

Compensation Report

Introduction

This Compensation Report describes the principles of remuneration at INFICON. The report is prepared in accordance with the Swiss Ordinance Against Excessive Compensation with respect to Listed Stock Corporations of November 20, 2013 (hereinafter referred to as "Ordinance"). The report also follows the recommendations defined in Appendix 1 to the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and complies with Chapter 5 of the Appendix to the SIX Swiss Exchange Guidelines concerning information on corporate governance. The Articles of Incorporation have been considered in this compensation report. The Articles of Incorporation can be accessed with the following link:

http://bit.ly/IFCN_AoInc

Unless otherwise indicated, all information refer to the financial year 2018 closed on December 31, 2018. In the compensation report the share based payment is disclosed based on the year of allotment (grant date). All other compensation is disclosed according to the accrual principle: i.e. the compensation is reported in the respective period (i.e. financial year) in which it is recorded in the financial statements.

1 Remuneration Policy

INFICON is a globally active Group which maintains a remuneration policy in accordance with general market practice which also considers individual performance. This ensures the Group's ability to hire and retain the right talents. Individual remuneration corresponds to responsibility and complies with requirements, skills, the Group's economic success and individual performance. INFICON's overall remuneration policy is performance oriented and contains a variable component which applies to all staff.

The Compensation and Human Resources Committee (hereinafter referred to as "CHR Committee") annually reviews the principles of the remuneration policy. Based on a proposal of this Committee, the Board of Directors decides on the level of compensation for the members of the Board and the Group Management annually, once the audited financial results have been submitted to the

Board. The CHR Committee consists of three members of the Board of Directors: Currently Beat Siegrist (Chairman), Dr. Richard Fischer and Dr. Thomas Staehelin.

2 Board of Directors Compensation

The compensation to the members of the Board of Directors consists of a fixed yearly cash element which makes up 2/3 of the total compensation and a defined share allotment which makes up 1/3 of the total compensation. The shares are subject to a 3-year holding period. The compensation includes Swiss Social Security and Unemployment Insurance contributions. One member of the Board of Directors participates in the pension scheme of the company.

The CHR Committee annually proposes the total compensation levels for the Chairman and the other members of the Board. The CHR Committee bases its judgement on Committee member's experience. If needed the CHR Committee might use external compensation surveys and professional insights. The Board of Directors then deliberates on the level of total compensation for the members of the Board. The total amount of the compensation is then proposed to the Ordinary Annual General Meeting for the term of office until the closing of the following Ordinary Annual General Meeting of Shareholders.

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

In 2014 the Directors' Stock Option Plan from 2001 was terminated and the share program was introduced. The shares are subject to a 3-year mandatory holding period. The relevant share price for allocation purposes is the average share price on the day of allotment. The allotment occurs five trading days after the Ordinary Annual General Meeting.

Neither attendance fees nor flat rate expenses are paid. However, direct incurred expenses, such as travel and accommodation are reimbursed.

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3 Compensation to Members of Group Management

Based on a proposal of the CHR Committee, the Board of Directors asks annually at the Ordinary Annual General Meeting for the approval of the compensation for Group Management.

The CHR Committee bases its judgement on Committee member's experience and, if deemed necessary, by external compensation benchmarks.

The compensation for the Members of the Group Management consists of a fixed base compensation paid in cash and a variable compensation. The variable compensation is based on individual performance and the group's financial results. 50% of the variable compensation is paid in cash, 25% are provided by shares subject to a four-year blocking period and 25% provided by restricted shares allotted over the following four years which are not subject to any blocking period.

The average share price on the fifth trading day following the Ordinary Annual General Meeting will serve as the calculation base to establish the number of shares.

The compensation includes Social Security and Unemployment Insurance, pension plan contributions as well as a car allowance.

Similar to the 2014 introduction of the share program for the Board of Directors, in 2015 the Ordinary Annual General Meeting agreed to replace the stock options program for Members of Group Management with a performance-related, variable compensation by means of shares.

The variable cash compensation serves as an incentive to achieve short-term goals and the variable share program is a long-term incentive and affect a long-term relationship to the enterprise in line with the shareholder's interest. The composition and amount of the compensation are in accordance with the sector and labor market and are reviewed periodically.

Both variable compensation elements (cash and shares) depend on the fulfillment of individual performance goals and on the Group's financial performance. For Group Management members, the target variable compensation is at 80% of the base salary and 90% for the CEO. The financial performance based bonus criteria must meet a certain minimum threshold for eligibility. The total variable annual compensation is capped at 200% of the annual base cash compensation.

The financial performance based bonus is depending on the annual results of operating income, asset management and productivity targets, weighted for approximately 90%. The individual performance goals, weighted for approximately 10%, are based on individual performance objectives.

The specific metrics for the target bonus as well as the range between maximum and minimum variable compensation are determined by the Board of Directors via preparation and recommendation by the CHR Committee. The achievement of the financial performance goals are calculated based on the annual result following the close of the financial year. Achievement of the individual performance is determined by the Board of Directors as recommended by the CHR Committee.

The fixed base cash salary of the Group Management did not change in 2018. The variable compensation has been adjusted according to the financial performance and the individual performance goals.

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4 Authority and Determination of Compensation

INFICON's existing CHR Committee acts as the relevant body in accordance with the Ordinance Against Excessive Compensation with respect to Listed Stock Corporations and its Articles of Incorporation.

The CHR Committee prepares the recommendations submitted to the Board of Directors for compensation for the Board of Directors and the Group Management.

The CHR Committee consists of at least three members of the Board of Directors who are elected by the Ordinary Annual General Meeting of the Shareholders for a term of office that runs until the end of the next Ordinary Annual General Meeting of the Shareholders. Re-election is allowed.

The CHR Committee constitutes itself. It appoints its chairperson from among its members. The Board of Directors has issued rules on the organization and decision-making powers of the CHR Committee.

The CHR Committee has the following duties and competencies in particular:

1. to submit proposals to the Board of Directors regarding the determination of Group Management compensation principles;
2. to submit proposals to the Board of Directors to the attention of the Ordinary General Meeting of the Shareholders regarding the total amounts of compensation of the Board of Directors and Group Management;
3. to submit proposals to the Board of Directors regarding the compensation of the members of the Board of Directors and the fixed and variable compensation of the Group Management within the respective total amount approved by the Ordinary General Meeting of Shareholders;
4. to submit proposals to the Board of Directors to the attention of the Ordinary General Meeting of Shareholders regarding amendments to the Articles of Incorporation with respect to the system of compensation to compensate the Board of Directors and the Group Management.

The compensations of the Board of Directors and the fixed and variable compensations of the Group Management are subject to authorization by the Ordinary General Meeting of the Shareholders.

5 Severance Compensations

No severance payments have been contractually defined for members of the Board of Directors or the Group Management. For the financial year 2018 no severance compensations were paid.

6 Employment Contracts

The Company may enter into fixed-term or open-ended employment contracts with the members of the Group Management. Fixed-term employment contracts shall have a maximum duration of one year; a renewal is allowed.

The employment contracts of the Group Management members make no provision for unusually long notice periods or contract terms. Open-ended employment contracts of the Group Management have a notice period of a maximum of twelve months and make no provisions for unusually long notice periods or contract terms.

Non-competition agreements are allowed for the period following termination of the employment contract. In compensation for such agreements, a compensation not exceeding the affected member's last annual salary may be paid for up to one year.

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7 Compensations to the Board of Directors and Group Management

The compensation to members of the Board of Directors and the aggregate to the Group Management shown in the tables below are gross and based on the accrual principle.

a) Compensations 2018

	Base	Variable	Shares granted	Em- ployer social security contri- butions	Other compen- sation ****	Total 2018
	compen- sation	compen- sation				
	Cash	Cash bonus accrued	Number	TCHF	TCHF	TCHF
	TCHF	TCHF				
Board of Directors*:						
Dr. Beat E. Lüthi Chairman	126	—	105	63	26	215
Dr. Richard Fischer Vice Chairman	94	—	78	47	22	163
Vanessa Frey Member	63	—	53	32	22	117
Beat Siegrist Chairman of CHR Committee	80	—	67	41	9	130
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	67	41	6	127
Total	443	—	** 370	224	85	752
Group Management:						
Lukas Winkler President and Chief Executive Officer	459	215	367	194	115	20 1,003
Total	751	335	*** 580	306	201	40 1,633

* For the Board of Directors the base compensation as well as the shares granted are part of the compensation for the one year election term 2018/2019.

The shares were transferred to the members of the Board of Directors at the beginning of the election term.

** The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting with no discount applied for the blocking period until April 19, 2021.

*** The total share amount consists of

– shares granted as variable compensation for 2018 with a four years blocking period until July 1, 2022

– shares allotted according to the last years share plans after ending of the blocking period (4 year allotment, 1/4 each year).

The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting of each individual year with no discount applied for blocking periods.

**** Other compensation comprise payments mainly related to car allowances.

b) Compensations 2017

	Base	Variable	Shares granted	Em- ployer social security contri- butions	Other compen- sation ****	Total 2017
	compen- sation	compen- sation				
	Cash	Cash bonus accrued	Number	TCHF	TCHF	TCHF
	TCHF	TCHF				
Board of Directors*:						
Dr. Beat E. Lüthi Chairman	126	—	120	63	39	228
Dr. Richard Fischer Vice Chairman	94	—	90	48	10	152
Vanessa Frey Member	63	—	60	32	7	102
Beat Siegrist Chairman of CHR Committee	80	—	76	40	9	129
Dr. Thomas Staehelin Chairman of Audit Committee	80	—	76	40	18	138
Total	443	—	** 422	223	83	749
Group Management:						
Lukas Winkler President and Chief Executive Officer	458	280	259	118	166	20 1,042
Total	748	455	*** 409	186	256	40 1,685

* For the Board of Directors the base compensation as well as the shares granted are part of the compensation for the one year election term 2017/2018.

The shares were transferred to the members of the Board of Directors at the beginning of the election term.

** The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting with no discount applied for the blocking period until April 20, 2020.

*** The total share amount consists of

– shares granted as variable compensation for 2017 with a four years blocking period until July 1, 2021

– shares allotted according to the last years share plans after ending of the blocking period (4 year allotment, 1/4 each year).

The shares are valued based on the average price of the share as of the fifth trading day after the Ordinary Annual General Meeting of each individual year with no discount applied for blocking periods.

**** Other compensation comprise payments mainly related to car allowances.

The compensation to the Chairman and the other Board members did not change compared to the previous year. The shares have been granted for the current term of office until the next Ordinary Annual General Meeting of the Shareholders. The allotment occurs five trading days after the Ordinary Annual General Meeting of the Shareholders (grant date). The total amount of compensation of TCHF 752 compares to the amount of TCHF 800 approved during the Ordinary Annual General Meeting of Shareholders. The difference is mainly driven by higher amounts requested for potential Employer Social Security and Unemployment Insurance contributions which are due in case of stock option exercises.

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The base compensation to the Group Management did not change compared to the previous year. The difference in total compensation between the year 2018 and 2017 is mainly driven by changes in variable performance related compensation elements (cash bonus and shares) and related lower Employer Social Security and Unemployment Insurance contributions. The average share price on the fifth trading day after the Ordinary Annual General Meeting will serve as the calculation base to establish the number of shares, which are allotted on July 1st. The variable compensation has been adjusted according to the achievement of the financial and individual performance targets.

The total amount of compensation for the Group Management of TCHF 1,633 compares to the maximum ceiling amount of TCHF 3,500 approved during the Ordinary Annual General Meeting of the Shareholders.

The main differences are due to the fact that the amounts for the potential event of further members being added to the Group Management and the amounts for a potential disadvantage compensation have not been required at all, further the variable performance related compensation (and related Employer Social Security and Unemployment Insurance contributions) has been lower.

8 Compensations for Former Members of Governing Bodies

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

9 Additional Fees and Remunerations

No additional fees or remunerations were paid to members of the Governing Bodies and their related parties.

10 Loans to Members of Governing Bodies

No loans were granted to current or former members of governing bodies and their related parties during 2018. No such loans were outstanding as of December 31, 2018.