



HALF-YEAR REPORT **2006**
HALBJAHRESBERICHT



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.

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

Key Figures Kennzahlen

According to U.S. GAAP

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

	Half-Year		Full Year
	2006	2005	2005
Net sales	101,469	98,067	191,300
Research and development	8,871	9,820	18,700
Selling, general and administrative	26,298	26,181	50,098
Income from operations before income taxes	12,522	9,243	20,416
<i>in % of net sales</i>	12.3%	9.4%	10.7%
Net income	9,274	7,152	15,528
Cash and short-term investments	66,198	57,554	72,268
Cash flow from operations	9,553	3,483	17,853
Capital expenditures	4,618	1,961	3,998
Total assets	189,608	171,164	181,331
Long term debt	–	–	–
Shareholders equity	143,642	140,340	147,123
Employees	780	722	713
Ratios per Share			
Net income per share – diluted	3.91	3.07	6.64
Shareholders equity per share – diluted	60.63	60.15	62.90
Free cash flow per share – diluted	2.08	0.65	5.92
Sales by Geographic Region			
Europe	43,186	42,147	81,267
North America	28,453	28,438	54,559
Asia-Pacific	29,311	26,414	53,681
Other	519	1,068	1,793
Sales by End Market			
General Vacuum Processes	43,878	43,412	86,800
Semiconductor & Vacuum Coating	33,551	28,148	53,400
Refrigeration and Air Conditioning	14,862	15,475	29,600
Emergency Response & Security	9,178	11,032	21,500

(U.S. Dollars in Millions)

2006 Half-Year Sales by Geographic Region



Europe	43.2
North America	28.5
Asia Pacific	29.3
Other	0.5

2006 Half-Year Sales by End Market



General Vacuum Processes	43.9
Semiconductor & Vacuum Coating	33.5
Refrigeration and Air Conditioning	14.9
Emergency Response & Security	9.2

Net sales



Research and development



Selling, general and administrative



Net income



Net income per share



Cash flow from operations



Group Organization

Organe

Board of Directors

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

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Half-Year Report Halbjahresbericht

Momentum in our business environment accelerated significantly as 2006 progresses, leading to a record revenue level for INFICON for the second quarter.

Die Dynamik hat im bisherigen Jahresverlauf in unserem Geschäftsumfeld deutlich zugenommen und führte im zweiten Quartal sogar zu einem Umsatz in Rekordhöhe für INFICON.

Increased Sales and Operating Results

Momentum in our business environment accelerated significantly as 2006 progresses, leading to a record revenue level for INFICON for the second quarter. Profitability for the period clearly demonstrated the progress we have made in enhancing our businesses processes and streamlining our structure to improve operating leverage. Our results confirm that we are on target to achieve our full year sales growth of 5–10% and operating margin of 12%.

Acquisition Gives Competitive Advantage

A highlight of the half-year was the acquisition of Electro Dynamics Crystal Corp. (EDC), on February 28, 2006. EDC has been a premier manufacturer of quartz-based products, which are essential for the operation of thin film monitoring and control instruments. The acquisition makes INFICON a leading player in contouring as well as coating quartz crystal products for the optical coating and display markets - and gives us a competitive advantage through supply chain vertical integration. Increasing demand for displays for mobile phones, computers, digital cameras and other consumer electronics, as well as wireless communications and other technologies, demonstrates we can expect increasing demand for high quality, competitively priced quartz-based products. We successfully completed the integration of EDC into INFICON during the second quarter and, as expected, the acquisition has been accretive to earnings.

High Pace of Innovation

In keeping with our mission of developing innovative analysis, measurement and control products, we introduced a new thin film deposition controller, the XTC/3 with our patented ModeLock technology during June. This affordable new controller offers highly accurate control of deposition rate and thickness with the capacity for virtually any number of layers, complementing our extensive line of thin film monitors and controllers for the vacuum coating market.

Gestärkter Umsatz- und Betriebsgewinn

Die Dynamik hat im bisherigen Jahresverlauf in unserem Geschäftsumfeld deutlich zugenommen und führte im zweiten Quartal sogar zu einem Umsatz in Rekordhöhe für INFICON. Die getroffenen betrieblichen und organisatorischen Massnahmen stärkten im ersten Halbjahr unsere Ertragskraft deutlich. Der Semesterabschluss bestätigt daher, dass wir auf Kurs sind und für das ganze Geschäftsjahr mit einem Umsatzwachstum von 5–10% und einer Betriebsmarge von 12% rechnen können.

Akquisition bringt Wettbewerbsvorteile

Die Akquisition der Electro Dynamics Crystal Corp. (EDC) am 28. Februar 2006 war ein wichtiger Meilenstein im ersten Halbjahr. EDC ist ein führender Hersteller von quarzbasierten Produkten, die insbesondere für die Herstellung von Dünnschichtkontrollgeräten sehr wichtig sind. Diese Akquisition macht INFICON zu einem führenden Anbieter auf dem Gebiet der Formgebung und Beschichtung von Quarzkristall-Produkten. Die vertikale Integration stärkt unsere Wettbewerbsstellung besonders auf den wichtigen Märkten der optischen Vergütungen sowie der Bildschirmherstellung. Aufgrund des ungebremst steigenden Bedarfs nach Bildschirmen für Mobiltelefone, Computer, Digitalkameras und ähnliche Geräte sowie der rasanten technologischen Entwicklung nicht zuletzt auf dem Gebiet der drahtlosen Kommunikation (Wireless) erwarten wir eine steigende Nachfrage nach qualitativ hochstehenden, preislich attraktiven Quarzprodukten. EDC wurde im zweiten Quartal erfolgreich in die INFICON Gruppe integriert und wirkt sich wie erwartet positiv auf unseren Ertrag aus.

Hoher Innovationsrhythmus

INFICON strebt am Markt eine führende Stellung als Entwickler von innovativen Analyse-, Mess- und Kontrollgeräten an. Dies ist uns im Juni mit der Lancierung eines neuen Dünnschicht-Kontrollgerätes, dem XTC/3, wiederum gelungen. Dieses Gerät basiert auf der patentierten ModeLock-Technologie und ergänzt die breite, auf den Vakuumbeschichtungsmarkt aus-

Shortly thereafter, we introduced two more innovative products at the SEMICON West trade show. The first was another vacuum gauge in our line of capacitance diaphragm gauges that use an ultra-pure ceramic sensor designed for reliable performance in harsh semiconductor manufacturing environments. The second was a new test chamber specially designed for the INFICON UL1000 Fab Leak Detector for automated, reliable checking of airtight packages during the production of sealed parts such as IC packages, quartz crystals and laser diodes.

Further confirming our reputation for technically superior products and technologies, the prominent trade publication R&D Magazine recently recognized the Protec P3000 Helium Leak Detector – powered by Wise Technology™ – as one of the 100 most technologically significant new products and processes of the year in an international competition. INFICON received this award in 2004 for our TripleGauge Capacitance Diaphragm Vacuum Gauge, and we were honored to be recognized again for our leadership in purpose-driven products that help our customers maximize their productivity.

Further confirming our reputation for technically superior products and technologies, the prominent trade publication R&D Magazine recently recognized the Protec P3000 Helium Leak Detector – powered by Wise Technology™ – as one of the 100 most technologically significant new products and processes of the year in an international competition.

Die wichtige Branchenzeitschrift R&D Magazine zeichnete den Protec P3000 Helium-Lecksucher, der mit der neuen Wise-Technologie™ ausgestattet ist, als eines der 100 technisch wichtigsten neuen Produkte oder Prozesse des Jahres aus. Diese Auszeichnung unterstreicht nochmals unseren Ruf als Entwickler von technologisch führenden Produkten und Technologien.

Returning Cash to Shareholders

During the first half of 2006, INFICON generated USD 9.5 million in cash from operating activities compared to USD 3.5 million in the same period last year. This accomplishment underscores the Company's strong cash generating capability and supported our Board of Directors proposal to implement an annual dividend program – beginning with a dividend of CHF 5.00 per share for fiscal 2005 – and to execute a par value repayment of CHF 5.00 per share, equating to half the nominal value of each share. Both proposals were approved at the Annual General Meeting of Shareholders on May 4, 2006. The dividend was paid on May 9, 2006, while the par value repayment was settled in cash on July 31, 2006. In total, INFICON returned approximately 18 MUSD of cash to shareholders during 2006.

Strong Sales in Multiple Markets

In the **Semiconductor and Vacuum Coating Processes market**, sales rose by an impressive 19% for the first half of 2006, driven by strong demand from Japan, Korea and Taiwan. INFICON FabGuard Sensor Integration and Analysis System continued to build market share. We are now seeing that our

gerichtete Palette der bestehenden Dünnschicht-Mess- und -Kontrollgeräte. Der XTC/3 zeichnet sich insbesondere durch ein günstiges Preis/Leistungsverhältnis für die Überwachung von Auftragsrate und Schichtstärke aus – und dies bei einer unbeschränkten Anzahl von verschiedenen Schichten.

Nur wenig später wartete INFICON an der Messe SEMICON West mit zwei weiteren Innovationen auf: Die erste betrifft eine Sortimentserweiterung bei unseren Keramikmembran-Kapazitätsmessröhren. Die hochreinen Keramiksensoren sind speziell auf die Halbleiterindustrie ausgelegt, da sie selbst unter rauen chemischen und physikalischen Arbeitsumgebungen zuverlässig funktionieren. Die zweite Innovation ist eine neue Testkammer, die speziell für den INFICON Fab-Lecksucher UL1000 entwickelt wurde. Mit diesen Lecksuchern kann in der Halbleiterindustrie die Luftdichtheit von versiegelten Komponenten wie Chips, Quarzkristallen oder Laser-Dioden automatisch und akkurat überprüft werden.

Die wichtige Branchenzeitschrift R&D Magazine zeichnete den Protec P3000 Helium-Lecksucher, der mit der neuen Wise-Technologie™ ausgestattet ist, als eines der 100 technisch wichtigsten neuen Produkte oder Prozesse des Jahres aus. Diese Auszeichnung unterstreicht nochmals unseren Ruf als Entwickler von technologisch führenden Produkten und Technologien. INFICON erhielt diese Auszeichnung bereits einmal im Jahr 2004 für die Dreifach-Kapazitätsmembran-Messröhre. Wir sind stolz, dass wiederum eine gezielt auf die Prozessoptimierung unserer Kunden ausgerichtete Entwicklung geehrt wurde.

Bar-Auszahlungen an die Aktionäre

In der ersten Hälfte des Jahres 2006 erwirtschaftete INFICON aus betrieblicher Tätigkeit flüssige Mittel im Umfang von USD 9.5 Mio. Im entsprechenden Vorjahreszeitraum waren dies USD 3.5 Mio. Diese deutliche Steigerung zeigt die Fähigkeit der Gesellschaft, einen laufenden Mittelfluss zu generieren. Vor diesem Hintergrund schlug der Verwaltungsrat die Ausschüttung von Dividenden vor, beginnend mit einer Dividendenzahlung von CHF 5 je Aktie für das Geschäftsjahr 2005. Gleichzeitig wurde für sämtliche Aktien eine 50%ige Nennwertreduktion und die Bar-Auszahlung an die Aktionäre vorgeschlagen. Die Generalversammlung vom 4. Mai 2006 hat beide Anträge genehmigt; die Dividende wurde am 9. Mai ausbezahlt, die Nennwertrückzahlung erfolgte am 31. Juli. Zusammen flossen den Aktionären von INFICON so im Jahr 2006 insgesamt rund USD 18 Mio. zu.

customers almost always purchase integration software with our *in situ* sensors. In an interesting development, we have been working with an international chip manufacturer that implemented FabGuard software at one of its principal fabs to maximize the process control possibilities of its embedded sensors. The customer was very satisfied with the performance of our fault detection and control software and plans to use FabGuard worldwide in its semiconductor manufacturing facilities. Based on this encouraging success, we are exploring similar opportunities with other customers.

In the **General Vacuum Processes market**, where INFICON sells analysis, measurement and control products for many different industrial applications, we experienced excellent sales, particularly in the first quarter, which was one of our best ever. This strength reflected both improved economic trends in Europe and Asia and good reception of our new products by our private label partners, who focus on industries like the life sciences and R&D.

In the **Refrigeration and Air Conditioning market**, a slow first quarter was followed by a record level of sales in the second quarter, driven by increased demand for our high-end leak detection instruments by manufacturing companies worldwide. The Protec P3000 helium leak detector we introduced late in 2005, which recently earned a top innovation award from R&D Magazine, attracted many new customers, especially appliance manufacturers. The P3000's groundbreaking Wise Technology™ delivers significant performance advantages, which have led to its quick adoption by the marketplace. At the same time, it proves the power of the company's increased focus on "designing for lower cost".

Strength, Diversification and Challenges

Sales in the **Emergency Response and Security markets** declined year to year, reflecting the unsettled nature of this market and primarily due to the U.S. government's reduced level of demand this year. However, we achieved a growing international penetration for our products, as evidenced by sizable orders from Taiwan, Europe and the Middle East. These orders are indicative of a continuing diversification in geography, customer type and order mix. Also important, we now have a sufficiently large installed base of HAPSITE equipment, particularly in the U.S., to provide INFICON with recurring revenue flow from extended warranties,

Stärke, Diversifikation und Herausforderungen

Im **Halbleiter- und Vakuumbeschichtungsmarkt** erhöhte sich der Umsatz im ersten Semester 2006 um imposante 19%. Der Zuwachs geht vor allem auf eine starke Nachfrage aus Japan, Korea und Taiwan zurück. Die Sensorintegrations- und Analyse-Software FabGuard von INFICON konnte ihren Marktanteil weiter ausweiten. Heute beziehen unsere Kunden zusammen mit den *in situ* Sensoren meist auch unsere Integrationssoftware. Im Rahmen eines spannenden Kundenprojekts wurde in einem der grössten Werke eines internationalen Chip-Herstellers die FabGuard-Software installiert, um das volle Potenzial der verschiedenen integrierten Sensoren zum Tragen zu bringen. Der Kunde zeigte sich beeindruckt von der Leistung unseres Pakets bezüglich Fehlerfrüherkennung und plant nun, FabGuard in all seinen Produktionswerken weltweit einzusetzen. Dieser Erfolg bestärkt uns, ein ähnliches Vorgehen auch bei anderen Kunden anzustreben.

Im **Markt für allgemeine Vakuum-Prozesse**, den INFICON mit verschiedenen Analyse-, Mess- und Kontrollinstrumenten für ein breites Anwendungsspektrum beliefert, verzeichneten wir ebenfalls hervorragende Verkaufszahlen. Die ersten drei Monate waren in diesem Bereich sogar eines der stärksten Quartale. Der Zuwachs ging hier zum einen auf die anziehende Konjunktur in Europa und Asien und zum anderen auch auf die Lancierung neuer Produkte zurück, die unsere Private-Label-Partner etwa für F&E-Anwendungen oder die Life-Science-Industrie auf den Markt brachten.

Im **Kühl- und Klimatechnikmarkt** folgte einem eher verhaltenen ersten Quartal ein Trimester mit rekordhohen Umsätzen: Weltweit fragten die Kühlgerätehersteller unsere High-end Lecksucher in hohem Masse nach. Der Protec P3000 Helium-Lecksucher, den wir gegen Ende des Jahres 2005 auf den Markt brachten und der in der Folge einen der begehrten Innovationspreise des R&D Magazines erhielt, zog das Interesse vor allem der Kühlgeräte-Hersteller auf sich. Die Kunden haben die Leistungsvorteile der bahnbrechenden WiseTechnologie™, die wir im P3000 einsetzen, rasch erkannt. Zum anderen ist dieses Produkt ein gutes Beispiel für die Ausrichtung unserer Entwicklungstätigkeit auf «Produkte zu tieferen Kosten».

Der **Markt für Notfallhilfe und Umweltsicherheit** entwickelte sich im Jahresvergleich etwas rückläufig; dies hat zum einen mit der noch jungen und wenig gefestigten Struktur dieses Geschäfts, vor allem aber

In the General Vacuum Processes market, where INFICON sells analysis, measurement and control products for many different industrial applications, we experienced excellent sales, particularly in the first quarter, which was one of our best ever.

Im Markt für allgemeine Vakuum-Prozesse, den INFICON mit verschiedenen Analyse-, Mess- und Kontrollinstrumenten für ein breites Anwendungsspektrum beliefert, verzeichneten wir ebenfalls hervorragende Verkaufszahlen. Die ersten drei Monate waren in diesem Bereich sogar eines der stärksten Quartale.

INFICON distributed USD 18 million back to shareholders through a CHF 5.00 dividend and a CHF 5.00 par value repayment per share in 2006.

Im Jahr 2006 nahm INFICON eine Ausschüttung von USD 18 Mio. an die Aktionäre vor in Form einer Dividendenzahlung von CHF 5.00 und einer Nennwertrückzahlung von CHF 5.00.

service contracts, training and the replacement of early HAPSITE instruments. We continue to look for ways to capitalize on the diverse growth opportunities in this market.

Based on our strong half-year performance and the many business opportunities we see in our target markets, we believe INFICON is well positioned to meet the goals set for the full financial year 2006.

Financial Review

Income Statement

Net Sales for the first six months of 2006 totaled USD 101.5 million or a 3.5% increase compared to USD 98.1 million for the same period a year ago. On a constant dollar basis sales for the first half increased 6.2%. This increase was primarily driven by strong growth of 19% or USD 5.4 million in the Semiconductor and Vacuum Coating markets, which includes the sales contribution of USD 2.0 million from the acquisition of EDC. This growth was partially offset by softness in the spending by the U.S. government for our Hapsite product.

Gross profit margin was 47.0% for the six months ended June 30, 2006 as compared to 46.1% for the same period in 2005. The increase was primarily due to a more favorable product mix helped by new products, an increase in sales including software as well as some material cost savings.

Research and development expenditures were USD 8.9 million or 8.7% of sales for the six months ended June 30, 2006 as compared to USD 9.8 million or 10% of sales for the same period in 2005. This decrease reflects cost savings following changes in the R&D organization, project priorities and lower third party spending.

Selling, general, and administrative costs for the first six months of 2006 were USD 26.3 million as compared to USD 26.2 million for the same period a year ago. The modest increase primarily reflects the recording of stock option expense, following the adoption of SFAS 123R on January 1, 2006, and the inclusion of additional costs following the acquisition of EDC. Separately we continue to see the benefits of several efficiency improvement programs which helped keep cost relatively flat even as sales and labor costs have risen.

Provision for income taxes was USD 3.7 million at a 28.2% effective tax rate for the six months

mit der in diesem Jahr deutlich tieferen Nachfrage der US-Behörden zu tun. Es gelang uns jedoch, unsere Produkte international besser zu etablieren, wie bedeutende Bestellungen aus Taiwan, Europa und dem Nahen Osten belegen. Die Nachfrage ist geografisch, nach Kundensegmenten und hinsichtlich der Zusammensetzung immer breiter abgestützt. Wir verfügen heute vor allem in den USA schon über eine respektable installierte Basis an HAPSITE Geräten, die für INFICON ein wachsendes Garantie-, Service- und Ausbildungs- und Erneuerungsgeschäft bringen. Wir wollen dieses aussichtsreiche Geschäft auch in Zukunft weiter ausbauen.

Gestützt auf den starken Halbjahresabschluss und die vielen Chancen, die sich uns in den Zielmärkten bieten, hält INFICON an den für das volle Geschäftsjahr 2006 gesetzten Zielen unverändert fest.

Finanzbericht

Erfolgsrechnung

Der Nettoumsatz betrug in den ersten sechs Monaten USD 101.5 Mio. Gegenüber den USD 98.1 Mio. im entsprechenden Vorjahreszeitraum entspricht dies einer Zunahme um 3.5%. Zu konstanten Dollarkursen gerechnet hätte der Umsatz um 6.2% zugenommen. Das Umsatzwachstum geht in erster Linie auf den starken Zuwachs um 19% oder USD 5.4 Mio. im Halbleiter- und Vakuumbeschichtungsmarkt zurück. Darin enthalten ist auch ein Umsatzbeitrag von USD 2.0 Mio. der akquirierten EDC. Dieser Zuwachs wurde teilweise durch eine geringere Nachfrage insbesondere der US-Behörden nach Hapsite-Geräten abgeschwächt.

Die Bruttomarge betrug 47.0% für die ersten sechs Monate per 30. Juni 2006. Der entsprechende Vorjahreswert hatte 46.1% betragen. Hier geht die Zunahme vor allem auf einen durch neue Produkte vorteilhafteren Produktmix, höhere Software-Umsätze sowie auf gewisse Kosteneinsparungen im Materialbereich zurück.

Forschungs- und Entwicklungsausgaben machten im ersten Halbjahr per 30. Juni 2006 USD 8.9 Mio. oder in Prozent vom Umsatz gerechnet 8.7% aus. Im gleichen Vorjahreszeitraum hatten die entsprechenden Werte USD 9.8 Mio. und 10% betragen. Der Rückgang erklärt sich in erster Linie durch Kosteneinsparungen aufgrund organisatorischer Veränderungen in der F&E-Abteilung, veränderter Projektprioritäten und tieferer Drittkosten.

ended June 30, 2006 compared to USD 2.2 million at a 23.2% effective tax rate for the same period in 2005. This higher effective tax rate was due to a less favorable mix of taxable income toward higher taxed jurisdictions. However our effective cash tax rate for the six months ended June 30, 2006 was 13.1% compared to 11.3% for the same period in 2005. This is the result of our ability to utilize deferred tax assets including operating loss carry-forwards in certain higher taxed jurisdictions.

Net income and diluted earnings per share was USD 9.3 million and 3.91 for the six months ended June 30, 2006 as compared to USD 7.2 million and 3.07 for the first half of 2005.

Balance Sheet and Liquidity

Cash and short-term investments totaled USD 66.2 million at the end of June 2006, which was a decrease from USD 72.3 million at the end of December 2005. During the first half of 2006 cash flow from operations was USD 9.6 million which was primarily offset by the cash used for the acquisition of EDC, purchase of certain leasehold improvements, and the payment of a 5 CHF dividend to our shareholders. Additionally, during the first half of 2006 we recorded the accrued liability for the approved payment of a 5 CHF par value reduction which was made in July.

Die Verkaufs-, Gemein- und Verwaltungskosten lagen in den ersten sechs Monaten des Jahres 2006 bei USD 26.3 Mio. nach USD 26.2 im entsprechenden Vorjahreszeitraum. Der geringfügige Anstieg zeigt in erster Linie den Aufwand für das Optionsprogramm entsprechend der seit 1. Januar angewendeten Richtlinie SFAS 123R, sowie höhere Kosten nach der Akquisition von EDC. Des Weiteren wirken sich die Massnahmen zur Effizienzsteigerung weiterhin positiv aus, so dass die Kosten trotz höherem Verkaufs- und Personalaufwand stabil gehalten werden konnten.

Steueraufwand machte USD 3.7 Mio. aus. Dies entspricht für die ersten sechs Monate per 30. Juni 2006 einem effektiven Steuersatz von 28.2%. Im gleichen Vorjahreszeitraum hatten die entsprechenden Werte USD 2.2 Mio. und 23.2% betragen. Die Zunahme erklärt sich mit einer Gewinnverschiebung hin in Regionen mit weniger vorteilhaften Steuersätzen. Der liquiditätswirksame Steuersatz betrug per 30. Juni 2006 13.1% nach 11.3% im Vergleichszeitraum des Vorjahres. Dies geht auf die Nutzung steuerwirksamer Abschreibungen und Verlustvorträgen in Regionen mit relativ hohen Steuersätzen zurück.

Nettogewinn und verwässerter Gewinn je Aktie betragen USD 9.3 Mio. respektive USD 3.91 je Aktie im ersten Semester. Dies im Vergleich zu einem Nettogewinn von USD 7.2 Mio. oder USD 3.07 je Aktie im ersten Halbjahr 2005.

Bilanz und Liquidität

Die flüssigen und kurzfristigen Mittel betragen per 30. Juni 2006 USD 66.2 Mio. nach USD 72.3 Mio. Ende Dezember 2005. Im ersten Semester 2006 resultierte aus operativer Geschäftstätigkeit ein Cash flow von USD 9.6 Mio., der durch einen Mittelabfluss für die Akquisition von EDC, den Erwerb gewisser zuvor gemieteter Anlagen sowie die Entrichtung einer Dividende von CHF 5.00 je Aktie an die Aktionäre ausgeglichen wurde. Zudem verzeichneten wir im ersten Halbjahr die Mittelbereitstellung für die im Juli erfolgte Nennwertrückzahlung von CHF 5.00 je Aktie.

Consolidated Statements of Income

(Unaudited)

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

Six Months Ended June 30,	2006	2005
Net sales	101,469	98,067
Cost of sales	53,778	52,823
Gross profit	47,691	45,244
Research and development	8,871	9,820
Selling, general, and administrative	26,298	26,181
Operating income	12,522	9,243
Interest (income), net	(503)	(150)
Other expense (income), net	98	74
Income before income taxes	12,927	9,319
Provision for income taxes	3,653	2,167
Net income	9,274	7,152
Earnings per share:		
Diluted	3.91	3.07
Basic	3.96	3.08
Weighted average shares outstanding:		
Diluted	2,369	2,333
Basic	2,340	2,320

Consolidated Balance Sheets

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

	June 30, 2006	December 31, 2005	June 30, 2005
ASSETS			
Cash and cash equivalents	53,688	68,715	52,366
Short-term investments	12,510	3,553	5,188
Trade accounts receivable, net	30,293	26,981	26,926
Inventories, net	23,030	18,810	20,229
Deferred tax assets	2,797	2,866	2,599
Other current assets	3,119	2,812	4,300
Total current assets	125,437	123,737	111,608
Property plant and equipment, net	23,985	20,308	20,907
Goodwill	3,525		
Intangible assets, net	1,837	791	909
Deferred tax assets	32,648	34,332	35,370
Other assets	2,176	2,163	2,370
Total non-current assets	64,171	57,594	59,556
Total assets	189,608	181,331	171,164
LIABILITIES AND STOCKHOLDERS' EQUITY			
Trade accounts payable	6,200	6,353	6,106
Short-term borrowings	2,989	2,761	569
Accrued liabilities	24,955	15,468	14,901
Income taxes payable	2,350	856	1,787
Deferred tax liabilities	643	877	885
Total current liabilities	37,137	26,315	24,248
Deferred tax liabilities	629	454	650
Other liabilities	8,200	7,439	5,926
Total non-current liabilities	8,829	7,893	6,576
Total liabilities	45,966	34,208	30,824
Stockholders' equity	143,642	147,123	140,340
Total liabilities and stockholders' equity	189,608	181,331	171,164

Consolidated Statements of Cash Flows

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

Six Months Ended June 30,	2006	2005
Cash flows from operating activities:		
Net income	9,274	7,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,518	2,147
Deferred taxes	1,965	1,117
Stock-based compensation	550	—
Changes in operating assets and liabilities (net of effect from an acquisition):		
Trade accounts receivable	(2,661)	(7,188)
Inventories	(2,675)	(795)
Other assets	39	(2,013)
Trade accounts payable	(416)	211
Accrued liabilities	(702)	900
Income taxes payable	1,447	324
Other liabilities	214	1,628
Net cash provided by operating activities	9,553	3,483
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,618)	(1,961)
Purchase of Electro Dynamics Crystal Corp.	(5,923)	—
Purchase of short-term investments, net	(8,745)	(724)
Net cash used in investing activities	(19,286)	(2,685)
Cash flows from financing activities:		
Net proceeds from short-term borrowings	228	569
Cash dividend paid	(9,610)	—
Proceeds from exercise of stock options	751	299
Net cash provided by (used in) financing activities	(8,631)	868
Effect of exchange rate changes on cash and cash equivalents	3,337	(5,416)
Increase (decrease) in cash and cash equivalents	(15,027)	(3,750)
Cash and cash equivalents at beginning of period	68,715	56,116
Cash and cash equivalents at end of period	53,688	52,366

Consolidated Statements of Stockholders' Equity

(Unaudited)

(U.S. Dollars in Thousands, except 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				7,152		7,152
Other comprehensive income (loss), net of tax:						
Unrealized loss on foreign currency hedges, net of related income tax of USD 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
Balance at December 31, 2005	13,142	95,299	(152)	30,890	7,944	147,123
Net income				9,274		9,274
Other comprehensive income (loss), net of tax:						
Unrealized gain (loss) on foreign currency hedges, net of related income tax of USD 12					(17)	(17)
Foreign currency translation adjustments			(8)		2,179	2,171
Total comprehensive income						11,428
Issuance of common stock from exercise of stock options	56	695				751
Stock-based compensation		550				550
Dividends paid (CHF 5 per share)				(9,610)		(9,610)
Par value reduction declared (CHF 5 per share)	(6,600)					(6,600)
Balance at June 30, 2006	6,598	96,544	(160)	30,554	10,106	143,642

Notes to the Financial Statements

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

1. Basis of Presentation

The accompanying interim financial statements as of June 30, 2006, and for the six months ended June 2006 and 2005, 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, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

The balance sheet as of December 31, 2005 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, 2005.

There has been no significant change in the Company's accounting policies and estimates during 2006, with the exception of the change in accounting for stock option expense. See Note 4.

Certain prior-year amounts have been reclassified to provide comparability with the presentation of the current year financial statements.

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, 2006	December 31, 2005	June 30, 2005	June 30, 2006	June 30, 2005
CHF	0.8023	0.7602	0.7797	0.7877	0.8319
EUR	1.2551	1.1844	1.2066	1.2297	1.2864
JPY	0.0086	0.0085	0.0090	0.0087	0.0094
HKD	0.1287	0.1290	0.1287	0.1289	0.1283
KRW	0.0011	0.0010	0.0010	0.0011	0.0010

3. Acquisition

On February 28, 2006, INFICON acquired certain assets of Electro Dynamics Crystal Corporation (EDC), a premier manufacturer of quartz-based products. The acquisition provides the Company with 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 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 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.

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 & Intangible Assets	4,708
Assets acquired	6,227
Accrued liabilities assumed	(304)
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.

Six Months Ended	June 30, 2006	June 30, 2005
Net sales	102,455	101,040
Net income	9,374	7,420
Basic income per share	4.01	3.20
Diluted income per share	3.96	3.18

4. Stock Options

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

Vesting:

Leveraged Share Plan	50% on each of second and third anniversary from date of grant
Directors Stock Option Plan	Immediately at grant
Management and Key Employee Stock Option Plan	25% each year from the date of grant

Exercisable:

Leveraged Share Plan	50% on each of second and third anniversary from date of grant
Directors Stock Option Plan	One year from date of grant
Management and Key Employee Stock Option Plan	25% each year from the date of grant

Expiration:

Leveraged Share Plan	Seventh anniversary from date of grant
Directors Stock Option Plan	Seventh anniversary from date of grant
Management and Key Employee Stock Option Plan	Seventh anniversary from date of grant

The options are granted in Swiss Francs (CHF), see Note 2 for exchange rates.

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)	199.60
Exercised	(18,174)	93.30
Outstanding December 31, 2005	184,632	154.98
Granted	32,773	186.37
Forfeited	(7,179)	152.78
Exercised	(10,621)	98.60
Outstanding June 30, 2006	199,605	163.21
Exercisable at June 30, 2006	126,842	

The weighted average remaining contractual term of outstanding and exercisable stock options at June 30, 2006 is 3.5 years and 2.2 years, respec-

tively. The aggregate intrinsic value of outstanding and exercisable stock options at June 30, 2006 is 3,300 and 1,670, respectively.

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.

As a result of applying the provisions of SFAS 123(R) during the six months ended June 30, 2006, the Company recognized stock-based compensation expense related to stock options of 550. The following table illustrates the effect on net income and earnings per share if the fair value based method established in FAS No. 123(R) had been applied in 2005:

Six Months Ended	June 30, 2005
Net income, as reported	7,152
Less: stock based compensation determined under fair value method	(580)
Pro forma net income	6,572
Earnings per share	
As reported:	
Diluted	3.07
Basic	3.08
Pro forma:	
Diluted	2.82
Basic	2.83

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.

Six Months Ended	June 30, 2006	June 30, 2005
Risk free interest rate	1.91%	1.54%
Expected volatility factor of stock price	41.55%	46.84%
Dividend yield	3.33%	3.30%
Expected life of stock options	4.7	4.7

Expected volatilities are based upon historical volatility of the Company’s stock and traded options. Expected life has been determined using the short-cut method, since the Company meets the five prerequisite criteria.

Unrecognized stock based compensation expense related to non-vested stock options totaled 2,610 at June 30, 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 1.5 years. During the six months ended June 30, 2006 and 2005, proceeds from stock option exercises totaled 751 and 299, respectively. During the six months ended June 30, 2006 and 2005, 10,621 and 5,552 shares, respectively, were issued in connection with stock option exercise. All shares issued were new shares issued from available conditional share capital. The total intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was 679 and 181, respectively.

5. Pension

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

	June 30, 2006	June 30, 2005
Service cost	1,051	1,006
Interest cost	1,042	1,068
Expected return on assets	(1,321)	(1,105)
Net amortization of:		
Prior service cost	16	36
Net actuarial loss	388	493
Net periodic pension cost	1,176	1,498

6. Warranty

The activity in the warranty reserve was as follows:

	2006	2005
Balance at Beginning of Year	2,395	2,244
Add: Warranty Provision	1,362	954
Deduct: Claims against Reserve	(1,180)	(915)
Balance at June 30	2,577	2,283

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

8. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the effects FIN 48 will have on its 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.

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 Half-Year Report / Halbjahresbericht

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