TECAN.

ANNUAL REPORT 2012

Developing solutions together

Adding value through partnerships

Our solutions and services are as versatile as they are application-oriented. For over 30 years, we have used our knowledge to develop and improve laboratory instruments and automation solutions. This, we believe, has allowed us to make a long-term contribution to safeguarding and improving the quality of life of many people.

Laboratories, research institutes and companies trust in our expertise because of the high quality, flexibility and reliability of our automation solutions. To date, numerous applications have come about as a result of joint partnerships and other cooperations.

We would like to introduce you to five of them.

Contents

Available on the App Store

2012 at a Glance

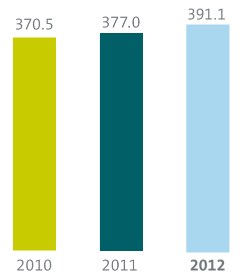
Key figures

CHF million	2011	2012	▲ 2011/2012
Sales	377.0	391.1	3.8 %
Gross profit in % of sales	191.7 50.9 %	198.3 50.7 %	3.4 %
OPEX in % of sales	141.4 37.5%	147.0 37.6 %	4.0 %
Operating profit/EBIT in % of sales	51.3 13.6%	52.3 13.4 %	2.0 %
Net profit in % of sales	44.9 11.9 %	42.2 10.8 %	-6.1 %
EPS from continuing operations (CHF)	4.18	3.90	-6.7 %
EPS including discontinued operation (CHF)	4.42	3.90	-11.8 %

Financial summary*

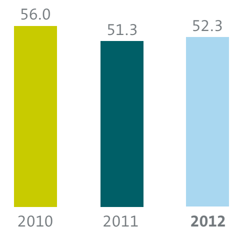
Sales

(CHF million)



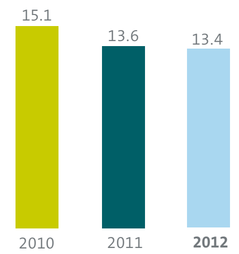
Operating profit (EBIT)

(CHF million)



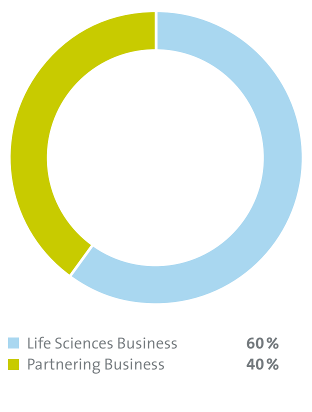
Operating profit margin

(in % of sales)



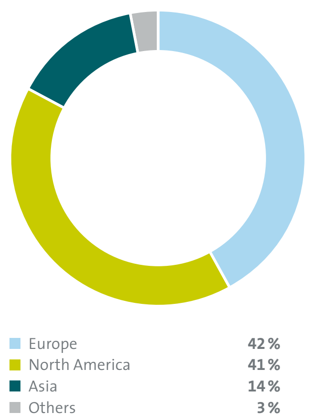
Sales by business segments

(in % of sales)



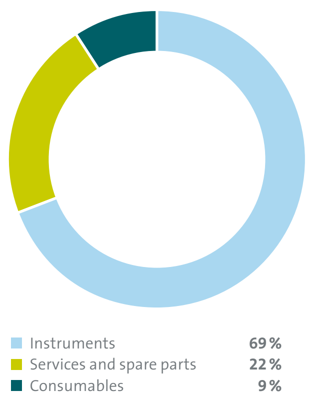
Sales by regions

(in % of sales)



Sales by product groups

(in % of sales)



* Key figures and financial summary from continuing operations

Common goal: Life-sustaining increases in yield in all areas under cultivation

Rice, soya, maize – life depends on access to healthy foodstuffs. In the 1950s, one hectare of cultivated land was sufficient to feed two people. This ratio has changed as a result of the rapid global population increase. By 2030, five people will have to live off the yield of one hectare of land. In future, there will be more and more regions where demand exceeds what the resources are able to provide. There is an urgent need for innovative solutions to substantially increase agricultural yields. Syngenta and Tecan can both play an important role here.

A challenge we tackle together

Syngenta is one of the leading research companies in the area of plant protection and seed development. The company is conducting numerous tests to produce higher-yielding, hardier crops and effective products to combat pests and weeds. From the results come targeted application scenarios. In the search for new ways to increase agricultural productivity and meet the demand for food and fodder, the company requires solutions that both process samples quickly and efficiently and are easy to configure to the requirements of the tests.

The company's enduring, close cooperation with Tecan grew out of this search for high-performance instruments and technologies for automated analytical procedures. Our project managers have been working with Syngenta since 1995 to develop application solutions for our customers' specific research objectives.

Various Tecan liquid handling platforms have been implemented in global locations of Syngenta, which allow complex test series or repetitive, high-volume work steps such as dilution, multi-well plate replication and format application to be performed automatically.

Both sides' ideas and expertise flow into an optimally automated infrastructure and continue to be developed via regular, intense exchanges about customer support and training.

To obtain new resources from nature, we need to research and understand it

Our partnership with Syngenta achieves the desired results: Tecan is able to fill the gaps in expertise that Syngenta needs for its highly varied activities.

The excellent cooperation between Syngenta and Tecan promises to bring about fruitful solutions for agriculture both now and in the future.

About Syngenta

Presence
Over 27,000 employees in 90 countries worldwide

Activities
Researching and developing active ingredients and new plant protection methods. High-yield seeds allow not just major producers, but also small farmers, to cultivate their fields efficiently and in an environmentally friendly way.

Objectives
Through world-class science, global reach and commitment to its customers Syngenta helps to increase crop productivity, protect the environment and improve health and quality of life.

Tecan instruments
Various liquid handling platforms

One small prick in the heel, one giant leap for the health of newborns

Many diseases are of genetic origin. The earlier they are recognized, the better the chances of achieving a cure or a marked improvement in quality of life. For the majority of genetic illnesses, the state of health of the parents does not allow us to infer medical conclusions or indications of the outlook for the child. That is why blood is taken from the heels of millions of children immediately after their birth. Early screening gives clues to their state of health. Appropriate treatment can markedly improve their start in life.

About Luminex

Company
Founded in 1995 and based in Austin, Texas.

Activities
Luminex transforms the way laboratories perform biological testing. Luminex pioneers comprehensive yet simple solutions to improve outcomes and reduce overall costs. Every day they work to enhance the health safety and quality of life for all.

Objectives
To develop breakthrough solutions to improve health and advance science.

Integrated Tecan instruments
Freedom EVO® liquid handling platform
HydroFlex™ washer

Innovative melting pot

In 2010 we further stepped up our cooperation with Luminex to develop a new automation solution. Luminex: "Automation is a particular priority for us and our customers. The high volume of tests in the neonatal screening market requires complete automation of all work steps from the sample to the test result, to enable our customers to process the many thousands of samples they receive each day."

In the OEM partnership, we developed a unique screening system for Luminex that can meet the increased requirements: Luminex's xMAP® Technology and our highly versatile, reliable Freedom EVO liquid handling platform and HydroFlex™ washer allow different biological tests to be performed in one go and a large number of samples to be analyzed quickly, cost-effectively and precisely.

The next generation of newborn screening

The solution, initially launched by Luminex in Europe in 2012, is called NeoPlex® System. It brings together multiplexing and automation technologies in a new type of system. As a fully automated test platform for newborn screenings, it reduces the need for supervision by laboratory personnel while the tests are running. The high-volume screening assays test the blood of newborns for various biomarkers linked to serious diseases. Laboratories are now able to perform four tests on one sample, which permits faster diagnoses and makes it possible to obtain results quicker and thus save the laboratories valuable time and resources.

Armed for the fight against infections

In a globalized world, infectious diseases soon spread across borders. For example, one in three people worldwide is infected with tuberculosis (TB) pathogens; that figure amounts to a total of more than two billion people. The TB rate in Russia is particularly high. In the mean time, ever more resistant bacteria have been discovered, which make the development of vaccines and therapies harder. Medical research to treat and combat TB is increasingly carried out on an international level.

About the Russian Central TB Research Institute

Partner
Leading institute in the development and application of innovative methods to effectively control TB; based in Moscow

Activities
Research into tuberculosis, development of vaccines and medications to treat the disease

Objectives
To achieve a breakthrough in the effective combating of the disease and develop new treatment methods and vaccines

Tecan instrument
Freedom EVO® liquid handling platform

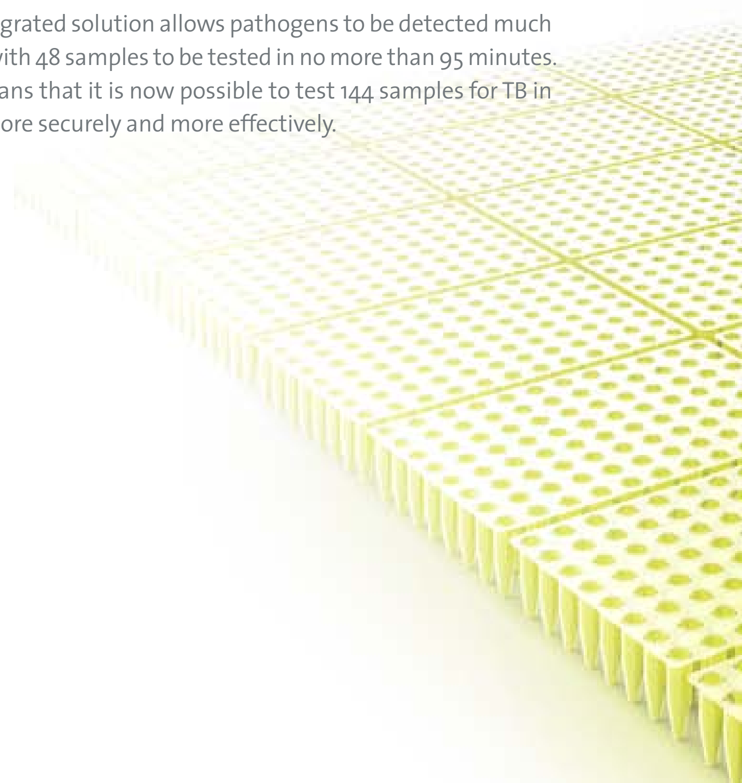
A reliable diagnosis within hours

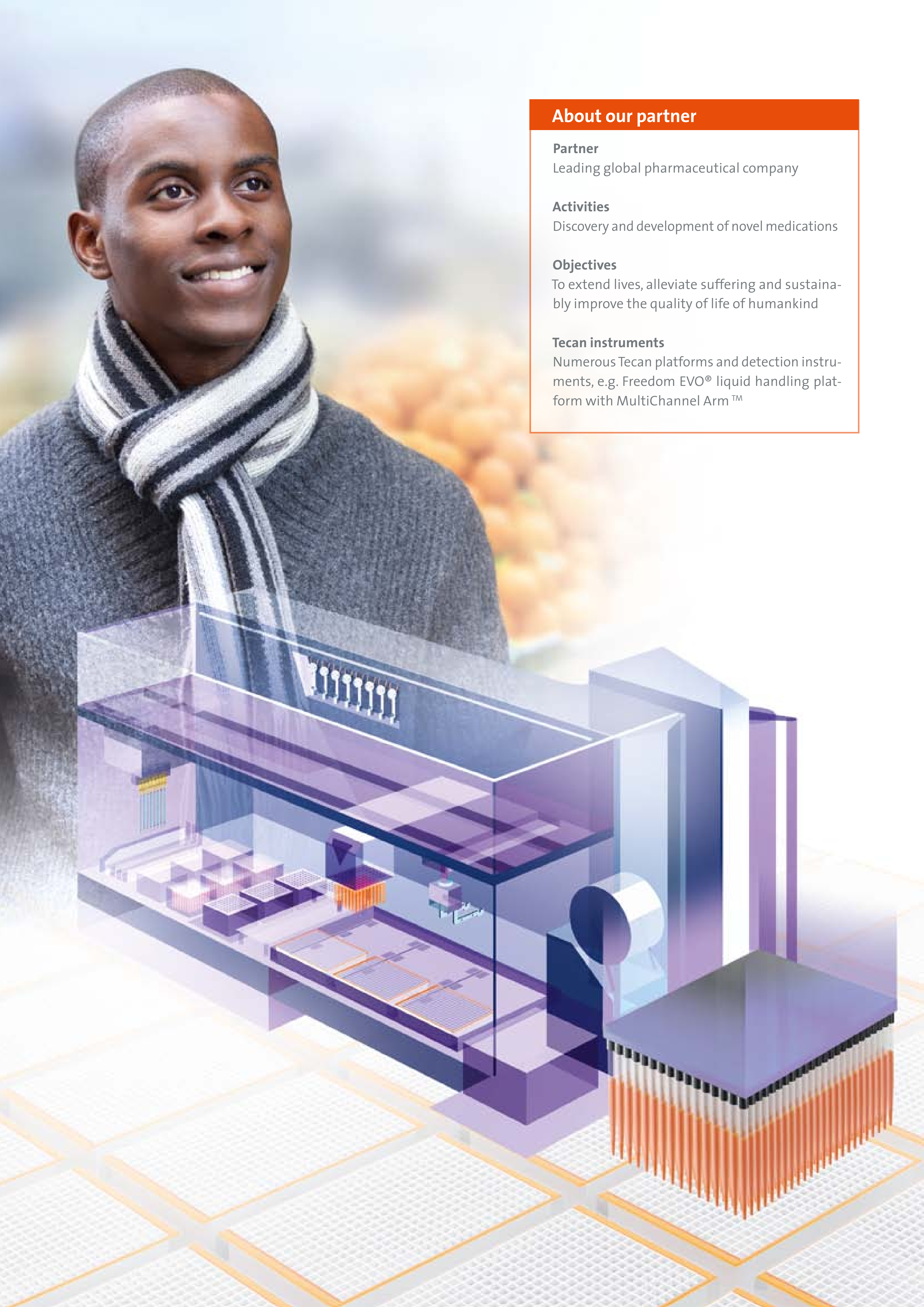
Tackling TB is a medical challenge. The pathogens can spend a long time spreading throughout the body unnoticed and the disease may progress in different ways, depending on the infected person's genetic disposition, general health and living conditions.

The Central TB Research Institute of the Russian Academy of Medical Sciences in Moscow is a leader in research into the disease, and only by means of a substantial reduction in the six to 14 weeks it normally takes to reach a diagnosis can the rapid spread of TB in Russia and its neighboring states be prevented. The Institute is investigating new approaches to achieve this objective, including a novel genetic technique based on polymerase chain reactions. International exchanges with scientists and companies have led to tangible progress in TB diagnosis.

The Institute, in cooperation with the Moscow-based company Syntol, has developed an automated protocol that allows safe and effective handling of potentially highly contagious samples on our Freedom EVO platform. The new system now allows molecular diagnosis of TB infection within a few hours.

The integrated solution allows pathogens to be detected much faster, with 48 samples to be tested in no more than 95 minutes. This means that it is now possible to test 144 samples for TB in a day, more securely and more effectively.





About our partner

Partner
Leading global pharmaceutical company

Activities
Discovery and development of novel medications

Objectives
To extend lives, alleviate suffering and sustainably improve the quality of life of humankind

Tecan instruments
Numerous Tecan platforms and detection instruments, e.g. Freedom EVO® liquid handling platform with MultiChannel Arm™

How many test series does a market-ready medication need?

Making a blanket prediction about the amount of work required between initial tests and the final medication would be pure speculation. The fact is, though, that achieving medical progress to safeguard quality of life involves the scheduling of innumerable test series in the laboratories of pharmaceutical and biotechnology companies. Every medication launched onto the market begins with an understanding of how the chemical or biological substances work. Without flexible laboratory systems and automated test procedures, it would be impossible to develop new medications. For example, a leading global pharma-ceutical company wanted to optimize its workflows and was seeking a technology partner capable of providing complex automated infrastructures for the high-volume test procedures. It was looking to Tecan to provide an all-in-one infrastructure solution.

Versatility and speed in a single system

In the early stages of drug development, the pharmaceutical company investigates hundreds of thousands of chemical compounds. A few years ago our partner decided upon further optimization measures. The liquid handling module in use at the time was to be replaced by an automated system. Objective: To put in place a system employing automated processes to manufacture dose-response plates.

The team generates the desired output using Tecan systems adapted to the partner's requirements. The new hardware combines the powerful technologies of our Freedom EVO platform with a MultiChannel Arm™.

Our cooperations are characterized by the full commitment of both parties to the common project and its requirements. Among other things, the team responsible, Tecan Integration Group (TIG) worked with our partner on special adaptors that allow greater volumes to be processed.

Transcontinental cooperation

The system, which is equipped with new features, combines various dosing technologies and is flexible when using 96- and 384-microplate reaction wells. The MCA 384 adapter plate simplifies switching between 96- and 384-well formats. The cooperation also produced a safe, cost-effective method of cleaning the pipette tips and heads.

For our partner, producing 10,000 compounds per day is the new standard, around five to six times more than before. Our solution is also far more flexible than the previous system: the software is user-friendly and allows the workflow to be adjusted and adapted to the test procedure, while implementing new protocols is also simple.

Our partnership is therefore built on successful foundations, based on common principles such as quality, usability, efficiency and flexibility. The new system is ideal for extensive test series, which are the norm in the early phase of developing pharmaceutical active substances. So good, that an additional system will soon support our partner's research at a second site.

Further improvement in quality standards in China

The Chinese government has established systematic structures to make the process of giving blood, transporting the donations, screening stocks and the transfusions themselves safer. In line with this objective, the Chinese Society of Blood Transfusion has held regular discussions with Tecan since the beginning of the 1990s.

Since our first liquid handling platform at the Kunming Blood Center in Yunnan province began employing local laboratory processes, a close professional dialog has been established between the society's committees and our specialists. We are working together on new solutions to allow capacities to be continually expanded and ensure the high quality of the blood screening services.

Transcontinental dialog with China's blood centers

Our collaboration with the Chinese Society of Blood Transfusion extends across all levels, including the transfer of technology as well as knowledge. The interest shown by Chinese blood banks and hospitals in our laboratory systems has fostered dialog between us.

The collaboration began in 2007 at the annual conference of the 16 blood centers and blood banks of Yunnan province with a speech by Tecan on the use of quality control systems. In 2012 we were visited by a delegation of representatives of blood banks and hospitals from the People's Republic of China, with whom we discussed risk management approaches and methods in blood banks

An important topic was the raised requirements for automated laboratory systems in Chinese hospitals and blood centers. The delegation was particularly interested in our Freedom EVOlyzer platform, which allows high throughput ELISA testing for infectious diseases.

Following the presentation on application scenarios, our Chinese partners were given the opportunity to visit the Tecan production locations in Männedorf (Switzerland) and Salzburg (Austria). The program also included workshops and a brief visit to a blood bank in Zurich, which allowed experts working in the same field to exchange experiences with users of our systems.

Tecan as a partner

Partner
Chinese Society of Blood Transfusion

Activities
Collaboration with the Chinese Society of Blood Transfusion
Establishment of communications platforms for scientific dialog

Objectives
Development of awareness and implementation scenarios for quality standards and control mechanisms.
Improvement of blood stock safety through automated test procedures in Chinese blood banks and hospitals

Tecan instruments
Freedom EVOlyzer® liquid handling platform for ELISA tests

Dear Shareholders

Rolf A. Classon
Chairman of the Board

Dr. David Martyr
Chief Executive Officer

In a continuing difficult market environment, the Tecan Group closed 2012 with a solid business performance and a significant acceleration in sales growth in the second half. We are particularly pleased by the strong growth in China, where we increased sales by a clearly double-digit growth rate. Our component business also posted double-digit growth, thanks to a number of newly acquired customers. We intend to continue to increase our sales and profitability in 2013 and beyond. Overall, we are well on track to bring Tecan to the next level of business development.

Key figures for 2012

Sales increased by 3.8 % to CHF 391.1 million in 2012 (2011: CHF 377.0 million) and were up by 1.9 % in local currency terms. Following low growth in the first six months, sales were significantly more dynamic in the second half and were 7.1 % higher than in the prior-year period. This equates to an increase of 3.3 % in local currencies. Order entry in 2012 was only slightly below the prior-year figure at CHF 382.3 million (2011: CHF 383.9 million). Advance orders in 2011 resulted in a significant decline in order entry in the first six months of 2012. However, this decline was almost fully offset in the second half by growth in order entry of 7.9 % (4.1 % in local currencies).

Operating profit before interest and taxes (EBIT) increased by 2.0 % to CHF 52.3 million in 2012 (2011: CHF 51.3 million). At 13.4% of sales, the operating profit margin exceeded the expected range of 12.2 % to 13.2 %, and was only slightly below the prior-year level (2011: 13.6 %), although research and development spending increased by 0.7 percentage points year-on-year. Net profit from continuing operations amounted to CHF 42.2 million in 2012 (2011: CHF 44.9 million). Net profit in 2011 benefited from a significantly better financial result, which was largely attributable to currency hedging measures. The net profit margin was 10.8 % of sales in 2012 (2011: 11.9 %). Earnings per share from continuing operations were CHF 3.90 (2011: CHF 4.18). Cash flow from operating activities totaled CHF 2.4 million (2011: CHF 45.1 million). Excluding prefinancing of an OEM development project, cash flow from operating activities amounted to CHF 45.0 million.

Details on the course of business of the Life Sciences Business and Partnering Business segments can be found in the relevant sections on pages 26 and 32.

Strong balance sheet – distribution to shareholders increased again

Tecan's equity ratio increased during the reporting period and reached 71.9 % as of December 31, 2012 (December 31, 2011: 69.1 %). Net liquidity (cash and cash equivalents minus bank liabilities and loans) amounted to CHF 141.3 million (December 31, 2011: CHF 163.0 million) despite increased investment in development programs.

On the basis of a strong balance sheet and a sustainable good business outlook, Tecan intends to increase its profit distribution to shareholders again. The Board of Directors will therefore propose a 20 % increase in the dividend from CHF 1.25 to CHF 1.50 per share to the shareholders at the Company's Annual General Meeting on April 17, 2013. The dividend will be paid out in part from the available capital contribution reserve, and this portion of CHF 1.00 will therefore not be subject to withholding tax.

Strengthening the management team

In Tecan's senior management, 2012 was also a year of change. In October, Dr. David Martyr took up his position as CEO. He has extensive experience of managing technology companies, having spent 13 years in various management positions in the life sciences sector and the market for analytical instruments. Most recently, David Martyr had been Group President of Leica Microsystems since 2007 and, concurrently, Vice President at Danaher Corporation, with responsibility for Danaher's Life Science businesses since 2009.

The Board of Directors appointed Gérard Vaillant as interim CEO to cover the period between the departure of Thomas Bachmann and the arrival of David Martyr (February to October). Gérard Vaillant has been a member of the Board of Directors of Tecan since 2004 and until his retirement was Company Group Chairman Diagnostics Worldwide at Johnson & Johnson. Tecan considered itself extremely fortunate to be able to appoint a leader with such extensive management and sector-specific experience during this transitional phase. The Board of Directors would like to extend their heartfelt thanks to Gérard Vaillant for his enormous commitment and important accomplishments.

At the beginning of 2013, David Martyr took the opportunity to restructure the management team and strengthen it in a targeted way to implement the growth strategy. Having the right management team, with comprehensive, sector-specific experience and abilities, is of critical importance to the medium- and long-term development of the company. At the end of February, we announced that Dr. Stefan Traeger has been appointed as a member of the Management Board. As Head of the Life Sciences Business division Stefan Traeger will be responsible for the Group's global end-customer business. He will take up his new post at Tecan on July 1, 2013. Stefan Traeger has extensive domain experience in a variety of management positions in the life science industry. At Leica Microsystems, he resolutely aligned the Life Science division to the needs of the market, increased sales considerably and raised profitability significantly. He also very successfully integrated two acquired companies into the existing business.

Searches for a Head of the Partnering Business division and a Head of Corporate Development are underway.

Priorities for 2013

We have defined five company-wide business priorities for 2013. These priorities have been selected to ensure full alignment across the organisation on these important goals, which will each have key influence on our success in 2013 and the following years.

The first two priorities relate to the successful conclusion of the OEM programs under development (P14 and P16) in Partnering Business. We made great progress in both programs in 2012 and have achieved significant milestones. They are at an advanced stage and we expect to be able to start commercial instrument deliveries to our partners in 2013, with a substantial contribution to sales being made from 2014 onwards.

In March, we were able to announce that our OEM partner Dako, an Agilent Technologies Company and worldwide provider of cancer diagnostics, unveiled the new platform previously referred to as P16, at a global congress. We are delighted to work with Dako, a global leader in the fast growing area of tissue-based cancer diagnostics. The Dako Omnis instrument, developed and manufactured by Tecan, sets new standards in automated advanced tissue staining. Based on our partnership today, we look forward to further intensify our relationship with Dako in the future.

A further priority concerns the field of innovation as a whole, where we want to make the development process more efficient and launch new products on the market with greater frequency. In addition to establishing a systematic innovation process with a well-structured, detailed roadmap for the coming years, we will press ahead with the current development programs. We continue to expect the market launch of the most important development project in the Life Sciences Business, the next generation of liquid-handling platforms, to take place in 2014.

China is currently investing considerable amounts in healthcare and life science research. We achieved high double-digit growth in this market in 2012, generating sales of more than CHF 20 million for the first time. We are also continuing to invest in our own market and service organization. Measured by the number of staff employed in the market organization, China is set to occupy second place in Tecan's international league table by the end of 2013.

Our component business supplies manufacturers of laboratory instruments with essential components and robotic modules. Here too, we were able to post double-digit growth in 2012, and this business therefore remains a priority in 2013. We want to continue this sales growth via several customers gained over the past year and further success in promising sales activities.

Outlook for 2013

We expect the challenging economic environment to continue in 2013 for the Life Sciences Business, but again expect business performance across the regions to be mixed. The established markets in Europe and North America will continue to be affected by austerity measures and budget cuts. We anticipate continuing sales growth in Asia, driven primarily by China. Overall, we expect the Life Sciences Business segment to achieve moderate growth in local currencies in 2013.

Our Partnering Business primarily serves customers in the field of diagnostics, an end market which is less influenced by the current economic situation. In addition, growth in this segment will depend to a large degree on when we can start delivering new instruments to our partners. Based on customer forecasts for existing products and new instruments scheduled to be launched in 2013 as well as the anticipated continuation of sales growth in the component business, we expect good sales growth for the Partnering Business segment in 2013.

Overall, we expect sales growth for the full-year 2013 to be in the mid-single-digit percentage range in local currencies. We anticipate a moderate increase in sales in the first six months, followed by stronger growth in the second half, similar to the trend in 2012. This is primarily based on the expected start of instrument supply under a significant OEM program, which should begin contributing to sales in the second half.

We expect a further improvement in profitability in 2013. As planned, research and development spending will be reduced as a proportion of sales, which will have a positive effect on the operating profit margin; however, we expect lower average exchange rates to have a negative impact compared with 2012. Overall, we expect the operating profit margin to grow by around 50 basis points in 2013 compared with 2012.

Medium-term targets for 2015

Overall, we are well on track to bring Tecan to the next level of business development. The start this year of commercial instrument deliveries under two significant OEM programs to partners and the resulting expected substantial contribution to sales from 2014 onwards mean that the Company already has significant growth drivers for the near future. Furthermore, the targeted implementation of the growth strategy should make a substantial contribution to sales growth, for example in growth markets such as China.

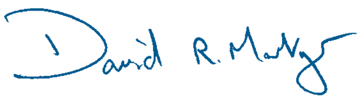
Our aims for 2015 at current exchange rates are sales of around CHF 500 million and increased profitability.

Our gratitude

The Board of Directors and the Group Management Board would like to thank all the employees who contributed to our success in 2012 and to the progress achieved in our development programs, our customers for their loyalty, and our shareholders and business partners for their trust.

Männedorf, March 5, 2013

Rolf A. Classon
Chairman of the Board



Dr. David Martyr
Chief Executive Officer

Introducing David Martyr, CEO of Tecan

Tecan is a very strong brand in our industry which forms an excellent basis for future accelerated growth.

Dr. David Martyr
CEO

New Tecan Group CEO Dr. David Martyr joined the company in October 2012. He spent many years in various management positions in the life sciences sector and the market for analytical instruments and took the opportunity to talk about his previous roles and experience, and look ahead to an exciting future with Tecan.

Please tell us a little about your background in technology and life sciences.

I actually studied naval architecture and ship building at university, which is a bit of a strange route into life sciences, but I have always been fascinated by all forms of technology and engineering. After a year working as a naval architect I went back to university to do my PhD, and took the opportunity to change disciplines slightly, looking at the applications of laser technology in ship building and heavy industry. This eventually led me into the laser industry, where I found that I really enjoyed interacting with customers and learning about their applications. I have switched fields several times since then, but throughout my career I have always been drawn to learning about new applications and technologies.

My background in lasers and optical technologies eventually led me into life sciences, when I joined Leica's confocal laser microscopy and image analysis business in 1998. I did not have a huge amount of experience in the life sciences sector at that time, but was fascinated by the sheer breadth of technologies and applications, which ranged from cutting-edge microscopy hardware for academic centers to genotyping software development for clinical applications. This was also my first exposure to Tecan, as part of a collaborative project to develop an early version of the GenePaint™ software.

What was your initial impression of Tecan?

Tecan is a business that I have known and observed for several years and I have developed a huge amount of respect for the Company. Tecan has a much larger market impact and reputation than most companies of its size, and that was something that interested me from the start. I have had extensive dealings with Tecan's OEM business over several years – as a custormer at Leica Biosystems – and I have always found it a fascinating company. Tecan has continually focused on innovation and has built a strong reputation for quality, both attributes that are very important and attractive to me personally. I have followed the Company's progress with interest, knowing that I would be very proud and pleased to perhaps one day be involved in its future development.

Our aims for 2015 at current exchange rates are sales of around CHF 500 million and increased profitability.

What changes do you see for the Company?

Tecan has always been a pioneer in laboratory automation, but the market does not stand still, and we need to reaffirm our reputation as a leading-edge supplier of best-in-class equipment. We already have a good sense of the opportunities within the market, how we can develop and what products and technologies we need to focus on and expand into. My challenge is to raise the organic growth of the business by bringing new products to market more frequently and in a repeatable, consistent way. Our ability to work in partnership with other companies will also be key to this. Open innovation, collaborating with other leading technology companies, will also help to drive forward development of new technologies and provide us with new opportunities.

For the mid- and long-term development of our business it is essential that we have the right leadership team with extensive domain knowledge, experience and capabilities. Through a renewal process of the management team in various positions, I am taking the opportunity to strengthen the capabilities of the leadership team in a targeted manner. We want to attract enthusiastic and talented individuals and we need to make sure that we harness their skills to complement the Company's established team, striking out ahead to develop strong technologies and innovative products which will make Tecan the obvious choice for cutting-edge laboratory automation solutions.

Will you change the strategic direction for Tecan?

I intend to refine the strategy, not change the direction. Refinement will include sharpening prioritization, focus and especially execution planning and delivery.

Tecan has a clearly defined strategy for organic development in the Life Sciences Business and Partnering Business divisions.

For the Life Sciences Business, this strategy includes regional expansion especially in China; strengthening our innovation delivery; and expanding into adjacent markets through product development.

In Partnering Business the strategy is focused on expanding our OEM customer base; deepening our relationship and supply agreements with existing customers; and driving growth in our service and consumables business.

In addition to these initiatives, I see greater potential from our component business, where we are a strong player in the building blocks for Diagnostics and Life Science instrument construction; opportunities for our Partnering Business division in Asia as well as a whole new range of strategic opportunities in terms of non-organic growth.

What is your vision for Tecan in the next two and five years?

Tecan is a very strong brand in our industry which forms an excellent basis for future accelerated growth. My vision is to transform Tecan from a highly specialised instrument company, playing in just two narrow niches – automated liquid handling and microplate readers – into a solutions

business, serving a broader range of applications in both Life Science Research and Clinical Laboratories.

The market has changed significantly over the last few years, becoming more and more application focused. Customers are looking for far more than a straightforward purchase of capital equipment; it has become a consultative selling process, with manufacturers now expected to provide exceptional hands-on technical and applications support – and complete solutions.

To achieve this I want to improve our execution of projects and organic growth within the core businesses, to lift our market-share, global coverage and customer penetration. Additionally, I intend to expand the company in-organically through highly selective acquisitions and collaborations. My solutions ambitions clearly imply that we will be seeking to acquire or partner for selected reagents and consumables to enable us to offer performance optimized and potentially closed systems. Other in-organic moves could include geographic expansion, to quickly bring established sales channel capabilities; or even for localized products for certain markets, especially in Asia. Instruments to broaden our range including into adjacent market segments or fill in some gaps in our current offering are also strongly of interest.

Two years from now we should have closed our first M&A deals and there should be clear evidence of a much more consistent delivery of innovative new products to the marketplace and we will have outgrown our current size of CHF 400 million in sales. Our Asian businesses will have expanded their share of our sales by at least some percentage points; and new major OEM customer development projects should be at an advanced stage. Our aims for 2015 at current exchange rates are sales of around CHF 500 million and increased profitability.

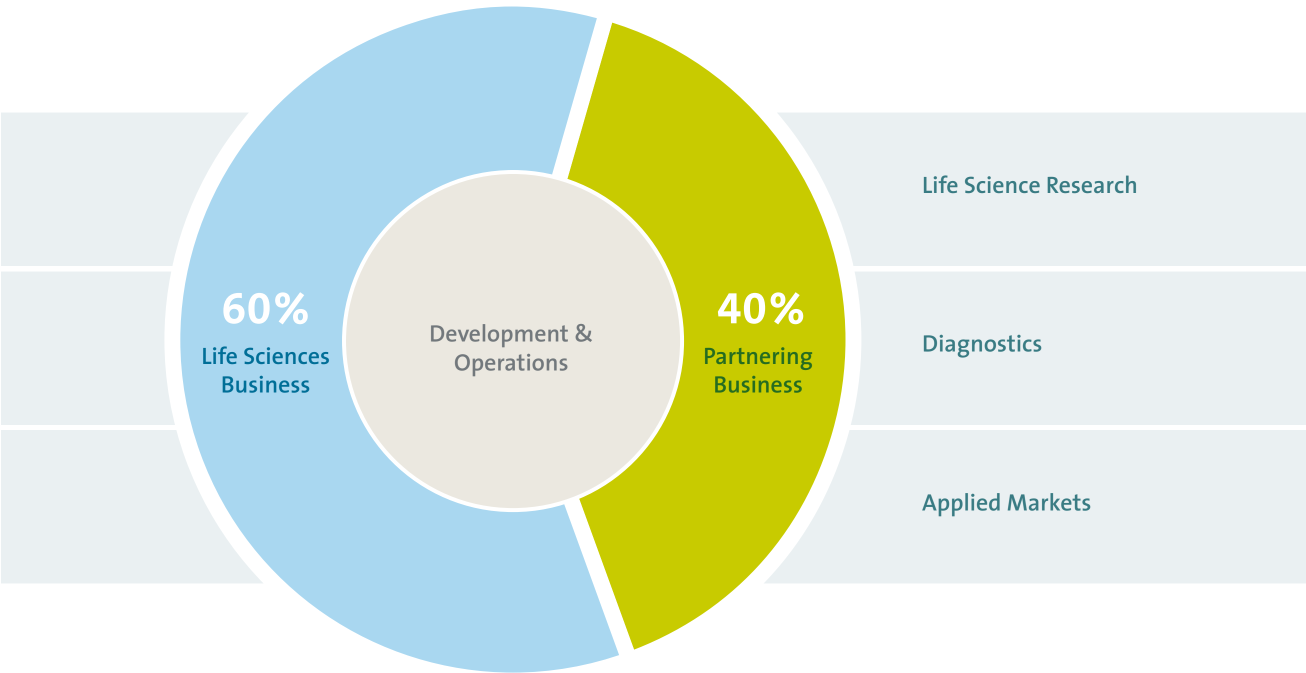
Five years from now, Tecan will be well on it's way to delivery of the vision! My aim is that we should be recognized as the "gold standard" in our industry for Quality and Innovation. I would hope that the Tecan brand will be delighting, in similar measure, both our customers and our investors!

About David Martyr

Before joining Tecan, 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. During the period 2007 to 2011 at Leica Microsystems, the company's business grew from around USD 500 million annual sales to over USD 1.2 billion, through driving organic growth, the introduction of reagents and consumables to complement its instruments, significantly expanding sales in China; and through the acquisition and integration of several companies. David Martyr is 55 years old and a British citizen.

Markets and Market Position

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. 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.

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.

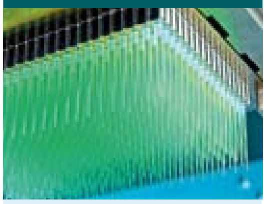
Brand management

Tecan is a leading brand in laboratory automation. It stands for quality, innovation and reliability. These are decisive success factors in this sector for building up a brand on a sustainable basis and strengthening it. A carefully selected and nurtured portfolio of several brands is of prime importance to Tecan and is a necessity if it is to differentiate itself from its competitors. The Company's most important brand is the Tecan umbrella brand, followed by various brand names for product platforms, such as Freedom EVO®, Infinite® and Cavro®. Employees, who actively embody the values of the Tecan brand, are a key factor in the success of the brand.

Tecan performs various brand management activities through product marketing and advertising in specialist circles and beyond. These offer added value for different partners and play a

Corporate level

TECAN.

Product level (examples)	Liquid handling platforms	Detection instruments	Components	Consumables
				
	- Freedom EVO®75 - Freedom EVO®100 - Freedom EVO®150 - Freedom EVO®200 - Freedom EVOlyzer®	- Infinite®M1000 - Infinite®F500 - Infinite®200PRO - Infinite®F50/Robotic - Sunrise™	- Cavro®Centris Pump - Cavro®XCalibur Pump - Cavro®XE 1000 Pump - Cavro®Omni Robot	- MCA 96 disposable tips - ProfiBlot™ trays - FE500 consumables - QC Kit

Technology level (examples)

- MultiChannel Arm™ 384, MultiChannel Arm™ 96
- Te-Shake™
- Te-VacS™
- GenePaint™
- Quad4 Monochromators™

role in strengthening and improving awareness of the Tecan brand. For example, the Company organizes the annual Tecan Symposium, which examines a current topic in depth and provides an opportunity for experts in the field to exchange information. The Tecan Award, a prize that is given to innovative customers, is a further tool. In the year under review, Tecan also sponsored projects such as the Cornell Cup, in which it supported a successful team from the Massachusetts Institute of Technology (MIT) Weiss Laboratory for Synthetic Biology in the development of a new type of liquid handling system.

Customer satisfaction and customer loyalty are also key factors for a strong brand. The Company regularly measures customer satisfaction and is strongly committed to maintaining it at a high level and further improving it. As a result, Tecan is recommended by its customers and the positive perception of the brand is continually increased. An external market research institute again measured and evaluated customer loyalty and satisfaction in the year under review. Compared with the 2009 results, Tecan was able to maintain its very high level and, in some categories, further improve it. Customer satisfaction rose significantly in the component business, which translates into a significant competitive advantage. Other factors that were seen as particular strengths of Tecan include quality, reliability and flexibility in configuration. Tecan's consumables were also evaluated as being of above-average quality. Tecan's status as the top corporate brand in the industry was confirmed. Customers rated Tecan as considerably better than its competitors and it is seen as a very strong brand with a rate of recommendation that is significantly higher than the average for the industry. The survey did, however, also identify room for improvement. While customers rated the Company as innovative and technologically superior, they expressed the desire for more frequent product launches. Tecan took this and other critical feedback on board and will devise and implement suitable measures to further improve its products and services.

Patents and protection of intellectual property

Tecan makes above-average investments in research and development to maintain and reinforce its position as market leader. In the year under review, such expenditure amounted to over 13% of sales. Protecting its intellectual property is of major importance in ensuring that the development of new products and technologies gives the Company a sustainable advantage in the market. Tecan registers patents on relevant developments for the most important markets in a timely manner. In 2012, the Company had several hundred patents in various patent families. Tecan also files for design protection for important products to protect them from imitations. To secure its market position, the Company will attach even greater importance to patent and design protection in the future.

Core competences

Tecan's success is based on core competences that the Company has systematically acquired and expanded over the years. In robotics, Tecan is the market leader in the automation of a wide range of the repetitive work steps that have to be conducted in laboratories. Its core competences cover both instruments and the software packages needed for their operation. The Company is an expert at handling various test formats, from microtiter plates through test tubes. Tecan offers a wide-ranging portfolio of different modules to automate applications and work processes, such as examining DNA or cells. To enable the entire workflow to be automated, Tecan also integrates third-party devices. Customers benefit from the Tecan specialists' enormous application know-how, even in strictly regulated areas such as clinical diagnostics.

Tecan has particular expertise in liquid handling and detection. Liquid handling involves the high-precision handling of fluids, even in the smallest quantities. This process includes the aspiration and dispensing of liquids with differing physical and chemical properties, such as reagents and blood (both whole blood and serum). Tecan also has the necessary sensor technology to monitor processes, for example to ascertain whether a liquid transfer has actually taken place.

In the area of detection, Tecan specializes in analytical devices that use a variety of optical methods to detect reactions in a test procedure, such as the binding of an antibody to a target molecule. This may be done using fluorescence, luminescence or absorption techniques, for example. Tecan also uses patented technologies here to lower the detection limit or reduce stray light and thereby increase the sensitivity. Tecan detection instruments are able to process varying wavelengths quickly and flexibly, even in parallel.

Life Sciences Business

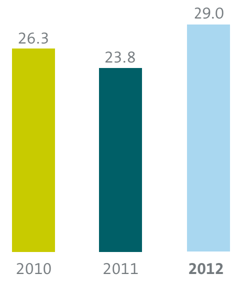
(end-customer business)

Total sales Life Sciences Business[1]

(CHF million)

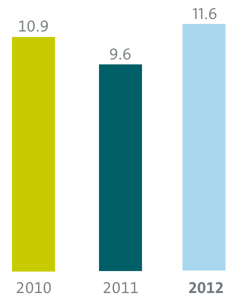
EBIT Life Sciences Business

(CHF million)



EBIT margin Life Sciences Business

(in % of sales)



[1] Sales to third parties + intersegment sales

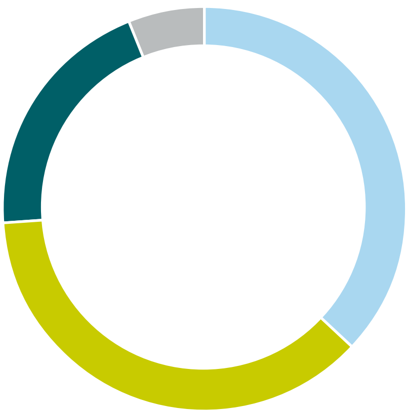
Sales by products

(in % of sales)

Liquid Handling Biopharma	36 %
Liquid Handling Diagnostics	13 %
Detection	17 %
Services and spare parts	23 %
Consumables	11 %

Sales by regions

(in % of sales)



Europe	37 %
North America	37 %
Asia	20 %
Others	6 %

In its end-user 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.

Tecan distributes its products through its own market organization and distributors in more than 50 countries worldwide. Sales and application specialists communicate with end customers to discuss their various requirements in terms of automating highly diverse laboratory procedures and service engineers and helpdesk and expertline specialists work to ensure a high degree of customer loyalty and satisfaction. In 2012, the Life Sciences Business segment represented 60.1% of total sales of the Tecan Group.

Product Portfolio

Within the Life Sciences Business, the largest product group is the scalable liquid handling platforms, which are used to pipette fluids with optimum precision and automate laborious and repetitive manual procedures. These platforms can be configured with an array of additional modules and devices to provide a high degree of flexibility and easy adaptability for a diverse range of applications. Highly complex customized offerings are also provided to a smaller group of customers. Tecan also provides a wide range of bioanalytical instruments such as microplate readers and washers which allow reactions to be monitored or specific analytes to be measured and are often integrated within the liquid handling platforms to ensure a complete customer solution. Tecan also works with numerous partner companies to integrate their test procedures or devices to provide comprehensive workflow solutions. Such workflow solutions include instruments, software packages and special application know-how as well as consulting, service and consumables. Tecan's consumables business is continuing to show strong growth. New, value added consumables products that have been launched during the past years, are the driving forces behind this growth.

Strengthening the core business

Tecan is the market leader in the field of laboratory automation, and intends to consolidate this position as well as grow its market share, especially in emerging economies. A detailed awareness of understanding customer needs are a decisive factor in achieving this success, ranging from new instruments, software, applications and workflow solutions, to modules and components, plastic consumables and customer service. During 2012 Tecan introduced air displacement technology as an addition to its existing liquid handling technology. This technology complements the existing product line by offering customers the best of both worlds. 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. In order to address the growing need to provide validation and regulatory compliance, Tecan introduced the QC Kit in 2012. The QC Kit is a turnkey solution for liquid handling performance verification testing, based on Artel's proprietary ratiometric technology. It consists of an integrated solution with dedicated software, microplate reader and a range of customized consumables. The kit also allows users to compare performance across multiple systems as well as multiple international locations.

Opening up global growth markets

Many countries are currently investing considerable amounts in healthcare and life science research. Tecan is focusing on expanding its business in China. The company has been operating in China for a number of years and is achieving healthy growth rates in this market. In order to exploit the potential of new and existing products, Tecan is investing heavily in its marketing and service organization. With the opening of two additional locations Tecan will 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 occupied the third place in Tecan's international league table at 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.

Working with innovative partner companies

Tecan is working with innovative partner companies to the benefit of customers by supplementing Tecan's broad product portfolio in the Life Sciences Business.

This includes for example a partnership with Hewlett-Packard for the distribution of the HP D300 digital titration system for drug discovery.

In 2012 Tecan has also continued to increase its ability to provide customers with solutions for their life science business by partnering with high quality providers of reagents and kits. Two examples of this are in the area of 3D cell culture and biobanking. In order to enable customers to benefit from the unrivaled advantages offered by 3D cell biology Tecan has decided to automate the best 3D techniques on the market. Focusing on technologies enabling in vivo like growth Tecan provides real 3D applications where cells grow in complex tissue like structures. Partnering with TAP biosystems and Reinnervate, two unique 3D cell culture approaches have been automated including the analysis by Tecan's microplate readers. Tecan has significantly increased its installed base in biobanking by providing innovative sample preparation automation solutions for standardization in biobanks. In 2012 Tecan and Promega launched a turnkey workstation for fully automated extraction of gDNA from large volume blood samples. The Freedom EVO® HSM workstation has been specifically designed to meet the needs of biobank customers to extract as much gDNA from samples as available for long term storage. Tecan also collaborated with Integrated Biobank Luxembourg (IBBL) to bring out an automated process with optimized buffy coat yield (white blood cell layer) to replace the tedious manual process. Automation of these techniques increases standardization of the sample treatment prior to long-term storage and helps to build up high quality biobank repositories.

During the year under review Tecan recorded a clearly double-digit growth rate in all product groups in Asia Pacific.

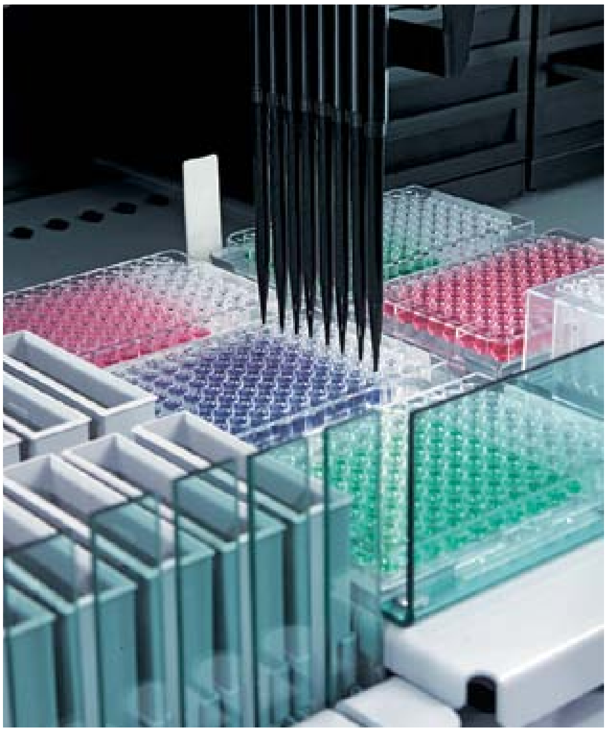
Performance

Sales in the Life Sciences Business segment rose by 1.3 % to CHF 235.2 million in 2012 (2011: CHF 232.2 million). In local currencies, sales were 1.1 % below the prior-year period. The Life Sciences Business constituted 60.1 % of total Group sales (2011: 61.6 %). In the second half of the year, sales increased by 3.4 %, and in local currency terms were 1.1 % below the prior-year level. In local currencies, sales generated by liquid handling platforms in 2012 were close to the previous year's level, while those of detection devices were down slightly compared to 2011. Tecan posted high double-digit growth in all product groups in Asia Pacific. Order entry in the Life Sciences Business remained slightly below the previous year's figure in local currencies, but improved during the second half.

Operating profit in the segment rose 21.8 % to CHF 29.0 million in the year under review (2011: CHF 23.8 million). Operating profit margin rose two percentage points to 11.6 % of sales (2011: 9.6 %), mainly due to a higher gross margin.

Selection of the current most important products and product groups

Liquid handling platforms



Freedom EVO®

The Freedom EVO liquid handling platform is a flexible and highly configurable platform for the precise pipetting of small and large volumes of various liquids. Various modules can be incorporated within this platform to address a wide range of laboratory applications and customer analytical workflows. This makes it possible to automate a wide range of repetitive work steps and ensure that the procedures are more reproducible, efficient and safer.

With the Air Liquid Handling Arm Tecan introduced an alternative pipetting technology to better address its customers' specific preferences and expand its target market.

Freedom EVOlyzer®

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

Workflow solutions

In collaboration with a variety of partners, Tecan provides standardized workflow solutions. Our partners provide specific chemistries or sample preparation devices and Tecan automates and integrates the various procedures of the given application via a combination of hardware devices but also customized software and an intuitive user interface. This provides customers with a pretested, ready-to-use solution that enables them to begin routine work quickly. As an example, together with the leading manufacturer of DNA testing systems, Tecan offers law enforcement agencies the validated HID EVOlution™ system.

In 2012, Tecan and Promega launched a turnkey workstation for fully automated extraction of gDNA from large volume blood samples.

In some cases customers require highly complex, individual tailored solutions to achieve full automation of a specific application or workflow. Tecan provides these services and integrates existing modules and technologies, both from Tecan and third-party suppliers along with the development of new modules and custom software.

Microplate readers and washers

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

Consumables

Consumables, such as certified pipette tips, are an important component of a complete laboratory automation solution. Tecan's strategy is to develop and distribute high quality consumables which are a prerequisite for high productivity and reliable assay results when working with Tecan automation platforms.

The QC Kit is a turnkey solution for liquid handling performance verification testing.

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.

Partnering Business

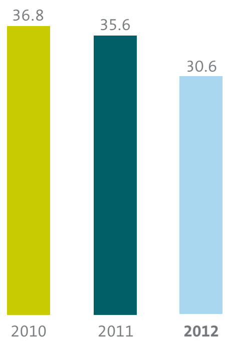
(OEM business)

Total sales Partnering Business[1]

(CHF million)

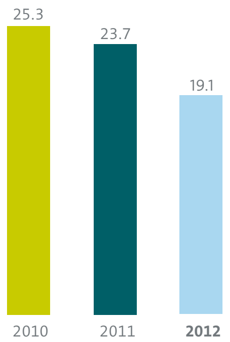
EBIT Partnering Business

(CHF million)



EBIT margin Partnering Business

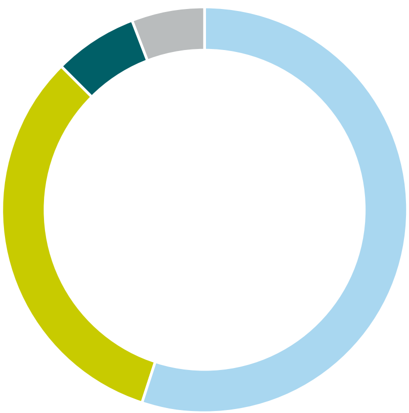
(in % of sales)



[1] Sales to third parties + intersegment sales

Sales by products

(in % of sales)



Liquid Handling	55 %
Components	32 %
Detection	7 %
Development funding	6 %

Sales by product groups

(in % of sales)

Instruments	42 %
Components	26 %
Services and spare parts	21 %
Consumables	5 %
Development funding	6 %

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's position as a leading developer and manufacturer of OEM instrumentation will be a key contributor to growth in 2013 and beyond.

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 39.9 % (2011: 38.4 %). Tecan currently offers more than 20 different instruments in the OEM business and supplies components to several hundred customers. Most OEM customers work in the field of diagnostics. During 2012, sales of components was particularly strong, driven by growth of existing customer relationships and new business in China.

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

In recognition of OEM customer needs for fast time to market and low development costs, Tecan adapts the products and platforms it develops for its own end customers to the specific needs of OEM customers. These adapted and standardized platforms are distributed as system solutions under the customers own brand name that combine Tecan's automation expertise with their own specific tests. Detection instruments from Tecan can also be modified or integrated into fully-automated laboratory solutions. Platform based development thus enables flexible automation and rapid prototype development.

Tecan's position as a leading developer and manufacturer of OEM instrumentation and components will be a key contributor to growth in 2013 and beyond.

Dedicated solutions

When an OEM customer is looking for a specific product, designed and manufactured to a specific functionality and cost, a dedicated system development can be the answer. Dedicated systems are usually most appropriate when the product lifecycle is longer, maybe many years, and the specific functionality and total cost-of-ownership are the key decision criteria.

Tecan supports OEM customers in their make or buy decisions for such complex systems. By choosing to partner with Tecan, the customer gets access to Tecan's full range of technologies, modules and software as well as Tecan's expertise in system integration. If the system will be sold in the clinical diagnostics market, Tecan's regulatory and quality processes ensure the system will comply with the rigorous demands of even the most regulated markets.

Customer service and consumables

Tecan's support for OEM customers does not end once the instrument development is finished. Tecan can also offer OEM customers a range of services after the product is launched via its global service infrastructure. Tecan can install instruments directly 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 maximises instrument operation-time by providing a global spare parts service. OEM customers active in the diagnostics market may also benefit from Tecan's 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 three years, Tecan expects to ship major new analysis systems in 2013 and beyond. In particular, Tecan expects two important projects involving dedicated diagnostics instruments currently nearing completion, to make a significant contribution to future sales. Sales of components will drive growth due to a number of major customers embarking on new developments that incorporate Tecan's pumps and valves. Tecan's focus on attractive, growing segments of the clinical diagnostics and life science markets has resulted in the pipeline of OEM projects that Tecan is intensively working to acquire remaining full.

Sales of components will drive growth due to a number of major customers embarking on new developments that incorporate Tecan's pumps and valves.

Performance

The Partnering Business generated sales of CHF 156.0 million in the year under review (2011: CHF 144.7 million), which corresponds to an increase of 7.8 % in Swiss francs and 6.7 % in local currencies. The OEM business accounted for 39.9 % of total Group sales (2011: 38.4 %). Sales growth accelerated further in the second half, and was 14.4 % higher than 2011 in Swiss francs, and 12.1 % higher in local currency terms. Components, services and consumables posted double-digit growth in 2012.

Order entry in the Partnering Business was below the prior-year period in the first six months, due to advance orders made by customers in December 2011 rather than in the first quarter of 2012. In the second half, however, order entry was up substantially on the same period of 2011, and was down only slightly year-on-year for 2012 as a whole.

The Partnering Business segment achieved an operating profit margin of 19.1 % of sales in 2012 (2011: 23.7 %). The main reason for the lower operating profit margin was costs booked under a development program for an OEM customer. At CHF 30.6 million, operating profit was therefore below that of the previous year (2011: CHF 35.6 million).

Selection of the current most important products and product groups

Liquid handling systems

Tecan supplies several well known and widely used instruments to leading diagnostics companies. One partner has for example 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.

Another example is one of the most successful molecular diagnostic platforms. It is marketed by the partner 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.

Newborn screening platform for Luminex

Tecan supplies its partner Luminex with a platform for newborn screening. Luminex's NeoPlex® System is unique and revolutionizes the way newborn screening is performed, providing four assays from one blood spot punch, reducing sample requirements and improving laboratory efficiency. The fully automated, walk-away sample processing instrument generates approximately 3,000 results per day. Luminex's NeoPlex system received the CE-IVD mark in 2012.

Detection instruments

Detection Instruments from Tecan are also modified slightly for distribution by OEM customers, or merely adapted to the partner's corporate design. They can also be integrated into fully-automated laboratory solutions.

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 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, strong customer loyalty and a high degree of customer satisfaction are key factors for sustainable business growth. Tecan generated pleasing results in 2012 through continuous improvements in customer satisfaction in the service business. In customer surveys, the helpdesk and field service team, for example, were rated as very good. Other results of the comprehensive customer survey, which is carried out every three years, are discussed on page 24.

Safety and quality are of the utmost importance in laboratories. Tecan helps customers and specialists in emerging markets to implement and establish high quality and safety standards, which apply whatever the Tecan product being used. For example, Tecan once again held a presentation at a major blood bank conference in China in 2012. In Kunming, China, Tecan supported the province of Yunnan in introducing a risk management system for a blood bank. The project attracted interest from several other regions of China.

The annual Tecan Symposium was held in Boston in 2012, and looked at the importance of mass spectrometry in life science research and diagnostics. Scientists from around the world came together at the Symposium to discuss various aspects of this topic and share their knowledge. By holding this Symposium, Tecan is making a 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 as a model tool by customers and external partners alike. Tecan develops the technology and content of the TMS on a continuous basis.

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 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.

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, in the event of natural disasters such as earthquakes and flooding, direct suppliers in the affected region are examined, and information gathered on their subcontractors. The aim is to ensure Tecan's ability to supply, even in this type of exceptional situation. The Board of Directors reviews annually whether the risk assessment of business activities is appropriate and whether it takes into account both internal and external changes. Where necessary, new measures to mitigate risk are implemented.

In the financial area, Tecan uses an internal, self-managed treasury system and in doing so, is taking a pioneering role. Tecan executes all money transfers for all Group companies centrally, and manages their cash reserves. This has enabled Tecan to reduce the number of banks it uses in connection with its business activities, and transfer cash reserves to banks at lower risk of failure. The treasury system has also improved short-term financial planning and ensured an interest rate benefit compared with decentralized management.

Tecan uses an IT-based control system in the financial area. 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.

In 2012, Tecan completed the outsourcing started the previous year of all IT services offered by the Group worldwide to the server of an external service provider. 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. Global round-the-clock IT support is also now available to Group companies, thereby reducing outages.

Tecan has established several organizational control mechanisms with the aim of ensuring correct corporate behavior. These include an internal auditor, who reports directly to the Board of Directors. Tecan also brought into effect a formalized Code of Conduct in 2012, which is binding for all employees, managers and Board members. In this Code, Tecan undertakes to maintain the highest standards in its business activities and to respect ethical values. Tecan aims to document internally and externally that the Company is a credible and reliable business partner and employer in all situations through the Code. The Code of Conduct also brings together key guidelines which are already included in other tools, such as the employment regulations or the Tecan Management System, in a comprehensible form. It instructs employees how to orient themselves within the Company, and to seek further information or support in cases of doubt. Although Tecan only gener-

Safety and Quality
Sharing knowledge

In 2012 Tecan organized again the Tecan Symposium and hence made an important contribution to the global exchange of information.

ates a relatively small portion of its sales in countries with an increased risk of corruption, the Code of Conduct has a zero-tolerance policy toward bribery and corruption. It promotes compliance with standards on occupational health, safety and the environment. It provides instructions on ensuring data protection and handling confidential information, and requires accurate and timely communication of information and careful logging of meetings and processes by Tecan staff. The Code also stipulates compliance with competition law as well as national and international trade law for the import and export of products. It guarantees anonymity for whistleblowers, but also does not tolerate abusive suspicions. Line managers are responsible for ensuring that all of their staff know and understand the content of the Code of Conduct. All employees must attend and successfully complete a training course on the Code.

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 on 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 key 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 subject 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 subject to a number of sometimes extremely extensive audits by customers. These included leading diagnostics companies that Tecan supplies with instruments through its

OEM business in the Partnering Business, or will supply in the future. The audits covered areas including processes, quality management systems, product design, validation and documentation. The customers again attested a high standard at Tecan with regard to the relevant requirements and did not find any critical deviations from the guidelines.

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, which has a very good reputation in the life science industry worldwide.

Tecan launched a major initiative in 2012 to obtain a Group-wide matrix certificate based on ISO 13485 as part of its certification strategy. It wants to ensure that all units worldwide work according to the same processes and strive together to continuously improve their products and services. The matrix certificate will also accommodate the current and future Group structure, with an increasing number of subsidiaries. In support of this initiative, Tecan commissioned the certification company TÜV Süd and an internal, cross-border project team. The aim in Europe is a main certificate for the sales office in Germany, with sub-certificates for subsidiaries in other countries. Sales subsidiaries in European national markets were certified for the first time under the new method in 2012, with further regions to follow. The goal of full matrix certification should be achieved during 2013. The new method of coordinated certification has benefits for customers and Tecan alike: greater transparency; the possibility to systematically monitor processes worldwide; and harmonized, standardized systems that also accommodate differences in the markets. The matrix certificate results in considerable simplifications and increased safety compared to individual certificates. TÜV Süd will verify the certification annually with sample checks at different branch offices.

A customer also carried out a social compliance audit at Tecan for the first time in 2012. The international pharma company performed the audit at Tecan in collaboration with an external specialist. In response to the small number of deficiencies uncovered by the audit, Tecan rapidly initiated corrective measures, which were largely implemented during the year under review. Tecan is also aiming to obtain certification for compliance with social standards.

Tecan products must also satisfy the following important requirements, among many others: US QSR (Quality System Regulation)/21 CFR 820, 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.

Regulatory requirements are increasing 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 has a central Quality & Regulatory organization at Group level to ensure ongoing improvements in the high quality standards worldwide. In Europe, all of the quality systems of the national subsidiaries and organizations have been harmonized and processes standardized, including sales, service and complaint processes, for example. Tecan operates a Central Complaint Unit for customer complaints.

Tecan performs a global management review every year in which relevant data from all Group companies are reviewed centrally. The process assesses whether quality management is still optimized to the legal requirements and regulations for the products and services supplied by Tecan. Tecan undertakes this review with regard to the individual national markets as well as from a Group-level perspective.

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

For innovations such as the Infinite F50 Reader, CO_2 efficiency is a key criterion.

Environment

The Company attaches great importance to acting responsibly and in an environmentally friendly manner in the development, manufacture and global distribution of Tecan products as well as in all services it provides. 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 also subject to an audit program in order to ensure sustainable business. In the production process, Tecan focuses on the final assembly of a relatively small number of items of laboratory equipment. In comparison with companies with extensive production processes, Tecan therefore emits only very low levels of pollutants. For this reason, emission values such as CO_2 are not measured. Tecan implemented numerous controls as part of the ISO 13485 certification, which applies to all production sites and sales subsidiaries. ISO 14001 certification has not been applied for as the production sites do not emit gases or other environmental pollutants. Nonetheless, Tecan attaches great importance to using the most environmentally friendly materials and ecologically efficient processes. Employees receive regular training and are familiar with the latest developments in this area. Tecan disposes of waste in accordance with the WEEE Directive[1]. It also supports the aims of the EU's RoHS Directive[2] 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 to comply with this directive, even though exemptions apply to in-vitro-diagnostics products for the time being. Tecan also complies with this directive in its local form in emerging markets such as China. Through the reliable, robust and sustainable design of its products, Tecan continuously targets progress in their environmental sustainability. The PULS program set up by the Company also includes targets and measures to avoid wasting materials and energy.

Tecan also makes its administrative processes as environmentally friendly as possible. For example, the Company is holding more and more video conferences in order to reduce the number of flights. Customer service staff use tools that enable completely paper-free processes. Tecan also pays attention

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

to modern, energy-efficient technology for the infrastructure of its buildings. For example, hot and cold water lines in the ceiling are the sole source of heating and cooling at Tecan's corporate headquarters in Männedorf, Switzerland – the Company's largest location worldwide. Processed wastewater from the Männedorf wastewater treatment plant supplies the heat pumps with a source of energy.

For innovations such as the Infinite F50 Reader, CO_2 efficiency is a key criterion. This Tecan product makes a sustainable contribution to the reduction of CO_2 emissions. Compared to the previous model, the F50 Reader is around 65 % lighter and more compact. This results in reductions of almost 60% in CO_2 emissions from transport of the product alone. Innovative LED lamps also reduce energy consumption by 50 % compared to previous components. The F50 Reader also meets the Chinese and EU RoHS Directives.

Employees

Tecan has a strong sense of responsibility for its employees, which is reflected in its personnel policies that are binding at all of its companies around the globe. National hiring rules ensure compliance with laws on, for example, gender equality and non-discrimination. Both Tecan managers and employees are also held to strict ethical guidelines. These are firmly established in the Code of Conduct and form part of the training requirements for all employees.

Employees by region *	in %
Switzerland	39 %
Europe	30 %
USA	23 %
Asia-Pacific	8 %

Employees by activity **	in %
Manufacturing and logistic	18 %
Sales and marketing	26 %
Customer service	19 %
Research and development	25 %
General and administration	12 %

* in % of all employees

**in % of all FTEs

Responsibility to employees

Good atmosphere in the workplace

Tecan employees appreciate especially the supportive environment and paths to personal growth.

Employee satisfaction

Tecan systematically measures and analyzes the satisfaction of its employees on a regular basis by means of an anonymous, Internet-based survey. The "Engaging for Results" survey enables the Company to ascertain whether its business parameters, processes and structures are appropriate and how motivated and committed its staff really is. In this way, Tecan can ensure that it is employing the right staff in the best possible way. The results also help management gain a better understanding of what constitutes employee satisfaction and how staff can be motivated. The "Engaging for Results" survey was also conducted in 2012, and produced good to very good results. General satisfaction was again excellent in 2012. Tecan employees particularly value the clear delineation of responsibility that they experience. Among the psychological motivators, a supportive environment and paths to personal growth were rated as particularly positive. Tecan employees are proud to work for the Company and feel highly committed to it. Understanding of the new organizational structure improved compared to 2011. However, scope for improvement was still evident. For example, processes from the organizational structure introduced in 2011 should be improved further, and collaboration between various units strengthened.

Vision and values

Tecan's management considers instilling the Company's vision and common values in all its employees and ensuring these are put into practice to be of key importance.

The four values "ownership", "trust", "innovation" and "solution-oriented" were defined by employees as essential in the year under review. Various activities were carried out to firmly an-

Overview of personnel figures

	Unit	2011	2012
Employee figures			
Employees	No.	1128	1224
Full-time positions	in % of all employees	90.6%	89.5%
Part-time positions	in % of all employees	8.1%	9.1%
Trainees	No.	15	18
New positions created	No.	43.5	89
Gender diversity			
Women	No.	285	320
Men	No.	843	904
Women	in % of all employees	25.3%	26.1%
Men	in % of all employees	74.7%	73.9%
Women in management positions	in % of all managers	18.3%	19.9%
Basic and continuing training *			
Investments in basic and continuing training	CHF	385'839	499'687
Investments in basic and continuing training	CHF per empolyee	881	1'041
Other figures*			
Staff turnover rate		10.80%	11.80%
Absence rate		1.88%	2.17%
Average number of years of service	Years	4.6	4.6
Average age	Years	40.11	40.33

* Data currently only available for Switzerland.

chor the values in the Company and the employees' attitude to work. The four Tecan values are particularly important in ensuring the Company is a partner of choice for customers. "Ownership" is intended to ensure that employees take responsibility, make decisions and complete their tasks responsibly. "Trust" lays the foundation for successful collaboration. It aims to ensure that employees are reliable and deal openly with others. "Innovation" is essential to the Company's success and to ensure sustainable growth. This principle means that employees are able to contribute and implement specific value-generating ideas. "Solution-oriented" primarily refers to an attitude that all Tecan employees should adopt. It also aims to encourage staff to continually improve and develop themselves.

The vision "Tecan will be in every laboratory" seeks to make Tecan the preferred supplier for leading life science companies and laboratories.

Tecan has a very cosmopolitan workforce comprising employees from over 40 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 12 %, and an absence rate of around 2 %. Tecan also created 89 new positions in the year under review. New hires were made in all areas, but mainly in research and development.

Basic and continuing training

At Tecan, ongoing professional and external basic and continuing training is a key requirement critical to business. Due to strict industry-specific requirements, Tecan puts tremendous efforts into training, as the Company has to meet the regulations and guidelines of various supervisory authorities and must also be able to demonstrate that its employees possess the required knowledge. Aided by an SAP-based system, Tecan ensures that training processes are being carried out adequately throughout the Company. Each individual employee receives a personalized training profile. This enables employees and line managers to check and update the current training status. It also ensures that information on training levels is available electronically at all times for audits. Tecan is working continuously to develop and improve this learning system. It should provide an effective performance record and offer employees the best possible training opportunities.

Social responsibility
Projects serving the common good

Tecan attaches great importance to social responsibility and supports projects serving the common good at its various locations.

The Te-Wiki is a tool available to Tecan employees for the purpose of exchanging information and experience. This platform includes general information describing Tecan products, as well as experiences of employees in sales and customer services from direct contact with customers. All Tecan employees can also benefit from the knowledge of their colleagues by asking questions or outlining issues via "tickets".

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.

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.

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

As at December 31, 2012, the Company's market capitalization was CHF 834 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 122 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 page 112 of this Annual Report.

Major shareholders

As at December 31, 2012, the following shareholders held more than 3 % of Tecan's shares:

	2011		2012	
	Aktien	%	Aktien	%
Chase Nominees Ltd., London (UK)	1,546,910	13.5 %	1,546,910	13.5 %
ING Groep N.V., Amsterdam (NL)	1,051,540	9.2 %	1,051,540	9.2 %
UBS Fund Management (Switzerland) AG, Basel (CH)	584,374	5.1 %	584,374	5.1 %
Pictet Funds SA, Geneva (CH)	573,325	5.0 %	573,325	5.0 %
Tecan Group Ltd., Männedorf (CH)	639,631	5.6 %	572,134	4.9 %
Credit Suisse Asset Management Funds AG, Zurich (CH)		<3.0 %	368,034	3.2 %
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 %
TIAA-CREF Investment Management LLCC, New York (US)	1,197,637	10.5 %		<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

	2010	2011	2012
Number of shares	11,436,735	11,444,576	11,444,576
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,143,674	1,144,458	1,144,458
Legal reserves (CHF)	59,229,589	64,380,165	45,362,184
Net retained earnings (CHF)	87,389,031	110,373,186	126,681,030
Shareholders' equity (CHF)	**147,762,294**	**175,897,809**	**173,187,672**
Repayment of capital contribution reserves			
Number of issued shares on repayment date	–	10,771,157	10,825,923
Reduction in capital contribution reserves (CHF)	–	10,771,157	13,532,404
Conditional share capital			
Reserved for employee share option plans			
Number of shares	866,477	858,636	858,636
CHF	86,648	85,864	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, 2014			
Number of shares	2,400,000	2,400,000	2,200,000
CHF	240,000	240,000	220,000

As at December 31, 2012, 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 0 options were exercised in fiscal year 2012 (2011: 7,841 options; 2010: 24,145 options), increasing the Company's share capital by CHF 0 (2011: CHF 784; 2010: CHF 2,415) and decreasing the Company's conditional capital by 0 shares (2011: 7,841 shares; 2010: 24,145 shares). As of December 31, 2012, 264,769 shares of the conditional share capital were reserved for outstanding employee stock options and 170,993 for outstanding employee shares in connection with the Performance Share Matching Plan (PSMP). These shares correspond to a share capital of CHF 43,576. 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 (for the first time), and on April 21, 2012, 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, 2014, by a maximum of CHF 220,000 through the issue of not more than 2,200,000 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 preemption 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.

Additional requirements to increase the share capital under the authorized and conditional share capital

In order to improve corporate governance, some of the provisions in the Articles of Incorporation were amended in 2012. The new provisions require that the conditional capital for convertible bonds, warrant-linked bonds, similar securities or other financial market instruments shall be reduced if and to the extent authorized capital is used, and that the authorized capital shall be reduced if and to the extent new shares are created under the respective conditional capital. As a result of these two provisions, the total authorization will be reduced to approximately 20 % of the share capital. Due to the existing employee option and share programs, the possibility of creating employee shares and stock options is not affected by this change.

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 50 and 51.

Independence

All the members of the Board of Directors are non-executive members. Gérard Vaillant served as acting CEO and was a member of the Management Board from February to October 2012. None of the other Board members was formerly a member of the management of Tecan Group 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. Reelection 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 meets 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 extended 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 2013
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 Audit Committee
Since 2007, elected until 2013
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 Systems Engineering); 1996 to 2007 Delegate of the Board and Chief Executive Officer, Saurer Group. Since 2007 DiamondScull AG, owner and Chairman of the Board.

Other activities:
Orell Füssli Holding AG, Chairman of the Board; Schweiter AG, member of the Board; Hilti AG, member of the Board; CAMOX Fund, member of the Board; Zhoulang Textile Machinery Ltd, China, Chairman of the Board; Sensirion Holding AG, member of the Board

Dr. Oliver Fetzer

Chairman of the Compensation Committee
Since 2011, elected until 2013
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

Dominique F. Baly

Since 2009, elected until 2013
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. Karen Huebscher

Since 2012, elected until 2013
1963
Swiss and British citizen
MBA, IMD Lausanne
Ph.D. Natural sciences, ETH Zurich
Master's degree, Animal Sciences, ETH Zurich

Professional background:
1995 to 1997 Research Scientist at Novartis and CIBA-Geigy; 1997 to 2000 Investor Relations Manager at Novartis and 2000 to 2005 Global Head of Investor Relations; 2006 to 2009 Global Head Business Development/ Mergers and Acquisitions and member of the Executive Committee and Innovation Board Novartis Vaccines & Diagnostics, USA; 2009 to 2011 Head Public Health and Market Access Europe, Member of the European Commercial Operations Leadership Team and Site Head Novartis Vaccines & Diagnostics, Basel. Since 2012 Founder and Managing Director of Fibula Medical AG.

Other activities:
Dispopharma Distribution & Promotion Ltd., member of the Board

Gérard Vaillant

Since 2004, elected until 2013
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. Acting CEO of the Tecan Group from February to October 2012.

Other activities:
Theradiag SA, France, member of the Board; Safe Orthopaedics, France, Chairman of the Board; Patho Quest S.A.S., France, Chairman of the Board; STAT-Diagnostica & Innovation S.L., Spain, Chairman of the Board

Erik Walldén

Since 2011, elected until 2013
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 part of GE Healthcare); 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 (today part of Life Technologies), USA; 1998 to 2003 President and CEO, Pyrosequencing AB (today Biotage AB); 2004 to 2006 President and CEO, Biacore International AB (today part of GE Healthcare); 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; member of Board of Genovis AB

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			
Dr. Oliver Fetzer		Chairman	Member
Erik Walldén	Member		
Dominique F. Baly		Member	
Karen Hübscher	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 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.
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.

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. 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 54 and 55.

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 stock option plans, please refer to the Compensation Report on pages 58 to 65.

Management Board

Dr. David Martyr

Since 10/2012 CEO of Tecan
1957
British citizen
B.Sc. and doctorate in Engineering (University of Newcastle-upon-Tyne, United Kingdom)

Professional background:
1984 to 1988 sales and marketing management positions at Ferranti plc; 1989 to 1998 variety of management and sales-related positions at Lumonics Inc., including Managing Director Europe; 1998 to 2007 various senior management and professional positions at Leica Microsystems, including Executive Vice President Worldwide Sales and Marketing and Managing Director Europe; 2009 to 2011 Group Executive and Vice President of Danaher Corporation (NYSE: DHR), the shareholder of Leica Microsystems Group, overseeing the development of Danaher's Life Sciences businesses; 2007 to 2011 Group President of Leica Microsystems Group with full responsibility for Leica Microsystems, Leica Biosystems and Invetech.

Other activities:
None

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

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

Andreas Wilhelm

Executive Vice President
General Counsel and Secretary of the Board of Directors of Tecan Group Ltd.
Member since 2012, joining Tecan in 2004
1969
Swiss citizen
Studies of law (University Berne, Switzerland), Postgraduate studies, Master of Law Program (Boston University, USA), Admitted to the Swiss Bar

Professional background:
1993 Judicial Clerk at District Court of Nidau; 1994 to 1995 Legal Internship at Notter&Partner in Berne; 1996 to 1999 attorney-at-law at Grüninger Hunziker Roth Rechtsanwälte in Berne; 2000 to 2004 attorney-at-law at Bär & Karrer in Zurich; since 2004 Head Legal Affairs and Secretary of the Board of Directors of Tecan Group Ltd.

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. Bernhard Grob

Until January 2013, Head of Division Partnering Business
Member from 2011 until January 2013
With Tecan from 2010 until January 2013

Frederic Vanderhaegen

Until May 2012, Head of Division Life Sciences Business
Member from 2008 until May 2012
With Tecan from 2008 until May 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 a 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 a General Meeting be convened. Shareholders registered as having voting rights are informed by mail of the convening of a 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 2012 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). 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	2011	2012
Total auditing fees	557	596
Total tax consulting fees (KPMG)	60	69
Total other consulting fees (KPMG)	19	1

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 7, 2013	Zurich	Full Year Results 2012, Press Briefing on Annual Results and Analysts' Conference
April 17, 2013	Zurich	Annual General Meeting
August 14, 2013	Conference Call with Webcast	Half Year Results 2013

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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 17, 2013, 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) – guarantees 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 Oliver Fetzer (Chairman) 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 take part in discussions 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 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.

In 2012, a comparison was made of the salaries of the Management Board members. This included, for example, a comparison of the compensation paid at Tecan with that of other Swiss companies with sales figures ranging from half to twice those of Tecan. Overall, the total compensation paid to the Management Board members is in line with that of the Swiss reference companies. Looking at the composition of total compensation, the results also show that long-term remuneration at Tecan is above the average and the cash component below the average in comparison with the reference companies.

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 base salary), a variable cash component (bonus) and a variable long-term share plan (Performance Share Matching Plan). For senior management (excluding members of the Management Board) 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 base salary (fixed or base salary) and a variable component (bonus) based on the performance review. In addition, exceptional achievements 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, Group 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 2012, results at Group level fell short of the financial targets.

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. 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 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 parameters 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.

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 2012, the members of the Management Board on average received an initial allotment of 17 % of the total remuneration.

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]	PSMP: Initial shares granted (number)[2]	Fair value of initial shares[3]	PSMP: Total matching shares granted (number)[4]	Fair value of matching shares PSMP 2011 earned in period[5/6]	Fair value of matching shares PSMP 2012 earned in period[5/7]	Total compensation
Rolf Classon	2011	150	18	**168**	**13**	808	**45**	1,010	**13**	**–**	**239**
(Chairman)	2012	150	18	**168**	**–**	739	**44**	924	**4**	**16**	**232**
Heinrich Fischer	2011	85	20	**105**	**8**	404	**23**	505	**6**	**–**	**142**
(Vice Chairman)	2012	85	20	**105**	**8**	370	**22**	463	**2**	**8**	**145**
Dominique F. Baly	2011	75	20	**95**	**8**	404	**23**	505	**6**	**–**	**132**
	2012	75	20	**95**	**9**	370	**22**	463	**2**	**8**	**136**
Dr. Oliver S. Fetzer	2011	50	13	**63**	**6**	404	**23**	505	**6**	**–**	**98**
(since April 2011)	2012	75	27	**102**	**–**	370	**22**	463	**2**	**8**	**134**
Dr. Karen Hübscher	2011	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
(since April 2012)	2012	50	7	**57**	**5**	370	**22**	463	**–**	**8**	**92**
Gérard Vaillant	2011	75	20	**95**	**7**	404	**23**	505	**6**	**–**	**131**
	2012	75	13	**88**	**8**	370	**22**	463	**2**	**8**	**128**
Erik Walldén	2011	50	7	**57**	**5**	404	**23**	505	**6**	**–**	**91**
(since April 2011)	2012	75	10	**85**	**8**	370	**22**	463	**2**	**8**	**125**
Dr. Lukas Braunschweiler	2011	75	20	**95**	**8**	404	**23**	505	**6**	**–**	**132**
(until April 2012)	2012	25	7	**32**	**2**	–	**–**	–	**2**	**–**	**36**
Dr. Jürg Meier	2011	25	3	**28**	**2**	–	**–**	–	**–**	**–**	**30**
(until April 2011)	2012	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
Prof. Dr. Peter Ryser	2011	25	3	**28**	**2**	–	**–**	–	**–**	**–**	**30**
(until April 2011)	2012	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
Total	**2011**	**610**	**124**	**734**	**59**	**3,232**	**183**	**4,040**	**49**	**–**	**1,025**
	2012	**610**	**122**	**732**	**40**	**2,959**	**176**	**3,702**	**16**	**64**	**1,028**

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

[2] Vesting conditions: Graded vesting from May 1, 2011 to April 30, 2014 (PSMP 2011) and May 1, 2012 to April 30, 2015 (PSMP 2012). Vested shares are blocked until the end of the performance period (April 30, 2014 and 2015 respectively). The shares are fully included in the amount of fair value of initial shares.

[3] Formula for 2011: Shares granted in 2011 * fair value at grant (CHF 61.95) * [1 - estimated labor turnover rate (10%)] and formula for 2012: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10%)]

[4] 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.

[5] 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.

[6] Formula for 2011: {initial shares granted in 2011, that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 1.12} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011; and formula for 2012: {initial shares granted in 2011, that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 0.18} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2011 earned in period 2012.

[7] Formula for 2012: {initial shares granted in 2012, that qualify for matching shares [total 2,959 shares] * estimated matching share factor of 1.25} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2012 earned in period 2012.

Gérard Vaillant held the function of an interim CEO during the period from February to October 2012. The corresponding compensation is reported in the table of note 10.2 "Compensation to the Management Board". His total compensation in 2012 was kCHF 1,139.

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]	Fair value of matching shares PSMP 2012 earned in period[6/9]	Total compen-sation
Dr. David Martyr	2011	–	–	–	–	–	–	–	–	–	–	–	–
(CEO)[10]	2012	139	80	10	229	54	1,774	105	4,435	–	–	113	501
Gérard Vaillant	2011	–	–	–	–	–	–	–	–	–	–	–	–
(interim CEO)[11]	2012	952	–	–	952	59	–	–	–	–	–	–	1,011
Thomas Bachmann	2011	550	340	11	901	226	5,378	382	13,445	–	255	–	1,764
(former CEO)[12/13]	2012	458	275	9	742	160	4,929	292	18,853	–	42	401	1,637
Dr. Rudolf Eugster	2011	345	157	–	502	120	3,361	239	8,663	–	164	–	1,025
(CFO)	2012	345	118	–	463	108	3,697	219	12,350	–	32	315	1,137
Other members of the Management Board[14/15]	2011	1,062	455	5	1,522	366	8,536	606	23,713	–	450	–	2,944
	2012	1,349	475	19	1,843	460	13,776	815	36,162	–	52	781	3,951
Total	2011	1,957	952	16	2,925	712	17,275	1,227	45,821	–	869	–	5,733
	2012	3,243	948	38	4,229	841	24,176	1,431	71,800	–	126	1,610	8,237

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, 2011 to December 31, 2013 (PSMP 2011) and from January 1, 2012 to December 31, 2014 (PSMP 2012). Vested shares are blocked until the end of the performance period (December 31, 2013 and 2014 respectively). The shares are fully included in the amount of fair value of initial shares.

4 Formula for 2011: Shares granted in 2011 * fair value at grant (CHF 78.95) * [1 - estimated labor turnover rate (10 %)] and formula for 2012:Shares granted in 2012 * fair value at grant (CHF 65.75) * [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 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.

7 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} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2010 earned in period 2011; formula for 2012: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 12,448 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2010 earned in period 2012.

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} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011; formula for 2012: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 14,428 shares]) * estimated matching share factor of 0.36} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2011 earned in period 2012.

9 Formula for 2012: {initial shares granted 2012 plus mandatory and voluntary investments that qualify for matching shares [total 26,502 shares]) * estimated matching share factor of 2.50 * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2012 earned in period 2012.

10 The employment started on October 10, 2012.

11 Gérard Vaillant was interim CEO during the period from February to October 2012. His total compensation is reported in note 10.1.

12 Thomas Bachmann was released from work on February 13, 2012, whereas the formal employment ended on October 31, 2012.

13 Member of the Management Board with the highest compensation in 2011 and 2012.

14 2011: Total five members, including two members who joined the Management Board during the year.

15 2012: Total six members, including two members who left and one member who joined the Management Board during the year.

No termination benefits were paid in 2011 and 2012.

Loans granted to the Management Board

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

CHF 1,000	2011	2012
Thomas Bachmann (former CEO)	267	–
Dr. Rudolf Eugster (CFO)	133	–
Other member of the Management Board	133	–
Balance at December 31	**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. At December 31, 2012, all advance facilities were paid back.

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.

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
					2007	2008	2009	2010	2011	
Strike price in CHF					70.00	69.00	39.70	70.00	69.00	
Expiring in					2013	2014	2015	2016	2017	
Rolf Classon	2011	808	–	**808**	–	–	–	1,132	814	**1,946**
(Chairman)	2012	1,547	2,800	**4,347**	–	–	–	1,700	1,628	**3,328**
Heinrich Fischer	2011	404	10,000	**10,404**	–	864	1,551	566	407	**3,388**
(Vice Chairman)	2012	774	10,000	**10,774**	–	864	1,551	850	814	**4,079**
Dominique F. Baly	2011	404	–	**404**	–	–	–	566	407	**973**
	2012	774		**774**	–	–	–	850	814	**1,664**
Oliver S. Fetzer	2011	404	–	**404**	–	–	–	–	–	**–**
	2012	774		**774**	–	–	–	–	–	**–**
Dr. Karen Hübscher	2011	–	–	**–**	–	–	–	–	–	**–**
(since April 2012)	2012	370		**370**	–	–	–	–	–	**–**
Gérard Vaillant	2011	404	–	**404**	234	864	–	566	407	**2,071**
	2012	774		**774**	234	864	–	850	814	**2,762**
Erik Walldén	2011	404	–	**404**	–	–	–	–	–	**–**
	2012	774		**774**	–	–	–	–	–	**–**
Dr. Lukas Braunschweiler	2011	404	2,500	**2,904**	–	–	–	–	407	**407**
(until April 2012)[3]	2012	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2011		3,232	12,500	**15,732**	234	1,728	1,551	2,830	2,442	**8,785**
Balance at December 31, 2012		5,787	12,800	**18,587**	234	1,728	1,551	4,250	4,070	**11,833**

[1] Members are entitled to vote, but only 2,229 shares (2011: 718 shares) are vested.

[2] Only vested options.

[3] Shares and share options in 2012 are not disclosed, because the member of the Board stepped down before year-end 2012.

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	2007	2008	2009	2010	
Strike price in CHF					99.00	70.00	69.00	39.70	70.00	
Expiring in					2012	2013	2014	2015	2016	
Dr. David Martyr (CEO) (since 2012)	2011	–	–	**–**	–	–	–	–	–	**–**
	2012	1,774		**1,774**	–	–	–	–	–	**–**
Dr. Rudolf Eugster (CFO)	2011	6,991	–	**6,991**	300	1,280	1,113	1,386	1,562	**5,641**
	2012	11,931		**11,931**	–	1,280	1,113	1,386	2,345	**6,124**
Dr. Martin Brusdeilins	2011	–	–	**–**	–	–	–	–	–	**–**
	2012	4,650		**4,650**	–	–	–	–	–	**–**
Dr. Bernhard Grob	2011	2,830	–	**2,830**	–	–	–	–	–	**–**
	2012	6,047		**6,047**	–	–	–	–	–	**–**
Markus Schmid	2011	1,142	–	**1,142**	–	–	–	–	–	**–**
	2012	3,656		**3,656**	–	–	–	–	–	**–**
Andreas Wilhelm (since 2012)[3]	2011	–	–	**–**	–	–	–	–	–	**–**
	2012	5,078		**5,078**	–	707	459	–	971	**2,137**
Thomas Bachmann (former CEO) (until October 2012)[4]	2011	12,701	5,041	**17,742**	–	871	1,380	2,484	2,266	**7,001**
	2012	–	–	**–**	–	–	–	–	–	**–**
Dr. Jürg Dübendorfer (until May 2012)[4]	2011	6,851	–	**6,851**	160	1,071	726	455	1,096	**3,508**
	2012	–	–	**–**	–	–	–	–	–	**–**
Frederic Vanderhaegen (until October 2012)[4]	2011	5,127	–	**5,127**	–	–	–	1,776	1,340	**3,116**
	2012	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2011		35,642	5,041	**40,683**	460	3,222	3,219	6,101	6,264	**19,266**
Balance at December 31, 2012		33,136	–	**33,136**	–	1,987	1,572	1,386	3,316	**8,261**

[1] Members are entitled to vote, but only 17,054 shares (2011: 19,534 shares) are vested.

[2] Only vested options.

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

[4] Shares and share options in 2012 are not disclosed, because the member of the Board stepped down before year-end 2012.

Financial Report 2012

Chief Financial Officer's Report

Tecan was able to consolidate its healthy balance sheet and accelerated sales growth in the second half year.

Dr. Rudolf Eugster
Chief Financial Officer

The Tecan Group closed 2012 with a solid business performance and acceleration in sales growth in the second half. Tecan has a healthy balance sheet and the equity ratio continued to increase in the reporting period.

Sales

Sales increased by 3.8 % to CHF 391.1 million in 2012 (2011: CHF 377.0 million) and were up by 1.9 % in local currencies. Following low growth in the first six months, sales were more dynamic in the second half and were 7.1 % higher than in the prior-year period. This corresponds to an increase of 3.3 % in local currencies.

In Europe, sales in Swiss francs were 7.8 % below the previous year, which equates to a decrease of 7.2 % in local currencies. This decrease is due to lower sales in the Partnering Business, as sales-related development costs under an OEM project largely declined. As a result of the challenging economic situation in some European countries, sales in the Life Sciences Business were also below the prior-year level. Sales in Europe were 1.8 % below 2011 in Swiss francs, and 2.5 % lower in local currency terms in the second half.

In North America, Tecan achieved sales growth of 10.4 % in Swiss francs and 5.4 % in local currencies. Growth in this region was driven by the strong performance of the Partnering Business, primarily a considerable increase in sales in the component business. Life Sciences Business sales to end customers were also below the prior-year level in North America due to the continuing strained economic environment. In the second half of the year, sales in North America increased by 9.4 %, or 2.4 % in local currencies.

Sales in Asia were strong, growing by 24.5 % in Swiss francs and by 20.2 % in local currencies. Investments in the market organizations are starting to pay off, particularly in China. Driven by the Life Sciences Business, sales in China increased at a high double-digit percentage rate. In the second half of the year, sales in Asia increased by 19.2 %, or 14.2 % in local currencies.
Recurring sales of consumables and services increased by 6.0 % in the year under review, or by 4.0 % in local currency terms, and accounted for 30.6 % of total sales (2011: 30.0 %). Sales of consumables grew by 17.9 % in Swiss francs and by 15.4 % in local currencies to a share of 9.1 % of total sales (2011: 8.0 %)

The reader is referred to the “Life Sciences Business” and “Partnering Business” sections of this Annual Report for a detailed description of the business performance of the individual segments.

Order entry in 2012 was only slightly below the prior-year figure at CHF 382.3 million (2011: CHF 383.9 million). Advance orders in 2011 resulted in a significant decline in order entry in the first six months of 2012, but this decline was almost fully offset in the second half by growth in order entry of 7.9 % (+4.1 % in local currencies).

Gross profit

Gross profit increased to CHF 198.3 million in 2012, which was CHF 6.6 million or 3.4 % above the prior-year figure. The reported gross profit margin was 50.7 %, slightly below the prior-year figure (2011: 50.9 %).

This is the net impact of the following effects on the gross profit margin:
Currency effects and cost savings made a positive contribution, while the product mix and costs booked in connection with a development program for an OEM customer had a negative effect on the gross profit margin.

Operating expenses less cost of sales

Operating expenses less cost of sales increased at the same rate as sales. Operating expenses totaled CHF 147.0 million, compared with CHF 141.4 million in the prior year.

Sales and marketing expenses also increased in proportion to sales growth, with further investments being made in the market organizations in the Asia Pacific region.

Research and development spending in 2012 amounted to 13.2 % of sales (2011: 12.5 %) or CHF 51.5 million (2011: CHF 47.0 million). All told, research and development activities amounted to CHF 114.7 million gross (2011: CHF 90.6 million). These figures also include the development costs capitalized in the balance sheet of CHF 4.0 million gross and development costs for OEM partners of CHF 61.9 million.

General and administration expenses fell by 2.9 %, as the costs of two strategy projects had been booked in 2011.

Operating profit

Operating profit before interest and taxes (EBIT) increased by 2.0 % to CHF 52.3 million in 2012 (2011: CHF 51.3 million). At 13.4 % of sales, the operating profit margin exceeded the expected range of 12.2 % to 13.2 %, and was only slightly below the prior-year level (2011: 13.6 %), despite the fact that research and development spending increased by 0.7 percentage points year-on-year.

Financial result and taxes

The financial result declined to CHF 0.2 million (2011: CHF 2.3 million). Exchange rates fluctuated sharply in the previous year and profits were generated from currency hedging measures. 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 increased to 19.7 % (2011: 16.1 %). The tax rate had been unusually low in the prior year, as it had been possible to close tax audits and capitalize a tax credit.

Net profit

Net profit from continuing operations amounted to CHF 42.2 million in 2012 (2011: CHF 44.9 million). Net profit in 2011 benefited from a significantly better financial result, which was largely attributable to currency hedging measures. The net profit margin amounted to 10.8 % of sales in 2012 (2011: 11.9 %). Earnings per share from continuing operations were CHF 3.90 (2011: CHF 4.18). On average, a total of 10.81 million shares were outstanding in 2012 (2011: 10.75 million shares).

Balance sheet and equity ratio

Tecan's equity ratio increased during the reporting period and reached 71.9 % as of December 31, 2012 (December 31, 2011: 69.1 %). The Company's share capital stood at CHF 1,144,458 at the reporting date (December 31, 2012), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

Cash flow from operating activities

Cash flow from operating activities totaled CHF 2.4 million (2011: CHF 45.1 million). Excluding prefinancing of an OEM development project by Tecan, cash flow from operating activities amounted to CHF 45.0 million.

Investments in 2012 amounted to CHF 14.0 million (2011: CHF 14.1 million), compared to CHF 10.3 million for amortization and depreciation (2011: CHF 9.2 million).

Net liquidity (cash and cash equivalents less bank liabilities and loans) amounted to CHF 141.3 million (December 31, 2011: CHF 163.0 million) despite increased investments in development programs.

Dr. Rudolf Eugster
Chief Financial Officer

Five-year consolidated data

CHF 1,000	2008	2009	2010	2011	2012
Income statement					
Sales	396,042	356,248	370,548	376,970	391,108
Operating profit	31,191	59,521	55,971	51,271	52,306
Financial result	1,301	689	2,100	2,289	181
Income taxes	(6,869)	(12,869)	(11,137)	(8,645)	(10,332)
Profit from continuing operations[1]		47,341	46,934	44,915	42,155
Result from discontinued operation, net of income taxes[1]		1,999	(30,730)	2,644	–
Profit for the period	25,623	49,340	16,204	47,559	42,155
Research and development, gross	(41,869)	(33,747)	(37,372)	(47,004)	(51,475)
Personnel expenses	(131,990)	(123,051)	(128,525)	(131,666)	(138,865)
Depreciation of property, plant and equipment	(7,649)	(6,441)	(6,024)	(5,952)	(6,251)
Amortization of intangible assets	(3,570)	(725)	(1,738)	(3,147)	(3,967)
Impairment losses	(28,879)	–	–	–	–
Balance sheet					
Current assets	237,018	258,963	274,760	322,980	351,968
Non-current assets	88,846	89,656	63,741	66,961	69,333
Total assets	325,864	348,619	338,501	389,941	421,301
Current liabilities	113,840	131,439	98,669	107,263	103,696
Non-current liabilities	52,838	14,247	11,792	13,365	14,767
Total liabilities	166,678	145,686	110,461	120,628	118,463
Shareholders' equity	159,186	202,933	228,040	269,313	302,838
Cash flow statement					
Cash inflows from operating activities	58,929	66,150	62,520	45,116	2,405
Capital expenditure in property, plant and equipment and intangible assets	(7,543)	(10,896)	(12,585)	(14,080)	(13,978)
Acquisition of Tecan Australia Pty Ltd, net of cash acquired	–	–	–	–	(119)
Disposal of discontinued operation, net of cash disposed of	–	–	(2,370)	5,480	–
Change in treasury shares (net)	(55,353)	1,939	21,244	1,154	3,403
Dividends paid	(5,001)	(9,681)	(10,412)	(10,771)	(13,532)
Other information					
Number of employees (end of period)	1,116	1,014	1,059	1,107	1,185
Number of employees (average)	1,110	1,001	1,031	1,079	1,163
Research and development in % of sales	10.6%	9.5%	10.1%	12.5%	13.2%
Sales per employee	357	356	359	349	336
Information per share					
Basic earnings per share from continuing operations (CHF)[1]	2.35	4.58	4.50	4.18	3.90
Basic earnings per share including discontinued operation (CHF)[1]	2.35	4.77	1.55	4.42	3.90
Gross dividend (CHF)[2]	0.90	1.00	–	–	0.50[3]
Payout from statutory capital contribution reserve (CHF)[2]	–	–	1.00	1.25	1.00[3]
Total payout (CHF)[2]	0.90	1.00	1.00	1.25	1.50[3]
Total payout ratio[4]	38.3%	21.0%	64.5%	28.3%	38.5%

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

[2]Payment is made in following year.

[3]Proposal to the Annual General Meeting of Shareholders on April 17, 2013

[4]Based on basic earnings per share including discontinued operation

Consolidated balance sheet at December 31

Assets

CHF 1,000	Notes	2011	2012
Cash and cash equivalents	5	165,089	144,528
Current loans and derivatives	6	4,974	834
Trade accounts receivable	7	71,909	82,392
Other accounts receivable		8,727	10,778
Inventories	8	67,918	109,424
Income tax receivables		1,044	982
Prepaid expenses		3,319	3,030
Current assets		**322,980**	**351,968**
Non-current financial assets	9	842	1,531
Property, plant and equipment	10	17,045	19,544
Intangible assets	11	38,606	39,864
Deferred tax assets	25	10,468	8,394
Non-current assets		**66,961**	**69,333**
Assets		**389,941**	**421,301**

Liabilities and equity

CHF 1,000	Notes	2011	2012
Current bank liabilities and derivatives	12	1,261	1,571
Trade accounts payable		12,264	10,691
Other accounts payable		16,107	17,674
Deferred revenue	13	19,872	18,420
Income tax payables		10,150	7,798
Accrued expenses		36,194	36,849
Current provisions	15	11,415	10,693
Current liabilities		**107,263**	**103,696**
Non-current bank liabilities and derivatives	12	3,128	3,325
Liability for post-employment benefits	14	5,720	6,384
Non-current provisions	15	1,581	2,060
Deferred tax liabilities	25	2,936	2,998
Non-current liabilities		**13,365**	**14,767**
Total liabilities		**120,628**	**118,463**
Share capital		1,144	1,144
Capital reserve		11,521	9,359
Treasury shares		(29,011)	(23,527)
Retained earnings		314,005	345,663
Translation differences		(28,346)	(29,801)
Shareholders' equity	19	**269,313**	**302,838**
Liabilities and equity		**389,941**	**421,301**

Consolidated statement of profit or loss

Continuing operations

CHF 1,000	Notes	2011	2012
Sales	20	**376,970**	**391,108**
Cost of sales		(185,242)	(192,833)
Gross profit		**191,728**	**198,275**
Sales and marketing		(57,832)	(59,894)
Research and development	22	(47,004)	(51,475)
General and administration		(36,627)	(35,583)
Other operating income	23	1,006	983
Operating profit	20	**51,271**	**52,306**
Financial income		853	143
Finance cost		(130)	(202)
Foreign exchange gains, net		1,566	240
Financial result	24	***2,289***	***181***
Profit before taxes		**53,560**	**52,487**
Income taxes	25	(8,645)	(10,332)
Profit from continuing operations		**44,915**	**42,155**

Discontinued operation

CHF 1,000	Notes	2011	2012
Profit from discontinued operation, net of income taxes	4	2,644	–
Profit for the period		**47,559**	**42,155**
Earnings per share from continuing operations			
Basic earnings per share (CHF/share)	27	4.18	3.90
Diluted earnings per share (CHF/share)	27	4.12	3.84
Earnings per share			
Basic earnings per share (CHF/share)	27	4.42	3.90
Diluted earnings per share (CHF/share)	27	4.36	3.84

Consolidated statement of profit or loss and other comprehensive income

CHF 1,000	2011	2012
Profit for the period	**47,559**	**42,155**
Translation differences	(568)	(1,455)
Other comprehensive income, net of income taxes[1]	***(568)***	***(1,455)***
Total comprehensive income for the period	**46,991**	**40,700**

[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 equity

CHF 1,000	Notes	Share capital	Capital reserve	Treasury shares	Retained earnings	Translation differences	Total share-holders' equity
Shareholders' equity at January 1, 2011		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 for the period		**–**	**–**	**–**	***47,559***	***(568)***	***46,991***
Dividends paid	19	–	–	–	(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
Total contributions by and distributions to owners		**–**	***(1,593)***	***3,028***	***(7,153)***	**–**	***(5,718)***
Shareholders' equity at December 31, 2011		**1,144**	**11,521**	**(29,011)**	**314,005**	**(28,346)**	**269,313**
Profit for the period		–	–	–	42,155	–	42,155
Translation differences		–	–	–	–	(1,455)	(1,455)
Total comprehensive income for the period		**–**	**–**	**–**	***42,155***	***(1,455)***	***40,700***
Dividends paid	19	–	–	–	(13,532)	–	(13,532)
Taxes on capital increase		–	(2)	–	–	–	(2)
Treasury shares issued based on employee participation plans	14/19	–	(2,160)	5,484	–	–	3,324
Share-based payments	14	–	–	–	3,035	–	3,035
Total contributions by and distributions to owners		**–**	***(2,162)***	***5,484***	***(10,497)***	**–**	***(7,175)***
Shareholders' equity at December 31, 2012		**1,144**	**9,359**	**(23,527)**	**345,663**	**(29,801)**	**302,838**

Consolidated statement of cash flows

CHF 1,000	Notes	2011	2012
Profit for the period		47,559	42,155
Adjustments for:			
Depreciation and amortization	10/11	9,099	10,262
Change in provisions and liability for post-employment benefits	14/15	1,985	577
Interest income	24	(703)	(143)
Interest expenses	24	101	84
Income taxes	25	8,645	10,332
Gain on sale of discontinued operation	4	(2,644)	–
Equity-settled share-based payment transactions	14	3,618	3,035
Other non-cash items		(119)	1,206
Change in working capital:			
Trade accounts receivable	7	(6,477)	(10,959)
Inventories	8	(24,928)	(41,270)
Trade accounts payable		2,647	(2,079)
Other changes in working capital (net)		13,774	239
Income taxes paid		(7,441)	(11,034)
Cash inflows from operating activities		**45,116**	**2,405**
Repayment of time deposits and current loans		20,200	533
Interest received		668	139
Acquisition of Tecan Australia Pty Ltd, net of cash acquired	4	–	(119)
Deferred and contingent consideration from disposal of discontinued operation	4	5,480	–
Purchase of property, plant and equipment	10	(9,605)	(9,091)
Proceeds from sales of property, plant and equipment	10	178	80
Investment in intangible assets	11	(4,475)	(4,887)
Cash in/(out)flows from investing activities		**12,446**	**(13,345)**
New shares issued upon exercise of employee share options	19	281	(2)
Dividends paid	19	(10,771)	(13,532)
Proceeds from sales of treasury shares	19	1,154	3,403
Change in current bank liabilities	12	(16)	(11)
Increase in bank loans	12	1,055	1,036
Repayment of bank loans	12	(492)	–
Interest paid		(89)	(83)
Cash outflows from financing activities		**(8,878)**	**(9,189)**
Effect of exchange rate fluctuations on cash held		(474)	(440)
Increase/(decrease) in cash and cash equivalents		**48,210**	**(20,569)**
Cash and cash equivalents at January 1		116,879	165,089
Cash and cash equivalents at December 31		**165,089**	**144,520**
Cash and cash equivalents as per cash flow statement comprise:			
Cash and cash equivalents as per balance sheet	5	165,089	144,528
./. Bank overdrafts under bank pooling arrangements	12	–	(8)
= Cash and cash equivalents as per cash flow statement		**165,089**	**144,520**

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, 2012. 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 issuance by the Board of Directors on March 5, 2013. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 17, 2013.

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 Inventories – capitalized development costs

In 2010, the Group entered into an OEM agreement with a global diagnostics company. The agreement 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 and amounted to CHF 73.7 million at the end of 2012. 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, 2012, 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, 2012 the goodwill "Life Sciences Business" was CHF 26.8 million. The Group performed the mandatory annual impairment test in July 2012. 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 Intangible assets – capitalized development costs

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 2012, the Group has capitalized development costs in the amount of CHF 7.8 million as disclosed in note 11.

2.2.4 Revenue recognition – percentage of completion method

The Group applies the percentage of completion method (POC) in accounting for construction contracts as outlined in the accounting and valuation principles (see note 2.7.3). The use of the POC method requires the management to determine the stage of completion by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs (cost-to-cost method). Based on the estimated stage of completion, a respective portion of the expected revenue is recognized. If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known to the management. See note 7 for more details.

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

The Group established performance share matching plans. 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 performance 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.

2.2.6 Income taxes

At December 31, 2012, the net liability for current income taxes was CHF 6.8 million and the net asset for deferred taxes was CHF 5.4 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 amended standards, effective as from January 1, 2012:

Standard[1]
IFRS 7 amended "Financial Instruments: Disclosures" – Transfers of Financial Assets
IAS 12 amended "Income taxes" – Deferred Tax: Recovery of Underlying Assets

[1] IAS = International Accounting Standard, IFRS = International Financial Reporting Standard

The adoption of these amended standards 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/amended 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" – Offsetting Financial Assets and 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
"Consolidated Financial Statements", "Joint Arrangements" and "Disclosure of Interests in Other Entities": Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	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
Annual Improvements to IFRSs – 2009 – 2011 Cycle	Reporting year 2013
IAS 32 amended "Financial Instruments: Presentation" – Offsetting Financial Assets and Liabilities	Reporting year 2014
"Investment Entities" (Amendments to IFRS 10, IFRS 12 and IAS 27)	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". Nevertheless their introduction may require additional disclosures in the notes of the consolidated financial statements.

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. In addition, the revised standard states that risk sharing arrangements shall be reflected in the calculation of the defined benefit obligation. Under current IAS 19, the employer's net service costs are determined as the gross service costs for the plan less the cash contributions paid by the employee. Under IAS 19 revised the employer's net service costs will be determined as the gross service costs less the employee contributions calculated using the Projected Unit Credit Method. The new requirement to allocate employee contributions to periods of service in the same way as benefits are allocated to employee's service is expected to impact the defined benefit obligation and service costs for all pension plans for which employee contributions increase with age.

Furthermore, the interest cost and expected return on plan assets used in the current version of IAS 19 are replaced with a net-interest amount, which is calculated by applying the discount rate to the net defined benefit obligation. This change will increase the employee benefit expenses of the Group that are recognized in profit or loss.

Finally the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net-interest amount on the net defined benefit obligation 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.

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 or loss. If the revised standard was introduced already in 2012, the impact on the financial statements would have been as follows:

	2012		2012	
	Current IAS 19[1]		Revised IAS 19[1]	
CHF million	Presentation	Amount	Presentation	Amount
Balance sheet at December 31				
Net defined benefit obligation, calculated		20.8		17.6
Liability for post-employment benefits recognized at year-end		6.4		17.6
Unrecognized actuarial losses		14.4		–
Statement of profit or loss				
Net current service costs	Operating profit	5.2	Operating profit	5.2
Net interest cost and expected return on plan assets[2]	Operating profit	0.4	n/a	–
Amortization of actuarial losses	Operating profit	p.m.	n/a	–
Net interest costs[2]	n/a	–	Financial result	0.2
Expenses recognized in profit or loss		**5.6**		**5.4**
Remeasurement	n/a	–	Other comprehensive income	9.4
Expenses recognised in other comprehensive income		**–**		**9.4**
Total employee benefit costs		**5.6**		**14.8**

[1] Tax effect not considered.

[2] Anticipated voluntary change in presentation due to higher financing character under IAS 19R compared to current standard.

2.5 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.

2.6 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.

2.7 Accounting and valuation principles

2.7.1 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 statement of cash flows.

2.7.2 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.

2.7.3 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 statement of profit or loss. 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.

2.7.4 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 (2011: none).

2.7.5 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.

2.7.6 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 (2011: 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 statement of profit or loss 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:

Leasehold improvements	shorter of useful life or lease term
Furniture and fittings	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.

2.7.7 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 the intangible asset might be impaired.

2.7.8 Other intangible assets

Research costs – Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development costs – Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, external services, personnel, temporary employees, overhead and borrowing costs, if they are directly attributable to a qualifying asset. Other development expenditure is recognized in profit or loss as incurred.

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 that are recognized applying the acquisition method in accordance with IFRS are stated initially at fair value. The following valuation methods are used in order to determine the fair values at the acquisition date: multiperiod excess earnings method, relief from royalty method and replacement cost approach.

Intangible assets are measured at cost less accumulated amortization (see below) and impairment losses (see separate accounting policy). Amortization is charged to the statement of profit or loss 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	5 – 15 years

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

2.7.9 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, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually. An impairment loss is recognized in the statement of profit or loss 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.

2.7.10 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 statement of profit or loss over the period of the borrowings on an effective interest basis.

2.7.11 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.

2.7.12 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 statement of profit or loss 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.

2.7.13 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.

2.7.14 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.

2.7.15 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 statement of profit or loss.

2.7.16 Treasury shares
In the case the Group purchases own shares, the consideration paid is recognized as treasury shares and presented as a deduction from equity until these shares are cancelled or sold. Any consideration received from the sale of these shares is recognized in equity.

2.7.17 Segment reporting
Segment information is presented in the same manner as in the internal reporting to the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance and for the allocation of resources to the segments, 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. The business segment "Sample Management" was disposed of September 1, 2010.

2.7.18 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 statement of profit or loss 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 statement of profit or loss in proportion to the stage of completion of the contract (see note 2.7.3 "Construction contracts").

2.7.19 Government research subsidies

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

2.7.20 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (transactions with owners), 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)		Statement of profit or loss (average exchange rates Jan. to Dec.)	
CHF		31.12.2011	31.12.2012	2011	2012
EUR	1	1.22	1.21	1.23	1.21
GBP	1	1.45	1.49	1.42	1.49
SEK	100	13.64	14.07	13.66	13.85
USD	1	0.94	0.92	0.89	0.94
SGD	1	0.72	0.75	0.70	0.75
CNY	1	0.15	0.15	0.14	0.15
JPY	100	1.21	1.06	1.11	1.18
AUD	1	n/a	0.95	n/a	0.97

4 Changes in scope of consolidation

4.1 Acquisition through business combination

The Group acquired 100% of the voting rights 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 fair value of the identifiable assets and liabilities of Tecan Australia Pty Ltd and the net cash outflow at the date of acquisition were:

CHF 1,000	02.01.2012
Cash and cash equivalents	32
Trade accounts receivable (gross contractual amount)	1,074
Inventories	613
Other current assets	104
Property, plant and equipment	6
Intangible asset "Acquired client relationships"	735
Assets	**2,564**
Trade accounts payable	(137)
Deferred revenue	(906)
Other current liabilities	(526)
Non-current provisions	(3)
Deferred tax liabilities	(125)
Liabilities	**(1,697)**
Total identifiable net assets at fair value	**867**
Goodwill arising on acquisition	p.m.
Consideration transferred for the business combination	**867**
Cash acquired	(32)
Contingent consideration	(286)
Settlement of pre-existing relationship (receivable/payable)	(430)
Net cash outflow	**119**

The acquisition was accounted for using the acquisition method. However no goodwill resulted from the purchase price allocation. The contingent payment in the amount of CHF 0.3 million depends on the realization of the existing order backlog. It falls due end of 2012 (50 %) and end of 2013 (50 %) respectively and is expected to be paid in full, without any reductions. The acquisition-related costs of CHF 0.1 million were already incurred and recognized in 2011.

For the twelve-month period from the date of acquisition, Tecan Australia has contributed CHF 3.8 million of sales and CHF -0.2 million to the operating profit of the Group.

4.2 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.

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".

Result from discontinued operation

CHF 1,000	2011	2012
Result from operating activities, net of income taxes	**–**	**–**
Gain on settlement of deferred and contingent considerations	2,644	–
Related income taxes	–	–
Profit from discontinued operation, net of income taxes	**2,644**	**–**
Earnings per share from discontinued operation		
Basic earnings per share (CHF/share)	0.24	–
Diluted earnings per share (CHF/share)	0.24	–

Cash inflow from discontinued operation

CHF 1,000	2011	2012
Net cash flow from operating activities	–	–
Net cash inflow from investing activities	5,480	–
Net cash flow from financing activities	–	–
Net cash inflow from discontinued operation	**5,480**	**–**

5 Cash and cash equivalents

CHF 1,000	2011	2012
Cash and cash equivalents		
denominated in CHF	125,957	110,855
denominated in EUR	26,006	12,965
denominated in GBP	1,123	1,850
denominated in USD	7,336	12,536
denominated in JPY	1,909	1,660
denominated in other currencies	2,758	4,662
Balance at December 31	**165,089**	**144,528**
Thereof time deposits with maturities of less than three months from the date of acquisition	4,676	82,316
Effective interest rate	0.2 %	0.1 %

6 Current loans and derivatives

CHF 1,000	2011	2012
Current derivatives	4,441	834
Current loans to employees (see note 26)	533	–
Balance at December 31	**4,974**	**834**

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	2011	2012
Trade accounts receivable		
denominated in CHF	7,445	18,288
denominated in EUR	26,779	22,046
denominated in GBP	941	1,095
denominated in USD	27,569	29,961
denominated in JPY	3,354	3,862
denominated in other currencies	1,695	4,908
Subtotal trade accounts receivable	*67,783*	*80,160*
Allowance for doubtful accounts		
Individual impairment allowance account	(1,396)	(2,152)
Collective impairment allowance account	(47)	(58)
Subtotal allowance for doubtful accounts	*(1,443)*	*(2,210)*
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	14,743	19,553
Amounts of advances received	(9,174)	(15,111)
Subtotal construction contracts in progress	*5,569*	*4,442*
Balance at December 31	**71,909**	**82,392**
Increase	6,477	10,959
Acquisition through business combination	–	1,074
Translation differences	(84)	(1,550)
Total change compared with previous year	*6,393*	*10,483*
Amount of contract revenue recognized as sales in the statement of profit or loss relating to construction contracts	9,688	4,810

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

CHF 1,000	2011	2012
Switzerland (domestic)	3,046	2,817
Euro-zone countries	24,122	28,245
Other European countries	2,442	2,280
North America	28,774	35,307
Asia	8,099	9,531
Other	1,300	1,980
Balance at December 31	**67,783**	**80,160**

The Group's most significant customer accounts for 6.1% of the trade accounts receivable carrying amount at December 31, 2012 (December 31, 2011: 4.7%).

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

CHF 1,000	2011	2012
Individual impairment allowance account		
Balance at January 1	(1,456)	(1,396)
Change in impairment losses	49	(1,118)
Write-offs	2	336
Translation differences	9	26
Balance at December 31	**(1,396)**	**(2,152)**
Amount of trade accounts receivable with individual impairment (gross)	1,662	2,174
Collective impairment allowance account		
Balance at January 1	(55)	(47)
Change in impairment losses	7	(12)
Translation differences	1	1
Balance at December 31	**(47)**	**(58)**

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

	2011		2012	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	54,490	(40)	60,285	(41)
Past due 1–30 days	6,700	–	11,852	(14)
Past due 31–90 days	2,882	(1)	3,970	(3)
Past due 91–360 days	1,747	(2)	1,837	–
Past due more than one year	302	(4)	42	–
Balance at December 31	**66,121**	**(47)**	**77,986**	**(58)**

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 2011 and 2012 represents less than 1% of sales.

8 Inventories

CHF 1,000	2011	2012
Raw materials, semi-finished and finished goods	40,517	41,098
Allowance for slow-moving inventories	(7,314)	(8,006)
Work in progress	3,611	2,643
Capitalized customer-specific development costs	31,104	73,689
Balance at December 31	**67,918**	**109,424**
Increase	24,928	41,270
Acquisition through business combination	–	613
Translation differences	(94)	(377)
Total change compared with previous year	*24,834*	*41,506*
Amount of inventories stated at fair value less costs to sell	3,248	4,018
Amount of write-offs due to slow-moving inventories charged to the income statement	2,322	1,062

9 Non-current financial assets

CHF 1,000	2011	2012
Non-current derivatives	10	720
Rent deposits	832	811
Balance at December 31	**842**	**1,531**

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	Leasehold improvements	Furniture and fittings	Machines and 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 between the classes of PPE and to position inventories	–	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 between the classes of PPE and to position inventories	–	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**

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Total 2012
At cost					
Balance at January 1, 2012	7,323	12,537	28,094	20,153	68,107
Acquisition through business combination	–	1	–	5	6
Additions	1,713	1,606	3,836	1,936	9,091
Disposals	(569)	(952)	(1,661)	(1,478)	(4,660)
Reclassification between the classes of PPE and to position inventories	–	–	(178)	2	(176)
Translation differences	(79)	(75)	(285)	(189)	(628)
Balance at December 31, 2012	**8,388**	**13,117**	**29,806**	**20,429**	**71,740**
Accumulated depreciation and impairment losses					
Balance at January 1, 2012	6,771	9,168	18,549	16,574	51,062
Annual depreciation	400	1,115	2,601	2,135	6,251
Disposals	(558)	(900)	(1,536)	(1,462)	(4,456)
Reclassification between the classes of PPE and to position inventories	–	–	(177)	1	(176)
Translation differences	(62)	(50)	(214)	(159)	(485)
Balance at December 31, 2012	**6,551**	**9,333**	**19,223**	**17,089**	**52,196**
Net book value	**1,837**	**3,784**	**10,583**	**3,340**	**19,544**

There were no material purchase commitments as of year-end 2011 and 2012.

11 Intangible assets

11.1 Overview

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**

CHF 1,000	Development costs	Software	Acquired client relationships	Goodwill	Total 2012
At cost					
Balance at January 1, 2012	9,209	22,650	–	26,801	58,660
Acquisition through business combination	–	–	735	–	735
Internally developed	3,967	920	–	–	4,887
Disposal	–	(332)	–	–	(332)
Translation differences	–	–	(11)	(13)	(24)
Balance at December 31, 2012	**13,176**	**23,238**	**724**	**26,788**	**63,926**
Accumulated amortization and impairment losses					
Balance at January 1, 2012	2,785	17,269	–	–	20,054
Annual amortization	2,636	1,269	106	–	4,011
Impairment losses	–	–	–	–	–
Translation differences	–	–	(3)	–	(3)
Balance at December 31, 2012	**5,421**	**18,538**	**103**	**–**	**24,062**
Net book value	**7,755**	**4,700**	**621**	**26,788**	**39,864**

The amortization charge is recognized in the following line items of the statement of profit or loss:

CHF 1,000	2011	2012
Cost of sales	–	–
Sales and marketing	–	106
Research and development	2,024	2,636
General and administration	1,113	1,269
Total amortization	**3,137**	**4,011**

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 2012

The Group performed impairment tests on cash-generating units containing goodwill in July 2012, 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	26,788	July 2012	Value in use	9.2 %	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, 2012.

Based on the impairment tests 2012, 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 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.

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, 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**

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, 2012	–	70	1,191	–	**1,261**	2,103	1,025	**3,128**
Acquisition through business combination	–	–	166	–	**166**	–	–	**–**
Increase/(decrease)	8	(13)	–	–	**(5)**	–	–	**–**
Change in fair value	–	–	148	–	**148**	–	(823)	**(823)**
Increase in bank loans	–	–	–	–	**–**	1,036	–	**1,036**
Repayment of bank loans	–	–	–	–	**–**	–	–	**–**
Transfer to current	–	–	–	–	**–**	–	–	**–**
Translation differences	–	1	–	–	**1**	(16)	–	**(16)**
Balance at December 31, 2012	**8**	**58**	**1,505**	**–**	**1,571**	**3,123**	**202**	**3,325**
Analysis by currency								
Denominated in CHF					–			–
Denominated in EUR					31			3,237
Denominated in GBP					7			–
Denominated in USD					1,284			88
Denominated in JPY					249			–
Total					**1,571**			**3,325**
Analysis by interest rates								
Interest-free					1,563			202
Variable interest rates depending on LIBOR					8			–
Fixed interest rate:								
0% – 2%					–			575
2% – 4%					–			2,548
4% – 6%					–			–
Total					**1,571**			**3,325**

In 2012, the average interest rate paid on bank loans was 2.0% (2011: 2.0%).

13 Deferred revenue

CHF 1,000	2011	2012
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	5,534	3,461
Deferred income related to service contracts	14,338	14,959
Balance at December 31	**19,872**	**18,420**
Increase/(decrease)	317	(1,990)
Acquisition through business combination	–	906
Translation differences	6	(368)
Total change compared with previous year	*323*	*(1,452)*

14 Employee benefits

14.1 Number of employees

FTE[1]	2011	2012
Employees – year-end	1,107	1,185
Employees – average	1,079	1,163

[1] FTE = Full time equivalent

14.2 Personnel expenses

Personnel expenses include the following:

CHF 1,000	2011	2012
Salaries and wages	105,792	111,534
Social security	13,255	14,145
Post-employment benefits		
• defined contribution plans	929	1,245
• defined benefit plans	5,237	5,607
Share-based payment	3,618	3,035
Other personnel expenses	2,835	3,299
Total personnel expenses	**131,666**	**138,865**

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

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

	2011	2012
Number of plans		
Funded plans	4	4
Unfunded plans	3	3
Number of people covered		
Participating employees	514	557
Retirees	5	11
Expected average remaining working lives of the participating employees (years)	11.8	11.5

The amounts recognized in the balance sheet are as follows:

CHF 1,000	2011	2012
Present value of funded obligations	65,647	80,737
Fair value of plan assets	(59,199)	(63,921)
Subtotal	*6,448*	*16,816*
Present value of unfunded obligations	3,193	4,027
Unrecognized net actuarial losses	(3,921)	(14,459)
Net liability at December 31	**5,720**	**6,384**

The amounts recognized in the statement of profit or loss are as follows:

CHF 1,000	2011	2012
Current service costs	7,733	8,345
Employee contributions	(2,887)	(3,143)
Interest expense on obligation	1,626	1,886
Expected return on plan assets	(1,249)	(1,495)
Amortization of actuarial losses	14	14
Total, included in personnel expenses	**5,237**	**5,607**
Actual return on plan assets	415	1,959

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

CHF 1,000	2011	2012
Balance at January 1	66,347	68,840
Current service costs	7,733	8,345
Insurance premiums	(1,489)	(1,674)
Benefits paid	(3,590)	(3,525)
Interest expense on obligation	1,626	1,886
Actuarial (gains)/losses	(1,770)	11,024
Translation differences	(17)	(132)
Balance at December 31	**68,840**	**84,764**

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

CHF 1,000	2011	2012
Balance at January 1	56,594	59,199
Employer contributions	4,382	4,819
Employee contributions	2,887	3,143
Insurance premiums	(1,489)	(1,674)
Benefits paid	(3,590)	(3,525)
Expected return on plan assets	1,249	1,495
Actuarial (losses)/gains	(834)	464
Balance at December 31	**59,199**	**63,921**

The Group expects to contribute CHF 5.0 million to its defined benefit plans in 2013.

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

	2011	2012
Equity securities	1.3 %	2.9 %
Debt securities	84.1 %	78.9 %
Real estate	11.4 %	11.6 %
Other	3.2 %	6.7 %
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):

	2011	2012
Discount rate at December 31	2.8 %	2.2 %
Expected return on plan assets at December 31	2.4 %	2.1 %
Future salary increases	1.8 %	2.1 %
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	2008	2009	2010	2011	2012
Defined benefit obligation	59,518	67,492	66,347	68,840	84,764
Plan assets	(54,923)	(57,804)	(56,594)	(59,199)	(63,921)
Deficit	*4,595*	*9,688*	*9,753*	*9,641*	*20,843*
Experience gains/(losses) on plan liabilities in %	2.2 %	-2.3 %	2.7 %	-1.0 %	0.2 %
Experience gains/(losses) on plan assets in %	-1.1 %	-1.2 %	-0.3 %	-1.4 %	0.7 %

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

14.4.1 Employee share option plans and SARs

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 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 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 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	Vesting period completed	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
Plan 2013 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2012	40,953 options CHF 69.60	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	November 2, 2019

All share options grant the right to purchase one Tecan share per option. Based on the plan 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:

	2011				2012			
	Weighted average exercise price (CHF)		Number		Weighted average exercise price (CHF)		Number	
	Options	SARs	Options	SARs	Options	SARs	Options	SARs
Balance at January 1	63.34	87.22	418,507	23,701	63.20	87.67	400,666	23,440
Granted	57.20	–	59,998	–	69.60	–	40,953	–
Exercised	53.81	48.40	(27,814)	(270)	55.43	48.80	(54,270)	(1,170)
Forfeited	61.38	–	(48,550)	–	42.65	–	(59,846)	–
Expired	93.71	99.00	(1,475)	9	96.33	99.00	(66,814)	(18,190)
Balance at December 31	**63.20**	**87.67**	**400,666**	**23,440**	**62.05**	**48.40**	**260,689**	**4,080**

The weighted average share price at the dates of exercise was CHF 75.13 in 2011 and CHF 70.20 in 2012.

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

		2011				2012			
	Exercise price	Remaining contractual life (years)		Number		Remaining contractual life (years)		Number	
		Options	SARs	Options	SARs	Options	SARs	Options	SARs
Plan 2002	99.0	0.9	0.9	61,770	18,190	-	-	–	–
Plan 2003	48.4	1.9	1.9	37,674	5,250	0.9	0.9	26,321	4,080
Plan 2007 B	70.0	1.9	–	14,526	–	0.9	–	11,148	–
Plan 2007 P	70.0	1.9	–	5,009	–	0.9	–	3,971	–
Plan 2008 B	69.0	2.9	–	25,858	–	1.9	–	20,608	–
Plan 2009 B	39.7	3.9	–	41,601	–	2.9	–	24,699	–
Plan 2009 P	39.7	3.9	–	52,732	–	-	–	–	–
Plan 2010	70.0	4.9	–	52,408	–	3.9	–	39,741	–
Plan 2011	69.0	5.8	–	49,090	–	4.8	–	40,335	–
Plan 2012	57.2	6.8	–	59,998	–	5.8	–	52,913	–
Plan 2013	69.6					6.8	–	40,953	–
Balance at December 31		**3.9**	**1.1**	**400,666**	**23,440**	**4.2**	**0.9**	**260,689**	**4,080**
Exercisable at period-end				237,286	23,440			166,476	4,080

The expenses, recognized in the consolidated statement of profit or loss, 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[1]	Option life	Expected dividends	Risk-free interest rate	Fair value
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**
Plan 2013	CHF 69.60	CHF 69.60	31.79 %	7.0 years	1.91 %	0.57 %	**CHF 19.13**

[1] 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 2003	CHF 48.40	CHF 48.40	38.00 %	11.0 years	0.84 %	2.83 %	**CHF 23.37**
2011							
Plan 2003	CHF 63.50	CHF 48.40	31.70 %	1.9 years	2.06 %	0.09 %	**CHF 17.79**
2012							
Plan 2003	CHF 76.50	CHF 48.80	27.70 %	0.9 years	1.79 %	0.05 %	**CHF 28.17**

[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).

Performance share matching plan (PSMP) 2012 – 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 March 21, 2012	2,959 shares	CHF 65.75	Graded vesting from May 1, 2012 to April 30, 2015[1]	Three years of service
Matching shares	Board of Directors on March 21, 2012	3,699 shares (maximum of potential shares granted)	CHF 62.00	May 1, 2012 to April 30, 2015	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (April 30, 2015).

Performance share matching plan (PSMP) 2012 – 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 March 21, 2012	29,498 shares	CHF 65.75	Graded vesting from January 1, 2012 to December 31, 2014[1]	Three years of service
Mandatory investment Annual bonus 2011 in excess of 100% of the target cash bonus was granted in form of shares	Extended Management Board on March 21, 2012	806 shares	CHF 65.75	Immediate vesting[1]	None
Matching shares	Extended Management Board on March 21, 2012	85,258 shares (maximum of potential shares granted)	CHF 62.00	January 1, 2012 to December 31, 2014	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (December 31, 2014).

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 / 2010 / 2011 in Tecan shares at market prices (average market value from January 1 to April 30, 2010 / 2011 / 2012). 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.

Number of shares outstanding at the end of the period:

Shares (excluding voluntary investments)	2011	2012
Balance at January 1	123,600	204,323
Granted	87,690	122,220
De-blocked and transferred to employee	(5,000)	(35,953)
Forfeited	(1,967)	(67,930)
Balance at December 31	**204,323**	**222,660**
Thereof vested, but blocked until the end of the performance period	29,172	29,198

The expenses, recognized in the consolidated statement of profit or loss, 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

Year/plan	Initial grant[1]	Mandatory investment[1]	Voluntary investment[1]	Total base shares	Matching share factor applied	Matching shares expected to vest[2]
2011						
PSMP 2010 – MB	24,982	1,054	3,334	29,370	0.00	–
PSMP 2011 – BoD	3,232	n/a	n/a	3,232	1.12	3,620
PSMP 2011 – MB	22,114	264	838	23,216	2.24	52,004
2012						
PSMP 2010 – MB	19,442	887	2,169	22,498	0.00	–
PSMP 2011 – BoD	2,962	n/a	n/a	2,962	0.18	533
PSMP 2011 – MB	15,317	153	141	15,611	0.36	5,620
PSMP 2012 – BoD	2,959	n/a	n/a	2,959	1.25	3,699
PSMP 2012 – MB	23,720	682	2,037	26,439	2.50	66,097

[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	2011	2012
Expenses arising from equity-settled share option plans	867	412
Expenses arising from performance share matching plans	2,751	2,623
Total personnel expenses recognized with impact on operating profit	*3,618*	*3,035*
Effect of changes in the fair value of SARs with impact on the financial result	(150)	37
Total expenses	**3,468**	**3,072**

The provision for cash-settled share-based payment transactions amounts to CHF 0.1 million at December 31, 2012 (2011: CHF 0.1 million, see note 15).

15 Provisions

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties and 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

CHF 1,000	Cash-settled share-based payment transactions (see note 14)	Restructuring	Warranties and returns	WEEE[1]	Legal cases	Other	Total 2012
Balance at January 1, 2012	104	43	8,587	715	762	2,785	12,996
Acquisition through business combination	–	–	38	–	–	3	41
Provisions made	37		1,795	140	3	883	2,858
Provisions used	(27)	(14)	(1,790)	(2)	(190)	149	(1,874)
Provisions reversed	–	(29)	(21)	–	–	(1,146)	(1,196)
Unwind of discounts	–	–	–	–	–	–	–
Translation differences	–	–	(76)	(1)	14	(9)	(72)
Balance at December 31, 2012	**114**	**–**	**8,533**	**852**	**589**	**2,665**	**12,753**
Thereof current	114	–	8,533	–	589	1,457	10,693
Thereof non-current	–	–	–	852	–	1,208	2,060

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

The provision for legal cases (2012: CHF 0.6 million and 2011: CHF 0.8 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 (2012: CHF 0.9 million and 2011: CHF 0.9 million), to controversial import duty positions (2012: CHF 0 million and 2011: CHF 0.5 million), to other non-current employee benefits (2012: CHF 1.1 million and 2011: CHF 0.7 million) and to several minor items (2012: CHF 0.7 million and 2011: CHF 0.7 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	2011	2012
Financial assets held for trading		
Derivatives	**4,451**	**1,554**
Loans and receivables		
Cash and cash equivalents	165,089	144,528
Current loans	533	–
Trade accounts receivable[1]	66,340	77,950
Other accounts receivable[1]	2,361	2,511
Non-current financial assets	832	811
Total	**235,155**	**225,800**
Financial liabilities held for trading		
Derivatives	**2,216**	**1,707**
Financial liabilities measured at amortized cost		
Bank liabilities and loans	2,173	3,189
Trade accounts payable	12,264	10,691
Other accounts payable[1]	4	34
Accrued expenses	36,194	36,849
Total	**50,635**	**50,763**

[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, 2012, 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 0.5 million (2011: CHF 0.7 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:

	2011				2012			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Cash and cash equivalents	55	15,397	1,494	1,574	88	6,180	8,123	3,772
Current loans	–	–	–	–	–	–	–	–
Trade accounts receivable[1]	1	1,923	1,817	501	2,175	1,387	981	1,045
Other accounts receivable[1]	–	–	–	–	–	–	–	–
Non-current financial assets	–	30	–	–	–	30	–	–
Current bank liabilities	–	–	–	–	–	–	–	–
Trade accounts payable	(16)	(2,787)	(957)	(197)	–	(1,647)	(517)	(45)
Other accounts payable[1]	–	–	–	–	–	–	–	–
Accrued expenses	–	–	–	(48)	–	(215)	–	(27)
Non-current bank liabilities	–	–	–	–	–	–	–	–
Foreign currency forwards	–	369	1,866	–	–	–	(202)	94
Foreign currency options	–	–	–	–	–	(44)	–	–
Net exposure to currency at December 31	**40**	**14,932**	**4,220**	**1,830**	**2,263**	**5,691**	**8,385**	**4,839**

[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	2011 higher/ (lower)	2012 higher/ (lower)
If CHF had weakened against EUR by 10%	1,122	(356)
If CHF had strengthened against EUR by 10%	(1,122)	525
If CHF had weakened against USD by 10%	(3,519)	(3,934)
If CHF had strengthened against USD by 10%	3,509	3,942

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:

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within Between 1 and 90 days	Due within Between 91 and 360 days	Due within 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**

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within Between 1 and 90 days	Due within Between 91 and 360 days	Due within Between 1 and 2 years
Foreign currency forwards						
Sale GBP	–	(7)	1,487	–	1,487	–
Purchase GBP	13	–	(1,487)	–	(1,487)	–
Sale USD	1,109	(1,073)	70,486	8,239	38,447	23,800
Purchase USD	3	(240)	(14,647)	(8,239)	(6,408)	–
Sale JPY	338	–	2,638	–	2,638	–
Purchase JPY	–	(250)	(2,638)	–	(2,638)	–
Foreign currency options						
Call short EUR	–	(137)	4,831	–	4,831	–
Put long EUR	91	–	(4,831)	–	(4,831)	–
Balance at December 31, 2012	**1,554**	**(1,707)**	**55,839**	**–**	**32,039**	**23,800**

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	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**

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	66	66	66	–	–	–
Trade accounts payable	10,691	10,691	10,550	141	–	–
Other accounts payable[1]	34	34	34	–	–	–
Accrued expenses	36,849	38,742	19,937	18,805	–	–
Non-current bank liabilities	3,123	3,234	–	57	2,598	579
Derivative financial liabilities						
Foreign currency forwards	*1,570*					
Outflow		50,364	16,660	30,042	3,662	–
Inflow		(48,680)	(15,963)	(29,184)	(3,533)	–
Foreign currency options	*137*					
Outflow		–	–	–	–	–
Inflow		–	–	–	–	–
Balance at December 31, 2012	**52,470**	**54,451**	**31,284**	**19,861**	**2,727**	**579**

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

Unused lines of credit amounting to CHF 44.5 million were available to the Group at December 31, 2012 (2011: CHF 44.4 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 3.0 million (2011: CHF 2.1 million) compared to a carrying amount of CHF 3.1 million (2011: CHF 2.1 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
	2011	2012			
Currency forwards	2,235	(107)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points])* amount in foreign currency
Currency options	–	(45)	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 2011 and 2012.

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	2011	2012
Due date		
1st year	6,003	6,461
2nd year	4,792	5,159
3rd year	3,656	4,261
4th year	2,961	2,579
5th year	1,261	1,599
6th year or beyond	5,301	4,216
Balance at December 31	**23,974**	**24,275**

In financial year 2012, CHF 7.7 million (2011: CHF 6.7 million) were recognized as expenses for leases in the consolidated statement of profit or loss.

The Group did not enter into any finance lease contracts.

18 Contingent liabilities and encumbrance of assets

As of December 31, 2011 and 2012, 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	2011	2012
Pledged assets		
Cash and cash equivalents	152,600	134,000
Derivatives with positive fair value	4,425	1,555

19 Shareholders' equity

19.1 Dividends paid

	2011	2012	2013 (proposed)
Number of shares eligible for dividend	10,771,157	10,825,923	
Dividends paid (CHF/share)	–	–	0.50
Payout from statutory capital contribution reserve (CHF/share)	1.00	1.25	1.00

19.2 Movements in shares outstanding

Shares (each share has a nominal value of CHF 0.10)	Shares issued	Treasury shares	Shares outstanding
Balance at January 1, 2011	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**
Treasury shares issued based on employee participation plans	–	93,041	93,041
Balance at December 31, 2012	**11,444,576**	**(546,590)**	**10,897,986**

19.3 Conditional share capital reserved for the employee participation plans

Shares (each share has a nominal value of CHF 0.10)	2011	2012
Balance at January 1	866,477	858,636
Employee share options exercised (see note 14)	(7,841)	–
Balance at December 31	**858,636**	**858,636**
Employee share options outstanding (see note 14)	424,106	264,769
Shares granted to employees based on performance share matching plans, outstanding (see note 14)	150,505	170,993

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

	2011	2012
Conditional share capital		
Shares	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Expiry date	21.04.2012	21.04.2014
Shares	2,400,000	2,200,000
CHF	240,000	220,000

The Articles of Incorporation of Tecan Group Ltd. (the ultimate holding company) require that the existing conditional share capital for future business development shall be reduced if and to the extent authorized capital is used and that the authorized capital shall be reduced if and to the extent new shares are created under the respective conditional capital. However, the conditional capital for employee participation plans is not affected by this rule.

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

	Life Sciences Business		Partnering Business		Corporate / consolidation		Group	
CHF 1,000	2011	2012	2011	2012	2011	2012	2011	2012
Sales third	232,240	235,152	144,730	155,956	–		376,970	391,108
Intersegment sales[1]	15,887	15,356	5,654	4,339	(21,541)	(19,695)	–	–
Total sales	**248,127**	**250,508**	**150,384**	**160,295**	**(21,541)**	**(19,695)**	**376,970**	**391,108**
Operating profit	**23,840**	**29,030**	**35,646**	**30,619**	**(8,215)**	**(7,343)**	**51,271**	**52,306**
Depreciation and amortization[2]	(6,260)	(6,633)	(2,839)	(3,629)	–	–	(9,099)	(10,262)
Impairment losses	–	–	–	–	–	–	–	–

[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.

CHF 1,000	2011	2012
Reconciliation of reportable segment sales:		
Total sales for reportable segments	398,511	410,803
Elimination of intersegment sales	(21,541)	(19,695)
Total consolidated sales	**376,970**	**391,108**
Reconciliation of reportable segment profit:		
Total operating profit for reportable segments	59,486	59,649
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(8,215)	(7,343)
Financial result	2,289	181
Total consolidated profit before taxes from continuing operations	**53,560**	**52,487**

20.2 Entity-wide disclosures

Products and services

CHF 1,000	2011	2012
Products	263,964	271,305
Services	113,006	119,803
Total sales third	**376,970**	**391,108**

Sales by regions (by location of customers)

CHF 1,000	2011	2012
Switzerland	11,763	10,648
Other Europe	166,201	153,361
North America	144,349	159,379
Asia	43,579	54,255
Others	11,078	13,465
Total sales third	**376,970**	**391,108**

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

	Property, plant and equipment		Intangible assets	
CHF 1,000	2011	2012	2011	2012
Switzerland	10,327	11,811	37,197	37,847
Other Europe	3,617	3,805	1,409	1,396
United States	2,772	3,273	–	–
Asia	329	655	–	621
Total	**17,045**	**19,544**	**38,606**	**39,864**

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	2011	2012
Material costs	119,817	112,803
Personnel costs	131,666	138,865
Depreciation of property, plant and equipment	5,952	6,251
Amortization of intangible assets	3,147	4,011
Other operating costs (net)	96,011	123,424
Total operating costs incurred (gross)	**356,593**	**385,354**
Capitalization of development costs in position inventories (see note 8)	(27,556)	(42,585)
Capitalization of development costs in position intangible assets (see note 11)	(3,338)	(3,967)
Total operating expenses, according to statement of profit or loss	**325,699**	**338,802**

22 Research and development

CHF 1,000	2011	2012
Gross research and development costs incurred[1]	90,617	114,694
Reclassification to cost of sales to match with revenue from development services	(14,753)	(19,303)
Capitalization of development costs in position inventories (see note 8)	(27,556)	(42,585)
Capitalization of development costs in position intangible assets (see note 11)	(3,338)	(3,967)
Amortization of development costs	2,034	2,636
Total research and development (gross, according to statement of profit or loss)	**47,004**	**51,475**
Government research subsidies	(965)	(983)
Total research and development (net)	46,039	50,492

[1] The amount includes the cost of materials, external services, personnel, temporary employees and overhead.

Costs for research and the development of new products (gross) amounted to 13.2 % of sales (2011: 12.5 %).

23 Other operating income

CHF 1,000	2011	2012
Government research subsidies	965	983
Other operating income (miscellaneous)	41	–
Total other operating income	**1,006**	**983**

24 Financial result

CHF 1,000	2011	2012
Interest income	703	143
Fair value adjustments on cash-settled share-based payment plans	150	–
Finance income	*853*	*143*
Interest expenses	(101)	(84)
Fair value adjustments on cash-settled share-based payment plans	–	(37)
Other	(29)	(81)
Finance cost	*(130)*	*(202)*
Result from derivatives	2,332	672
Other foreign exchange losses	(766)	(432)
Foreign exchange gains	*1,566*	*240*
Total financial result	**2,289**	**181**

25 Income taxes

CHF 1,000	2011	2012
Current income taxes	10,409	8,622
Deferred taxes	(1,764)	1,710
Total income taxes on continuing operations	**8,645**	**10,332**

The income tax expense can be analyzed as follows:

CHF 1,000	2011	2012
Profit before taxes from continuing operations	53,560	52,487
Tax expense based on the Group's weighted average rate of 22.1 % (2011: 21.5 %)	*11,520*	*11,603*
Non-deductible expenses and additional taxable income	770	380
Tax-free income and tax reductions	(2,264)	(2,288)
Change in recognition of tax losses	(1,526)	–
Unrecoverable withholding tax	166	10
(Over)/underprovided in prior years	(76)	479
Effect of tax rate change on opening deferred taxes	55	148
Tax expense reported for continuing operations	**8,645**	**10,332**

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 2012 increased to 22.1%.

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 reduced the tax expense reported in the prior year.

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2011	Change 2012	2012
Receivables	1,700	(1,694)	6
Inventories	1,680	294	1,974
Property, plant and equipment	(640)	(68)	(708)
Intangible assets	(594)	(309)	(903)
Liabilities and accrued expenses	4,367	(304)	4063
Provisions	1,215	(692)	523
Other	(468)	831	363
Total net deferred tax assets arising from temporary differences	*7,260*	*(1,942)*	*5,318*
Deferred taxes provided on expected dividends from subsidiaries	(1,062)	2	(1,060)
Potential tax benefits from tax loss carry-forwards	1,334	(196)	1,138
Total net deferred tax assets	**7,532**	**(2,136)**	**5,396**
Deferred taxes recognized in profit or loss relating to continuing operations	1,764		(1,710)
Deferred taxes recognized in profit or loss relating to discontinued operation	–		–
Acquisition through business combination	–		(125)
Translation differences	55		(301)
Total change compared with previous year	*1,819*		*(2,136)*

Temporary differences on inventories primarily related to income on intra-Group profit eliminated for consolidation purposes.

Tax loss carry-forwards:

	Potential tax benefits	
CHF 1,000	2011	2012
Expiring in		
1^{st} – 5^{th} year	–	–
6^{th} year or beyond	–	–
Unlimited	1,334	1,138
Total tax loss carry-forward capitalized	**1,334**	**1,138**

The potential tax benefits of all available tax loss carry-forwards were capitalized at year-end 2011 and 2012.

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2011	2012
Deferred tax assets	10,468	8,394
Deferred tax liabilities	(2,936)	(2,998)
Total (net)	**7,532**	**5,396**

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	2011	2012
Short-term employee benefits	4,068	4,640
Post-employment benefits	361	374
Other long-term benefits[1]	301	16
Termination benefits	–	799
Share-based payment[2]	2,784	2,093
Total compensation	**7,514**	**7,922**

[1] Settlement of long-term retention bonus

[2] See note 14.4 for more details

The Group recognized termination benefits amounting to CHF 0.8 million in 2012. They relate to contractually agreed fixed and variable salaries as well as contributions to social security that are payable for the period in which the former CEO was released from work prior to the termination of his employment.

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, 2012, all advance facilities were paid back.

For further details concerning compensation, ownership of shares and options and loans granted, please refer to notes 10 and 11 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.

	2011	2012
Number of shares issued	11,444,576	11,444,576
Number of treasury shares	(639,631)	(546,590)
Average number of shares outstanding	*10,756,118*	*10,817,668*
Basic earnings per share from continuing operations (CHF/share)	**4.18**	**3.90**
Basic earnings per share (CHF/share)	**4.42**	**3.90**
Employee share option plans:		
Average number of shares under option total	413,026	337,462
Average number of shares under option dilutive	255,692	297,482
Average exercise price	52.74	58.60
Number of shares that would have been issued at average market price for the year of CHF 68.11 (2011: CHF 69.17).	194,947	255,947
Adjustment for dilutive share options	60,745	41,535
Employee share plans:		
Adjustment for not vested shares (initial and additional grant)	45,279	33,095
Adjustment for contingently issuable shares (matching shares)	55,624	76,007
Average number of shares outstanding after dilution	*10,917,766*	*10,968,306*
Diluted earnings per share from continuing operations (CHF/share)	**4.12**	**3.84**
Diluted earnings per share (CHF/share)	**4.36**	**3.84**

28 Subsequent events

There were no 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 73 to 118, which comprise the balance sheet, statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes for the year ended December 31, 2012.

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, 2012 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 5, 2013

Balance sheet of Tecan Group Ltd. at December 31

Assets

CHF 1,000	Notes	2011	2012
Cash and cash equivalents		114,353	83,085
Current loans to Group companies		–	36,000
Other accounts receivable from third parties		101	34
Other accounts receivable from Group companies		3,749	2,044
Prepaid expenses		116	–
Current assets		**118,319**	**121,163**
Investments in subsidiaries	2	52,562	52,997
Treasury shares	3	36,258	30,774
Property, plant and equipment		2	1
Non-current assets		**88,822**	**83,772**
Assets		**207,141**	**204,935**

Liabilities and equity

CHF 1,000	Notes	2011	2012
Other liabilities to third parties		87	463
Other liabilities to Group companies		10	27
Current tax liabilities		–	80
Accrued expenses		1,118	1,115
Current liabilities		**1,215**	**1,685**
Provision for general business risks	4	30,000	30,000
Other non-current provisions		29	63
Non-current liabilities		**30,029**	**30,063**
Share capital		1,144	1,144
Legal reserves		64,381	45,363
Retained earnings		110,372	126,680
Shareholders' equity	5	**175,897**	**173,187**
Liabilities and equity		**207,141**	**204,935**

Income statement of Tecan Group Ltd.

CHF 1,000	2011	2012
Royalties from Group companies	3,770	1,320
Dividend income from Group companies	33,731	10,402
Interest income from third parties	551	88
Interest income from Group companies	646	398
Gain on sale of investment REMP AG (settlement of deferred and contingent considerations)	2,644	–
Gain on sale of treasury shares	711	1,013
Income	**42,053**	**13,221**
Personnel expenses	(1,264)	(1,197)
Depreciation of property, plant and equipment	(1)	(1)
Other expenses	(1,455)	(1,109)
Foreign exchange losses, net	(928)	(10)
Expenses	**(3,648)**	**(2,317)**
Profit before taxes	**38,405**	**10,904**
Income taxes	50	(80)
Net profit	**38,455**	**10,824**

Notes to the financial statements of Tecan Group Ltd.

1 Reporting basis

The financial statements of Tecan Group Ltd. have been prepared in accordance with the Swiss Code of Obligations. They are a supplement to the consolidated financial statements (pages 73 through 118) 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 120 through 129) 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.	Morrisville, NC (US)	USD	1,500	S
• Tecan US, Inc.	Morrisville, 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.	Kawasaki (JP)	JPY	125,000	D
Tecan Australia Pty Ltd	Melbourne (AU)	AUD	0	D

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

All subsidiaries were 100% owned as of December 31, 2011 and 2012.

2.2 Change in investments

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

3 Treasury shares

CHF 1,000	2011	2012
Treasury shares	36,258	30,774
Allowance	–	–
Balance at December 31	**36,258**	**30,774**

Shares (each share has a nominal value of CHF 0.10)	2011	2012
Balance at January 1	691,322	639,631
Treasury shares issued based on employee participation plans	(51,691)	(93,041)
Balance at December 31	**639,631**	**546,590**
Average price of shares purchased, CHF	n/a	n/a
Average price of shares sold, CHF	72.31	69.82

4 Provision for general business risks

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

5 Shareholders' equity

5.1 Changes in shareholder's equity

		Legal reserves			Retained earnings		
	Share capital	General reserve	Capital contribution reserve	Reserve for treasury shares (see note 3)	Capital contributions included in retained earnings	Other retained earnings	Total shareholders' equity
Shareholders' equity at January 1, 2011	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**
Net profit	–	–	–	–	–	10,824	10,824
Payout from capital contribution reserve	–	–	(13,532)	–	–	–	(13,532)
Taxes on capital increase	–	–	(2)	–	–	–	(2)
Change in reserve for treasury shares	–	–	–	(5,484)	–	5,484	–
Shareholders' equity at December 31, 2012	**1,144**	**1,000**	**13,589**	**30,774**	**–**	**126,680**	**173,187**

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 (2011: share capital of 1,144,458 consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each).

5.2 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, 2012, the conditional share capital amounted to CHF 85,864, consisting of 858,636 registered shares with a nominal value of 0.10 each (2011: CHF 85,864 consisting of 858,636 registered shares with a nominal value of CHF 0.10 each).

On April 26, 2006 and on April 18, 2012, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2011	2012
Conditional share capital		
Reserved for employee participation plans		
Shares	858,636	858,636
CHF	85,864	85,864
Employee share options, outstanding	424,106	264,769
Shares granted to employees based on performance share matching plans (PSMP), outstanding	150,505	170,993
Reserved for future business development		
Shares	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Reserved for future business development (expiring on April 21, 2014)		
Shares	2,400,000	2,200,000
CHF	240,000	220,000

The Articles of Incorporation of Tecan Group Ltd. require that the existing conditional share capital for future business development shall be reduced if and to the extent authorized capital is used and that the authorized capital shall be reduced if and to the extent new shares are created under the respective conditional capital. However, the conditional capital for employee participation plans is not affected by this rule.

5.3 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:

	2011	2012
Chase Nominees Ltd., London (UK)	13.5 %	13.5 %
ING Groep N.V., Amsterdam (NL)	9.2 %	9.2 %
UBS Fund Management (Switzerland) AG, Basel (CH)	5.1 %	5.1 %
Pictet Funds SA, Geneva (CH)	5.0 %	5.0 %
Tecan Group Ltd., Männedorf (CH)	5.6 %	5.0 %
SUVA, Schweizerische Versicherungsgesellschaft, Lucerne (CH)	3.2 %	3.2 %
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.1 %	3.1 %
TIAA-CREF Investment Management LLCC, New York (US)	10.5 %	<3.0 %

6 Guarantees in favor of third parties

The total amount of guarantees in favor of its subsidiaries was CHF 31.1 million at December 31, 2012 (2011: CHF 39.2 million).

7 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	2011	2012
Pledged assets		
Cash and cash equivalents	114,353	83,084

8 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, 2012 (2011: CHF 0.0 million).

9 Disclosures concerning the conduction of a risk assessment

See note 29 of the consolidated financial statements.

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

10.1 Compensation to the Board of Directors

CHF 1,000	Year	Fixed fee	Committee fee	Total cash compen-sation	Social benefits[1]	PSMP: Initial shares granted (number)[2]	Fair value of initial shares[3]	PSMP: Total matching shares granted (number)[4]	Fair value of matching shares PSMP 2011 earned in period[5/6]	Fair value of matching shares PSMP 2012 earned in period[5/7]	Total compen-sation
Rolf Classon	2011	150	18	**168**	**13**	808	**45**	1,010	**13**	**–**	**239**
(Chairman)	2012	150	18	**168**	**–**	739	**44**	924	**4**	**16**	**232**
Heinrich Fischer	2011	85	20	**105**	**8**	404	**23**	505	**6**	**–**	**142**
(Vice Chairman)	2012	85	20	**105**	**8**	370	**22**	463	**2**	**8**	**145**
Dominique F. Baly	2011	75	20	**95**	**8**	404	**23**	505	**6**	**–**	**132**
	2012	75	20	**95**	**9**	370	**22**	463	**2**	**8**	**136**
Dr. Oliver S. Fetzer	2011	50	13	**63**	**6**	404	**23**	505	**6**	**–**	**98**
(since April 2011)	2012	75	27	**102**	**–**	370	**22**	463	**2**	**8**	**134**
Dr. Karen Hübscher	2011	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
(since April 2012)	2012	50	7	**57**	**5**	370	**22**	463	**–**	**8**	**92**
Gérard Vaillant	2011	75	20	**95**	**7**	404	**23**	505	**6**	**–**	**131**
	2012	75	13	**88**	**8**	370	**22**	463	**2**	**8**	**128**
Erik Walldén	2011	50	7	**57**	**5**	404	**23**	505	**6**	**–**	**91**
(since April 2011)	2012	75	10	**85**	**8**	370	**22**	463	**2**	**8**	**125**
Dr. Lukas Braunschweiler	2011	75	20	**95**	**8**	404	**23**	505	**6**	**–**	**132**
(until April 2012)	2012	25	7	**32**	**2**	–	**–**	–	**2**	**–**	**36**
Dr. Jürg Meier	2011	25	3	**28**	**2**	–	**–**	–	**–**	**–**	**30**
(until April 2011)	2012	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
Prof. Dr. Peter Ryser	2011	25	3	**28**	**2**	–	**–**	–	**–**	**–**	**30**
(until April 2011)	2012	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**
Total	**2011**	**610**	**124**	**734**	**59**	**3,232**	**183**	**4,040**	**49**	**–**	**1,025**
	2012	**610**	**122**	**732**	**40**	**2,959**	**176**	**3,702**	**16**	**64**	**1,028**

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

[2] Vesting conditions: Graded vesting from May 1, 2011 to April 30, 2014 (PSMP 2011) and May 1, 2012 to April 30, 2015 (PSMP 2012). Vested shares are blocked until the end of the performance period (April 30, 2014 and 2015 respectively). The shares are fully included in the amount of fair value of initial shares.

[3] Formula for 2011: Shares granted in 2011 * fair value at grant (CHF 61.95) * [1 - estimated labor turnover rate (10 %)] and formula for 2012: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10 %)]

[4] 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.

[5] 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.

[6] Formula for 2011: {initial shares granted in 2011, that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 1.12} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011; and formula for 2012: {initial shares granted in 2011, that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 0.18} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2011 earned in period 2012.

[7] Formula for 2012: {initial shares granted in 2012, that qualify for matching shares [total 2,959 shares] * estimated matching share factor of 1.25} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2012 earned in period 2012.

Mr. G. Vaillant held the function of an interim CEO during the period from February to October 2012. The corresponding compensation is reported in the table of note 10.2 "Compensation to the Management Board". His total compensation in 2012 was kCHF 1,139.

10.2 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]	Fair value of matching shares PSMP 2012 earned in period[6/9]	Total compen-sation
Dr. David Martyr	2011	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**
(CEO)[10]	2012	139	120	10	**269**	**57**	1,774	**105**	4,435	**–**	**–**	**113**	**544**
Gérard Vaillant	2011	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**
(interim CEO)[11]	2012	952	–	–	**952**	**59**	–	**–**	–	**–**	**–**	**–**	**1,011**
Thomas Bachmann	2011	550	340	11	**901**	**226**	5,378	**382**	13,445	**–**	**255**	**–**	**1,764**
(former CEO)[12/13]	2012	458	275	9	**742**	**160**	4,929	**292**	18,853	**–**	**42**	**401**	**1,637**
Dr. Rudolf Eugster	2011	345	157	–	**502**	**120**	3,361	**239**	8,663	**–**	**164**	**–**	**1,025**
(CFO)	2012	345	131	–	**476**	**108**	3,697	**219**	12,350	**–**	**32**	**315**	**1,150**
Other members of the Manage-	2011	1,062	455	5	**1,522**	**366**	8,536	**606**	23,713	**–**	**450**	**–**	**2,944**
ment Board[14/15]	2012	1,349	397	19	**1,765**	**455**	13,776	**815**	36,162	**–**	**52**	**781**	**3,868**
Total	**2011**	**1,957**	**952**	**16**	**2,925**	**712**	**17,275**	**1,227**	**45,821**	**–**	**869**	**–**	**5,733**
	2012	**3,243**	**923**	**38**	**4,204**	**839**	**24,176**	**1,431**	**71,800**	**–**	**126**	**1,610**	**8,210**

[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, 2011 to December 31, 2013 (PSMP 2011) and from January 1, 2012 to December 31, 2014 (PSMP 2012). Vested shares are blocked until the end of the performance period (December 31, 2013 and 2014 respectively). The shares are fully included in the amount of fair value of initial shares.

[4] Formula for 2011: Shares granted in 2011 * fair value at grant (CHF 78.95) * [1 - estimated labor turnover rate (10 %)] and formula for 2012:Shares granted in 2012 * fair value at grant (CHF 65.75) * [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 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.

[7] 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} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2010 earned in period 2011; formula for 2012: {(initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 12,448 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2010 earned in period 2012.

[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} * individual service period pro rata * share price at year-end 2011 [CHF 63.50] = fair value of matching shares PSMP 2011 earned in period 2011; formula for 2012: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 14,428 shares]) * estimated matching share factor of 0.36} * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2011 earned in period 2012.

[9] Formula for 2012: {initial shares granted 2012 plus mandatory and voluntary investments that qualify for matching shares [total 26,502 shares]) * estimated matching share factor of 2.50 * individual service period pro rata * share price at year-end 2012 [CHF 76.50] = fair value of matching shares PSMP 2012 earned in period 2012.

[10] The employment started on October 8, 2012.

[11] Mr. G. Vaillant was interim CEO during the period from February to October 2012. His total compensation is reported in note 10.1.

[12] Mr. T. Bachmann was released from work on February 13, 2012, whereas the formal employment ended on October 31, 2012.

[13] Member of the Management Board with the highest compensation in 2011 and 2012.

[14] 2011: Total five members, including two members who joined the Management Board during the year.

[15] 2012: Total six members, including two members who left and one member who joined the Management Board during the year.

No termination benefits were paid in 2011 and 2012.

10.3 Loans granted to the Management Board

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

CHF 1,000	2011	2012
Thomas Bachmann (former CEO)	267	–
Dr. Rudolf Eugster (CFO)	133	–
Other member of the Management Board	133	–
Balance at December 31	**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. At December 31, 2012, all advance facilities were paid back.

11 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.

11.1 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
					2007	2008	2009	2010	2011	
Strike price in CHF					70.00	69.00	39.70	70.00	69.00	
Expiring in					2013	2014	2015	2016	2017	
Rolf Classon	2011	808	–	**808**	–	–	–	1,132	814	**1,946**
(Chairman)	2012	1,547	2,800	**4,347**	–	–	–	1,700	1,628	**3,328**
Heinrich Fischer	2011	404	10,000	**10,404**	–	864	1,551	566	407	**3,388**
(Vice Chairman)	2012	774	10,000	**10,774**	–	864	1,551	850	814	**4,079**
Dominique F. Baly	2011	404	–	**404**	–	–	–	566	407	**973**
	2012	774		**774**	–	–	–	850	814	**1,664**
Oliver S. Fetzer	2011	404	–	**404**	–	–	–	–	–	**–**
	2012	774		**774**	–	–	–	–	–	**–**
Dr. Karen Hübscher	2011	–	–	**–**	–	–	–	–	–	**–**
(since April 2012)	2012	370		**370**	–	–	–	–	–	**–**
Gérard Vaillant	2011	404	–	**404**	234	864	–	566	407	**2,071**
	2012	774		**774**	234	864	–	850	814	**2,762**
Erik Walldén	2011	404	–	**404**	–	–	–	–	–	**–**
	2012	774		**774**	–	–	–	–	–	**–**
Dr. Lukas Braunschweiler	2011	404	2,500	**2,904**	–	–	–	–	407	**407**
(until April 2012)[3]	2012	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2011		3,232	12,500	**15,732**	234	1,728	1,551	2,830	2,442	**8,785**
Balance at December 31, 2012		5,787	12,800	**18,587**	234	1,728	1,551	4,250	4,070	**11,833**

[1] Members are entitled to vote, but only 2,229 shares (2011: 718 shares) are vested.

[2] Only vested options

[3] Shares and share options in 2012 are not disclosed, because the member of the Board stepped down before year-end 2012.

11.2 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	2007	2008	2009	2010	
Strike price in CHF					99.00	70.00	69.00	39.70	70.00	
Expiring in					2012	2013	2014	2015	2016	
Dr. David Martyr (CEO)	2011	–	–	**–**	–	–	–	–	–	**–**
(since 2012)	2012	1,774		**1,774**	–	–	–	–	–	**–**
Dr. Rudolf Eugster (CFO)	2011	6,991	–	**6,991**	300	1,280	1,113	1,386	1,562	**5,641**
	2012	11,931		**11,931**	–	1,280	1,113	1,386	2,345	**6,124**
Dr. Martin Brusdeilins	2011	–	–	**–**	–	–	–	–	–	**–**
	2012	4,650		**4,650**	–	–	–	–	–	**–**
Dr. Bernhard Grob	2011	2,830	–	**2,830**	–	–	–	–	–	**–**
	2012	6,047		**6,047**	–	–	–	–	–	**–**
Markus Schmid	2011	1,142	–	**1,142**	–	–	–	–	–	**–**
	2012	3,656		**3,656**	–	–	–	–	–	**–**
Andreas Wilhelm	2011	–	–	**–**	–	–	–	–	–	**–**
(since 2012)[3]	2012	5,078		**5,078**	–	707	459	–	971	**2,137**
Thomas Bachmann (former CEO)	2011	12,701	5,041	**17,742**	–	871	1,380	2,484	2,266	**7,001**
(until October 2012)[4]	2012	–	–	**–**	–	–	–	–	–	**–**
Dr. Jürg Dübendorfer	2011	6,851	–	**6,851**	160	1,071	726	455	1,096	**3,508**
(until May 2012)[4]	2012	–	–	**–**	–	–	–	–	–	**–**
Frederic Vanderhaegen	2011	5,127	–	**5,127**	–	–	–	1,776	1,340	**3,116**
(until October 2012)[4]	2012	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2011		35,642	5,041	**40,683**	460	3,222	3,219	6,101	6,264	**19,266**
Balance at December 31, 2012		33,136	–	**33,136**	–	1,987	1,572	1,386	3,316	**8,261**

[1] Members are entitled to vote, but only 17,054 shares (2011: 19,534 shares) are vested.

[2] Only vested options

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

[4] Shares and share options in 2012 are not disclosed, because the member of the Board stepped down before year-end 2012.

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 17, 2013 to allocate retained earnings as follows:

CHF 1,000	2011 Approved	2012 Proposed
Carried forward from previous year	68,890	110,372
Net profit	38,455	10,824
Change in reserve for treasury shares	3,027	5,484
Available retained earnings	**110,372**	**126,680**
Dividend proposed: CHF 0.50 per share with a nominal value of CHF 0.10 each (total 10,897,986 shares eligible for dividend)[1]		(5,449)
Balance to be carried forward	**110,372**	**121,231**

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

CHF 1,000	2011 Approved	2012 Proposed
Carried forward from previous year	26,672	13,591
New shares issued upon exercise of employee share options	451	(2)
Subtotal	**27,123**	**13,589**
Allocation to free reserve and payout as approved by the Annual General Meeting of Shareholders on April 18, 2012: CHF 1.25 per share with a nominal value of CHF 0.10 each (total 10,825,923 shares eligible for payout)	(13,532)	
Allocation to free reserve and payout (exempt from Swiss withholding tax) proposed: CHF 1.00 per share with a nominal value of CHF 0.10 each (total 10,897,986 shares eligible for payout)[1]		(10,898)
Balance to be carried forward	**13,591**	**2,691**

[1] These numbers are based on the outstanding share capital at December 31, 2012. The number of shares eligible for dividend and 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 2012, a total of 170,556 options were exercisable before the date of the dividend and 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 120 to 129, which comprise the balance sheet, income statement and notes for the year ended December 31, 2012.

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, 2012 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 5, 2013

The Tecan Share

Performance of the Tecan share in 2012

The Tecan share recorded a positive performance of 20.5 % in 2012, thereby outperforming the SPI Extra benchmark of small and medium-sized companies listed on the SIX Swiss Exchange by 6.6 %.

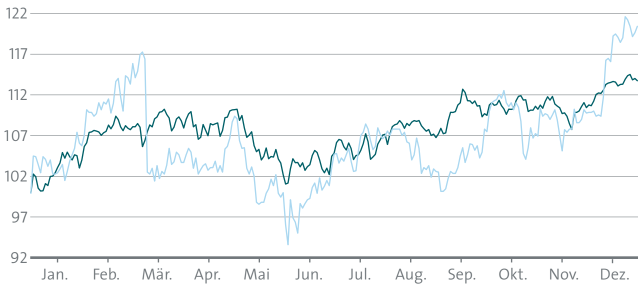
The Tecan share began 2012 with price gains and in March, the company reported solid results for the 2011 financial year. At the same time, delays to an important development project were announced and the outlook for 2012 was presented. Investors reacted negatively to these two events, which resulted in a fall in the share price. Between April and October, the share price remained relatively stable within the range of CHF 60 to 70. After the new CEO, David Martyr, joined the company in October 2012, the share price performed well in the final quarter against a favorable stock market environment.

Share information

Listing:	SIX Swiss Exchange
Stock name:	Tecan Group
Security number:	1210019
ISIN:	CH0012100191
Bloomberg:	TECN:SW
Reuters:	TECN.S

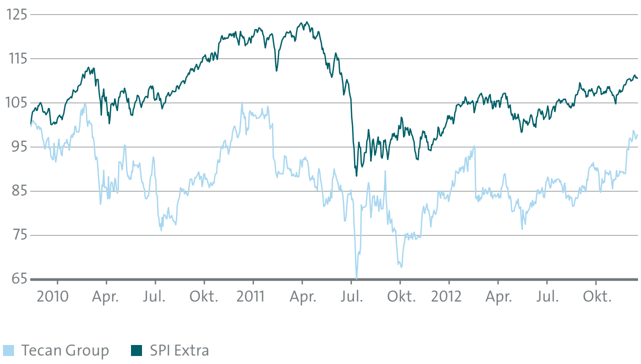
Share price performance between 01.01.2012 and 31.12.2012

in comparison with SPI Extra (indexed)



Share price performance between 2010 and 2012

in comparison with SPI Extra (indexed)



Tecan share

	2011	2012
Numbers of shares issued	11,444,576	11,444,576
Number of treasury shares	639,631	546,590
Number of shares outstanding at December 31	10,804,945	10,897,986
Average number of shares outstanding	10,756,118	10,817,668
Share price at December 31 (CHF)	63.50	76.50
High (CHF)	82.50	77.50
Low (CHF)	49.25	59.05
Average number of traded shares per day[1]	34,544	34,065
Average trading volume per day (CHF)[1]	2,321,011	2,301,772

Information per share

	2011	2012
Basic earnings per share (CHF/share)	4.18	3.90
Shareholder's equity at December 31 (CHF)	269'313	302'838
Dividend (CHF)	1.00	1.25
Dividend yield (%)[2]	1.57 %	1.63 %

Financial ratios

	2011	2012
Market capitalization (CHF mio)[3]	726.7	875.5
Enterprise Value (CHF mio)[4]	563.7	734.2
Price Earnings Ratio[5]	15.19	19.62

[1] Including off-exchange trading
[2] At share price as of Dec 31
[3] Number of shares issued multiplied with share price as of Dec 31
[4] Market capitalization minus net liquidity
[5] Share price as of Dec 31 divided by basic earnings per share

Tecan locations

- ● Tecan sales office
- ○ R&D and manufacturing site

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

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