity	141.9	151.5	138.3
Employees	884	841	891



... with strong performance in all target markets.

... und erzielte beachtliche Leistungen in allen Zielmärkten.

Ratios per Share	Half-Year		Full Year
	2008	2007	
Net income per share – diluted	6.9	5.2	10.6
Shareholders' equity per share – diluted	65.6	63.5	59.7
Free cash flow per share – diluted	4.7	4.2	10.6
Return on equity %*	21.0%	16.3%	17.7%

* Percentages have been annualized for 6 month figures

Sales by Geographic Region

Region	H108 (USD Million)	H107 (USD Million)	Full Year 2007 (USD Million)
Europe	65.4	52.4	104.8
North America	28.9	27.3	54.0
Asia-Pacific	43.9	32.8	73.4
Other	1.7	2.5	4.4

Sales by End Market

End Market	H108 (USD Million)	H107 (USD Million)	Full Year 2007 (USD Million)
General Vacuum Processes	60.0	48.6	99.1
Semiconductor and Vacuum Coating	43.7	38.6	81.6
Refrigeration and Air Conditioning	21.1	19.3	38.6
Emergency Response and Security	15.1	8.5	17.3

Group Organization*

Organe

Board of Directors

Gustav Wirz	Chairman	Bottighofen, Switzerland
Paul Otth	Vice Chairman	Zurich, Switzerland
Dr. Richard Fischer	Member	Rankweil, Austria
Mario Fontana	Member	Herrliberg, Switzerland
Dr. Thomas Staehelin	Member	Riehen, Switzerland

Audit Committee

Dr. Thomas Staehelin (Chair)
Paul Otth
Gustav Wirz

Human Resources and Nominating Committee

Dr. Richard Fischer (Chair)
Mario Fontana
Dr. Thomas Staehelin

Strategy Committee

Mario Fontana (Chair)
Dr. Richard Fischer
Paul Otth

Executive Management

Lukas Winkler	President, Chief Executive Officer
Matthias Tröndle	Chief Financial Officer
Dr. Ulrich Döbler	Vice President, Leak Detection
Peter Maier	Vice President, Intelligent Sensor Solutions
Dr. Urs Wälchli	Vice President, Vacuum Control

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* per September 1, 2008
Stand 1. September 2008

Half-Year Report Halbjahresbericht

Strategy for Profitable Growth Successful

The first six months of 2008 was another very successful period for INFICON, as the company continued to set performance records. For the first half of the year, sales rose 21.6% to USD 140 million, operating income increased 26.7% to USD 20.4 million, and net income rose 20.5% to USD 14.9 million. Also notable was the fact that sales grew in all our major geographic regions, with particularly robust expansion in Asia-Pacific and Europe.

These strong and consistent results support our strategy of focusing on a carefully selected group of highly specialized, fast-growing niche businesses. Our chosen markets have different business cycles, enabling INFICON to continue to grow profitably despite weakness in one market sector. These results also demonstrate the value of INFICON's longstanding emphasis on innovation to address our customers' most pressing needs. At the same time, our ongoing initiatives to drive savings contributed to the company's strong first-half 2008 performance. We have enhanced the infrastructure of INFICON over the last several years while preserving its strengths, consolidating manufacturing, and harmonizing resources. These efforts have had a very positive impact on operational leverage.

Strong Performance in All Target Markets

For the first six-month period of 2008, sales to the **Emergency Response and Security** market were a key driver of INFICON's success, with demand continuing to diversify both geographically and by application. We delivered several sizable orders for our HAPSITE® Chemical Identification System – which provides fast, on-site detection of toxic chemicals – to agencies of the People's Republic of China. HAPSITE

Erfolgreiche Strategie für profitables Wachstum

INFICON hat in den ersten sechs Monaten des Jahres 2008 sehr erfolgreich gearbeitet, wie die neuen Rekordwerte belegen: Der Umsatz stieg um 21.6% auf USD 140 Mio., der Betriebgewinn kletterte um 26.7% auf USD 20.4 Mio. und der Nettogewinn nahm um 20.5% auf USD 14.9 Mio. zu. INFICON konnte die Verkäufe in allen wichtigen Regionen der Welt, besonders jedoch im asiatisch-pazifischen Raum und in Europa steigern.

Das überzeugende Halbjahresergebnis bestätigt unsere strategische Ausrichtung auf sorgfältig ausgewählte, hoch spezialisierte und rasch wachsende Marktsegmente. Unsere Zielmärkte unterliegen unterschiedlichen Konjunkturzyklen, die es INFICON ermöglichen selbst dann profitabel zu wachsen, wenn sich die Wirtschaftslage in einem Zielmarkt abschwächt. Die guten Resultate gehen auch auf INFICONs ausgewiesene, kundenorientierte Innovationskraft sowie auf unternehmensweit greifende Massnahmen zur laufenden Effizienzsteigerung und Kostensenkung zurück. Durch die Konsolidierung der Fertigung, sowie den gezielten Einsatz der Ressourcen hat INFICON die betriebliche Struktur kontinuierlich verbessert. Diese Massnahmen haben die betriebliche Leistungskraft von INFICON deutlich gestärkt.

Beachtliche Leistung in allen Zielmärkten

Die im Markt für **Notfallhilfe und Sicherheit** erzielte Umsatzsteigerung aufgrund erweiterter Einsatzgebiete und geografisch breiter abgestützter Nachfrage, waren wichtige Faktoren für INFICONs Erfolg im ersten Semester 2008. So lieferten wir an verschiedene Behörden der Volksrepublik China umfangreiche Bestellungen für unser Chemikalien-Identifikationssystem HAPSITE® aus, mit dem giftige Chemikalien rasch vor Ort aufgespürt und analysiert werden können. Diese Systeme

Strong Performance in All Target Markets

is being used for environmental and water analysis in major provinces and cities throughout that country, including areas devastated by the May 2008 earthquake in Sichuan Province, and for security at the Olympic Games in August. In addition, we delivered the first HAPSITE Viper systems for integration into military vehicles to a European customer.

We continue to see long-term promise in the Emergency Response and Security market, and we have just introduced our next-generation HAPSITE, the HAPSITE ER. Powered by state-of-the-art software and offering new features that make it easier and more cost-effective to use, the HAPSITE ER will enable us to continue broadening the INFICON customer base in emergency response and environmental analysis.

Driven by strong demand for OLED-based displays in consumer electronics, sales in the **Semiconductor and Vacuum Coating Processes** market were very healthy for the first half of 2008. We see increased demand for production capacity of OLED based products by display manufacturers, and we recently shipped orders to Korea for Cygnus® Thin Film Deposition Controllers – the only thin film controller specifically designed for OLED manufacturing – and for our highly specialized, automated Crystal 12® sensors. We are seeing many interesting new opportunities for OLED manufacturing, including applications for white lighting.

Solar cell manufacturing is another attractive vacuum coating market for INFICON. Addressing this growth opportunity, the new Guardian™ Co-Deposition Controller was recently showcased at the Intersolar North America trade show in San Francisco, the first time the exhibition was held in the U.S. Interest was high for this unique instrument – which can signifi-

werden in Provinzen und Städten ganz Chinas in der Umweltüberwachung und der Trinkwasseranalyse eingesetzt – so zum Beispiel auch in der im Mai 2008 von starken Erdbeben verwüsteten Provinz Sichuan. Im August gehörten unsere Geräte während der Olympischen Spiele zum Sicherheitsdispositiv. In Europa lieferten wir die ersten, für den mobilen Einsatz in Militärfahrzeugen konzipierten HAPSITE-Viper-Systeme aus.

Den Markt für Notfallhilfe und Sicherheit beurteilen wir als langfristig attraktiv. Mit HAPSITE ER haben wir unlängst eine neue System-Generation eingeführt, die dank modernster Software und zusätzlichen Funktionen in der Notfallhilfe und der Umweltanalyse einen einfacheren und kostengünstigeren Einsatz erlaubt und so die Möglichkeit der Erschließung weiterer Kundensegmente bietet.

Aufgrund der starken Nachfrage nach OLED-Bildschirmen für elektronische Gebrauchsgüter erzielte INFICON im **Halbleiter- und Vakuumbeschichtungsmarkt** im ersten Halbjahr solide Umsätze. Bildschirmproduzenten bauen derzeit ihre Kapazitäten für OLED-Produkte aus. Mit dem Dünnschicht-Kontrollgerät Cygnus® verfügt INFICON über das einzige spezifisch auf die OLED-Herstellung ausgerichtete Messgerät. Entsprechend lieferten wir diese Geräte sowie unsere hoch spezialisierten Crystal-12®-Sensoren in beachtlichen Stückzahlen nach Korea. Die OLED-Technologie dürfte künftig für viele interessante Anwendungen bis hin zu Beleuchtungslösungen eingesetzt werden.

Die Herstellung von Solarzellen ist ein weiterer attraktiver Markt für Vakuuminstrumente. INFICON stellte in San Francisco, an der vor kurzem erstmals in den USA durchgeführten Branchenmesse Intersolar North America, das neue, speziell für diesen Markt entwickelte Regel- und Messgerät Guardian™ Co-Deposition Controller vor. Dieses viel beachtete Instrument kann die exakte Reprodu-

Beachtliche Leistung in allen Zielmärkten

cantly improve the reproducibility of thin film quality during the fabrication of CIGS thin films, an emerging technology which could support a more cost-efficient fabrication of solar modules for commercial use. The solar panel manufacturing market also creates market opportunities for our Sky® CDG vacuum gauges, leak detectors, and various INFICON *in situ* analysis sensors that offer productivity gains in the fabrication of solar cells. We will continue to explore this emerging market.

Despite the general weakness in the semiconductor industry, INFICON enjoyed strong interest among semiconductor fabs in our FabGuard Sensor Integration and Analysis system for fab-wide data management.

The **Refrigeration and Air Conditioning (RAC)** market was another source of solid growth for INFICON, with demand for market-leading refrigerant and multi-gas leak detectors continuing at a high level internationally, particularly in China. Our wide variety of patented technologies and ability to design products to exacting specifications have established INFICON leak detectors as the premier products for all RAC quality testing applications – ranging from single component testing to final assembly for manufacturers of commercial, residential and automotive air conditioners and component parts, commercial refrigeration systems and other appliances. The Protec P3000 helium leak detector has been particularly successful. We expect Asia to continue to be a growth driver as the rising disposable incomes in those areas lead people to buy more refrigerators and air conditioners.

In the after-sale service business, INFICON products continued in demand, and we have increased our market share by targeting new applications. For

zierbarkeit spezifischer Schichtdicken für so genannte CIGS-Dünnschicht-Solarzellen (Kupfer-Indium-Gallium-Selenid) erheblich verbessern. Von dieser CIGS-Technologie erwartet man in der Herstellung von kommerziellen Solarmodulen Kostenvorteile. Nicht zuletzt ermöglichen auch die Sky® CDG Keramikmembran-Messröhren, die Lecksucher und zahlreiche *in situ* Analysesensoren von INFICON in der Fertigung von Solarzellen zusätzliche Produktivitätsgewinne. Wir behalten diesen sich rasant entwickelnden Markt weiterhin im Auge.

Ungeachtet des allgemeinen Abschwungs in der Halbleiterindustrie blieb das Interesse der Chip-Hersteller an unseren FabGuard Sensorintegrations- und Analyse-systemen für fabrikweites Prozessdaten-Management hoch.

Der Markt für **Kälte- und Klimatechnik** trug ebenfalls zum soliden Wachstum von INFICON bei. Die Nachfrage nach unseren Markt führenden Kältemittel- und Multi-Gas-Leckdetektoren verharrte international, besonders aber in China auf konstant hohem Niveau. Aufgrund der Bandbreite unserer patentierten Technologien und der Fähigkeit, Produkte exakt nach Spezifikation zu entwickeln, haben sich INFICON Lecksucher in der Kälte- und Klimatechnik als Standards etabliert. Mit unseren Geräten werden sowohl Bauteile als auch fertige Klimaanlage für die Industrie, den Wohnungsbau und die Automobilbranche, sowie gewerbliche Kühlaggregate, -komponenten und ähnliche Systeme getestet und geprüft. Für solche Anwendungen hat sich der Helium-Lecksucher Protec P3000 als besonders erfolgreich erwiesen. Wir erwarten gerade aus Asien auch künftig starke Wachstumsimpulse, da dort aufgrund steigender verfügbarer Einkommen vermehrt Kühlschränke und Klimaanlage gekauft werden.

Das Wartungsgeschäft entwickelte sich gleichfalls gut. Hier konnten wir unseren Marktanteil mit neuen Anwendungen ausbauen. So verwendet heute beispielsweise

Enhancing Shareholder Value

example, an INFICON hand-held refrigerant leak detector is now being used by the largest distributor of dry cleaning equipment and materials in the U.S. to leak check hazardous chemicals used in the dry cleaning process. We are also benefiting from more extensive leak testing at auto manufacturers for the production inspection of air conditioning, air bags, automotive lamps, car compressors and other applications for component and final assembly testing.

Finally, sales also rose significantly in the **General Vacuum Processes** market, a traditional area of strength for INFICON, where we serve a wide range of industries using vacuum technology. INFICON sales were especially robust for industrial coating in Europe. We reach these customers both through our private label partners and through our direct sales channel, and provide analysis, measurement and control products for many different industrial applications.

Dividend and Share Cancellation Programs Enhance Shareholder Value

Reflecting our strong cash generating capabilities, INFICON paid a dividend in April 2008 of eight Swiss francs per share for the business year 2007, totaling USD 16.6 million, reflecting a 33% increase over the company's dividend for the previous year. In addition, the shareholders approved the cancellation of the 235,587 shares repurchased under the company's 2007 share repurchase program. Following this action in July 2008, the share capital of INFICON Holding AG currently consists of 2,141,175 registered shares with a par value of CHF 5.00 per share.

Expanding our Senior Management Team

In June, we announced the appointment of Matthias Tröndle as Chief Financial Officer of INFICON, effec-

der grösste US-amerikanische Hersteller von Anlagen zur chemischen Kleiderreinigung INFICON Hand-Lecksucher, um sicherzustellen, dass die gefährlichen Prozesschemikalien nirgends austreten. Und in der Automobilindustrie profitieren wir von stets umfangreicheren Dichtigkeitstests bei Klimaanlage, Airbags, Fahrzeugscheinwerfer und Kompressoren, von Qualitätsprüfungen bei weiteren Komponenten sowie Prüfungen in der Endmontage.

Nicht zuletzt legten auch die Umsätze im Markt für **allgemeine Vakuumprozesse** zu. In diesem traditionell starken Marktsegment sprechen wir Kunden aus unterschiedlichen Industriezweigen mit Analyse-, Mess- und Regelprodukten für deren jeweilige Vakuumprozesse sowohl über Private-Label-Partner als auch direkt über unsere eigenen Vertriebskanäle an. Besonders kräftig legten wir hier im europäischen Beschichtungsmarkt zu.

Dividende und Aktienrückkauf schaffen Mehrwert für Aktionäre

Vor dem Hintergrund der nachhaltig starken Barmittelentwicklung zahlte INFICON im April eine gegenüber Vorjahr um 33% höhere Dividende von CHF 8.00 je Aktie aus. Insgesamt wurde für das Geschäftsjahr 2007 eine Dividendensumme von USD 16.6 Mio. ausgeschüttet. Die Aktionäre stimmten zudem der Vernichtung von 235 587 Aktien zu, die zuvor im Rahmen des Aktienrückkaufprogramms 2007 erworben worden waren. Nach dieser Massnahme vom Juli 2008 besteht das Aktienkapital der INFICON Holding AG nun aus 2 141 175 Namenaktien zu nominal je CHF 5.00.

Erweiterung des Führungsteams

Im Juni konnte INFICON die Ernennung von Matthias Tröndle als Chief Financial Officer per 1. September 2008 bekannt geben. Er löst in dieser Funktion Peter G.

Stärkung des Shareholder Value

tive September 1, 2008. Mr. Tröndle succeeded Peter G. Maier, who accepted the position of President, Intelligent Sensor Solutions Business Unit, last December, but continued to serve as CFO until August 31, 2008. Mr. Tröndle joined us from Solectron Corporation, where he most recently served as Senior Director Finance Europe. We look forward to introducing him to our shareholders and the investment community. The Board and management of INFICON would like to express our thanks to Peter Maier for his service as Chief Financial Officer over the past eight years. All of us appreciate the many contributions he made to INFICON's development and progress.

Positive Outlook Continues

We are pleased with our excellent results for the first half of 2008 and, although the economic environment is challenging, we expect our success to continue through the remainder of the year. We are focused on taking advantage of the many attractive market niches for sophisticated vacuum control and analysis applications and on driving our business through new products, which are the result of our "design for lower cost program."

We recently updated our financial guidance for 2008, and we now expect INFICON will achieve sales in the range of USD 260–270 million, up from USD 250–260 million. We continue to expect income from operations in the range of USD 36–40 million.

Maier ab, der letzten Dezember bereits die Führung der Geschäftseinheit Intelligent Sensor Solutions übernommen hatte, jedoch bis 31. August zusätzlich als CFO im Amt blieb. Matthias Tröndle war zuletzt als Senior Director Finance Europe bei der Solectron Gruppe tätig. Wir freuen uns darauf, ihn unseren Aktionären und der Finanzwelt bei nächster Gelegenheit persönlich vorzustellen. Verwaltungsrat und Management von INFICON möchten Peter Maier für seinen grossen Einsatz als Chief Financial Officer während der letzten acht Jahre herzlich danken. Wir alle schätzen und würdigen seinen wertvollen Beitrag für die Entwicklung und den Fortschritt von INFICON.

Weiterhin positiver Ausblick

Wir sind sehr erfreut über die guten Ergebnisse des ersten Semesters. Wir erwarten zudem, dass sich dieser Trend trotz des angespannten wirtschaftlichen Umfelds im weiteren Jahresverlauf fortsetzt. Wo sich Chancen für unsere führenden Vakuumregelung- und Analyseanwendungen bieten, gehen wir diese gezielt an und bauen das Geschäft entsprechend unserem «Design for lower Cost» Programm mit neuen Produkten aus.

Vor kurzem haben wir unsere Erwartungen für das komplette Geschäftsjahr 2008 angepasst: Wir rechnen neu mit einem höheren Umsatz von USD 260 bis 270 Mio. nach bisher genannten USD 250 bis 260 Mio. Zudem erwarten wir weiterhin einen Betriebsgewinn zwischen USD 36 und 40 Mio.

Income Statement

Net Sales for the six months ended June 30, 2008 were USD 140 million compared to USD 115 million for the same period in 2007, representing a 21.6% increase. On a constant dollar basis, revenues increased 12.4%. Sales grew in all our target markets. The Emergency Response and Security market was the most significant growth driver with an increase in sales of 78% or USD 6.6 million due primarily to sizable HAPSITE orders to China. Semiconductor and Vacuum Coating market sales grew by 13% or USD 5.1 million despite the general weakness in the semiconductor industry. This is a result of strong demand for OLED-based display devices and growing opportunities in solar panel manufacturing. Additionally, Refrigeration and Air Conditioning sales increased 9% or USD 1.8 million with the Protec P3000 helium leak detector being particularly strong. Finally, the General Vacuum Processes market sales also rose significantly by 23% or USD 11.4 million, with record sales to private label customers in Europe.

Gross profit margin was 45.1% for the six months ended June 30, 2008 compared with 47.3% for the same period in 2007. The reduction is primarily due to the weak US Dollar and unfavorable changes in the sales mix.

Research and development expenditures were USD 11.3 million or 8.1% of sales for the six months ended June 30, 2008 as compared to USD 10.1 million or 8.8% of sales for the same period in 2007. This increase is partly caused by foreign currency translation effects but it also reflects higher spending associated with new product development and the inclusion of acquisitions.

Erfolgsrechnung

Der Nettoumsatz der ersten sechs Monate bis zum 30. Juni 2008 belief sich auf USD 140 Mio. nach USD 115 Mio. im gleichen Vorjahreszeitraum. Dies entspricht einer Steigerung um 21.6%, oder zu konstanten Dollarkursen gerechnet, einem Plus von 12.4%. Wir erzielten Umsatzzuwächse in all unseren Zielmärkten. Die im Markt für Notfallhilfe und Sicherheit erzielte Umsatzsteigerung, die in erster Linie auf beachtliche HAPSITE-Bestellungen aus China zurückzuführen ist, war die wichtigste Triebkraft mit einem Umsatzplus von 78% oder USD 6.6 Mio. Im Halbleiter- und Vakuumbeschichtungsmarkt stieg der Umsatz um 13% oder USD 5.1 Mio. trotz der allgemeinen Abkühlung in der Halbleiterindustrie. Dieser Zuwachs geht zurück auf die starke Nachfrage nach OLED-Bildschirmen und wachsender Chancen in der Solarzellenherstellung. Der Umsatz im Markt für Kälte- und Klimatechnik legte um 9% oder USD 1.8 Mio. zu. Hier erwies sich der Helium-Lecksucher Protec P3000 als besonders erfolgreich. Nicht zuletzt legten auch die Umsätze im Markt für allgemeine Vakuumprozesse beachtlich zu mit einem Plus von 23% oder USD 11.4 Mio. und wir konnten im Geschäft mit unseren Private-Label-Partnern in Europa Rekordumsätze erzielen.

Die Bruttomarge betrug in den ersten sechs Monaten bis zum 30. Juni 2008 45.1% nach 47.3% in der gleichen Vorjahresperiode. Dieser Rückgang zeigt in erster Linie den schwachen US-Dollar sowie unvorteilhafte Veränderungen im Absatzmix.

Die Forschungs- und Entwicklungsausgaben beliefen sich im ersten Halbjahr 2008 auf USD 11.3 Mio., was 8.1% des Umsatzes für die Berichtsperiode ausmacht. Im Vorjahr hatten die entsprechenden Werte USD 10.1 Mio. oder 8.8% betragen. Die hier verzeichnete Zunahme geht einerseits auf Währungseffekte zurück, andererseits auf höhere Ausgaben für neue Produktentwicklungen und die Einbindung von Akquisitionen.

Selling, general, and administrative costs for the first six months of 2008 were USD 31.4 million or 22.5% of sales as compared to USD 28.2 million or 24.5% of sales for the same period a year ago. The dollar increase primarily reflects the addition of sales and marketing personnel in Asia to support current and future growth, foreign currency translation effects and the costs of acquired entities.

Provision for income taxes was USD 5.2 million at a 25.8% effective tax rate for the six months ended June 30, 2008 compared to USD 4.4 million at a 26.4% effective tax rate for the same period in 2007. This is nearly flat, with lower effective tax rates in Germany and the US being offset by an unfavorable shift of taxable income toward higher taxed jurisdictions.

Net income and diluted earnings per share was USD 14.9 million and USD 6.89 per share for the six months ended June 30, 2008 as compared to USD 12.4 million and USD 5.18 per share for the first half of 2007. The 33% increase in earnings per share is a result of the 20.5% increase in net income combined with fewer shares outstanding following the 2007 share repurchase program.

Balance Sheet and Liquidity

Cash and short-term investments totaled USD 34.6 million at June 2008, which was a decrease from USD 39.3 million at December 2007. During the first half of 2008 cash flow from operations was USD 13.1 million which was primarily offset by the cash used for the purchase of certain capital improvements and earn-out payments related to recent acquisitions. Additionally, in the second quarter the Company paid a dividend of CHF 8 per share totaling USD 16.6 million.

Die Verkaufs-, Gemein-, und Verwaltungskosten stellten sich in den ersten sechs Monaten 2008 auf USD 31.4 Mio. oder 22.5 Umsatzprozente nach USD 28.2 Mio. respektive 24.5 Umsatzprozenten im entsprechenden Vorjahreszeitraum. Der höhere Dollarbetrag widerspiegelt im Wesentlichen den vor allem in Asien erfolgten Ausbau unseres Verkaufs- und Marketingpersonals, der das laufende und zukünftige Wachstum unterstützen soll, sowie Währungseffekte und die Kostenstruktur der akquirierten Einheiten.

Die Rückstellungen für Steuerzahlungen betragen in den ersten sechs Monaten per 30. Juni 2008 USD 5.2 Mio., was einer effektiven Steuerrate von 25.8% entspricht. Die vergleichbaren Vorjahreswerte hatten USD 4.4 Mio. respektive 26.4% betragen. Dies entspricht einer nahezu konstanten Entwicklung, wobei die tieferen effektiven Steuersätze in Deutschland und den USA durch eine sich nachteilig auswirkende Verlagerung der steuerbaren Einkommen in Länder mit höheren Steuersätzen aufgehoben wurden.

Der Nettogewinn und der verwässerte Gewinn je Aktie betragen in den ersten sechs Monaten per 30. Juni 2008 USD 14.9 Mio. respektive USD 6.89 nach USD 12.4 Mio. respektive USD 5.18 je Aktie im ersten Halbjahr 2008. Die Zunahme des Gewinns je Aktie um 33% erklärt sich zum einen durch einen um 20.5% höheren Nettogewinn und zum anderen durch die aufgrund des im Jahr 2007 erfolgten Aktienrückkaufprogramms tiefere Zahl ausstehender Namenaktien.

Bilanz und Liquidität

Die flüssigen Mittel betragen Ende Juni 2008 USD 34.6 Mio., nachdem sie Ende Dezember 2007 USD 39.3 Mio. ausgemacht hatten. Im ersten Halbjahr 2008 verzeichnete INFICON einen betrieblichen Cashflow von USD 13.1 Mio., der hauptsächlich durch Barmittelzahlungen zur Finanzierung gewisser Kapitalverbesserungen und Earn-out-Zahlungen im Zusammenhang mit jüngst erfolgten Akquisitionen aufgewogen wurde. Im zweiten Quartal zahlte INFICON je Aktie eine Dividende von CHF 8 aus, was gesamthaft einer Dividendensumme von USD 16.6 Mio. entspricht.

Consolidated Statements of Income

(Unaudited)

(U.S. Dollars and Shares in Thousands, except per share amounts)

Six Months Ended June 30,	2008	2007
Net sales	139,858	114,991
Cost of sales	76,782	60,578
Gross profit	63,076	54,413
Research and development	11,265	10,116
Selling, general and administrative	31,425	28,213
Income from operations	20,386	16,084
Interest (income), net	(249)	(724)
Other expense, net	571	33
Income before income taxes	20,064	16,775
Provision for income taxes	5,172	4,422
Net income	14,892	12,353
Earnings per share:		
Diluted:	6.89	5.18
Basic:	6.95	5.24
Weighted average shares outstanding:		
Diluted shares	2,162	2,387
Basic shares	2,143	2,357

See notes to financial statements.

Consolidated Balance Sheets

(Unaudited)

(U.S. Dollars in Thousands, except share and per share amounts)

	June 30, 2008	December 31, 2007	June 30, 2007
ASSETS			
Cash and cash equivalents	30,237	28,982	48,376
Short-term investments	4,399	10,268	7,058
Trade accounts receivable, net	40,067	32,861	32,990
Inventories, net	33,563	30,304	28,425
Deferred tax assets	5,340	6,260	5,155
Other current assets	3,473	3,781	3,926
Total current assets	117,079	112,456	125,930
Property, plant and equipment, net	26,895	25,507	24,516
Goodwill	13,436	11,035	8,370
Intangible assets, net	1,732	2,068	2,334
Deferred tax assets	23,495	25,765	31,080
Other assets	3,939	4,805	2,023
Total non-current assets	69,497	69,180	68,323
Total assets	186,576	181,636	194,253
LIABILITIES AND STOCKHOLDERS' EQUITY			
Trade accounts payable	9,872	6,356	7,266
Short term borrowings	5,713	4,269	3,576
Accrued liabilities	23,137	25,189	20,119
Income taxes payable	4,745	5,165	5,078
Deferred tax liabilities	—	1,116	592
Total current liabilities	43,467	42,095	36,631
Deferred tax liabilities	575	415	343
Other liabilities	594	874	5,785
Total non-current liabilities	1,169	1,289	6,128
Total liabilities	44,636	43,384	42,759
Stockholders' equity	141,940	138,252	151,494
Total liabilities and stockholders' equity	186,576	181,636	194,253

See notes to financial statements.

Consolidated Statements of Cash Flows

(Unaudited)
(U.S. Dollars in Thousands)

Six Months Ended June 30,	2008	2007
Cash flows from operating activities:		
Net income	14,892	12,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,547	2,968
Deferred taxes	2,512	252
Stock-based compensation	574	499
Changes in operating assets and liabilities:		
Trade accounts receivable	(5,654)	(2,592)
Inventories	(1,764)	(3,340)
Other assets	(1,004)	(465)
Trade accounts payable	2,908	934
Accrued liabilities	(1,803)	(1,153)
Income taxes payable	(793)	1,730
Other liabilities	(317)	2,024
Net cash provided by operating activities	13,098	13,210
Cash flows from investing activities:		
Acquisitions of businesses net of cash acquired	(1,290)	(5,847)
Purchases of property, plant and equipment	(3,007)	(3,221)
Change in short-term investments	5,975	3,472
Net cash used in investing activities	1,678	(5,596)
Cash flows from financing activities:		
Repayment of officers notes	—	164
Cash used for share buy back	—	(6,711)
Net proceeds from short term borrowings	1,444	723
Cash dividend paid	(16,576)	(11,628)
Proceeds from exercise of stock options	458	1,622
Net cash provided by (used) in financing activities	(14,674)	(15,830)
Effect of exchange rate changes on cash and cash equivalents	1,153	(694)
Increase (decrease) in cash and cash equivalents	1,255	(8,910)
Cash and cash equivalents at beginning of period	28,982	57,286
Cash and cash equivalents at end of period	30,237	48,376

See notes to financial statements.

Consolidated Statements of Stockholders' Equity

(Unaudited)

(U.S. Dollars in Thousands, except per share amounts)

	Common stock	Additional paid-in capital	Note receivable from officers	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 2006	6,628	97,850	(164)	43,329	8,118	155,761
Net income				12,353		12,353
Other comprehensive income (loss), net of tax:						
Unrealized gain(loss) on foreign currency hedges, net of related income tax of USD 24					105	105
Foreign currency translation adjustments					(1,349)	(2,532)
Total comprehensive income						9,926
Repayment of officer notes			164			164
Issuance of common stock from exercise of stock options	51	1,570				1,621
Stock-based compensation		499				499
Share buyback	(112)	(5,920)				(4,849)
Dividends paid (6 CHF per share)				(11,628)		(11,628)
Balance at June 30, 2007	6,567	93,999	—	44,054	6,874	151,494
Balance at December 31, 2007	5,996	63,488	—	56,218	12,550	138,252
Net income				14,892		14,892
Other comprehensive income (loss), net of tax:						
Unrealized gain(loss) on foreign currency hedges, net of related income tax of USD 63					131	131
Changes in defined benefit plan, net of income taxes USD 25					111	111
Foreign currency translation adjustments					4,099	4,099
Total comprehensive income						19,233
Issuance of common stock from exercise of stock options	13	445				458
Stock-based compensation		574				574
Dividends paid (8 CHF per share)				(16,576)		(16,576)
Balance at June 30, 2008	6,009	64,507	—	54,534	16,891	141,941

See notes to financial statements.

Notes to the Financial Statements

(Unaudited)

(U.S. Dollars in Thousands, except share and per share amounts)

1. Basis of Presentation

The accompanying interim financial statements as of June 30, 2008, and for the six months ended June 2008 and 2007, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. While the financial information is unaudited, the financial statements included in this report reflect all adjustments the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the interim balance sheet. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The balance sheet as of December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's annual report for the year ended December 31, 2007.

There has been no significant change in the Company's accounting policies and estimates during 2008. Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

2. Share Repurchase

During 2007, the Company completed a stock buy-back program on a special second trading line on the SWX Swiss Exchange. The share repurchase program began on May 3, 2007 and ended on December 13, 2007, with 235,587 shares having been repurchased at an average price 199.89 CHF, which equated to 10.0% of the registered share capital prior to the program's inception. At June 30 2008, INFICON held 10.0% of the voting rights in the company pursuant to Article 20 of the Swiss Stock Exchange Act. On July 24, 2008, the 235,587 registered shares were cancelled during

2008 as agreed on April 24, 2008, at the Annual General Meeting of Shareholders.

3. Currency Translation

The following foreign exchange rates versus the U.S. Dollar have been applied when translating the financial statements of the Companies major subsidiaries:

Currency	Period-end Rates			Average Rates Six Months Ended	
	June 30, 2008	December 31, 2007	June 30, 2007	June 30, 2008	June 30, 2007
Swiss Franc	0.9823	0.8884	0.8140	0.9652	0.8147
Euro	1.5799	1.4729	1.3475	1.5574	1.3295
Japanese Yen	0.0094	0.0089	0.0081	0.0094	0.0083
Hong Kong Dollar	0.1282	0.1282	0.1279	0.1281	0.1280
Korean Won	0.0010	0.0011	0.0011	0.0010	0.0011

4. Acquisitions

Electro Dynamics Crystal Corp.

On February 28, 2006, the Company acquired the assets of Electro Dynamics Crystal Corp. (EDC), a premier manufacturer of quartz-based products. As part of this asset purchase agreement, there is an earn-out to be paid for calendar years 2006, 2007 and 2008, if certain profitability goals are achieved. This earn-out is targeted to pay USD 667 annually; however actual pay-outs may vary each calendar year. The Company paid USD 624 for the 2007 earn-out in early 2008. As of June 30, 2008, USD 670 has been accrued for the 2008 earn-out. The earn-outs paid and accrued have been recorded as an increase to goodwill.

Maxtek Inc.

On May 31, 2007, the Company acquired the assets of Maxtek Inc. (Maxtek), a developer and manufacturer of thin film deposition measurement and Quartz Crystal Microbalance (QCM) measurement instruments and accessories.

As part of this asset purchase agreement, there was an earn-out of USD 667 to be paid upon the achievement of certain milestones and up to USD 1,334 to be paid upon the achievement of certain sales targets within 12 months following the consummation of the acquisition. In Q1 of 2008, the Company paid USD 667 as the milestones were achieved. As of June 30,

2008, the Company has recorded an accrual and increased goodwill in the amount of USD 1,224 which is expected to be paid in 2008.

During the first quarter 2008, the Company paid termination benefits totaling approximately USD 285, which was recorded as an increase to goodwill at the time of acquisition. During the first six months of 2008, the Company adjusted the fair values of certain liabilities of the business which increased goodwill by USD 470.

SIGMA Instruments Inc.

On December 10, 2007, the Company acquired the stock of Sigma Instruments Inc. (Sigma), a leading manufacturer of instrumentation for the measurement and control of thin film processes. The results of Sigma's operations have been included in the consolidated financial statements since that date.

The purchase price was USD 2,600, less cash acquired at closing. Additionally, there is an earn-out of USD 400 to be paid based on sales growth over a two year period. As of June 30, 2008, the Company has not recognized a liability or additional goodwill for this earn-out.

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

As of December 10,	2007
Account receivable	528
Inventory	275
Equipment	40
Goodwill	1,555
Intangible assets	520
Assets acquired	2,918
Accrued liabilities assumed	(318)
Net assets acquired	2,600

The following table summarizes the intangible assets acquired:

	Value	Weighted-average life (years)
Technology – Thin Film & Instrumentation	300	7.0
Distributor / Customer Relationships	200	5.0
Contract Backlog	10	0.1
Non-competition & non-solicitation	10	3.6
Identified Assets	520	

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 six months ended June 30, 2008 and 2007, respectively.

5. Stock Options

The Company has long-term incentive Plans for directors and certain employees. Provisions of the Plans are as follows:

	Vesting	Exercisable	Expiration
Leveraged share plan	50% on each of second and third anniversary from date of grant	50% on each of second and third anniversary from date of grant	Seventh anniversary from date of grant
Directors stock option plan	Immediately at grant	One year from date of grant	Seventh anniversary from date of grant
Management and key employee stock option plan	25% each year from the date of grant	25% each year from the date of grant	Seventh anniversary from date of grant

The options are granted in Swiss Francs (CHF); see Note 3 for exchange rates.

The following is a summary of option transactions under the three Plans:

	Shares	Weighted average exercise price (CHF)
Outstanding December 31, 2006	186,378	167.06
Granted	28,100	213.80
Forfeited	(80,814)	221.92
Exercised	(20,890)	108.20
Outstanding December 31, 2007	112,774	150.66
Granted	26,950	172.02
Forfeited	(1,364)	158.74
Exercised	(4,468)	105.39
Outstanding June 30, 2008	133,892	156.39
Unvested	(64,738)	178.43
Exercisable at June 30, 2008	69,154	135.75

The weighted average remaining contractual term of outstanding and exercisable stock options at June 30, 2008 is 4.55 years and 3.41 years, respectively. The aggregate intrinsic value of outstanding and exercisable stock options at June 30, 2008 is 3,154 and 2,631, respectively.

Management estimated the fair value of options granted using the Black-Scholes option-pricing model. This model was originally developed to estimate the fair value of exchange-traded equity options, which (unlike employee stock options) have no vesting period or transferability restrictions. As a result, the Black-Scholes model is not necessarily a precise indicator of the value of an option, but it is commonly used for this purpose. The Black-Scholes model requires several assumptions, which management developed based on historical trends and current market observations. The following table reflects the weighted average

value of the assumptions used to determine the fair value of director and employee stock options granted during the respective periods.

Six months ended June 30,	2008	2007
Risk free interest rate	2.78%	2.67%
Expected volatility factor of stock price	37.89%	36.25%
Dividend yield	5.14%	3.22%
Expected life of stock options	5.2	4.7

Expected volatility estimates are based upon the historical volatility of the Company's stock and traded options. The expected life estimates are determined using the average expected term based on historically observed life of options. Unrecognized stock based compensation expense related to non-vested stock options totaled USD 2,563 at June 30, 2008, which will be recognized as expense over the next four years. The weighted average period over which this unrecognized expense is expected to be recognized is 1.39 years.

During the six months ended June 30, 2008 and 2007, proceeds from stock option exercises totaled USD 458 and USD 1,621, respectively. During the six months ended June 30, 2008 and 2007, 4,468 and 18,213 shares, respectively, were issued in connection with stock option exercise transactions. All shares issued were new shares issued from available conditional capital. The total intrinsic value of options exercised during the six months ended June 30, 2008 and 2007 was 248 and 1,433, respectively.

6. Pension

The Company's net pension cost included the following components:

YTD June 30,	2008	2007
Service cost	1,192	1,112
Interest cost	1,480	1,220
Expected return on plan assets	(1,928)	(1,655)
Amortization of prior service cost	23	15
Net amortization of actuarial gains	113	258
Net periodic benefit cost	880	950
Amortization actuarial gains	(113)	0
Amortization of prior service cost	(23)	0
Total recognized in other comprehensive income (before tax effects)	(136)	0
Total recognized in net benefit cost and other comprehensive income (before tax effects)	744	950

7. Warranty

The activity of the warranty reserve was as follows:

	2008	2007
Balance at beginning of year	2,879	2,855
Add: warranty provision	1,585	866
Deduct: claims against reserve	1,149	1,039
Balance at June 30	3,315	2,682

8. Segment Information

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. At the direction of the Company's chief operating decision maker, the President and Chief Executive Officer, the allocation of resources and assessment of performance is made for the Company as a whole. Since the Company operates in one segment, all information required by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", can be found in the consolidated financial statements.

9. Taxation

Effective January 1, 2007, the Company adopted the provisions of FIN 48 which resulted in no adjustment to the Company's Balance Sheet or Statement of Income. The total amount of unrecognized tax benefits as of the date of adoption was USD 1,500, and if this amount was recognized in the future, the full amount would increase Shareholders' Equity. The Company has not accrued interest or penalties as it relates to this position. The USD 1,500 is included as a reduction of long term deferred tax asset and relates to an uncertain tax position in the United States. The Company believes it is reasonably possible that the amount of unrecognized tax benefits would not significantly change in the next twelve months as a result of tax authority audits.

INFICON and its subsidiaries are subject to U.S. federal income tax as well as the income tax of multiple state and foreign jurisdictions. The following tax years, in the major tax jurisdictions noted, are open for assessment or refund: Switzerland: 2006 and 2007, U.S. Federal: 2000 to 2007, Liechtenstein: 2007, Germany: 2004 to 2007, Korea: 2003 to 2007, Japan: 2003 to 2007, Finland: 2000 to 2007, Hong Kong: 2001 to 2007, and Taiwan 2003 to 2007.

10. Recent Accounting Pronouncements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements (“SFAS No. 157”). In February 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. FAS 157-2, “Effective Date of FASB Statement No. 157”, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company has adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities only. In accordance with SFAS No. 157, fair value is defined as the price that the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. For the fair value measurement of its derivatives, the Company uses independent information supplied by Financial Institutions categorized as Level 2 in accordance with SFAS No. 157. The adoption of SFAS No. 157 did not have a material effect on its financial condition or results of operations.

On January 1, 2008, the Company adopted the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS No. 159 permits companies to choose to measure certain financial instruments and certain other items at fair value using an instrument-by-instrument election. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. Under SFAS No. 159, the Company did not elect the fair value option for any of our assets and liabilities. The adoption of SFAS No. 159 did not have an impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of noncontrolling interests (minority interests) as equity in the consolidated financial statements and separate from the parent’s equity. The amount of net income attributable to noncontrolling interests will be included in consolidated net income on the face of the

income statement. SFAS No. 160 is effective for the Company’s fiscal year, and interim periods within such year, beginning January 1, 2009. At the current time the Company does not believe there will be an impact on the financial statements from the adoption of this pronouncement.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities— an amendment of FASB Statement No. 133” (“SFAS No. 161”). The standard requires additional quantitative disclosures (provided in tabular form) and qualitative disclosures for derivative instruments. The required disclosures include how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows; relative volume of derivative activity; the objectives and strategies for using derivative instruments; the accounting treatment for those derivative instruments formally designated as the hedging instrument in a hedge relationship; and the existence and nature of credit-related contingent features for derivatives. SFAS No. 161 does not change the accounting treatment for derivative instruments. SFAS No. 161 is effective for the Company in the first quarter of fiscal year 2009.

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 2007.

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.

2008 Half-Year Report / Halbjahresbericht

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