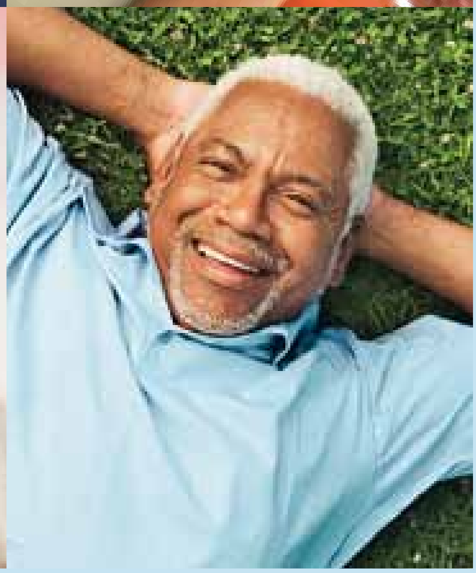
TECAN



Annual Report 2011

Automating processes,
improving quality of life,
shaping the future.

You expect solutions.
We think ahead.

For more than 30 years, Tecan has been investing its expertise in developing and improving automated workflow solutions for laboratories in the life sciences sector.

Adding value for the customer is the driving force behind everything we do at Tecan every day in research and development, production, distribution and service.

Whether in Europe, Asia, America or elsewhere in the world, our goal is always the same: to contribute to the quality of life of humankind by enabling our customers to make our community a healthier and safer place.

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2011 at a Glance

Key figures*

CHF million	2010	2011	▲ 2010/2011
Sales	370.5	377.0	1.7%
Sales in constant currencies	370.5	414.0	11.7%
Gross profit in % of sales	186.2 50.2%	191.7 50.%	3.0%
R&D in % of sales	37.4 10.1%	47.0 12.%	25.7%
OPEX in % of sales	131.3 35.4%	141.4 37.5%	7.7%
Operating profit/EBIT in % of sales	56.0 15.1%	51.3 13.6%	-8.4%
EBIT in constant currencies in % of sales	56.0 15.1%	65.9 15.9%	17.7%
Net profit in % of sales	46.9 12.7%	44.9 11.9%	-4.3%
EPS from continuing operations (CHF)	4.50	4.18	-7.1%
EPS including discontinued operation (CHF)	1.55	4.42	185.2%

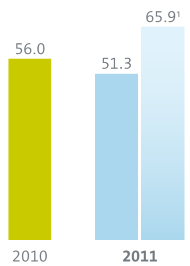
Financial summary*

Sales

(CHF million)

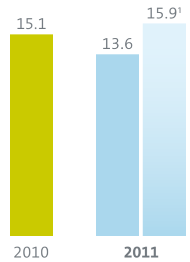
Operating profit (EBIT)

(CHF million)



Operating profit margin

(in % of sales)



[1] In constant currencies

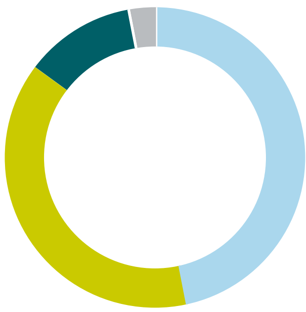
Sales by business segments

(in % of sales)

Life Sciences Business	61.6%
Partnering Business	38.4%

Sales by regions

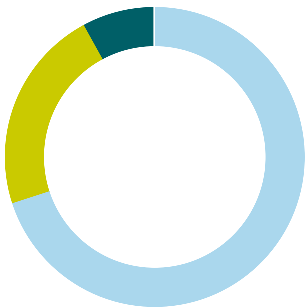
(in % of sales)



Europe	47%
North America	38%
Asia	12%
Others	3%

Sales by product groups

(in % of sales)



Instruments	70%
Services and spare parts	22%
Consumables	8%

* Key figures and financial summary from continuing operations

I think that the chances of curing many types of cancer will increase considerably in the near future thanks to new medications and therapies.

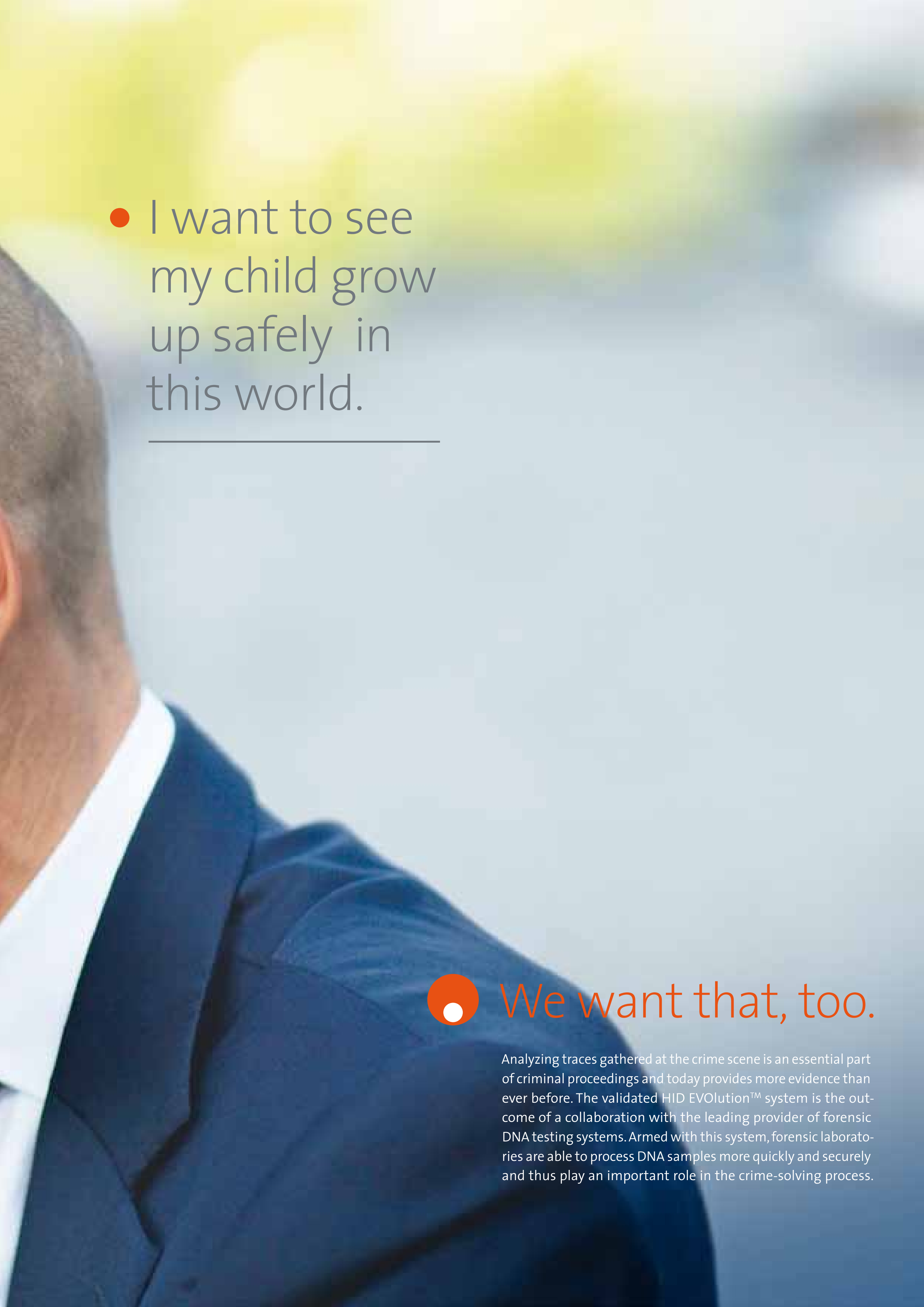
We think so, too.

As a requirement for developing new medications, millions of chemical and biological substances are tested by researchers using Tecan automated workflow solutions to assess their potential as active ingredients for new medications, and to examine how a substance will be distributed in the body, broken down and finally excreted.

I want to know that my baby is fit and healthy.

We want that, too.

Tecan equips laboratories with automated workflow solutions that enable testing for genetic diseases of newborn babies. With early diagnosis, the chances of initiating life-enhancing therapies straight after birth are good.



I want to see my child grow up safely in this world.

We want that, too.

Analyzing traces gathered at the crime scene is an essential part of criminal proceedings and today provides more evidence than ever before. The validated HID EVOlution™ system is the outcome of a collaboration with the leading provider of forensic DNA testing systems. Armed with this system, forensic laboratories are able to process DNA samples more quickly and securely and thus play an important role in the crime-solving process.

I want my dad to be well looked after if he ever needs help quickly.

We want that, too.

Blood products help save the lives of millions of people every day. But the blood needs to be free of pathogens and from a compatible group for the patient. To make blood transfusions safe, Tecan supplies blood banks, hospitals and diagnostics companies with automation solutions.

I want every child in the world to get a warm meal once a day – not just my own daughter.

We want that, too.

In order to ensure the supply of food for the growing global population, researchers are working on developing seed stocks that will produce higher-yielding, hardier crops such as rice, maize and wheat. Here, as well as in the development of fungicides and insecticides, our automated workflow solutions help to speed up laboratory processes while also safeguarding quality controls for many foods.

Dear Shareholders

Gérard Vaillant
Acting Chief Executive Officer

Rolf A. Classon
Chairman of the Board

The Tecan Group closed 2011 with double-digit sales growth in local currencies and a solid operating result. We also set the course for the future development of our business in the year under review. These decisions are laying the foundation for an even more successful future. The new organization, with its focus on two customer groups, end customers (Life Sciences Business) and OEM customers (Partnering Business), has been set up and has proven its worth. For the top management position we initiated a succession process. David Martyr, appointed as the new CEO of Tecan in February 2012, is taking up the reins of a well-positioned company. We strengthened the management on different levels of the organization and added further Life Sciences experience to the Board of Directors. The objective is to continue to generate accelerated profitable growth. We do, however, face some operational challenges, which we are tackling energetically.

Tecan achieved strong, broad-based growth in local currencies in the year under review. Developments were particularly gratifying in the Life Sciences Business segment, especially as they followed a period of declining sales. In 2011, we elaborated the strategic focus for the future activities of our Life Sciences Business in order to pave the way toward sustained sales growth above the market average in the coming years. In the Partnering Business segment we were able to further increase sales despite the high baseline, and conclude two new development and supply agreements. Despite increased research and development spending coupled with some significant negative currency effects on relevant performance figures, Tecan achieved solid profitability during the reporting period.

Key figures for 2011

In local currencies, Tecan increased sales by 11.5% compared to the prior year. Sales totaled CHF 377.0 million and were thus 1.7% above the previous year's level. Order entry of CHF 383.9 million was slightly below the prior-year level in Swiss francs, while it grew by 9.0% in local currency terms.

The operating profit margin attained 13.6% of sales, despite the fact that Tecan increased its research and development spending by 2.4% of sales and also recorded negative currency effects of 2.3% of sales. At constant exchange rates, the operating profit margin was above the prior-year level at 15.9%. Tecan posted an operating profit (EBIT) of CHF 51.3 million in 2011 (2010: CHF 56.0 million). Earnings from continuing operations amounted to CHF 44.9 million (2010: CHF 46.9 million), while the profit margin amounted to 11.9% of sales (2010: 12.7%). Earnings per share from continuing operations were CHF 4.18 (2010: CHF 4.50). Additional earnings from a discontinued operation brought net profits for the reporting period up to CHF 47.6 million (2010: CHF 16.2 million) and earnings per share to CHF 4.42 (2010: CHF 1.55).

Due to the pre-financing of a major OEM development project, cash flow from operating activities fell compared with the previous year and amounted to CHF 45.1 million (2010: CHF 62.5 million).

Since January 1, 2011, Tecan has reported in line with its new organizational structure focused on two business segments: Life Sciences Business (end-customer business) and Partnering Business (OEM business). Details on the course of business of the segments can be found in the relevant sections on pages 25 and 31.

Regional development and additional information

In Europe, sales in local currencies increased by 7.4% compared with the previous year. This increase is attributable to significant improvements in the Life Sciences Business, coupled with solid demand in the Partnering Business. In North America, Tecan increased sales in local currencies by 19.6%. The Life Sciences Business and the Partnering Business contributed with roughly the same rate to the strong growth. In Asia, sales were 12.4% above prior-year levels in local currency terms. Tecan recorded clear double-digit growth in China, while sales in Japan rose slightly compared with the previous year.

Total recurring sales of services and consumables increased by 10.6% in local currency terms and accounted for 30.0% of Tecan's total sales, approximately the prior-year level. As part of this figure, sales of consumables in local currencies grew by 17.0% compared with the previous year, to a share of 8.0% of total sales (2010: 7.6%).

Strong balance sheet – high equity ratio – significant increase in profit distribution proposed

Tecan's equity ratio increased during the reporting period and reached 69.1% as of December 31, 2011. Net liquidity (cash and cash equivalents less bank liabilities and loans) rose to CHF 163.0 million despite increased investment (December 31, 2010: CHF 135.4 million).

On the basis of a strong balance sheet and a sustainable good business perspective, Tecan intends to increase significantly its profit distribution to shareholders. The Board of Directors will therefore propose a 25% increase in the dividend from CHF 1.00 to CHF 1.25 per share to the shareholders at the Company's Annual General Meeting. The dividend will once again be paid out from the available capital contribution reserve and is therefore not subject to withholding tax.

Setting the course for the future

Tecan set the course for the future development of its business in the year under review. These decisions are laying the foundation for an even more successful future.

New organization established and management strengthened

On January 1, 2011, a new organizational structure came into effect. In order to implement its strategy for long-term profitable growth even more sustainably, Tecan has refocused its organizational and management structure on the end-customer and OEM-customer groups, whose needs can now be met in an even more targeted manner in the two business segments Life Sciences Business and Partnering Business. Tecan has also created or realigned Group-wide functions to better exploit synergies in research, development, procurement and production across various locations, in order to speed up innovation and further increase overall operating efficiency. The new organization has been set up and has proven its worth. On different levels of the organization we have strengthened the management with experienced executives and also added further Life Sciences experience to the Board of Directors.

CEO succession process completed

As announced in October 2011, we also initiated a succession process for the most senior operational management position. In February 2012, the Board of Directors appointed Dr. David Martyr as CEO of Tecan. He will join the Company as soon as his current contractual obligations permit, but no later than October 8, 2012. Dr. Martyr is 54 years old and a British citizen with extensive international management experience in the life science industry and in-depth knowledge of sales, marketing and business development. Most recently, David Martyr was Group President of Leica Microsystems since 2007 and concurrently Vice President at Danaher Corporation, with responsibility for Danaher's Life Science businesses since 2009.

We also set the course for the future development of our business in the year under review. These decisions are laying the foundation for an even more successful future.

Rolf A. Classon
Chairman of the Board

Over the course of his career he has had a successful track record both in improving performance in existing business and creating new business opportunities. The Board of Directors and the CEO have the common goal of ensuring that Tecan should continue to generate accelerated profitable growth in line with the current strategy.

Dr. Martyr will be taking on the management of a company in a robust state of health. Under the management of his predecessor, Thomas Bachmann, who was CEO from 2005 until February 2012, Tecan improved its operational efficiency and earnings per share and built up a very healthy balance sheet. Our new organization is now well established, the composition of our senior management team has been determined and continuity has been ensured. We would like to thank Mr. Bachmann for his important accomplishments and strong commitment and wish him all the best for the future.

Further development of the growth strategy

We continued to implement the existing growth strategy in both business segments in the year under review, as well as elaborating new strategic focuses. We want sales growth in the Life Sciences Business segment to exceed market growth in the coming years. To achieve this, we aim to strengthen Tecan's position as market leader in laboratory automation by introducing new products in the traditional core business. We also see great potential in continuing our efforts to tap the emerging markets, particularly that of China. To this end, Tecan is increasing its investments in setting up additional locations of its own and in its marketing and service organization, and is selling more of its products directly rather than via distributors. As an additional growth driver in the end-customer business, we are now using our own sales organization to promote innovative products from partner companies. To develop its key strategic recurring business, Tecan is working on application-specific, proprietary consumables. A particular focus of attention is the development of sample preparation for mass spectrometry in clinical applications.

Tecan is also well positioned for further growth in the Partnering Business segment. The Company has a broad base of OEM customers. Based on the agreements already concluded, we expect to start delivering a number of additional analysis systems in the next two years. In particular, we expect two important projects involving dedicated diagnostics instruments currently being developed to make a significant contribution to sales. Sales of spare parts and consumables have been growing continuously thanks to the ever larger installed instrument base. In addition to the agreements already concluded with OEM customers, we are actively working to win promising new projects.

Challenges we face

The coming years will bring significant opportunities that we aim to exploit in a targeted manner. We do, however, face some operational challenges, which we are tackling energetically. Innovation is a decisive success factor for achieving sustainable, profitable growth. In the area of innovation, we are behind in the development of two major projects, both of which are important pillars for Tecan's future growth. In September 2011, we had to announce that the delivery of a dedicated diagnostic instrument to an OEM customer would be delayed and that substantial additional costs are incurred. Since then we are on track with the development according to the new plan worked out together with our partner.

Likewise, an important development for our core business, namely the next generation of the liquid handling platform family, will require more time than originally envisioned and significant additional investments. We therefore anticipate increased investment in research and development of around 12% in 2013 and 2014 as well, which will have a temporary negative impact on the sales and earnings development. Tecan's research and development spending traditionally represents around 10% of sales.

In the interim, we have implemented the necessary measures to raise the efficiency of the development processes and the planning security for major projects. These involved performing detailed analyses and replanning of the projects, and bolstering the project management team by recruiting highly experienced managers. The skill group leaders were relieved of their additional project tasks to allow them to focus their attentions on fulfilling their management responsibilities. Cross-project skill groups are being reorganized and additional teams set up for individual areas. The skill groups are also being strengthened by means of targeted recruitment.

Dr. Martin Brusdeilins, who took over as Head of the Development & Operations division in November 2011, is a proven expert with extensive experience in a variety of management positions in the diagnostic and life science industry. Before joining Tecan, Dr. Brusdeilins spent around eight years at Ortho Clinical Diagnostics Inc., a Johnson & Johnson company, in the US, where he was responsible for the global product development of all diagnostic instruments and reagents.

We also see great potential in continuing our efforts to tap the emerging markets, particularly that of China.

We are convinced that the new management and the measures undertaken will allow us to complete the projects successfully and will enable us to benefit considerably from the market success of these products.

Outlook for 2012

Despite the challenges, Tecan is well on its way to a successful future. We believe that the Company will continue to achieve sustained growth in the coming years and maintain a solid level of profitability, despite the increase in the investments in research and development. Our opinion is based on careful examination of the markets relevant to the Company. The environment in the US remains sound, despite the current political discussions about the possibility of reducing government funding. The most recent talks even indicated the possibility of budgets remaining stable. Whatever the eventual outcome, only a relatively small proportion of Tecan's total sales would be impacted. Overall, the situation in Europe has stabilized, although our prognoses for the futures of the various economies vary markedly. We foresee positive developments in our key Western European markets and in Eastern Europe, but weak demand in Southern European countries. In Asia, we continue to anticipate high growth, with China as the driving force. In China, we aim to ensure that we benefit from the country's economic dynamism and to better exploit its remaining potential.

We look forward to the remainder of 2012 with a reasonable degree of optimism. Following a period of declining sales in the Life Sciences Business segment, Tecan once again achieved significant growth in 2011. Due to the high baseline of the prior-year period, we are predicting moderate growth in local currencies in the Life Sciences Business segment in 2012. In the Partnering Business segment, we expect to begin shipping various additional instruments in 2012 thanks to OEM agreements concluded over the last two years. We also expect our existing OEM partnerships to contribute to good sales growth in this segment.

Starting from a substantially higher sales level in 2011, Tecan is targeting low to mid-single-digit sales growth in local currency terms in 2012.

Due to the delay and additional costs in a development project, Tecan expects increased research and development spending of around 13.5% of sales in 2012. Therefore, we expect an operating profit margin of 12.2% to 13.2% of sales for full year 2012. This expectation is based on an average exchange rate forecast for the full year 2012 of one euro equaling CHF 1.20 and one US dollar equaling CHF 0.90.

Our gratitude

The Board of Directors and the Group Management Board would like to thank everyone who contributed to our success in 2011: our employees for their hard work, our customers for their loyalty, and our shareholders and business partners for their trust.

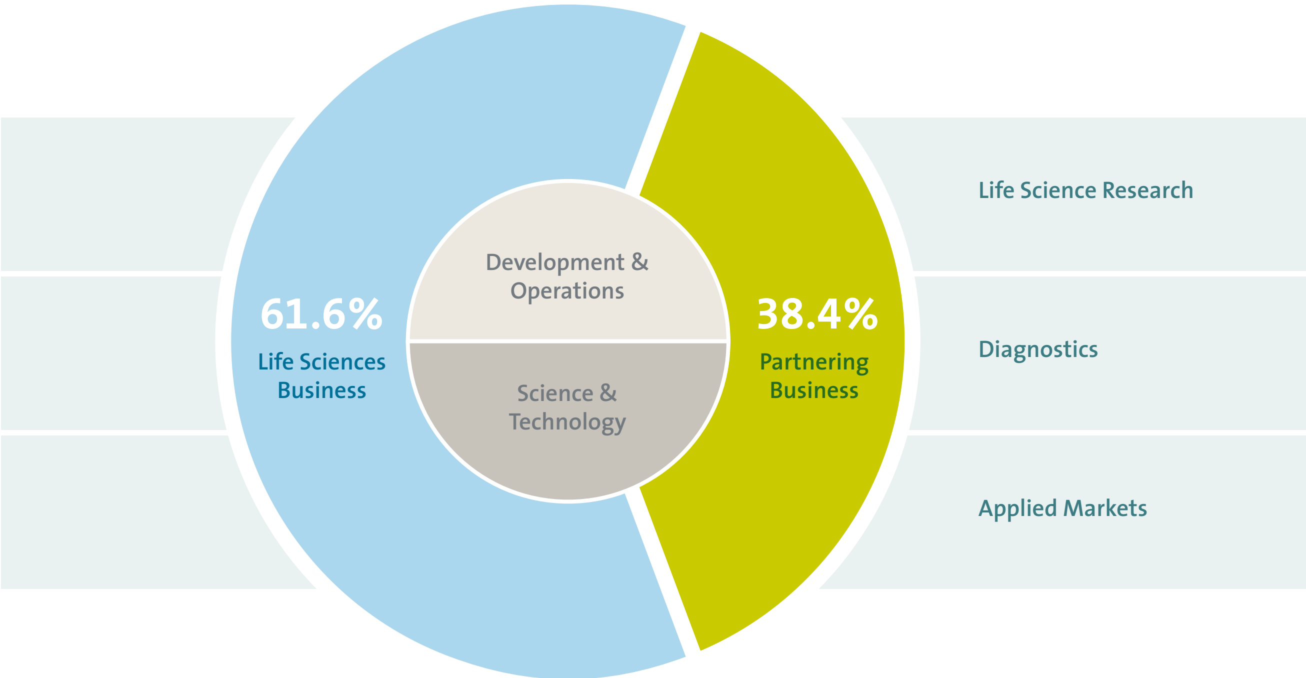
Männedorf, March 7, 2012

Rolf A. Classon
Chairman of the Board

Gérard Vaillant
Acting Chief Executive Officer

Markets and Organization

Tecan is the market leader in laboratory automation. The Company provides life science research and the diagnostic industry with laboratory instruments and comprehensive automation solutions. Tecan also offers solutions for other applied markets such as forensics, the food industry, crop research, the cosmetic industry and veterinary applications. Automation solutions include instruments, software packages, numerous configurable modules and special application expertise as well as regulatory and quality consulting, service and consumables.



Tecan's solutions automate all types of repetitive work steps in the laboratory and make procedures more precise, more efficient and safer. They also pipette the smallest volumes of different fluids with optimum precision. By automating these work steps, laboratories can significantly increase the volume of samples they process, obtain test results sooner and ensure reproducible output. The instruments can also perform necessary work overnight without supervision, allowing laboratory personnel to evaluate the results or continue with the next step upon returning the following morning. Tecan also offers a wide range of detection devices. These include analytical devices such as microplate readers and microarray systems, which analyze reactions on a microtiter plate or a microarray, as well as washers, which perform the washing and purification operations of a test procedure.

The Company serves some customers directly, but is also a leader in developing and manufacturing OEM instruments and components that are distributed by partner companies under their own names. Life science research and the various applied markets operate mainly under the Tecan brand using Tecan's own sales and service organization, while the needs of the diagnostic market are largely addressed via the OEM sales channel.

The Tecan Group can count on two strong pillars in the Life Sciences Business (end-customer business) and Partnering Business (OEM business) segments. Its segment-specific strategies for sustained profitable growth allow the Company to drive forward customer projects via both business models and to provide independent resources for this purpose.

Group-wide functions are combined in the Development & Operations division, to better unlock synergies in research, development, procurement and production across different locations. Basic research and development are conducted in the Science & Technology organizational unit.

Life Sciences Business

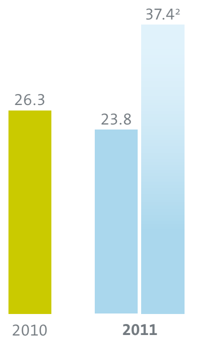
(end-customer business)

Total sales Life Sciences Business[1]

(CHF million)

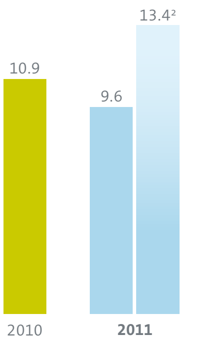
EBIT Life Sciences Business

(CHF million)



EBIT margin Life Sciences Business

(in % of sales)



[1] Sales to third parties + intersegment sales
[2] In constant currencies

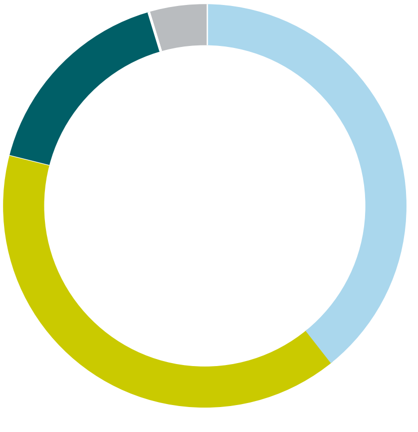
Sales by products

(in % of sales)

Liquid Handling Biopharma	36.3%
Liquid Handling Diagnostics	12.3%
Detection	17.4%
Services and spare parts	24.4%
Consumables	9.6%

Sales by regions

(in % of sales)



Europe	39.7%
North America	39.4%
Asia	16.2%
Others	4.7%

In its end-customer business, Tecan offers a wide range of laboratory instruments and automated workflow solutions for use by pharmaceutical and biotechnology companies, government research institutions and universities, diagnostic laboratories, as well as scientists from numerous applied markets. Most of these customers work in the field of life science research.

2011 saw Tecan achieve significant growth in local currencies in its end-customer business. The share of the Life Sciences Business segment in the total sales of the Tecan Group was 61.6% (2010: 62.2%).

Tecan distributes its products in more than 50 countries worldwide under its own brand and through its own market organization, as well as via distributors. More than 150 sales and application specialists communicate with end customers to discuss their various requirements in terms of automating highly diverse laboratory procedures. In addition, with over 24,000 customer contacts each year, more than 220 service engineers and helpdesk and expertline specialists work to ensure a high degree of customer loyalty and satisfaction.

Product portfolio

The biggest-selling product group is the scalable liquid handling platforms, which are used mainly to pipette fluids with optimum precision. These platforms are configured flexibly from the wide-ranging portfolio of available modules and devices. A smaller portion of workflow solutions are individual offerings tailored to specific customers. Tecan also offers a wide range of detection devices which, for example, allow reactions to be analyzed on a microtiter plate. Tecan also works with numerous partner companies to integrate their test procedures or devices into comprehensive workflow solutions. Such workflow solutions include instruments, software packages and special application know-how as well as consulting, service and consumables.

Growth drivers

Following a period of declining sales in the end-customer business, Tecan once again achieved significant growth during the year under review. The aim is to maintain sales growth above the market average in the years to come. To this end, the strategy of the Life Sciences Business segment was once again analyzed and the strategic focus of future activities elaborated.

Strengthening our core business

Tecan is the market leader in the field of laboratory automation, and is resolved to further consolidate this position as well as acquire additional market shares. Innovations are a decisive factor in this success, ranging from new instruments, software, applications and workflow solutions, to modules and components, plastic consumables and customer service.

As an alternative to its existing liquid handling technology, for example, Tecan has developed an air displacement pipetting technology. This new technology supplements the existing product line, in which the pipetting process is controlled via a system fluid. With the new air displacement technology, Tecan is the only provider that offers automation solutions with both technologies, allowing the Company to better address its customers' specific preferences and expand its target market.

The next generation of liquid handling platforms currently being developed is also set to play a role in reinforcing our position as market leader.

Opening up global growth markets

Many countries are currently investing considerable amounts in healthcare and life science research. Tecan is focusing on China in particular, in ongoing efforts to tap the emerging markets.

The Company has been operating in China for a number of years now, and is achieving healthy growth rates in this market. In order to exploit the potential of its existing products more effectively than in the past and to tap sales potential in these markets in the next few years, Tecan is investing more heavily in its own locations and in its marketing and service organization. With two additional locations to be opened, Tecan will soon be operating out of four economic centers. Tecan is increasingly selling its products directly, rather than via distributors. In terms of the number of staff employed in the market organization, China is set to occupy third place in Tecan's international league table by the end of 2012. By the end of 2013, only the US will have a bigger market organization. Sales are set to increase significantly over the next three years.

Tecan wants to add impetus to its direct sales activities by forging closer links and exchanging information with local opinion-leaders, and the first steps in this initiative have already been implemented. In 2011, Tecan once again contributed with a presentation at a major blood bank conference in China. In addition, 2011 saw Tecan host its annual scientific Tecan Symposium for customers in China for the first time.

Distributing innovative third-party products

As an additional growth driver, Tecan is now using its own sales organization to promote innovative products from partner companies. This will benefit customers by supplementing Tecan's broad product portfolio in the Life Sciences Business, as well as enabling it to leverage cost synergies. Initial examples of this are the agreements with Attana and Sword Diagnostics for the sale of biosensor and immunoassay detection technologies, which Tecan announced in January 2011. Tecan expects an agreement concluded with Hewlett-Packard (HP) in March 2011 to make a significant contribution to sales. The agreement aims to market pharmaceutical research products based on HP's high-performance ink-jet dispensing technology. The new technology will be used in biopharmaceutical research to accelerate and enhance the evaluation of potential new active ingredients. The agreement will see Tecan provide exclusive sales, marketing and support services for instruments and consumables within the Life Sciences Business. The products will be marketed under the HP brand.

Focusing on sample preparation for mass spectrometry

Tecan is also working on application-specific, proprietary consumables, in which individual process or analysis steps occur directly in the consumables themselves. A particular focus of attention is the development of sample preparation for mass spectrometry in clinical applications. Tecan is convinced that the use of mass spectrometry in diagnostic laboratories will increase significantly in the coming years. Sample preparation is, however, a very time-consuming and laborious task. Tecan is currently developing a procedure for preparing samples that is based on a chemical process. The main process step will take place in specially coated plastic consumables.

In a first step, Tecan plans to launch an extraction plate with accompanying application notes for research use only. The first application note will be for the extraction of vitamin D and is scheduled to be launched in 2012.

Following a period of declining sales in the end-customer business, Tecan once again achieved significant growth during the year under review.

Performance

Sales in the Life Sciences Business segment rose by 0.8% to CHF 232.2 million in 2011 (2010: CHF 230.4 million). In local currencies, this segment reported strong growth of 14.0%. This substantial sales growth was primarily generated through liquid handling platforms for customers in the biopharmaceuticals fields in Europe, North America and China. The Life Sciences Business recorded a mid-single-digit increase in order entry for fiscal year 2011, although order entry weakened in the second half of the year and reached the level of the prior-year period.

At CHF 23.8 million, operating profit was down compared with the prior-year value (2010: CHF 26.3 million), corresponding to an EBIT margin of 9.6% of sales (2010: 10.9%). With exchange rates in line with 2010, the Life Sciences Business segment succeeded in increasing its operating profit margin to 13.5% of sales. The considerable increase in investment in research and development was predominantly incurred by the Life Sciences Business, and this negatively impacted on the operating profit margin of this segment to the additional tune of 4.8 percentage points.

Selection of the current most important products and product groups

Liquid handling platforms

Freedom EVO®
Liquid handling platform for precision pipetting of small and large volumes of various liquids. The platform can be configured flexibly with a large number of modules for a range of laboratory applications and procedures. This makes it possible to automate a wide range of repetitive work steps and make procedures more precise, more efficient and safer.

EVOlyzer®
Liquid handling platform with integrated detection devices. The EVOlyzer is used by clinical laboratories to analyze blood samples for infectious diseases.

Workflow solutions

In standardized workflow solutions, the various procedure steps of a given application are integrated not only in terms of hardware but also customized software and an intuitive user interface. In this way and by combining them with a partner's specific test systems, customers receive a pretested, ready-to-use solution that enables them to begin routine work quickly. Together with the leading manufacturer of DNA testing systems, Tecan for example offers law enforcement agencies the validated HID EVOlution™ system.

The automation of all the process steps of a given application, for example in research, often calls for individual, tailored solutions. To this end, in addition to integrating existing modules and technologies, Tecan must also develop new modules and integrate devices from third-party suppliers into sometimes complex workflow solutions.

Detection instruments

Infinite® 200

HydroSpeed™

Tecan offers a wide spectrum of detection equipment. This includes analytical devices such as microplate readers and microarray systems, which analyze reactions on a microtiter plate or a microarray, as well as washers, which perform the washing and purification operations of a test procedure.

Consumables

Consumables, such as certified pipette tips or plastic cell containers, are an important component of a complete laboratory automation solution. Only high-quality consumables ensure a high level of quality and reproducibility in tests. Tecan offers a wide range of consumables that have been developed and tested for use in different fields.

Customer service

Customer service is a key factor for customer satisfaction and retention. Tecan supports customers across the entire life cycle of its instruments and automation solutions and maintains a service network in over 50 countries. The company has around 24,000 customer contacts a year.

Partnering Business

(OEM business)

Total sales Partnering Business[1]

(CHF million)

EBIT Partnering Business

(CHF million)

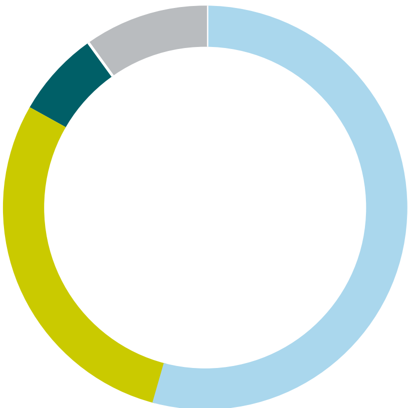
EBIT margin Partnering Business

(in % of sales)

[1] Sales to third parties + intersegment sales
[2] In constant currencies

Sales by products

(in % of sales)



Liquid Handling	**54.6%**
Components	**28.7%**
Detection	**6.8%**
Development funding	**9.9%**

Sales by product groups

(in % of sales)

Instruments	**44.1%**
Components	**22.4%**
Services and spare parts	**18.5%**
Consumables	**5.1%**
Development funding	**9.9%**

Tecan not only provides end customers with automation solutions, but is also a leading developer and manufacturer of OEM instruments and components which partner companies sell under their own name.

Tecan expanded its OEM business in the year under review. The share of the Partnering Business segment in the total sales of the Tecan Group was 38.4% (2010: 37.8%). In 2011, Tecan concluded two new development and supply agreements, one of which was an OEM contract with significant sales potential.

Tecan currently offers more than 20 different instruments in the OEM business and supplies components to several hundred customers. Most of these customers work in the field of diagnostics, but sales to OEM customers are growing in the life science market, too. Over the next few years, Tecan expects both its existing and newly formed OEM partnerships to contribute significantly to sales growth.

Product portfolio

OEM customers benefit from Tecan's 30 years of technology experience in a wide range of instruments and modules. Tecan's solutions are also able to grow with the needs of the customer.

Components

Tecan's Cavro® brand is the market leader in laboratory automation components. The Company supplies laboratory instrument manufacturers with essential components such as precision pumps, valves, robotic arms and software. They are used in systems that have a wide range of applications in life science research, diagnostics, forensics and numerous other industries. In customers' product ranges, Tecan components generally remain an indispensable element over the entire life cycle of a device.

Platform-based solutions

Tecan uses the products and platforms it develops for its own end customers for OEM customers as well. Existing platforms are adapted to the specific procedures of a customer. With regard to liquid handling platforms, Tecan uses for the most part modules and technologies that already exist, then combines them to create a standardized configuration. OEM customers then distribute these platforms as system solutions under their own brand names that combine Tecan's automation expertise with their own specific tests. Detection instruments from Tecan are also modified slightly for distribution by OEM customers, or merely adapted to the partner's corporate design. Platform-based solutions thus enable flexible automation and rapid prototype development. Development costs are low, and the solutions can be launched quickly onto the market.

Over the next few years, Tecan expects both its existing and newly formed OEM partnerships to contribute significantly to sales growth.

Dedicated solutions

If an OEM customer expects to sell large volumes of a given product over a longer period of time, Tecan can develop a dedicated system tailored to the customer's specific test procedures. This would be the case, for instance, when a widely distributed device generation needs to be replaced by another. In the case of liquid handling systems, this constitutes a major development program that would normally run for several years and call for significant investment on the part of the OEM customer. The advantage is that the customer receives a cost-optimized instrument designed specifically to its own test procedures. Here too, Tecan endeavors to use available modules, technologies and software. Outsourcing device development aims to enable the customer to make more effective use of its own resources, while speeding up time to market. In the diagnostics market, dedicated system solutions are often distributed by the partner company for more than ten years.

Customer service and consumables

Tecan also offers OEM customers services via its existing infrastructure. Tecan can install instruments at the end customer's location, provide a helpdesk facility, train the OEM customer's service team and even handle customer service itself. In addition, Tecan ensures instrument operation by providing a global spare parts service. Tecan provides OEM customers active in the diagnostics market with high-quality consumables such as certified pipette tips, which are an important component of a validated system solution.

Growth drivers

Tecan has a broad base of OEM customers and is continuously increasing the number of supply agreements. On the basis of OEM agreements concluded over the last two years, Tecan expects to begin shipping various additional analysis systems in 2012 and 2013. In particular, Tecan expects two important projects involving dedicated diagnostics instruments currently being developed to make a significant contribution to future sales. Sales of spare parts and consumables have been growing continuously thanks to the significant increase in the installed instrument base in recent years.

The pipeline of OEM projects that Tecan is intensively working to acquire remains full. Tecan expects to announce new OEM agreements in 2012 as well.

Sales of spare parts and consumables fared particularly well thanks to the significant increase in the installed instrument base in recent years.

Performance

The Partnering Business segment generated sales of CHF 144.7 million during the reporting period (2010: CHF 140.2 million). Despite the high baseline in the prior-year period, sales increased by 3.3% in Swiss francs and by 7.8% in local currencies. Sales of spare parts and consumables fared particularly well thanks to the significant increase in the installed instrument base in recent years. With regard to sales of OEM instruments, the Partnering Business even managed to exceed slightly the high level of the previous year. Component sales were down on the prior year in Swiss francs, but up in local currency terms. The Partnering Business segment reported double-digit growth in order entry in local currencies.

The Partnering Business segment achieved an operating profit margin of 23.7% of sales in 2011 (2010: 25.3%). The majority of the Partnering Business' sales are not subject to any direct currency effects. For this reason, assuming constant exchange rates, the operating profit margin is in line with the reported figure. Operating profit totaled CHF 35.6 million (2010: CHF 36.8 million).

Selection of the current most important products and product groups

Liquid handling systems

A dedicated blood-banking instrument for a leading diagnostics company
A leading diagnostics company has combined the automation system developed by Tecan with its own reagent cassettes to determine blood types and other important blood parameters. It is the most widely used system solution for blood typing in the world. All the work steps in this system solution are fully automated, from pipetting, incubation and centrifugation all the way to results analysis.

m2000sp for Abbott Molecular
The m2000sp is one of the most successful molecular diagnostic platforms. It is marketed by Abbott Molecular as a system solution jointly with a wide range of different molecular diagnostic tests. Applications include, for example, therapy monitoring in HIV or hepatitis patients and detection of sexually transmitted infections.

Various automation platforms for Hologic
Tecan supplies three different platforms to automate Hologic's Cervista® HPV HR molecular diagnostic test, which detects the human papillomavirus (HPV). All work steps on the high-throughput Cervista® HTA platform, from DNA extraction to detection, are fully automated which allows for significant hands-off time during processing. Hologic's Cervista HTA platform was approved by the Food and Drug Administration on December 15, 2011. Additionally, Tecan worked with Hologic to develop the medium-throughput Cervista® MTA for use in laboratories outside of the US with lower test volumes. Hologic's Cervista MTA system received the CE mark in 2011.

Detection instruments

MS 200 microarray scanner for Roche NimbleGen
Roche NimbleGen markets the MS 200 microarray scanner developed by Tecan. Analysis of chromosomal changes enables, for example, a clearer understanding of the genome and therefore of possible causes of disease.

Qubit® 2.0 Fluorometer for Life Technologies
Tecan developed Qubit® 2.0 Fluorometer, a portable detection instrument for DNA, RNA or protein analysis, for the Life Technologies Corporation. This compact, easy-to-operate instrument satisfies the growing need for cost-effective standard test procedures in research laboratories.

Components

Tecan supplies laboratory instrument manufacturers with essential components such as precision pumps, valves, robotic arms and software.

A large selection of precision pumps can be used in various applications, covering a wide range of pipetting volumes. The number of components integrated in the Cavro® Centris pump was reduced. This resulted in significant cost reductions and – in combination with innovative ceramic valves – greater reliability.

The Cavro® Omni Robot is a liquid-handling component that can be integrated, for example, in life science research and clinical diagnostics applications by an instrument manufacturer. This small robot is very reliable and features a modular design and software concept.

Consumables

Consumables, such as certified pipette tips, are an important component of a validated workflow solution for OEM customers active in the diagnostics market. Only high-quality consumables can help ensure a high level of quality and reproducibility in tests.

Customer service

Tecan also offers OEM customers services via its existing infrastructure. Tecan can install instruments at the end customer's location, provide a helpdesk facility, train the OEM customer's service team and even handle customer service itself.

Delivering value to people

Sustainability

By pursuing sustainable corporate practices, Tecan is looking to secure the long-term expansion and prosperity of the Company for the benefit of all interested parties. Tecan sees sustainable corporate practices as more than just a series of individual measures. Instead it is a basic mindset that shapes all corporate processes and unites economic, ecological and social aspects.

Customer loyalty and satisfaction
At Tecan, a high degree of customer loyalty and satisfaction is a key factor for sustainable business growth. Tecan conducts a comprehensive global customer survey every three years in which an external market research institute measures and evaluates customer loyalty and satisfaction. The last survey, conducted in 2009, delivered largely positive results, but did identify some room for improvement. Tecan implemented measures accordingly in the following years. In the year under review, Tecan prepared the next survey, which is scheduled for 2012, together with external experts.

Tecan helps customers and specialists in emerging markets to establish high safety and quality standards which apply whatever the Tecan product being used. As in the previous year, Tecan contributed a presentation at a major blood bank conference in China in 2011.

The annual scientific Tecan Symposium for customers was held in China for the first time in 2011. By holding this symposium, Tecan is making a significant contribution to the global exchange of information in the sector.

Business processes
At Tecan, prudent corporate activity founded on clearly structured, transparent business processes is the permeating theme of the daily routine of both employees and management. It is important that Tecan employees are familiar with globally binding internal corporate guidelines, business processes, and country-specific laws and regulations. They can access the most up-to-date version of these, including guiding principles on the intangible values of the corporate culture, at any time in the Tecan Management System (TMS). The TMS is rated a model tool by customers and external partners alike. Tecan develops the technology and content of the TMS on a continuous basis. The processes were adjusted in line with the two new business segments, the Life Sciences Business and the Partnering Business, during the year under review.

Tecan has had a continual improvement process (CIP) in place for a number of years. Employees in all areas of the Company should identify potential improvements at a day-to-day level, put forward solutions and contribute to their rapid implementation. The aim of the CIP is to increase the Company's profitability, enhance both efficiency and quality, and improve occupational safety and internal collaboration. Where possible, the success of the CIP is measured using key performance indicators, for example productivity, throughput time and inventories in Production.

Tecan developed and installed the production and logistics system PULS specifically for continual process improvements as part of just-in-time manufacturing. This integrated system enables Tecan to eliminate weaknesses and to better achieve the required, ever-stricter quality standards. The sustainability of the improvements is ensured by means of an audit system, which covers the relevant areas from occupational safety and environmental protection through management and collaboration. One of the guiding principles of PULS is avoiding waste, for example caused by overproduction, standby time, excessive inventories and defective units.

Safety and Quality
Sharing knowledge

As in the previous year, Tecan contributed a presentation at a major blood bank conference in China in 2011.

Risk management
Tecan has a well-established global risk management process that allows it to detect risks in any area of corporate activity early on, categorize them according to likelihood of occurrence and impact, and limit them with an appropriate action plan. The process encompasses, among other factors, strategic risks, environmental and product risks, market and customer risks as well as occupational safety risks. It also focuses on political and economic developments as well as the possible impacts certain events may have on Tecan's external partners such as customers or suppliers.

Tecan continuously adjusts its risk management system in line with changes to the environment and takes current events into account in its risk assessment. Under the business continuity plan, for example, the consequences of the devastating earthquake and tsunami in Japan were investigated in March 2011. In order to identify potentially critical sections of the distribution chain covered by Japan, Tecan examined its direct suppliers and gathered information on their subcontractors. The analysis found that Tecan would be unlikely to face any acute bottlenecks. In order to further reduce the risk of supply disruptions, Tecan increased its existing buffer stocks at suppliers in certain cases through targeted procurement of the relevant materials.

In the financial area, Tecan switched its treasury system to an internal, self-managed system in the year under review. The Company is taking a pioneering role with this comprehensive system. Tecan will now execute all money transfers for all Group companies centrally, and manage the cash reserves of the individual companies. Through centralized transaction processing, Tecan has been able to reduce the number of banks it uses in connection with its business activities, and transfer cash reserves to banks with a low default risk. The treasury system has also improved short-term financial planning and by combining cash reserves, has ensured an interest rate benefit compared with decentralized management.

Tecan concluded the pilot phase of an IT-based control system in the financial area in 2011. The system automatically recognizes and flags potential areas of conflict with regard to employees entrusted with a range of duties, which when combined could result in a risk of manipulation.

Tecan began outsourcing all IT services offered by the Group worldwide to the server of an external service provider in the year under review. By using redundant data backup and physically separating the different data centers from one another and from the production sites, Tecan has further minimized the risk of a critical data loss and increased data security. The Company now also has global round-the-clock IT support, thereby reducing outages.

Tecan has established several organizational control mechanisms with the aim of ensuring correct corporate behavior. These include competence guidelines, protecting the anonymity of whistleblowers and internal auditors who report directly to the Board of Directors.

Tecan only generates a limited portion of its sales in countries with an increased risk of corruption.

Safety and regulatory requirements

Tecan has established processes Group-wide and at its individual business locations to ensure compliance with national laws and regulations as well as with internal guidelines for safety and environmental protection. The Company invests substantial amounts each year in pursuit of further improvement. Tecan cooperates closely with public authorities and standard-setting bodies around the world to recognize new trends in regulation, occupational safety and environmental protection as early as possible and to integrate them into its corporate processes. The Company actively shapes these developments in significant economic regions by participating in pertinent industry associations.
Internal and external experts regularly inspect whether Tecan's locations comply with country-specific regulations and the Company's internal standards for product and occupational safety as well as health and environmental protection. These inspections also cover measures that Tecan has to implement if it fails to meet any requirements. Each year, the locations are subjected to a number of audits conducted by regulatory authorities, testing, monitoring and certification agencies, customers and Tecan's own specialist teams. In the year under review, Tecan was audited by a number of different customers. These also included leading diagnostics companies that Tecan supplies with instruments through its OEM business, or will supply in the future. The customers again attested a high standard at Tecan with regard to the relevant requirements.

Tecan put together an ISO 14971-certified product risk management process for medical devices that covers the entire lifespan of a product and evaluates all possible risks, especially those pertinent to patients and users. The Tecan parent company, all production sites and most sales subsidiaries are now ISO 13485 certified. With global certification to this standard by TÜV, Tecan has established a stringent system of control.

Tecan products must also satisfy the following important requirements plus many others: US QSR (Quality System Regulation), CMDCAS (Canadian Medical Device Conformity Assessment System), JPAL (Japanese Pharmaceutical Affairs Law) and CCC (Chinese Compulsory Certification). New opportunities are developing for Tecan in emerging markets, which will place additional requirements on the Company.

The number of regulatory requirements is climbing around the world. To ensure that the current versions of these requirements are understood and satisfied everywhere, Tecan is in constant contact with local organizations and authorities. Several online applications provide Tecan's technical staff with the necessary technical support for managing product registrations and clarifying regulatory requirements in more than 60 countries.

Tecan centralized or harmonized a number of processes and systems during the year under review in order to further improve the already high standard of quality. As part of the new Group structure, the Company centralized the Quality & Regulatory organization, which will now be managed at Group level rather than by the individual national subsidiaries. In Europe, all of the quality systems of the national subsidiaries and organizations were harmonized and processes standardized, including sales, service and complaint processes, for example. Tecan set up a Central Complaint Unit as a contact point for customer complaints investigations.

Tecan's approach to product development is also characterized by an awareness of quality and regulatory requirements. Specialists collaborate from an early stage, supporting the process in a series of structured stages that span the product's entire life up to the point where it is withdrawn from the market.

Environmental responsibility
Efficient use of resources

Tecan takes environmental and safety aspects into account even in administrative areas.

Environment

Tecan acts responsibly and in an environmentally friendly manner in the development, manufacture and global distribution of all products as well as services it renders over the entire lifespan of the product. Tecan focuses on the assembly side of the production process; by keeping vertical integration down, production locations emit relatively low levels of pollutants, including CO_2. All Tecan production locations and the majority of suppliers are located in stringently regulated markets in Europe and the US, while a small portion operate in Asia. Direct suppliers are subject to an audit program. Tecan strives to employ the most environmentally friendly materials and ecologically efficient processes. The relevant employees are familiar with all the latest developments in this area. Tecan disposes of waste in accordance with the EU's WEEE[1] Directive. It also supports the aims of the EU's RoHS[2] Directive on the prohibition of toxic, not-readily biodegradable substances in electrical and electronic devices. Tecan incorporated the RoHS requirements into product development from an early stage, although IVD products are exempt for the time being. Tecan also complies with this Directive in its local form in emerging markets such as China. With each generation of instruments, Tecan continues to achieve further progress thanks to sustainable, robust and reliable design. The aforementioned PULS program also includes targets and measures to avoid wasting materials and energy.

Tecan takes environmental and safety aspects into account even in administrative areas. For example, the Company is holding more and more video conferences in order to reduce the number of flights. For its customer service staff, Tecan has developed tools that support completely paper-free processes for a more efficient and customer-friendly approach to administration. Tecan continuously invests in modern, energy-efficient technology for the infrastructure of its buildings.

Employees

As an employer, Tecan has a strong sense of responsibility, which is reflected in its personnel policies that are binding at all of its companies around the globe. National hiring rules ensure compliance with gender equality, non-discrimination and other legal requirements. Tecan managers and employees are also held to strict ethical guidelines. These are set out in Tecan's "Rules of Employment" and form part of corporate training in the fundamentals of vision and values.

[1] WEEE = Waste Electrical and Electronic Equipment
[2] RoHS = Restriction of Hazardous Substances

Responsibility to employees

Good atmosphere in the workplace

Tecan employees feel that they are highly committed to the Company, and are proud to work for it.

In order to maintain a dialog with employees on key corporate decisions and matters of strategic importance, the management regularly invites staff to participate in local meetings and cross-locational video conferences.

Tecan has a very cosmopolitan workforce comprising employees from over 30 countries. The average age of Tecan employees is around 40. The high degree of Company loyalty is reflected in the staff turnover rate of under 10%, and an absence rate of under 2%. Tecan was able to further increase its headcount in 2011, with recruitment occurring mainly in Research & Development and Operations.

Employee satisfaction, vision and values

Tecan systematically measures the satisfaction of its employees on a regular basis. The findings of the anonymous internet-based "Engaging for Results" survey enable the Company to ascertain whether its business parameters, processes and structures are appropriate and how motivated and committed its staff really are. The Company wants to ensure that it is employing the right staff at the right place and in the right position. The results also help management gain a better feel for what constitutes satisfaction in the workplace and what the biggest staff motivators are. As in 2010, the survey was again sent to all Tecan employees in the year under review. All in all, the results of the survey were gratifying and exceeded the target. Compared with the first survey in 2007, the results showed a positive trend for 2010 and 2011. Good to very good results were recorded in performance and personal motivation. The results for the questions on general satisfaction were excellent in all positions and organizational units. Tecan employees feel that they are highly committed to the Company, and are proud to work for it. Understanding of the new organizational structure is not yet optimal.

Tecan's decision-makers give high priority to instilling the Company's vision and common values in all its employees. The "Engaging for Results" survey showed that "vision and values" are firmly established in the Company's mindset and are lived on a day-to-day basis.

Employees by region	in %
Switzerland	**39%**
Rest of Europe	**32%**
North America	**23%**
Asia-Pacific	**6%**

Employees by activity	in %	Num.
Manufacturing and logistics	**20.4%**	226 EM
Sales and marketing	**24.6%**	273 EM
Customer service	**19.4%**	215 EM
Research and development	**23.5%**	260 EM
General and administration	**12.0%**	133 EM

Global professional training

At Tecan, ongoing professional training is a key requirement critical to business. Stringent industry-specific requirements mean training expenditure is very high. The Company must comply with the requirements and guidelines set forth by supervisory authorities and must also be able to demonstrate that all employees possess the knowledge required for their position. Aided by an SAP-based system, Tecan can oversee and control the training processes employed throughout the Company. Each employee receives a personalized training profile. Via the platform, employees can check their own training and education credentials and update them. Auditors are also able to call up the training status of a given employee at any time. Tecan continued to develop the system in 2011. It was assessed as part of the customer audit and proved to be effective, for example as a proof of training.

In countries employing a dual education system, Tecan instructs trainees from various vocational and professional groups.

Social responsibility

Tecan offers a wide range of healthcare initiatives for its employees including medical courses, vaccination programs and various sporting activities. The Company supports chronically ill employees, taking efforts to ensure they remain integrated in the workplace as far as possible.

Tecan attaches great importance to good cooperation with the people and authorities where it does business. The Company also supports projects serving the common good at its various locations. Tecan launched a fundraising campaign for victims of the Japanese earthquake in the year under review. The Company doubled the amount donated by employees, and ultimately transferred a considerable sum to a renowned Swiss organization providing emergency relief in the disaster area.

Tecan employees took part in the Swiss "Bike to Work" initiative again in 2011, raising substantial proceeds which were donated to a relief organization.

In a joint project with a US hospital, Tecan sponsored the donation and installation of a modern, powerful microplate reader to research deficiency symptoms in the population in Mongolia.

Social responsibility
Projects serving the common good

Tecan launched a fundraising campaign for victims of the Japanese earthquake in the year under review.

Corporate Governance

Information pursuant to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

1 Group structure and shareholders

Group structure

Tecan Group Ltd. (the Company),
Seestrasse 103, 8708 Männedorf, Zurich, Switzerland,
is the parent company of the Tecan Group.

The Company is listed on the SIX Swiss Exchange.

Security symbol:	TECN
Security number:	1 210 019
ISIN:	CH0012100191
Telekurs Financial:	TECN
Bloomberg:	TECN SW
Reuters:	TECN.S

As at December 31, 2011, the Company's market capitalization was CHF 686 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 116 of this Annual Report. The operational Group structure is based on a customer-oriented division into the business segments Life Sciences Business (end-customers) and Partnering Business (OEM customers). The segment reporting based on this structure is presented in the financial section on pages 104 and 105 of this Annual Report.

Major shareholders

As at December 31, 2011, the following shareholders held more than 3% of Tecan's shares:

	2010		2011	
	Shares	%	Shares	%
Chase Nominees Ltd., London (UK)	1,546,910	13.5%	1,546,910	13.5%
TIAA-CREF Investment Management LLCC, New York (US)	1,197,637	10.5%	1,197,637	10.5%
ING Groep N.V., Amsterdam (NL)		<3.0%	1,051,540	9.2%
Tecan Group Ltd., Männedorf (CH)	691,322	6.0%	639,631	5.6%
UBS Fund Management (Switzerland) AG, Basel (CH)	584,374	5.1%	584,374	5.1%
Pictet Funds SA, Geneva (CH)	572,494	5.0%	572,494	5.0%
SUVA, Schweizerische Versicherungsgesellschaft, Lucerne (CH)	362,000	3.2%	362,000	3.2%
Norges Bank (the Central Bank of Norway), Oslo (NO)	350,520	3.1%	350,520	3.1%
The Capital Group Companies, Inc., Los Angeles (US)	365,859	3.2%		<3.0%
Credit Suisse Asset Management Funds AG, Zurich (CH)	345,238	3.0%		<3.0%
Threadneedle Asset Management Holdings Ltd., Swinton (UK)	342,506	3.0%		<3.0%

Numbers of shares according to the most recent shareholder notifications to SIX; the percentages are adjusted to the actual share capital as at the end of the reporting period.

The Company does not have any cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

2 Capital structure

Capital structure of Tecan Group Ltd. as at December 31

	2009	2010	2011
Number of shares	11,412,590	11,436,735	11,444,576
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,141,259	1,143,674	1,144,458
Legal reserves (CHF)	82,721,406	59,229,589	64,380,165
Net retained earnings (CHF)	93,339,579	87,389,031	110,373,186
Shareholders' equity (CHF)	**177,202,244**	**147,762,294**	**175,897,809**
Capital reduction			
Cancelation of treasury shares			
Number of treasury shares canceled	696,788	–	–
Reduction in share capital (CHF)	(69,679)	–	–
Reduction in reserves (CHF)	(27,105,053)	–	–
Repayment of capital contribution reserves			
Number of issued shares on repayment date	–	–	10,771,157
Reduction in capital contribution reserves (CHF)	–	–	10,771,157
Conditional share capital			
Reserved for employee share option plans			
Number of shares	890,622	866,477	858,636
CHF	89,062	86,648	85,864
Reserved for future business development			
Number of shares	1,800,000	1,800,000	1,800,000
CHF	180,000	180,000	180,000
Authorized share capital			
Expiring on April 21, 2012			
Number of shares	2,400,000	2,400,000	2,400,000
CHF	240,000	240,000	240,000

As at December 31, 2011, the Company's share capital was CHF 1,144,458 and was divided into 11,444,576 registered shares with a nominal value of CHF 0.10 each. Each share is entitled to dividend payments whenever the shareholders approve a profit distribution. The Company does not have any bearer shares, participation certificates or bonus certificates outstanding.

Conditional share capital – changes in capital
In 1997, the Company's shareholders approved the creation of conditional share capital of CHF 1,300,000 (consisting of 1,300,000 registered shares with a nominal value of CHF 1.00 each) for the purpose of employee stock options. Several employee stock option plans were adopted based on this conditional share capital. Details of these plans are given in the consolidated financial statements under Note 14 "Employee benefits". A total of 7,841 options were exercised in fiscal year 2011 (2010: 24,145 options; 2009: 26,558 options), increasing the Company's share capital by CHF 784 (2010: CHF 2,415; 2009: CHF 2,656) and decreasing the Company's conditional capital by 7,841 shares (2010: 24,145 shares; 2009: 26,558 shares). As of December 31, 2011, 424,106 shares of the conditional share capital were reserved for outstanding employee stock options and 150,505 for outstanding employee shares in connection with the Performance Share Matching Plan (PSMP). These shares correspond to a share capital of CHF 57,461. On April 26, 2006, the shareholders approved the creation of additional conditional share capital. The Company's share capital may be increased by a maximum of CHF 180,000 through the issue of a maximum of 1,800,000 registered shares to be paid in full with a nominal value of CHF 0.10 each. This increase shall be achieved through the exercise of conversion or option rights granted in connection with bonds or similar instruments issued by the Company or Group companies or through the exercise of option rights granted to shareholders. Shareholders' pre-emptive rights are excluded. The acquisition of registered shares through the exercise of conversion or option rights and any further transfer of registered shares is subject to the restrictions specified in Article 5 of the Articles of Incorporation. In the case of convertible bonds or warrant-linked bonds, the preferred subscription rights of the shareholders may be restricted or excluded by resolution of the Board of Directors 1) in order to finance or refinance the acquisition of companies, parts of companies or equity investments, or 2) to issue warrant-linked or convertible bonds on international capital markets. If preferred subscription rights are excluded, then 1) the bonds must be placed at market conditions, 2) the exercise period for warrants must be limited to five years and the exercise period for conversion rights must be limited to ten years from the date the bond was issued, and 3) the conversion or exercise price for the new shares must be set at least in line with the market conditions prevailing on the bond issue date.

Authorized share capital
On April 26, 2006, and on April 21, 2010, the shareholders approved the creation of authorized share capital, which authorizes the Board of Directors to increase the share capital at any time up to April 21, 2012, by a maximum of CHF 240,000 through the issue of not more than 2,400,000 registered shares to be paid in full with a nominal value of CHF 0.10. Increases by way of firm commitment underwriting as well as partial increases are permitted. The respective issue amount, the dividend entitlement date, the type of contributions and potential acquisitions of tangible assets will be determined by the Board of Directors. Following acquisition, the new registered shares are subject to the restrictions specified in Article 5 of the Company's Articles of Incorporation. The pre-emption rights of the shareholders may be restricted, excluded and allocated to third parties by resolution of the Board of Directors if the new shares are intended to be used 1) to pay for the acquisition of companies, parts of companies or equity investments, 2) to finance or re-finance the acquisition of companies, parts of companies or equity investments, or 3) for an international placement of shares. Shares for which subscription rights were granted but not exercised must be used by the Board of Directors in the interest of the Company. The Company does not have convertible bonds or any options outstanding other than the aforementioned employee stock options.

Entry in the share register and nominee regulations
Registration of voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account. The Company's Board of Directors may register nominees for not more than 2% of the share capital as shareholders with voting rights in the share register. Nominees are shareholders who do not explicitly declare in the registration application that they hold the shares for their own account and with whom the Company has entered into a corresponding agreement. In addition, for shares in excess of 2% of the share capital, the Board of Directors may register nominees with voting rights in the share register if such nominees disclose the names, addresses, nationalities and shareholdings of those persons for whose account they hold 2% or more of the share capital. Legal entities and companies that are linked to one another in terms of capital and voting power through uniform management or

otherwise, as well as individuals, legal entities or companies coordinating their actions to circumvent the registration limitations, are considered to be one person. The Board of Directors is entitled to grant exceptions to the registration limitations in special cases. No such exceptions were granted in the year under review. The procedures and conditions for canceling these limitations on transferability are described in section 6.

3 Board of Directors

Board of Directors

Brief profiles of the members of the Board of Directors can be found on pages 44 and 45.

Independence

All the members of the Board of Directors are non-executive members. None of the Board members was formerly a member of the management of Tecan Group Ltd. or any Group company during the period under review or the three preceding periods.

Election, term of office, organization and responsibilities

Pursuant to the Company's Articles of Incorporation, the Board of Directors is composed of a minimum of one and a maximum of seven members, who are elected for a term of one year. Re-election after the end of the term is permitted. The Board of Directors is responsible for the ultimate supervision and management of the Company, including the development of general strategies and guidelines, and for all other duties that are non-transferable under applicable law. To the extent permitted by law and provided that there is no conflict with the Company's Articles of Incorporation and the Organizational Regulations adopted by the Board of Directors, management of the Company's affairs is delegated to the Management Board pursuant to the Organizational Regulations. The Board of Directors meets as often as business matters require. The Board shall meet at least five times a year upon invitation of the Chairman or, in his absence, upon invitation of another Board member. Any member of the Board of Directors may call a meeting by specifying the reasons for the meeting. The meetings usually last one whole day. As a general rule, the CEO and CFO attend the Board meetings in their entirety, and any other members of the Management Board or senior management invited by the Chairman attend for certain portions. Meetings may also be held by videoconference or by telephone. The Board of Directors passes its resolutions by an absolute majority of votes of Board members present. In the event of a tie, the Chairman of the Board has the deciding vote. Resolutions may be passed by postal vote unless a member requests oral deliberation. Five full-day Board meetings and two conference calls were held in the year under review. Four meetings of the Audit Committee lasting about four hours each were also held. In addition, there were three meetings of the Compensation Committee and two conference call meetings of the Nomination and Governance Committee.

Board of Directors

Rolf A. Classon

Chairman of the Board
Chairman of the Nomination and Governance Committee
Since 2009, elected until 2012
1945
Swedish citizen, Chemical Engineer; Gothenburg School of Engineering, Pol. Mag. University of Gothenburg

Professional background:
1969 to 1974 Pharmacia AB, Director, Organization Development; 1974 to 1978 Asbjorn Habberstad AB, Consultant; 1979 to 1984 Pharmacia AB Hospital Products Division, President; 1984 to 1990 Pharmacia Development Company, Inc., President; 1990 to 1991 Pharmacia Biosystems AB, President and COO; 1991 to 1995 Bayer Diagnostics, Executive Vice President; 1995 to 2002 Bayer Diagnostics, President; 2002 to 2004 Bayer Health Care, CEO and Chairman of the Executive Committee; 2005 to 2006 Hillenbrand Industries, interim President and CEO.

Other activities:
Auxilium Pharmaceuticals, USA, Non-executive Chairman; Hill-Rom Holdings, USA, Non-executive Chairman; Fresenius Medical Care AG, Germany, member of the Board

Heinrich Fischer

Vice Chairman of the Board
Chairman of the Compensation Committee
Since 2007, elected until 2012
1950
Swiss citizen, Master of Applied Physics & Electrical Engineering (ETH Zurich), MBA (University of Zurich)

Professional background:
Four years R&D in electronics (ETH Zurich, IBM); 1980 to 1990 Director of Staff Technology and Executive Vice President, Balzers Division of Oerlikon-Bührle Group; 1991 to 1996 Executive Vice President, Corporate Development, Oerlikon-Bührle Group; 1994 to 2005 Co-founder and Chairman of ISE (Integrated System Engineering); 1996 to 2007 Delegate of the Board and Chief Executive Officer, Saurer Group.

Other activities:
Schweiter AG, member of the Board; Hilti AG, member of the Board; Fortu AG, Chairman of the Board; CAMOX Fund, member of the Board

Dr. Lukas Braunschweiler

Chairman of the Audit Committee
Since 2009, elected until 2012
1956
Swiss citizen, Master's degree in Chemistry (ETH Zurich), Dr. nat. (ETH Zurich)

Professional background:
1985 to 1988 Wild Leitz Heerbrugg AG (now Leica Geosystems), member of the Special Products Division Management; 1988 to 1991 Huber + Suhner AG, member of the Executive Board and Head of the Special Materials and Plastics Division; 1991 to 1992 Saurer Group Holding AG, Senior member of the Executive Board; 1992 to 1995 Landis & Gyr AG (now Siemens AG), Senior member of the Regional Management Board, Executive Vice President of Landis & Gyr Europe AG; 1995 to 2002 Mettler-Toledo International Inc., member of the Group Executive Board, Executive Officer and Group Vice President as well as President of Mettler-Toledo, Inc.; 2002 to 2009 Dionex Corporation, President & CEO and member of the Board of Directors; 2009 until 2011 RUAG Holding AG, CEO; since 2011 Sonova Holding AG, CEO.

Other activities:
Schweiter AG, member of the Board

Dominique F. Baly

Since 2009, elected until 2012
1948
French and US citizen, University Louis Pasteur, Strasbourg, Faculty of Pharmacy, Diplôme d'Etat de Pharmacien

Professional background:
1976 to 1982 Millipore Intertech, General Manager; 1983 to 1986 Waters Chromatography, Vice-President and General Manager Europe; 1986 to 1987 Millipore, Vice-President and General Manager Europe; 1988 to 1993 Millipore Corporation, President Intertech Division; 1994 to 2000 Millipore Corporation, Vice-President and General Manager, Analytical Divisions, member of the Corporate Executive Committee; 2001 to 2005 Millipore Corporation, President, Laboratory Water Division; 2005 to 2008 Millipore Corporation, President, Bioscience Division, Corporate Officer; 2009 to 2010 Accelerator Sciences LLC, President and CEO; since 2011 Sartorius AG, President, Group Laboratory Business.

Other activities:
Ventria Bioscience, USA, member of the Board;
Microsep PTY Ltd., South Africa, member of the Board

Dr. Oliver Fetzer

Since 2011, elected until 2012
1964
US citizen, MBA, Carnegie Mellon University, Pittsburgh, USA, Ph.D. Pharmaceutical Sciences (Major: Medicinal Chemistry), Medical University of South Carolina, USA

Professional background:
1993 to 2002 The Boston Consulting Group, USA, between 2000 and 2002 Managing Director and Partner; 2002 to 2007 Cubist Pharmaceuticals USA, various management positions, including Senior Vice President, Corporate Development and Research and Development; 2007 to 2008 Sabbatical; since 2009 President and Chief Executive Officer, member of the Board of Directors of Cerulean Pharma Inc., USA.

Other activities:
Auxilium Pharmaceuticals, USA, member of the Board

Gérard Vaillant

Since 2004, elected until 2012
1942
US citizen, Degree in Marketing (École Supérieure de Commerce, Paris) and MS (University of Sciences, Paris)

Professional background:
Various senior management positions within Johnson & Johnson (US), including Vice-President, J&J International, 1987 to 1992, Worldwide President Life Scan (a J&J company), 1992 to 1995, and Company Group Chairman Diagnostics Worldwide, 1995 to 2004. He was a member of the Medical Devices & Diagnostics Group Operating Committee of J&J until he retired in 2004.

Other activities:
Luminex Corporation, USA, member of the Board;
Vivacta Ltd., UK, Board member;
Biomedical Diagnostics SA, France, member of the Board;
Safe Orthopaedics, France, Chairman of the Board

Erik Walldén

Since 2011, elected until 2012
1949
Swedish citizen, Chemical Engineer, Uppsala University, Sweden

Professional background:
1974 to 1976 Research Assistant, Royal Institute of Technology, Stockholm; 1976 to 1982 various R&D positions, Pharmacia Biotechnology AB; 1982 to 1986 various marketing positions, Pharmacia Biotechnology AB; 1986 to 1989 Director, Pharmacia LKB Biotechnology AB, Molecular Biology Division; 1989 to 1992 Vice President Worldwide Marketing, Sales and Support, Biosensor AB (today Biacore International AB); 1992 to 1994 Managing Director, Cobalt Trading Relations AB; 1994 to 1997 Vice President, Worldwide Marketing & Support, PerSeptive Biosystems, USA; 1997 to 1998 Vice President, Chromatography Products, PerSeptive Biosystems (Applera Corporation), USA; 1998 to 2003 President and CEO, Pyrosequencing AB; 2004 to 2006 President and CEO, Biacore International AB; since 2006 Chairman and President, WalldenAssociates (Erik Walldén AB); 2007 to 2009 CEO Affibody Holding AB; since 2009 CEO, Gyros AB.

Other activities:
Member of Industrial Supervisory Board of Healthinvest Partners AB; Deputy Chairman, Exiqon A/S; Chairman Business & Finance Work Group, SwedenBIO

Committees

The Board of Directors may appoint committees composed of members of the Board to prepare and implement its resolutions and to exercise its supervisory function. The committees meet upon invitation of the respective chairman and as often as business requires, but at least twice a year. The committee meetings usually last between two and three hours. Committee resolutions and proposals for consideration by the entire Board of Directors are passed by a majority of votes cast, provided that there is a quorum of at least two committee members present. Resolutions may also be passed by postal vote. The Board of Directors has established three committees that are composed as follows:

	Audit Committee	Compensation Committee	Nomination and Governance Committee
Rolf Classon			Chairman
Heinrich Fischer		Chairman	Member
Gérard Vaillant	Member		
Dr. Oliver Fetzer		Member	
Erik Walldén	Member		
Dr. Lukas Braunschweiler	Chairman		Member
Dominique F. Baly		Member	

Audit Committee

The Audit Committee is composed of at least two members. The Committee's principal duties and responsibilities are to form an opinion regarding internal and external audits and to monitor cooperation between the external statutory auditors and the Company; to assess the quality of internal audits and compliance; to review the annual financial statements (both consolidated and single-entity) and interim financial statements destined for publication and report on them to the full Board of Directors; to make recommendations to the full Board of Directors, especially with regard to the approval of annual and interim financial statements; and to monitor the independence, performance and fees of the statutory auditors and propose that they be appointed or reappointed by vote of the Annual General Meeting. Representatives of the external statutory auditors and the internal auditor may attend meetings of this Committee at the invitation of the Chairman.

Compensation Committee

The majority of members of the Compensation Committee must be non-executive and independent members of the Board of Directors. The principal duties and responsibilities of the Compensation Committee are to submit proposals to the full Board of Directors regarding the amount and type of remuneration for the members of the Board of Directors, the CEO and the other members of senior management. The Compensation Committee reviews reports on salary structure and salary trends and monitors the disclosure requirements pertaining to compensation for senior management and the Board of Directors.

Nomination and Governance Committee

The majority of members of the Nomination and Governance Committee must be independent and non-executive members of the Board of Directors. The Committee consists of three members. It is chaired by the Chairman of the Board. The other members are the chairmen of the Audit Committee and the Compensation Committee. The most important duties of this Committee include succession planning at the level of the Board of Directors and the Management Board; defining the selection criteria for members of the Board of Directors and the Management Board; and regular review of the performance of the Board of Directors, its committees and its individual members based on a defined evaluation plan. This Committee is also charged with monitoring risk management and corporate governance.

Information and control instruments
The members of the Management Board are actively involved in the various committees of the Board of Directors. The CEO, CFO, the internal auditors and sometimes the external statutory auditors attend the meetings of the Audit Committee, for example. In addition, members of the Management Board meet with individual Board members on an ad hoc basis to discuss and delve more deeply into specific topics. Description of periodic reporting to the Board of Directors:
The Board of Directors receives monthly reports from the Group's management information system so that it can monitor financial and operational performance. All relevant guidelines are presented to the Board of Directors or the appropriate committees for approval to ensure shared responsibility for all major decisions. In the past year, for example, the Treasury Guideline and the Internal Control Manual were revised by the Audit Committee and approved by the Board of Directors.

Internal Audit: Tecan has had its own internal audit department since 2007. Since the internal auditors report to the Audit Committee, their independence is assured. All companies are audited every three years on the basis of a risk analysis. The annual audit plan consists of audits of all major companies and is approved by the Audit Committee. A summary of significant findings and recommendations is submitted directly to the Audit Committee with copies to the CEO and CFO. The reports are also made available to the external statutory auditors. During the year under review, Internal Audit focused its efforts on strengthening the internal control system for financial reporting and on risk management. Other areas audited include compliance with laws and standards and the efficiency and effectiveness of business processes. Additional information on risk management is given in Note 29 to the consolidated financial statements.

4 Management

Management Board
Information on the members of the Management Board can be found on pages 48 and 49.

Management contracts
No agreements between the Company and third parties that are not part of the Tecan Group were entered into or renewed in the year under review for the purpose of delegating management responsibilities.

5 Content and method of determining compensation and stock option plans

For more information on compensation and employee participation plans, please refer to the Compensation Report on pages 52 to 57.

Management Board

Gérard Vaillant

Member of the Board of Directors since 2004
Acting Chief Executive Officer since February 2012
1942
US citizen, Degree in Marketing (École Supérieure de Commerce, Paris) and MS (University of Sciences, Paris)

Professional background:
Various senior management positions within Johnson & Johnson (US), including Vice-President, J&J International, 1987 to 1992, Worldwide President Life Scan (a J&J company), 1992 to 1995, and Company Group Chairman Diagnostics Worldwide, 1995 to 2004. He was a member of the Medical Devices & Diagnostics Group Operating Committee of J&J until he retired in 2004.

Other activities:
Luminex Corporation, USA, member of the Board; Vivacta Ltd., UK, member of the Board; Biomedical Diagnostics SA, France, Board member; Safe Orthopaedics, France, Chairman of the Board

Dr. Rudolf Eugster

Dr. Rudolf Eugster
Chief Financial Officer of the Tecan Group
Member since 2002
Joined Tecan in 2002
1965
Swiss citizen, Degree in Chemistry (ETH Zurich), PhD in Technical Science (ETH Zurich), Postgraduate degree in Business Administration (ETH Zurich)

Professional background:
1993 to 1994 Strategic planning/controlling at Novartis; 1994 to 2002 several positions at Von Roll, the last of which was CFO of Isola Composites, a joint venture between Von Roll and Isola AG.

Other activities:
None

Dr. Martin Brusdeilins

Executive Vice President
Head Development & Operations and Chief Science Officer
Member since 2011
Joined Tecan in 2011
1952
German citizen, Dr. rer. nat. in Biochemistry (equiv. Ph.D., University of Tübingen and Max Planck Institute for Biology in Tübingen, Germany)

Professional background:
1982 to 1984 research assistant at Robert Bosch Hospital, Institute for Clinical Pharmacology, Stuttgart; 1985 to 2003 various management and professional positions at Roche Diagnostics in Europe and the US, including Vice President Research & Development Near Patient Testing and Vice President and General Manager Business Unit Laboratory Systems, Roche Diagnostics USA, several senior positions at Boehringer Mannheim GmbH (acquired by Roche Diagnostics in 1998), including Senior Vice President Global Marketing & Technology Management, Senior Vice President Global Marketing Laboratory Diagnostics, Vice President Project Management Laboratory Diagnostics and Vice President System Development; 2003 to 2011 Vice President Product Development and Vice President Research & Development, Ortho-Clinical Diagnostics Inc., in Rochester, NY, USA.

Other activities:
None

Dr. Bernhard Grob

Executive Vice President
Head of Division
Partnering Business
Member since 2011
Joined Tecan in 2010
1956
Swiss citizen, Dr.sc.techn., Masters Degree in Chemical Engineering (ETH Zurich)

Professional background:
2006 to 2010 Chief Executive Officer, Timaq Medical Imaging Inc.; 1996 to 2005 General Manager, Analytical Instruments Business Unit Mettler-Toledo; 1994 to 1996 Marketing Manager, Elektrowatt Engineering AG; 1984 to 1994 several business management positions with the Analytical Instruments and Process Analytics divisions of the Mettler-Toledo Group.

Other activities:
member of the Board, Biosynth AG, Switzerland

Markus Schmid

Executive Vice President
Head of Corporate Human Resources & Internal Communications
Member since 2011
Joined Tecan in 2011
1968
Swiss citizen, teacher, Master in Psychology and Journalism (University of Freiburg, Switzerland)

Professional background:
1990 to 1993 consultant for occupational pension funds at an insurance company; 1994 to 1998 teacher and instructor at various educational levels, various consulting positions; 1998 to 2011 partner and operations manager, MANRES AG, Zurich.

Other activities:
None

Frederic Vanderhaegen

Executive Vice President
Head of Division
Life Sciences Business
Member since 2008
Joined Tecan in 2008
1967
Belgian citizen, Biochemical Industrial Engineer (Meurice Institute, Brussels), Chemical Process Engineer (University of Brussels), MBA (Open University)

Professional background:
1992 to 1995 research activities at Meurice Institute (Brussels, Belgium); 1995 to 2008 several specialist and management functions at Millipore, such as Sales Representative Analytical Division (Brussels, 1995 to 1998), Global Product Manager and Sales Manager Applied Microbiology Division as well as Area Division Manager Biopharmaceutical Division (Strasbourg, France, 1998 to 2005), North American Director, Sales & Service Bioscience Division (2005 to 2008, Boston, USA).

Other activities:
None

Members who left Tecan

Thomas Bachmann

Until February 2012,
Chief Executive Officer
Member from 2005
until February 2012
With Tecan from 2005
until February 2012

Dr. Jürg Dübendorfer

Until November 2011,
Head of Division
Development & Operations
Member from 2006
until February 2012
With Tecan from 2000
until February 2012

6 Shareholders' participation rights

Each share entitles the bearer to one vote. Shareholders may only be represented at the Annual General Meeting by their legal representative, another shareholder with voting rights, the independent proxy, the Company-appointed proxy or a proxy appointed by a custodial institution. Proxy representation requires a written power of attorney that is only valid for the meeting for which it is issued. Article 13 paragraph 2 of the Company's Articles of Incorporation stipulates the matters for which a majority greater than that prescribed by law is required in order to pass a shareholders' resolution, namely a qualified majority of at least two-thirds of the votes represented and an absolute majority of the nominal stock value represented.

The types of transaction covered by this provision are as follows:
- The conversion of registered shares into bearer shares;
- The cancelation or modification of transferability restrictions (Article 5 of the Articles of Incorporation);
- The dissolution and liquidation of the Company and the removal of Article 13 paragraph 2 itself from the Articles of Incorporation, and the elimination or modification of the quorum specified in this provision.

Shareholders who together hold shares of at least 1% of the share capital may request in writing no later than 56 days prior to an Annual General Meeting that a specific item be included on the agenda. Shareholders who together represent at least 10% of the share capital may request that an Annual General Meeting be convened. Shareholders registered as having voting rights are informed by mail of the convening of an Annual General Meeting at least 20 days prior to the meeting. The notice is also published in the Swiss Official Gazette of Commerce. As a rule, the share register is closed for new entries from around ten days before the day of the Annual General Meeting until the day of the Annual General Meeting.

7 Change of control and defense measures

The Company's Articles of Incorporation do not contain any rules on opting-out or opting-up in order to cancel or restrict the obligation to submit an offer pursuant to the Federal Act on Stock Exchanges and Securities Trading. One-third of the options that were issued from 2007 to 2011 in conjunction with ESOP (for details see consolidated financial statements, Note 14.4: "Share-Based Payment") vest each year (vesting period). During this vesting period, these options generally cannot be exercised. When there is a change of control, these options vest immediately and may be exercised immediately (accelerated vesting period). In the event of a change of control, the three-year blocking period for the shares allotted under PSMP will be lifted (see "Stock option plans" above). The shares allotted to the CEO in 2010, the ownership of which is being transferred on a staggered schedule until 2015, shall immediately become the CEO's property in the event of a change of control. There are otherwise no change-of-control clauses included in agreements or compensation plans that benefit members of the Board of Directors, the Company's Management Board, or the Tecan Group.

8 Statutory auditors

Date on which KPMG AG took over the existing auditing mandate	May 28, 1997
Date on which the lead auditor took up his position	2011

Fees paid

CHF 1,000	2010	2011
Total auditing fees	669	557
Total tax consulting fees (KPMG)	117	60
Total other consulting fees (KPMG)	6	19

The auditors are appointed by vote of the Annual General Meeting of Shareholders for a one-year term. The external audit has been reviewed by the Audit Committee since 2003. The auditors attend the meetings of the Audit Committee at which the annual and semi-annual financial statements are discussed and preparations are made for approval by the Board of Directors. The auditors report on the audit focus and summarize the audit findings. The auditors submit recommendations regarding the scope of the audit and its focus for the upcoming audit period. At year's end, the Audit Committee reviews the performance of the auditors as well as the audit costs and submits a proposal to the Board of Directors regarding reappointment of the auditors. As a rule, the Company issues a new request for audit proposals every four years. The lead auditor must be changed every seven years.

9 Information policy

Tecan informs shareholders and the financial community on a continuous basis about significant developments in the Company's business operations. This policy is implemented primarily through regular press releases, interim and annual reports, and information provided on the Company's website (www.tecan.com). In addition, the Company gives regular presentations to institutional investors at its headquarters and at several conferences, and holds numerous individual and group meetings with members of the international financial community. Company publications are available in printed form on request. They can also be downloaded from the Tecan website.

Important dates for investors

Date	Location	Event
March 8, 2012	Zurich	Full Year Results 2011, Press Briefing on Annual Results and Analysts' Conference
April 18, 2012	Zurich	Annual General Meeting
August 16, 2012	Conference Call Webcast	Half Year Results 2012

For mail or phone inquiries please contact:

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Compensation Report

This Compensation Report sets out the compensation system and the compensation paid to the members of the Board of Directors and the Management Board of Tecan Group Ltd. It will be put to the Annual General Meeting on April 18, 2012, for an advisory vote. The report is based on Section 5 of the Annex to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

Policies

The Tecan Group has a set of uniform compensation policies, which are systematic, transparent and have a long-term focus. Compensation is determined on the basis of four factors: the Company's success, individual performance, function and the labor market. The ultimate goal of the compensation system is to attract highly qualified and motivated specialists and managers to join the Company and commit to it for the long term, and to reconcile the interests of employees and shareholders. The variable performance component is a complementary management tool designed to promote the achievement of overriding objectives. In addition, the Performance Share Matching Plan (PSMP) – the share plan in place for all members of the Board of Directors (since 2011) and the Management Board (since 2010) – provides direct financial participation in the long-term performance of Tecan shares.

The amount and composition of the compensation paid to both the Board of Directors and the Management Board is assessed and determined by the Compensation Committee. In the year under review, the Committee, whose members are appointed by the Board of Directors, comprised Heinrich Fischer (Chairman), Oliver Fetzer (member) and Dominique F. Baly (member). The Chairman of the Board of Directors, Rolf Classon, attends the Committee's meetings whenever possible but does not have voting rights. The CEO, CFO and Corporate Head of Human Resources participate in the meetings regularly in an advisory capacity. They do not participate on agenda items concerning the Board of Directors or themselves. Minutes are kept of the meetings. The Compensation Committee proposes motions to the Board of Directors, which in turn must approve the HR and salary policies for the entire Group as well as the general conditions of employment for the members of the Management Board.

The Board of Directors reviews the target achievement of the CEO and of all members of the Management Board and defines the actual bonus to be paid. The Compensation Committee defines the compensation amounts to be paid to the members of the Management Board. The amount and type of remuneration to be paid to the Board of Directors are reviewed annually by the Compensation Committee and must be approved by the full Board of Directors.

All employees of the Tecan Group go through a formalized target and performance review process, which generally takes place at least once a year shortly after the end of the fiscal year. This process forms the basis for the calculation of individual employees' performance-based remuneration for the previous year. It also ensures consistent objectives are set across the Group for the fiscal year which has just begun, and promotes the development of both individual employees and the Group. Personal objectives are defined in the performance review process as part of an individual meeting with the employee's supervisor.

The system

The remuneration system for the Management Board of Tecan Group Ltd. is based on three central pillars: a fixed cash component (fixed or basic salary), a variable cash component (bonus) and a variable long-term share plan (Performance Share Matching Plan). For senior management at the Tecan Group, the third pillar consists not of a share plan but a performance-based option plan. The remuneration system for middle management is composed of two pillars – a basic salary (fixed or basic salary) and a variable component (bonus) based on the performance review. In addition, outstanding performance may be rewarded with single premiums in the form of options. Employees are paid a fixed salary and individual, performance-based, single premiums paid out periodically in cash.

Cash compensation

The management compensation structure is based on the Variable Pay Regulations, which have been approved by the Board of Directors. These provide for the definition of a target salary. For the members of the Management Board, this consists of a fixed or basic salary (70% of the target salary) and a variable component (30% of the target salary). In the case of the CEO, the fixed or basic salary accounts for 60% and the variable component 40% of the target salary. The amount of the variable component is based on the degree to which the following targets are met: firstly, the Company's financial targets and secondly, individual quantitative and qualitative targets. The financial targets (sales and EBIT) are set annually by the Board of Directors in December for the following year. The distribution of the variable component differs depending on function and management responsibility. For senior management, the Group's financial targets account for the majority of the variable component (up to 80%), whereas at lower management levels the percentage share falls to 20%. If the target achievement for the quantitative objectives defined by the Board of Directors in the previous year is less than 80%, no variable component is paid for these objectives. If the targets are exceeded, the maximum amount of the variable component is 200%. In 2011, the financial targets at Group level were exceeded by 4.8%.

Employee participation plans

In addition to cash compensation, the members of the Board of Directors and the Management Board participated in the Performance Share Matching Plan in the year under review (the former have been doing so since 2011, the latter since 2010). This share plan is a long-term incentive program which involves the allotment of registered shares in Tecan Group Ltd. to the members of the Board of Directors, the Management Board and the extended Management Board. When the share plan was launched, the previous allotment value under the option plans in place until 2009 was taken as the basis for the initial grant of shares. The shares are blocked for three years from the allotment date, and must be returned on a pro rata basis in the event of termination by the employee before expiration of the three-year period. The variable cash component is also tied to this long-term incentive program: If the variable component of the bonus paid to the Management Board and the extended Management Board exceeds 100% of the target bonus based on the achievement of the Company's financial objectives, then the portion in excess of 100% is also paid out or allocated in the form of shares (the number of shares allocated to the Board of Directors remains unchanged). In addition, a claim for allotment of additional shares (called matching shares) will exist if specific financial targets based on an economic profit of the Tecan Group are reached three years after the allotment of shares. This ensures that the Company's shareholders also benefit as the value of the Company increases. The economic profit target is based on sales growth and EBIT targets that were compared with companies in the life science sector that are also active globally in the instrument business. The factor used to calculate this matching share portion for the Management Board is between 0 and 2.5, depending on the degree to which the economic profit target is attained. For the Board of Directors, the matching factor has been set at 50% of that applied for the Management Board (i.e. between 0 and 1.25). This means that a member of the Management Board will be able to claim a maximum of 2.5 matching shares per originally allotted share. Under the same conditions, the maximum matching share factor for a member of the Board of Directors will be 1.25. A matrix formula incorporating the two components of sales growth in Swiss francs and EBIT margin has been devised for the calculation of the matching share factor provided that a certain capital turnover is reached. The two para-meters are linked, i.e. in order to achieve a specific factor in the case of low growth, the EBIT margin has to be higher. Likewise, if the EBIT margin is low then high growth must be generated. The sales growth component has been given a higher weighting, and accounts for two-thirds for the purposes of calculating the matching share factor.

For example, the following combinations are required to achieve a factor of 1.0 for the allotment of additional shares (at a capital turnover rate of 3.3):

1% growth	18% EBIT margin
3% growth	15% EBIT margin
9% growth	12.5% EBIT margin

The following combinations are required, for example, to achieve a factor of 2.5 (the maximum factor) for the allotment of additional shares (at a capital turnover rate of 3.3):

5% growth	17.5% EBIT margin
7% growth	15% EBIT margin
10% growth	13.5% EBIT margin

The size of the initial allotment of PSMP shares is approved annually by the Board of Directors based on a proposal by the Compensation Committee. In 2011, the members of the Management Board on average received an initial allotment of 21% of the total compensation.

Termination benefits

Members of the Board of Directors and the Management Board have no contractual entitlement to termination benefits.

Compensation and loans granted to members of the Board of Directors and Management Board

Compensation to the Board of Directors

CHF 1,000	Year	Fixed fee	Committee fee	Total cash compensation	Social benefits[1]	Share options granted (number)[2]	Fair value of share options[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial shares[5]	PSMP: Total matching shares granted (number)[6]	Fair value of matching shares PSMP 2011 earned in period[7/8]	Total compensation
Rolf Classon	2010	150	18	**168**	**8**	2,442	**45**	–	**–**	–	**–**	**221**
(Chairman)	2011	150	18	**168**	**13**	–	**–**	808	**45**	1,010	**13**	**239**
Heinrich Fischer	2010	85	20	**105**	**6**	1,221	**22**	–	**–**	–	**–**	**133**
(Vice Chairman)	2011	85	20	**105**	**8**	–	**–**	404	**23**	505	**6**	**142**
Dominique F. Baly	2010	75	20	**95**	**6**	1,221	**22**	–	**–**	–	**–**	**123**
	2011	75	20	**95**	**8**	–	**–**	404	**23**	505	**6**	**132**
Dr. Lukas	2010	75	20	**95**	**6**	1,221	**22**	–	**–**	–	**–**	**123**
Braunschweiler	2011	75	20	**95**	**8**	–	**–**	404	**23**	505	**6**	**132**
Oliver S. Fetzer	2010	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**
(since April 2011)	2011	50	13	**63**	**6**	–	**–**	404	**23**	505	**6**	**98**
Gérard Vaillant	2010	75	20	**95**	**5**	1,221	**22**	–	**–**	–	**–**	**122**
	2011	75	20	**95**	**7**	–	**–**	404	**23**	505	**6**	**131**
Erik Walldén	2010	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**
(since April 2011)	2011	50	7	**57**	**5**	–	**–**	404	**23**	505	**6**	**91**
Dr. Jürg Meier	2010	75	10	**85**	**7**	415	**8**	–	**–**	–	**–**	**100**
(until April 2011)	2011	25	3	**28**	**2**	–	**–**	–	**–**	–	**–**	**30**
Prof. Dr. Peter Ryser	2010	75	10	**85**	**5**	415	**8**	–	**–**	–	**–**	**98**
(until April 2011)	2011	25	3	**28**	**2**	–	**–**	–	**–**	–	**–**	**30**
Total	**2010**	**610**	**118**	**728**	**43**	**8,156**	**149**	**–**	**–**	**–**	**–**	**920**
	2011	**610**	**124**	**734**	**59**	**–**	**–**	**3,232**	**183**	**4,040**	**49**	**1,025**

[1] Employer's contribution to social security including social security on share options exercised and shares transferred during the reporting period.

[2] Vesting condition: One / two / three years of service for 33% / 33% / 34% of options.

[3] Formula for 2010: Options granted in 2010 • fair value at grant (CHF 20.47) • [1 - estimated labor turnover rate (10%)].

[4] Vesting conditions: Graded vesting from May 1, 2011 to April 30, 2014. Vested shares are blocked until the end of the performance period (April 30, 2014). The shares are fully included in the amount of fair value of initial shares.

[5] Formula for 2011: Shares granted in 2011 • fair value at grant (CHF 61.95) • [1 - estimated labor turnover rate (10%)].

[6] Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 14.4.2 to the consolidated financial statements.

[7] The matching shares granted represent the maximum of potential shares granted in connection with Performance Share Matching Plans (PSMP). Due to the performance target, only a pro rata amount of the potential matching shares granted is included in the fair value of matching shares earned in the period. Fair values of matching shares earned in future periods will be reported in future total compensation amounts with true-ups for fluctuation, matching share factor and share price.

[8] Formula for 2011: {(initial shares granted in 2011, that qualify for matching shares [total 3,232 shares]) • estimated matching share factor of 1.12} • service period pro rata (8 months / 36 months) • share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in reporting period 2011.

Compensation to the Management Board

CHF 1,000	Year	Fixed salary	Variable salary[1]	Taxable fringe benefits	Total cash compen-sation	Social benefits[2]	PSMP: Initial shares granted (number)[3]	Fair value of initial shares[4]	PSMP: Total matching shares granted (number)[5]	Fair value of matching shares PSMP 2010 earned in period[6/7]	Fair value of matching shares PSMP 2011 earned in period[6/8]	Additional grant (number)[9]	Fair value of addi-tional grant[10]	Total compen-sation
Thomas Bachmann (CEO)[11]	2010	550	330	11	**891**	**198**	5,247	**379**	18,308	**183**	**–**	20,000	**1,346**	**2,997**
	2011	550	340	11	**901**	**226**	5,378	**382**	13,445	**–**	**255**	–	**–**	**1,764**
Dr. Rudolf Eugster (CFO)	2010	345	148	–	**493**	**114**	3,279	**237**	8,815	**88**	**–**	–	**–**	**932**
	2011	345	157	–	**502**	**120**	3,361	**239**	8,663	**–**	**164**	–	**–**	**1,025**
Other members of the Manage-ment Board[12/13]	2010	2,250	1,054	50	**3,354**	**520**	17,316	**1,250**	48,600	**443**	**–**	–	**–**	**5,567**
	2011	1,062	455	5	**1,522**	**366**	8,536	**606**	23,713	**–**	**450**	–	**–**	**2,944**
Total	**2010**	**3,145**	**1,532**	**61**	**4,738**	**832**	**25,842**	**1,866**	**75,723**	**714**	**–**	**20,000**	**1,346**	**9,496**
	2011	**1,957**	**952**	**16**	**2,925**	**712**	**17,275**	**1,227**	**45,821**	**–**	**869**	**–**	**–**	**5,733**

1 Payment will be made in following year.

2 Employer's contribution to social security, including social security on share options exercised and shares transferred during the reporting period, and contributions to post-employment benefit plans.

3 Vesting conditions: Graded vesting from January 1, 2010 to December 31, 2012 (PSMP 2010) and from January 1, 2011 to December 31, 2013 (PSMP 2011). Vested shares are blocked until the end of the performance period (December 31, 2012 and 2013 respectively). The shares are fully included in the amount of fair value of initial shares.

4 Formula for 2010: Shares granted in 2010 * fair value at grant (CHF 80.25) * [1 - estimated labor turnover rate (10%)] and formula for 2011:Shares granted in 2011 * fair value at grant (CHF 78.95) * [1 - estimated labor turnover rate (10%)].

5 Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 14.4.2 to the consolidated financial statements.

6 The matching shares granted represent the maximum of potential shares granted in connection with Performance Share Matching Plans (PSMP). Due to the performance target, only a pro rata amount of the potential matching shares granted is included in the fair value of matching shares earned in the reporting period. Fair values of matching shares earned in future periods will be reported in future total compensation amounts with true-ups for fluctuation, matching share factor and share price.

7 Formula for 2010: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 28,558 shares]) * estimated matching share factor of 1.0} * service period pro rata (12 months / 36 months) * share price at year-end 2010 [CHF 75.00] = fair value of matching shares PSMP 2010 earned in reporting period 2010; formula for 2011: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 17,314 shares]) * estimated matching share factor of 0.00} * service period pro rata (12 months / 36 months) * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2010 earned in reporting period 2011.

8 Formula for 2011: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 18,328 shares]) * estimated matching share factor of 2.24} * service period pro rata (12 months / 36 months) * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in reporting period 2011.

9 The additional grant is non-recurring in the future and not included in the calculation of the matching shares. The terms and conditions are disclosed in note 14.4.2 to the consolidated financial statements. They are fully included in the amount of fair value of additional grant.

10 Formula for 2010: Shares granted in 2010 * fair value at grant (CHF 74.75) * [1 - estimated labor turnover rate (10%)].

11 Member of the Management Board with the highest compensation in 2010 and 2011.

12 2010: Total eight members

13 2011: Total five members, including two members who joined the Management Board during the year.

No termination benefits were paid in 2010 and 2011. A transaction bonus of CHF 0.3 million was paid to the head of business segment Sample Management (included in variable salary) in connection with the sale of the operating segment Sample Management in 2010.

Loans granted to the Management Board

The following loans were granted to the Management Board at year-end:

CHF 1,000	2010	2011
Thomas Bachmann (CEO)	267	267
Dr. Rudolf Eugster (CFO)	266	133
Other member of the Management Board	200	133
Balance at December 31	**733**	**533**

In 2007, 2008 and 2009, members of the Management Board were offered the possibility to purchase American-type call options on Tecan shares issued by a bank at market rates. The number purchased by each individual was restricted. At the same time, the members of the Management Board who participated in this transaction received advance facilities from Tecan Group Ltd. to finance the purchase of these share options. The advance facilities in the form of interest-free and unsecured loans are part of a long-term retention bonus to mature in 2010, 2011 and 2012 respectively, and are limited to two-thirds of the purchase price of the share options. One-third was paid privately by the members of the Management Board.

Share and option ownership of the Board of Directors and Management Board

For details of the employee participation plans please refer to note 14.4 to the consolidated financial statements.

Share and option ownership of the Board of Directors

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]							Total options
					2002	2003	2007	2008	2009	2010	2011	
Strike price in CHF					99.00	48.40	70.00	69.00	39.70	70.00	69.00	
Expiring in					2012	2013	2013	2014	2015	2016	2017	
Rolf Classon	2010	–	–	**–**	–	–	–	–	–	566	–	**566**
(Chairman)	2011	808	–	**808**	–	–	–	–	–	1,132	814	**1,946**
Heinrich Fischer	2010	–	10,000	**10,000**	–	–	–	864	1,034	283	–	**2,181**
(Vice Chairman)	2011	404	10,000	**10,404**	–	–	–	864	1,551	566	407	**3,388**
Dominique F. Baly	2010	–	–	**–**	–	–	–	–	–	283	–	**283**
	2011	404	–	**404**	–	–	–	–	–	566	407	**973**
Dr. Lukas	2010	–	2,500	**2,500**	–	–	–	–	–	–	–	**–**
Braunschweiler	2011	404	2,500	**2,904**	–	–	–	–	–	–	407	**407**
Oliver S. Fetzer	2010	–	–	**–**	–	–	–	–	–	–	–	**–**
(since April 2011)	2011	404	–	**404**	–	–	–	–	–	–	–	**–**
Gérard Vaillant	2010	–	–	**–**	–	–	234	864	–	283	–	**1,381**
	2011	404	–	**404**	–	–	234	864	–	566	407	**2,071**
Erik Walldén	2010	–	–	**–**	–	–	–	–	–	–	–	**–**
(since April 2011)	2011	404	–	**404**	–	–	–	–	–	–	–	**–**
Dr. Jürg Meier	2010	–	–	**–**	–	–	–	–	–	283	–	**283**
(until April 2011)[3]	2011	–	–	**–**	–	–	–	–	–	–	–	**–**
Prof. Dr. Peter Ryser	2010	–	–	**–**	–	–	234	864	1,034	283	–	**2,415**
(until April 2011)[3]	2011	–	–	**–**	–	–	–	–	–	–	–	**–**
Balance at December 31, 2010		–	12,500	**12,500**	–	–	468	2,592	2,068	1,981	–	**7,109**
Balance at December 31, 2011		3,232	12,500	**15,732**	–	–	234	1,728	1,551	2,830	2,442	**8,785**

[1] Members are entitled to vote, but only 718 shares are vested.

[2] Only vested options.

[3] Shares and share options 2011 are not disclosed, because member stepped down from the Board before year-end 2011.

Share and option ownership of the Management Board

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]						Total options
					2002	2003	2007	2008	2009	2010	
Strike price in CHF					99.00	48.40	70.00	69.00	39.70	70.00	
Expiring in					2012	2013	2013	2014	2015	2016	
Thomas Bachmann (CEO)	2010	7,323	41	**7,364**	–	–	871	1,380	1,656	1,133	**5,040**
	2011	12,701	5,041	**17,742**	–	–	871	1,380	2,484	2,266	**7,001**
Dr. Rudolf Eugster (CFO)	2010	3,526	–	**3,526**	300	–	1,280	1,113	693	781	**4,167**
	2011	6,991	–	**6,991**	300		1,280	1,113	1,386	1,562	**5,641**
Dr. Martin Brusdeilins	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	–	–	**–**	–	–	–	–	–	–	**–**
Dr. Jürg Dübendorfer	2010	3,465	–	**3,465**	160	–	1,071	726	–	548	**2,505**
	2011	6,851	–	**6,851**	160		1,071	726	455	1,096	**3,508**
Dr. Bernhard Grob	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	2,830	–	**2,830**	–	–	–	–	–	–	**–**
Markus Schmid	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	1,142	–	**1,142**	–	–	–	–	–	–	**–**
Frederic Vanderhaegen	2010	3,000	–	**3,000**	–	–	–	–	1,184	670	**1,854**
	2011	5,127	–	**5,127**	–	–	–	–	1,776	1,340	**3,116**
Christopher C. Hanan	2010	2,361	–	**2,361**	–	–	1,042	678	410	462	**2,592**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Stephen M. Levers	2010	2,361	–	**2,361**	2,960	–	1,193	729	868	424	**6,174**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Domingo Messerli	2010	–	–	**–**	–	–	–	–	1,037	1,632	**2,669**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Matthew Robin	2010	3,280	–	**3,280**	–	–	–	1,113	1,358	389	**2,860**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Carl Severinghaus	2010	2,433	–	**2,433**	4,230	–	1,071	282	588	569	**6,740**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Günter Weisshaar	2010	2,540	–	**2,540**	–	–	1,112	750	460	528	**2,850**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Balance at December 31, 2010		30,289	41	**30,330**	7,650	–	7,640	6,771	8,254	7,136	**37,451**
Balance at December 31, 2011		35,642	5,041	**40,683**	460	–	3,222	3,219	6,101	6,264	**19,266**

[1] Management is entitled to vote, but only 19,534 shares (2010: 14,810 shares) are vested.

[2] Only vested options.

[3] Shares and share options 2011 are not disclosed, because member stepped down from the Board before year-end 2011.

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Chief Financial Officer's Report

Tecan consolidated its strong balance sheet and is well-positioned for continued internal and external growth.

Dr. Rudolf Eugster
Chief Financial Officer

The Tecan Group closed 2011 with double-digit sales growth in local currencies and a solid operating result. Growth was broad-based, encompassing both of Tecan's business segments, Life Sciences Business (end-customer business) and Partnering Business (OEM business).

Sales

In 2011 we achieved strong sales figures. In local currencies, Tecan increased sales by 11.5% compared to the prior year. Exchange rate movements in major currencies versus the Swiss franc had a significant negative impact on Tecan's key performance figures. Sales totaled CHF 377.0 million and were thus 1.7% above the previous year's level (2010: CHF 370.5 million). Sales reached 414.0 million assuming constant 2010 exchange rates.

In Europe, sales in Swiss francs increased by 1.4%, continuing to be negatively impacted by the exchange rate movements of the euro versus the Swiss franc. The average rate of the euro fell by 10.9% against the Swiss franc during the reporting period. In Europe, sales in local currencies increased by 7.4% compared with the previous year. This increase is primarily due to significant improvements in Life Sciences Business, coupled with solid demand in the Partnering Business. As in the past, the performance remained mixed across the various European countries.

In North America, Tecan achieved sales growth of 4.3% in Swiss francs. This key performance figure was also negatively impacted by the exchange rate development of the US dollar versus the Swiss franc. Compared with the previous year, the average rate of the US dollar fell by 14.4% against the Swiss franc in 2011. In local currencies, sales in North America rose by 19.6%. Life Sciences Business and Partnering Business contributed with roughly the same rate to the strong growth in North America.

Sales in Asia came in at 2.7% and 12.4% above the prior-year's levels in Swiss francs and local currencies, respectively. Tecan recorded clear double-digit growth in China, while sales in Japan rose slightly compared with the previous year.

Total recurring sales of services and consumables increased by 10.6% in local currency terms, and accounted for 30.0% of total sales (2010: 30.6%). As part of this figure, sales of consumables in local currencies grew by 17.0% compared with the previous year, to a share of 8.0% of total sales (2010: 7.6%).

Tecan has been working under a new organizational structure since January 1, 2011. The new structure is focused on the two customer groups, end customers and OEM customers, and divided into the two business segments Life Sciences Business (end-customer business) and Partnering Business (OEM business). The comparative figures for full-year 2010 have been adjusted accordingly. Growth was broad-based, encompassing both of Tecan's business segments, Life Sciences Business and Partnering Business. The reader is referred to pages 22 to 33 of this Annual Report for a detailed description of the business performance of the individual segments.

Our order entry was down 0.8% and amounted to 383.9 million, which corresponds to growth of 9.0% in local currency terms.

Gross profit

Gross profit increased to CHF 191.7 million, which was 5.5 million or 3.0% above the prior-year figure. Assuming constant 2010 exchange rates, the gross profit increased by 15.3% to CHF 214.7 million. The reported gross profit margin increased to 50.9% of sales.

This is the net effect of the following effects on the gross profit margin:
A negative exchange rate impact of 1.0 percentage point, and an additional negative effect of 1.3 percentage points from engineering income generated with development programs for our OEM customers. This engineering income has a low gross profit margin.

On the positive side, we had a favorable product mix, and we were able to further lower material costs and increase prices. These different trends add up to a positive net effect of 3.0 percentage points.

Operating expenses less cost of sales

Operating expenses less cost of sales increased by CHF 10.1 million or 7.7%. Operating expenses totalled CHF 141.4 million - compared with CHF 131.3 million in the prior year.

Sales and marketing expenses decreased by 0.6% due to a positive effect from the exchange rate development as our costs in euro or US dollars in our Market Units were lower, translating into the Swiss franc.

As previously announced, we were increasing our investment in research and development. In 2011, research and development spending increased by 25.7%, or from 10.1% of sales to 12.5% of sales.
Our gross R&D investments – the value of all development activities performed during 2011 – amounted to a total of 90.6 million. This figure also includes the development costs capitalized in the balance sheet of 3.3 million gross and development costs for OEM partners of 42.3 million.

General and administration increased by 2.7%, mainly due to higher costs for our China and Life Sciences Business strategy projects. G&A expenses decreased as a percentage of sales assuming constant currencies.

Operating profit

In 2011, we achieved an operating profit of CHF 51.3 million compared to CHF 56.0 million in the prior year. The operating profit margin reached 13.6%. This was achieved, despite increasing our R&D spending by 2.4 percentage points and recording negative currency effects of an additional 2.3 percentage points.
Exchange rate developments had a negative effect of CHF 14.7 million. Assuming constant 2010 exchange rates, the operating profit increased by 17.7% to CHF 65.9 million with an EBIT margin of 15.9%.

Financial result and taxes

The financial result reached CHF 2.3 million (2010: CHF 2.1 million). Tecan incurs foreign currency risks on sales, purchases and borrowings denominated in a currency other than the functional currency of the respective subsidiaries. On a consolidated basis, Tecan is also exposed to currency fluctuations between the Swiss franc (CHF) and the functional currencies of its subsidiaries. The two major currencies giving rise to currency risks are the euro (EUR) and the US dollar (USD). Tecan centralizes its foreign currency exposure in a few locations only.
The hedging policy is to cover the foreign currency exposure to a certain percentage of the operating activities (forecast sales and purchases). Tecan uses forward exchange contracts, currency options and swaps to hedge its foreign currency risk on specific future foreign currency cash flows. These contracts have maturities of up to 18 months. Tecan does not hedge its net investment in foreign entities and the related foreign currency translation of local earnings.

The tax rate decreased to 16.1 % (2010: 19.2 %) as closed tax audits allowed us to capitalize tax assets from former losses.

Net profit

Net profit from continuing operations amounted to CHF 44.9 million (2010: CHF 46.9 million) and decreased less than EBIT mainly due to a lower tax rate. The net profit margin amounted to 11.9% of sales (2010: 12.7%). Earnings per share from continuing operations were CHF 4.18 (2010: CHF 4.50).

Additional earnings from a discontinued operation brought net profits for the reporting period up to CHF 47.6 million (2010: CHF 16.2 million) and earnings per share to CHF 4.42 (2010: CHF 1.55). The additional earnings result from payments regarding the sale of our Sample Management activities that we received from Nexus Biosystems, which settled all outstanding deferred and contingent consideration obligations.

On average, a total of 10.75 million shares were outstanding in 2011 (2010: 10.43 million shares).
The Company’s share capital stood at CHF 1,144,458 at the reporting date (December 31, 2011), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

Cash flow from operating activities

Due to the pre-financing of a major OEM development project, cash flow from operating activities fell compared with the previous year and amounted to CHF 45.1 million (2010: CHF 62.5 million). Without this pre-financing operating cash flow would have reached CHF 72.7 million.

Investments in 2011 amounted to CHF 14.1 million compared to CHF 9.2 million for amortization and depreciation.

Net liquidity (cash and cash equivalents less bank liabilities and loans) rose to CHF 163.0 million despite increased investment (December 31, 2010: CHF 135.4 million).

Dr. Rudolf Eugster
Chief Financial Officer

Five-year consolidated data

CHF 1,000	2007	2008	2009	2010	2011
Income statement					
Sales	414,400	396,042	356,248	370,548	376,970
Operating profit	60,299	31,191	59,521	55,971	51,271
Financial result	2,586	1,301	689	2,100	2,289
Income taxes	(10,506)	(6,869)	(12,869)	(11,137)	(8,645)
Profit from continuing operations[1]			47,341	46,934	44,915
Result from discontinued operation, net of income taxes[1]			1,999	(30,730)	2,644
Profit for the period	52,379	25,623	49,340	16,204	47,559
Research and development, gross	(41,069)	(41,869)	(33,747)	(37,372)	(47,004)
Personnel expenses	(138,619)	(131,990)	(123,051)	(128,525)	(131,666)
Depreciation of property, plant and equipment	(6,574)	(7,649)	(6,441)	(6,024)	(5,952)
Amortization of intangible assets	(4,593)	(3,570)	(725)	(1,738)	(3,147)
Impairment losses	–	(28,879)	–	–	–
Balance sheet					
Current assets	251,693	237,018	258,963	274,760	322,980
Non-current assets	122,289	88,846	89,656	63,741	66,961
Total assets	373,982	325,864	348,619	338,501	389,941
Current liabilities	135,557	113,840	131,439	98,669	107,263
Non-current liabilities	33,781	52,838	14,247	11,792	13,365
Total liabilities	169,338	166,678	145,686	110,461	120,628
Shareholders' equity	204,644	159,186	202,933	228,040	269,313
Cash flow statement					
Cash inflows from operating activities	59,765	58,929	66,150	62,520	45,116
Capital expenditure in property, plant and equipment and intangible assets	(9,107)	(7,543)	(10,896)	(12,585)	(14,080)
Disposal of discontinued operation, net of cash disposed of	–	–	–	(2,370)	5,480
Change in treasury shares (net)	(23,626)	(55,353)	1,939	21,244	1,154
Dividends paid	(5,176)	(5,001)	(9,681)	(10,412)	(10,771)
Other information					
Number of employees (end of period)	1,102	1,116	1,014	1,059	1,107
Number of employees (average)	1,108	1,110	1,001	1,031	1,079
Research and development in % of sales	9.9%	10.6%	9.5%	10.1%	12.5%
Sales per employee	374	357	356	359	349
Information per share					
Basic earnings per share from continuing operations (CHF)	4.54	2.35	4.58	4.50	4.18
Dividends paid (CHF)	0.45	0.45	0.90	1.00	–
Payout – nominal value reduction (CHF)	0.45	0.45	–	–	–
Payout – capital contribution reserve (CHF)					
Payout in 2011					1.00
Proposed for 2012					1.25

[1] See note 4 "Discontinued operation" of the consolidated financial statements. 2007 and 2008 are not re-presented for discontinued operation.

Consolidated balance sheet at December 31

Assets

CHF 1,000	Notes	2010	2011
Cash and cash equivalents	5	118,040	165,089
Current loans and derivatives	6	30,195	4,974
Trade accounts receivable	7	65,516	71,909
Other accounts receivable		13,173	8,727
Inventories	8	43,084	67,918
Income tax receivables		1,305	1,044
Prepaid expenses		3,447	3,319
Current assets		**274,760**	**322,980**
Non-current financial assets	9	3,206	842
Property, plant and equipment	10	13,672	17,045
Intangible assets	11	37,315	38,606
Deferred tax assets	25	9,548	10,468
Non-current assets		**63,741**	**66,961**
Assets		**338,501**	**389,941**

Liabilities and equity

CHF 1,000	Notes	2010	2011
Current bank liabilities and derivatives	12	6,332	1,261
Trade accounts payable		9,638	12,264
Other accounts payable		15,334	16,107
Deferred revenue	13	19,549	19,872
Income tax payables		7,458	10,150
Accrued expenses		30,441	36,194
Current provisions	15	9,917	11,415
Current liabilities		**98,669**	**107,263**
Non-current bank liabilities and derivatives	12	1,088	3,128
Liability for post-employment benefits	14	4,876	5,720
Non-current provisions	15	1,993	1,581
Deferred tax liabilities	25	3,835	2,936
Non-current liabilities		**11,792**	**13,365**
Total liabilities		**110,461**	**120,628**
Share capital		1,144	1,144
Capital reserve		13,114	11,521
Treasury shares		(32,039)	(29,011)
Retained earnings		273,599	314,005
Translation differences		(27,778)	(28,346)
Shareholders' equity	19	**228,040**	**269,313**
Liabilities and equity		**338,501**	**389,941**

Consolidated income statement

Continuing operations

CHF 1,000	Notes	2010	2011
Sales	20	**370,548**	**376,970**
Cost of sales		(184,396)	(185,242)
Gross profit		**186,152**	**191,728**
Sales and marketing		(58,209)	(57,832)
Research and development	22	(37,372)	(47,004)
General and administration		(35,680)	(36,627)
Other operating income	23	1,080	1,006
Operating profit	20	**55,971**	**51,271**
Financial income		609	853
Finance cost		(987)	(130)
Foreign exchange gains		2,478	1,566
Financial result	24	***2,100***	***2,289***
Profit before taxes		**58,071**	**53,560**
Income taxes	25	(11,137)	(8,645)
Profit from continuing operations		**46,934**	**44,915**

Discontinued operation

CHF 1,000	Notes	2010	2011
(Loss)/profit from discontinued operation, net of income taxes	4	(30,730)	2,644
Profit for the period		**16,204**	**47,559**

Earnings per share from continuing operations			
Basic earnings per share (CHF/share)	27	4.50	4.18
Diluted earnings per share (CHF/share)	27	4.43	4.12
Earnings per share			
Basic earnings per share (CHF/share)	27	1.55	4.42
Diluted earnings per share (CHF/share)	27	1.48	4.36

Consolidated statement of comprehensive income

CHF 1,000	2010	2011
Profit for the period	**16,204**	**47,559**
Translation differences	(7,821)	(568)
Other comprehensive income[1]	***(7,821)***	***(568)***
Total comprehensive income	**8,383**	**46,991**

[1] There were no income taxes and reclassification adjustments relating to components of other comprehensive income for the periods presented.

Consolidated statement of changes in shareholders' equity

CHF 1,000	Notes	Share capital	Capital reserve	Treasury shares	Retained earnings	Translation differences	Total share-holders' equity
Shareholders' equity at January 1, 2010		1,141	14,022	(55,531)	263,258	(19,957)	202,933
Profit for the period		–	–	–	16,204	–	16,204
Translation differences		–	–	–	–	(7,821)	(7,821)
Total comprehensive income							***8,383***
Dividends paid		–	–	–	(10,412)	–	(10,412)
New shares issued upon exercise of employee share options	19	3	1,243	–	–	–	1,246
Treasury shares issued based on employee participation plans	14/19	–	(2,512)	2,512	–	–	–
Share-based payments	14	–	–	–	4,549	–	4,549
Other change in treasury shares (net)	19	–	361	20,980	–	–	21,341
Shareholders' equity at December 31, 2010		**1,144**	**13,114**	**(32,039)**	**273,599**	**(27,778)**	**228,040**
Profit for the period		–	–	–	47,559	–	47,559
Translation differences		–	–	–	–	(568)	(568)
Total comprehensive income							***46,991***
Dividends paid[1]		–	–	–	(10,771)	–	(10,771)
New shares issued upon exercise of employee share options	19	–	281	–	–	–	281
Treasury shares issued based on employee participation plans	14/19	–	(1,874)	3,028	–	–	1,154
Share-based payments	14	–	–	–	3,618	–	3,618
Shareholders' equity at December 31, 2011		**1,144**	**11,521**	**(29,011)**	**314,005**	**(28,346)**	**269,313**

[1] 2011: payout from statutory capital contribution reserve (CHF 1.00 per share on 10,771,157 shares eligible for payout)

Consolidated cash flow statement

CHF 1,000	Notes	2010	2011
Profit for the period		16,204	47,559
Adjustments for			
Depreciation and amortization	10/11	8,777	9,099
Impairment losses on assets classified as held for sale	4	27,124	–
Change in provisions and liability for post-employment benefits	14/15	(520)	1,985
Interest income	24	(351)	(703)
Interest expenses	24	1,103	101
Income taxes	25	10,099	8,645
Loss/(gain) on sale of discontinued operation	4	2,014	(2,644)
Equity-settled share-based payment transactions	14	4,549	3,618
Other non-cash items		2,702	(119)
Change in working capital:			
Trade accounts receivable	7	(534)	(6,477)
Inventories	8	(11,139)	(24,928)
Trade accounts payable		917	2,647
Other changes in working capital (net)		9,634	13,774
Income taxes paid		(8,059)	(7,441)
Cash inflows from operating activities		**62,520**	**45,116**
Investment in time deposits	6	(20,000)	–
Repayment of time deposits		30,134	20,200
Interest received		256	668
Disposal of discontinued operation, net of cash disposed of	4	(2,370)	–
Deferred and contingent consideration from disposal of discontinued operation	4	–	5,480
Purchase of property, plant and equipment	10	(8,274)	(9,605)
Proceeds from sales of property, plant and equipment	10	102	178
Investment in intangible assets	11	(4,311)	(4,475)
Cash (out)/inflows from investing activities		**(4,463)**	**12,446**
New shares issued upon exercise of employee share options	19	1,246	281
Dividends paid	19	(10,412)	(10,771)
Purchase of treasury shares	19	(95)	–
Proceeds from sales of treasury shares	19	21,339	1,154
Change in current bank liabilities	12	(3,561)	(16)
Increase in bank loans	12	1,201	1,055
Repayment of bank loans	12	(36,641)	(492)
Interest paid		(1,102)	(89)
Cash outflows from financing activities		**(28,025)**	**(8,878)**
Translation differences		(4,587)	(474)
Increase in cash and cash equivalents		**25,445**	**48,210**
Cash and cash equivalents at January 1		91,434	116,879
Cash and cash equivalents at December 31		**116,879**	**165,089**
Cash and cash equivalents as per cash flow statement comprise:			
Cash and cash equivalents as per balance sheet	5	118,040	165,089
./. Bank overdrafts under bank pooling arrangements	12	(1,161)	–
= Cash and cash equivalents as per cash flow statement		**116,879**	**165,089**

Notes to the consolidated financial statements

1 Reporting entity

These financial statements are the consolidated financial statements of Tecan Group Ltd., a company registered in Switzerland, and its subsidiaries (together referred to as the "Group") for the year ended December 31, 2011. Tecan is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The Group specializes in the development, production and distribution of automation solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, forensic and diagnostic laboratories. As an original equipment manufacturer, the Group also develops and manufactures OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the Company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2012. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 18, 2012.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value.

2.2 Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of these financial statements. If in the future such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the year in which the circumstances change.

The valuation of the following material positions is based on critical accounting estimates and judgments:

2.2.1 Capitalization of development costs (inventories)

In the previous year, the Group entered into an OEM agreement with a global diagnostics company, which comprises the development and supply of a dedicated diagnostic instrument. The related customer-specific development costs are currently capitalized in the position inventories as part of the production costs. They amounted to CHF 31.1 million at the end of 2011, which explains the increase in the position inventories during 2011. Once the instrument is launched and the customer calls the units with individual purchase orders, the corresponding development costs will be recognized in cost of sales.

Additional costs arising as a result of project delays may not be covered by future cash inflows associated with the agreement. At December 31, 2011, the net realizable value of the position was higher than the capitalized development costs. However, the assessment is highly dependent on the best estimate of the future sales quantity. A decrease in estimate could require write-downs in future periods.

2.2.2 Impairment test on goodwill

At December 31, 2011 the goodwill "Life Sciences Business" was CHF 26.8 million. The Group performed the mandatory annual impairment test in July 2011. Based on this test, there was no need for the recognition of any impairment. However, the calculation of the recoverable amount of intangible assets requires the use of estimates and assumptions. The key assumptions are disclosed in note 11.

2.2.3 Capitalization of development costs (intangible assets)

After the technical feasibility of in-house developed products has been demonstrated, the Group starts to capitalize the related development costs until the product is ready for market launch. However, there can be no guarantee that such products will complete the development phase or will be commercialized, or that market conditions will not change in the future, requiring a revision of management's assessment of future cash flows related to those products. Such changes could lead to additional amortization and impairment charges. At the end of 2011, the Group has capitalized development costs in the amount of CHF 6.4 million as disclosed in note 11.2.1.

2.2.4 Performance share matching plan (PSMP) – matching share factor

The Group established performance share matching plans in 2010 and 2011. The number of matching shares is determined based on the following formula: number of shares from initial grant plus number of shares from mandatory and voluntary investments times the matching share factor. The matching share factor is dependent on the achievement of specific economic profit targets. In any case, the matching share factor will not be lower than 0.0 or higher than 1.25 (Board of Directors) and 2.5 (extended Management Board) respectively. A change in estimate of the matching share factors applied in current period, will impact the results of future periods. See note 14.4.2 for more details.

2.2.5 Income taxes

At December 31, 2011, the net liability for current income taxes was CHF 9.1 million and the net asset for deferred taxes was CHF 7.5 million. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Various internal and external factors may have favorable or unfavorable effects on the income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations (particularly in relation to the acceptance of intra-Group transfer prices), and changes in overall levels of pre-tax earnings. Such changes could impact the assets and liabilities recognized in the balance sheet in future periods.

2.3 Introduction of new and amended accounting standards and interpretations

The accounting policies are consistent with those applied in the previous year, except for the introduction of the following new or revised/amended standards and interpretations, effective as from January 1, 2011:

Standard/interpretation[1]
IAS 24 revised "Related Party Disclosures"
IAS 32 amended "Financial Instruments: Presentation" – Classification of Rights Issues
IFRIC 14 amended "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayment of a Minimum Funding Requirement
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
Improvements to IFRSs 2010

[1] IAS = International Accounting Standard, IFRIC = Interpretations as by the IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee)

The adoption of these new, revised or amended standards and interpretations did not result in substantial changes to the Group's accounting policies.

2.4 New standards and interpretations not yet applied

The following new and revised standards and interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements:

Standard/interpretation[1]	Effective date for the Group
IFRS 7 amended "Financial Instruments: Disclosures" – Transfers of Financial Assets	Reporting year 2012
IAS 12 amended "Income taxes" – Deferred Tax: Recovery of Underlying Assets	Reporting year 2012
IFRS 7 amended "Financial Instruments: Disclosures" – Disclosures-Offsetting Financial Assets and Financial Liabilities	Reporting year 2013
IFRS 10 "Consolidated Financial Statements"	Reporting year 2013
IFRS 11 "Joint Arrangements"	Reporting year 2013
IFRS 12 "Disclosure of Interests in Other Entities"	Reporting year 2013
IFRS 13 "Fair Value Measurement"	Reporting year 2013
IAS 1 amended "Presentation of Financial Statements" – Presentation of items of Other Comprehensive Income	Reporting year 2013
IAS 19 revised "Employee Benefits"	Reporting year 2013
IAS 27 revised "Separate Financial Statements"	Reporting year 2013
IAS 28 revised "Investments in Associates and Joint Ventures"	Reporting year 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	Reporting year 2013
IAS 32 amended "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities'	Reporting year 2014
IFRS 9 "Financial Instruments"	Reporting year 2015

[1] IAS = International Accounting Standard, IFRS = International Financial Reporting Standard, IFRIC = Interpretations as by the IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee)

These changes are not expected to have a significant impact on the consolidated financial statements except for the revised version of IAS 19 "Employee Benefits".

The revised version of IAS 19 "Employee Benefits" eliminates the corridor method that is currently applied by the Group. In the future, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets will be recognized in the financial statements immediately in the period they occur. The Group will apply this change in accounting policy retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", affecting both the net defined benefit liability in the balance sheet and the amounts recognized in profit of loss. At year-end 2011, the unrecognized net actuarial losses of the Group amounted to CHF 3.9 million.

In addition the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognized in profit or loss, whereas the remeasurement of the net defined benefit liability is recognized in other comprehensive income. Currently all recognizable changes are recognized in profit or loss.

2.5 Change in identification of reportable segments

As of January 1, 2011, the Group is operating in a new organizational and management structure that is focused on the two customer groups, end customers and OEM customers.

According to IFRS 8 "Operating Segments", the identification of the reportable operating segments must follow the management approach. Therefore the external segment reporting of the Group is based on the internal organizational and management structure as well as internal reports to the Chief Operating Decision Maker (CODM). The Group's CODM is the Board of Directors of Tecan Group Ltd.

The following reportable segments were identified:

- *Life Sciences Business* (end-customer business): The business segment "Life Sciences Business" supplies end users with automated workflow solutions directly. These solutions include laboratory instruments, software packages, application know-how, services, consumables and spare parts.
- *Partnering Business* (OEM business): The business segment "Partnering Business" develops and manufactures OEM instruments and components that are distributed by partner companies under their own names.

The operating segments are equivalent to the reportable segments. No operating segments have been aggregated. Segment assets, purchases of property, plant and equipment and intangible assets as well as segment liabilities are not reported to the Chief Operating Decision Maker (CODM). The business segment "Sample Management" was disposed of September 1, 2010.

Due to the change in identification of reportable segments, goodwill "Liquid Handling & Robotics" (December 31, 2010: CHF 26.8 million) was reallocated to the cash-generating unit "Life Sciences Business". The business segment "Life Sciences Business" contains the sales, distribution and service platform that was thought to profit from the synergies represented by the goodwill.

Prior period segment information has been restated.

2.6 Consolidation principles

Subsidiaries are those companies controlled, directly or indirectly, by Tecan Group Ltd., where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting power of a company. Newly acquired companies are consolidated from the date on which control is transferred to the Group, using the acquisition method. Currently, there are no non-controlling interests.

The companies which are included in the consolidated financial statements are listed in the notes to the statutory financial statements of Tecan Group Ltd.

Intra-Group balances and transactions, and any unrealized profits arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

2.7 Foreign currency translation

All Group companies have identified their local currency as their functional currency. Transactions in other currencies are initially reported using the exchange rate at the date of the transaction. Gains and losses from the settlement of such transactions, as well as gains and losses on translation of monetary assets and liabilities denominated in other currencies, are included in net profit.

Translation differences arising on intra-Group loans that, in substance, are part of Tecan Group Ltd.'s net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operation.

Upon consolidation, assets and liabilities of Group companies using functional currencies other than Swiss francs (foreign entities) are translated into Swiss francs (presentation currency) using year-end exchange rates. Revenues, expenses and cash flows are translated at the average exchange rates for the year. Translation differences due to the changes in exchange rates between the beginning and the end of the year and the difference between net profits translated at the average and year-end exchange rates are recognized in other comprehensive income. On the disposal of a foreign operation, the identified cumulative currency translation differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

2.8 Accounting and valuation principles

2.8.1 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with a term of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.8.2 *Trade and other accounts receivable*

Trade and other accounts receivable are stated at their amortized cost less impairment losses. For short-term receivables, nominal value equals amortized cost.

The allowance account in respect of accounts receivable is used to record impairment losses unless the Group decides that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar assets.

2.8.3 *Construction contracts*

Some sales categories of the operating segments "Life Sciences Business" (sale of instruments with exceptionally high portion of installation and application work) and "Partnering Business" (sale of development services) are accounted for using the "percentage of completion" method of IAS 11. The respective stage of completion is determined by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs (cost-to-cost method).
According to the stage of completion, pro rata sales are recognized in the income statement. In the balance sheet, projects in progress – netted against customers" advances – are recognized as net assets (included in the position "trade accounts receivable") or net liabilities (included in the position "deferred revenue") from construction contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

2.8.4 *Borrowing costs*

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed. During the reporting period, no asset qualified for capitalization of borrowing costs (2010: none).

2.8.5 *Inventories*

Inventories are stated at the lower of purchase or production cost and net realizable value. Production costs include raw materials, components and semi-finished products, direct production costs (internal labor and external services) and production overheads. The Group applies the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made for slow-moving items and obsolete items are written off.

2.8.6 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see separate accounting policy). The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads and borrowing costs, if they are directly attributable to a qualifying asset.

Assets acquired under lease contracts, which provide the Group with substantially all benefits and risks of ownership are classified as finance leases and capitalized at amounts equivalent to their fair value or, if lower, the estimated present value of the underlying minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Leased assets are depreciated over their estimated useful lives. There were no items of property, plant and equipment under finance lease as per the balance sheet date (2010: none). Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment from the date they are available for use. The estimated useful lives are as follows:

Land	not depreciated
Buildings	maximum 40 years
Leasehold improvements	shorter of useful life or lease term
Furniture and fixtures	4 – 8 years
Machines and motor vehicles	2 – 8 years
EDP equipment	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment (component approach).

Costs for repair and maintenance are recognized as an expense as incurred.

2.8.7 *Goodwill*

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not capable of being individually identified and separately recognized.

For acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree, less
- the net recognized amount of the identifiable net assets acquired.
- When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. In accordance with IFRS 3, IAS 36 and IAS 38, the Group does not amortize goodwill. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that there might be an impairment.

2.8.8 Other intangible assets

Research costs – Research costs comprise expenditure for activities that are undertaken with the prospect of gaining new scientific or technical knowledge. Research costs are expensed as incurred.

Development costs – Expenditure on internal development activities, whereby the findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of materials and internal and external project costs as well as borrowing costs, if they are directly attributable to a qualifying asset.

Software – Expenditure on the implementation of software, including licenses and external consulting fees, is capitalized.

Intangible assets acquired in a business combination – All identifiable intangible assets are recognized applying the acquisition method in accordance with IFRS 3 are stated initially at fair value. The following valuation methods are used in order to determine the fair values at the acquisition date: multi-period excess earnings method, relief from royalty method and replacement cost approach. On September 1, 2010, the Group disposed of all intangible assets acquired in a business combination (see note 4).

Intangible assets are measured at cost less accumulated amortization (see below) and impairment losses (see separate accounting policy), except for the brand name "REMP", which was measured at cost less accumulated impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

Development costs	3 – 5 years
Software	3 – 5 years
Acquired client relationships	15 years
Acquired technology	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.8.9 Impairment

The carrying amount of the Group's non-financial assets other than inventories, assets arising from construction contracts and deferred tax assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being the higher of its fair value less cost to sell and its value in use, is estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. An impairment loss is recognized in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

2.8.10 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

2.8.11 Trade and other accounts payable

Trade and other accounts payable are stated at their amortized cost, which equals the nominal amount for short-term payables.

2.8.12 Employee benefits – liability for post-employment benefits (IAS 19)

Within the Group, various post-employment benefit plans exist, which differ in their purpose and financing according to local needs. The liability for post-employment benefits relates to defined benefit pension plans and long-service leave benefits.

The Group's liability in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value for any plan assets is deducted. The calculation is performed by a professionally qualified independent actuary using the projected unit credit method.

Current service costs are charged to the income statement in the periods in which the services are rendered by the employees.

Actuarial gains and losses comprise:
- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and
- The effects of changes in actuarial assumptions.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the participating employees.

Past service costs attributable to plan amendments are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit pension plan, past service costs are recognized immediately.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, and any unrecognized actuarial losses and past service costs.

Long-service leave benefits: The method of accounting for liabilities concerning long-service leave benefits is similar to the one used for defined benefit pension plans.

2.8.13 Employee benefits – share-based payment (IFRS 2)

The Group has several equity- and cash-settled share-based compensation plans:

Equity-settled plans – The fair value of shares or share options granted is recognized as a personnel expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or share options (vesting period). The fair value of the shares granted represents the market value of one Tecan share adjusted for expected dividend payments during the vesting period. The fair value of the share options granted is measured using a binominal model, taking into account the terms and conditions upon which the share options were granted. The amount recognized as an expense is adjusted by an expected labor turnover rate to reflect the expected number of shares or share options that will vest.

Cash-settled plans – The fair value of the amount payable to the employee is recognized as a personnel expense with a corresponding increase in provisions. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment (vesting period). The fair value of the stock appreciation rights (SARs) is measured based on a binominal model, taking into account the terms and conditions upon which the instruments were granted. The provision is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the provision are recognized in the financial result.

2.8.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data.

2.8.15 Derivatives

The Group uses derivative financial instruments to economically hedge certain exposures to foreign exchange rate risks. Hedge accounting is not applied. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are also stated at fair value. Any resulting gain or loss is recognized directly in the income statement.

2.8.16 Treasury shares

When own shares are purchased, the amount of the consideration paid, including directly attributable costs and taxes, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. The consideration received when treasury shares are sold is recognized as a change in equity.

2.8.17 Sales – revenue recognition

Goods sold and services rendered – Sales are recorded net of sales taxes and discounts, at the time the risks and benefits of ownership are substantially transferred to customers. Revenue recognition from products with material application and installation work requires a written acceptance by the customer. Revenue from service contracts is recognized in the income statement according to the proportion of the full contract period that has already elapsed at the balance sheet date.

Construction contracts – As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the income statement in proportion to the stage of completion of the contract (see "construction contracts").

2.8.18 Government research subsidies

The Group receives government grants for research activities, which are unconditional. They are recognized as income when received.

2.8.19 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity (transactions with shareholders), in which case it is recognized in other comprehensive income or equity.

Deferred taxes are provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting profit nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets resulting from temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In addition, deferred taxes are provided on expected dividend distributions from subsidiary companies (non-recoverable withholding taxes).

3 Foreign exchange rates

The following foreign exchange rates were used for the preparation of the consolidated financial statements:

		Balance sheet (closing exchange rates)		Income statement (average exchange rates Jan. to Dec.)	
CHF		31.12.2010	31.12.2011	2010	2011
EUR	1	1.25	1.22	1.38	1.23
GBP	1	1.46	1.45	1.61	1.42
SEK	100	13.92	13.64	14.47	13.66
USD	1	0.94	0.94	1.04	0.89
SGD	1	0.73	0.72	0.76	0.70
CNY	1	0.14	0.15	0.15	0.14
JPY	100	1.15	1.21	1.19	1.11

4 Discontinued operation

On June 30, 2010 the Board of Directors decided to sell the business segment “Sample Management”, comprising the subsidiary REMP AG and specific assets and liabilities related to the business segment held by other subsidiaries. On July 15, 2010 a final share purchase agreement with Nexus Biosystems, Inc., based in Poway (California, USA), was signed. The closing of the transaction was on September 1, 2010.

4.1 Total consideration from sale of discontinued operation

The sales price included a deferred consideration and was subject to certain warranties and earn-out clauses (contingent consideration):

CHF 1,000	1.9.2010
Consideration received, satisfied in cash	11,005
Deferred consideration	2,836
Disposal cost	(1,049)
Total initial consideration from sale of discontinued operation	**12,792**

In the second half of 2011, the Group agreed with Nexus Biosytems Inc. on a final purchase price payment in the amount of USD 6.0 million that settled all outstanding deferred and contingent consideration obligations. A total consideration of CHF 15.4 million resulted from the sale of the business segment “Sample Management”.

4.2 Result and cash flow from discontinued operation

Result from discontinued operation

CHF 1,000	2010	2011
Revenue	14,465	–
Expenses	(16,919)	–
Operating profit	**(2,454)**	**–**
Financial result	(176)	–
Loss before taxes	**(2,630)**	**–**
Income taxes	(778)	–
Results from operating activities, net of income taxes	**(3,408)**	**–**
Measurement to fair value less costs to sell	(27,124)	–
Loss on sale of discontinued operation	(2,014)	–
Gain on settlement of deferred and contingent considerations	–	2,644
Related income taxes	1,816	–
(Loss)/profit from discontinued operation, net of income taxes	**(30,730)**	**2,644**
Earnings per share from discontinued operation		
Basic earnings per share (CHF/share)	(2.95)	0.24
Diluted earnings per share (CHF/share)	(2.95)	0.24

Cash in/(out)flows from discontinued operation

CHF 1,000	2010	2011
Net cash inflows from operating activities	3,900	–
Net cash (out)/inflows from investing activities	(696)	5,480
Net cash outflows from financing activities	(6,262)	–
Net cash (out)/inflows from discontinued operation	**(3,058)**	**5,480**

4.3 Effect of disposal on consolidated financial statements

CHF 1,000	1.9.2010
Cash and cash equivalents	(12,326)
Working capital – assets	(10,716)
Property, plant and equipment (fully impaired)	–
Intangible assets (fully impaired)	–
Working capital – liabilities	6,007
Liability for post-employment benefits	2,229
Deferred tax liabilities	–
Net assets disposed of	**(14,806)**
Total initial consideration	12,792
Net assets disposed of	**(14,806)**
Loss on sale of discontinued operation	**(2,014)**
Initial consideration received, satisfied in cash less disposal cost	**9,956**
Cash and cash equivalents disposed of	(12,326)
Net cash outflow	**(2,370)**

5 Cash and cash equivalents

CHF 1,000	2010	2011
Cash and cash equivalents		
denominated in CHF	71,052	125,957
denominated in EUR	24,094	26,006
denominated in GBP	2,197	1,123
denominated in USD	14,972	7,336
denominated in JPY	1,987	1,909
denominated in other currencies	3,738	2,758
Balance at December 31	**118,040**	**165,089**
Thereof time deposits with maturities of less than three months from the date of acquisition	5,401	4,676
Effective interest rate	0.2%	0.2%

6 Current loans and derivatives

CHF 1,000	2010	2011
Time deposits with maturities of more than three months from the date of acquisition		
denominated in CHF	20,000	–
Subtotal time deposits	*20,000*	–
Current derivatives	9,995	4,441
Current loans to employees (see note 26)	200	533
Balance at December 31	**30,195**	**4,974**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 16.

7 Trade accounts receivable

CHF 1,000	2010	2011
Trade accounts receivable		
denominated in CHF	10,656	7,445
denominated in EUR	27,456	26,779
denominated in GBP	1,384	941
denominated in USD	21,780	27,569
denominated in JPY	3,272	3,354
denominated in other currencies	2,479	1,695
Subtotal trade accounts receivable	*67,027*	*67,783*
Allowance for doubtful accounts	(1,511)	(1,443)
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	–	14,743
Amounts of advances received	–	(9,174)
Subtotal construction contracts in progress	–	*5,569*
Balance at December 31	**65,516**	**71,909**
Increase	534	6,477
Disposal of discontinued operation	(4,848)	–
Translation differences	(6,934)	(84)
Total change compared with previous year	*(11,248)*	*6,393*
Amount of contract revenue recognized as sales in the income statement relating to construction contracts (CHF million)	3.2	9.7

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region was:

CHF 1,000	2010	2011
Switzerland (domestic)	3,123	3,046
Euro-zone countries	29,023	24,122
Other European countries	4,264	2,442
North America	22,953	28,774
Asia	6,555	8,099
Other	1,109	1,300
Balance at December 31	**67,027**	**67,783**

The Group's most significant customer accounts for 4.7% of the trade accounts receivable carrying amount at December 31, 2011 (December 31, 2010: 4.9%).

The movement in the allowance for impairment in respect of trade accounts receivable during the year was as follows:

CHF 1,000	2010	2011
Individual impairment allowance account		
Balance at January 1	(1,577)	(1,456)
Change in impairment losses	(73)	49
Write-offs	–	2
Translation differences	194	9
Balance at December 31	**(1,456)**	**(1,396)**
Amount of trade accounts receivable with individual impairment (gross)	1,922	1,662
Collective impairment allowance account		
Balance at January 1	(290)	(55)
Change in impairment losses	217	7
Translation differences	18	1
Balance at December 31	**(55)**	**(47)**

The due dates of trade accounts receivable that are not individually impaired were:

	2010		2011	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	41,902	(43)	54,490	(40)
Past due 1–30 days	17,914	(8)	6,700	–
Past due 31–90 days	2,888	(4)	2,882	(1)
Past due 91–360 days	1,001	–	1,747	(2)
Past due more than one year	1,400	–	302	(4)
Balance at December 31	**65,105**	**(55)**	**66,121**	**(47)**

The Group did not experience any severe financial difficulties with its debtors in the past. The sum of all recognized final write-offs of trade accounts receivable in 2010 and 2011 represents less than 1% of sales.

8 Inventories

CHF 1,000	2010	2011
Raw materials, semi-finished and finished goods	41,202	40,517
Allowance for slow-moving inventories	(6,961)	(7,314)
Work in progress	5,295	3,611
Capitalized customer-specific development costs	3,548	31,104
Balance at December 31	**43,084**	**67,918**
Increase	11,139	24,928
Disposal of discontinued operation	(3,820)	–
Translation differences	(2,499)	(94)
Total change compared with previous year	*4,820*	*24,834*
Amount of inventories stated at fair value less costs to sell (CHF million)	4.1	3.2
Amount of write-offs due to slow-moving inventories charged to the income statement (CHF million)	1.9	2.3

9 Non-current financial assets

CHF 1,000	2010	2011
Non-current derivatives	1,807	10
Rent deposits	866	832
Non-current loans to employees (see note 26)	533	–
Balance at December 31	**3,206**	**842**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 16.

10 Property, plant and equipment

CHF 1,000	Land & buildings	Leasehold improvements	Furniture & fittings	Machines & motor vehicles	EDP equipment	Total 2010
At cost						
Balance at January 1, 2010	8,008	7,476	10,347	24,635	20,847	71,313
Additions	–	51	1,907	3,484	2,832	8,274
Disposal of discontinued operation	(8,008)	–	(196)	(1,083)	(763)	(10,050)
Other disposals	–	(17)	(439)	(1,295)	(2,641)	(4,392)
Translation differences	–	(362)	(732)	(2,264)	(1,631)	(4,989)
Balance at December 31, 2010	**–**	**7,148**	**10,887**	**23,477**	**18,644**	**60,156**
Accumulated depreciation and impairment losses						
Balance at January 1, 2010	1,795	6,052	8,749	17,699	17,326	51,621
Annual depreciation	189	592	636	2,705	2,345	6,467
Disposal of discontinued operation	(1,984)	–	(114)	(726)	(581)	(3,405)
Other disposals	–	(16)	(420)	(1,102)	(2,620)	(4,158)
Translation differences	–	(275)	(610)	(1,782)	(1,374)	(4,041)
Balance at December 31, 2010	**–**	**6,353**	**8,241**	**16,794**	**15,096**	**46,484**
Net book value	**–**	**795**	**2,646**	**6,683**	**3,548**	**13,672**

CHF 1,000	Leasehold improvements	Furniture & fittings	Machines & motor vehicles	EDP equipment	Total 2011
At cost					
Balance at January 1, 2011	7,148	10,887	23,477	18,644	60,156
Additions	181	1,686	5,645	2,093	9,605
Disposals	(11)	(4)	(613)	(437)	(1,065)
Reclassification	–	18	(252)	(46)	(280)
Translation differences	5	(50)	(163)	(101)	(309)
Balance at December 31, 2011	**7,323**	**12,537**	**28,094**	**20,153**	**68,107**
Accumulated depreciation and impairment losses					
Balance at January 1, 2011	6,353	8,241	16,794	15,096	46,484
Annual depreciation	417	964	2,529	2,042	5,952
Disposals	(11)	(4)	(480)	(430)	(925)
Reclassification	–	15	(148)	(47)	(180)
Translation differences	12	(48)	(146)	(87)	(269)
Balance at December 31, 2011	**6,771**	**9,168**	**18,549**	**16,574**	**51,062**
Net book value	**552**	**3,369**	**9,545**	**3,579**	**17,045**

There were no material purchase commitments as of year-end 2010 and 2011.

11 Intangible assets

11.1 Overview

CHF 1,000	Development costs	Software	Acquired client relationships	Acquired technology	Brand name "REMP"	Goodwill	Total 2010
At cost							
Balance at January 1, 2010	2,702	20,595	16,634	9,586	6,590	54,097	110,204
Internally developed	3,169	1,142	–	–	–	–	4,311
Disposal of discontinued operation	–	(224)	(16,634)	(9,586)	(6,590)	(26,991)	(60,025)
Translation differences	–	–	–	–	–	(268)	(268)
Balance at December 31, 2010	**5,871**	**21,513**	**–**	**–**	**–**	**26,838**	**54,222**
Accumulated amortization and impairment losses							
Balance at January 1, 2010	–	15,387	14,534	6,691	3,290	14,241	54,143
Annual amortization	751	987	100	472	–	–	2,310
Impairment losses	–	–	–	–	–	–	–
Disposal of discontinued operation	–	(218)	(14,634)	(7,163)	(3,290)	(14,241)	(39,546)
Translation differences	–	–	–	–	–	–	–
Balance at December 31, 2010	**751**	**16,156**	**–**	**–**	**–**	**–**	**16,907**
Net book value	**5,120**	**5,357**	**–**	**–**	**–**	**26,838**	**37,315**

CHF 1,000	Development costs	Software	Goodwill	Total 2011
At cost				
Balance at January 1, 2011	5,871	21,513	26,838	54,222
Internally developed	3,338	1,137	–	4,475
Translation differences	–	–	(37)	(37)
Balance at December 31, 2011	**9,209**	**22,650**	**26,801**	**58,660**
Accumulated amortization and impairment losses				
Balance at January 1, 2011	751	16,156	–	16,907
Annual amortization	2,034	1,113	–	3,147
Impairment losses	–	–	–	–
Translation differences	–	–	–	–
Balance at December 31, 2011	**2,785**	**17,269**	**–**	**20,054**
Net book value	**6,424**	**5,381**	**26,801**	**38,606**

The amortization charge is recognized in the following line items of the income statement:

CHF 1,000	2010	2011
Cost of sales	–	–
Sales and marketing	100	–
Research and development	1,223	2,024
General and administration	987	1,113
Total amortization	**2,310**	**3,137**
Thereof relating to continuing operations	1,738	3,137

11.2 Impairment tests

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit from the synergies of the corresponding business combination. Subsequently, the recoverable amount of the cash-generating unit (higher of fair value less costs to sell and value in use) is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. Value in use is normally assumed to be higher than the fair value less costs to sell; therefore, fair value less costs to sell is only investigated when value in use is lower than the carrying amount of the cash-generating unit.

Value in use is calculated according to the DCF-method. The cash flow projections are based on a five-year financial planning period. Cash flows beyond the five-year period are extrapolated applying the estimated long-term growth rates stated below. The expected growth in sales is based on external market studies and internal assessments prepared by management. Future cash flows are discounted using the weighted average cost of capital (WACC). The discount rates applied are pre-tax.

11.2.1 Financial year 2011

The Group performed impairment tests on cash-generating units containing goodwill in July 2011, using the following key assumptions:

Intangible asset Cash-generating unit	Method	Carrying amount (CHF 1,000)	Test date	Basis for recoverable amount	Pre-tax discount rate	Projection period	Long-term growth rate
Goodwill Life Sciences Business Life Sciences Business	DCF-method	26,801	July 2011	Value in use	11.0%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market, on September 30, 2011.

Based on the impairment tests 2011, there was no need for the recognition of any impairment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

11.2.2 *Financial year 2010*

The Group performed impairment tests on cash-generating units containing goodwill in July 2010, using the following key assumptions:

Intangible asset Cash-generating unit	Method	Carrying amount (CHF 1,000)	Test date	Basis for recoverable amount	Pre-tax discount rate	Projection period	Long-term growth rate
Goodwill Liquid Handling & Robotics Liquid Handling & Robotics	DCF-method	26,838	July 2010	Value in use	12.7%	5 years	0.0%

Based on the impairment test 2010, there was no need for the recognition of any impairment.

In the course of the disposal of the operating segment "Sample Management" all related intangible assets (acquired client relationships, acquired technology, brand name "REMP" and goodwill Sample Management) were classified as "assets classified as held for sale" and fully impaired (see note 4). Consequently no impairment test according to IAS 36 "Impairment of Assets" was prepared for these assets.

12 Bank liabilities and derivatives

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 16)	Current portions of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 16)	Total non-current
Balance at January 1, 2010	376	3,421	–	36,550	**40,347**	730	124	**854**
Increase/(decrease)	785	(3,561)	–	–	**(2,776)**	–	–	–
Change in fair value	–	–	4,586	–	**4,586**	–	(124)	**(124)**
Increase in bank loans	–	–	–	–	**–**	1,201	–	**1,201**
Repayment of bank loans	–	–	–	(36,641)	**(36,641)**	–	–	**–**
Transfer to current	–	–	–	679	**679**	(679)	–	**(679)**
Translation differences	–	226	–	(89)	**137**	(164)	–	**(164)**
Balance at December 31, 2010	**1,161**	**86**	**4,586**	**499**	**6,332**	**1,088**	**–**	**1,088**
Analysis by currency								
Denominated in CHF					1,161			–
Denominated in EUR					499			1,088
Denominated in USD					3,909			–
Denominated in JPY					763			–
Total					**6,332**			**1,088**
Analysis by interest rates								
Interest-free					4,672			–
Variable interest rates depending on LIBOR					1,161			–
Fixed interest rate:								
0% – 2%					–			–
2% – 4%					499			1,088
4% – 6%					–			–
Total					**6,332**			**1,088**

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 16)	Current portions of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 16)	Total non-current
Balance at January 1, 2011	1,161	86	4,586	499	**6,332**	1,088	–	**1,088**
Decrease	(1,161)	(16)	–	–	**(1,177)**	–	–	**–**
Change in fair value	–	–	(3,395)	–	**(3,395)**	–	1,025	**1,025**
Increase in bank loans	–	–	–	–	**–**	1,055	–	**1,055**
Repayment of bank loans	–	–	–	(492)	**(492)**	–	–	**–**
Transfer to current	–	–	–	–	**–**	–	–	**–**
Translation differences	–	–	–	(7)	**(7)**	(40)	–	**(40)**
Balance at December 31, 2011	**–**	**70**	**1,191**	**–**	**1,261**	**2,103**	**1,025**	**3,128**
Analysis by currency								
Denominated in CHF					–			–
Denominated in EUR					–			2,103
Denominated in USD					1,261			1,025
Denominated in JPY					–			–
Total					**1,261**			**3,128**
Analysis by interest rates								
Interest–free					1,261			1,025
Variable interest rates depending on LIBOR					–			–
Fixed interest rate:								
0% – 2%					–			2,103
2% – 4%					–			–
4% – 6%					–			–
Total					**1,261**			**3,128**

In 2011, the average interest rate paid on bank loans was 2.0% (2010: 3.6%).

13 Deferred revenue

CHF 1,000	2010	2011
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	7,121	5,534
Deferred income related to service contracts	12,428	14,338
Balance at December 31	**19,549**	**19,872**
Increase	5,772	317
Disposal of discontinued operation	(3,409)	–
Translation differences	(1,984)	6
Total change compared with previous year	*379*	*323*

14 Employee benefits

14.1 Number of employees

FTE[1]	2010	2011
Employees – year-end	1,059	1,107
Employees – average	1,031	1,079

[1] FTE = Full time equivalent

14.2 Personnel expenses

Personnel expenses include the following:

CHF 1,000	2010	2011
Salaries and wages	108,269	105,792
Social security	14,331	13,255
Post-employment benefits		
• defined contribution plans	996	929
• defined benefit plans	5,485	5,237
Share-based payment	4,549	3,618
Other personnel expenses	2,860	2,835
Total personnel expenses	**136,490**	**131,666**
Thereof relating to continuing operations	128,525	131,666

14.3 Liability for post-employment benefits: defined benefit plans (IAS 19)

The liability for post-employment benefits relates to the following plans:

	2010	2011
Number of plans		
Funded plans	1	1
Unfunded plans	3	3
Number of people covered		
Participating employees	478	514
Retirees	4	5
Expected average remaining working lives of the participating employees	13.7	11.8

The amounts recognized in the balance sheet are as follows:

CHF 1,000	2010	2011
Present value of funded obligations	63,476	65,647
Fair value of plan assets	(56,594)	(59,199)
Subtotal	*6,882*	*6,448*
Present value of unfunded obligations	2,871	3,193
Unrecognized net actuarial losses	(4,877)	(3,921)
Unrecognized past service costs	–	–
Net liability at December 31	**4,876**	**5,720**

The amounts recognized in the income statement are as follows:

CHF 1,000	2010	2011
Current service costs	7,929	7,733
Employee contributions	(2,869)	(2,887)
Interest expense on obligation	2,128	1,626
Expected return on plan assets	(1,501)	(1,249)
Amortization of actuarial losses	6	14
Past service costs	(208)	–
Total, included in personnel expenses	**5,485**	**5,237**
Thereof relating to continuing operations	5,078	5,237
Actual return on plan assets	1,286	415

Changes in the present value of the defined benefit obligation are as follows:

CHF 1,000	2010	2011
Balance at January 1	67,492	66,347
Disposal of discontinued operation	(9,582)	–
Current service costs	7,929	7,733
Insurance premiums	(1,536)	(1,489)
Benefits paid	(423)	(3,590)
Interest expense on obligation	2,128	1,626
Actuarial losses/(gains)	745	(1,770)
Curtailment/settlement	(48)	–
Translation differences	(358)	(17)
Balance at December 31	**66,347**	**68,840**

Changes in the fair value of plan assets are as follows:

CHF 1,000	2010	2011
Balance at January 1	57,804	56,594
Disposal of discontinued operation	(8,083)	–
Employer contributions	4,471	4,382
Employee contributions	2,869	2,887
Insurance premiums	(1,536)	(1,489)
Benefits paid	(177)	(3,590)
Expected return on plan assets	1,501	1,249
Curtailment/settlement	(40)	–
Actuarial losses	(215)	(834)
Balance at December 31	**56,594**	**59,199**

The Group expects to contribute CHF 4.7 million to its defined benefit plans in 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2010	2011
Equity securities	2.3%	1.3%
Debt securities	80.9%	84.1%
Real estate	10.8%	11.4%
Other	6.0%	3.2%
Total	**100.0%**	**100.0%**

There are neither own financial instruments of the Group nor any property occupied by the Group included in the plan assets.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2010	2011
Discount rate at December 31	2.5%	2.8%
Expected return on plan assets at December 31	2.1%	2.4%
Future salary increases	1.9%	1.8%
Future pension increases	0.3%	0.3%

The expected return on plan assets is based on the investment strategy of the life insurance company.

History of experience adjustments:

CHF 1,000	2007	2008	2009	2010	2011
Defined benefit obligation	54,018	59,518	67,492	66,347	68,840
Plan assets	(50,503)	(54,923)	(57,804)	(56,594)	(59,199)
Deficit	*3,515*	*4,595*	*9,688*	*9,753*	*9,641*
Experience gains/(losses) on plan liabilities in %	2.4%	2.2%	-2.3%	2.7%	-1.0%
Experience gains/(losses) on plan assets in %	1.3%	-1.1%	-1.2%	-0.3%	-1.4%

14.4 Employee participation plans – share-based payment (IFRS 2)

14.4.1 Employee share option plans

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares and all share appreciation rights (SARs) by cash payment:

Arrangement	Employees entitled / grant date	Number of options granted / exercise price	Vesting conditions	Contractual life	Expiry date
Plan 2002 Equity-settled	Options granted to all employees outside of USA on November 30, 2001	121,344 options CHF 99.00	Vesting period completed	11 years	November 30, 2012
Plan 2002 Cash-settled	SARs granted to employees in the USA on November 30, 2001	53,512 SARs CHF 99.00	Vesting period completed	11 years	November 30, 2012
Plan 2003 Equity-settled	Options granted to all employees outside of USA on November 30, 2002	350,188 options CHF 48.40	Vesting period completed	11 years	November 30, 2013
Plan 2003 Cash-settled	SARs granted to employees in the USA on November 30, 2002	159,275 SARs CHF 48.40	Vesting period completed	11 years	November 30, 2013
Plan 2007 B (base plan) Equity-settled	Options granted to members of Board of Directors, Management Board and management level 3 and 4 on November 30, 2006	27,762 options CHF 70.00	Vesting period completed	7 years	November 30, 2013
Plan 2007 P (performance plan) Equity-settled	Options granted to members of Management Board and management level 4 on November 30, 2006	20,837 options CHF 70.00	Vesting period completed	7 years	November 30, 2013
Plan 2008 B (base plan) Equity-settled	Options granted to members of Board of Directors, Management Board and management level 3 and 4 on December 5, 2007	41,735 options CHF 69.00	Vesting period completed	7 years	December 5, 2014
Plan 2008 P (performance plan) Equity-settled	Options granted to members of Management Board and management level 4 on December 5, 2007	32,703 options CHF 69.00	Vesting period completed	7 years	December 5, 2014
Plan 2009 B (base plan) Equity-settled	Options granted to members of Board of Directors, Management Board and management level 3 and 4 on December 8, 2008	81,180 options CHF 39.70	Vesting period completed	7 years	December 8, 2015
Plan 2009 P (performance plan) Equity-settled	Options granted to members of Management Board and management level 4 on December 8, 2008	76,465 options CHF 39.70	Three years of service plus earnings per share target plus comparison with peer basket of competitors	7 years	December 8, 2015
Plan 2010 Equity-settled	Options granted to members of Board of Directors, Management Board and management level 3 and 4 on November 23, 2009	63,492 options CHF 70.00	One / two / three years of service for 33% / 33% / 34% of options	7 years	November 23, 2016
Plan 2011 Equity-settled	Options granted to members of Board of Directors and management level 3 and 4 on November 2, 2010	52,950 options CHF 69.00	One / two / three years of service for 33% / 33% / 34% of options	7 years	November 2, 2017
Plan 2012 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2011	59,998 options CHF 57.20	One / two / three years of service for 33% / 33% / 34% of options	7 years	November 2, 2018

All share options grant the right to purchase one Tecan share per option. Based on the plans 2002 and 2003, the employees from the USA received stock appreciation rights (SARs) with the same treatment and the same conditions as share options.

All outstanding options and SARs granted are covered by the conditional share capital. No plans were introduced in 2003, 2004 and 2005.

The number and weighted average exercise prices of share options and SARs are as follows:

	2010				2011			
	Weighted average exercise price (CHF)		Number		Weighted average exercise price (CHF)		Number	
	Options	SARs	Options	SARs	Options	SARs	Options	SARs
Balance at January 1	61.53	86.46	430,286	25,090	63.34	87.22	418,507	23,701
Granted	69.00	–	52,950	–	57.20	–	59,998	–
Exercised	51.76	48.40	(23,815)	(330)	53.81	48.40	(27,814)	(270)
Forfeited	53.46	–	(26,959)	–	61.38	–	(48,550)	–
Expired	68.04	81.42	(13,955)	(1,059)	93.71	99.00	(1,475)	9
Balance at December 31	**63.34**	**87.22**	**418,507**	**23,701**	**63.20**	**87.67**	**400,666**	**23,440**

The weighted average share price at the dates of exercise was CHF 72.56 in 2010 and CHF 75.91 in 2011.

Outstanding share options and SARs at the end of the period in detail:

		2010				2011			
	Exercise price	Remaining contractual life (years)		Number		Remaining contractual life (years)		Number	
		Options	SARs	Options	SARs	Options	SARs	Options	SARs
Plan 2002	99.0	1.9	1.9	62,179	18,181	0.9	0.9	61,770	18,190
Plan 2003	48.4	2.9	2.9	42,492	5,520	1.9	1.9	37,674	5,250
Plan 2007 B	70.0	2.9	–	18,177	–	1.9	–	14,526	–
Plan 2007 P	70.0	2.9	–	5,869	–	1.9	–	5,009	–
Plan 2008 B	69.0	3.9	–	31,883	–	2.9	–	25,858	–
Plan 2008 P	69.0	3.9	–	28,807	–	2.9	–	–	–
Plan 2009 B	39.7	4.9	–	54,066	–	3.9	–	41,601	–
Plan 2009 P	39.7	4.9	–	63,461	–	3.9	–	52,732	–
Plan 2010	70.0	5.9	–	58,623	–	4.9	–	52,408	–
Plan 2011	69.0	6.8	–	52,950	–	5.8	–	49,090	–
Plan 2012	57.2					6.8	–	59,998	–
Balance at December 31		**4.4**	**2.1**	**418,507**	**23,701**	**3.9**	**1.1**	**400,666**	**23,440**
Exercisable at period-end				208,522	23,701			237,286	23,440

The expenses, recognized in the consolidated income statement, are calculated as follows:

Equity-settled share-based payment

The fair value of services received in return for the share options granted is measured by reference to the share options vested multiplied by their fair value at grant date (measurement date). The estimate of the fair value is based on a binominal model. Changes in the fair value of the option after the grant date do not change the fair value of the services received.

Fair value of share options and key assumptions (not yet vested share option plans):

Grant	Share price	Exercise price	Expected volatility[2]	Option life	Expected dividends	Risk-free interest rate	Fair value
Plan 2009 P[1]	CHF 39.70	CHF 39.70	40.61%	7.0 years	1.22%	2.24%	**CHF 10.08**
Plan 2010	CHF 70.00	CHF 70.00	43.30%	7.0 years	1.07%	2.14%	**CHF 29.42**
Plan 2011	CHF 69.00	CHF 69.00	32.09%	7.0 years	1.83%	1.54%	**CHF 20.47**
Plan 2012	CHF 57.20	CHF 57.20	33.19%	7.0 years	2.32%	1.11%	**CHF 16.29**

[1] Including market condition "comparison with peer basket"

[2] Historic volatility with an underlying period that depends on the option life

Data source: Bloomberg

Cash-settled share-based payment

The fair value of services received in return for the SARs granted is measured by reference to the SARs vested multiplied by their fair value at grant date (measurement date). The estimate of the fair value is based on a binominal model. Changes in the fair value of the SARs after the grant date have an impact on the provision for cash-settled share-based payment and are posted to the financial result.

Fair value of SARs and key assumptions:

	Share price	Exercise price	Expected volatility[1]	Option life	Expected dividends	Risk-free interest rate	Fair value
Grant Date							
Plan 2002	CHF 99.00	CHF 99.00	38.00%	11.0 years	1.00%	3.55%	**CHF 48.52**
Plan 2003	CHF 48.40	CHF 48.40	38.00%	11.0 years	0.84%	2.83%	**CHF 23.37**
2010							
Plan 2002	CHF 78.00	CHF 99.00	28.15%	1.9 years	1.54%	0.48%	**CHF 5.10**
Plan 2003	CHF 78.00	CHF 48.40	28.15%	2.9 years	1.58%	0.78%	**CHF 30.99**
2011							
Plan 2002	CHF 63.50	CHF 99.00	31.42%	0.9 years	2.06%	0.06%	**CHF 0.63**
Plan 2003	CHF 63.50	CHF 48.40	31.70%	1.9 years	2.06%	0.09%	**CHF 17.79**

[1] Historic volatility with an underlying period that depends on the option life

Data source: Bloomberg

14.4.2 Employee share plans

The terms and conditions of the grants are as follows, whereby all shares are delivered physically and free of charge (except for mandatory investment):

Performance share matching plan (PSMP) 2010 – Management Board

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Initial grant	Extended Management Board on April 6, 2010	28,466 shares	CHF 80.25	Graded vesting from January 1, 2010 to December 31, 2012[1]	Three years of service
Mandatory investment Annual bonus 2009 in excess of 100% of the target cash bonus was granted in form of shares	Extended Management Board on April 6, 2010	1,054 shares	CHF 80.25	Immediate vesting[1]	None
Matching shares	Extended Management Board on April 6, 2010	83,000 shares (maximum of potential shares granted)	CHF 77.25	January 1, 2010 to December 31, 2012	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (December 31, 2012).

Additional grant 2010

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Additional grant[1]	CEO on January 15, 2010	20,000 shares	CHF 77.00 – CHF 73.00	March 1, 2010 to March 1, 2012 and March 1, 2015 respectively	Two / five years of service for 50% / 50% of shares

[1] The additional grant is non-recurring in the future and not included in the calculation of the matching shares.

Performance share matching plan (PSMP) 2011 – Board of Directors

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Initial grant	Board of Directors on December 13, 2011	3,232 shares	CHF 61.95	Graded vesting from May 1, 2011 to April 30, 2014[1]	Three years of service
Matching shares	Board of Directors on December 13, 2011	4,040 shares (maximum of potential shares granted)	CHF 58.95	May 1, 2011 to April 30, 2014	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (April 30, 2014).

Performance share matching plan (PSMP) 2011 – Management Board

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Initial grant	Extended Management Board on February 28, 2011	22,114 shares	CHF 78.95	Graded vesting from January 1, 2011 to December 31, 2013[1]	Three years of service
Mandatory investment Annual bonus 2010 in excess of 100% of the target cash bonus was granted in form of shares	Extended Management Board on February 28, 2011	264 shares	CHF 78.95	Immediate vesting[1]	None
Matching shares	Extended Management Board on February 28, 2011	58,040 shares (maximum of potential shares granted)	CHF 75.95	January 1, 2011 to December 31, 2013	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (December 31, 2013).

In addition to the grants listed above, the extended Management Board was entitled to invest voluntarily up to 50% of its target cash bonus 2009 and 2010 in Tecan shares at market prices (average market value from January 1 to April 30, 2010 and 2011 respectively). The voluntary investment could not exceed the realized cash bonus. The shares are blocked until the end of the performance period and are included in the calculation of the matching shares.

Outstanding shares at the end of the period:

Shares (excluding voluntary investments)	2010	2011
Balance at January 1	–	123,600
Granted	132,520	87,690
De-blocked and transferred to employee	(1,312)	(5,000)
Forfeited	(7,608)	(1,967)
Balance at December 31	**123,600**	**204,323**
Thereof vested, but blocked until the end of the performance period	11,855	29,172

The expenses, recognized in the consolidated income statement, are calculated as follows:

The fair value of services received in return for the shares granted is measured by reference to the shares vested multiplied by their fair value at grant date (measurement date). The fair value at grant represents the market value of one Tecan share adjusted for expected dividend payments during the vesting period. Changes in the fair value of the shares after the grant date do not change the fair value of the services received.

Number of matching shares expected to vest at December 31

Plan	Initial grant[1]	Mandatory investment[1]	Voluntary Investment[1]	Total base shares	Matching share factor applied	Matching shares expected to vest[2]
2010						
PSMP 2010 – MB	25,769	1,054	3,334	30,157	1.00	30,157
2011						
PSMP 2010 – MB	24,982	1,054	3,334	29,370	0.00	–
PSMP 2011 – BoD	3,232	not applicable	not applicable	3,232	1.12	3,620
PSMP 2011 – MB	22,114	264	838	23,216	2.24	52,004

[1] Only shares that qualify for matching shares

[2] Not adjusted for expected fluctuation

The number of matching shares is determined based on the following formula: number of shares from initial grant plus number of shares from mandatory and voluntary investments (if applicable) times the matching share factor. The matching share factor is dependent on the achievement of specific economic profit targets. In any case, the matching share factor will not be lower than 0.0 and not higher than 1.25 (Board of Directors) and 2.5 (extended Management Board) respectively.

14.4.3 Total expenses recognized

CHF 1,000	2010	2011
Expenses arising from equity-settled share option plans	1,732	867
Expenses arising from performance share matching plans	2,817	2,751
Total personnel expenses recognized with impact on operating profit	*4,549*	*3,618*
Effect of changes in the fair value of SARs with impact on the financial result	(258)	(150)
Total expenses	**4,291**	**3,468**
Thereof relating to continuing operations	4,122	3,468

The provision for cash-settled share-based payment transactions amounts to CHF 0.1 million at December 31, 2011 (2010: CHF 0.3 million, see note 15).

15 Provisions

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties & returns	WEEE[1]	Legal cases	Other	Total 2010
Balance at January 1, 2010	530	987	8,886	714	–	3,243	14,360
Provisions made	–	–	4,901	63	–	1,068	6,032
Provisions used	(9)	(431)	(3,872)	(2)	–	(346)	(4,660)
Provisions reversed	(258)	(84)	(2,215)	–	–	(82)	(2,639)
Unwind of discounts	–	32	–	–	–	–	32
Disposal of discontinued operation	–	–	(192)	–	–	(194)	(386)
Translation differences	–	(109)	(418)	(106)	–	(196)	(829)
Balance at December 31, 2010	**263**	**395**	**7,090**	**669**	**–**	**3,493**	**11,910**
Thereof current	–	395	7,090	–	–	2,432	9,917
Thereof non-current	263	–	–	669	–	1,061	1,993

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties & returns	WEEE[1]	Legal cases	Other	Total 2011
Balance at January 1, 2011	263	395	7,090	669	–	3,493	11,910
Provisions made	–	–	3,879	65	752	795	5,491
Provisions used	(9)	(248)	(2,155)	–	–	(55)	(2,467)
Provisions reversed	(150)	(99)	(227)	(3)		(1,418)	(1,897)
Unwind of discounts	–	–	–	–	–	–	–
Translation differences	–	(5)	–	(16)	10	(30)	(41)
Balance at December 31, 2011	**104**	**43**	**8,587**	**715**	**762**	**2,785**	**12,996**
Thereof current	11	43	8,587	–	762	2,012	11,415
Thereof non-current	93	–	–	715	–	773	1,581

[1] WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

The provisions for restructuring relate to the closure of the research and development site in Munich (2011: CHF 0.0 million and 2010: CHF 0.3 million) and the centralization of the European service in Austria (2011: CHF 0.0 million and 2010: CHF 0.1 million).

The provision for legal cases (2011: CHF 0.8 million and 2010: CHF 0.0 million) relates to several legal cases with former customers and employees in different subsidiaries, for which the timing of settlement was uncertain at year-end.

The position "other" contains provisions to cover commitments relating to parts and material for discontinued products (2011: CHF 0.9 million and 2010: CHF 1.1 million), to controversial import duty positions (2011: CHF 0.5 million and 2010: CHF 1.0 million), to other long-term employee benefits (2011: CHF 0.7 million and 2010: CHF 1.0 million) and to several minor items (2011: CHF 0.7 million and 2010: CHF 0.4 million).

16 Financial risk management (IFRS 7)

16.1 Introduction

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and foreign currency risk) and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to economically hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors (Treasury Policy). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The "Treasury Policy" provides principles for specific areas, such as credit risk, interest rate risk, foreign currency risk, use of derivative financial instruments and investment of excess liquidity.

This note presents information about the Group's exposure to each of the risks arising from financial instruments and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

16.2 Carrying amounts of financial instruments by category

The following table shows the carrying amounts of financial instruments by category at the end of December:

CHF 1,000	2010	2011
Financial assets held for trading		
Derivatives	**11,802**	**4,451**
Loans and receivables		
Cash and cash equivalents	118,040	165,089
Current loans and time deposits	20,200	533
Trade accounts receivable[1]	65,516	66,340
Other accounts receivable[1]	5,798	2,361
Non-current financial assets	1,399	832
Total	**210,953**	**235,155**
Financial liabilities held for trading		
Derivatives	**4,586**	**2,216**
Financial liabilities measured at amortized cost		
Bank liabilities and loans	2,834	2,173
Trade accounts payable	9,638	12,264
Other accounts payable[1]	95	4
Accrued expenses	30,441	36,194
Total	**43,008**	**50,635**

[1] Excluding receivables and payables arising from POC, VAT/other non-income taxes and social security

16.3 Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from cash and cash equivalents, time deposits and trade accounts receivable.

All domestic and international bank relationships are selected by CFO and Group Treasury. Only banks and financial institutions that are ranked in the top class of the respective country are accepted.

The credit risk with trade accounts receivable (see note 7) is limited, as the Group has numerous clients located in various geographical regions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. For the purpose of risk control, the customers are grouped as follows (risk groups): governmental organizations, listed public limited companies and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance or letters of credit; these limits are reviewed regularly (credit check).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. There are no commitments that could increase this exposure to more than the carrying amounts.

16.4 Market risks

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other prices will affect the Group's result or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

16.4.1 Interest rate risks

At the reporting date the Group had the following interest-bearing financial instruments: cash and cash equivalents, time deposits, rent deposits and bank liabilities. All cash and cash equivalents mature or reprise in the short-term, no longer than three months.

Borrowings mainly bear interest at fixed rates. Cash and cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the interest rate profile of the Group's interest-bearing financial liabilities refer to note 12.

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Group Treasury manages the interest rate risk in order to reduce the volatility of the financial result as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, the Group Treasury focuses on an internal long-term benchmark interest rate and considers the amount of cash and cash equivalents held at a variable interest rate. Currently the interest rate exposure is not hedged.

At December 31, 2011, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been CHF 0.7 million (2010: CHF 0.4 million) higher/lower, mainly as a result of cash positions held at variable rates.

16.4.2 Foreign currency risks

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in a currency other than the functional currency of the respective Group companies. On a consolidated basis, the Group is also exposed to currency fluctuations between the Swiss franc (CHF) and the functional currencies of its Group companies. The two major currencies giving rise to currency risks are euro (EUR) and US dollar (USD).

The Group centralizes its foreign currency exposure in a few locations only. The hedging policy of the Group is to cover the foreign currency exposure to a certain percentage of the operating activities (forecast sales and purchases). The Group uses forward exchange contracts, currency options and swaps to hedge its foreign currency risk on specific future foreign currency cash flows. These contracts have maturities of up to 18 months.

The Group does not hedge its net investment in foreign entities and the related foreign currency translation of local earnings.

The Group's exposure to foreign currency risk arising on financial instruments denominated in a currency different from the functional currency of the entity holding the instruments was as follows:

	2010				2011			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Cash and cash equivalents	–	5,361	4,370	2,537	55	15,397	1,494	1,574
Current loans	–	–	–	–	–	–	–	–
Trade accounts receivable[1]	–	2,897	1,657	465	1	1,923	1,817	501
Other accounts receivable[1]	–	–	2,836	–	–	–	–	–
Non-current financial assets	–	29	–	–	–	30	–	–
Current bank liabilities	–	–	–	–	–	–	–	–
Trade accounts payable	(44)	(2,523)	(837)	(122)	(16)	(2,787)	(957)	(197)
Other accounts payable[1]	–	–	–	–	–	–	–	–
Accrued expenses	–	–	–	(80)	–	–	–	(48)
Non-current bank liabilities	–	–	–	–	–	–	–	–
Foreign currency forwards	–	22	7,166	(70)	–	369	1,866	–
Foreign currency options	–	–	98	–	–	–	–	–
Net exposure to currency at December 31	**(44)**	**5,786**	**15,290**	**2,730**	**40**	**14,932**	**4,220**	**1,830**

[1] Excluding receivables and payables arising from POC, VAT/other non-income taxes and social security

At the end of December, if the CHF had moved against the USD and EUR with all other variables held constant, post-tax profit for the year would have been:

CHF 1,000	2010 higher/(lower)	2011 higher/(lower)
If CHF had weakened against EUR by 10%	272	1,122
If CHF had strengthened against EUR by 10%	(271)	(1,122)
If CHF had weakened against USD by 10%	(3,253)	(3,519)
If CHF had strengthened against USD by 10%	3,283	3,509

Foreign currency risks from financial instruments primarily relate to CHF/EUR and CHF/USD forwards and options.

The derivative financial instruments used as economic hedges of foreign currencies are summarized in the table below:

	Fair value		Contract value			
CHF 1,000	Positive	Negative	Total	Due within		
				Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years
Foreign currency forwards						
Sale USD	10,990	–	94,455	11,222	59,853	23,380
Purchase USD	–	(3,824)	(43,954)	(11,222)	(32,732)	–
Sale EUR	22	–	1,251	–	1,251	–
Sale JPY	636	(22)	19,587	5,761	13,826	–
Purchase JPY	56	(740)	(19,587)	(5,761)	(13,826)	–
Foreign currency options						
Sale USD	98	–	935	935	–	–
Balance at December 31, 2010	**11,802**	**(4,586)**	**52,687**	**935**	**28,372**	**23,380**

	Fair value		Contract value			
CHF 1,000	Positive	Negative	Total	Due within		
				Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years
Foreign currency forwards						
Sale USD	1,752	(2,128)	74,276	20,684	34,788	18,804
Purchase USD	2,329	(88)	(28,206)	(20,684)	(7,522)	–
Sale EUR	256	–	5,483	3,046	2,437	–
Purchase EUR	114	–	(5,483)	(3,046)	(2,437)	–
Balance at December 31, 2011	**4,451**	**(2,216)**	**46,070**	**–**	**27,266**	**18,804**

16.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Group Treasury manages the Group's liquidity to ensure sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without facing unacceptable losses or risking damage to the Group's reputation.

It is the Group's target to have a cash reserve or committed credit line in the amount of 10% of its annual sales third budget centralized at Tecan Group Ltd. and Tecan Trading AG. Changes to this target are subject to the Board of Directors' approval. All cash in Tecan Group Ltd. and Tecan Trading AG which does not count against such a cash reserve is considered as excess liquidity. Excess liquidity can be invested in instruments such as time deposits, government and corporate bonds, shares of publicly listed companies and capital protected instruments.

The following are the contractual maturities of financial liabilities, including interest payments:

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities						
Current bank liabilities	1,746	1,749	1,749	–	–	–
Trade accounts payable	9,638	9,638	9,638	–	–	–
Other accounts payable[1]	95	95	95	–	–	–
Accrued expenses	30,441	30,441	15,444	14,997	–	–
Non-current bank liabilities	1,088	1,170	–	22	22	1,126
Derivative financial liabilities						
Foreign currency forwards	*4,586*					
Outflow		69,153	20,273	48,880	–	–
Inflow		(64,671)	(19,265)	(45,406)	–	–
Balance at December 31, 2010	**47,594**	**47,575**	**27,934**	**18,493**	**22**	**1,126**

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities						
Current bank liabilities	70	70	70	–	–	–
Trade accounts payable	12,264	12,264	12,264	–	–	–
Other accounts payable[1]	4	4	4	–	–	–
Accrued expenses	36,194	36,194	19,134	17,060		
Non-current bank liabilities	2,103	2,176	7	20	27	2,122
Derivative financial liabilities						
Foreign currency forwards	*2,216*					
Outflow		45,112	5,714	23,505	15,893	–
Inflow		(42,541)	(5,606)	(22,256)	(14,679)	–
Balance at December 31, 2011	**52,851**	**53,279**	**31,587**	**18,329**	**1,241**	**2,122**

[1] Excluding payables arising from VAT/other non-income taxes and social security

Unused lines of credit amounting to CHF 44.4 million were available to the Group at December 31, 2011 (2010: CHF 27.2 million).

16.6 Fair values

The carrying amounts less impairment allowance of trade and other accounts receivable and trade and other accounts payable are assumed to approximate their fair values due to their short-term nature.

At year-end, the fair value of all bank loans amounted to CHF 2.1 million (2010: CHF 1.7 million) compared to a carrying amount of CHF 2.1 million (2010: CHF 1.6 million). The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method (fair value hierarchy):

Financial instrument	Net carrying amount (CHF 1,000)		Level	Data source	Model
	2010	2011			
Currency forwards	7,118	2,235	Level 2	Bloomberg	(forward rate – [spot rate +/– forward points])* amount in foreign currency
Currency options	98	–	Level 2	Bloomberg	Black-Scholes model

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset and liability
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable)

There have been no transfers between the levels in 2010 and 2011.

17 Rental and lease commitments

The commitments arising from operating leases are largely rental payments for buildings.

Commitments under non-cancellable operating leases:

CHF 1,000	2010	2011
Due date		
1st year	5,693	6,003
2nd year	4,387	4,792
3rd year	2,914	3,656
4th year	2,394	2,961
5th year	2,126	1,261
6th year or beyond	1,685	5,301
Balance at December 31	**19,199**	**23,974**

In financial year 2011, CHF 6.7 million (2010: CHF 6.1 million) were recognized as expenses for leases in the consolidated income statement.

The Group did not enter into any finance lease contracts.

18 Contingent liabilities and encumbrance of assets

As of December 31, 2010 and 2011, the Group had no significant contingent liabilities to third parties, and none of the Group's assets were pledged, assigned or subject to retention of title, except for the following positions:

CHF 1,000	2010	2011
Pledged assets		
Cash and cash equivalents	110,374	152,600
Derivatives with positive fair value	11,802	4,425

19 Shareholders' equity

19.1 Dividends paid

	2010	2011	2012 (proposed)
Number of shares eligible for dividend	10,412,027	10,771,157	
Dividends paid (CHF/share)	1.00	–	
Payout from statutory capital contribution reserve (CHF/share)	-	1.00	1.25

19.2 Movements in shares outstanding

Number (each share has a nominal value of CHF 0.10)	Shares issued	Treasury shares	Shares outstanding
Balance at January 1, 2010	11,412,590	(1,009,210)	10,403,380
Issue of new shares from conditional share capital (exercise of employee share options)	24,145	–	24,145
Treasury shares issued based on employee participation plans	–	33,200	33,200
Purchase of treasury shares	–	(1,312)	(1,312)
Sale of treasury shares	–	286,000	286,000
Balance at December 31, 2010	**11,436,735**	**(691,322)**	**10,745,413**
Issue of new shares from conditional share capital (exercise of employee share options)	7,841	–	7,841
Treasury shares issued based on employee participation plans	–	51,691	51,691
Balance at December 31, 2011	**11,444,576**	**(639,631)**	**10,804,945**

19.3 Conditional share capital reserved for the employee participation plans

Number (each share has a nominal value of CHF 0.10)	2010	2011
Balance at January 1	890,622	866,477
Employee share options exercised (see note 14)	(24,145)	(7,841)
Balance at December 31	**866,477**	**858,636**
Employee share options outstanding (see note 14)	442,208	424,106
Shares granted to employees based on performance share matching plans, outstanding (see note 14)	95,392	150,505

19.4 Conditional and authorized share capital for the purpose of future business development

Number (each share has a nominal value of CHF 0.10)	2010	2011
Conditional share capital	1,800,000	1,800,000
Authorized share capital, expiring on April 21, 2012	2,400,000	2,400,000

19.5 Capital management

The Board's policy is to maintain a strong capital base in order to ensure investor, creditor and market confidence and to sustain future development of business. It is the Group's target to keep a minimum equity ratio of 30%, which limits the level of borrowings. Changes to this target are subject to the Board of Directors' approval. In addition, all covenants relating to bank liabilities must be satisfied at any time.

The Board of Directors monitors both the earnings per share and the ability of the Group to undertake future business development. Amongst others it may initiate share buyback programs in order to rebalance the position of the Group in relation to these targets.

The level of dividend payments to shareholders shall be kept on a constant and ongoing level.

There were no changes in the Group's approach to capital management during the year.

20 Segment information

20.1 Segment information by business segments

Comparative information for 2010 has been restated due to the new segmentation structure described in note 2.5.

	Life Sciences Business		Partnering Business		Sample Management (discontinued)		Corporate / consolidation		Group	
CHF 1,000	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Sales third	230,380	232,240	140,168	144,730	14,107	–	–	–	384,655	376,970
Intersegment sales[1]	12,103	15,887	5,289	5,654	358	–	(17,750)	(21,541)	–	–
Total sales	**242,483**	**248,127**	**145,457**	**150,384**	**14,465**	**–**	**(17,750)**	**(21,541)**	**384,655**	**376,970**
Operating profit	**26,317**	**23,840**	**36,768**	**35,646**	**(2,454)**	**–**	**(7,114)**	**(8,215)**	**53,517**	**51,271**
Depreciation and amortization[2]	(5,355)	(6,260)	(2,407)	(2,839)	(1,015)	–	–	–	(8,777)	(9,099)
Impairment losses[3]	–	–	–	–	(27,124)	–	–	–	(27,124)	–

[1] Intersegment transactions are conducted at arm's length.

[2] No significant non-cash items other than depreciation of property, plant and equipment and amortization of intangible assets were incurred.

[3] Not included in operating profit (see note 4)

CHF 1,000	2010	2011
Reconciliation of reportable segment sales:		
Total sales for reportable segments	402,405	398,511
Elimination of discontinued operation (see note 4)	(14,465)	–
Elimination of intersegment sales	(17,392)	(21,541)
Total consolidated sales of continuing operations	**370,548**	**376,970**
Reconciliation of reportable segment profit:		
Total operating profit for reportable segments	60,631	59,486
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(7,114)	(8,215)
Elimination of discontinued operation (see note 4)	2,454	–
Financial result	2,100	2,289
Total consolidated profit before taxes from continuing operations	**58,071**	**53,560**

20.2 Entity-wide disclosures

Products and services

CHF 1,000	2010	2011
Products	257,245	263,964
Services	113,303	113,006
Total sales third of continuing operations	**370,548**	**376,970**

Sales by regions (by location of customers)

CHF 1,000	2010	2011
Switzerland	7,793	11,763
Other Europe	167,791	166,201
North America	138,371	144,349
Asia	42,440	43,579
Others	14,153	11,078
Total sales third of continuing operations	**370,548**	**376,970**

Non-current assets by regions (by location of assets)

	Property, plant and equipment		Intangible assets	
CHF 1,000	2010	2011	2010	2011
Switzerland	7,529	10,327	35,869	37,197
Other Europe	3,648	3,617	1,446	1,409
United States	2,207	2,772	–	–
Asia	288	329	–	–
Total	**13,672**	**17,045**	**37,315**	**38,606**

Information about major customers

The Group has a large number of customers. There are no sales to individual customers that accumulated exceed 10% of total sales.

21 Operating expenses by nature

CHF 1,000	2010	2011
Material costs	111,230	119,817
Personnel costs	128,525	131,666
Depreciation of property, plant and equipment	6,024	5,952
Amortization of intangible assets	1,738	3,147
Other operating costs (net)	73,777	96,011
Total operating costs of continuing operations incurred (gross)	**321,294**	**356,593**
Capitalization of development costs in position inventories (see note 8)	(3,548)	(27,556)
Capitalization of development costs in position intangible assets (see note 11)	(3,169)	(3,338)
Total operating expenses of continuing operations, according to income statement	**314,577**	**325,699**

22 Research and development

CHF 1,000	2010	2011
Gross research and development costs incurred[1]	43,338	75,864
Capitalization of development costs in position inventories (see note 8)	(3,548)	(27,556)
Capitalization of development costs in position intangible assets (see note 11)	(3,169)	(3,338)
Amortization of development costs	751	2,034
Total research and development of continuing operations (gross, according to income statement)	**37,372**	**47,004**
Government research subsidies	(1,085)	(965)
Total research and development of continuing operations (net)	36,287	46,039

[1] The amount includes costs for material, services, personnel, temporary employees and depreciation of property, plant and equipment.

Costs for research and the development of new products (gross) amounted to 12.5% of sales (2010: 10.1%).

23 Other operating income

CHF 1,000	2010	2011
Government research subsidies	1,085	965
Other operating income (miscellaneous)	–	41
Other operating expense (miscellaneous)	(5)	–
Total other operating income from continuing operations	**1,080**	**1,006**

24 Financial result

CHF 1,000	2010	2011
Interest income	351	703
Fair value adjustments on cash-settled share-based payment plans	258	150
Finance income	*609*	*853*
Interest expenses	(840)	(101)
Other	(147)	(29)
Finance cost	*(987)*	*(130)*
Result from derivatives	8,040	2,332
Other foreign exchange losses	(5,562)	(766)
Foreign exchange gains	*2,478*	*1,566*
Total financial result from continuing operations	**2,100**	**2,289**

25 Income taxes

CHF 1,000	2010	2011
Current income taxes	8,770	10,409
Deferred taxes	2,367	(1,764)
Total income taxes on continuing operations	**11,137**	**8,645**

The income tax expense can be analyzed as follows:

CHF 1,000	2010	2011
Profit before taxes from continuing operations	58,071	53,560
Tax expense based on the Group's weighted average rate of 21.5% (2010: 21.6%)	*12,559*	*11,520*
Non-deductible expenses and additional taxable income	403	770
Tax-free income and tax reductions	(2,851)	(2,264)
Change in recognition of tax losses	805	(1,526)
Unrecoverable withholding tax	89	166
Overprovided in prior years	(61)	(76)
Effect of tax rate change on opening deferred taxes	193	55
Tax expense reported for continuing operations	**11,137**	**8,645**

The tax rate of the Group is the weighted average tax rate obtained by applying the currently effective rate for each individual jurisdiction to its respective profit before taxes. As a result of changes in the country mix of the profit before taxes, the Group's expected tax rate for 2011 decreased to 21.5%.

At the end of June 2011, the Group capitalized tax benefits from accumulated former tax losses in the amount of CHF 1.5 million. The existence of these tax losses was initially disputed by the tax authorities during their audit. This change in recognition of tax losses reduces the tax expense reported in the income statement.

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2010	Change 2011	2011
Receivables	1,261	439	1,700
Inventories	2,045	(365)	1,680
Property, plant and equipment	32	(672)	(640)
Intangible assets	(440)	(154)	(594)
Liabilities and accrued expenses	3,627	740	4,367
Provisions	1,022	193	1,215
Other	(1,056)	588	(468)
Total net deferred tax assets arising from temporary differences	*6,491*	*769*	*7,260*
Deferred taxes provided on expected dividends from subsidiaries	(896)	(166)	(1,062)
Potential tax benefits from tax loss carry-forwards	118	1,216	1,334
Total net deferred tax assets	**5,713**	**1,819**	**7,532**
Deferred taxes recognized in income statement relating to continuing operations	(2,367)		1,764
Deferred taxes recognized in income statement relating to discontinued operation	1,048		–
Translation differences	(670)		55
Total change compared with previous year	*(1,989)*		*1,819*

At year-end, temporary differences on inventories primarily related to income on intra-Group profit eliminated for consolidation purposes.

Tax loss carry-forwards:

	Gross value of tax loss carry-forwards not capitalized		Potential tax benefits	
CHF 1,000	2010	2011	2010	2011
Expiring in				
6th year or beyond			118	–
Unlimited			–	1,334
Total tax loss carry-forward capitalized			**118**	**1,334**
Expiring in				
Unlimited	4,964	–	1,655	–
Total tax loss carry-forward not capitalized	**4,964**	**–**	**1,655**	**–**
Total tax loss carry-forward			**1,773**	**1,334**

Deferred tax assets on loss carry-forwards are recognized only to the extent that it is probable that tax loss carry-forwards are available for set-off against future profits and future profits will be available to utilize the deferred tax assets.

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2010	2011
Deferred tax assets	9,548	10,468
Deferred tax liabilities	(3,835)	(2,936)
Total (net)	**5,713**	**7,532**

26 Related parties

The Group has a related party relationship with its subsidiaries and with key management personnel (members of the Board of Directors and the Management Board).

The total compensation paid to the key management personnel was:

CHF 1,000	2010	2011
Short-term employee benefits	5,921	4,068
Post-employment benefits	419	361
Other long-term benefits[1]	949	301
Termination benefits	–	–
Share-based payment[2]	3,396	2,784
Total compensation	**10,685**	**7,514**

[1] Long-term retention bonus accrued. Payment will be made three years after grant.

[2] See note 14.4 for more details

The Management Board was reduced from nine to seven members due to the introduction of the new organizational and management structure as of January 1, 2011.

In 2007, 2008 and 2009, members of the management were offered the possibility to purchase American-type call options on Tecan shares issued by a bank at market rates. The number purchased by each individual was restricted. At the same time, the members of the Management Board who participated in this transaction received advance facilities from Tecan Group Ltd. to finance the purchase of these share options. The advance facilities in the form of interest-free and unsecured loans are part of a long-term retention bonus to mature in 2010, 2011 and 2012 respectively and are limited to two-thirds of the purchase price of the share options. One-third was paid privately by the members of the Management Board. At December 31, 2011, these advance facilities amounted to CHF 0.5 million (2010: CHF 0.7 million).

For further details concerning compensation, ownership of shares and options and loans granted, please refer to notes 12 and 13 of the statutory financial statements of Tecan Group Ltd., the ultimate parent company. The information reported in this note and the information provided in the notes of the statutory financial statements may differ due to different recognition and valuation principles.

27 Earnings per share

The earnings per share are based on the consolidated profit of the Group and the average number of shares outstanding, excluding treasury shares.

	2010	2011
Number of shares issued	11,436,735	11,444,576
Number of treasury shares	(691,322)	(639,631)
Average number of shares outstanding	*10,433,009*	*10,756,118*
Basic earnings per share from continuing operations (CHF/share)	**4.50**	**4.18**
Basic earnings per share (CHF/share)	**1.55**	**4.42**
Employee share option plans:		
Average number of shares under option total	475,267	413,026
Average number of shares under option dilutive	392,861	255,692
Average exercise price	56.84	52.74
Number of shares that would have been issued at average market price for the year of CHF 69.17 (2010: CHF 71.48)	312,386	194,947
Adjustment for dilutive share options	80,475	60,745
Employee share plans:		
Adjustment for not vested shares (initial and additional grant)	43,520	45,279
Adjustment for contingently issuable shares (matching shares)	30,157	55,624
Average number of shares outstanding after dilution	*10,587,161*	*10,917,766*
Diluted earnings per share from continuing operations (CHF/share)	**4.43**	**4.12**
Diluted earnings per share (CHF/share)	**1.53**	**4.36**

28 Subsequent events

The Group acquired a 100% of its Australian sales partner (Tecan Australia Pty Ltd) as of January 2, 2012. The company is located in Melbourne, Australia and employs nine people. The purchase price amounts to CHF 0.4 million and is paid in cash.

The acquisition will be accounted for using the acquisition method. Amounts recognized at the acquisition date in accordance with IFRS, immediately before the combination:

CHF 1,000	2.1.2012
Current assets	1,880
Non-current assets	65
Assets	**1,945**
Current liabilities	1,937
Non-current liabilities	3
Shareholders' equity	5
Liabilities and equity	**1,945**

The purchase price allocation is yet to be performed. If the acquisition had occurred on January 1, 2011, Group sales would have been CHF 1.5 million and operating profit CHF 0.3 million higher for 2011.

There were no other events subsequent to the balance sheet date which would require adjustments to or disclosures in these consolidated financial statements.

29 Group risk management (disclosure according to Swiss law)

29.1 Introduction

Group risk management is a systematic assessment that addresses all kind of risks posing a potential threat to the business activities of the Group. It is the umbrella process for all other risk management activities throughout the Group. The risk assessment process is coordinated by the CFO, however, the ultimate responsibility is with the Board of Directors.

29.2 Risk assessment cycle

29.2.1 Initiation of risk assessment

The Group risk assessment cycle takes place every two years unless otherwise mandated by the Board of Directors or by a triggering event. A review during the intermediate year assesses the need for action.

In a first step, the Board of Directors determines the risk acceptance and appoints the risk assessment team. The risk acceptance defines which combinations of risk characteristics (probability and severity of damage) are acceptable and which are not acceptable for the Group. This definition is the basis for the risk classification (see below). The risk assessment team includes representatives from various functions and disciplines such as Finance, Quality & Regulatory, Advisory & Support, Operations and Internal Audit.

The risk assessment team follows the process that is presented below:

Risk Management

Risk Awareness

Risk Assessment

Risk Identification	Risk Estimation	Risk Evaluation	Risk Reduction

Risk Control

29.2.2 Risk identification

The risk assessment team conducts annual workshops to identify potential risks in the following categories:

- Hazard risk
- Financial risk
- Operational risk
- Strategic risk

Furthermore, the risk assessment team considers the results of all other risk management activities within the Group:

- Product-related risk management
- IT risk management
- Business risk management for significant business units and market units
- Strategy
- Mid-term plan
- Budget

29.2.3 Risk estimation and evaluation

Each of the identified risks is estimated and evaluated and finally classified to the following risk categories:

- *Acceptable risk:* No further risk reduction actions required.
- *Elevated risk:* Further risk reduction actions recommended. Requires justification and approval by CFO if no further measures are taken.
- *Unacceptable risk:* Further risk reduction actions strongly recommended. Requires justification and approval by the Board of Directors if no further measures are taken.

29.2.4 Risk reduction, risk report and approval

Risk reduction measures must be investigated and implemented for risks that are elevated or unacceptable, unless the risks are explicitly accepted by the risk assessment team.

As a result, the risk assessment team prepares a risk summary report containing all significant risks and measures taken. The final status of the risk assessment is reported to the Executive Management. The Board of Directors finalizes the risk assessment cycle with its approval. Risks remaining unacceptable must each be approved individually.

29.2.5 Risk control

Risk management is a dynamic process and forms a part of all planning and other activities of the Group. Within the process of ongoing risk control, members of the risk assessment team continuously collect information about risk factors and risk-related information. If any new potential elevated or unacceptable risk arises, it is brought immediately to the attention of the CFO.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Tecan Group Ltd., Männedorf

As statutory auditor, we have audited the consolidated financial statements of Tecan Group Ltd., presented on pages 65 to 112, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards, as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA), and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Patrik Salm
Licensed Audit Expert

Zurich, March 2, 2012

Balance sheet of Tecan Group Ltd. at December 31

Assets

CHF 1,000	Notes	2010	2011
Cash and cash equivalents		54,825	114,353
Current loans	3	18,555	–
Other accounts receivable from third parties		2,982	101
Other accounts receivable from Group companies		5,418	3,749
Prepaid expenses		115	116
Current assets		**81,895**	**118,319**
Investments in subsidiaries	2	52,562	52,562
Non-current loans	3	8,269	–
Treasury shares	4	39,285	36,258
Property, plant and equipment		268	2
Non-current assets		**100,384**	**88,822**
Assets		**182,279**	**207,141**

Liabilities and equity

CHF 1,000	Notes	2010	2011
Other liabilities to third parties		468	87
Other liabilities to Group companies		502	10
Current tax liabilities		50	–
Accrued expenses		3,224	1,118
Current liabilities		**4,244**	**1,215**
Provision for general business risks	5	30,000	30,000
Other non-current provisions		273	29
Non-current liabilities		**30,273**	**30,029**
Share capital		1,144	1,144
Legal reserves		59,229	64,381
Retained earnings		87,389	110,372
Shareholders' equity	6	**147,762**	**175,897**
Liabilities and equity		**182,279**	**207,141**

Income statement of Tecan Group Ltd.

CHF 1,000	2010	2011
Management fees from Group companies[1]	9,221	–
Royalties form Group companies	3,752	3,770
Dividend income from Group companies	42,042	33,731
Interest income from third parties	113	551
Interest income from Group companies	692	646
Gain on sale of investment REMP AG (settlement of deferred and contingent considerations)	–	2,644
Gain on sale of treasury shares	–	711
Income	**55,820**	**42,053**
Personnel expenses[1]	(8,087)	(1,264)
Depreciation of property, plant and equipment[1]	(153)	(1)
Other expenses[1]	(3,608)	(1,455)
Interest expenses to third parties	(558)	–
Interest expenses to Group companies	(27)	–
Foreign exchange losses	(1,125)	(928)
Loss on sale of investment REMP AG	(62,779)	–
Loss on sale of treasury shares	(285)	–
Expenses	**(76,622)**	**(3,648)**
(Loss)/profit before taxes	**(20,802)**	**38,405**
Income taxes	21	50
Net (loss)/profit	**(20,781)**	**38,455**

[1] All management functions were transferred from Tecan Group Ltd. to its subsidiary Tecan Trading AG on January 1, 2011 due to the change of the organizational and management structure of the Group.

Notes to the financial statements of Tecan Group Ltd.

1 Reporting basis

The Tecan Group Ltd. financial statements are prepared in compliance with the Swiss Code of Obligations. They are a supplement to the consolidated financial statements (pages 65 through 112) prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the Tecan Group Ltd. financial statements (pages 114 through 125) relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the Annual General Meeting of Shareholders.

2 Investments in subsidiaries

2.1 Overview (direct and indirect)

Company	Domicile	Currency	Share capital (LC 1,000)	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	CHF	5,000	R/P
Tecan Trading AG	Männedorf/Zurich (CH)	CHF	300	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	CHF	250	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	EUR	1,460	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	EUR	35	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	EUR	35	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	EUR	25	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	EUR	51	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	EUR	103	R
Tecan Benelux B.V.B.A.	Mechelen (BE)	EUR	137	D
Tecan France S.A.S.	Lyon (FR)	EUR	2,760	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	EUR	30	D
Tecan Italia S.r.l.	Milano (IT)	EUR	77	D
Tecan UK Ltd.	Reading (UK)	GBP	500	D
Tecan Nordic AB	Mölndal/Gothenburg (SE)	SEK	100	D
Tecan US Group, Inc.	Raleigh-Durham, NC (US)	USD	1,500	S
• Tecan US, Inc.	Raleigh-Durham, NC (US)	USD	400	D
• Tecan Systems, Inc.	San Jose, CA (US)	USD	26	R/P
Tecan Asia (Pte.) Ltd.	Singapore (SG)	SGD	800	D
Tecan (Shanghai) Trading Co., Ltd.	Shanghai (CN)	CNY	3,417	D
Tecan Japan Co., Ltd.	Tokyo (JP)	JPY	125,000	D

S = services, holding functions
R = research and development
P = production
D = distribution

All subsidiaries were 100% owned as of December 31, 2010 and 2011.

2.2 Change in investments

The investment REMP AG, Oberdiesbach was sold to Nexus Biosystems, Inc., based in Poway (California, USA) on September 1, 2010.

3 Loans

3.1 Current loans

CHF 1,000	2010	2011
Time deposits	10,000	–
Current loans to Group companies	8,355	–
Current loans to employees (see note 12.3)	200	–
Balance at December 31	**18,555**	**–**

3.2 Non-current loans

CHF 1,000	2010	2011
Non-current loans to Group companies	7,110	–
Non-current loans to Group companies subordinated	626	–
Non-current loans to employees (see note 12.3)	533	–
Balance at December 31	**8,269**	**–**

4 Treasury shares

CHF 1,000	2010	2011
Treasury shares	39,285	36,258
Allowance	–	–
Balance at December 31	**39,285**	**36,258**

Number (each share has a nominal value of CHF 0.10)	2010	2011
Balance at January 1	1,009,210	691,322
Treasury shares issued based on employee participation plans	(33,200)	(51,691)
Purchase of treasury shares	1,312	–
Sale of treasury shares	(286,000)	–
Balance at December 31	**691,322**	**639,631**
Average price of shares purchased, CHF	72.41	n/a
Average price of shares sold, CHF	73.40	72.31

5 Provision for general business risks

The provision for general business risks relates to investments in subsidiaries.

6 Shareholders' equity

6.1 Changes in shareholder's equity

		Legal reserves			Retained earnings		
	Share capital	General reserve	Capital contribution reserve	Reserve for treasury shares (see note 4)	Capital contributions included in retained earnings	Other retained earnings	Total shareholders' equity
Shareholders' equity at January 1, 2010	1,141	19,944	–	62,777	–	93,340	177,202
Net loss	–	–	–	–	–	(20,781)	(20,781)
Dividends paid	–	–	–	–	–	(10,412)	(10,412)
New shares issued upon exercise of employee share options	3	–	–	–	–	1,750	1,753
Change in reserve for treasury shares	–	–	–	(23,492)	–	23,492	–
Reallocation of capital contributions	–	(18,944)	18,944	–	18,499	(18,499)	–
Shareholders' equity at December 31, 2010	**1,144**	**1,000**	**18,944**	**39,285**	**18,499**	**68,890**	**147,762**
Net profit	–	–	–	–	–	38,455	38,455
Allocation of retained earnings to the capital contribution reserve	–	–	18,499	–	(18,499)	–	–
Payout from capital contribution reserve	–	–	(10,771)	–	–	–	(10,771)
New shares issued upon exercise of employee share options	–	–	451	–	–	–	451
Change in reserve for treasury shares	–	–	–	(3,027)	–	3,027	–
Shareholders' equity at December 31, 2011	**1,144**	**1,000**	**27,123**	**36,258**	**–**	**110,372**	**175,897**

The Company's share capital is CHF 1,144,458, consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each (2010: share capital of 1,143,674 consisting of 11,436,735 registered shares with a nominal value of CHF 0.10 each).

6.2 Conditional and authorized share capital

In 1997, a conditional share capital of CHF 1,300,000 reserved for employee participation plans was approved. The conditional share capital consists of 1,300,000 registered shares with a nominal value of CHF 1.00 each. Since 1999, several employee participation plans have been introduced based on this conditional capital. At December 31, 2011, the conditional share capital amounted to CHF 85,864, consisting of 858,636 registered shares with a nominal value of 0.10 each (2010: CHF 86,648 consisting of 866,477 registered shares with a nominal value of CHF 0.10 each).

On April 26, 2006 and on April 21, 2010, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2010	2011
Conditional share capital		
Reserved for employee participation plans		
Number	866,477	858,636
CHF	86,648	85,864
Employee share options outstanding	442,208	424,106
Shares granted to employees based on performance share matching plans (PSMP), outstanding	95,392	150,505
Reserved for future business development		
Number	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Reserved for future business development (expiring on April 21, 2012)		
Number	2,400,000	2,400,000
CHF	240,000	240,000

6.3 Important shareholders

The Company has knowledge of the following important shareholders with shareholdings in excess of 3% of the issued share capital at December 31:

	2010	2011
Chase Nominees Ltd., London (UK)	13.5%	13.5%
TIAA-CREF Investment Management LLCC, New York (US)	10.5%	10.5%
ING Groep N.V., Amsterdam (NL)	<3.0%	9.2%
Tecan Group Ltd., Männedorf (CH)	6.0%	5.6%
UBS Fund Management (Switzerland) AG, Basel (CH)	5.1%	5.1%
Pictet Funds SA, Geneva (CH)	5.0%	5.0%
SUVA, Schweizerische Versicherungsgesellschaft, Lucerne (CH)	3.2%	3.2%
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.1%	3.1%
The Capital Group Companies, Inc., Los Angeles (US)	3.2%	<3.0%
Credit Suisse Asset Management Funds AG, Zurich (CH)	3.0%	<3.0%
Threadneedle Asset Management Holdings Ltd., Swinton (UK)	3.0%	<3.0%

7 Guarantees in favor of third parties

The total amount of guarantees in favor of its subsidiaries was CHF 39.2 million at December 31, 2011 (2010: CHF 41.6 million).

8 Pledged assets

At December 31, the following assets were pledged, assigned for the securing of own liabilities, or subject to retention of title:

CHF 1,000	2010	2011
Pledged assets		
Cash and cash equivalents	54,825	114,353

9 Fire insurance value of property, plant and equipment

The insured value of property, plant and equipment in the event of fire was CHF 0.0 million at December 31, 2011 (2010: CHF 0.9 million).

10 Disclosures concerning the conduction of a risk assessment

See note 29 of the consolidated financial statements.

11 Subsequent event

The Group acquired a 100% of its Australian sales partner (Tecan Australia Pty Ltd) as of January 2, 2012. The company is located in Melbourne, Australia and employs nine people.

12 Compensation and loans granted to members of the Board of Directors and Management Board

12.1 Compensation to the Board of Directors

CHF 1,000	Year	Fixed fee	Committee fee	Total cash compen-sation	Social benefits[1]	Share options granted (number)[2]	Fair value of share options[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial shares[5]	PSMP: Total matching shares granted (number)[6]	Fair value of matching shares PSMP 2011 earned in period[7/8]	Total compen-sation
Rolf Classon	2010	150	18	**168**	**8**	2,442	**45**	–	**–**	–	**–**	**221**
(Chairman)	2011	150	18	**168**	**13**	–	**–**	808	**45**	1,010	**13**	**239**
Heinrich Fischer	2010	85	20	**105**	**6**	1,221	**22**	–	**–**	–	**–**	**133**
(Vice Chairman)	2011	85	20	**105**	**8**	–	**–**	404	**23**	505	**6**	**142**
Dominique F. Baly	2010	75	20	**95**	**6**	1,221	**22**	–	**–**	–	**–**	**123**
	2011	75	20	**95**	**8**	–	**–**	404	**23**	505	**6**	**132**
Dr. Lukas	2010	75	20	**95**	**6**	1,221	**22**	–	**–**	–	**–**	**123**
Braunschweiler	2011	75	20	**95**	**8**	–	**–**	404	**23**	505	**6**	**132**
Oliver S. Fetzer	2010	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**
(since April 2011)	2011	50	13	**63**	**6**	–	**–**	404	**23**	505	**6**	**98**
Gérard Vaillant	2010	75	20	**95**	**5**	1,221	**22**	–	**–**	–	**–**	**122**
	2011	75	20	**95**	**7**	–	**–**	404	**23**	505	**6**	**131**
Erik Walldén	2010	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**
(since April 2011)	2011	50	7	**57**	**5**	–	**–**	404	**23**	505	**6**	**91**
Dr. Jürg Meier	2010	75	10	**85**	**7**	415	**8**	–	**–**	–	**–**	**100**
(until April 2011)	2011	25	3	**28**	**2**	–	**–**	–	**–**	–	**–**	**30**
Prof. Dr. Peter Ryser	2010	75	10	**85**	**5**	415	**8**	–	**–**	–	**–**	**98**
(until April 2011)	2011	25	3	**28**	**2**	–	**–**	–	**–**	–	**–**	**30**
Total	**2010**	**610**	**118**	**728**	**43**	**8,156**	**149**	**–**	**–**	**–**	**–**	**920**
	2011	**610**	**124**	**734**	**59**	**–**	**–**	**3,232**	**183**	**4,040**	**49**	**1,025**

[1] Employer's contribution to social security including social security on share options exercised and shares transferred during the reporting period.

[2] Vesting condition: One / two / three years of service for 33% / 33% / 34% of options.

[3] Formula for 2010: Options granted in 2010 * fair value at grant (CHF 20.47) * [1 - estimated labor turnover rate (10%)].

[4] Vesting conditions: Graded vesting from May 1, 2011 to April 30, 2014. Vested shares are blocked until the end of the performance period (April 30, 2014). The shares are fully included in the amount of fair value of initial shares.

[5] Formula for 2011: Shares granted in 2011 * fair value at grant (CHF 61.95) * [1 - estimated labor turnover rate (10%)].

[6] Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 14.4.2 of the consolidated financial statements.

[7] The matching shares granted represent the maximum of potential shares granted in connection with Performance Share Matching Plans (PSMP). Due to the performance target, only a pro rata amount of the potential matching shares granted is included in the fair value of matching shares earned in the period. Fair values of matching shares earned in future periods will be reported in future total compensation amounts with true-ups for fluctuation, matching share factor and share price.

[8] Formula for 2011: {(initial shares granted in 2011, that qualify for matching shares [total 3,232 shares]) * estimated matching share factor of 1.12} * service period pro rata (8 months / 36 months) * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011.

12.2 Compensation to the Management Board

CHF 1,000	Year	Fixed salary	Variable salary[1]	Taxable fringe benefits	Total cash compensation	Social benefits[2]	PSMP: Initial shares granted (number)[3]	Fair value of initial shares[4]	PSMP: Total matching shares granted (number)[5]	Fair value of matching shares PSMP 2010 earned in period[6/7]	Fair value of matching shares PSMP 2011 earned in period[6/8]	Additional grant (number)[9]	Fair value of additional grant[10]	Total compensation
Thomas Bachmann (CEO)[11]	2010	550	330	11	**891**	**198**	5,247	**379**	18,308	**183**	**–**	20,000	**1,346**	**2,997**
	2011	550	340	11	**901**	**226**	5,378	**382**	13,445	**–**	**255**	–	**–**	**1,764**
Dr. Rudolf Eugster (CFO)	2010	345	148	–	**493**	**114**	3,279	**237**	8,815	**88**	**–**	–	**–**	**932**
	2011	345	157	–	**502**	**120**	3,361	**239**	8,663	**–**	**164**	–	**–**	**1,025**
Other members of the Management Board[12/13]	2010	2,250	1,054	50	**3,354**	**520**	17,316	**1,250**	48,600	**443**	**–**	–	**–**	**5,567**
	2011	1,062	455	5	**1,522**	**366**	8,536	**606**	23,713	**–**	**450**	–	**–**	**2,944**
Total	**2010**	**3,145**	**1,532**	**61**	**4,738**	**832**	**25,842**	**1,866**	**75,723**	**714**	**–**	**20,000**	**1,346**	**9,496**
	2011	**1,957**	**952**	**16**	**2,925**	**712**	**17,275**	**1,227**	**45,821**	**–**	**869**	**–**	**–**	**5,733**

1 Payment will be made in following year.

2 Employer's contribution to social security, including social security on share options exercised and shares transferred during the reporting period, and contributions to post-employment benefit plans.

3 Vesting conditions: Graded vesting from January 1, 2010 to December 31, 2012 (PSMP 2010) and from January 1, 2011 to December 31, 2013 (PSMP 2011). Vested shares are blocked until the end of the performance period (December 31, 2012 and 2013 respectively). The shares are fully included in the amount of fair value of initial shares.

4 Formula for 2010: Shares granted in 2010 * fair value at grant (CHF 80.25) * [1 - estimated labor turnover rate (10%)] and formula for 2011:Shares granted in 2011 * fair value at grant (CHF 78.95) * [1 - estimated labor turnover rate (10%)].

5 Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 14.4.2 of the consolidated financial statements.

6 The matching shares granted represent the maximum of potential shares granted in connection with Performance Share Matching Plans (PSMP). Due to the performance target, only a prorata amount of the potential matching shares granted is included in the fair value of matching shares earned in the period. Fair values of matching shares earned in future periods will be reported in future total compensation amounts with true-ups for fluctuation, matching share factor and share price.

7 Formula for 2010: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 28,558 shares]) * estimated matching share factor of 1.0} * service period pro rata (12 months / 36 months) * share price at year-end 2010 [CHF 75.00] = fair value of matching shares PSMP 2010 earned in period 2010; formula for 2011: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 17,314 shares]) * estimated matching share factor of 0.00} * service period pro rata (12 months / 36 months) * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2010 earned in period 2011.

8 Formula for 2011: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 18,328 shares]) * estimated matching share factor of 2.24} * service period pro rata (12 months / 36 months) * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011.

9 The additional grant is non-recurring in the future and not included in the calculation of the matching shares. The terms and conditions are disclosed in note 14.4.2 of the consolidated financial statements. They are fully included in the amount of fair value of additional grant.

10 Formula for 2010: Shares granted in 2010 * fair value at grant (CHF 74.75) * [1 - estimated labor turnover rate (10%)].

11 Member of the Management Board with the highest compensation in 2010 and 2011.

12 2010: Total eight members

13 2011: Total five members, including two members who joined the Management Board during the year.

No termination benefits were paid in 2010 and 2011. A transaction bonus of CHF 0.3 million was paid to the head of business segment Sample Management (included in variable salary) in connection with the sale of the operating segment Sample Management in 2010.

12.3 Loans granted to the Management Board

The following loans were granted to the management at year-end:

CHF 1,000	2010	2011
Thomas Bachmann (CEO)	267	267
Dr. Rudolf Eugster (CFO)	266	133
Other member of the Management Board	200	133
Balance at December 31	**733**	**533**

In 2007, 2008 and 2009, members of the management were offered the possibility to purchase American-type call options on Tecan shares issued by a bank at market rates. The number purchased by each individual was restricted. At the same time, the members of the Management Board who participated in this transaction received advance facilities from Tecan Group Ltd. to finance the purchase of these share options. The advance facilities in the form of interest-free and unsecured loans are part of a long-term retention bonus to mature in 2010, 2011 and 2012 respectively, and are limited to two-thirds of the purchase price of the share options. One-third was paid privately by the members of the Management Board.

13 Share and option ownership of the Board of Directors and Management Board

For details of the employee participation plans please refer to note 14.4 of the consolidated financial statements.

13.1 Share and option ownership of the Board of Directors

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]							Total options
					2002	2003	2007	2008	2009	2010	2011	
Strike price in CHF					99.00	48.40	70.00	69.00	39.70	70.00	69.00	
Expiring in					2012	2013	2013	2014	2015	2016	2017	
Rolf Classon	2010	–	–	**–**	–	–	–	–	–	566	–	**566**
(Chairman)	2011	808	–	**808**	–	–	–	–	–	1,132	814	**1,946**
Heinrich Fischer	2010	–	10,000	**10,000**	–	–	–	864	1,034	283	–	**2,181**
(Vice Chairman)	2011	404	10,000	**10,404**	–	–	–	864	1,551	566	407	**3,388**
Dominique F. Baly	2010	–	–	**–**	–	–	–	–	–	283	–	**283**
	2011	404	–	**404**	–	–	–	–	–	566	407	**973**
Dr. Lukas	2010	–	2,500	**2,500**	–	–	–	–	–	–	–	**–**
Braunschweiler	2011	404	2,500	**2,904**	–	–	–	–	–	–	407	**407**
Oliver S. Fetzer	2010	–	–	**–**	–	–	–	–	–	–	–	**–**
(since April 2011)	2011	404	–	**404**	–	–	–	–	–	–	–	**–**
Gérard Vaillant	2010	–	–	**–**	–	–	234	864	–	283	–	**1,381**
	2011	404	–	**404**	–	–	234	864	–	566	407	**2,071**
Erik Walldén	2010	–	–	**–**	–	–	–	–	–	–	–	**–**
(since April 2011)	2011	404	–	**404**	–	–	–	–	–	–	–	**–**
Dr. Jürg Meier	2010	–	–	**–**	–	–	–	–	–	283	–	**283**
(until April 2011)[3]	2011	–	–	**–**	–	–	–	–	–	–	–	**–**
Prof. Dr. Peter Ryser	2010	–	–	**–**	–	–	234	864	1,034	283	–	**2,415**
(until April 2011)[3]	2011	–	–	**–**	–	–	–	–	–	–	–	**–**
Balance at December 31, 2010		–	12,500	**12,500**	–	–	468	2,592	2,068	1,981	–	**7,109**
Balance at December 31, 2011		3,232	12,500	**15,732**	–	–	234	1,728	1,551	2,830	2,442	**8,785**

[1] Members are entitled to vote, but only 718 shares are vested.

[2] Only vested options.

[3] Shares and share options in 2011 are not disclosed, because the member of the Board stepped down before year-end 2011.

13.2 Share and option ownership of the Management Board

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]						Total options
					2002	2003	2007	2008	2009	2010	
Strike price in CHF					99.00	48.40	70.00	69.00	39.70	70.00	
Expiring in					2012	2013	2013	2014	2015	2016	
Thomas Bachmann (CEO)	2010	7,323	41	**7,364**	–	–	871	1,380	1,656	1,133	**5,040**
	2011	12,701	5,041	**17,742**	–	–	871	1,380	2,484	2,266	**7,001**
Dr. Rudolf Eugster (CFO)	2010	3,526	–	**3,526**	300	–	1,280	1,113	693	781	**4,167**
	2011	6,991	–	**6,991**	300		1,280	1,113	1,386	1,562	**5,641**
Dr. Martin Brusdeilins	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	–	–	**–**	–	–	–	–	–	–	**–**
Dr. Jürg Dübendorfer	2010	3,465	–	**3,465**	160	–	1,071	726	–	548	**2,505**
	2011	6,851	–	**6,851**	160		1,071	726	455	1,096	**3,508**
Dr. Bernhard Grob	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	2,830	–	**2,830**	–	–	–	–	–	–	**–**
Markus Schmid	2010	–	–	**–**	–	–	–	–	–	–	**–**
(since 2011)	2011	1,142	–	**1,142**	–	–	–	–	–	–	**–**
Frederic Vanderhaegen	2010	3,000	–	**3,000**	–	–	–	–	1,184	670	**1,854**
	2011	5,127	–	**5,127**	–	–	–	–	1,776	1,340	**3,116**
Christopher C. Hanan	2010	2,361	–	**2,361**	–	–	1,042	678	410	462	**2,592**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Stephen M. Levers	2010	2,361	–	**2,361**	2,960	–	1,193	729	868	424	**6,174**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Domingo Messerli	2010	–	–	**–**	–	–	–	–	1,037	1,632	**2,669**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Matthew Robin	2010	3,280	–	**3,280**	–	–	–	1,113	1,358	389	**2,860**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Carl Severinghaus	2010	2,433	–	**2,433**	4,230	–	1,071	282	588	569	**6,740**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Günter Weisshaar	2010	2,540	–	**2,540**	–	–	1,112	750	460	528	**2,850**
(until year-end 2010)[3]	2011	–	–	**–**	–	–	–	–	–	–	**–**
Balance at December 31, 2010		30,289	41	**30,330**	7,650	–	7,640	6,771	8,254	7,136	**37,451**
Balance at December 31, 2011		35,642	5,041	**40,683**	460	–	3,222	3,219	6,101	6,264	**19,266**

[1] Managment is entitled to vote, but only 19,534 shares (2010: 14,810 shares) are vested.

[2] Only vested options.

[3] Shares and share options in 2011 are not disclosed, because the member of the Board stepped down before year-end 2011.

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 18, 2012 to allocate retained earnings as follows:

CHF 1,000	2010 Approved	2011 Proposed
Carried forward from previous year	82,928	68,890
Net (loss)/profit	(20,781)	38,455
New shares issued upon exercise of employee share options	1,750	–
Change in reserve for treasury shares	23,492	3,027
Available retained earnings	**87,389**	**110,372**
Allocation of retained earnings to the capital contribution reserve (part of legal reserves)	(18,499)	–
Balance to be carried forward	**68,890**	**110,372**

The Board of Directors also proposes to the Annual General Meeting of Shareholders to allocate the capital contribution reserve as follows:

CHF 1,000	2010 Approved	2011 Proposed
Carried forward from previous year	–	26,672
Capital contribution reserve at December 31, 2010	18,944	–
Allocation of retained earnings to the capital contribution reserve (see above)	18,499	–
New shares issued upon exercise of employee share options	–	451
Subtotal	**37,443**	**27,123**
Allocation to free reserve and payout as approved by the Annual General Meeting of Shareholders on April 19, 2011: CHF 1.00 per share with a nominal value of CHF 0.10 each (total 10,771,157 shares eligible for payout)	(10,771)	
Allocation to free reserve and payout as proposed by the Board of Directors, exempt from Swiss withholding tax: CHF 1.25 per share with a nominal value of CHF 0.10 each (total 10,804,945 shares eligible for payout)[1]		(13,506)
Balance to be carried forward	**26,672**	**13,617**

[1] These numbers are based on the outstanding share capital at December 31, 2011. The number of shares eligible for payout may change due to the repurchase or sale of treasury shares and the issuance of new shares from the conditional share capital reserved for employee participation plans. At the end of 2011, a total of 313,458 options were exercisable before the date of the payout payment.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Tecan Group Ltd., Männedorf

As statutory auditor, we have audited the financial statements of Tecan Group Ltd., presented on pages 114 to 125, which comprise the balance sheet, income statement and notes for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the Company's Articles of Incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Patrik Salm
Licensed Audit Expert

Zurich, March 2, 2012

Tecan locations

● Tecan sales office
○ R&D and manufacturing site

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All statements in this Annual Report not referring to historical facts are predictions of the future and constitute no guarantee whatsoever of future performance. They are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal regulations, market conditions, activities of competitors and other factors outside the Company's control.

This Annual Report is available in English and German and can also be found at the website www.tecan.com. The English report is the authoritative version.

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