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H A L F - Y E A R R E P O R T
H A L B J A H R E S B E R I C H T



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 Stock 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 erstausrüstenden Anlagenhersteller (OEM) als auch die Hersteller von Halbleitern, Flachbildschirmen, Datenspeichern und Präzisionsoptik von entscheidender Bedeutung. INFICON liefert ferner 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 Börse in Zürich kotiert.

Key Figures Kennzahlen

According to U.S. GAAP

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

	Half-Year		Full Year
	2005	2004	2004
Net sales	98,067	97,138	188,147
Research and development	9,820	10,021	20,181
Income from continuing operations before income taxes	9,477	11,279	16,121
<i>in % of net sales</i>	9.7%	11.6%	8.6%
Net income	7,152	7,600	9,421
Cash and short-term investments	57,554	47,963	61,164
Cash flow from operations	3,483	12,635	23,122
Capital expenditures	1,961	2,082	3,745
Total assets	171,164	162,041	172,165
Long-term debt	—	—	—
Shareholders' equity	140,340	132,024	142,304
Employees	722	714	729
Ratios per share			
Net income per share – diluted	3.06	3.26	4.07
Free cash flow* per share – diluted	0.65	4.52	8.31
Shareholders' equity per share – diluted	60.10	56.55	61.00

Sales by Geographic Region

Half-Year 2005



Europe	42,147	42,797	83,147
North America	28,438	29,470	51,434
Asia-Pacific	26,414	23,710	51,783
Other	1,068	1,161	1,783

Sales by End Market

Half-Year 2005



General Vacuum Processes	44,012	41,349	82,747
Semiconductor & Vacuum Coating	27,548	29,727	58,800
Refrigeration and Air Conditioning	15,475	14,333	28,100
Emergency Response & Security	11,032	11,729	18,500

* Free Cash Flow = Operating Cash Flow – Property, Plant and Equipment Investments

Board of Directors

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

Audit Committee

Dr. Thomas Staehelin (Chair), Mario Fontana, Gustav Wirz

Human Resources and Nominating Committee

Paul Otth (Chair), Dr. Richard Fischer, Gustav Wirz

Strategy Committee

Mario Fontana (Chair), Dr. Richard Fischer, Gustav Wirz

Executive Management

Lukas Winkler	President, Chief Executive Officer
Peter Maier	Vice President, Chief Financial Officer
Dr. Stephan De Luca	Vice President, Worldwide Sales and Business Development
Dr. Ulrich Doebler	Vice President, Leak Detection
Daniel E. Hoffman	Vice President, Intelligent Sensor Solutions
Gary Lewis	Vice President, Intelligent Sensor Solutions (Operations)
Dr. Urs Wälchli	Vice President, Vacuum Control

Investor Relations

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Half-Year Report

Halbjahresbericht

Steady Sales in a Challenging Environment

The first half of 2005 for INFICON was marked with improved sales in the first quarter and a more challenging than expected environment in the second quarter. This variation is a reflection of changes in target market development and world economic influences. As industry analysts widely observed, the global market for semiconductor equipment was weaker than expected. Also demand for optical data storage equipment was considerably less robust than predicted. However, INFICON sales remained steady in the refrigeration/air conditioning and environmental/security markets that we address, and in fact, increased in our general vacuum processes markets which include a broad array of industrial applications such as R&D, aerospace, automotive and analytical instrumentation.

Other important events during this half year include our welcoming Gustav Wirz as chairman of the INFICON Board of Directors. Mr. Wirz has been serving as vice chairman of the board since 2004, and as planned, Paul E. Otth resumed his former position of vice chairman.

We voluntarily delisted INFICON American Depositary Shares underlying American Depositary Receipts (ADRs) from the Nasdaq National Market and terminated our ADR program. The termination of this program in the U.S. did not affect our listing on the SWX Swiss Exchange, which we think provides ample liquidity to our shareholders. We believe the cost savings from the Nasdaq delisting will benefit our company.

Effective September 8, 2005, the Company filed Form 15 with the U.S. Securities and Exchange Commission which suspends

Gehaltene Umsätze in anspruchsvollem Umfeld

Das erste Halbjahr 2005 von INFICON begann im ersten Quartal noch mit steigenden Umsatzzahlen; im zweiten Quartal gestaltete sich das wirtschaftliche Umfeld allerdings schwieriger als erwartet, bedingt zum einen durch Veränderungen in unseren Zielmärkten und zum anderen im weltwirtschaftlichen Umfeld. Wie Branchenkenner und Analysten allgemein festhielten, erwies sich der internationale Markt für Halbleiterausstattungsgüter schwächer als erwartet. Auch die Nachfrage nach Produktionsanlagen zur Herstellung von optischen Datenträgern blieb deutlich hinter den Prognosen zurück. Die Verkaufszahlen von INFICON blieben dafür in den Zielmärkten Kühl- und Klimatechnik sowie Umweltschutz und Sicherheit konstant oder legten im Bereich übrige Vakuumprozesse sogar zu. Der letztgenannte Zielmarkt umfasst Anwendungen in der Forschung und Entwicklung, in der Luft- und Raumfahrt, der Automobilindustrie sowie aus der Analytik.

Im ersten Semester begrüßten Gustav Wirz als neuen Verwaltungsratspräsidenten von INFICON. Herr Wirz stiess bereits 2004 als Vize-Präsident zum Verwaltungsrat. Wie geplant übernahm mit dem Wechsel des Vorsitzes Paul E. Otth wieder sein früheres Amt als Vize-Präsident des Verwaltungsrates.

Ebenfalls im ersten Halbjahr dekotierten wir freiwillig die INFICON American Depositary Shares, denen American Depositary Receipts (ADRs) zu Grunde liegen, vom Nasdaq National Market. Damit beendeten wir unser ADR-Programm in den USA. Dieser Schritt hat keinen Einfluss auf die Kotierung der INFICON Aktien an der SWX Swiss Exchange, wo unseren Aktionären auch künftig eine genügend liquide Handelsplattform zur Verfügung steht. Die aus der Nasdaq-Dekotierung resultierenden Kosteneinsparungen kommen zudem unserer Gesellschaft zugute.

our duty to file future reports with the U.S. Securities and Exchange Commission.

Several initiatives supporting our target of achieving profitable growth through maximizing efficiency and profitability have been completed, and others are initiated.

Strategic Balance Delivers Results

In our targeted semiconductor and vacuum coating processes markets, our business was held back by an overall lower demand from semiconductor device manufacturers and original equipment manufacturers (OEMs), although INFICON was partially insulated from the slowdown in capital spending in the first quarter by our focus on the newer 300mm manufacturing processes of the semiconductor industry. The revenue decrease was mostly attributable to lower demand for optical data storage equipment, as disc manufacturers appear to be waiting for standards clarification on next generation DVDs before investing in new equipment. This decline was partially offset by increased demand from flat panel display manufacturers and OEMs. INFICON is fully prepared to capitalize on this dynamic market as here, also, we address the newest technology horizon with specially designed products for the production of larger, sharper, more energy-efficient flat panel displays.

The very slight decrease in sales to the emergency response and security markets was due primarily to the timing of large orders from military and government security organizations. We continue our penetration of the water monitoring market, a very promising sector for INFICON driven by rising worldwide concern for water purity and security.

With our comprehensive product portfolio, INFICON maintains the leadership position in leak detection products for the refrigeration/air conditioning market, where we saw an increase from European and Asian manufacturers of appliances, as well as stronger sales to automotive customers. Much of our new business was driven by air conditioning and refrigeration

Mit Wirkung zum 8. September 2005 hat INFICON Form 15 bei der U.S. Börsenaufsichtsbehörde (Securities and Exchange Commission) eingereicht. Damit ist INFICON fortan von der Pflicht befreit, Berichte bei der Securities and Exchange Commission einzureichen.

Unser strategisches Ziel bleibt weiterhin die Ausrichtung des Unternehmens auf profitables Wachstum. Zur Erreichung dieses Ziels haben wir eine Reihe konkreter Initiativen abgeschlossen oder neu lanciert.

Erfolgreicher strategischer Ausgleich

Im Zielmarkt Halbleiter- und Vakuumbeschichtungsprozesse wurde unser Geschäft durch eine generell tiefere Nachfrage der Halbleiterhersteller und der Produzenten von Chip-Produktionsanlagen (OEMs) gebremst, obwohl INFICON durch die Ausrichtung auf die neueste 300-mm-Wafertechnologie zu einem gewissen Teil von den Folgen zurückgefahrter Investitionsbudgets verschont blieb. Der Umsatzrückgang resultierte daher hauptsächlich aus der tieferen Nachfrage nach Produktionsanlagen für optische Datenträger. Die Hersteller von DVDs scheinen weitere Investitionen zurückzuhalten, bis Klarheit über die Standards der nächsten DVD-Produktgeneration herrscht. Der Rückgang in diesem Bereich wurde teilweise mit einer Nachfragezunahme der Flachbildschirmhersteller und ihrer Zulieferer wieder ausgeglichen. INFICON ist bestens positioniert, um von diesem dynamischen Markt zu profitieren. Wir richten unsere Spezialprodukte hier gezielt auf die jeweils neuesten Technologien aus, die zur Herstellung stets grösserer, energieeffizienterer Flachbildschirme mit steigender Auflösung dienen.

Der geringe Umsatzrückgang bei den Lieferungen in den Anwendungsberich Notfallhilfe und Sicherheit hängt im Wesentlichen mit der zeitlichen Staffelung der Auftragsfreigabe durch militärische und staatliche Stellen zusammen. Mit unseren Wasserqualitätsüberwachungsprodukten treiben wir die Erschliessung dieses zukunftssträchtigen Marktes gezielt weiter voran. Dieser Sektor bietet wegen des weltweit steigenden Bewusstseins für Wasserreinheit und -sicherheit grosse Wachstumschancen.

Im Bereich Lecksucher für die Klima- und Kühltechnikmärkte verfügt INFICON mit einem umfassenden Pro-

“The resilient performance of INFICON further validates our strategic focus on serving selected, diverse markets for sustainable, balanced momentum.”

“Die gesamthaft erfreuliche Entwicklung von INFICON bestätigt die Richtigkeit der Strategie, im Sinne einer nachhaltig ausgeglichenen Entwicklung bewusst unterschiedliche Zielmärkte zu bearbeiten.”

manufacturers in China, whose awareness of quality considerations has been growing. To build on this demand, we introduced a redesigned leak detector aimed specifically at the Chinese market to help combat local competition. Additionally, we have been gaining traction with sub-suppliers in the U.S. automotive market, who use INFICON leak detectors not only in the manufacture and installation of air conditioning units, but also for fuel line, airbag and wheel-well testing.

INFICON experienced strong performance in our general vacuum processes market based on sales to research laboratories, industrial customers, distributors in all geographic areas and to our private-label partners. This is a market INFICON reaches very efficiently through the largest vacuum pump manufacturers who resell our products as private-label products under their own brand.

Financial Review

Net sales reflected the market conditions for the first six months of 2005. INFICON net sales totaled USD 98.1 million, compared to USD 97.1 million for the same period a year ago. On a constant dollar basis, sales for the first half decreased 1.8% or USD 1.8 million.

Gross profit margin was 46.1% for the six months ended June 30, 2005 as compared to 47.6% for same period in 2004. This decrease primarily due to an unfavorable product mix, volume discounts for certain larger orders, and increased sales to our private label partners, which carry a lower gross margin.

Research and development expenditures were approximately 10% of net sales for both the six-months ended 2005 and 2004. In absolute dollars, there was a modest decrease due to lower project expense, which was partially offset by the impact of unfavorable changes in exchange rates. Spending was centered on the development of new products and improvements in all key product lines.

Selling, general, and administrative costs were relatively unchanged for the six months ended June 30, 2005 and 2004. Unfavorable

duktportefeuille über eine Führungsposition. Insbesondere die Gerätehersteller aus Europa und Asien erhöhten ihre Nachfrage. Zudem nahmen auch die Bestellungen aus der Automobilindustrie zu. Ein Grossteil des Neugeschäfts konnte mit chinesischen Klima- und Kühlgeräte-Herstellern erzielt werden, bei denen das Umwelt- und Qualitätsbewusstsein deutlich steigt. Um gezielt auf diesen Nachfragetrend einzugehen und um der lokalen chinesischen Konkurrenz zu begegnen, bieten wir neu speziell für den chinesischen Markt angepasste Lecksucher an. Nicht zuletzt profitierten wir von der US-Automobilindustrie und ihren Zulieferern, die INFICON Lecksucher in der Herstellung und beim Einbau von Klimaanlage in Autos sowie zur Prüfung der Treibstofftanks, der Airbags und der Radfelgen verwenden.

Auch im Bereich der übrigen Vakuumanwendungen verzeichnete INFICON eine starke Geschäftsentwicklung. Hier stützte sich die Umsatzzunahme sowohl auf Verkäufe an Forschungslabors und eine breite Industriekundschaft als auch auf Distributoren in sämtlichen Marktregionen sowie auf unsere wichtigen Private-Label-Partner. Diesen Marktbereich beliefert INFICON effizient vorwiegend über weltweit führende Vakuumpumpen-Hersteller, die ihrerseits unsere Produkte als Private-Label-Komponenten unter ihrer jeweiligen Marke verkaufen.

Finanzbericht

Der Nettoumsatz von INFICON folgte den sich ändernden Marktverhältnissen im ersten Halbjahr: er betrug USD 98.1 Mio. nach USD 97.1 Mio. im selben Vorjahreszeitraum. Zu konstanten Dollarkursen nahm der Umsatz im ersten Semester um 1.8% oder USD 1.8 Mio. ab.

Die Bruttomarge der ersten sechs Monate per 30. Juni 2005 betrug 46.1% nach 47.6% im entsprechenden Vorjahreszeitraum. Der Rückgang geht hauptsächlich auf einen weniger vorteilhaften Produkt-Mix, Rabatte bei gewissen Grossaufträgen sowie höhere Verkaufszahlen im Bereich der tiefermargigen Private-Label-Produkte zurück.

Forschungs- und Entwicklungsausgaben machten wie im Jahr 2004 auch in den ersten sechs Monaten rund 10% des Nettoumsatzes aus. In Dollars ergab

changes in year over year exchange rates were fully absorbed by lower costs resulting from headcount reductions. In addition, there were certain one-time charges related to our NASDAQ delisting which were fully compensated by the reversal of certain tax reserves, following the successful completion of an audit.

Other income for the six months ended June 30, 2005 was lower by USD 1.0 million, due to the 2004 gain on receipt and subsequent sale of stock received from the conversion of Prudential Financial, Inc. to a public stock company from a mutual company.

Income tax expense was 24% and 27% of pre-tax income for the six months ended June 30, 2005 and 2004, respectively. This decrease was primarily the result of a more favorable mix of taxable income between tax jurisdictions.

Net income totaled USD 7.2 million, as compared to USD 7.6 million for the first half of 2004.

Operating cash flow was USD 3.5 million and USD 12.6 million for the six months in 2005 and 2004, respectively. The decrease of USD 9.1 million in 2005 results primarily from an increase in trade accounts receivable due to the timing of sales as well as customer mix. Additionally, changes in foreign currency exchange rates, primarily, CHF to USD and EUR to USD resulted in a decrease in cash of USD 5.4 million.

sich eine leichte Reduktion aufgrund tieferer Projektkosten, die jedoch teilweise wieder durch die nachteilige Wechselkursentwicklung aufgehoben wurde. Die Ausgaben betrafen hauptsächlich die Entwicklung von Neuprodukten und Produktverbesserungen in allen wichtigen Produktlinien.

Die Verkaufs-, Gemein- und Verwaltungskosten veränderten sich gegenüber dem gleichen Vorjahressemester in den ersten sechs Monaten des Jahres 2005 kaum: Die im Jahresvergleich nachteiligen Wechselkursentwicklungen wurden vollständig durch tiefere Kosten über Personalabbau aufgefangen. Hinzu kommen Einmalkosten im Zusammenhang mit der Nasdaq-Dekotierung. Diese Kosten konnten nach einer erfolgreich abgeschlossenen Steuerprüfung durch die Auflösung von Rückstellungen kompensiert werden.

Der sonstige Ertrag fiel in den ersten sechs Monaten per 30. Juni 2005 USD 1.0 Mio geringer aus als im Vorjahr. Dies geht auf den Erhalt und anschließenden Verkauf von Aktien der Prudential Financial, Inc. zurück. INFICON hatte diese Aktien anlässlich der Umwandlung von Prudential von einer Genossenschaft in eine Aktiengesellschaft erhalten.

Die Gewinnsteuern machten im ersten Halbjahr 2005 24% des Vorsteuergewinns aus, nach 27% im gleichen Vorjahreszeitraum. Dieser Rückgang erklärt sich in erster Linie damit, dass Gewinne in Ländern mit niedrigeren Steuersätzen anfielen.

Der Nettogewinn betrug im ersten Semester USD 7.2 Mio. nach USD 7.6 Mio. im entsprechenden Vorjahreszeitraum 2004.

Der Geldfluss aus Geschäftstätigkeit betrug USD 3.5 Mio. für das erste Halbjahr 2005 und USD 12.6 Mio. für das erste Halbjahr des Vorjahres. Dieser Rückgang von USD 9.1 Mio im Jahr 2005 wurde hauptsächlich durch einen Anstieg der ausstehenden Kundenforderungen verursacht. Ursache dafür waren die zeitliche Verteilung von Verkäufen zum Ende des Halbjahres hin als auch der Kundenmix. Zusätzlich verursachten Veränderungen in den Wechselkursen hauptsächlich zwischen CHF und EUR zum USD einen Rückgang von liquiden Mitteln um USD 5.4 Mio.

Consolidated Statements of Income

(Unaudited)

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

Six Months Ended June 30,	2005	2004
Net Sales	98,067	97,138
Cost of sales	52,823	50,919
Gross profit	45,244	46,219
Research and development	9,820	10,021
Selling, general, and administrative	26,181	26,049
Operating income from continuing operations	9,243	10,149
Interest (income), net	(150)	(2)
Other expense (income), net	(84)	(1,128)
Income from continuing operations before income taxes	9,477	11,279
Provision for income taxes	2,263	2,986
Income from continuing operations	7,214	8,293
Loss from operations of discontinued operations of Patterning Solutions (less income tax benefit of \$113 YTD 2005 and \$837 YTD 2004)	(179)	(1,179)
Income on disposal of discontinued operations of Ultra Clean (less applicable income tax provision of \$17 YTD 2005 and \$50 YTD 2004)	117	486
Loss from discontinued operations	(62)	(693)
Net income	7,152	7,600
Earnings (loss) per share:		
Diluted:		
Continuing operations	3.09	3.55
Discontinued operations	(0.03)	(0.30)
Total	3.06	3.26 *
Basic:		
Continuing operations	3.11	3.58
Discontinued operations	(0.03)	(0.30)
Total	3.08	3.28
Weighted average shares outstanding:		
Diluted	2,334,919	2,334,512
Basic	2,321,414	2,315,345

* Figures may not total due to rounding.

Consolidated Balance Sheets

(Unaudited)

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

ASSETS	June 30, 2005	December 31, 2004	June 30, 2004
Current assets:			
Cash and cash equivalents	52,366	56,116	47,963
Short-term investments	5,188	5,048	—
Trade accounts receivable, net	26,271	19,998	23,131
Accounts receivable – affiliates	655	735	1,097
Inventories, net	20,229	21,029	19,848
Deferred tax assets	2,599	2,650	2,364
Other current assets	4,300	3,177	4,034
Total current assets	111,608	108,753	98,437
Property plant and equipment, net	20,907	22,779	21,864
Intangibles, net	909	1,334	1,112
Deferred tax assets	35,370	37,134	38,274
Other assets	2,370	2,165	2,354
Total non-current assets	59,556	63,412	63,604
Total assets	171,164	172,165	162,041
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Trade accounts payable	6,031	6,092	7,198
Accounts payable – affiliates	75	268	8
Short-term borrowings	569	—	—
Accrued liabilities	14,901	15,081	15,273
Income taxes payable	1,787	1,617	1,265
Deferred tax liabilities	885	1,005	732
Total current liabilities	24,248	24,063	24,476
Deferred tax liabilities	650	550	491
Other liabilities	5,926	5,248	5,050
Total non-current liabilities	6,576	5,798	5,541
Total liabilities	30,824	29,861	30,017
Stockholders' equity	140,340	142,304	132,024
Total liabilities and stockholders' equity	171,164	172,165	162,041

Consolidated Statements of Cash Flows

(Unaudited)

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

Six Months Ended June 30,	2005	2004
Cash flows from operating activities:		
Net income	7,152	7,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,147	2,310
Gain on receipt and sale of marketable securities	—	(1,038)
Impairment of long lived assets	—	341
Deferred taxes	1,117	1,760
Changes in operating assets and liabilities:		
Trade accounts receivable	(7,188)	(2,069)
Inventories	(795)	(709)
Other assets	(2,013)	(766)
Trade accounts payable	211	1,177
Accrued liabilities	900	2,564
Income taxes payable	324	322
Other liabilities	1,628	1,143
Net cash provided by operating activities	3,483	12,635
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,961)	(2,082)
Proceeds from sale of marketable securities	—	1,038
Purchase of short-term investments	(724)	—
Net cash used in investing activities	(2,685)	(1,044)
Cash flows from financing activities:		
Proceeds from short-term borrowings	569	—
Proceeds from exercise of stock options	299	31
Net cash provided by financing activities	868	31
Effect of exchange rate changes on cash and cash equivalents	(5,416)	(733)
Increase (decrease) in cash and cash equivalents	(3,750)	10,889
Cash and cash equivalents at beginning of period	56,116	37,074
Cash and cash equivalents at end of period	52,366	47,963

Consolidated Statements of Stockholders' Equity

(Unaudited)

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

	Common stock	Additional paid-in capital	Note receivable from officers	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 2003	13,033	94,024	(383)	5,941	13,144	125,759
Net income				7,601		7,601
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments					(1,367)	(1,367)
Total comprehensive income						6,234
Issuance of common stock from exercise of stock options	25	6				31
Balance at June 30, 2004	13,058	94,030	(383)	13,542	11,777	132,024
Balance at December 31, 2004	13,040	94,051	(421)	15,362	20,272	142,304
Net income				7,152		7,152
Other comprehensive income (loss), net of tax:						
Unrealized gain (loss) on foreign currency hedges, net of related income tax of \$10					26	26
Foreign currency translation adjustments					(9,488)	(9,488)
Total comprehensive income (loss)						(2,310)
Issuance of common stock from exercise of stock options	268	31				299
Foreign currency revaluation of notes			47			47
Balance at June 30, 2005	13,308	94,082	(374)	22,514	10,810	140,340

Notes to the Financial Statements

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

1. Basis of Presentation

The accompanying interim financial statements as of June 30, 2005, and for the six months ended June 2005 and 2004, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. While the financial information is unaudited, the financial statements included in this report reflect all adjustments the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the interim balance sheet. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

The balance sheet as of December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's annual report for the year ended December 31, 2004.

There has been no significant change in the Company's accounting policies and estimates during the 2005.

2. Currency Translation

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

Currency	Period-end Rates			Average Rates Six Months Ended	
	June 30, 2005	December 31, 2004	June 30, 2004	June 30, 2005	June 30, 2004
CHF	0.7797	0.8839	0.7901	0.8319	0.7904
EUR	1.2066	1.3644	1.2085	1.2864	1.2275
JPY	0.0090	0.0097	0.0092	0.0094	0.0092
HKD	0.1287	0.1286	0.1282	0.1283	0.1284
KRW	0.0010	0.0010	0.0009	0.0010	0.0009

3. Pension

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

	June 30, 2005	June 30, 2004
Service cost	1,006	960
Interest cost	1,068	1,057
Expected return on assets	(1,105)	(1,023)
Net amortization of:		
Prior service cost	36	35
Net actuarial loss	493	519
Net periodic pension cost	1,498	1,548

4. Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals

the market price of the underlying stock on the date of grant, no compensation expense is recognized.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

Six Months Ended	June 30, 2005	June 30, 2004
Net income, as reported	7,152	7,600
Income from continuing operations	7,214	8,293
Less: stock based compensation expense, net of tax	(664)	(538)
Proforma income from continuing operations	6,550	7,755
Income (loss) from discontinued operations	(62)	(693)
Net income (loss) – pro forma	6,488	7,062
Earnings (loss) per share		
Diluted:		
Continuing operations – as reported	3.09	3.55
Discontinued operations – as reported	(0.03)	(0.30)
Total – as reported	3.06	3.26
Continuing operations – pro forma	2.81	3.32
Discontinued operations – pro forma	(0.03)	(0.30)
Total – pro forma	2.78	3.03*
Basic:		
Continuing operations – as reported	3.11	3.58
Discontinued operations – as reported	(0.03)	(0.30)
Total – as reported	3.08	3.28
Continuing operations – pro forma	2.82	3.35
Discontinued operations – pro forma	(0.03)	(0.30)
Total – pro forma	2.79	3.05

* Figures may not total due to rounding.

5. Warranty

The activity in the warranty reserve was as follows:

	2005	2004
Balance at Beginning of Year	2,244	2,514
Add: Warranty Provision	954	811
Deduct: Claims against Reserve	(915)	(1,015)
Balance at June 30	2,283	2,310

6. Segment Information

The Company is a global supplier of instrumentation for analysis, monitoring, and control in the general vacuum processes, semiconductor and vacuum coating, refrigeration and air condition, and emergency response and security markets. Effective January 1, 2005, the Company changed to one operating segment from its prior operating segments of Semiconductor Vacuum Instrumentation and General Vacuum Instrumentation. 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.

7. Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement (SFAS) No. 123(R), "Share-Based Payment", which is a revision of SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share-based payments is no longer an alternative. SFAS No. 123(R) is effective for all periods after January 1, 2006. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. The Company is currently assessing the impact of adopting SFAS 123(R) to its consolidated financial statements.

Certain statements contained in this Half-Year 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 on Form 20-F for fiscal 2004 .

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.

The INFICON Half-Year Report 2005 is available for your convenience in English and German. The English language version is binding. This Report may be downloaded from the Investor Relations section of our website, www.inficon.com, under Financial Reports. Printed-out copies can be sent by request to investor.relations@inficon.com.

2005 Halbjahresbericht / Half-Year Report

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