INFICON

ANNUAL REPORT
JAHRESBERICHT
2006

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The INFICON Annual Report 2006 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.

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

Company Overview
Unternehmensporträt

INFICON is a leading developer, manufacturer and supplier of instrumentation, critical sensor technologies and process control software for the semiconductor and vacuum coating industries. These analyses, measurement and control products are vital to original equipment manufacturers (OEMs) and end-users in the complex manufacturing of semiconductors, flat panel displays, data storage media, and precision optics. In addition, INFICON provides essential instrumentation for gas leak detection to the air-conditioning/refrigeration and automotive markets and toxic chemical analysis for emergency response, military, and security markets.

INFICON Holding AG, domiciled in Bad Ragaz, Switzerland, is a corporation (Aktiengesellschaft) organized under the laws of Switzerland. The Company's registered shares are traded on the SWX Swiss Exchange in Zurich.

INFICON ist ein führender Entwickler, Hersteller und Lieferant von Instrumenten, Sensortechnologie und Prozesskontrollsoftware für die Halbleiter- und Vakuumbeschichtungsindustrie. Diese Analyse-, Mess- und Kontrollprodukte sind sowohl für die Anlagenhersteller (OEM) als auch für die Hersteller von Halbleitern, Flachbildschirmen, Datenspeichern und Präzisionsoptik von entscheidender Bedeutung. INFICON liefert ferner auch die notwendigen Instrumente zur Gas-Lecksuche in der Kälte-/Klimatechnik, der Automobilindustrie und zur Analyse und Identifikation giftiger Chemikalien bei der Notfallhilfe, für militärische Anwendungen und im Umweltschutz.

Die in Bad Ragaz, Schweiz, domizilierte INFICON Holding AG ist eine Aktiengesellschaft nach Schweizer Recht. Die Namenaktien der INFICON Holding AG sind an der SWX Swiss Exchange in Zürich kotiert.

INFICON Milestones

INFICON was formed in June 2000 from the instrumentation businesses of three well-known international vacuum technology companies merged in 1996 under the Swiss company OC Oerlikon (formerly known as Unaxis). Our initial public offering was November 9, 2000. INFICON has major manufacturing facilities in Germany, Liechtenstein, and the United States.

INFICON entstand im Juni 2000 aus dem Vakuum-Instrumentengeschäft dreier bekannter internationaler Firmen, die bereits 1996 innerhalb der schweizerischen Gesellschaft OC Oerlikon (vormals Unaxis) zusammengeführt worden waren. Am 9. November 2000 gelangte INFICON als selbständige Gesellschaft an die Börse. INFICON verfügt über Produktionsgesellschaften in Deutschland, Liechtenstein und den USA.

	2000	2001	2002
Corporate	IPO on SWX and Nasdaq.		
Acquisition		HAPSITE Business.	
Divestment			
Technology Leadership	Sensor integration and analysis system for semiconductor manufacturing.	Compact process monitor for semiconductor manufacturing.	Scanning-laser particle detector for semiconductor manufacturing.

Target markets for INFICON measurement, analysis and control products.

Zielmärkte für Mess-, Analyse- und Kontrollgeräte von INFICON.

	Semiconductor and Vacuum Coating	Emergency Response and Security	Refrigeration and Air Conditioning	General Vacuum Processes
Market Position	1 and 2	1	1	1
Growth Drivers	• Consumer electronics • Increasing performance and complexity of products • Lowering production costs • Increased complexity and miniaturization of integrated circuits	• Threats to economic and political stability • Public opinion and security concerns • Environmental issues • Consumables • Growing installed base of our products	• Environmental concerns for harmful refrigerants • Rising quality standards in automotive sector • Rising worldwide demand	• Life sciences • Increasing R&D budgets • Increasing use of vacuum technology • Growing private-label partners' business
Gas analyzers and process control sensors	■			■
Vacuum gauges and components	■		■	■
Leak detectors	■		■	■
Thin film controllers	■			
Chemical identification detectors		■		
Sensor integration software	■			

2003	2004	2005	2006
		Delist from Nasdaq.	First dividend payment. China factory opening. Par value repayment of CHF 5.00 per share reduced nominal value of each share from CHF 10.00 to CHF 5.00.
New Vision Systems. Sentex Systems.			Electro Dynamics Crystal Corp. (EDC).
Ultraclean Processing business. Diffusion Pump Product line.		Photolithography product line (formerly New Vision Systems).	
Thin film deposition controller for flat panel display manufacturing.	Vacuum gauge combining three technologies for semiconductor manufacturing. HAPSITE Smart for military/security applications.	Leak detector based on quartz membrane technology for RAC market.	Vehicle-mounted chemical identification detection system sensitive to semi-volatile organic compounds for the security market. HAPSITE SituProbe for water monitoring augments environmental applications. FabGuard fault detection and control software for semiconductor manufacturing.

Key Figures – 4 years

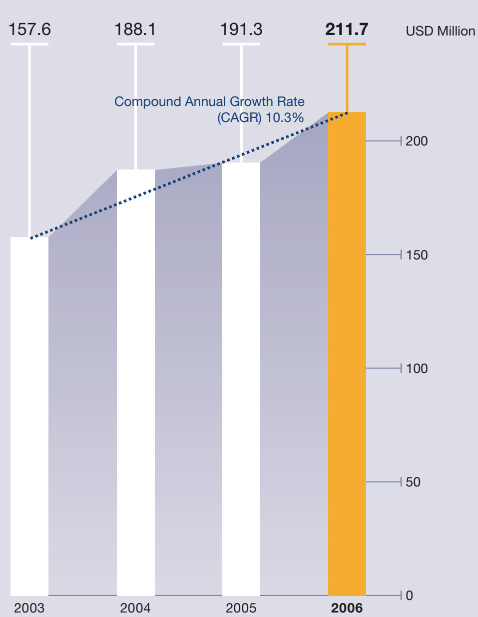
Kennzahlen – 4 Jahre

According to U.S. GAAP

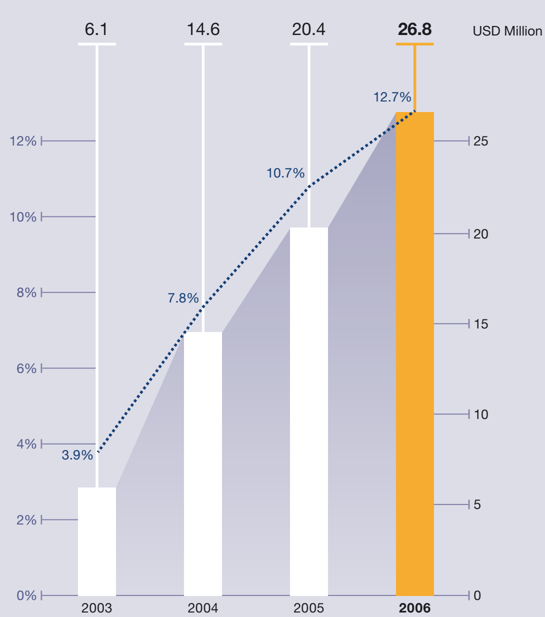
(U.S. Dollars in Millions, except per share amounts)

	2003	2004	2005	**2006**
Net sales	157.6	188.1	191.3	**211.7**
Research and development	17.9	20.2	18.7	**18.3**
Selling, general and administrative	46.6	52.7	50.1	**52.9**
Operating income	6.1	14.6	20.4	**26.8**
in % of net sales	*3.9%*	*7.8%*	*10.7%*	***12.7%***
EBITDA	(4.5)	20.8	24.6	**32.2**
in % of net sales	*(2.9%)*	*11.0%*	*12.9%*	***15.2%***
Net income	(9.4)	9.4	15.5	**22.0**
Cash and short-term investments	37.1	61.2	72.3	**67.6**
Cash flow from operations	0.9	23.1	17.9	**21.0**
Capital expenditures	(4.1)	3.7	4.0	**7.0**
Total assets	150.7	172.2	181.3	**194.3**
Long term debt	–	–	–	**–**
Shareholders' equity	125.8	142.3	147.1	**155.8**
Employees	724	729	713	**795**

Net sales

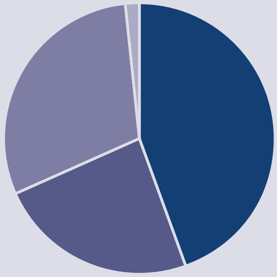


Operating income



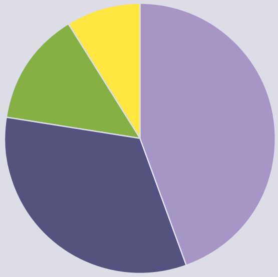
	2003	2004	2005	**2006**
Ratios per Share				
Net income per share – diluted	(4.06)	4.07	6.64	**9.30**
Shareholders' equity per share – diluted	54.32	61.00	62.90	**65.70**
Free cash flow per share – diluted	0.38	8.31	5.92	**5.92**
Return on equity %	*(7.5%)*	*6.6%*	*10.5%*	***14.2%***
Sales by Geographic Region				
Europe	71.7	83.1	81.3	**94.4**
North America	48.2	51.4	54.6	**50.4**
Asia-Pacific	35.9	51.8	53.7	**64.0**
Other	1.7	1.8	1.8	**2.9**
Sales by End Market				
General Vacuum Processes	67.6	82.7	86.4	**94.1**
Semiconductor & Vacuum Coating	43.6	58.8	53.5	**70.2**
Refrigeration and Air Conditioning	24.0	28.1	29.7	**29.1**
Emergency Response & Security	22.4	18.5	21.7	**18.3**

2006 Sales by Geographic Region



Europe	45%
North America	24%
Asia Pacific	30%
Other	1%

2006 Sales by End Market



General Vacuum Processes	44%
Semiconductor & Vacuum Coating	33%
Refrigeration and Air Conditioning	14%
Emergency Response & Security	9%

Pictures
Bildlegende

“Designing products for lower cost” is a strategic objective.
«Neue Produkte zu tieferen Kosten» ist ein strategisches Ziel.

Letter to Shareholders
Brief an die Aktionäre

DEAR SHAREHOLDER

Over the past three years, we have succeeded in reshaping INFICON to enable the Company to significantly increase revenues, market share and profitability. We met the challenges of 2006 with total focus on the implementation of many new initiatives at INFICON, and our drive to improve efficiency has paid off in top and bottom line expansion. Our financial results, which had already trended up in 2004 and 2005, rose even more notably in 2006, clearly showing the benefits of targeted reorganizations and "design for lower cost" initiatives, both part of our strategy for profitable growth.

The power of the business model we have developed for INFICON is evident in the year's achievements. For the year, revenue rose to a record USD 212 million, an 11% increase over 2005, while the operating income margin grew from 11% to 13%. We saw a strengthening of our business in all geographic regions, and in 2006, sales to Asia-Pacific and Europe reached their highest levels to date. Among our four target markets, the semiconductor and vacuum coating market had the highest increase of USD 17 million, representing a 31% rise from 2005 due to market growth, product penetration, market share gains and an acquisition. Sales to the general vacuum process market increased by USD 8 million with the best ever revenue from our private label partners.

In addition, to these significant successes in our business, we initiated an annual dividend program and a one-time par value reduction for our shareholders, returning close to USD 19 million of cash. Even with these two measures, we maintained our strong balance sheet, ending the year with USD 67.6 million in cash and no long-term debt.

INFICON is a strong company today, and reflecting our Board of Directors' confidence in our ability to generate strong cash flows in the future, it will propose a cash dividend of CHF 6 per share for the fiscal year 2006, a 20% increase from the prior year. In addition, the Board has approved a share repurchase program of up to CHF 40 million to be completed over the course of 2007. Even after these payments, the company will maintain its strategic and operational flexibility.

SEHR GEEHRTE AKTIONÄRINNEN UND AKTIONÄRE

Mit gezielten Massnahmen haben wir INFICON in den letzten drei Jahren neu ausgerichtet – mit Erfolg, wie die markant gestiegenen Umsatz-, Marktanteils- und Gewinnzahlen belegen. Auch 2006 gingen wir die Herausforderungen wiederum entschieden an, ohne dabei die Umsetzung zahlreicher neuer Initiativen aus den Augen zu verlieren. Das mit Elan vorangetriebene Effizienzsteigerungsprogramm wirkte sich positiv auf Umsatz und Ertrag aus; nachdem der Leistungsausweis von INFICON schon in den Jahren 2004 und 2005 nach oben tendierte, beschleunigte sich dieser Trend 2006 noch. Die Ausrichtung von INFICON auf profitables Wachstum trägt Früchte, nicht zuletzt durch die verbesserten Prozesse, gezielte Umorganisationen, sowie «Design for lower cost»-Initiativen.

Der Erfolg im Jahr 2006 bestätigt unsere strategische Ausrichtung. Der Umsatz stieg gegenüber dem Vorjahr um 11% auf einen Rekordwert von USD 212 Mio. und der Betriebsgewinn kletterte von 11% auf neu 13%. In allen geografischen Märkten konnte INFICON im Berichtsjahr zulegen, in der Region Asien-Pazifik sowie in Europa wurde gar ein Umsatzrekord erzielt. Von unseren vier Zielmärken legte der Halbleiter- und Vakuumbeschichtungsbereich mit einem Plus von USD 17 Mio. am meisten zu. Diese Steigerung um 31% gegenüber dem Vorjahr wurde durch Marktwachstum, eine höhere Marktdurchdringung mit unseren Produkten, durch Marktanteilsgewinne und dank einer Akquisition möglich. Die Verkäufe im Bereich Übrige Industrieanwendungen stiegen um USD 8 Mio.; hier erreichten die mit unseren Private-Label-Partnern erzielten Umsätze ebenfalls einen neuen Höchststand.

Neben diesen eindrücklichen Geschäftserfolgen haben wir im vergangenen Jahr erstmals eine Dividende ausgeschüttet und eine einmalige Nennwertrückzahlung durchgeführt. Damit flossen fast USD 19 Mio. an die Aktionäre zurück. Selbst nach diesen Ausschüttungen blieb unsere Bilanz ausgesprochen stark: Ende Jahr hatte INFICON Flüssige Mittel von USD 67.6 Mio. und keine langfristigen Schulden. INFICON ist heute eine starke Firma und der Verwaltungsrat ist überzeugt, dass auch in Zukunft ein solider Cashflow erwirtschaftet werden kann.

Daher schlägt er für das Geschäftsjahr 2006 einerseits eine 20% höhere Dividende von 6 CHF pro Aktie vor. Als weiteren Vertrauensbeweis in die künftige Finanzkraft von INFICON beschloss er zudem für 2007 ein Aktienrückkaufprogramm in der Höhe von bis zu CHF 40 Mio. Die strategische und operative Flexibilität bleibt trotz dieser Massnahmen voll erhalten.

Pictures
Bildlegende

① *INFICON produces technologically leading vacuum components.*
INFICON stellt technisch führende Vakuumkomponenten her.

② *INFICON opened a new wholly-owned production facility in China.*
INFICON eröffnete in China eine eigene, hundertprozentige Produktionsgesellschaft.

Transforming our company

VISION, RESOURCES, GROWTH

Shaping our organization We concentrated on realignment in our manufacturing operations for greater efficiencies and have now successfully completed the first phase of this program. Always looking to improve how we do business for the benefit of our customers, we streamlined processes for more simplicity and transparency and are already feeling the positive impact of our rollout of more uniform systems.

Making the right acquisitions Our acquisition of Electro Dynamics Crystal Corporation (EDC) makes INFICON a leading player in contouring as well as coating quartz crystal products – and gives us a significant competitive advantage through supply chain vertical integration. EDC was a premier manufacturer of quartz-based products which are essential for the operation of instruments used in the manufacture of displays on mobile phones and digital cameras, high-end optics like microscopes, telescopes and telecommunications components, as well as consumer products such as sunglasses and reading glasses.

Turning opportunity into reality We recently opened INFICON Instruments Shanghai Co. Ltd., our first small – but strategically important – step to manufacture in China, where we have a well-established sales and service company and strong market share in our target markets. Wholly owned by INFICON, the factory is beginning to make products specifically designed for the Chinese market. The first product coming off the line in 2007 will be a leak detector based on our market-leading leak detection technology. Additionally, we are achieving a purchasing benefit from direct sourcing in China that lowers manufacturing costs of products manufactured in our other plants.

VISION, RESSOURCEN, WACHSTUM

Gestaltung unseres Unternehmens Mit dem Ziel, den Kundennutzen laufend zu verbessern, haben wir unsere Produktionsabläufe vereinfacht und transparenter ausgestaltet. Ein erstes Massnahmenpaket zur Effizienzsteigerung der Herstellprozesse wurde bereits erfolgreich abgeschlossen. Die damit einhergehende Vereinheitlichung der Produktionssysteme hatte bereits positive Auswirkungen auf das Ergebnis.

Die richtigen Akquisitionen tätigen Die Akquisition von Electro Dynamics Crystal Corporation (EDC) stärkt INFICON durch die vertikale Integration in der Beschaffungskette auf dem Gebiet der Konturierung und Beschichtung von Quarzkristall-Produkten. EDC belieferte INFICON schon bisher mit quarz-basierten Produkten, wie sie in den Herstellprozessen von Mobiltelefon- und Digitalkamera-Displays, von hochwertigen optischen Geräten wie Mikroskopen oder Teleskopen sowie von Telekommunikationskomponenten oder von Konsumgütern wie Lese- und Sonnenbrillen benötigt werden.

Chancen wahrnehmen Kürzlich wurde INFICON Instruments Shanghai Co. Ltd. eröffnet – ein kleiner, aber strategisch bedeutender Schritt, um in China auch mit einem Produktionsstandort präsent zu sein. INFICON verfügt dort bereits über eine gut etablierte Vertriebs- und Servicegesellschaft und beachtliche Marktanteile. Diese hundertprozentige Tochtergesellschaft produziert speziell für den chinesischen Markt entwickelte Produkte. Das erste Produkt ist ein Lecksucher, basierend auf der marktführenden INFICON Lecksuch-Technologie. Ausserdem bringt das «Outsourcing» in China Beschaffungsvorteile, die zur Senkung der Herstellkosten von Produkten der anderen Produktionsstandorte beitragen.


①


②

Pictures
Bildlegende

① FabGuard helps chip manufacturers maximize efficiency in manufacturing processes.
Mit FabGuard können Chip-Hersteller die Effizienz ihrer Produktionsprozesse maximieren.

② TC1000 is a test chamber specially designed for hermetically sealed packages.
TC1000 ist eine für hermetisch eingeschlossene Komponenten entwickelte Testkammer.

③ INFICON's D-TEK CO_2 is the only handheld refrigerant leak detector designed to detect carbon dioxide, the next generation refrigerant.
INFICON D-TEK CO_2 ist der einzige auf CO_2 als Kühlmittel der nächsten Generation ausgelegte Hand-Lecksucher.

Growing our product portfolio and gaining market share

IT ALL STARTS WITH REALLY GOOD PRODUCTS

INFICON continues to build market share in the semiconductor market with **FabGuard®** Sensor Integration and Analysis System. A large U.S. chipmaker implemented FabGuard at one of its principal fabs and informed us they had realized a payback of less than one year by reducing scrapped wafers and increasing throughput. We also introduced new pressure measurement and control products for OEM customers – fully-integrated vacuum valves and another product in our line of Capacitance Diaphragm Gauges. This newest **SKY® CDG** with advanced digital electronics uses an ultra-pure ceramic sensor designed for stable performance in harsh semiconductor manufacturing environments. Yet another new product is the **TC1000** Test Chamber specially designed for our UL1000 Fab Leak Detector for automated, reliable checking of air-tight packages during the production of sealed parts like IC packages, quartz crystals and laser diodes.

For our customers using vacuum coating processes (the very thin layering of multiple materials to manufacture products such as flat panel displays, fiber optics and eye glasses), we introduced the **XTC/3** thin film deposition controller with our patented ModeLock technology. Complimenting our extensive line of thin film monitors and controllers, **INFICON Quartz Crystals** are well-positioned to gain market share, following the acquisition of EDC.

Powered by our innovative **Wise Technology™**, Protec® P3000 Helium Leak Detector proves the strength of INFICON's increased focus on designing for lower cost. It has been rapidly adopted by appliance manufacturers helping us drive sales in the refrigeration/air conditioning and automotive markets. In 2006, **Protec® P3000** won the R&D 100 Award recognizing this innovative leak detector as one of the 100 most technologically significant new products and processes of the year.

We are beginning to see carbon dioxide applications for our helium leak detectors in the automotive and refrigeration/air conditioning industries. So, in 2006, we introduced **D-TEK CO_2**, the *only* hand-held refrigerant leak detector designed especially to detect carbon dioxide, the next generation refrigerant. With this novel product for the after-market service sector, we are well-positioned to take advantage of the new wave of environmentally friendly gases.

ÜBERZEUGENDE PRODUKTE ALS BASIS

INFICON gewinnt laufend Marktanteile in der Halbleiterindustrie mit dem **FabGuard®** Sensor-Integrations- und -Analyse-System. Besonders gefreut hat uns die Nachricht eines grossen US-Chip-Herstellers, dass sich dessen FabGuard-Neuinstallation bereits in weniger als einem Jahr bezahlt gemacht hat. Wir haben neue Druckmess- und -kontrollgeräte eingeführt; ein vollintegriertes Vakuumventil und einen weiteren Vakuumsensor, der die innovative Keramikmembran-Technologie nutzt. Diese jüngste **SKY® CDG** vereint die Vorteile modernster Digitalelektronik mit einem ultrareinen Keramiksensor für stabile Messresultate in schwierigen Halbleiter-Produktionsprozessen. Die in Verbindung mit dem UL1000 Fab-Lecksucher entwickelte **TC1000** Prüfkammer, ermöglicht integrierte, automatisierte und zuverlässige Dichtigkeitskontrolle von versiegelten Teilen wie Chip-Verpackungen, Quarzkristallen und Laserdioden.

Für Vakuumbeschichtungskunden, die zur Herstellung von Flachbildschirmen, Glasfasern und Brillengläsern äusserst dünne Materialschichten auftragen, entwickelte INFICON das **XTC/3** Dünnschicht-Kontrollgerät. Dieses nutzt die patentierte ModeLock-Technologie. Die Akquisition von EDC ergänzt unsere breite Produktpalette von Dünnschicht-Kontrollgeräten mit attraktiven **Quarzkristallprodukten** und stärkt damit unsere führende Marktposition zusätzlich.

Der Einsatz der innovativen **Wise Technologie™** im Heliumlecksucher Protec P3000 ist ein gutes Beispiel für INFICONs «Design for lower cost»-Initiative. Die rasche Kundenakzeptanz dieses Lecksuchers führte zu höheren Umsätzen im Markt für Kühl- und Klimatechnik sowie in der Automobilindustrie. 2006 wurde **Protec® P3000** als eines der 100 technisch bedeutendsten Produkte- und Prozess-Innovationen des Jahres mit dem R&D 100 Award ausgezeichnet.

Im Automobilbau und in der Klimageräteherstellung werden INFICON Heliumlecksucher vermehrt zur Dichtigkeitsmessung von $C0_2$-Anwendungen eingesetzt. Speziell für das Kühlmittel der nächsten Generation, CO_2, haben wir 2006 den **D-TEK CO_2** entwickelt, den bisher *einzigen* portablen CO_2-Lecksucher. Damit ist INFICON im Klimaanlagen-Wartungsmarkt bestens auf die neuen, umweltfreundlicheren Kühlmittel vorbereitet.

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Pictures
Bildlegende

① An INFICON research & development team works on expanding performance benefits of FabGuard software.
Das Forschungs- und Entwicklungsteam von INFICON arbeitet laufend am Ausbau der FabGuard-Software.

② Ultimate precision is maintained in every production step.
Äusserste Präzision in jedem Produktionsschritt.

③ The HAPSITE Chemical Identification System is used in military applications.
Das chemische Identifikationssystem HAPSITE im militärischen Einsatz.

Outthinking the competition in technology and trends

NEW GENERATIONS AND INNOVATION MILESTONES

Engineering for competitive advantage We had a number of exciting Research and Development projects underway in 2006 focused on screening new technologies and new materials that could provide meaningful cost and performance benefits. All new product development takes into consideration our "design for lower cost" initiative, as INFICON pursues innovation in new technology, processes, and software development. During the year, we realized process improvements resulting in improved product quality – and developed common platforms within product lines.

Preparing the pipeline for the future During 2006, we worked on new sensor technology and product enhancements to help semiconductor engineers analyze, control, and improve manufacturing productivity, as the industry transitions to below 65-nanometer (nm) processes, the most advanced process technology in chip-manufacturing in the world today. We have additional new *in situ* analysis sensors which will work with INFICON FabGuard real-time, advanced process control software to significantly reduce process variability in chip manufacturing. The newest INFICON vacuum gauges for semiconductor equipment manufacturers provide significant benefits by reducing our customers' cost and complexity, as we continue to combine multiple technologies into single units and add digital capabilities for significant performance advantages.

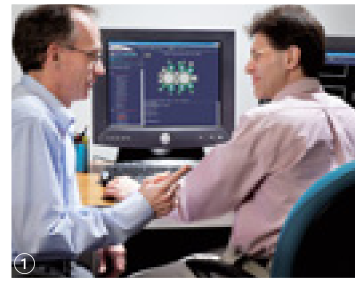
We see a lot of promise in the Emergency Response and Security market. To take full advantage of the future in this sector, INFICON has invested in the development of a family of HAPSITE Chemical Identification System, as our original and newer models of this market-leading portable unit continue to find diversification in geography and applications. Working on important new security applications driven by requirements from military customers, we have modified our man-portable model, so that it can be easily mounted in and removed from a vehicle required to perform chemical reconnaissance operations in difficult terrain.

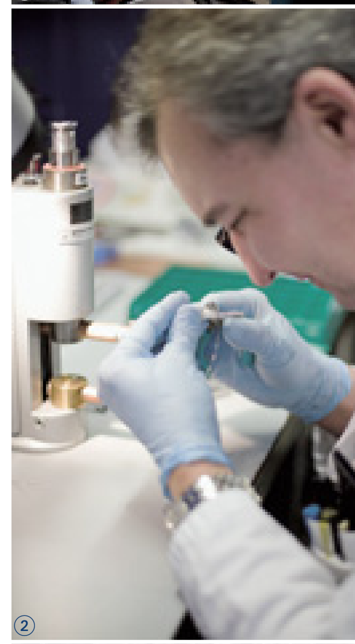
NEUE GERÄTEGENERATIONEN UND MEILENSTEINE IN DER INNOVATION

Entwicklung sichert Wettbewerbsvorteil INFICON arbeitete im Jahr 2006 an zahlreichen, vielversprechenden Forschungs- und Entwicklungsprojekten. Allen gemeinsam war das Ziel, die Technologie und den Materialeinsatz hinsichtlich Kosteneffizienz und Leistung zu verbessern. Wo immer INFICON Innovation mit neuen Technologien, neuen Prozessen oder Software-Lösungen vorantreibt, steht die Produktentwicklung unter der Maxime «Design for lower cost». Die im Laufe des Berichtsjahres erzielten Prozessverbesserungen dienten der Steigerung der Produktqualität. Zudem setzen wir bei der Entwicklung vermehrt auf den Einsatz von Produktplattformen.

Die Pipeline für Morgen Im Jahr 2006 arbeiteten wir an neuen Sensortechnologien und Produktverbesserungen, um in der Halbleiterindustrie die Ingenieure bei der Analyse, Kontrolle und Verbesserung der wichtigen Produktionsprozesse mit Leiterbahnbreiten von 65 Nanometern (nm) und kleiner zu unterstützen. Dabei handelt es sich um die gegenwärtig weltweit anspruchvollste Prozesstechnologie. Wir haben neue *in situ* Analyse-Sensoren entwickelt, die wiederum auf FabGuard, die hochsensible Echtzeit-Prozesskontrollsoftware von INFICON, ausgelegt sind, um die Prozessabweichungen in der Chipherstellung weiter zu reduzieren. Die neusten Vakuum-Messröhren von INFICON bieten den Herstellern von Halbleiterproduktionsanlagen zusätzlich Vorteile, indem wir mehrere Technologien in Kombi-Geräten zusammenfassen und diese mit neuer digitaler Elektronik ergänzen.

Den Markt für Notfallhilfe und Sicherheit beurteilen wir als vielversprechend: Um das Potenzial künftig voll auszuschöpfen, hat INFICON die Palette des chemischen Analysesystems HAPSITE erweitert. Sowohl das Erstgerät als auch spätere Versionen dieses tragbaren Analysesystems erfreuen sich einer zusehends breiteren Nachfrage – und zwar sowohl geografisch als auch anwendungsspezifisch. Auf Wunsch wichtiger militärischer Kunden haben wir unser leicht tragbares Gerät so modifiziert, dass es sich problemlos in Aufklärungsfahrzeuge ein- und ausbauen lässt, um chemische Kampfstoffe auch in schwierigem Gelände identifizieren zu können.





Picture
Bildlegende

Gustav Wirz
Chairman of the Board
Präsident des Verwaltungsrats

Lukas Winkler
President
Chief Executive Officer
Direktionspräsident
Chief Executive Officer

A successful company with compelling growth prospects

2006 was also a very rewarding year for our employees, who received a significantly higher profit-sharing payout for their excellent performance. And, at the same time, we were able to contribute to our communities, winning two environmentally friendly awards at INFICON Balzers. Both the “Prix Velo” and the “Binding Preis for Natur-und Umweltschutz”, an award for the Protection of Nature and Environment, honored our Company for facilitating the use of bicycles as an alternative to the automobile for commuting to work.

Hard work – and some difficult decisions – brought INFICON to the very promising juncture we have reached today. We are proud of the accomplishments and the contributions of our almost 800 employees worldwide, and we thank them for the essential role they play in helping us reach these goals.

Looking at INFICON in 2007, we see a successful company with many compelling growth opportunities. We are eager to advance our vision for the Company, which we believe will deliver significant productivity benefits to our customers and create additional value for our shareholders. We appreciate your continuing support and confidence.

2006 war auch für unsere Mitarbeiter ein erfreuliches Jahr, da sie im Rahmen des Gewinnbeteiligungsprogrammes an der erzielten Erfolgssteigerung stärker partizipiert haben. Gleichzeitig nahmen wir auch die Verantwortung gegenüber unseren Standortgemeinden wahr; so gewann INFICON in Balzers 2006 gleich zwei Umwelt-Preise: den «Prix Velo» und den «Binding Preis für Natur- und Umweltschutz». Die Auszeichnungen anerkennen das Bestreben von INFICON, das Fahrrad als Verkehrsmittel für den täglichen Arbeitsweg zu fördern.

Harte Arbeit – und einige schwierige Entscheidungen – brachten INFICON dorthin, wo wir heute stehen. Wir sind stolz auf das Erreichte und die Leistung unserer fast 800 weltweit tätigen Mitarbeiterinnen und Mitarbeiter. Wir danken Ihnen allen an dieser Stelle für Ihren Beitrag zur Erreichung unserer Ziele.

INFICON präsentiert sich 2007 als erfolgreiches Unternehmen mit eindrücklichen Wachstumschancen. In diesem Sinn wollen wir unsere Unternehmensvision weiterhin umsetzen, um unseren Kunden bedeutende Produktivitätsvorteile zu bieten und für unsere Aktionäre Mehrwert zu schaffen. Wir danken Ihnen für Ihre Unterstützung und für Ihr Vertrauen.

Sincerely,
Mit freundlichen Grüssen

Gustav Wirz

Chairman of the Board
Präsident des Verwaltungsrats

Lukas Winkler

President and Chief Executive Officer
Direktionspräsident und Chief Executive Officer

Group Organization*
Organge

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
Peter Maier	Vice President, Chief Financial Officer
Dr. Ulrich Doebler	Vice President, Leak Detection
Daniel E. Hoffman	Vice President, Intelligent Sensor Solutions
Dr. Urs Wälchli	Vice President, Vacuum Control

Investor Relations
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Tel: +1.315.434.1122
Fax: +1.315.434.1125
E-mail: BettyAnn.Kram@inficon.com

European Contact:
Elisabeth Kuehne, General Secretary to the Board of Directors
INFICON, Alte Landstrasse 6, LI 9496 Balzers, Liechtenstein
Tel: +423.388.3101
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E-mail: Elisabeth.Kuehne@inficon.com

** per March 15, 2007*
Stand 15. März 2007

Corporate Governance

Introduction

This Corporate Governance Report explains the principles of management and control of INFICON Holding AG at the highest corporate level in accordance with the Directive on Information relating to Corporate Governance (the Corporate Governance Directive) issued by the SWX Swiss Exchange.

Corporate governance of INFICON Holding AG complies with the principles and recommendations of the "Corporate Governance – Swiss Code of Best Practice" dated March 25, 2002. 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.

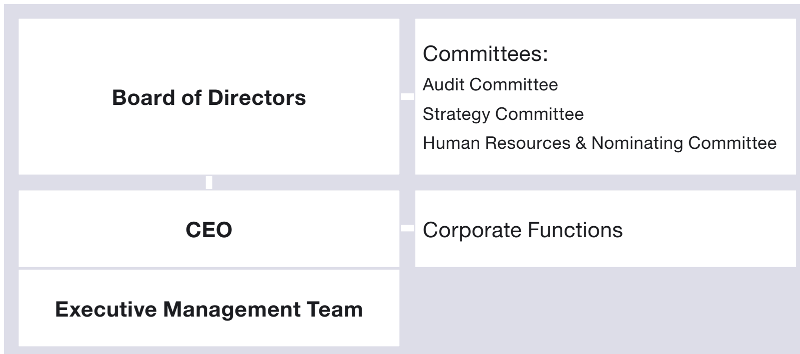
Furthermore, INFICON's internal guidelines regarding corporate governance are provided in its Articles of Incorporation, Organizational Regulations, Board Committee Charters, CEO and CFO Code of Ethics, as well as internal policies.

The following Corporate Governance Report follows the SWX directive.

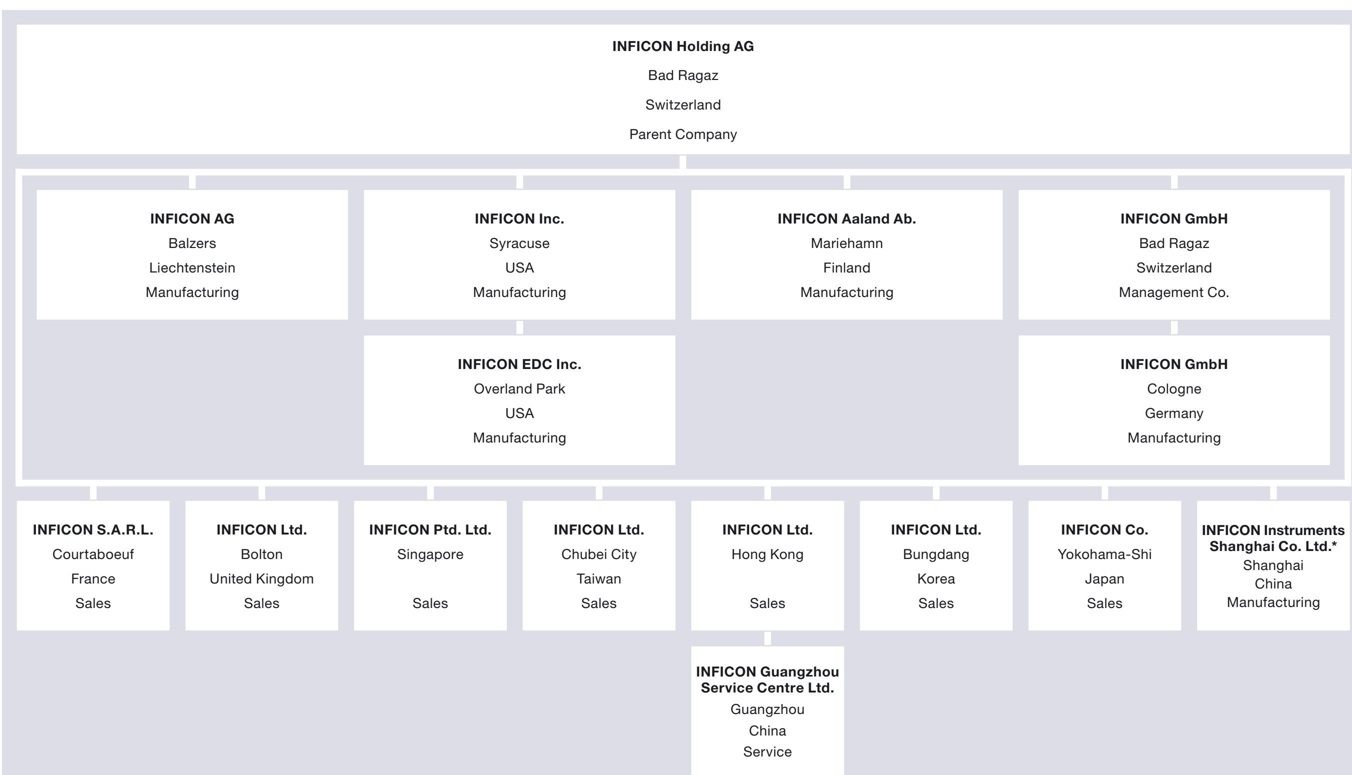
1 Group Structure and Shareholders

1.1 Group Structure

Operational Group Structure



INFICON Holding AG is the parent company of the INFICON group which operates from 12 countries and consists of a parent company, six manufacturing companies, eight 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 as follows:



** Added in 2007*

Listed Corporation: INFICON Holding AG
INFICON Holding AG is based in Bad Ragaz, Switzerland. It has share capital of TCHF 11,779 made up of 2,355,872 shares with a nominal value of CHF 5 each. Registered shares are listed on the Swiss Exchange under security number 1102994, ISIN CH0011029946 and symbol IFCN.

Market capitalization at December 31, 2006 was TCHF 452,327 based on shares outstanding.

Share Capital – See statutory financial statements.

1.2 Significant Shareholders

Stockholder Structure
Based on number of registered stockholders as of December 31, 2006.

Number of shares	Number of stockholders
> 50,000	3
10,000–50,000	15
1–9,999	1,166

Stockholders by Country
Based upon number of registered stockholders as of December 31, 2006.

Country	Number of stockholders
Switzerland	984
United States of America	49
Germany	48
Liechtenstein	33
Rest of Europe	33
Rest of World	37
Total	1,184

Major Stockholders
The last announcement of Zürcher Kantonalbank prior to December 31, 2006, related to 489,908 shares, representing 21.15% of the voting rights in INFICON Holding AG, as of January 11, 2006. On February 8, 2007, the Zürcher Kantonalbank reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

According to the announcement of November 29, 2006, Bank Julius Baer & Co. AG held 118,169 shares, representing 5.06% of the voting rights in INFICON Holding AG. On February 20, 2007 Julius Baer & Co. AG reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

There were no other stockholders entered in the share register holding more than 5 percent of the voting rights at December 31, 2006.

Changes Subject to Disclosure Requirements during Fiscal 2006
See Financial Report INFICON Holding AG.

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, 2006:

	No. of shares	Capital
Issued share capital	2,355,872	TCHF 11,779
Conditional share capital	238,202	TCHF 1,191

The issued share capital comprises 2,355,872 registered shares of CHF 5 each. Each share entitles the registered owner to one vote at the general meeting of shareholders, as well as dividends, 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 1,300 through the issuance of 260,000 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, 2006 a total of 21,798 options have been exercised reducing the available conditional capital to TCHF 1,191.

2.3 Changes in Stockholders' Equity

Changes in stockholders' equity for the three years ended December 31, 2006 are presented in the consolidated statements of stockholders' equity section of the consolidated financial statements for INFICON Holding AG for the years end 2006 and 2005. For the year ended 2004, please refer to the 2004 Annual Report.

2.4 Shares

See 2.1. 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, 2006 a total of 125,053 options. 15,150 of these options carry a subscription ratio of 5 shares per 1 option. The remaining 109,903 options carry a subscription ratio of 1 share per 1 option. These options entitle holders to acquire a total of 185,653 registered shares of INFICON Holding AG. Up to 238,202 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 928. For a more detailed discussion of stock option plans, please refer to the footnotes to our Financial Statements.

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 three-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 executive officers, which is headed by the Chief Executive Officer. The Chief Executive Officer 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;
- Supervising the business operations overall;
- Approving major acquisitions or divestments;
- 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, these 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 filing, has established an Audit Committee, a Strategy Committee, and a Human Resources and Nominating 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 and are required to provide the Board of Directors with updates and recommendations at its regular meetings.

Their respective chairperson sets the agendas for the committee meetings. Any Board member may request a Board meeting or that an item be included on the agenda. Board members are provided, in advance of Board meetings, with adequate materials to prepare for the items on the agenda. Decisions are taken by the Board as a whole, with the support of its three committees described below.

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
Paul Otth
Gustav Wirz

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 and Nominating Committee
The Human Resources and Nominating Committee are 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 senior management positions. The responsibilities of the Human Resources and Nominating Committee also include the administration of employee incentive plans. The Human Resources and Nominating Committee consists of three non-executive members of the Board of Directors. Currently, the Human Resources and Nominating Committee is comprised of the following members:

Dr. Richard Fischer Chairman
Mario Fontana
Dr. Thomas Staehelin

The Strategy Committee
This Committee is responsible for advising the board on the long term strategy and how to portray INFICON's strategy to shareholders and the investment community. The Strategy Committee consists of three non-executive members of the Board of Directors. Currently, the Strategy Committee is comprised of the following members:

Mario Fontana Chairman
Dr. Richard Fischer
Paul Otth

Frequency of Meetings of the Board of Directors and its Committees
The Board of Directors holds four 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 Strategy Committee and the Human Resources and Nominating Committee hold two or more meetings per year.

The Company's Board of Directors includes:

Gustav Wirz, Citizen of Switzerland, *1945
Chairman of the Board of Directors, Member Audit Committee

Mr. Wirz started his professional career in 1970 as head of the R&D department with Kulicke & Soffa one of the pioneers of the Semiconductor Equipment Manufacturers. In 1974, he joined Seier AG in Switzerland as Managing Director. In 1979, Mr. Wirz started his own company, initially Gustav Wirz AG, later the name was changed to Alphasem AG; the company does development, manufacturing and sales worldwide of Automatic Die Attach Systems for the semiconductor assembly process. The company established subsidiaries for sales and service in Hong Kong, China, Singapore, Taipei, Penang, Bangkok, Korea and USA and is today one of the leading companies for automatic Die Attach Systems worldwide. In 1987, Mr Wirz was elected to the SEMI board, the world wide Industry Association of the Semiconductor Equipment and Materials Industry, he was the first non US director. In 1999, he sold the shares of Alphasem AG to the Dover Corporation. He is a member of the council of technical colleges of eastern Switzerland. Mr. Wirz studied mechanical engineering at the technical college in Biel, Switzerland. Mr. Wirz currently holds directorships in other corporations, which include:

Company	Position
NetInvest Holding AG	Member
QCSolutions Inc. (USA)	Member
Best-Immo-Invest AG	Chairman
Exalos AG	Chairman

Paul Otth, Citizen of Switzerland, *1943

Vice Chairman of the Board of Directors, Member Audit Committee, Member Strategy Committee

In June 2000, Mr. Otth became the Chief Financial Officer and a Member of the Executive Board of Unaxis Corporation. From 1989 until November 1996, Mr. Otth was with Landis & Gyr AG, where he became the Chief Financial Officer and a Member of the Executive Board in November 1994. From November 1996 until October 1998, he served as the Chief Financial Officer and a Member of the Executive Board of Elektrowatt AG (a successor company of Landis & Gyr AG). From October 1998 until May 2000, he served as Chief Financial Officer and a member of the Group Board of Siemens Building Technologies (a successor company of Elektrowatt AG). From June 2000 until December 2002, Mr. Otth served as Chief Financial Officer and a Member of the Executive Board of Unaxis Corporation. Mr. Otth is a Certified Public Accountant. Mr. Otth also currently holds directorships in other corporations, which include:

Company	Position
Swiss Rail (SBB AG)	Member
Ascom Holding AG	Vice Chairman
Swissquote Group Holding AG	Member
EAO Holding AG	Chairman

Dr. Richard Fischer, Citizen of Austria, *1955

Director, Chairman Human Resources and Nominating Committee, Member Strategy Committee

Dr. Fischer is a co-owner of VAT Holding AG. VAT is the global leading supplier of vacuum valves. Since 1984, he has served as VAT's Chief Executive Officer, and since 1997 as the company's President and Chairman of the Board. Prior to joining VAT, Dr. Fischer was Technical Director of Gama, Access Systems, an Austrian company. Dr. Fischer holds a Ph.D. in Engineering from the University of Vienna. Dr. Fischer currently holds directorships in corporations, which include:

Company	Position
ARS GmbH	Member
Sysmec AG	Member
VAT Holding AG	Chairman

Mario Fontana, Citizen of Switzerland, *1946

Director, Chairman Strategy Committee, Member Human Resources and Nominating Committee

Mario Fontana started his career in 1970 with IBM Switzerland as Marketing Representative and International Account Manager serving Swiss industrial groups. In 1977, he became CIO at Brown Boveri in Sao Paulo, Brazil. In 1981, he started the Swiss Subsidiary of Storage Technology as its first managing director. In 1984, Mario Fontana started a 15-year career with Hewlett-Packard, first for 10 years as General Manager of its Swiss subsidiary, then as General Manager for the Computer Systems Business in Germany, later for Europe, Middle East and Africa and in his last position as responsible for the Business Unit Financial Service on a worldwide basis. Mario Fontana studied Mechanical and Aerospace Engineering at the Swiss Institute of Technology (ETH) and at the Georgia Institute of Technology, where he received a Master of Science Degree. Since 1999, Mario Fontana serves on various boards as non-executive director. Mr. Fontana currently holds directorships in other corporations, which include:

Company	Position
Swiss Rail (SBB AG)	Member
Swissquote Group Holding AG	Chairman
X-Rite (USA)	Member
Hexagon (Sweden)	Member
Dufry AG	Member

Dr. Thomas Staehelin, Citizen of Switzerland, *1947

Director, Chairman Audit Committee, Member Human Resources and Nominating Committee

Dr. Staehelin is a Swiss corporate and tax attorney and partner in the Basel based law firm Fromer, Schultheiss and Staehelin. Dr. Staehelin is a private investor and serves on the boards of various Swiss listed or unlisted companies in various capacities ranging from a member, Vice-Chairman, or Chairman. Dr. Staehelin holds a Ph.D. in Law from the University of Basel. He currently serves as Chairman of the Chamber of Commerce of Basle and was a member of parliament. Dr. Staehelin currently holds directorships in other corporations, which include:

Company	Position
Kühne & Nagel International AG	Member
Siegfried Holding AG	Vice-Chairman
Swissport International AG	Chairman
Lantal Textiles	Member
Lenzerheide Bergbahnen AG	Vice-Chairman
Scobag AG	Chairman

3.2 Other Activities and Vested Interests

See 3.1

3.3 Cross-involvement

There are no cross-memberships between the Board of Directors of INFICON Holding AG and any other listed company except as listed in the preceding section.

3.4 Elections and Terms of Office

According to the Articles of Incorporation, the members of the Board of Directors are elected for a term of three years.

The members of the Board of Directors were elected as follows:

Board of Directors	Date First Elected	Term Expires
Richard Fischer	May 2003	May 2009
Mario Fontana	May 2003	May 2009
Paul Otth	November 2000	May 2009
Thomas Staehelin	May 2001	May 2007
Gustav Wirz	May 2004	May 2007

3.5 Internal Organizational Structure

See 1.1

3.6 Definition of Areas of Responsibility

The Board of Directors has delegated authority to the Company's executive officers 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.

3.7 Information and Control Instruments vis-à-vis the Senior 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.

4 Senior Management

4.1 Members of the Board of the Senior Management, other Activities and Vested Interests, Management Contracts

Our executive officers are responsible for our day-to-day management. The executive 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)

Mr. Winkler joined the Company in January 1993 and served as our Vice President, Vacuum Control from January 1997 to December 2003. From January 1995 to January 1997, Mr. Winkler served our Balzers AG subsidiary as General Manager Production. Mr. Winkler has a Masters degree in engineering from the Swiss Federal Institute of Technology (ETH Zurich) and an Executive-MBA from Syracuse University.

Peter Maier, Citizen of Germany, *1962
Vice President and Chief Financial Officer (since November 2000)

Mr. Maier joined INFICON in 1996 as Director of Information Systems and became Vice President of Finance for Leybold Inficon, and Controller for the Instrumentation Division in 1998. Prior to joining us, Mr. Maier served Deloitte Consulting as project manager and consultant for enterprise application integration from 1994 to 1996. From 1992 to 1994, Mr. Maier served as Controller for Heidelberger Druckmaschinen AG in Germany. Mr. Maier holds a Masters degree in business administration and computer science from the University of Karlsruhe, Germany.

Dr. Ulrich Doebler, Citizen of Germany, *1955
Vice President – Leak Detection (since January 2000)

Dr. Doebler joined INFICON in 1986. From 1996 to December 1999, Dr. Doebler was the Marketing and Engineering Manager of the Leak Detection product line. Dr. Doebler holds a Ph.D. in physics from the University of Cologne.

Daniel Hoffman, Citizen of the USA, *1958
Vice President and General Manager, Intelligent Sensor Solutions (since April 2005)

Mr. Hoffman joined INFICON on April 25, 2005, as Vice President and General Manager of the Process Knowledge and Control Business Unit. In September 2005, Mr. Hoffman was promoted to VP/GM of the

Intelligent Sensors Business Unit. Mr. Hoffman came to INFICON from Lockheed Martin, Electronic Systems Division, where he held various leadership positions from 2001 to 2005. Between 1987 and 2000, he held several management and executive positions at Honeywell Electronic Materials, including Vice President of their advanced substrate business. Mr. Hoffman holds a Bachelor of Science degree in chemistry from Eastern Washington University and an MBA in Finance from Regis University.

Dr. Urs Wälchli, Citizen of Switzerland, *1961
Vice President – Vacuum Control (since March 2004)

Mr. Wälchli joined the Company in 1993. In 2000, he was appointed R&D Manager of our Vacuum Control product line and became Technical Director of this unit in 2003. Mr. Wälchli holds a Ph.D. in physics from Berne University and a Master of Industrial Management from the Swiss Federal Institute of Technology (ETH Zurich).

4.2 Other Activities and Vested Interests

See 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

5.1 Content and Method of Determining the Compensation and Share-ownership Programs

The Content and method of determining the Compensation and share-ownership programs for the members of the Board of Directors and for the Senior Management are proposed by the Human Resources and Nominating Committee and approved by the Board of Directors.

5.2 Compensations for Acting Members of Governing Bodies

The aggregate compensation accrued for members of the Board of Directors and of the management board (including management members that gave up their functions) for the year ended December 31, 2006 is as follows:

	Total Compensation
Non-Executive Board Members	TUSD 622
Executive Board Members and Management	TUSD 2,283
Total	TUSD 2,905

5.3 Compensations for Former Members of Governing Bodies

None

5.4/5.5 Share Ownership and Share Allotment in the Year Under Review

The number of shares held by the Board of Directors and Executive Management as of December 31, 2006:

Non-Executive Board Members	12,643
Executive Board Members and Management	4,015
Total	16,658

No shares were allotted in the year under review.

5.6 Options

All options are granted at prices equal to 100% of the market value of the common stock at the date of grant. The number of options allocated to members of the Company's Board of Directors and Executive Officers were:

Non-Executive Board Members

Option Grant Month Year	Option Life (years)	Exercise Price per Share (CHF)	Shares per Option	Options Outstanding
May 2001	7	174.00	1	194
Nov 2001	7	124.00	1	254
May 2002	7	170.00	1	216
Nov 2002	7	69.00	1	488
May 2003	7	75.00	1	449
Nov 2003	7	97.50	1	673
May 2004	7	107.00	1	630
Nov 2004	7	70.75	1	952
May 2005	7	110.00	1	1,453
Nov 2005	7	181.90	1	1,165
May 2006	7	161.00	1	1,973

Executive Board Members and Management

Option Grant Month Year	Option Life (years)	Exercise Price per Share (CHF)	Shares per Option	Options Outstanding
Nov 2000	7	225.00	5	5,765
Jan 2002	7	165.00	1	3,464
Feb 2003	7	50.00	1	1,750
Jan 2004	7	105.00	1	4,000
Mar 2004	7	116.75	1	5,000
Feb 2005	7	93.00	1	9,875
Apr 2005	7	105.40	1	1,500
Feb 2006	7	188.00	1	12,500

5.7 Additional Fees and Remunerations

No reportable fees or remunerations were paid to members of the board of directors or members of executive management.

5.8 Loans to Members of Governing Bodies

In November 2000, certain officers and key employees purchased 16,480 shares of common stock and paid the exercise price by issuing cash and full recourse and interest bearing promissory notes, denominated in U.S. Dollars, Swiss Francs, and Euros, to the Company totaling TUSD 1,371. The loans have an interest rate equal to 120% of the mid-term applicable federal rate (as defined in the Internal Revenue Code) determined on the date the loans are made. On December 31, 2006, the outstanding balance on the notes due from one of the executive officers was TUSD 164 (TCHF 200).

5.9 Highest Total Compensation

The highest total sum of compensation that was conferred in 2006 for a member of the Board of Directors was for the Chairman of the Board in the form of cash TUSD 170 (TCHF 210) and options allocated to purchase 618 shares.

6 Shareholder Participation

6.1 Restrictions on Voting Rights

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. Registration with voting rights is subject to restrictions.

Our shares are cleared and settled through SIS Sega Inter Settle AG. The shares will not be physically represented by certificates but will be managed collectively in book-entry form by SIS Sega Inter Settle 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 1,000 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

Our Chief Executive Officer, Lukas Winkler, has an agreement under which he would become entitled to a special payment of two times annual compensation upon a change of control of the Company.

Additionally, the Management and 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 and group auditors pursuant to Art. 727 ff. and 731a, respectively, of the Swiss Code of Obligations is PricewaterhouseCoopers AG, Zurich, elected for one year. PricewaterhouseCoopers AG commenced its mandate as statutory and group auditors of INFICON Holding AG in June 2002. The lead engagement partner, Mr. Stephen Williams, has been responsible for the audit of INFICON Holding AG since June 2002. The subsidiaries of INFICON Holding AG are audited by member firms of PricewaterhouseCoopers.

8.2 Auditing Fees

Audit fees for the 2006 audit were approximately TUSD 460 (TCHF 575).

8.3 Additional Fees

Fees paid to PricewaterhouseCoopers for non-audit services, consisting primarily of tax services, rendered during 2006 were approximately TUSD 95 (TCHF 120).

8.4 Supervisory and Control Instruments Pertaining to the Audit

The Audit Committee of the Board proposed the appointment of PricewaterhouseCoopers AG following a review of offers received from 3 competing firms of independent accountants for the 2002 reporting year. The Audit Committee evaluates the performance, fees, and independence of the statutory auditors and group auditors each year.

Typically the Audit Committee receives a summary of the scope of work planned by the auditors on an annual basis and meets with the auditors to review these audit plans. Following the audit work, the auditors submit a report on the results of their work including all communications required to be made to the Audit Committee in accordance with auditing standards generally accepted in the USA. The Audit Committee meets with the auditors to discuss and review their feedback. Based on this information, it 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 affecting the share price are published immediately as ad hoc announcements, in accordance with the obligation to publish on the SWX Swiss Exchange. Annual financial reports are issued for the benefit of shareholders and potential investors in April following the year end closing. Income statements and balance sheets are prepared on a quarterly basis. A 2006 half-year report was published in September 2006. Information available for investors can be found at www.inficon.com.

Financial Report Group
Finanzbericht Gruppe

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Financial Review

(U.S. Dollars in Millions)

Income Statement

Net Sales
Net sales increased by 10.7% to MUSD 211.7 for 2006 from MUSD 191.3 for 2005, with minimal impact from changes in currency exchange rates. The semiconductor and vacuum coating market had the highest increase of MUSD 16.7, representing a 30.8% increase from 2005 due to market growth, product penetration, market share gains and the acquisition of EDC. Sales to the general vacuum process market increased by MUSD 7.6 with record sales to our private label partners. This growth was slightly tempered by a decrease in sales to the emergency response and security market of MUSD 3.4 or 15.5%, primarily resulting from lower sales to US government agencies offset by growth outside of the U.S.

Gross Profit
Gross profit margin was nearly flat at 46.3% for 2006 versus 46.6% for 2005. This decrease primarily resulted from a one-time early retirement charge in connection with the consolidation of manufacturing for one of our product lines as well as a slightly unfavorable product sales mix. Although there continues to be customer price pressure and increases in freight costs, we have been able to essentially maintain gross profit margin through improved absorption of manufacturing overhead on higher sales volume and operational efficiencies.

Research and Development
Research and development costs decreased to MUSD 18.3 or 8.6% of net sales for 2006 from MUSD 18.7, or 9.8% of net sales for 2005. The slight decrease in the dollar amount reflects cost savings following changes in the R&D organization and lower third party spending. These savings were partially offset by increased R&D efforts late in 2006 as well as a one-time early retirement charge in Q3.

Selling, General and Administrative (SGA)
SGA expenses increased to MUSD 52.9 from MUSD 50.1 in 2005, while SGA as a percentage of net sales fell to 25.0% in 2006 from 26.2% in 2005. The increase is primarily due to recording of stock option expense in 2006 of MUSD 1.0, EDC MUSD 1.0, a one-time early retirement charge in Q3 of MUSD 0.2, and increased sales and marketing personnel in Asia to support growth.

Other Expense (Income)
Other (income) was MUSD 0.5 for 2006 as compared to other expense of MUSD 0.4 for 2005. During 2006 we realized foreign currency exchange gains versus foreign currency losses in 2005; we received loan payments from the sale of UCP and Diffusion Pumps businesses, and income from closure of Patterning Solution Software Business.

Earnings before Interest and Taxes (EBIT)
EBIT improved to MUSD 27.3M or 12.9% of net sales for 2006 from MUSD 20.0 or 10.4% of net sales for 2005. This is a year over year increase of 36.3% which is a direct result of our focus on and commitment to improving the Company's profitability and it also demonstrates the operational leverage in our business model.

Interest Income
Interest income was MUSD 1.2 for 2006 as compared to MUSD 0.5 for 2005 due to a more active approach to investing, higher interest rates and a favorable currency mix.

Provision for Income Taxes
Provision for income taxes increased to MUSD 6.4, but decreased in percentage to 22.4% of income before income taxes for 2006 from a provision of MUSD 4.9, or 24.0% of income before income taxes, for 2005. This lower effective tax rate results from the use of net operating loss carryforwards in certain jurisdictions where full valuation allowances had been recorded on deferred tax assets, as well as the implementation of certain tax planning strategies.

Balance Sheet and Cash Flow

Trade accounts receivable increased by MUSD 3.6 to MUSD 30.6 at December 31, 2006 as compared to MUSD 27.0 at December 31, 2005. Days sales outstanding worsened slightly due to a shift in our sales to countries with generally longer payment terms and is not an indication that the quality of our receivables has deteriorated. Additionally, payment terms have increased with one of our larger customers

Inventory increased by MUSD 5.2 to MUSD 24.0 at December 31, 2006 as compared to MUSD 18.8 at December 31, 2005. Inventory turns remained nearly flat at 4.9 in 2006 versus 5.1 in 2005, using a 4-point average of quarter-end inventory balances. This includes the inventory purchased from EDC of MUSD 0.8 and is a result of our ongoing efforts to manage inventory levels.

Accrued liabilities have increased by MUSD 5.6 to MUSD 21.0 at December 31, 2006, which includes higher wage and profit sharing accruals as well as an earn-out accrual of MUSD 0.7 related to our acquisition of EDC.

Cash and short term investments at December 31, 2006 totaled MUSD 67.6, a decrease of MUSD 4.7 when compared to December 31, 2005. The decrease resulted from the cash used to return MUSD 19.1 to shareholders in the form of a dividend and a par value reduction, the acquisition of EDC for MUSD 5.9, and higher capital expenditures of MUSD 7.0. These initiatives were funded by cash generated from operating activities of MUSD 21.0 for 2006, which included voluntary contributions of MUSD 12.8 to the Company's pension plans in the United States and Germany.

Consolidated Balance Sheets

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

ASSETS	**December 31, 2006**	December 31, 2005
Cash and cash equivalents	**57,286**	68,715
Short-term investments	**10,317**	3,553
Trade accounts receivable, net	**30,555**	26,981
Inventories, net	**24,040**	18,810
Deferred tax assets	**5,123**	2,866
Other current assets	**3,082**	2,812
Total current assets	**130,403**	123,737
Property plant and equipment, net	**24,007**	20,308
Goodwill	**4,227**	—
Intangible assets, net	**1,670**	791
Deferred tax assets	**31,457**	34,332
Other assets	**2,499**	2,163
Total non-current assets	**63,860**	57,594
Total assets	**194,263**	181,331

LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	**6,424**	6,353
Short-term borrowings	**2,853**	2,761
Accrued liabilities	**21,019**	15,468
Income taxes payable	**3,322**	856
Deferred tax liabilities	**814**	877
Total current liabilities	**34,432**	26,315
Deferred tax liabilities	**336**	454
Other liabilities	**3,734**	7,439
Total non-current liabilities	**4,070**	7,893
Total liabilities	**38,502**	34,208
Common stock (2,355,872 in 2006 and 2,334,074 in 2005 shares issued; par value of CHF 5.00 in 2006, par value of CHF 10.00 in 2005)	**6,628**	13,142
Additional paid-in capital	**97,850**	95,299
Notes receivable from officers	**(164)**	(152)
Retained earnings	**43,329**	30,890
Accumulated other comprehensive income	**8,118**	7,944
Total stockholders' equity	**155,761**	147,123
Total liabilities and stockholders' equity	**194,263**	181,331

See notes to consolidated financial statements.

Consolidated Statements of Income

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

Year ended December 31,	**2006**	2005
Net sales	**211,694**	191,300
Cost of sales	**113,734**	102,086
Gross profit	**97,960**	89,214
Research and development	**18,285**	18,700
Selling, general, and administrative	**52,915**	50,098
Operating income	**26,760**	20,416
Interest (income), net	**(1,164)**	(448)
Other expense (income), net	**(481)**	435
Income before income taxes	**28,405**	20,429
Provision for income taxes	**6,356**	4,901
Net income	**22,049**	15,528
Earnings per share:		
Diluted:	**9.30**	6.64
Basic:	**9.41**	6.68

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(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, 2004	13,040	94,051	(421)	15,362	20,272	142,304
Net income				15,528		15,528
Other comprehensive income (loss):						
Unrealized loss on foreign currency hedges, net of related income tax of USD 22					(55)	(55)
Minimum pension liability adjustment, net of related income tax of USD 620					(926)	(926)
Foreign currency translation adjustments			49		(11,347)	(11,298)
Total comprehensive income						3,249
Repayment of officer notes			220			220
Issuance of common stock from exercise of stock options	102	1,248				1,350
Balance at December 31, 2005	13,142	95,299	(152)	30,890	7,944	147,123
Net income				22,049		22,049
Other comprehensive income:						
Unrealized gain on foreign currency hedges, net of income taxes USD 49					45	45
Reversal of minimum pension liability adjustment, net of related income tax of USD 620					926	926
Adjustment to initially apply SFAS No. 158, net of income taxes USD 2,064					(4,470)	(4,470)
Foreign currency translation adjustments			(12)		3,673	3,661
Total comprehensive income						22,211
Issuance of common stock from exercise of stock options	87	1,571				1,658
Stock-based compensation		980				980
Dividends paid (CHF 5 per share)				(9,610)		(9,610)
Par value reduction (CHF 5 per share)	(6,601)					(6,601)
Balance at December 31, 2006	6,628	97,850	(164)	43,329	8,118	155,761

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

Year ended December 31,	**2006**	2005
Cash flows from operating activities:		
Net income	**22,049**	15,528
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**5,039**	4,379
Amortization	**376**	120
Deferred taxes	**2,336**	1,553
Stock-based compensation	**980**	—
Changes in operating assets and liabilities, excluding effects from acquisition:		
Trade accounts receivable	**(2,684)**	(7,570)
Inventories	**(3,351)**	295
Pension funding	**(12,863)**	(1,986)
Other assets	**(132)**	(451)
Trade accounts payable	**(252)**	553
Accrued liabilities	**3,783**	1,656
Income taxes payable	**2,400**	(581)
Other liabilities	**3,354**	4,357
Net cash provided by operating activities	**21,035**	17,853
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(7,001)**	(3,998)
Purchase of assets of Electro Dynamics Crystal Corp.	**(5,923)**	—
Change in short term investments	**(6,356)**	829
Net cash used in investing activities	**(19,280)**	(3,169)
Cash flows from financing activities:		
Payments on notes receivable from officers	**—**	220
Cash dividend paid	**(9,610)**	—
Cash par value reduction paid	**(9,512)**	—
Increase in short-term borrowings	**92**	2,761
Proceeds from exercise of stock options	**1,658**	1,350
Net cash provided by (used in) financing activities	**(17,372)**	4,331
Effect of exchange rate changes on cash and cash equivalents	**4,188**	(6,416)
Increase (decrease) in cash and cash equivalents	**(11,429)**	12,599
Cash and cash equivalents at beginning of period	**68,715**	56,116
Cash and cash equivalents at end of period	**57,286**	68,715

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Description of Business

During 2000, INFICON Holding AG (INFICON or the "Company") completed its initial public offering, whereby the parent, Unaxis Holding AG (Unaxis), sold 80.5% of its ownership in INFICON. INFICON Holding AG is domiciled in Bad Ragaz, Switzerland, as a corporation (Aktiengesellschaft) organized under the laws of Switzerland. From 2000 through September 7, 2005, INFICON's stock was traded on the SWX in Switzerland and NASDAQ in the United States. Effective September 8, 2005, the Company filed Form 15 with the U.S. Securities and Exchange Commission which suspended our duty to file future reports with the U.S. Securities and Exchange Commission.

INFICON is a leading developer, manufacturer and supplier of instrumentation, critical sensor technologies and process control software for the semiconductor and vacuum coating industries. These analyses, measurement and control products are vital to original equipment manufacturers (OEMs) and end-users in the complex manufacturing of semiconductors, flat panel displays, data storage media, and precision optics. In addition, INFICON provides essential instrumentation for gas leak detection to the air-conditioning/refrigeration and automotive markets and toxic chemical analysis for emergency response, military, and security markets.

INFICON has manufacturing facilities in the United States, Europe and China as well as operations in the United States, Liechtenstein, Switzerland, Germany, Finland, Japan, United Kingdom, France, Korea, Singapore, Taiwan, China, and Hong Kong. INFICON is subject to risks common to companies in our industries including, but not limited to, the highly cyclical nature of the semiconductor industry leading to recurring periods of oversupply, development by INFICON or its competitors of technological innovations, dependence on key personnel and the protection of proprietary technology.

2. Summary of Significant Accounting Policies

Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Significant Accounting Policies and Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. 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.

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 or time deposits with maturities between three months and twelve months.

Trade Accounts Receivable
Trade accounts receivable are shown net of allowances for doubtful accounts of USD 723 and USD 576 at December 31, 2006 and 2005, respectively. The Company markets its products to a diverse customer base globally. Trade credit is extended based upon evaluation of each customer's ability to perform its obligations, these evaluations are updated periodically and the Company may require deposits on large orders but does not require collateral to support customer receivables. If the financial condition of our customers were to deteriorate, resulting in an impair-

ment of their ability to make payments, additional allowances may be required.

Concentration Risk
The following table represents specific customer sales as a percentage of total Company sales:

	2006	2005
Customer A	**16%**	16%
Customer B	**13%**	14%

Inventories
Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out method. The reserve for estimated obsolescence or unmarketable inventory is equal to the difference between the cost of inventory and the estimated fair value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The reserve for excess and obsolete inventories was USD 4,556 and USD 4,718 as of December 31, 2006 and 2005, respectively.

Income Taxes
Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized.

Property, Plant, and Equipment
Property, plant, and equipment are stated at cost. Expenditures for major renewals and betterments 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. Depreciation is provided on the straight-line method over the estimated useful lives of 20 years for buildings and 3 to 10 years for machinery and equipment.

Goodwill and Intangible Assets
The Company reviews goodwill and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews goodwill annually. Goodwill and intangible assets deemed to have indefinite lives are not subject to amortization, while all other identifiable intangibles are amortized over their estimated useful life. Intangible assets, such as customer relationships, patented and unpatented technology, trade secrets, contract backlog, and non-competition and non-solicitation agreements, are generally recorded in connection with the acquisition of a business. The value assigned to intangible assets is based on estimates and judgments regarding expectations for the future success and life cycle of products and technology acquired. If actual results differ significantly from the estimates, or other indications are present, the Company may be required to record an impairment charge to write down the asset to its realizable value. In addition, goodwill is tested annually using a two-step process. The first step is to identify any potential impairment by comparing the carrying value of the reporting unit to its fair value. If a potential impairment is identified, the second step is to compare the implied fair value of goodwill with its carrying amount to measure the impairment loss. A severe decline in fair value could result in an impairment charge to goodwill, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company performs its annual impairment analysis during the third quarter.

Deferred Taxes
As of December 31, 2006, the Company had net deferred tax assets of USD 35,430 reflecting tax credit and loss carryforwards, basis differences primarily from intangible assets, and other deductions available to reduce taxable income in future years. A majority of the net deferred tax assets balance resides in the United States. In assessing the realization of the Company's deferred tax assets, we consider whether it is more likely than not the deferred tax assets will be realized. The Company evaluates the recoverability of its deferred tax assets based upon historical results and forecasted results over future years, considering tax planning strategies, and matches this forecast against the basis differences, deductions available in future years and the limitations allowed for net operating loss carryforwards to ensure there is adequate support for the realization of the deferred tax assets. While we have considered future operating results, in conjunction with ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would not be able to realize all or part of our

net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged as a reduction to income in the period such determination was made. Likewise, should we determine that we would be able to realize future deferred tax assets in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. Although realization is not assured, the Company believes it is more likely than not that the net deferred tax asset balance as of December 31, 2006 will be realized.

Pension Benefits
The pension benefit costs and credits are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates and expected return on plan assets. The Company considers current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related pension benefit costs or credits may occur in the future in addition to changes resulting from fluctuations in our related headcount due to changes in the assumptions.

Revenue Recognition
Revenue is recognized upon the transfer of title and risk of loss which is generally upon shipment. In some instances, the Company provides training and maintenance to customers after the product has been shipped. The Company allocates the revenue between the multiple elements based upon fair value and defers the revenue related to the undelivered elements until the training and maintenance is complete. Fair value is the price charged when the element is sold separately. When a customer's acceptance is required, revenue is not recognized until the customer's acceptance is received. The Company accrues for anticipated returns and warranty costs upon shipment.

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.

Warranties
The accrual for the estimated cost of product warranties is provided for at the time revenue is recognized. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability may be required.

Advertising Costs
Advertising costs of USD 488 in 2006 and USD 734 in 2005 are expensed as incurred.

Stock-Based Compensation
The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share-Based Payment, on January 1, 2006 using the modified prospective method. Under this method, awards that are granted, modified, or settled after December 31, 2005, are measured and accounted for in accordance with SFAS No. 123(R). Also under this method, expense is recognized for unvested awards that were granted prior to January 1, 2006, based upon the fair value determined at the grant date under SFAS 123, Accounting for Stock-Based Compensation. Stock based compensation expense is recognized ratably over the requisite service period for all awards. Prior to the adoption of SFAS 123 (R), the Company accounted for stock compensation under the intrinsic value method permitted by Accounting Principles Board Opinion No 25, Accounting for Stock Issued to Employees ("APB No. 25") and related interpretations. Accordingly, the Company previously recognized no compensation cost for employee stock options that were granted with an exercise price equal to the market value of the underlying common stock on the date of grant. See Stock Option Plans Footnote for further information.

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 U.S. 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 included in accumulated other comprehensive income (loss) as a component of stockholders' equity. Gains and losses from foreign currency transactions are reported in the statement of income under other expense (income), net.

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

	Period-end Rates		Average Rates	
Currency	**2006**	2005	**2006**	2005
Swiss Franc	**0.8205**	0.7602	**0.7986**	0.8044
Euro	**1.3203**	1.1844	**1.2562**	1.2454
Japanese Yen	**0.0084**	0.0085	**0.0086**	0.0091
Hong Kong Dollar	**0.1286**	0.1290	**0.1287**	0.1286
Korean Won	**0.0011**	0.0010	**0.0011**	0.0010

Impairment of Long-lived Assets
In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets to be held and used by an entity are to be reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value to fair value.

Software Cost
The Company capitalizes internal-use software development costs in accordance with the provisions of SOP 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." The capitalized cost is amortized beginning when it is placed into service on a straight-line basis over its estimated life.

Reclassification
Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

Recent Accounting Pronouncements
Refer to Stock Option Plan footnote for details on the adoption of SFAS No. 123(R) during 2006 and Employee Benefit Plan footnote for details on the adoption of SFAS No. 158 in 2006 .

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective for fiscal years beginning after December 15, 2006 and the provisions of FIN 48 will be applied to all tax positions under Statement No. 109 upon initial adoption. The cumulative effect of applying the provisions of this interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. Although the Company will continue to evaluate the application of FIN No. 48, management does not currently believe adoption will have a material impact on the Company's consolidated statements of income or balance sheet.

3. Acquisition

On February 28, 2006, INFICON acquired the assets of EDC, a premier manufacturer of quartz-based products. The acquisition provides INFICON a competitive advantage through vertical supply chain integration and improves our position in the optical coating and display markets. The results of EDC's operations have been included in the consolidated financial statements since that date.

The purchase price was USD 6,000, less assumed liabilities paid in cash at closing. Additionally, 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 and will not be known or estimable until each of the respective calendar years is nearly complete. At December 31, 2006 the Company had accrued USD 700 for the calendar year 2006 earn-out to be paid in 2007.

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

As of March 1,	**2006**
Inventory	841
Equipment	678
Goodwill assets	3,527
Intangible assets	1,183
Assets acquired	**6,229**
Accrued liabilities assumed	(306)
Net assets acquired	5,923

The following table summarizes the acquired intangible assets and their respective weighted-average useful lives.

	Value	**Weighted-average Life (years)**
Unpatented technology/ Trade secret	650	5.0
Customer relationships	425	6.0
Contract backlog	3	0.7
Non-competition & non-solicitation	105	4.0
Intangible assets	**1,183**	

The following unaudited proforma information gives effect to the acquisition of EDC as if the acquisition occurred at the beginning of the periods presented.

Twelve months ended December 31,	**2006**	2005
Net sales	**212,496**	197,246
Net income	**22,093**	15,967
Basic income per share	**9.43**	6.87
Diluted income per share	**9.32**	6.83

4. Inventories

Inventories consist of the following at December 31:

	2006	2005
Raw material	**18,214**	13,970
Work-in-process	**1,740**	860
Finished goods	**4,086**	3,980
Balance at December 31	**24,040**	18,810

5. Property, Plant, and Equipment

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

	2006	2005
Land	**700**	700
Buildings and improvements	**18,445**	17,657
Machinery and equipment	**36,304**	28,009
	55,449	46,366
Less: accumulated depreciation	**(31,442)**	(26,058)
Balance at December 31	**24,007**	20,308

6. Intangible Assets

The costs of identified intangible assets, including completed software technology, customer lists, trade secrets and non-competition agreements are amortized on a straight-line basis over four to ten years. Accumulated amortization at December 31, 2006 and 2005 was USD 3,909 and USD 3,533, respectively. Amortization expense for the next five years will approximate USD 425 per year.

The activity of identifiable intangible assets was as follows:

Year ended December 31,	**2006**	2005
Balance at beginning of year	**791**	1,334
Amortization	**(376)**	(120)
Additions due to acquisition	**1,183**	—
Foreign currency translation	**72**	(423)
Balance at December 31	**1,670**	791

7. Accrued Liabilities

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

	2006	2005
Salaries, wages and related costs	**14,012**	8,668
Warranty	**2,855**	2,395
Deferred revenue	**617**	1,158
Other	**3,536**	3,247
Balance at December 31	**21,019**	15,468

8. Warranty

The activity of the warranty reserve was as follows:

	2006	2005
Balance at beginning of year	**2,395**	2,244
Add: warranty provision	**2,643**	1,881
Deduct: claims against reserve	**2,183**	1,730
Balance at December 31	**2,855**	2,395

9. Borrowing Facilities

The Company has a USD 10,000 line of credit with Credit Suisse, which can be in the form of overdraft facility, fixed advances, margin coverage for foreign exchange forward transactions and/or issuance of bank guarantees. The agreement can be terminated with a 30 day notice by either party. The Company had no outstanding amounts under the arrangement as of December 31, 2006.

Additionally, the Company has various facilities at its operating companies which can be in the form of an overdraft facility, fixed advances and/or margin coverage arrangement for foreign exchange forward transactions.

The following is a summary of these facilities at December 31, 2006:

Bank Currency	Total available (USD)	Interest rate	Expiration	Outstanding at December 31, 2006 (USD)
HSBC				
JPY	3,000	1.825	Upon notice	2,433
SMBC				
JPY	420	1.625	Upon notice	420
Nordea Bank Finland Plc				
EUR	400	Euribor +4.23%	Upon notice	-0-
Dresdner Bank				
EUR	2,000	7.50%	Upon notice	-0-
Dresdner Bank				
SGD	400	Variable	Upon notice	-0-
Bayerische HypoVereinsbank				
USD/EUR	850	Variable	June 2007	-0-

10. Financial Instruments and Risk Management

The Company maintains a foreign currency exchange risk management strategy that uses derivative instruments, in the form of forward exchange contracts and swaps, 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 are designated as cash flow hedges and generally 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 U.S. Dollar. This exposure arises in certain locations from intercompany purchases and sales of inventory in foreign currency for resale in local currency, in addition to intercompany billings relating to research and development and management services. The Company's accounting policy, for derivative financial instruments, is based on its designation of such instruments as hedging transactions. An instrument is designated as a hedge based in part on its effectiveness in risk reduction and one-to-one matching of derivative instruments to underlying transactions. The Company records all derivatives on the balance sheet at fair value. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The gain or loss (ineffectiveness) on the derivative instrument in excess of the hedged item, if any, is recognized in current earnings during the period in which it occurs. The Company's unrealized net gains/losses under foreign currency contracts at December 31, 2006 and 2005, are included in accumulated other comprehensive income, net of taxes. These unrealized net gains/losses are expected to be recognized into earnings over the next twelve months.

The Company had gains (losses) from all foreign currency transactions and foreign exchange contracts of USD 305 and USD (493) for years 2006 and 2005, respectively, which are recorded in other income/expense, net.

	2006	2005
Aggregate value of contracts for sale of U.S.Dollars	**5,017**	300
Aggregate value of contracts for exchange of all other currencies	**6,852**	—

11. Commitments and Contingencies

A summary of contractual commitments and contingencies as of December 31, 2006 is as follows:

	Operating Leases	Purchase Obligations	**Total**
2007	4,266	2,852	**7,118**
2008	3,956	1,590	**5,546**
2009	3,790	6	**3,796**
2010	3,683		**3,683**
2011	3,564		**3,564**
Thereafter	6,141		**6,141**
Total	25,400	4,448	**29,848**

The Company leases some of its facilities and machinery and equipment under operating leases, expiring in years 2007 through 2014. Generally, the facility leases require the Company to pay maintenance, insurance and real estate taxes. Rental expense under operating leases totaled USD 4,650 and USD 5,327 for the years ended December 31, 2006 and 2005, respectively.

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.

12. Supplemental Cash Flow Information

Cash payments for the years ended December 31:

	2006	2005
Income taxes, net	**1,833**	3,156
Interest	**379**	448

Non-cash investing activities for the years ended December 31:

	2006	2005
Minimum pension liability adjustment	**926**	(926)
Adjustment for SFAS 158	**(4,470)**	—
Acquisition earn-out accrued	**(700)**	—

13. Income Taxes

For financial reporting purposes, income before income taxes included the following:

	2006	2005
U.S.	**5,668**	5,348
Non U.S.	**22,738**	15,081
Income before income taxes	**28,405**	20,429

Provision for income taxes included the following:

	2006	2005
Current:		
Non U.S.	**3,355**	2,126
	3,355	2,126
Deferred:		
U.S.	**2,154**	2,040
Non U.S.	**847**	735
	3,001	2,775
Provision for income taxes	**6,356**	4,901

The differences between the United States federal statutory income tax rate and the Company's effective tax rate were as follows:

	2006	2005
U.S. federal statutory rate	**34.0%**	34.0%
Effect of foreign subsidiaries with different tax rates	**(10.1%)**	(9.1%)
Change in valuation allowance	**(2.3%)**	(1.9%)
State taxes, net of federal benefit	**1.1%**	1.2%
Effect of permanent differences & Other	**(0.3%)**	(0.3%)
Effective tax rate	**22.4%**	23.9%

Deferred tax assets and (liabilities) were comprised of the following:

	2006	2005
Accrued liabilities	**2,803**	1,480
Loss carryforwards and tax credits	**12,214**	11,088
Interest	**486**	—
Basis differences/intangible assets	**21,526**	23,570
Inventory	**(23)**	920
Deferred revenue and other	**205**	1,069
Valuation allowances	**(1,396)**	(1,515)
Property, plant and equipment	**(228)**	(663)
Accounts receivable and other	**(157)**	(82)
Net deferred tax asset	**35,430**	35,867
Presented as:		
Current deferred tax asset	**5,123**	2,866
Long-term deferred tax asset	**31,457**	34,332
Current deferred tax liability	**(814)**	(877)
Long-term deferred tax liability	**(336)**	(454)
	35,430	35,867

During the year ended December 31, 2000, Unaxis Holding AG transferred the assets and liabilities of various INFICON subsidiaries to newly created legal entities that are wholly-owned by INFICON Holding AG. For income tax purposes, the asset transfer was considered a taxable transaction creating a new income tax basis of the assets and liabilities transferred. The transaction resulted in a basis difference of approximately USD 84,000 which will be deductible for tax purposes over various periods, no longer than 15 years. As a result, a deferred tax asset of USD 37,385 related to the basis difference was recorded with a corresponding credit in stockholders' equity. In conjunction with the business transfers and taxable transaction described above, it was agreed that Unaxis would be responsible for the payment of taxes for the period up to the date of transfer. The tax liability for the period through the transfer date was estimated and recorded as part of the equity reclassification upon reorganization of the Company.

At December 31, 2006, the Company has U.S. federal net operating loss carryforwards of approximately USD 33,000, which are available to offset future taxable income, if any, which expire at various dates through 2026. Realization of the deferred tax benefit is dependent on generating sufficient taxable income to offset the deferred tax asset prior to its expiration. The Company has recorded a valuation allowance of approximately USD 1,200, which represents the tax benefit for net operating losses incurred in specific tax jurisdictions for which the Company is uncertain as to the amount, if any, of future tax benefits to be received for the future utilization of such loss carryforwards.

Undistributed earnings of INFICON's subsidiaries are permanently reinvested. Distribution of earnings to INFICON would generally be exempt from taxation in Switzerland in accordance with their participation exemption. The participation exemption, in most cases, exempts income such as dividends, interest, and capital gains from taxation in Switzerland if such income is derived from qualifying investments in subsidiaries. Upon distribution of those earnings in the form of dividends, withholding taxes ranging from 5% to 20% would be payable upon the remittance of all previous unremitted earnings as of December 31, 2006.

14. Employee Benefit Plans

Certain INFICON employees (primarily United States, Liechtenstein, and Germany) participate in contributory and noncontributory defined benefit plans. Benefits under the defined benefit plans are generally based on years of service and average pay. The Company funds the pension plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code in the United States and in accordance with local regulations in the specified countries.

The following tables show reconciliations of defined benefit pension plans as of December 31:

	2006	2005
Change in benefit obligation		
Benefit obligation, January 1	**57,742**	57,677
Service cost	**2,156**	2,173
Interest cost	**2,280**	2,315
Actuarial losses (gains)	**(2,121)**	943
Benefits paid	**(2,007)**	(1,549)
Participant contributions	**847**	840
Plan amendments	**496**	—
Foreign currency translation adjustments	**3,007**	(4,657)
Benefit obligation, December 31	**62,400**	57,742

	2006	2005
Change in plan assets		
Fair value of plan assets, January 1	**46,841**	44,785
Actual return on plan assets	**2,584**	4,131
Company contributions	**12,863**	1,986
Participant contributions	**869**	840
Benefits and expenses paid	**(1,969)**	(1,617)
Foreign currency translation adjustments	**(576)**	(3,284)
Fair value of plan assets, December 31	**60,612**	46,841

	2006	2005
Reconciliation of funded status		
Funded status	**(1,788)**	(10,901)
Unrecognized prior service (benefit) cost	**222**	242
Unrecognized net transition asset	**22**	—
Minimum pension liability adjustment	**—**	(1,546)
Unrecognized actuarial (gains) losses	**6,290**	6,320
(Accrued) prepaid benefit costs*	**4,746**	(5,885)

* Prior to adoption of SFAS 158

	2006	2005
Range of assumptions (in %)		
Discount rate	2.8–6.0	2.8–5.7
Expected return on plan assets	4.0–8.0	0.0–8.0
Rate of compensation increase	2.5–4.5	1.9–5.0

The following table summarizes the components of the net periodic benefit costs for defined benefit pension plans for the periods ended December 31:

	2006	2005
Service cost	**2,156**	2,173
Interest cost	**2,280**	2,315
Expected return on plan assets	**(2,334)**	(2,050)
Amortization of prior service cost	**528**	62
Amortization of transition asset	**469**	—
Net amortization and deferral of actuarial gains (losses)	**355**	1,112
Net periodic benefit cost	**3,454**	3,612

Allocation of Assets

The asset allocation for the Company's US and Liechtenstein pension plans for the years ended December 31, 2005, and the target allocation for 2006, by asset category, follows:

	2006	2005
Equity – US	**0%**	40–50%
Equity – International	**10–50%**	15–30%
Bonds	**40–90%**	0–50%
Fixed Income	**10%**	7–30%
Cash/Money market	**0–5%**	10–40%
Real estate	**5–15%**	0%

For 2005 and 2006 the Company's U.S. and Liechtenstein pension plan assets were managed by outside investment managers. Additionally, in December 2006, the Company made the decision to begin funding its pension plan in Germany and initially contributed USD 6,300, which is being managed by an outside investment manager. The Company's investment strategy with respect to pension assets is to maximize return while protecting principal. The investment manager will have the flexibility to adjust the asset allocation and move funds to the asset class that offers the most opportunity for investment returns. At December 31, 2006, the Company's U.S. pension plan was in process of changing pension asset trustees, therefore all assets were invested in Cash.

The accumulated benefit obligation for the Plans is approximately USD 55,945. The Company's overall expected long-term rate of return on plan assets is based upon historical long-term returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class. It is anticipated that the Company will make contributions of USD 1,100 to the pension plans for the fiscal year ending December 31, 2007.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

The following table provides the anticipated benefit payments in the next ten fiscal years:	
2007	1,458
2008	1,497
2009	1,962
2010	2,827
2011	1,863
2012–2016	14,294

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which is an amendment of FASB Statements No. 87, 88, 106, and 132(R). This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. This Statement also requires the employer to measure the funded status of a plan as of the date of its year-end statement of financial position. The Company has adopted SFAS No. 158 for the fiscal year end December 31, 2006.

The following tables provide the funded status of defined benefit pension plan and the amounts not yet recognized as components of net periodic pension cost as of December 31, 2006. The Company measures plan assets and benefit obligations as of the date of its financial statements.

	2006
Projected benefit obligation	**62,400**
Plan assets at fair value	**60,612**
Funded status	**(1,788)**

Items not yet recognized as a component of net periodic pension cost:	
Transition obligation	22
Prior service cost	222
Net loss (gain)	6,290
	6,534

The following table illustrates the incremental effects of applying SFAS No. 158 on individual line items made to the Company's statement of financial position for December 31, 2006, the year that the recognition provisions are initially adopted.

	Before application of statement 158	Adjustments	After application of statement 158
Assets (liability) for pension benefits	4,746	(6,534)	(1,788)
Deferred tax assets	0	2,064	2,064
Accumulated other comprehensive income	0	(4,470)	(4,470)

The Company also participates in U.S. and foreign defined contribution plans for certain locations. Expense related to these plans was USD 365 and USD 307 for the years ended December 31, 2006 and 2005, respectively.

15. Stockholders' Equity

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 Stockholders on May 4, 2006 approved conditional capital in the amount of 260,000 shares of CHF 5 each, 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 Plan. The Board of Directors will regulate the details of the issuances. As of December 31, 2006 and 2005, 238,202 shares of CHF 5 each and 95,926 shares of CHF 10 each, respectively, were available for issuance.

In connection with the Company's initial public offering in 2000, employees had the opportunity to participate in one of the two following equity purchase programs.

Leveraged Share Plan – The leveraged share plan was available to three tiers of employees: the Chief Executive Officer, other executive officers, and key employees. Depending on an eligible employee's tier, an eligible employee may have purchased shares in the offering for a total purchase price between USD 23 and USD 563. Approximately 56 employees participated in the leveraged share plan purchasing either ADRs or shares totaling 38,109 and 19,872, respectively. Each ADR represents one-tenth of one share (or a right to receive one-tenth of one share). The shares purchased under the leveraged share plan could not be transferred or sold before November 9, 2004. The plan includes specific requirements for employees who are terminated prior to this date.

Discounted Share Purchase Plan – The discounted share purchase plan was offered to employees who were not eligible to participate in the leveraged share plan. Under this plan, eligible persons were offered the opportunity to purchase shares on the closing of the offering at a 30% discount to the offer price. Each employee was entitled to purchase up to USD 8 worth of shares in the offering at a 30% discount. Employees who participated in the discounted share purchase plan purchased either ADRs or shares totaling 26,011 and 7,166, respectively. The 30% discount was treated as compensation.

The ADRs and shares issued under the leveraged share plan and discounted share purchase plan were included in the 315,000 shares offered by the Company as part of the initial public offering.

Notes Receivable from Officers – In November 2000, certain officers and key employees purchased 16,480 shares of common stock and paid the exercise price by issuing cash plus full recourse promissory notes, denominated in U.S. Dollars, Swiss Francs, or Euro, to the Company totaling USD 1,371. At December 31, 2006 and 2005, the outstanding balance on the notes was approximately USD 160. The remaining note, which has been offset against stockholders' equity for financial statement presentation, is due in November 2007 and bears an interest rate equal to 120% of the mid-term applicable federal rate. The interest is payable on a quarterly basis.

The last announcement of Zürcher Kantonalbank prior to December 31, 2006, related to 489,908 shares, representing 21.15% of the voting rights in INFICON Holding AG, as of January 11, 2006. On February 8, 2007, the Zürcher Kantonalbank reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

According to the announcement of November 29, 2006, Bank Julius Baer & Co. AG held 118,169 shares, representing 5.06% of the voting rights in INFICON Holding AG. On February 20, 2007 Julius Baer & Co. AG reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

There were no other stockholders entered in the share register holding more than 5 percent of the voting rights at December 31, 2006.

16. Stock Option Plans

Leveraged Share Plan – The aggregate amount of shares that may be issued in the form incentive stock options under the Leveraged Share Plan was 155,555 shares. All options are granted at prices equal to 100% of the market value of the common stock at the date of grant. The options are nontransferable and the plan includes specific requirements for employees who are terminated prior to exercising their options or prior to the options becoming vested.

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, on May 15 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 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 May 15, 2011.

The options are granted in Swiss Francs.

Provisions of the Plans are as follows:

Leveraged Share Plan

Vesting	50% on each of second and third anniversary from date of grant
Exercisable	50% on each of second and third anniversary from date of grant
Expiration	Seventh anniversary from date of grant

Directors Stock Option Plan

Vesting	Immediately at grant
Exercisable	One year from date of grant
Expiration	Seventh anniversary from date of grant

Management and Key Employee Stock Option Plan	
Vesting	25% each year from the date of grant
Exercisable	25% each year from the date of grant
Expiration	Seventh anniversary from date of grant

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

	Shares	Weighted Average Exercise Price (CHF)
Outstanding December 31, 2004	213,342	168.61
Granted	34,892	97.62
Forfeited	(45,428)	96.77
Exercised	(18,174)	93.30
Outstanding December 31, 2005	**184,632**	**168.61**
Granted	32,773	186.37
Forfeited	(9,229)	158.08
Exercised	(21,798)	99.08
Outstanding December 31, 2006	**186,378**	
Exercisable at December 31, 2006	**115,580**	

The following table summarizes information about stock options outstanding and exercisable at December 31, 2006.

Exercise Price (CHF)	Shares outstanding	Outstanding Options Average Price (CHF)	Remaining Term	Shares exercisable	Options Exercisable Average Price (CHF)
45.01–67.50	9,750	50.00	3.09	4,750	50.00
67.51–90.00	5,563	71.90	2.04	5,563	71.90
90.01–112.50	34,744	96.27	4.81	10,319	99.88
112.51–135.00	17,690	117.17	4.01	6,890	117.82
157.50–180.00	13,116	165.26	2.54	11,143	166.01
180.01–202.50	29,765	187.76	6.11	1,165	181.90
202.51–225.00	75,750	225.00	0.86	75,750	225.00
Totals	186,378	166.89		115,580	186.76

The weighted average remaining contractual term of outstanding and exercisable stock options at December 31, 2006 is 3.0 years and 1.8 years, respectively. The aggregate intrinsic value of outstanding and exercisable stock options at December 31, 2006 is USD 5,900 and 2,600, respectively.

As a result of applying the provisions of SFAF 123(R) during the year-ended December 31, 2006, the Company recognized stock-based compensation expense related to stock options of USD 786, net of tax benefit of USD 194. The following table illustrates the effect on net income and earnings per share if the fair value based method established in SFAS No. 123(R) had been applied in 2005:

		2005
Net income, as reported		15,528
Less: stock based compensation determined under fair value method		(1,211)
Pro forma net income		14,317
Earnings per share:		
As reported:	Diluted	6.64
	Basic	6.68
Pro forma:	Diluted	6.12
	Basic	6.16

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.

	2006	2005
Risk free interest rate	**1.88%**	1.55%
Expected volatility factor of stock price	**41.29%**	46.80%
Dividend Yield	**3.33%**	3.30%
Expected term of stock options (years)	**4.8**	4.7

Expected volatilities are based upon historical volatility of the Company's stock and traded options. Expected term has been determined using the simplified method, since the Company meets the five prerequisite criteria. The expected term under the simplified method is calculated by taking the vesting term plus original contractual term divided by 2. Unrecognized stock based compensation expense related to non-vested stock options totaled approximately USD 1,745 at December 31, 2006, 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 1.21 years.

Shares authorized for stock option awards was 260,000. During 2006 and 2005, proceeds from stock option exercises totaled USD 1,658 and USD 1,350, respectively and 21,798 and 18,174 shares, respectively, were issued in connection with these stock option exercises. All shares issued were new shares issued from available conditional share capital. The total intrinsic value of options exercised during 2006 and 2005 was USD 1,466 and USD 907, respectively. The weighted average fair value for options granted during 2006 was 51.88 CHF per share. The weighted average fair value of options vested during 2006 was 46.47 CHF per share.

17. 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. At the direction of the Company's chief operating decision maker, the President and Chief Executive Officer, and a realignment of goals and objectives, the allocation of resources and assessment of performance is now 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.

Information on the Company's sales by geographic location (determined by country of destination) was as follows:

	2006	2005
Europe	**94,394**	81,267
North America	**50,400**	54,559
Asia-Pacific	**64,000**	53,681
Other	**2,900**	1,793
	211,694	191,300

18. Earnings Per Share

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

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

	2006	2005
Numerator		
Net income	**22,049**	15,528
Denominator		
Weighted average shares outstanding	**2,343,522**	2,323,501
Effect of dillutive stock options	**27,319**	15,388
Denominator for diluted earnings per share	**2,370,841**	2,338,889
Earnings per share:		
Basic	**9.41**	6.68
Diluted	**9.30**	6.64

For the year ended December 31, 2006, the fully diluted earnings per share calculation excluded 107,154 options to purchase shares since these shares would have been anti-dilutive for 2006.

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:

	2006	2005
Total personnel costs	**62,126**	57,603
Depreciation of property, plant, and equipment	**5,039**	4,379
Amortization and impairment on intangible assets	**376**	120
Total amortization, impairment and depreciation	**5,415**	4,499

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

	2006	2005
Buildings and improvements	**18,316**	17,621
Machinery and equipment	**25,717**	23,450
	44,033	41,071

Report of the Group Auditors

To the General Meeting of INFICON Holding AG, Bad Ragaz

As auditors of the group, we have audited the accompanying consolidated balance sheets of INFICON Holding AG and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, of stockholders' equity and of cash flows for the years then ended, included on pages 30 through 45. These consolidated financial statements are the responsibility of the Company's board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the legal requirements concerning professional qualification and independence.

We conducted our audits in accordance with Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of INFICON Holding AG and its subsidiaries at December 31, 2006 and 2005 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation and defined benefit pension obligation in 2006 as required under accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers AG
Stephen W Williams　Cornelia Ritz Bossicard
Auditor in charge

Zurich, March 12, 2007

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Balance Sheet

(CHF 1,000)

ASSETS	**December 31, 2006**	December 31, 2005
Cash and cash equivalents	**7,160**	7,035
Receivables – third parties	**35**	38
Receivables – subsidiaries	**72**	201
Total current assets	**7,267**	7,274
Notes receivable – subsidiaries	**3,786**	6,704
Notes receivable – officers	**200**	200
Investments in subsidiaries	**293,948**	285,776
Total long-term assets	**297,934**	292,680
Total assets	**305,201**	299,954

LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable – third parties	**28**	49
Accounts payable – subsidiaries	**12,250**	3,367
Accrued liabilities	**407**	516
Total current liabilities	**12,685**	3,932
Total liabilities	**12,685**	3,932
Share capital; CHF 5 par value, 2,355,872 shares issued (2005: CHF 10 par value, 2,334,074 shares issued)	**11,779**	23,341
General legal reserve	**252,253**	250,254
Retained earnings	**28,484**	22,427
Total stockholders' equity	**292,516**	296,022
Total liabilities and stockholders' equity	**305,201**	299,954

Statement of Income

(CHF 1,000)

Year ended December 31,	**2006**	2005
Income from investments in subsidiaries	**19,500**	4,000
Administrative expenses	**(1,657)**	(2,253)
Income from operations	**17,843**	1,747
Interest income	**(255)**	(196)
Foreign currency exchange loss (gain)	**273**	(466)
Other (income) loss	**18**	(662)
Income before income taxes	**17,825**	2,409
Income tax expense	**(49)**	(48)
Net income	**17,776**	2,361

Notes to INFICON Holding AG

Note 1 – Description of Company

The information contained in the INFICON Holding AG, Bad Ragaz financial statements 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.

Note 2 – Investments in Subsidiaries

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

Company	Currency	December 31, 2006	2005
INFICON Inc.		(in 1,000)	(in 1,000)
Syracuse, USA			
Share Capital	USD	*****	*
Ownership		**100%**	100%
Purpose: Manufacturing, Sales and Service			
INFICON LT Inc.**			
Cambridge, USA			
Share Capital	USD	**—**	*
Ownership		**—**	100%
Purpose: 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			

Company	Currency	December 31, 2006	2005
INFICON Aaland Ab			
Mariehamn, Finland			
Share Capital	EUR	**60**	60
Ownership		**100%**	100%
Purpose: Manufacturing			
INFICON Ltd.		(in 1,000)	(in 1,000)
London, 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 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: Sales			
INFICON Pte. Ltd.			
Singapore			
Share Capital	SGD	**1,797**	1,000
Ownership		**100%**	100%
Purpose: Sales			
INFICON Ltd.			
Hong Kong			
Share Capital	HKD	**8,780**	8,780
Ownership		**100%**	100%
Purpose: Sales			
INFICON Guangzhou Service Centre Ltd.			
Guangzhou			
Share Capital	RMB	**9,837**	9,837
Ownership		**100%**	100%
Purpose: Service			

* The Company was issued 100 shares of INFICON, Inc. which have a nominal value of USD 0.01 per share.
** The Company was liquidated and merged with INFICON Inc., Syracuse, USA per December 31, 2006.

Note 3 – Equity

See footnotes to the consolidated financial statements for a description of the company capital and the related stock plans.

The last announcement of Zürcher Kantonalbank prior to December 31, 2006, related to 489,908 shares, representing 21.15% of the voting rights in INFICON Holding AG, as of January 11, 2006. On February 8, 2007, the Zürcher Kantonalbank reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

According to the announcement of November 29, 2006, Bank Julius Baer & Co. AG held 118,169 shares, representing 5.06% of the voting rights in INFICON Holding AG. On February 20, 2007 Julius Baer & Co. AG reduced its holding to less than 5% of the voting rights in INFICON Holding AG.

There were no other stockholders entered in the share register holding more than 5 percent of the voting rights at December 31, 2006.

Note 4 – Issued, Authorized and Conditional Share Capital

Issued Share Capital / Share Capital Increase
During 2006, employees of INFICON exercised stock options which resulted in 21,798 new shares being issued and increased nominal share capital after the par value reduction from CHF 10 to CHF 5 on July 31, 2006, by CHF 108,990. The share premium thereon of CHF 1,997,505 has been credited to the general legal reserve. At December 31, 2006, the number of issued INFICON Holding AG registered shares amounted to 2,355,872 (2005: 2,334,074) 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 1,300,000 through the issuance of 260,000 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 2006, employee stock options were exercised resulting in an increase in share capital of 21,798 shares. The balance of conditional share capital at December 31, 2006 is CHF 1,191,010.

Note 5 – Contingent Liabilities

In CHF 1,000	**2006**	2005
Guarantees in favor of affiliated companies	**10,338**	8,380

Appropriation of Available Earnings

(Proposal of the Board of Directors)

In CHF 1,000	**2006**	2005
Retained earnings at beginning of year	**22,427**	20,066
Dividend payment to shareholders	**(11,719)**	
Net income	**17,776**	2,361
Retained earnings	**28,484**	22,427
Gross dividend* (2006: CHF 6 / 2005: CHF 5 each share)	**(14,135)**	(11,719)
Transfer from General Legal Reserve to Retained Earnings**	**40,000**	—
Balance to be carried forward	**54,349**	10,708

* Proposed dividend represents an estimated amount. This will be adjusted to take account of any new shares entitled to dividend which are issued subsequent to December 31 and prior to the date of the dividend payment.

**The transfer from the General Legal Reserve to Retained Earnings is for the purpose of implementing the Board of Directors decision to repurchase own shares of up to CHF 40,000,000 during 2007.

Report of the Statutory Auditors

To the General Meeting of INFICON Holding AG, Bad Ragaz

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) included on pages 48 to 51 of INFICON Holding AG for the year ended December 31, 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG
Stephen W Williams Cornelia Ritz Bossicard
Auditor in charge

Zurich, March 12, 2007

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 2006.

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.

2006 Annual Report / Jahresbericht

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