TECAN

2013 Annual Report

Shaping the lab of the future

Shaping the lab of the future

What is the most effective way for Tecan to improve the quality of life for many people? This is our highest goal, and we dedicate our core competences to achieving it. For over 30 years, we have used our knowledge to develop and improve laboratory instruments and automation solutions.

The high quality, flexibility and reliability of our automation solutions increases the performance of the laboratory. In addition, in life sciences and other disciplines we enable highly complex and demanding individual research.

The strategy of investing our expertise in promising projects with strong partners generated once again in 2013 state-of-the-art lab solutions that point the way forward. On the pages that follow, we will show you how automation guarantees that a cancer diagnosis can be made in a very short time, that 3-D cell cultures can be grown efficiently and that food for the general public can be free of contaminates.

Contents

2013 at a Glance

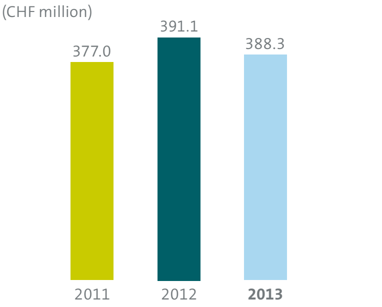
Key figures

CHF million	2012	2013	▲ 2012/2013
Sales	391.1	388.3	−0.7%
Sales in local currencies	387.8	388.3	+0.1%
Gross profit	198.4	189.6	−4.5%
in % of sales	50.7%	48.8%	
OPEX	146.7	136.7	−6.8%
in % of sales	37.5%	35.2%	
Operating profit/EBIT	52.7	54.8	+4.0%
in % of sales	13.5%	14.1%	
Net profit	42.4	45.7	+7.8%
in % of sales	10.8%	11.8%	
EPS (CHF)	3.92	4.16	+6.1%

Financial summary*

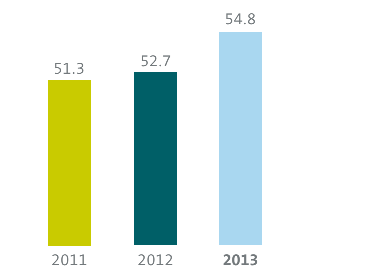
Sales

(CHF million)



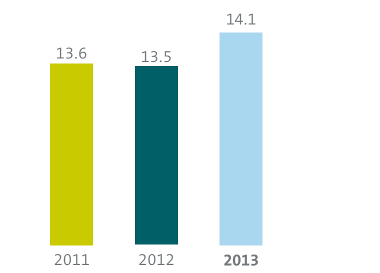
Operating profit (EBIT)

(CHF million)



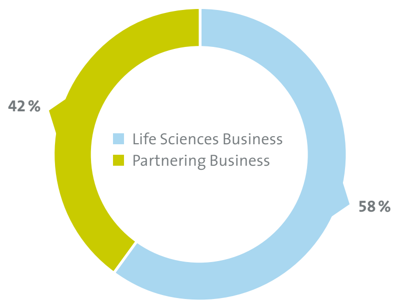
Operating profit margin

(in % of sales)



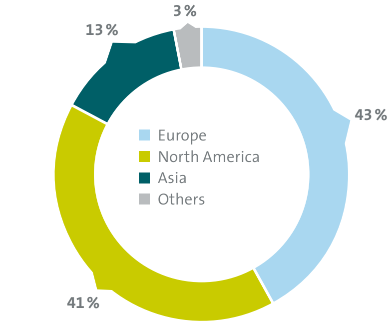
Sales by business segments

(in % of sales)



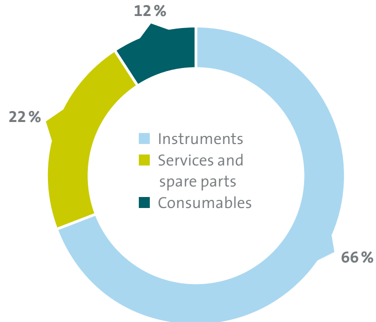
Sales by regions

(in % of sales)



Sales by product groups

(in % of sales)



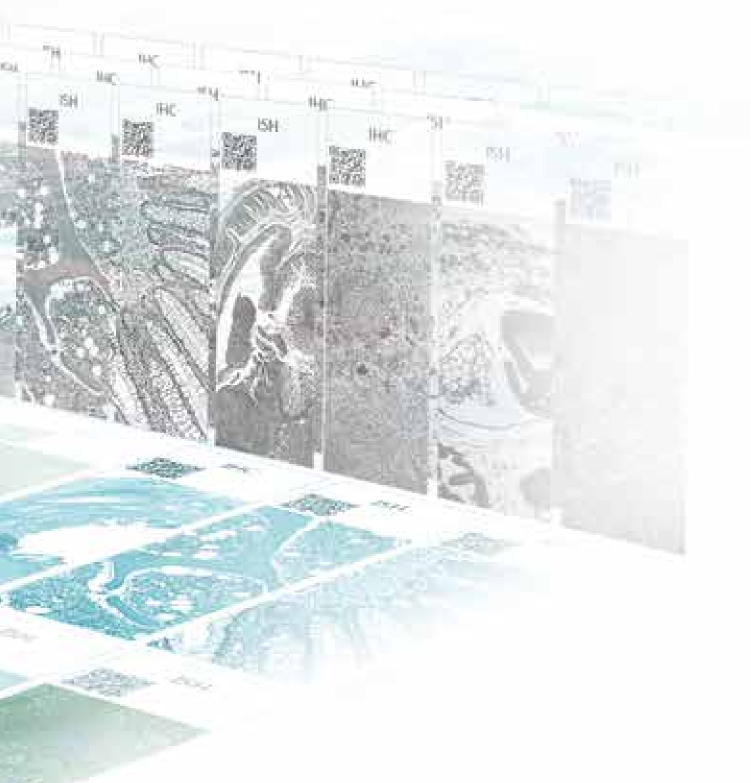
* Key figures and financial summary for 2011 from continuing operations.


Dako

We want you to have many more happy years

We expect doctors to give reliable diagnoses quickly. When it comes to serious illnesses in particular, all hope rests on the physicians' ability to find an effective course of treatment in as short a time as possible. Cancer is one of the most frequent and fear-inducing illnesses, but thanks to new diagnostic and therapeutic options, the disease is no longer as terrifying as it once was. Some types of cancer have become readily treatable, while for others, suffering can be eased and patients can lead a largely symptom-free, normal life. The earlier that physicians identify the cancer, the better the chances of recovery.

The aging population means that the incidence of cancer is rising constantly. Highly productive, automated laboratories are vital in order to manage the necessary diagnoses and spare patients onerous waiting times.



Dako Omnis gives patients peace of mind within a day

The requirements of automated analytical procedures vary according to the type of disease and the method of diagnosis. Tecan is strategically investing in the development of fully automated solutions for a variety of applications. The company does not always work alone – among its ambitious, highly innovative projects to combat cancer is the development cooperation between Dako and Tecan, which was successfully completed in 2013. Dako Omnis, a new platform for automated advanced staining for tissue-based cancer diagnostics, was launched onto the market in the year under review.

Dako Omnis automates both of the established processes for the diagnosis of abnormal cells: immunohistochemistry (IHC) and in-situ hybridization (ISH). These methods are used to add antibodies to stain the cell structures of the tissue samples that are key to diagnosis. As a result, even specific genes or genetic mutations in cells can be detected. Thanks to Dako Omnis, physicians can now obtain reliable results for IHC tests from labs in only two-and-a-half hours and data from ISH tests in under four hours. This allows pathologists to detect pathological changes faster and more effectively and means that oncologists can prescribe a targeted therapy program more quickly, reducing the anxiety-inducing period of uncertainty for patients.

Innovative strength through partnership

In 2010, Dako was looking for a partner to help develop the new generation of an autostainer platform. Dako, an Agilent Technologies company and leading provider of cancer diagnostics, supplies a broad portfolio of antibodies, reagents, software solutions and instruments for pathology laboratories. Dako is a pioneer in the field of tissue-based cancer diagnostics and has enjoyed an excellent reputation for decades. Tecan's extensive application expertise and experience with end customers' workflows in the IHC and ISH segment made the company the ideal development partner for Dako Omnis. A further decisive factor was Tecan's experience in system integration. Following some initial preparatory work, Dako and Tecan concluded a definitive OEM development agreement in May 2011. Only two years after the agreement was signed, the development of Dako Omnis was successfully completed and the compact system has been in use in pathology laboratories since September 2013.

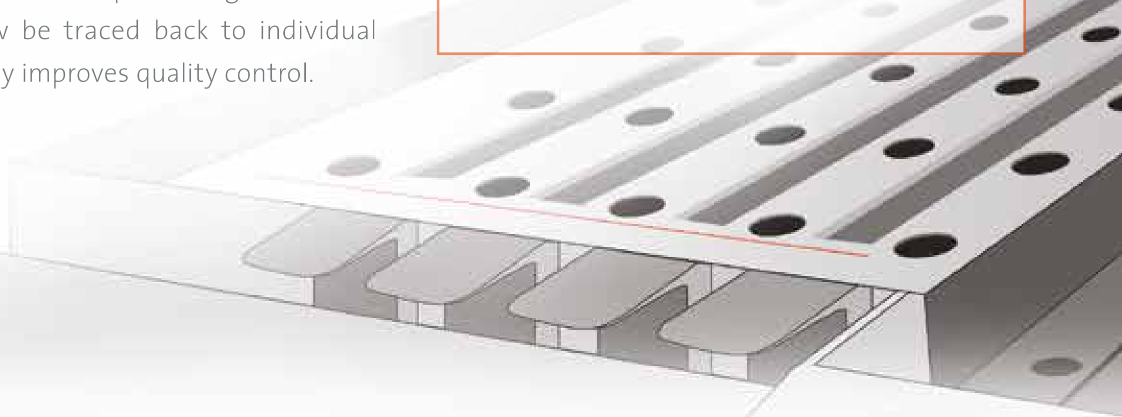
Dako Omnis – a new standard for automated advanced staining

Dako Omnis offers full automation and fulfils the requirements of large diagnostic laboratories, hospitals and universities. It offers a high throughput, processes the samples within a few hours and makes it possible to thoroughly analyze individual patient cases within a day.

Dako Omnis offers continuous loading with individual samples or batch loading, as well as the option of leaving the system to run overnight. It therefore sets new standards for what customers can expect from an automated platform with regard to flexibility, capacity, efficiency and traceability of samples. The platform offers state-of-the-art software that is intuitive to operate and allows an improved level of monitoring in the laboratory. Key processes such as slide processing and instrument maintenance can now be traced back to individual employees, which significantly improves quality control.

Main Features of Dako Omnis

- No standby time while new reagents and slides are loaded
- Minimal hands-on time
- Unequaled throughput per working day
- Easy to operate thanks to intuitive software
- Full IHC and ISH patient case management within a day
- Improved quality controls and consistent quality ensured



Cooperation protocol

January 2010:	Feasibility study
October 2010:	Hardware concept
May 2011:	Definitive development agreement signed
June 2011:	Testing of prototype I
April 2012:	Testing of prototype II
January 2013:	Validation of the pilot series instruments
July 2013:	CE IVD registration
September 2013:	Market launch in Europe and US

Reliable results for safe foodstuffs

Access to uncontaminated foodstuffs is one of the most important things in life. Living a healthy life depends in part on the safety and reliability of quality controls, from soil samples to animal feeds to controls on every type of foodstuff.

In countries with a very dense network of quality controls in particular, people have a great deal of faith in the safety of foodstuffs and pharmaceutical products. This expectation drives all those involved in the production chain to perform each step in the manufacturing process with the greatest care. There is also the associated monitoring of various samples and their continuous documentation. Device manufacturers respond to the great need for reliable, fast sample testing with ever more efficient and complex, yet easy to operate semi- and fully automated systems.

Efficient device development with Tecan OEM components

Tecan supplies OEM components to device manufacturers from its existing portfolio. OEM partner projects allow automation solutions to be developed far quicker and at a much lower cost than when device manufacturers have to rely entirely on their own R&D efforts.

Using proven OEM components such as precision pumps and robotic modules, Tecan facilitates integration into various external environments. A good example of this is Cavro® Omni, a modular, highly expandable robotics module. LCTech, a German manufacturer of products and methods for the preparation and analysis of foodstuffs, animal feeds and environmental samples, has integrated Cavro Omni as the basis of a new sample preparation system.

Efficient automation of routine tasks

LCTech customers were asking for an automation solution for everyday routine laboratory tasks. The device needed to be able to link together work steps that had until that point been performed individually and manually. The new robotic system FREESTYLE now enables classic laboratory tasks to be processed automatically. For example, complex samples can be prepared for quality control testing and contamination screening. The basis platform can be combined seamlessly with different processing devices and thus allows different sample preparation technologies to be used for the subsequent analysis – depending on the customer's preference for a specific technology or regulations.

The new, highly versatile system allows numerous sample preparation work steps in the areas of food and feed testing and environmental analysis to be automated, thus making a contribution to maintaining quality of life.


TECAN.
te-shake

3D cell cultures to increase the conclusiveness of pharmaceutical research

Cell biologists are convinced that using automated test procedures to support research into new 3D cell cultures will provide a positive impetus for the discovery of new active substances. Work with 2D cell cultures is currently approaching its limits, but until now it has not been possible to use 3D cell cultures extensively for automated test series. Laboratories still largely cultivate and process 3D cell strains manually. Joint efforts by Tecan and leading companies in the field of cell biology have now paved the way for the widespread use of 3D cell cultures in fully automated systems.

In the past, the limited nature of 2D cell cultures repeatedly led to promising research projects failing to produce the anticipated results and active pharmaceutical substances ultimately having to be eliminated following expensive test procedures. There is therefore an urgent need for more conclusive, alternative methods for the early phases of testing.

Initial test procedures on 3D cell cultures reveal greater biological relevance when searching for active substances. For example, when developing new cancer medications, it is easier to examine cell growth and cancerous tumors in an environment that more closely mimics the natural tissue. Nonetheless, the possibilities to date were severely limited by the low throughput. New solutions involving cultivating and conducting tests on cell cultures in automated processes are required to make the work on 3D cell structures economically justifiable.

In light of this situation, Tecan has positioned itself in a leading role in this market of the future. To this end, Tecan has entered into cooperation agreements with leading technology companies in the area of cell biology, including InSphero, TAP Biosystems and Reinnervate. The objective is to institute automated test procedures with simplified work steps in the laboratory as quickly as possible.

Cooperations for automated 3D cell cultures

Tecan brings expertise in automation and extensive application knowledge into its cooperations, with the partner companies contributing a variety of 3D cell culturing methods and technologies. Newly developed systems allow cell cultures to be cultivated in a standard plate format, making them candidates for automation. This makes the hunt for new active substances considerably more efficient.

The process steps are automated on a Tecan Freedom EVO® liquid handling platform and the results read on a Tecan Reader, e.g. the Infinite® M200 PRO. This allows increased throughput of 3D cell cultures with reproducible results in an economical manner, which means that highly qualified employees are not forced to spend their time on repetitive work.

Dear Shareholders

Rolf A. Classon
Chairman of the Board

Dr. David Martyr
Chief Executive Officer

The Tecan Group generated a higher profit and achieved important progress in the implementation of its strategic priorities during financial year 2013. However, we have only partly met the financial objectives for the year that we set at the start of 2013. Sales remained below our original expectations overall although, by contrast, our profitability was favorable, achieving our target for the full year with increases to both our operating profit margin and net profit. In product development we made good progress in three major, strategically important programs in the year under review.

Key figures for 2013

Sales reached CHF 388.3 million (2012: CHF 391.1 million) and were therefore 0.1% above the prior-year level in local currency terms and 0.7% lower in Swiss francs. On closer inspection, however, the slower sales development has one clear cause, namely lower instrument sales in our Life Sciences Business in the established markets. The economic environment remained challenging in North American and European markets, which were affected by austerity measures and budget cuts. By contrast, we posted solid growth in our Partnering Business. We also recorded clear double-digit sales growth in both business segments in China and in the consumables business. The contribution of recurring sales from consumables and services to total sales rose to 34.1%, the highest level in the Company's history.

Operating profit before interest and taxes (EBIT) increased by 4.0 % to CHF 54.8 million (2012: CHF 52.7 million). The operating profit margin improved by 60 basis points to 14.1 % of sales (2012: 13.5 %). Exchange rate movements in major currencies versus the Swiss franc had a negative impact on the operating result. Assuming exchange rates in line with 2012, the operating profit would have reached CHF 56.6 million while the operating profit margin would have stood at 14.5 % of sales. Net profit for the year increased by 7.8 % to CHF 45.7 million in 2013 (2012: CHF 42.4 million). The net profit margin improved by 100 basis points to 11.8 % of sales (2012: 10.8 %). Earnings per share increased to CHF 4.16 (2012: CHF 3.92). Cash flow from operating activities rose to CHF 27.9 million (2012: CHF 2.4 million). Excluding an OEM development project that Tecan is prefinancing, cash flow from operating activities amounted to CHF 64.6 million (2012: 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. Details regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 69.

Strong balance sheet – dividend unchanged

Tecan's equity ratio increased again during the reporting period and reached 72.0% as of December 31, 2013 (December 31, 2012: 69.4 %). Net liquidity (cash and cash equivalents minus bank liabilities and loans) increased to CHF 143.4 million (December 31, 2012: CHF 141.3 million). The Company's share capital stood at CHF 1,144,458 at the reporting date (December 31, 2013), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each. The Board of Directors will propose an unchanged dividend of CHF 1.50 per share to the shareholders at the Company's Annual General Meeting on April 14, 2014.

Strengthening of management

Tecan's Management Board was strengthened with three new members with comprehensive, industry-specific experience in the life science industry in the year under review.

Dr. Klaus Lun took over as Head of Corporate Development in June 2013. He was latterly Vice President Global Product Marketing at Molecular Devices Inc., a company belonging to the Danaher Group. He was previously Director Business Development from 2007 to 2011 at Leica Microsystems, also part of the Danaher Group, where he was responsible for corporate mergers, takeovers and licensing.

Dr. Stefan Traeger became the new Head of the Life Sciences Business division in July 2013. He was previously Managing Director of Leica Microsystems CMS GmbH, and as Vice President & General Manager at Leica Microsystems was responsible for the global Life Science division.

Dr. Achim von Leoprechting took over as Head of the Partnering Business division in October 2013. He previously worked at PerkinElmer Inc., in various areas and held diverse positions with increasing management responsibility, most recently as Vice President and General Manager Europe, Middle East, Africa and India.

Priorities

Tecan has a clear strategy to ensure the long-term success of the Company. In our Life Sciences Business we focus on innovation and on successfully launching our new products under development. We want to expand our geographic presence, especially in China and build additional pillars complementing our existing product lines through M&A.

In our Partnering Business, we continue to add new OEM accounts from our well stocked pipeline, we want to deepen the relationships with our existing customers and continue the momentum in our Components business. Also, in the Partnering Business we focus on expanding in China.

Overall, we plan to evolve into a solutions business with more recurring revenues. Deployment of this strategy includes the definition and communication of business-wide priorities for day-to-day work, with a focus on execution planning and delivery. In doing so, we ensure a full alignment across the organization with our corporate goals.

Success in implementing priorities for 2013
At the start of 2013 we defined five priorities.

The first two priorities related to the strategically important OEM development programs Dako Omnis (P16) and ORTHO Vision™ (P14) in the Partnering Business. Development of the Dako Omnis, a new platform for automated advanced staining for tissue-based cancer diagnostics, was successfully concluded in the first half of the year. The instrument was launched by our partner Dako in September 2013.

ORTHO Vision™ is a next generation diagnostics instrument used for blood typing and to determine other important blood parameters. A large batch of instruments for validation was supplied to our partner Ortho Clinical Diagnostics in October 2013. A further priority concerned the field of innovation as a whole, where we want to make our development process more efficient and increase the frequency of new product launches.

We made good progress in our development programs and by the start of 2014, had already launched several new products that, in particular, improve user-friendliness – this is one of the most important benefits for customers. The launch of the next generation liquid handling platform in Tecan's Life Sciences Business is still expected to take place in 2014. Further information on new products can be found in the segment report on pages 26 to 37. Nevertheless, we will continue to drive changes to processes and adjustments within our Research and Development organization for a number of years.

Our business in China was another area of focus in the year under review. Here, sales developed well, growing at a clearly double-digit percentage rate and increasing from just over CHF 20 million in 2012 to over CHF 25 million in the year under review.

We also defined the expansion of our components business as a priority in 2013. This business supplies manufacturers of laboratory instruments with essential components and robotic modules. It continued to perform well in the year under review, and has seen strong growth in the last two years. For example, Tecan gained new customers in China and especially benefitted from the fast-growing area of next-generation sequencing.

Priorities for 2014
We have again defined five business-wide priorities for 2014:

Our two partnering programs, Dako Omnis and ORTHO Vision™, remain a priority in 2014. The focus this year will increasingly be on supporting our partners with their regional product launches and the associated ramp up of our serial production. We expect considerably higher production volumes of the Dako Omnis instrument in 2014 compared to 2013, whilst the ORTHO Vision™ instruments will be launched by our customer into several regional markets during 2014.

Tecan is again focusing in particular on expanding its business in China in 2014. We will continue to invest in expanding our sales and service organization by hiring talented and experienced individuals. We anticipate that the majority of sales will again be generated with products from our Life Science Business. However, sales in China by our Partnering Business increased significantly over the last two years and we expect this trend to continue.

Sales in the Life Sciences Business were below our expectations in 2013. The economic situation continued to be challenging, and the established markets in North America and Europe were affected by austerity measures and budget cuts. Thanks to a strengthening of Tecan's management in various areas, especially through a greater regional focus for the management of the sales organizations and through key product launches, we expect an improvement in our Life Sciences Business in 2014.

We launched a multi-year project to reduce manufacturing costs at the start of 2014. Material costs make up by far the largest share of manufacturing costs. Accordingly, we also see the greatest potential to lower costs here through improvements in the supply chain and in materials purchasing. Based on this, we expect a direct positive effect in existing products, however, the full benefits of this approach will be felt in the medium term with the start of new product development programs and the increased re-use of common modules.

Our strategy includes the objective to reposition Tecan from a highly-specialized instrument company into a solutions business, serving a broader range of applications in both Life Science Research and Clinical Laboratories. We intend to achieve this objective partly through highly selective acquisitions and collaborations. We are especially interested in acquiring companies with selected reagents and consumables to enable us to offer performance-optimized and potentially closed systems. Instruments to broaden our range, including into adjacent market segments, or fill in some gaps in our current offering are also strongly of interest.

Outlook

Financial year 2014
We expect an acceleration in sales in 2014 based on continuing growth in the Partnering Business and an improvement in performance in the Life Sciences Business.

For financial year 2014, we expect Group sales in local currencies to grow at least in the mid single-digit percentage range and for the operating profit margin a further increase of around 50 basis points compared to 2013.

Our expectation regarding operating profit margin is based on an average exchange rate forecast for the full-year 2014 of one euro equaling CHF 1.21 and one US dollar equaling CHF 0.92.

Medium-term targets for 2015
Our medium-term objectives for 2015 are sales of around CHF 475 million at current exchange rates and a further increase in operating profit margin. This number is adjusted for an estimated negative foreign exchange rate impact of CHF 15 million since the targets were first announced in March 2013 and is also reflecting the 2013 business results.

We have major growth drivers in the Partnering Business in the shape of two significant OEM programs. Dako Omnis is already contributing to sales growth, and ORTHO Vision™ will be launched by our customer during 2014. Additional new partner projects are already in development and we continue to discuss several new projects with potential partners which would enable achievement of sales growth in excess of the market level.Important product launches in our Life Sciences Business during 2014 will contribute to growth. In addition, we expect continued strong growth in both business segments in China and in the consumables business.

Our gratitude

We have achieved important successes in implementing our strategic priorities and made significant progress in our major development programs. The Board of Directors and the Group Management Board would like to thank all employees for their commitment and dedication. We thank our customers for their loyalty, and our shareholders and business partners for their trust and continued support.

Männedorf, March 4, 2014

Rolf A. Classon
Chairman of the Board

Dr. David Martyr
Chief Executive Officer

Interview with David Martyr, CEO

We see M&A as a catalyst to our core business and to support our evolution to be able to offer total solutions.

Dr. David Martyr
CEO

Tecan Group CEO Dr David Martyr joined the company in October 2012. He took the opportunity to talk about his first full year in this position and his view on the strategy and future of Tecan.

2013 was your first full year with Tecan. How would you summarize it?

I view 2013, at least in part, as a transition year for Tecan. We have focused strongly on key business priorities and have made important progress, however, from a financial point of view it was a year with difficult market conditions and as you have seen in our Letter to the Shareholders, our financial targets were only partly achieved. I think our progress in operational improvements in 2013 starts to build a firm foundation for Tecan. One of the highlights of the year was certainly bringing the Dako Omnis to a successful end of development and into commercialization.

This is an important partnership for Tecan and a product we hope to build on in the future. I have also been impressed during the year at many of the technical competencies and the breadth of the capabilities that we have throughout the company worldwide, however I am also a relatively impatient person to see progress and believe there is more we can do to pick up speed within the company as we move forward. The considerable customer contact that I have had during the course of the year has underscored for me personally the tremendous strength of the Tecan brand and it is our job to build on that strong loyalty we enjoy from our customers by accelerating innovation as we strengthen leadership for Tecan in the market place.

You refined the corporate strategy. What are the key elements?

An important and immediate element of our corporate strategy is delivering on the major projects that we have on hand and ensuring we see a strong commercialization and the ramp-up of those projects. This has been very much reflected in the selection of our 2013 and 2014 priorities. However, beyond that, we have also been looking at how we can drive inorganic growth to complement the organic growth that we plan within the company and how we can further expand our sales growth in Asia. We see a very good runway, particularly in China going forward. Our Partnering Business has enjoyed growth now for several years and we are especially working on expanding our existing Partnering Business relationships as well as adding new partners Worldwide. In our Life Science Business we have also clearly defined that we wish to carefully evolve into a total solutions business with more recurring revenues as well as thoughtfully expanding into close adjacencies to our current product domains.

M&A plays an important role in your strategy. Where are you in this process?

The priority in 2013 was getting the right team together and we now have that completed. Klaus Lun, the Head of Corporate Development, joined us in June 2013. Klaus and I both worked at Danaher businesses and successfully completed a number of acquisitions together during that time. Since September we have a complete team covering the range of critical skills and experience: scientific understanding, deep industry knowledge, financial expertise, project management and deal experience.

Our M&A process will be very structured and disciplined. Our corporate strategy defines the areas in which we will focus. Therefore we have done a lot of market work and now have a good understanding of the areas we will look at. This is our primary filter if we are approached with an opportunity: if we do not like the market, we pass it on. The next step is to evaluate if a specific company or asset is the right entry point into this market and if there is a runway to complement this acquisition with additional deals to build a strong position in this area. We have already built structured funnel lists and additionally have an extensive catalogue of companies we are watching. We have already engaged in detail in some specific opportunities. Those companies were in the right area for our strategy, but the assets were not necessarily the right ones, as we concluded that the risks or valuation expectations were too high – which underscores our structured and disciplined approach.

What companies and markets are you targeting?

We see M&A as a catalyst to our core business and to support our evolution to be able to offer total solutions – where total solutions include not only the instruments and dedicated software, but also the consumables and enabling reagents for targeted applications. Therefore some of our target companies will have high consumables or reagents content. Just to clarify, we are not interested to invest in commoditized reagents, but rather focus on applications where Tecan can be an advantaged owner of the solution. We are looking into adjacent markets, not too far from what we do today. Tecan is a key enabler in numerous workflows in the Life Science industry. A focus continues to be around sample preparation in general and more specifically we are focused on sample preparation in some of the high growth segments like next generation sequencing, mass spectrometry and some others. In those areas, there are a lot of companies – often privately owned – that cover one specific niche of an application or they are limited to a certain region. Here we see the potential, perhaps in a series of deals, to assemble an interesting product portfolio which can leverage our worldwide reach. Let me point out that we are rather looking for enabling reagents mostly in research and applied markets – and we do not plan to compete with our Partnering Business customers for diagnostic tests.

Besides those adjacent markets we are also looking into some instrument segments to expand our current offering by adding a third or fourth pillar to our existing portfolio of liquid handling and detection products.

How is Tecan positioned for M&A and what about the valuations you see?

We think we are positioned well. We have the financial ability and are big enough to execute on deals and to ensure

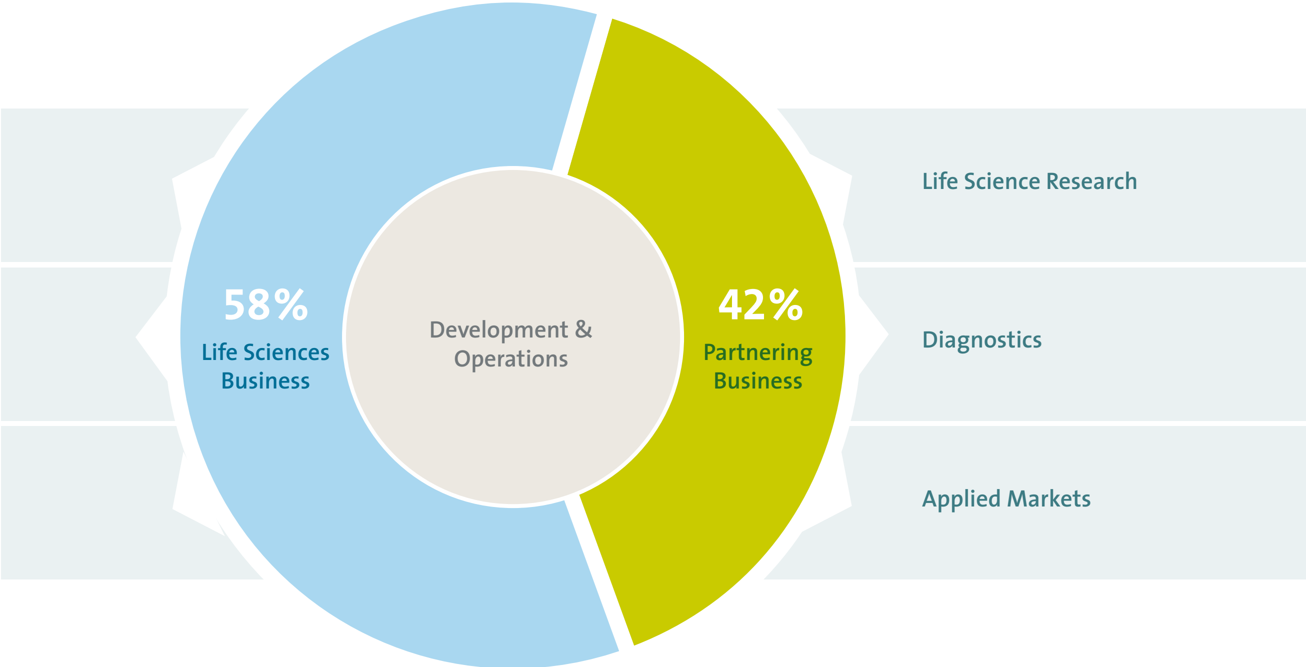
a successful integration and worldwide commercialization. For example, there are many targets that generate up to 50 million Swiss francs in sales which might be very attractive to us, whereas for some of the large conglomerates it would not move their needle and thus they may not look so closely at such targets. It is our aim, through our market work and selected cultivation of targets, to place ourselves in a leading position when such targets come up for sale. In some private companies for example, it might be the owner who is planning for retirement or the company is limited to expand regionally. We believe we have a strong case to show that we could be the advantaged owner for such assets, as well as being an attractive acquirer in the seller's eyes. From a financial point of view, we are looking for companies with a good underlying profitability as we do not wish a deal to dilute our margins. It is our intention to see a good return on our investment and therefore we are following a very structured and disciplined process and are not willing to overpay!

The 2015 medium-term target is a significant step up compared to the last years. How will Tecan get there?

We believe we have clearly defined a set of building blocks that will take us from our current performance to our 2015 medium-term targets. These growth drivers were set out early in 2013 and are largely unaffected by the 2013 market headwinds. In summary, these blocks are: delivery on our large Partnering Business projects, in particular the ramp up in sales of the Dako Omnis and ORTHO Vision™ instruments; continued execution in China; continuing to build out our consumables and service business, it is about recovery in our Life Sciences Business and growth from the launch of new products into those portfolios; continued growth in our components business; and it is around additional Partnering Business projects, some of which were won in 2013 and will start to come into commercialization in 2015. Taken together, these opportunities provide really solid and tangible opportunities which lead us to feel very comfortable about this medium-term growth target.

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 steps 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. The Tecan Group can count on two strong pillars in the Life Sciences Business (end-customer business) and Partnering Business (OEM business) segments. The majority of end users come from the diagnostics market, accounting for around 60 % of total sales. The needs of the diagnostics market are largely addressed via the OEM sales channel and to a smaller extent via the end-customer business. Life science research and the various applied markets operate mainly under the Tecan brand using Tecan's own sales and service organization. Its segment-specific strategies for sustained profitable growth allow the Company to drive forward customer projects via both business models. Group-wide functions are combined in the Development & Operations division to better unlock synergies in research, development, procurement and production across different locations.

Tecan benefitting from various megatrends

Megatrends are long-term transformation processes that depict far-reaching social and technological changes. The markets in which Tecan is active are positively influenced by a number of megatrends. Through its implementation of an appropriate corporate strategy, Tecan will obtain significant benefits from these transformation processes.

Megatrends	Positive effects on Tecan
Population growth and the aging population	Many diseases, such as cancer and cardiovascular diseases, are more prevalent in old age. Around the world, significant sums are being invested in the development of innovative drugs to improve treatments. The total volume of diagnostic tests that enable diseases to be identified is increasing and more tests are being carried out per person. As many diseases are being treated with increasing success, the progression of these diseases can be observed over a longer time span. Tecan benefits from the increased demand for automated solutions both in life-science research and in the field of diagnostics.
High levels of investment in healthcare and life science research in emerging markets	Growing levels of prosperity mean that the demand in the area of healthcare is rising continuously. China, for instance, is now the world's fourth largest healthcare market, although its spending per capita is only a fraction of that in many western industrialized countries. Hundreds of new hospitals are being built each year and the government is investing large sums in university research. Tecan supplies important automation solutions to upgrade laboratory infrastructure and is investing in its own marketing and service organization to serve more customers directly.
Development of targeted pharmaceuticals and use of companion diagnostics	The growing use of personalized medicine means that the biomolecular constitutions of individual patients are increasingly taken into account, allowing targeted drugs to be deployed. Tecan supports research into characteristic biological features (biomarkers) and the development of new active ingredients with automation solutions. Tecan solutions are also being used in companion diagnostics.
An explosion of knowledge in the field of biological correlations and molecular processes – using these findings in applied markets	Life science research is coming up with new findings at an ever quicker pace. These are increasingly finding uses not only in drug development and human diagnostics, but also in numerous applied markets. Some examples: In forensics, criminals are being convicted based on DNA profiling. The same techniques and procedures used in human diagnostics are being employed in diagnostics for farm animals. In the area of foodstuffs, impurities are not tolerated and genetic modifications must be declared. In these laboratories too, state-of-the-art automation solutions from Tecan improve efficiency.

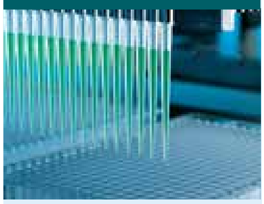
Brand management

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.

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)

premium quad4 monochromators™

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

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 role in strengthening and improving awareness of the Tecan brand. For example, the Company regularly organizes the Tecan Symposium, which lasts for several days, examines a current topic in-depth and provides an opportunity for experts in the life sciences sector to exchange information. Tecan also supports various science prizes as a sponsor and presents the Tecan Award, a prize that is given to innovative customers.

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. In 2012, an external market research institute measured and evaluated customer loyalty and satisfaction. Compared with the 2009 results, Tecan was able to maintain its very high level and, in some categories, further improve it. 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.

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 11.7 % 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. The Company has several hundred patents in various patent families. Patents strengthen Tecan's competitive position in a variety of applications. In the area of biobanking, for example, population-based or disease-specific studies, such as those involving blood samples that are processed and stored in test tubes, are conducted. The Tecan-patented tube inspection unit can detect the buffy coat of leukocytes between the centrifuged coagulum and the serum supernatant, even when there are several layers of barcode stickers on the individual test tubes. This is an enormous help in automating the process steps.

In 2013, Tecan again registered numerous patents for the first time and new patents were granted in various countries. For example, to date patent applications have been submitted for the innovative eFluidics™ technology in ten patent families and patents in three patent families have already been issued. eFluidics is an alternative liquid handling technology based on electrowetting, which can manipulate fluids by altering the electrical field. This allows compact instruments to be developed for numerous applications.

An overview of the various patents has been published on the Company's website. In addition to patents, 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). The quantities of fluid involved can range from milliliters to microliters. Tecan also has the necessary sensor technology to monitor processes, for example to ascertain whether a liquid transfer has actually taken place. One of the Company's particular competences is the ability to make these often highly complex processes easy to perform through user-friendly software with an intuitive user interface.

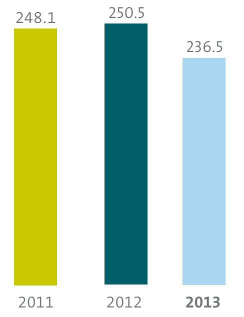
In the area of detection, Tecan specializes in analytical devices that use a variety of optical methods to detect reactions in a test procedure, such as the binding of an antibody to a target molecule. This may be done using fluorescence, luminescence or absorption techniques, for example. Tecan also 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)

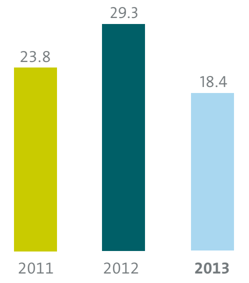
Total sales Life Sciences Business[1]

(CHF million)



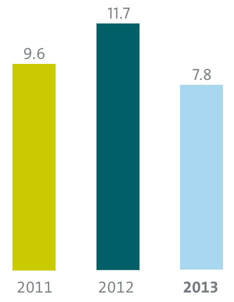
EBIT Life Sciences Business

(CHF million)



EBIT margin Life Sciences Business

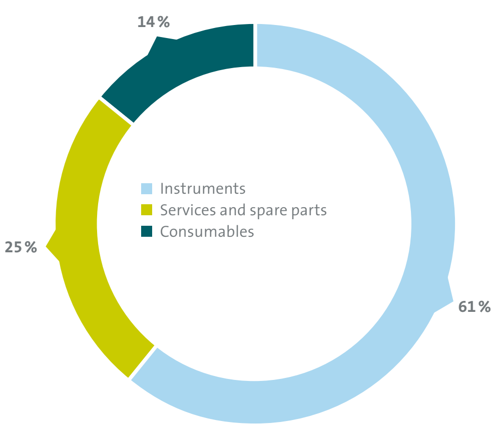
(in % of sales)



[1] Sales to third parties + intersegment sales

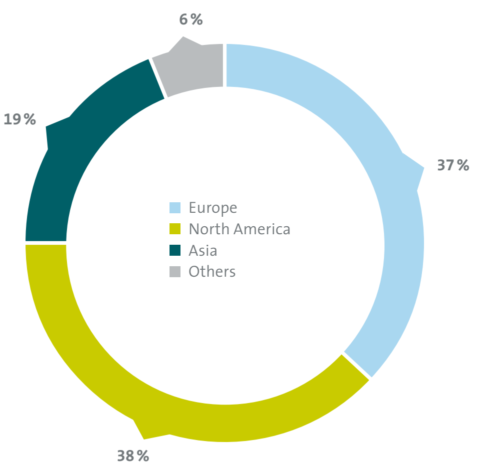
Sales by products

(in % of sales)



Sales by regions

(in % of sales)



Tecan is a pioneer and the market leader in laboratory automation. Tecan has been offering 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 for more than 30 years. Most of these customers work in the field of life science research. Around one-third of sales in this segment are generated from customers in the diagnostics market.

Tecan distributes 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 expert-line specialists work to ensure a high degree of customer loyalty and satisfaction. In 2013, the Life Sciences Business segment represented 58 % 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 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 used as independent devices or integrated within 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 is continuing to show strong growth in its consumables business. New, value-added products that have been launched in recent years are the driving forces behind this growth.

Focus on user-friendliness

Modern laboratory automation increases sample throughput in a laboratory, minimizes human error, enhances precision, delivers reproducible test results, documents these and thus improves productivity as a whole in the laboratory. Today, it is technically possible to automate most highly complex processes using the solutions currently available. However, they are often complicated to use, meaning usage is limited to a small expert group within the laboratory. In addition, switching between applications is often laborious. User-friendliness is therefore one of the most important benefits for customers, in addition to existing technical differences in the precision and reliability of the system. Tecan has made a name for itself with regard to user-friendliness and further increased its focus on this in the year under review. It has already been possible for several years to start and operate applications intuitively via a touch-sensitive screen using the software interface TouchTools™ developed by Tecan. Applications can be organized flexibly by customers and saved as a standard application, thus making daily routine tasks considerably easier.

TouchTools™ interface for ease of use

In a further step, Tecan launched a special TouchTools-based user assistant or wizard for a new application. Users are guided step-by-step through the set-up process of PCR-based applications and need only minimal instructions. Sample information can simply be entered manually, imported from a file or identified by barcode scanning. The wizard translates these details at the system software level and starts the application. After setup, the data are transferred seamlessly to the downstream thermocycler.

Flexibility in automation is a key advantage in various areas of research. Tecan covers this need with a large array of additional modules, with which the instruments can be configured. However, in some areas, users want to purchase an instrument that is already configured for a specific application and start routine work immediately. Tecan therefore launched smart automation solutions for the first three applications.

Tecan SMART AUTOMATION

Smart automation solutions are preconfigured with all the necessary modules for the specific application, have a dedicated and intuitive TouchTools interface and include application manuals and ready-to-run methods for specific reagents and consumables. Customer training also makes a significant contribution to achieving optimum use of the productivity of automation solutions. The Company offers easily accessible and affordable online training for customers via the Tecan Academy. Interactive tools and easy-to-understand videos help them to quickly master Tecan's automation solutions and use them to optimum effect.

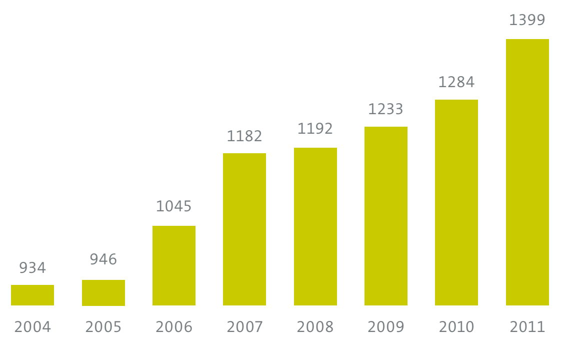
Opening up global growth markets

Many countries are currently investing considerable amounts in healthcare and life science research. Tecan is focusing in particular on expanding its business in China, which is now the world's fourth largest healthcare market, although its spending per capita is still only a fraction of that in many western industrialized countries. Continuing economic growth combined with rising spending per capita make this an extremely attractive market. Tecan has been active in China for a number of years, and since 2008 through an own subsidiary. Over the last five years, sales growth has averaged over 20%. Profitability is comparable with that in established markets. The majority of sales in China are generated in the Life Sciences Business segment, more than half of whose customers work in the field of diagnostics. Tecan is the market leader here in liquid handling platforms for the largest hospitals (tier 3). The laboratories use Tecan platforms to test blood samples for infectious diseases, for example. The number of the largest hospitals is constantly growing, along with patient numbers and utilization. The corresponding rise in diagnostic test volumes in hospital laboratories is increasing the need for efficient automation.

Large investments are also being made in laboratory infrastructure in the area of academic research. According to estimates, government funding already accounts for half of the budget of the National Institutes of Health (NIH) in the US. It is assumed that government funding in China will exceed that in the US by as early as 2020.

In order to exploit the various end markets in China, Tecan is continuing to invest in expanding its marketing and service organization. A larger direct market presence should lead to a further considerable increase in sales in China in the coming years.

Number of the largest hospitals in China



Expansion of recurring sales

Tecan generated 25 % of sales in this segment from services and 14 % from consumables in the year under review. The share of these recurring sales is to be further expanded. Plastic pipette tips, which are used with liquid handling platforms, account for the largest proportion of consumables. Tecan supplies several hundred million pipette tips per year. The use of high-quality consumables improves data quality and ensures that test results are reproducible. They are a key part of the validated workflow solution in diagnostics.

Tecan is continuously expanding its product offering in the area of plastic consumables and benefits from the broad base of existing installed instruments. New products were also launched in 2013, most recently special pipette tips, individual layers of which can be stacked nested in one another. This enables high-throughput processing in which only a fraction of the liquid handling platform deck space is needed to store the consumables.

Tecan is also increasingly launching consumables that contribute even greater value added to the workflow solution. In the year under review, the first product launched was the AC Extraction Plate™. This extraction plate, with the inner surface of each well coated with a special technology, was developed to make it possible to easily automate sample preparation for mass spectrometry. The proprietary TICE™ (Tecan Immobilized Coating Extraction) technology enables extraction of low molecular weight analytes such as vitamin D or testosterone for subsequent analysis with a mass spectrometer. The AC Extraction Plate eliminates numerous laborious and difficult-to-automate process steps.

Performance

Sales in the Life Sciences Business totaled CHF 223.7 million in 2013 (2012: CHF 235.2 million). The end-customer business constituted 57.6 % of total Group sales (2012: 60.1 %). In local currencies, sales were 3.7 % below the prior-year level, and 4.9 % lower in Swiss francs. This decline was largely due to fewer instruments sold in the established North American and European markets, which were affected by austerity measures and budget cuts. By contrast, sales in China and of consumables recorded strong growth. Order entry also remained below the prior-year level in the year under review, but exceeded sales.

Sales did not increase as much as expected in the second half of the year, and in local currency terms were 3.8 % below the prior-year period. However, Tecan achieved higher sales than the prior-year period in the second half in North America, and also observed slightly improved sales development in Europe. Order entry in the Life Sciences Business was above the prior-year level in the second half.

Operating profit in the segment reached CHF 18.4 million in the year under review (2012: CHF 29.3 million) and the operating profit margin declined to 7.8 % of sales (2012: 11.6 %) as a result of the lower sales volume.

Selection of the current most important products and product groups

Liquid handling platforms and workflow solutions

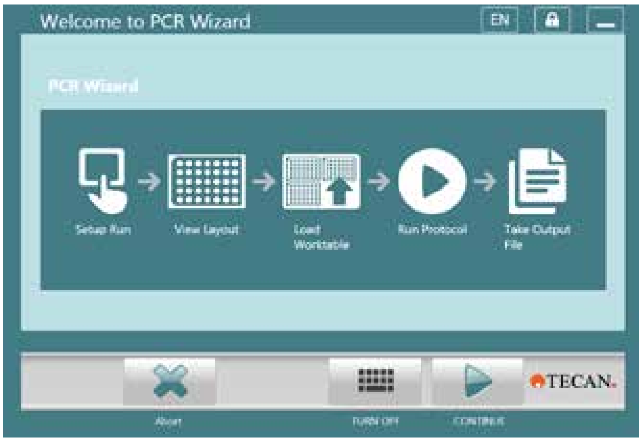
Freedom EVO® and Freedom EVOlyzer®
The Freedom EVO liquid handling platform is a flexible and highly configurable platform for the precise pipetting of small and large volumes of various liquids. Various modules can be incorporated within this platform to address a wide range of laboratory applications 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.

The Freedom EVOlyzer is a validated liquid handling platform with integrated detection devices which is used by clinical laboratories for ELISA-based protocols.

Tecan recently launched a Freedom EVO workstation specifically configured for high-throughput ELISA processing. The higher throughput is being achieved with up to two liquid handling arms working in parallel and two integrated microplate washers. The new platform is designed to meet the requirements of large hospital labs and blood centers, for example in China.

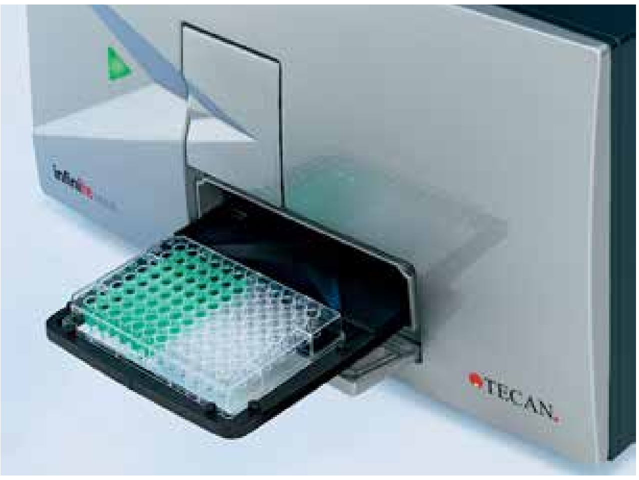
In collaboration with a variety of partners, Tecan also provides standardized workflow solutions. The partners provide specific chemistries or sample preparation devices and Tecan automates and integrates the various procedures of the given application via a combination of hardware devices but also customized software and an intuitive user interface. This provides customers with a pretested, ready-to-use solution that enables them to begin routine work quickly.

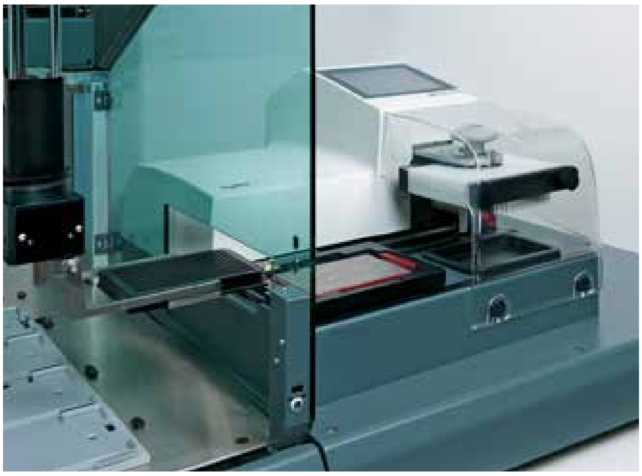
In some cases customers require highly complex, individual tailored solutions to achieve full automation of a specific application or workflow. Tecan provides these services and integrates existing modules and technologies, both from Tecan and third-party suppliers along with the development of new modules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



Tecan has made a name for itself with regard to user-friendliness. With the software interface TouchTools™, applications can be started and operated intuitively via a touch-sensitive screen.

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. High quality consumables are a prerequisite for high productivity and reliable assay results.

The newly launched AC Extraction Plate™, with the inner surface of each well coated with a special technology, was developed to make it possible to easily automate sample preparation for mass spectrometry.

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

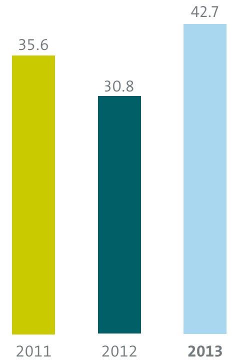
(OEM business)

Total sales Partnering Business[1]

(CHF million)

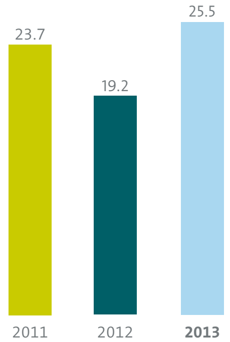
EBIT Partnering Business

(CHF million)



EBIT margin Partnering Business

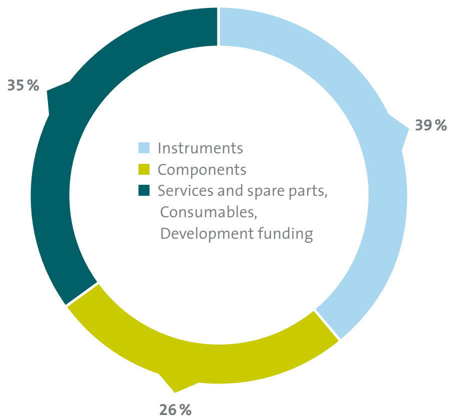
(in % of sales)



[1] Sales to third parties + intersegment sales

Sales by product groups

(in % of sales)



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 has been operating its OEM business since the Company was founded more than 30 years ago; parts of the business within today's Group can even look back on 40 years of history.

Tecan expanded its OEM business in the year under review. Over the last nine years, sales have grown by an average of 9 % per year. The OEM business has been designated as the Partnering Business segment since 2011. The share of this segment in the total sales of the Tecan Group was 42 % in 2013.

Tecan benefits in the Partnering Business from the outsourcing of instrument development, either in full or for specific parts, to specialists like itself by diagnostics and other life science companies. This enables these companies to focus on developing tests used in diagnostics or research. In recent years, this trend has been accelerating. OEM customers benefit from Tecan's extensive technology experience in a wide range of instruments and modules in the area of laboratory automation. By outsourcing instrument development, customers are able, among other things, to shorten the time to launch while also gaining access to Tecan's innovative technologies.

Product portfolio

Tecan has a wide range of products. The Company supplies various well-known diagnostics instruments in the OEM business and serves several hundred customers with components. Customers engage Tecan to carry out widely differing elements of instrument development: the spectrum ranges from components to complete instruments. Tecan's solutions are thus 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 development 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. The components business has seen strong growth in the last two years. For example, Tecan gained customers in the fast-growing area of next-generation sequencing and posted rising sales in China.

Platform-based solutions

Fast time to market and low development costs are key for some OEM customers. In these cases, Tecan can adapt the products and platforms it develops for its own end customers to the specific needs of OEM customers. These adapted and standardized platforms are then distributed under the customers' own brand name as system solutions that combine Tecan's instruments with the partner's own specific tests. Detection instruments from Tecan can also be modified or integrated into fully automated laboratory solutions.

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 for products with a longer life-cycle and when the specific functionality and total cost-of-ownership are the key decision criteria. By choosing to partner with Tecan, OEM customers get access to the Company's full range of technologies, modules and software as well as its expertise in system integration and regulatory and quality processes.

Customer service and consumables

Support for OEM customers does not end once the instrument development is finished. Tecan also offers OEM customers a range of services after the product is launched via its global service infrastructure. The Company 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 maximizes instrument operation time by providing a global spare parts service. OEM customers active in the diagnostics market may benefit from Tecan's high-quality consumables such as certified pipette tips, which are an important component of a validated system solution. Thanks to the growing number of installed devices in recent years, this business posted high growth rates.

Growth drivers

Tecan has a broad base of OEM customers and is continuously increasing the number of supply agreements. The supply of new products stepwise generates additional sales, building on the established base. This enables achievement of sales growth in excess of the market level. The Partnering Business will therefore continue to make a considerable contribution to the Company's growth in the years ahead.

Launch of new products

Tecan expects two dedicated diagnostics instruments to make a significant contribution to sales in coming years: Dako Omnis and ORTHO Vision™.

Dako Omnis, a new platform for automated advanced staining for tissue-based cancer diagnostics was launched in the year under review. Given the advancing global marketing by partner Dako, an Agilent Technologies company, Tecan expects a significant increase in sales in 2014. Further information on the Dako Omnis can be found on pages 4 through 7 and on page 36.

ORTHO Vision is a next generation diagnostics instrument used for blood typing and to determine other important blood parameters. The device, which is being developed for partner Ortho Clinical Diagnostics, the market leader in immunohematology, will be launched by the partner into several regional markets during 2014. ORTHO Vision™ Max, a variant of the instrument with a higher sample throughput, is also being developed by Tecan.

Tecan gained a number of new customers for platform-based solutions in the year under review; these will contribute to sales growth in the years ahead. In addition, Tecan is currently discussing several new projects with potential partners.

Numerous customers are also developing instruments incorporating innovative Tecan components as elements. Other customers have already started serial production of new devices, resulting in higher volumes for components.

China
As in the Life Sciences Business segment, significant market potential is also presenting itself to Tecan in the Partnering Business in China. At present, only a modest share of sales is generated in China in the Partnering Business segment, although sales have increased significantly over the last two years. Tecan is benefitting here from the strong position of the Life Sciences Business and the known brand. Local device manufacturers are increasingly integrating Tecan components in various areas of application to ensure the necessary instrument quality and reliability. Also, Chinese diagnostics companies are interested in the supply of complete instruments by Tecan.

Performance in selected end markets in China is described in more detail on page 28.

Innovation
Tecan has also set itself the aim of further expanding its leading market position and becoming the partner of choice for customers for instrument development in the Partnering Business. To this end, the Company is focusing increasingly on developing proprietary, patent-protected technologies. One example is the innovative eFluidics™ technology. eFluidics is an alternative liquid handling technology based on electrowetting, which can manipulate fluids by altering the electrical field. Tecan is already holding discussions with diagnostics and life science companies who are very interested in the development of compact instruments for a range of applications.

Performance

The Partnering Business generated sales of CHF 164.6 million in 2013 (2012: CHF 156.0 million), which corresponds to an increase of 5.5% in Swiss francs and 5.8% in local currencies. Overall the Partnering Business accounted for 42.4% of total Group sales (2012: 39.9%).

Strong growth was achieved in services and consumables, as well as in China. The components business also continued to perform well. Instrument sales fell only slightly, with growth from new business and established product lines largely offsetting a headwind from the phase-out of products in the amount of around CHF 15 million compared to the previous year. The largest impact came from a partner who shifted the focus of its combined product portfolio following a company acquisition. Order entry in the Partnering Business also saw pleasing growth.

Sales growth accelerated further in the second half, and was 7.8% higher than the prior-year period in Swiss francs, and 8.9% higher in local currency terms. This development is a reflection of the launch of the Dako Omnis (P16) instrument by Tecan's partner, Dako, in September.

Operating profit in the Partnering Business increased by 38.8% in 2013 to CHF 42.7 million (2012: CHF 30.8 million). The operating profit margin rose to 25.5% of sales due to a higher gross margin (2012: 19.2%).

Selection of the current most important products and product groups

Instruments

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. 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.

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

Dako Omnis

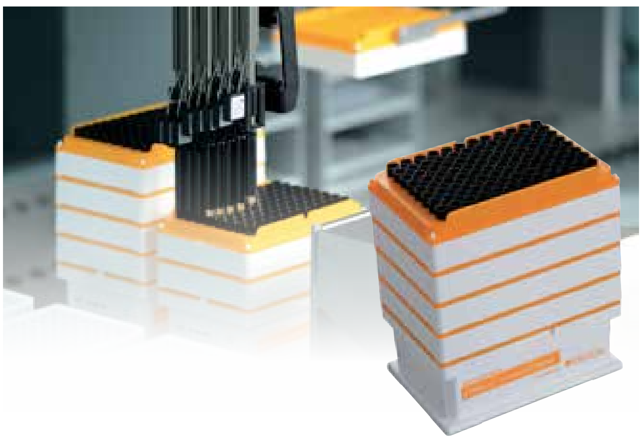
Dako Omnis, a new platform for automated advanced staining for tissue-based cancer diagnostics, was launched by Dako onto the market in 2013. The system automates both of the established processes for the diagnosis of abnormal cells: immunohistochemistry (IHC) and in-situ hybridization (ISH). These methods are used to add antibodies to stain the cell structures of the tissue samples that are key to diagnosis. Details on the Dako Omnis and the application can be found on pages 4 and 7.

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 XMP 6000 Multi-Channel Pump is for example used in sequencers in the fast-growing area of next-generation sequencing. 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. An example of an application can be found on pages 8 and 9.

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

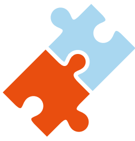
By pursuing sustainable corporate practices, Tecan is looking to secure the long-term expansion and prosperity of the Company for the benefit of all interested parties. Tecan sees sustainable corporate practices as more than just a series of individual measures. Instead it is a basic mindset that shapes 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. The results of the comprehensive customer survey, which is carried out every three years, are discussed in the “Markets and Market Position” section.

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 has been contributing specialist papers and holding workshops in China for several years, and has also supported blood banks and hospitals in introducing a risk management system in various Chinese cities.

The Company offers easily accessible and affordable online training for customers via the Tecan Academy, which was launched in 2013. Interactive tools and easy-to-understand videos help them to quickly master Tecan’s automation solutions and use them to optimum effect. The courses have clearly defined learning objectives and include an easy certification process to meet internal and common standards.



Customer satisfaction
Sharing knowledge

The Tecan Academy offers customers easily accessible online training for new laboratory solutions and for generally expanding their specialist knowledge.

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, such as 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 caused, for example, 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. A key insurer audited Tecan's risk management system in 2013 and again attested the instrument's high standard, which enabled a premium reduction.

Tecan has a solid SAP-based infrastructure for business processes which integrates sales, customer service, production and the entire financial area in one platform and harmonizes processes. This platform also forms the basis for a "business intelligence reporting suite" with integrated planning modules, for instance for human resources or the budget process. Annual updates ensure that Tecan always has the latest software versions, thus limiting outages and helping avoid large-scale, expensive update processes with long test phases.

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. The full installation was completed in the year under review, and the system formed an integral component of the auditors' IT audit for the first time. In the process, Tecan provided evidence that the access control system is working well.

All IT services offered by the Group worldwide are outsourced to servers of an external service provider. The data is backed up redundantly, and the data centers are physically separated from one another and from the production sites. This enables Tecan to minimize the risk of critical data loss and increase data security. Global round-the-clock IT support is also 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. In addition, a formalized Code of Conduct that is binding for all employees, managers and Board members has been in place at Tecan since 2012. In this Code, Tecan undertakes to maintain the highest standards in its business activities and to respect ethical values. The document is available to the public on the Company's website. 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 that 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 generates a relatively small portion of its sales in countries with an increased risk of corruption according to the criteria of the organization Transparency International, 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 sanctions against unfounded 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.

In 2013, the Code was established worldwide and employees were given training on it. All Tecan employees had to complete e-learning courses. People exposed to higher business risks in their function, such as sales or procurement staff, also had to attend training courses in person. The Code is available in English and German as well as various other languages, including Chinese and Japanese. By providing these different language versions, Tecan wishes to ensure that this important document is understood by employees all around the world.

In the year under review, Tecan began a detailed screening of its distributors, establishing a separate process with a new TMS directive (Distributor and Intermediaries Anti Bribery Due Diligence) for this purpose. The screening is being carried out with the assistance of an external specialist service provider. In future, the process will also be applied during the selection of new distributors.

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 2013, Tecan was subject to a number of sometimes very extensive audits by customers at all production sites. 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. Three audits by international authorities also took place during the year under review. One of them enables customers in the Partnering Business to step up their sales of instruments in one of the emerging growth markets.

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 Süd, Tecan has established a stringent system of control, which has a very good reputation in the life science industry worldwide.

As part of its certification strategy, Tecan obtained a full, Group-wide matrix certificate based on ISO 13485 as planned in 2013. The Company 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 also accommodates the current and future Group structure with an increasing number of subsidiaries. In Europe, the sales subsidiary in Germany was awarded the main certificate, while subsidiaries in other countries received sub-certificates. This 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 verifies the certification annually with sample checks at different branch offices. Tecan successfully passed these checks in 2013.

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.

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 operates in Asia. Direct suppliers are 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. 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. For this reason, emission values such as CO_2 are not measured.

The areas used at the production sites consist exclusively of offices and rooms for assembling products. They are located in already developed commercial and industrial zones. Environmental considerations such as the impact on protected areas and biodiversity are therefore not relevant in the current circumstances.

The net floor area at the largest production site in Männedorf, Switzerland, has grown considerably since 2011 in order to meet the increased production requirements. Employee numbers have also risen during this period. In addition, a large number of external specialists assist Tecan employees in development projects, which has resulted in an increase in total energy and water consumption in absolute terms. Tecan takes care to ensure that modern, energy-efficient technology is used in the infrastructure of its buildings. For example, hot and cold water lines in the ceiling are the sole source of heating and cooling at the headquarters in Männedorf. Processed wastewater from the Männedorf wastewater treatment plant supplies the heat pumps with energy. No water is used as a production factor in the assembly process. Tecan's water requirements are met entirely by the communal water utilities and do not influence any water resources in protected areas. Paper consumption declined at the two locations in Austria and the US. The only place where it rose was the headquarters in Männedorf, which was a result of the higher employee numbers and intensified project work.

There was a decline in the total amount of waste produced in comparison with the previous year. Recyclable waste accounted for the majority of that amount. Only a small portion of it was special waste, which includes materials, solvents and chemicals contaminated through the automation of biological processes, for example. In the year under review, the amount of waste classified as special waste produced at the Männedorf location increased markedly. As a result, Tecan conducted an analysis of the precise composition of the special waste. The analysis showed that a significant portion of the waste disposed of as special waste was incorrectly treated as such as a precaution. Employee training courses were then held to explain the precise classifications and disposal types. Tecan expects that the amount of waste classified as special waste will be reduced again in the future.

Environmental responsibility
Promoting renewable energies

Tecan enables employees with electric vehicles to use charging stations for free.

Environmental performance

	Unit	2011	2012	2013
Net floor area	m²	20381	21674	24879.8
Energy consumption				
Total energy consumption	Gigajoules	19188.2	18208.1	21492.2
Total fuel consumption	Gigajoules	0.0	0.0	0.0
Fuel consumption/m²	Gigajoules/m²	0.0	0.0	0.0
Total consumption of electricity	Gigajoules	10456.0	10025.4	11709.5
Consumption of electricity/m²	Gigajoules/m²	0.5	0.5	0.5
Total cooling energy	Gigajoules	3367.3	3074.7	2840.2
Cooling energy/m²*	Gigajoules/m²	0.2	0.1	0.1
Total heating energy	Gigajoules	5364.9	5108.0	6942.5
Heating energy/m²	Gigajoules/m²	0.3	0.2	0.3
Total steam consumption	Gigajoules	0.0	0.0	0.0
Steam consumption /m²	Gigajoules/m²	0.0	0.0	0.0
Energy intensity (total energy/turnover)	Gigajoules/CHF Mio.	50.9	46.6	55.3
Water consumption				
Total water consumption	m³	5025.7	5459.5	8212.7
Water consumption per head	m³/head	6.8	7.4	11.0
Paper consumption				
Total paper consumption	kg	17975.9	17632.7	22887.2
Paper consumption per head	kg/head	24.5	23.9	30.8
Percentage of recycled paper	Percentage	81.1	77.0	81.0
Waste consumption				
Total waste	Ton	116.1	111.6	106.6
Normal waste	Ton	38.0	34.7	34.5
Recyclable waste	Ton	75.1	72.8	63.7
Hazardous waste	Ton	3.0	4.0	8.4

*Data available for Switzerland only, extrapolation for the other two production sites.

Tecan attaches great importance to using the most environmentally friendly materials and ecologically efficient processes possible. 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

[1] WEEE = Waste Electrical and Electronic Equipment

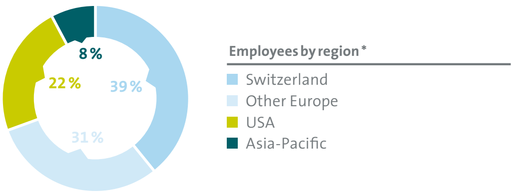
[2] RoHS = Restriction of Hazardous Substances

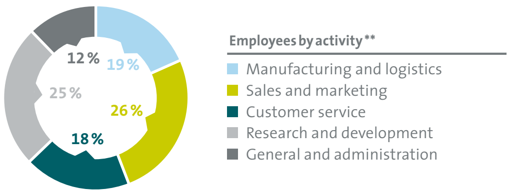
completely paper-free processes. For innovations such as the Infinite F50 Reader, CO_2 efficiency is a key criterion. This Tecan product makes a sustainable contribution to the reduction of CO_2 emissions. Compared to the previous model, the F50 Reader is around 65% lighter and more compact. This results 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 meets the Chinese and EU RoHS Directives.

Tecan supports employees at the Männedorf location in their use of electric vehicles. Separate parking spaces are provided, along with the option to use charging stations for free.

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.





Tecan has a very cosmopolitan workforce comprising employees from around 40 countries. The average age of Tecan employees is approximately 40. In the year under review, the number of employees rose again slightly. The proportion of women in the workforce increased again to approximately 27%, and the proportion of female managers also continued to rise, reaching over 21%. Two of seven positions on the Board of Directors are now occupied by women.

The high degree of Company loyalty is reflected in the staff turnover rate of around 10%, and an absence rate of less than 3%.

* in % of all employees

**in % of all FTEs

Overview of personnel figures

	Unit	2011	2012	2013
Employee figures				
Employees	No.	1128	1224	1232
Full-time positions	in % of all employees	90.6 %	89.5 %	89.3 %
Part-time positions	in % of all employees	8.1 %	9.1 %	9.1 %
Trainees	No.	15	18	20
New positions created	No.	43.5	89	8
Gender diversity				
Women	No.	285	320	327
Men	No.	843	904	905
Women	in % of all employees	25.3 %	26.1 %	26.5 %
Men	in % of all employees	74.7 %	73.9 %	73.5 %
Women in management positions	in % of all managers	18.3 %	19.9 %	21.4 %
Women in the Board of Directors	No.	0	1	2
Women in the Board of Directors	in % of all members	0 %	14.3 %	28.6 %
Basic and continuing training *				
Investments in basic and continuing training	CHF	385'839	499'687	518'316
Investments in basic and continuing training	CHF per employee	881	1'041	1'089
Other figures*				
Staff turnover rate		10.8 %	11.8 %	10.3 %
Absence rate		1.9 %	2.2 %	2.7 %
Average number of years of service	Years	4.6	4.6	5.6
Average age	Years	40.1	40.3	39.8

Responsibility to employees
Equal opportunities

The proportion of women in Tecan's management and its Board of Directors increased in 2013.

* Data for Switzerland only.

Employee satisfaction

Tecan 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, which is conducted every two years, enables the Company to ascertain whether its business parameters, processes and structures are appropriate and how motivated and committed its staff are. 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 conducted in 2012 produced good to very good results. General satisfaction was excellent. 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. No survey was planned for the year under review. In order to obtain useful feedback from the employees, however, elements of the survey were integrated into meetings between line managers and employees as part of an in-depth year-end process.

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 also carried out in the year under review to firmly anchor 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. It 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 four values are also integrated into the year-end process in which target achievement is evaluated, as well as into meetings with employees. The performance review process MyPerformance was revised in the year under review. Greater emphasis is now placed on employees' conduct with regard to the Tecan values.

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

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 has high training expenditure: The Company must comply with requirements and guidelines set forth by various supervisory authorities and must also demonstrate that its employees possess the required knowledge. In the year under view, investments in basic and continuing training increased again, both in absolute terms and per employee. Aided by an SAP-based system, Tecan ensures that training processes are carried out to a sufficient standard 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. Tecan increased investments in management training in the year under review. Strong leadership is indispensable if the Company is to generate sustainable value. Specific four-part seminars provide managers from all levels with practical guidance for developing their leadership skills, motivating employees and raising the Company's productivity. All the seminars include written individual and group exercises as well as larger group projects, including case studies and simulations of challenging business situations.

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. The number of trainees rose again in the year under review.

Social responsibility
Projects serving the common good

With its kindergarten project "Spürnasenecke", Tecan wants to contribute to getting children in the communities around its locations interested in science at an early age.

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. One example is the learning concept "Spürnasenecke" (a corner for children with a nose for discovery) for kindergartens, which was developed in Austria together with the Tecan site in Salzburg. It helps teachers lead children toward scientific discoveries in a playful way. Tecan supported the development of the "Spürnasenecke" project with funding and its own expertise. With this commitment, the Company wants to make a contribution to the early development of children in the communities around its locations and get them interested in science. The concept has proved a success and is enjoying great popularity. In Austria, several kindergartens have already been fitted with a "Spürnasenecke" by various sponsors, including Tecan. A similar corner – the first of its kind in Switzerland – has also been installed in Männedorf kindergarten.

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, 2013, the Company's market capitalization was CHF 1,169 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 124 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 86 of this Annual Report.

Major shareholders

As at December 31, 2013, the following shareholders held more than 3 % of Tecan's shares:

	2012		2013	
	Shares	%	Shares	%
Chase Nominees Ltd., London (GB)	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 %	572,591	5.0 %
APG Algemeine Pensioen Groep N.V., Amsterdam (NL)		<3.0 %	383,102	3.3 %
Credit Suisse Asset Management Funds AG, Zurich (CH)	368,034	3.2 %	368,034	3.2 %
Tecan Group Ltd., Männedorf (CH)	546,590	4.8 %	362,840	3.2 %
Artisan Partners Limited Partnership, Milwaukee (US)		<3.0 %	350,790	3.1 %
Norges Bank (the Central Bank of Norway), Oslo (NO)	350,520	3.1 %	350,520	3.1 %

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

	2011	2012	2013
Number of shares	11,444,576	11,444,576	11,444,576
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,144,458	1,144,458	1,144,458
Legal reserves (CHF)	64,380,165	45,362,184	22,997,864
Net retained earnings (CHF)	110,373,186	126,680,030	152,122,081
Shareholders' equity (CHF)	**175,897,809**	**173,186,922**	**176,264,403**
Repayment of capital contribution reserves			
Number of issued shares on repayment date	10,771,157	10,825,923	10,991,802
Reduction in capital contribution reserves (CHF)	10,771,157	13,532,404	10,991,802
Conditional share capital			
Reserved for employee participation plans			
Number of shares	858,636	858,636	858,636
CHF	85,864	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	2,200,000	2,200,000
CHF	240,000	220,000	220,000

As at December 31, 2013, 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 10 "Employee benefits." Options exercised in fiscal year 2013 increased the Company's share capital by CHF 0 (2012: CHF 0; 2011: CHF 784) and decreasing the Company's conditional capital by 0 shares (2012: 0 shares; 2011: 7,841 shares). Since 2011, the Company services the options exercised from its own shares. As of December 31, 2013, 148,704 shares of the conditional share capital were reserved for outstanding employee stock options and 168,784 for outstanding employee shares in connection with the Performance Share Matching Plan (PSMP). These shares correspond to a share capital of CHF 31,749. 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 pre-emption rights of the shareholders may be restricted, excluded and allocated to third parties by resolution of the Board of Directors if the new shares are intended to be used 1) to pay for the acquisition of companies, parts of companies or equity investments; 2) to finance or re-finance the acquisition of companies, parts of companies or equity investments; or 3) for an international placement of shares. Shares for which subscription rights were granted but not exercised must be used by the Board of Directors in the interest of the Company. The Company does not have convertible bonds or any options outstanding other than the aforementioned employee stock options.

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 52 and 53.

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 nontransferable 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 but 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 2014
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 2014
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; Hilti AG, member of the Board; CAMOX Fund, member of the Board; Sensirion Holding AG, member of the Board

Dr. Oliver Fetzer

Chairman of the Compensation Committee
Since 2011, elected until 2014
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

Dr. Christa Kreuzburg

Since 2013, elected until 2014
1959
German citizen, Diploma and Ph.D. in Physical Chemistry, Duisburg University, Chemical Faculty

Professional background:
1990 to 1994 Laboratory Head, Central Research at Bayer AG, Germany; 1994 to 1996 Departmental Head, Central Research at Bayer AG, Germany; 1997 to 1999 Strategy Consultant, Corporate Strategic Planning at Bayer AG, Germany; 2000 to 2002 Head of Corporate Strategic Planning, in addition from 2001, leading the restructuring project of division Pharmaceuticals after the withdrawal of Lipobay® at Bayer AG, Germany; 2002 to 2005 Head of Pharma Japan (from 2004)/Europe/MERA and member of the Pharma Management Committee at Bayer HealthCare, Germany; 2006 to 2007 Head of Pharma Primary Care / International Operations and member of the Pharma Management Committee at Bayer HealthCare, Germany; 2007 to 2008 Head of Bayer Schering Pharma Europe/Canada and member of the Executive Committee. Integration of Bayer and Schering in the region at Bayer HealthCare, Germany; 2009 to today Consulting projects for small and mid-size Healthcare companies.

Other activities:
None

Dr. Karen Huebscher

Since 2012, elected until 2014
1963
Swiss and British citizen
MBA, IMD Lausanne
Ph.D. Natural sciences,
ETH Zurich and Master's degree, Animal Sciences, ETH Zurich

Professional background:
1995 to 2000 Various positions with increasing responsibility in Research and Finance at CIBA Geigy and Novartis; 2000 to 2005 Novartis, Global Head Investor Relations; 2006 to 2009 Member of the Global Executive Committee and Global Innovation Board, Novartis Vaccines & Diagnostics with global headquarters in the U.S., in charge of Business Development / Merger and Acquisitions; 2009 to 2011 Member of the European Commercial Operations Leadership Team and Site Head Novartis Vaccines & Diagnostics, Basel. Head Public Health and Market Access Europe (Marketing & Sales). Board Member European Vaccines Manufacturers' associations in Brussels.
2012 to 2014 Founder and Managing Director of Fibula Medical AG; Since 2014 CEO Solvias AG, Kaiseraugst, Switzerland.

Other activities:
Solvias AG, member of the Board

Gérard Vaillant

Since 2004, elected until 2014
1942
US citizen, Degree in Marketing (École Supérieure de Commerce, Paris) and MS (University of Sciences, Paris)

Professional background:
1987 to 1992 Various senior management positions within Johnson & Johnson (US), including Vice-President, J&J International; 1992 to 1995, Worldwide President Life Scan (a J&J company); 1995 to 2004, Company Group Chairman Diagnostics Worldwide; 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:
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; Venture Partner at Kurma Partners, Paris

Erik Walldén

Since 2011, elected until 2014
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		
Christa Kreuzburg		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 30 to the consolidated financial statements.

4 Management

Management Board

Information on the members of the Management Board can be found on pages 56 and 57.

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 60 to 66.

Management Board

Andreas Wilhelm

1

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

Dr. Achim von Leoprechting

2

Executive Vice President
Head of the Partnering Business division
Member since 2013
Joining Tecan in 2013
1968
German citizen
PhD in Biology (University of Freiburg, Germany)

Professional background:
1999 to 2002 Different positions in product management at Packard Bioscience, today part of PerkinElmer; 2002 to 2013 Several management positions and professional positions at PerkinElmer Inc. (NYSE:PKI),including Vice President and General Manager In Vitro Solutions and Vice President and General Manager Imaging and Detection Technologies as well as European Sales Director Molecular Medicine/Biodiscovery; most recently as Vice President and General Manager Europe, Middle East, Africa and India.

Other activities:
None

Dr. Rudolf Eugster

3

Chief Financial Officer of the Tecan Group
Member since 2002
Joining Tecan in 2002
1965
Swiss citizen
Degree in Chemistry (Swiss Federal Institute of Technology), PhD in Technical Science (Swiss Federal Institute of Technology), Postgraduate degree in Business Administration (Swiss Federal Institute of Technology)

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

Markus Schmid

4

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

Professional background:
1990 to 1993 Consultant for an occupational pensions fund at an insurance company; 1994 to 1998 teacher and instructor at various educational levels and has held various consulting positions; 1998 to 2011 Partner and operations manager at MANRES AG, Zurich.

Other activities:
None

Dr. David Martyr

5

Chief Executive Officer
Member since October 2012
Joining Tecan in October 2012
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:
Analytical, Life Science and Diagnostics Association (ALDA), Member of the Board

Dr. Klaus Lun

6

Executive Vice President
Head of Corporate Development
Member since 2013
Joining Tecan in 2013
1972
Italian citizen
M.Sc. Biology (University of Tübingen, Germany), Dr. rer. nat. in neurobiology (equiv. Ph.D., University of Heidelberg, Germany), MBA (University of Mannheim, Germany)

Professional background:
2002 to 2007 Variety of positions at Amaxa GmbH, now part of the Lonza Group, most recently as a Senior Project Manager, 2007 to 2011 Director Business Development at Leica Microsystems (Danaher Group); 2011 to 2013 Several management positions at Molecular Devices Inc. (Danaher Group), most recently as Vice President Drug Discovery and Bioresearch und Vice President Global Product Marketing.

Other activities:
None

Dr. Martin Brusdeilins

7

Executive Vice President
Head Development & Operations and CSO
Member since 2011
Joining 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, Germany; 1985 to 2003 Various management and professional positions at Roche Diagnostics in Europe and the USA, including Vice President Research and Development Near Patient Testing and Vice President and General Manager of a business unit of Roche Diagnostics USA. Several senior positions at Boehringer Mannheim GmbH (acquired by Roche Diagnostics in 1998), Germany, 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 and Development at Ortho-Clinical Diagnostics Inc., in Rochester, New York, USA.

Other activities:
None

Dr. Stefan Traeger

8

Executive Vice President
Head of the Life Sciences Business division
Member since 2013
Joining Tecan in 2013
1967
German citizen
PhD in physics (University of Hannover, Germany), MBA (Purdue University, USA)

Professional background:
2000 to 2007 Variety of management positions in various areas within the Carl Zeiss Group, most recently as Director Strategic Business Development of Carl Zeiss Meditec and Managing Director of Carl Zeiss SMT Ltd.; 2007 to 2013 Managing Director of Leica Microsystems CMS GmbH and Vice President and General Manager of Leica's global Life Science Division (belonging to the Danaher Group).

Other activities:
None

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 2013 in conjunction with ESOP (for details see consolidated financial statements, Note 10.4 "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	2012	2013
Total auditing fees (KPMG)	596	620
Total auditing fees (other audit companies)	12	12
Total tax consulting fees (KPMG)	69	84
Total other consulting fees (KPMG)	1	18

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 11, 2014	Zurich	Full Year Results 2013, Press Briefing on Annual Results and Analysts' Conference
April 14, 2014	Zurich	Annual General Meeting
August 13, 2014	Conference Call Webcast	Half-year Results 2014

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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 14, 2014, 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 Management Board (since 2010) – guarantees direct financial participation in the long-term performance of Tecan shares. In the year under review, the compensation of the Board of Directors was adapted in line with the current corporate governance recommendations for compensation systems, which stipulate only a fixed fee. In contrast to 2012, the members of the Board of Directors therefore no longer participate in the Performance Share Matching Plan (PSMP) and instead receive only a "share entitlement". The total compensation for the Board of Directors accordingly consists of a cash component and a share component. The total amount for the individual members is nominally determined in Swiss francs, from which the cash component is deducted and the remainder converted into shares. As is the case with the PSMP, the share value is determined on the basis of the average closing exchange rates of the Tecan share on the SIX Swiss Exchange in the first four months of the respective fiscal year. 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 Christa Kreuzburg (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 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 Compensation Committee defines the compensation amounts to be paid to the members of the Management Board. The Board of Directors then reviews the target achievement of the CEO and of all members of the Management Board and approves the actual bonus to be paid. 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 fiscal year. It also ensures consistent objectives are set across the Group for the fiscal year which has just begun, and promotes the development of both individual employees and the Group. Personal objectives are defined in the performance review process as part of an individual meeting with the employee's supervisor.

The system

The remuneration system for the Management Board of Tecan Group Ltd. is based on three central pillars: a fixed cash component (fixed or 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, corporate 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 40 %. If the targets are exceeded, the maximum amount of the variable component is 200%. In 2013, results at Group level fell short of the financial targets.

Employee participation plans

In addition to cash compensation, the members of the Management Board participated in the Performance Share Matching Plan in the year under review. This share participation plan is a long-term incentive program which involves the allotment of registered shares in Tecan Group Ltd. to the members of the Management Board and the extended Management Board. Participation in the PSMP was extended in the year under review to a select group of members of senior management and key employees. 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 % can also be allocated in the form of shares. In addition, a claim for 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 primarily 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 is between 0 and 2.5, depending on the degree to which the economic profit target is attained. This means that a member of the Management Board can claim a maximum of 2.5 matching shares per originally allotted share. A formula incorporating the two components of "sales growth in Swiss francs" and "EBIT margin" amongst other factors 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 higher 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 2013, the members of the Management Board on average received an initial allotment of 18.9 % of the total remuneration.

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

Loans
No loans had been granted to members of the Board of Directors or the Management Board as of December 31, 2012 or December 31, 2013.

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

Compensation to the Board of Directors

CHF 1,000	Year	Fixed fee	Committee fee	Total cash compensation	Social benefits[1]	Share award plan: shares granted (number)[2]	Fair value of shares granted[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial shares granted[5]	PSMP: Total matching shares granted (number)[6]	Fair value of matching shares PSMP 2011 earned in period[7/8]	Fair value of matching shares PSMP 2012 earned in period[7/9]	Total compensation
Rolf Classon	2012	150	18	168	–	–	–	739	44	924	4	16	232
(Chairman)	2013	150	18	168	–	934	93	–	–	–	–	–	261
Heinrich Fischer	2012	85	20	105	8	–	–	370	22	463	2	8	145
(Vice Chairman)	2013	85	20	105	7	584	58	–	–	–	–	–	170
Dr. Oliver S. Fetzer	2012	75	27	102	–	–	–	370	22	463	2	8	134
	2013	75	30	105	–	467	47	–	–	–	–	–	152
Dr. Karen Hübscher	2012	50	7	57	5	–	–	370	22	463	–	8	92
(since April 2012)	2013	75	10	85	6	467	47	–	–	–	–	–	138
Dr. Christa Kreuzburg	2012	–	–	–	–	–	–	–	–	–	–	–	–
(since April 2013)	2013	50	7	57	4	467	47	–	–	–	–	–	108
Gérard Vaillant	2012	75	13	88	8	–	–	370	22	463	2	8	128
	2013	75	10	85	6	467	47	–	–	–	–	–	138
Erik Walldén	2012	75	10	85	8	–	–	370	22	463	2	8	125
	2013	75	10	85	6	467	47	–	–	–	–	–	138
Dominique F. Baly	2012	75	20	95	9	–	–	370	22	463	2	8	136
(until April 2013)	2013	25	7	32	2	–	–	–	–	–	–	–	34
Dr. Lukas Braunschweiler	2012	25	7	32	2	–	–	–	–	–	2	–	36
(until April 2012)	2013	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2012**	**610**	**122**	**732**	**40**	**–**	**–**	**2,959**	**176**	**3,702**	**16**	**64**	**1,028**
	2013	**610**	**112**	**722**	**31**	**3,853**	**386**	**–**	**–**		**–**	**–**	**1,139**

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

[2] Vesting condition: Graded vesting from May 1, 2013 to April 30, 2014. Vested shares are transferred at the end of the service period (April 30, 2014). The shares are fully included in the amount of fair value of shares granted.

[3] Formula: Shares granted in 2013 * fair value at grant (CHF 100.00).

[4] Vesting condition: Graded vesting from May 1, 2012 to April 30, 2015. Vested shares are blocked until the end of the performance period (April 30, 2015). The shares are fully included in the amount of fair value of initial shares granted.

[5] Formula: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10 %)]

[6] Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 10.4 of the consolidated financial statements.

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

[8] Formula for 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; and formula for 2013: {initial shares granted in 2011 that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2011 earned in period 2013.

[9] 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 and formula for 2013: {initial shares granted in 2012 that qualify for matching shares [total 2,959 shares] * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2012 earned in period 2013.

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 "Compensation to the Management Board". His total compensation in 2012 was CHF 1,139,000.

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]	Fair value of matching shares PSMP 2013 earned in period[6/10]	Total compen-sation
Dr. David Martyr (CEO)[11/12]	2012	139	120	10	**269**	**57**	1,774	**105**	4,435	**–**	**–**	**113**	**–**	**544**
	2013	600	400	41	**1,041**	**209**	4,669	**351**	13,423	**–**	**–**	**–**	**472**	**2,073**
Gérard Vaillant (interim CEO)[13]	2012	952	–	–	**952**	**59**	–	**–**	–	**–**	**–**	**–**	–	**1,011**
	2013	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**–**
Thomas Bachmann (former CEO)[14/15]	2012	458	275	9	**742**	**160**	4,929	**292**	18,853	**–**	**42**	**401**	–	**1,637**
	2013	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**–**
Dr. Rudolf Eugster (CFO)	2012	345	131	–	**476**	**108**	3,697	**219**	12,350	**–**	**32**	**315**	**–**	**1,150**
	2013	345	110	–	**455**	**107**	2,918	**219**	9,453	**–**	**–**	**–**	**332**	**1,113**
Other members of the Manage-ment Board[16/17]	2012	1,349	397	19	**1,765**	**455**	13,776	**815**	36,162	**–**	**52**	**781**	**–**	**3,868**
	2013	1,270	367	24	**1,661**	**427**	9,338	**702**	25,730	**–**	**–**	**–**	**905**	**3,695**
Total	**2012**	**3,243**	**923**	**38**	**4,204**	**839**	**24,176**	**1,431**	**71,800**	**–**	**126**	**1,610**	**–**	**8,210**
	2013	**2,215**	**877**	**65**	**3,157**	**743**	**16,925**	**1,272**	**48,606**	**–**	**–**	**–**	**1,709**	**6,881**

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, 2012 to December 31, 2014 (PSMP 2012) and from January 1, 2013 to December 31, 2015 (PSMP 2013). Vested shares are blocked until the end of the performance period (December 31, 2014 and 2015 respectively). The shares are fully included in the amount of fair value of initial shares granted.

4 Formula for 2012: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10 %)] and formula for 2013: Shares granted in 2013 * fair value at grant (CHF 83.50) * [1 - estimated labor turnover rate (10 %)].

5 Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 10.4 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 2012: {initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 12,488 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; formula for 2013: plan ended December 31, 2012.

8 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; formula for 2013: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 9,050 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2011 earned in period 2013.

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 and formula for 2013: {(initial shares granted 2012 plus mandatory and voluntary investments that qualify for matching shares [total 18,961 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2012 earned in period 2013.

10 Formula for 2013: {initial shares granted 2013 plus voluntary investments that qualify for matching shares [total 19,442 shares]) * estimated matching share factor of 2.50 * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2013 earned in period 2013.

11 The employment started on October 8, 2012.

12 Member of the Management Board with the highest compensation in 2013.

13 Gérard Vaillant was interim CEO during the period from February to October 2012.

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

15 Member of the Management Board with the highest compensation in 2012.

16 2012: Total six members, including two members who left and one member who joined the Management Board during the year.

17 2013: Total seven members, including one member who left and three members who joined the Management Board during the year.

No termination benefits were paid in 2012 and 2013.

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

For details of the employee participation plans please refer to note 10.4 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	2012	1,547	2,800	**4,347**	–	–	–	1,700	1,628	**3,328**
(Chairman)	2013	1,547	2,800	**4,347**	–	–	–	1,700	2,442	**4,142**
Heinrich Fischer	2012	774	10,000	**10,774**	–	864	1,551	850	814	**4,079**
(Vice Chairman)	2013	774	10,000	**10,774**	–	864	1,551	850	1,221	**4,486**
Dr. Oliver S. Fetzer	2012	774	–	**774**	–	–	–	–	–	**–**
	2013	774	–	**774**	–	–	–	–	–	**–**
Dr. Karen Hübscher	2012	370	–	**370**	–	–	–	–	–	**–**
	2013	370	–	**370**	–	–	–	–	–	**–**
Dr. Christa Kreuzburg	2012	–	–	**–**	–	–	–	–	–	**–**
(since April 2013)[3]	2013	–	–	**–**	–	–	–	–	–	**–**
Gérard Vaillant	2012	774	–	**774**	234	864	–	850	814	**2,762**
	2013	774	–	**774**	–	864	–	850	1,221	**2,935**
Erik Walldén	2012	774	–	**774**	–	–	–	–	–	**–**
	2013	774	–	**774**	–	–	–	–	–	**–**
Dominique F. Baly	2012	774	–	**774**	–	–	–	850	814	**1,664**
(until April 2013)[4]	2013	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2012		5,787	12,800	**18,587**	234	1,728	1,551	4,250	4,070	**11,833**
Balance at December 31, 2013		5,013	12,800	**17,813**	–	1,728	1,551	3,400	4,884	**11,563**

[1] Members are entitled to vote, but only 3,593 shares (2012: 2,229 shares) are vested.

[2] Only vested options.

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

[4] Shares and share options in 2013 are not disclosed, because the member of the Board stepped down before year-end 2013.

Share and option ownership of the Management Board

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]				Total options
					2007	2008	2009	2010	
Strike price in CHF					70.00	69.00	39.70	70.00	
Expiring in					2013	2014	2015	2016	
Dr. David Martyr (CEO)	2012	1,774	–	**1,774**	–	–	–	–	**–**
	2013	7,143	–	**7,143**	–	–	–	–	**–**
Dr. Rudolf Eugster (CFO)	2012	11,931	–	**11,931**	1,280	1,113	1,386	2,345	**6,124**
	2013	12,186	–	**12,186**	–	1,113	1,386	2,345	**4,844**
Dr. Martin Brusdeilins	2012	4,650	–	**4,650**	–	–	–	–	**–**
	2013	6,985	–	**6,985**	–	–	–	–	**–**
Dr. Achim von Leoprechting (since October 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	584	–	**584**	–	–	–	–	**–**
Dr. Klaus Lun (since June 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	1,517	–	**1,517**	–	–	–	–	**–**
Markus Schmid	2012	3,656	–	**3,656**	–	–	–	–	**–**
	2013	6,127	–	**6,127**	–	–	–	–	**–**
Dr. Stefan Traeger (since July 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	1,167	–	**1,167**	–	–	–	–	**–**
Andreas Wilhelm	2012	5,078	–	**5,078**	707	459	–	971	**2,137**
	2013	5,697	–	**5,697**	–	–	–	–	**–**
Dr. Bernhard Grob (until July 2013)[4]	2012	6,047	–	**6,047**	–	–	–	–	**–**
	2013	–	–	**–**	–	–	–	–	**–**
Balance at December 31, 2012		33,136	–	**33,136**	1,987	1,572	1,386	3,316	**8,261**
Balance at December 31, 2013		41,406	–	**41,406**	–	1,113	1,386	2,345	**4,844**

[1] Members are entitled to vote, but only 25,432 shares (2012: 18,848 shares) are vested.

[2] Only vested options.

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

[4] Shares and share options in 2013 are not disclosed, because the member of the Board stepped down before year-end 2013.

Financial Report 2013

Chief Financial Officer's Report

Our operating cash flow improved in 2013 and we expect it to broadly return to historic levels in 2014.

Dr. Rudolf Eugster
Chief Financial Officer

Sales

Sales reached CHF 388.3 million (2012: CHF 391.1 million) and were therefore 0.1 % above the prior-year level in local currency terms and 0.7 % lower in Swiss francs. The performance of the two business segments differed considerably. While sales in the Partnering Business increased by 5.8 % in local currencies, those in the Life Sciences Business were 3.7 % below the prior-year level due to lower instrument sales in established markets. The Tecan Group increased sales in local currencies in the second half by 0.8 % after they were 0.5 % below the prior-year level in the first half of the year.

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.

In Europe, sales in local currencies increased 0.8 % compared to the previous year, which equates to a rise of 1.8 % in Swiss francs. In light of the continuing challenging economic situation in some European countries, sales in the Life Sciences Business were below the prior-year level. By contrast, the Partnering Business posted strong growth. Growth in the Partnering Business accelerated further in the second half, driven by instrument deliveries to Dako. Sales in the Life Sciences Business also improved slightly. In the second half, sales in Europe were 6.1 % higher, or 5.1% higher in local currencies, than in the prior-year period.

Tecan’s sales in North America increased by 0.8 % in local currencies in 2013, but were 0.2 % below the prior-year level in Swiss francs. The components business, which forms part of the Partnering Business, recorded an increase in sales. In the Life Sciences Business, sales were below the prior-year level in North America, as public budget cuts and the government shutdown in October had a negative impact on the market. Tecan’s sales rose by 0.7 % in local currencies in the second half, and were 1.7 % below the prior-year period in Swiss francs. The Life Sciences Business also posted growth in local currencies over the same period.

In China, sales increased in both business segments at a clearly double-digit percentage rate to over CHF 25 million, and continued to accelerate in the second half. Overall, sales in Asia only grew 0.5 % in local currencies and were 6.1 % below the prior-year level in Swiss francs. Exchange rate movements of the yen versus the Swiss franc had a highly negative impact on sales in Japan. Sales in the Partnering Business increased in Asia, while in the Life Sciences Business, declining sales were posted in Japan and the Asia-Pacific region.

Recurring sales of consumables and services increased by 10.6 % in the year under review, or by 11.3 % in local currencies. Their contribution to total sales rose to 34.1 %, the highest level in the Company’s history (2012: 30.6 %). As part of this figure, sales of consumables again grew at a high double-digit percentage rate, by 25.7 % and by 26.3 % in local currencies to a share of 11.5 % of total sales (2012: 9.1 %). The growth rate in the second half was around 37 %.

Order entry in 2013 rose by 1.9 % in local currencies to CHF 386.1 million (2012: CHF 382.3 million), which corresponds to growth of 1.0 % in Swiss francs.

Gross profit

Gross profit amounted to 189.6 million Swiss Francs, which was 8.8 million or 4.5 % below the prior-year figure. The reported gross profit margin was 48.8 % (2012: 50.7 %).

The biggest impact on the gross profit margin was a mix effect with more sales coming from our Partnering Business and – in both segments – sales of Services and Consumables increased. Although they have a higher profitability on an EBIT level they come with a lower gross margin.

Despite the tough economic environment, we were able to slightly increase our prices overall.

We recorded less costs of an OEM development program which had a negative effect on our gross profit margin in 2012. However, this positive effect in 2013 was offset by the medical device tax in the US and higher non-standard cost of sales.

Operating expenses less cost of sales

Overall, operating expenses less cost of sales decreased by 10.0 million Swiss francs or 6.8 %. Operating expenses totaled 136.7 million or 35.2 % of sales – compared with 146.7 million or 37.4 % of sales in the prior-year period.

Selling and marketing expenses were down, despite the increased investments in the sales organization – especially in China, but also in some additional regions. The lowered cost was also helped by the release of some accruals.

Research and development expenses in 2013 amounted to 11.7 % of sales (2012: 13.1 %) or CHF 45.3 million (2012: CHF 51.4 million). All told, research and development activities amounted to CHF 104.1 million gross (2012: CHF 114.6 million), out of which CHF 51.2 million are development costs for OEM partners. This total figure also includes the development costs capitalized in the balance sheet of CHF 10.2 million gross, an increase of CHF 6.2 million over 2012 as development projects progressed and are nearing product launch.

General and administration expenses decreased by 1.6 % due to lower cost on the Corporate level.

Operating profit

Operating profit before interest and taxes (EBIT) increased by 4.0 % to CHF 54.8 million (2012: CHF 52.7 million). The operating profit margin improved by 60 basis points to 14.1 % of sales (2012: 13.5 %), helped by lower research and development expenses as projects near market launch and less cost on the corporate level. Exchange rate movements in major currencies versus the Swiss franc had a negative impact on the operating result. Assuming exchange rates in line with 2012, the operating profit would have reached CHF 56.6 million while the operating profit margin would have stood at 14.5 % of sales.

Financial result and taxes

The financial result increased to CHF 0.7 million (2012: CHF 0.03 million). Exchange rates fluctuated in the reporting period 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 decreased to 17.7 % (2012: 19.6 %).

Net profit and earnings per share

Net profit for the year increased by 7.8 % to CHF 45.7 million in 2013 (2012: CHF 42.4 million). The net profit margin improved by 100 basis points to 11.8 % of sales (2012: 10.8 %). Earnings per share increased to CHF 4.16 (2012: CHF 3.92). On average, a total of 11.0 million shares were outstanding in 2013 (2012: 10.8 million shares).

Balance sheet and equity ratio

Tecan's equity ratio increased again during the reporting period and reached 72.0 % as of December 31, 2013 (December 31, 2012: 69.4 %). The Company's share capital stood at CHF 1,144,458 at the reporting date (December 31, 2013), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

Cash flow

Cash flow from operating activities rose to CHF 27.9 million (2012: CHF 2.4 million). Excluding an OEM development project that Tecan is prefinancing, cash flow from operating activities amounted to CHF 64.6 million (2012: CHF 45.0 million).

Net working capital, excluding the pre-financing of the OEM development was stable and the DSO key figure – the days sales outstanding – improved to 51 days.

In 2013 we made investments of 19.7 million which exceeded the 10.3 million for amortization and depreciation.

Cash flow from financing activities included the dividend payments made in April 2013 in the total amount of 16.5 million and cash inflows of CHF 10.8 million from the sales of treasury shares – mainly due to exercise of stock options.

Cash and Cash equivalents were at 150.4 million Swiss Francs at the end of 2013 compared to CHF 144.5 million at the end of 2012. Net liquidity (cash and cash equivalents minus bank liabilities and loans) increased to CHF 143.4 million (December 31, 2012: CHF 141.3 million).

Dr. Rudolf Eugster
Chief Financial Officer

Five-year consolidated data

CHF 1,000	2009	2010	2011	2012 Restated[1]	2013
Statement of profit or loss					
Sales	356,248	370,548	376,970	391,108	388,292
Operating profit	59,521	55,971	51,271	52,709	54,800
Financial result	689	2,100	2,289	29	693
Income taxes	(12,869)	(11,137)	(8,645)	(10,373)	(9,822)
Profit from continuing operations	47,341	46,934	44,915	42,365	45,671
Result from discontinued operation, net of income taxes	1,999	(30,730)	2,644	–	–
Profit for the period	49,340	16,204	47,559	42,365	45,671
Research and development, gross	(33,747)	(37,372)	(47,004)	(51,374)	(45,323)
Personnel expenses	(123,051)	(128,525)	(131,666)	(138,462)	(141,565)
Depreciation of property, plant and equipment	(6,441)	(6,024)	(5,952)	(6,251)	(6,454)
Amortization of intangible assets	(725)	(1,738)	(3,147)	(4,011)	(3,805)
Impairment losses	–	–	–	–	–
Balance sheet					
Current assets	258,963	274,760	322,980	351,968	387,571
Non-current assets	89,656	63,741	66,961	70,827	79,078
Total assets	348,619	338,501	389,941	422,795	466,649
Current liabilities	131,439	98,669	107,263	103,696	105,312
Non-current liabilities	14,247	11,792	13,365	25,486	25,135
Total liabilities	145,686	110,461	120,628	129,182	130,447
Shareholders' equity	202,933	228,040	269,313	293,613	336,202
Statement of cash flows					
Cash inflows from operating activities	66,150	62,520	45,116	2,405	27,909
Capital expenditure in property, plant and equipment and intangible assets	(10,896)	(12,585)	(14,080)	(13,978)	(19,777)
Acquisition of Tecan Australia Pty Ltd, net of cash acquired	–	–	–	(119)	–
Contingent consideration paid	–	–	–	–	(145)
Disposal of discontinued operation, net of cash disposed of	–	(2,370)	5,480	–	–
Change in treasury shares (net)	1,939	21,244	1,154	3,403	10,756
Dividends paid	(9,681)	(10,412)	(10,771)	(13,532)	(16,488)
Other information					
Number of employees (end of period)	1,014	1,059	1,107	1,185	1,184
Number of employees (average)	1,001	1,031	1,079	1,163	1,190
Research and development in % of sales	9.5 %	10.1 %	12.5 %	13.1 %	11.7 %
Sales per employee	356	359	349	336	326
Information per share					
Basic earnings per share from continuing operations (CHF)	4.58	4.50	4.18	3.92	4.16
Basic earnings per share including discontinued operation (CHF)	4.77	1.55	4.42	3.92	4.16
Gross dividend (CHF)[2]	1.00	–	–	0.50	1.50[3]
Payout from statutory capital contribution reserve (CHF)[2]	–	1.00	1.25	1.00	–[3]
Total payout (CHF)[2]	1.00	1.00	1.25	1.50	1.50[3]
Total payout ratio[4]	21.0 %	64.5 %	28.3 %	38.3 %	36.1 %

[1] Restated due to introduction of IAS 19R

[2] Payment is made in following year.

[3] Proposal to the Annual General Meeting of Shareholders on April 14, 2014

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

Consolidated statement of profit or loss

CHF 1,000	Notes	2012 Restated (note 2.3)	2013
Sales	4	**391,108**	**388,292**
Cost of sales		(192,672)	(198,694)
Gross profit		**198,436**	**189,598**
Sales and marketing		(59,802)	(56,372)
Research and development	6	(51,374)	(45,323)
General and administration		(35,534)	(34,958)
Other operating income	7	983	1,855
Operating profit	4	**52,709**	**54,800**
Financial income		143	235
Finance cost		(354)	(521)
Foreign exchange gains, net		240	979
Financial result	8	***29***	***693***
Profit before taxes		**52,738**	**55,493**
Income taxes	11	(10,373)	(9,822)
Profit for the period, attributable to owners of the parent		**42,365**	**45,671**
Earnings per share			
Basic earnings per share (CHF/share)	9	3.92	4.16
Diluted earnings per share (CHF/share)	9	3.86	4.11

Consolidated statement of profit or loss and other comprehensive income

CHF 1,000	Notes	2012 Restated (note 2.3)	2013
Profit for the period		**42,365**	**45,671**
Other comprehensive income			
Remeasurement of defined benefit obligation	10	(9,489)	2,517
Related income taxes	11	1,645	(520)
Items that will not be reclassified to profit or loss, net of income taxes		**(7,844)**	**1,997**
Translation differences		(1,443)	(1,268)
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(1,443)**	**(1,268)**
Other comprehensive (loss)/income, net of income taxes		***(9,287)***	***729***
Total comprehensive income for the period, attributable to owners of the parent		**33,078**	**46,400**

There were no income taxes and no reclassification adjustments relating to translation differences for the period presented.

Consolidated balance sheet

Assets

CHF 1,000	Notes	2012 January 1 Restated (note 2.3)	2012 December 31 Restated (note 2.3)	2013 December 31
Cash and cash equivalents	12	165,089	144,528	150,377
Current loans and derivatives	13	4,974	834	2,599
Trade accounts receivable	14	71,909	82,392	74,652
Other accounts receivable		8,727	10,778	10,591
Inventories	15	67,918	109,424	145,693
Income tax receivables		1,044	982	1,393
Prepaid expenses		3,319	3,030	2,266
Current assets		**322,980**	**351,968**	**387,571**
Non-current financial assets	16	842	1,531	1,489
Property, plant and equipment	17	17,045	19,544	19,855
Intangible assets	18	38,606	39,864	48,571
Deferred tax assets	11	10,610	9,888	9,163
Non-current assets		**67,103**	**70,827**	**79,078**
Assets		**390,083**	**422,795**	**466,649**

Liabilities and equity

CHF 1,000	Notes	2012 January 1 Restated (note 2.3)	2012 December 31 Restated (note 2.3)	2013 December 31
Current bank liabilities and derivatives	19	1,261	1,571	5,588
Trade accounts payable		12,264	10,691	10,292
Other accounts payable		16,107	17,674	15,101
Deferred revenue	20	19,872	18,420	18,739
Income tax payables		10,150	7,798	8,221
Accrued expenses		36,194	36,849	32,967
Current provisions	21	11,415	10,693	14,404
Current liabilities		**107,263**	**103,696**	**105,312**
Non-current bank liabilities and derivatives	19	3,128	3,325	2,013
Liability for post-employment benefits	10	7,716	17,604	16,773
Non-current provisions	21	1,581	2,060	2,480
Deferred tax liabilities	11	2,685	2,497	3,869
Non-current liabilities		**15,110**	**25,486**	**25,135**
Total liabilities		**122,373**	**129,182**	**130,447**
Share capital		1,144	1,144	1,144
Capital reserve		11,521	9,359	9,301
Treasury shares		(29,011)	(23,527)	(13,151)
Retained earnings		312,414	336,438	369,977
Translation differences		(28,358)	(29,801)	(31,069)
Shareholders' equity	22	**267,710**	**293,613**	**336,202**
Liabilities and equity		**390,083**	**422,795**	**466,649**

Consolidated statement of cash flows

CHF 1,000	Notes	2012 Restated (note 2.3)	2013
Profit for the period		42,365	45,671
Adjustments for			
Depreciation and amortization	17/18	10,262	10,259
Change in provisions and liability for post-employment benefits	10/21	326	6,001
Interest income	8	(143)	(115)
Interest expenses	8	84	179
Income taxes	11	10,373	9,822
Equity-settled share-based payment transactions	10	3,035	2,359
Other non-cash items		1,206	424
Change in working capital			
Trade accounts receivable	14	(10,959)	6,538
Inventories	15	(41,270)	(36,357)
Trade accounts payable		(2,079)	(338)
Other changes in working capital (net)		239	(7,546)
Income taxes paid		(11,034)	(8,988)
Cash inflows from operating activities		**2,405**	**27,909**
Repayment of time deposits and current loans		533	–
Interest received		139	109
Acquisition of Tecan Australia Pty Ltd, net of cash acquired	3	(119)	–
Contingent consideration paid	3	–	(145)
Purchase of property, plant and equipment	17	(9,091)	(7,197)
Proceeds from sales of property, plant and equipment	17	80	85
Investment in intangible assets	18	(4,887)	(12,580)
Cash outflows from investing activities		**(13,345)**	**(19,728)**
New shares issued upon exercise of employee share options	22	(2)	–
Dividends paid	22	(13,532)	(16,488)
Purchase of treasury shares	22	–	(6)
Proceeds from sales of treasury shares	22	3,403	10,762
Change in current bank liabilities	19	(11)	2,028
Increase in bank loans	19	1,036	1,654
Interest paid		(83)	(178)
Cash outflows from financing activities		**(9,189)**	**(2,228)**
Effect of exchange rate fluctuations on cash held		(440)	(96)
(Decrease)/increase in cash and cash equivalents		**(20,569)**	**5,857**
Cash and cash equivalents at January 1		165,089	144,520
Cash and cash equivalents at December 31		**144,520**	**150,377**
Cash and cash equivalents as per cash flow statement comprise			
Cash and cash equivalents as per balance sheet	12	144,528	150,377
./. Bank overdrafts under bank pooling arrangements	19	(8)	–
= Cash and cash equivalents as per cash flow statement		**144,520**	**150,377**

Consolidated statement of changes in equity

CHF 1,000	Notes	Share capital	Capital reserve	Treasury shares	Retained earnings	Translation differences	Total share–holders' equity
Balance at December 31, 2011, as previously reported		1,144	11,521	(29,011)	314,017	(28,358)	269,313
Impact of changes in accounting policies	2.3	–	–	–	(1,603)	–	(1,603)
Restated balance at January 1, 2012		**1,144**	**11,521**	**(29,011)**	**312,414**	**(28,358)**	**267,710**
Profit for the period		–	–	–	42,365	–	42,365
Other comprehensive loss, net of income taxes		–	–	–	(7,844)	(1,443)	(9,287)
Total comprehensive income for the period, restated		**–**	**–**	**–**	***34,521***	***(1,443)***	***33,078***
Dividends paid	22	–	–	–	(13,532)	–	(13,532)
Taxes on capital increase		–	(2)	–	–	–	(2)
Share-based payments	10	–	–	–	3,035	–	3,035
Treasury shares issued based on employee participation plans	10/22	–	(2,160)	5,484	–	–	3,324
Total contributions by and distributions to owners		**–**	***(2,162)***	***5,484***	***(10,497)***	**–**	***(7,175)***
Restated balance at December 31, 2012		**1,144**	**9,359**	**(23,527)**	**336,438**	**(29,801)**	**293,613**
Profit for the period		–	–	–	45,671	–	45,671
Other comprehensive income, net of income taxes		–	–	–	1,997	(1,268)	729
Total comprehensive income for the period		**–**	**–**	**–**	***47,668***	***(1,268)***	***46,400***
Dividends paid	22	–	–	–	(16,488)	–	(16,488)
Share-based payments	10	–	–	–	2,359	–	2,359
Treasury shares issued based on employee participation plans	10/22	–	(580)	8,584	–	–	8,076
Other change in treasury shares (net)	22	–	450	1,792	–	–	2,242
Total contributions by and distributions to owners		**–**	***(58)***	***10,376***	***(14,129)***	**–**	***(3,811)***
Balance at December 31, 2013		**1,144**	**9,301**	**(13,151)**	**369,977**	**(31,069)**	**336,202**

Notes to the consolidated financial statements

1 Reporting entity

The Tecan Group is a 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 Group has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The ultimate parent company is Tecan Group Ltd., a limited liability company incorporated in Switzerland, whose shares are publicly traded. Tecan Group Ltd.'s registered office is located at Seestrasse 103, 8708 Männedorf, Switzerland.

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements are the consolidated financial statements of Tecan Group Ltd. and its subsidiaries (together referred to as the "Group") for the year ended December 31, 2013. The financial statements are 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.

The consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2014. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 14, 2014.

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 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 14 for more details.

2.2.2 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 10 for more details.

2.2.3 Income taxes

At December 31, 2013, the net liability for current income taxes was CHF 6.8 million and the net asset for deferred taxes was CHF 5.3 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.

2.2.4 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 110.4 million at the end of 2013. 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, 2013, 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.

2.2.5 *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 2013, the Group has capitalized development costs in the amount of CHF 15.4 million as disclosed in note 18.

2.2.6 *Impairment test on goodwill*

At December 31, 2013 the goodwill "Life Sciences Business" was CHF 26.8 million. The Group performed the mandatory annual impairment test in July 2013. 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 18.

2.3 Introduction of new and amended accounting standards and interpretations

The accounting policies are consistent with those applied in the previous year, except for the introduction of the following new or revised/amended standards and interpretations, effective as from January 1, 2013:

Standard/interpretation[1]
IFRS 7 amended "Financial Instruments: Disclosures" – Offsetting Financial Assets and Liabilities
IFRS 10 "Consolidated Financial Statements"
IFRS 11 "Joint Arrangements"
IFRS 12 "Disclosure of Interests in Other Entities"
"Consolidated Financial Statements", "Joint Arrangements" and "Disclosure of Interests in Other Entities": Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
IFRS 13 "Fair Value Measurement"
IAS 1 amended "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income
IAS 19 revised "Employee Benefits"
IAS 27 revised "Separate Financial Statements"
IAS 28 revised "Investments in Associates and Joint Ventures"
IAS 36 amended "Impairment of Assets" – Recoverable Amount Disclosures for Non-Financial Assets (early adoption)
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"
Annual Improvements to IFRSs – 2009 – 2011 Cycle

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

The adoption of these new or revised/amended standards and interpretations did not result in substantial changes to the Group's accounting policies except for the revised version of IAS 19 "Employee Benefits". Nevertheless their introduction requires a change in the presentation of the 'statement of profit and loss and other comprehensive income' and additional disclosures in the notes of the consolidated financial statements.

The revised version of IAS 19 "Employee Benefits" eliminates the "corridor method" that was previously applied by the Group. All changes in the present value of the defined benefit obligation and in the fair value of the plan assets are 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 the old IAS 19, the employer's net service costs were 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 are 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 has an impact on 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 previous 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 is increasing 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. Before, all recognizable changes were recognized in profit or loss.

The Group has applied the changes retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effects on the "consolidated balance sheet", "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income" are presented below:

CHF 1,000	Reported	Adjustment	Restated
Balance sheet at January 1, 2012			
Deferred tax assets	10,468	142	10,610
Liability for post-employment benefits	5,720	1,996	7,716
Deferred tax liabilities	2,936	(251)	2,685
Shareholders' equity	**269,313**	**(1,603)**	**267,710**
Balance sheet at December 31, 2012			
Deferred tax assets	8,394	1,494	9,888
Liability for post-employment benefits	6,384	11,220	17,604
Deferred tax liabilities	2,998	(501)	2,497
Shareholders' equity	**302,838**	**(9,225)**	**293,613**

CHF 1,000	Reported	Adjustment	Restated
Statement of profit or loss 2012			
Sales	391,108	–	391,108
Cost of sales	(192,833)	161	(192,672)
Sales and marketing	(59,894)	92	(59,802)
Research and development	(51,475)	101	(51,374)
General and administration	(35,583)	49	(35,534)
Other operating income	983	–	983
Operating profit	**52,306**	**403**	**52,709**
Financial result	181	(152)	29
Income taxes	(10,332)	(41)	(10,373)
Profit for the period	**42,155**	**210**	**42,365**
Basic earnings per share (CHF/share)	*3.90*	*0.02*	*3.92*
Diluted earnings per share (CHF/share)	*3.84*	*0.02*	*3.86*
Statement of profit or loss and other comprehensive income 2012			
Remeasurement of defined benefit obligation	–	(9,489)	(9,489)
Related income taxes	–	1,645	1,645
Translation differences	(1,455)	12	(1,443)
Other comprehensive loss	**(1,455)**	**(7,832)**	**(9,287)**
Total comprehensive income for the period	**40,700**	**(7,622)**	**33,078**

CHF 1,000	Effect of change in accounting policy
Statement of profit or loss 2013	
Sales	–
Cost of sales	352
Sales and marketing	207
Research and development	225
General and administration	110
Other operating income	–
Operating profit	**894**
Financial result	(342)
Income taxes	(99)
Profit for the period	**453**
Basic earnings per share (CHF/share)	*0.04*
Diluted earnings per share (CHF/share)	*0.04*
Statement of profit or loss and other comprehensive income 2013	
Remeasurement of defined benefit obligation	2,517
Related income taxes	(520)
Translation differences	(14)
Other comprehensive income	**1,983**
Total comprehensive income for the period	**2,436**

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
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Reporting year 2014
IAS 32 amended "Financial Instruments: Presentation" – Offsetting Financial Assets and Liabilities	Reporting year 2014
IAS 39 amended "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting	Reporting year 2014
IFRIC 21 "Levies"	Reporting year 2014
IAS 19 amended "Defined Benefit Plans: Employee Contributions"	Reporting year 2015
Annual Improvements to IFRSs 2010 – 2012 Cycle	Reporting year 2015
Annual improvements to IFRSs 2011 – 2013 Cycle	Reporting year 2015
IFRS 9 "Financial Instruments"	Not yet determined

[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.

2.5 Consolidation principles

2.5.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any resulting gain or loss is recognized in profit or loss.

When control is transferred in the event of a business combination, the Group is applying the acquisition method at the acquisition date.

2.5.2 Transactions eliminated on consolidation

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 (2012: 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
Tools in connection with OEM contracts	units of production method
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: multi-period 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)
The Group has both defined contribution and defined benefit retirement benefit plans. Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. All other retirement benefit plans are defined benefit plans.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The liability recognized in the balance sheet in regard to defined benefit retirement benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets for funded plans. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The components of defined benefit costs are as follows:
- Service costs, which are recognized in the statement of profit or loss within operating result
- Interest expense or income on net liability or asset, which is recognized in the statement of profit or loss within financial result
- Remeasurements, which are recognized in other comprehensive income

Service costs include current service costs, past service costs and gains or losses on plan curtailments and settlements. When the benefits of a plan are changed, or when a plan is curtailed or settled, the portion of the changed benefits related to employee service in prior periods (past service costs), or the gains or losses on curtailments and settlements, are recognized immediately in profit or loss when the plan amendments or curtailments and settlements occur.

Interest expense or income is calculated by applying the discount rate to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest income) and the effect of the asset ceiling (if applicable). Remeasurements are recognized in other comprehensive income and cannot be reclassified to profit or loss.

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

2.7.13 Employee benefits – termination benefits (IAS 19)

Termination benefits result from either the Group's decision to terminate the employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The event that gives rise to an obligation is the termination of employment rather than employee service. A liability for termination benefits is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

2.7.14 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.

2.7.15 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.

2.7.16 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.

2.7.17 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.

2.7.18 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.

2.7.19 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").

2.7.20 Government research subsidies

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

2.7.21 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 Scope of consolidation

3.1. Disclosure of interests in other entities

The scope of the consolidation does not include an interest in any of the following:

- Subsidiaries with non-controlling interests
- Associates
- Joint arrangements

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

3.2 Change in scope of consolidation: 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 first part of the related contingent consideration (earn-out) in the amount of CHF 145'000 was paid in January 2013. The remaining part in the same amount fell due end of 2013 and was paid at the beginning of 2014.

As control was transferred on January 2, 2012, the previous year is fully comparable with 2013.

4 Segment information

4.1 Information by business segments

CHF 1,000	Life Sciences Business		Partnering Business		Corporate/consolidation		Group	
	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013
Sales third	235,152	223,706	155,956	164,586			391,108	388,292
Intersegment sales[1]	15,356	12,776	4,339	3,318	(19,695)	(16,094)	–	–
Total sales	**250,508**	**236,482**	**160,295**	**167,904**	**(19,695)**	**(16,094)**	**391,108**	**388,292**
Operating profit	**29,268**	**18,375**	**30,784**	**42,740**	**(7,343)**	**(6,315)**	**52,709**	**54,800**
Depreciation and amortization[2]	(6,633)	(6,608)	(3,629)	(3,651)	–	–	(10,262)	(10,259)
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	2012 Restated	2013
Reconciliation of reportable segment sales		
Total sales for reportable segments	410,803	404,386
Elimination of intersegment sales	(19,695)	(16,094)
Total consolidated sales	**391,108**	**388,292**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	60,052	61,115
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(7,343)	(6,315)
Financial result	29	693
Total consolidated profit before taxes	**52,738**	**55,493**

4.2 Entity-wide disclosures

Products and services

CHF 1,000	2012	2013
Products	271,305	255,769
Services	119,803	132,523
Total sales third	**391,108**	**388,292**

Sales by regions (by location of customers)

CHF 1,000	2012	2013
Switzerland	10,648	11,792
Other Europe	153,361	155,103
North America	159,379	159,122
Asia	54,255	50,969
Others	13,465	11,306
Total sales third	**391,108**	**388,292**

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

CHF 1,000	Property, plant and equipment		Intangible assets	
	2012	2013	2012	2013
Switzerland	11,811	10,721	37,847	46,720
Other Europe	3,805	4,884	1,396	1,419
United States	3,273	3,814	–	–
Asia	655	436	621	432
Total	**19,544**	**19,855**	**39,864**	**48,571**

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.

5 Operating expenses by nature

CHF 1,000	2012 Restated	2013
Material costs	112,803	122,222
Personnel costs	138,462	141,565
Depreciation of property, plant and equipment	6,251	6,454
Amortization of intangible assets	4,011	3,805
Other operating costs (net)	123,424	106,380
Total operating costs incurred (gross)	**384,951**	**380,426**
Capitalization of development costs in position inventories (see note 15)	(42,585)	(36,686)
Capitalization of development costs in position intangible assets (see note 18)	(3,967)	(10,248)
Total operating expenses, according to statement of profit or loss	**338,399**	**333,492**

6 Research and development

CHF 1,000	2012 Restated	2013
Gross research and development costs incurred[1]	114,593	104,144
Reclassification to cost of sales to match with revenue from development services	(19,303)	(14,471)
Capitalization of development costs in position inventories (see note 15)	(42,585)	(36,686)
Capitalization of development costs in position intangible assets (see note 18)	(3,967)	(10,248)
Amortization of development costs	2,636	2,584
Total research and development (gross, according to statement of profit or loss)	**51,374**	**45,323**
Government research subsidies	(983)	(1,807)
Total research and development (net)	50,391	43,516

[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 11.7 % of sales (2012: 13.1 %).

7 Other operating income

CHF 1,000	2012	2013
Government research subsidies	983	1,807
Other operating income (miscellaneous)	–	48
Total other operating income	**983**	**1,855**

8 Financial result

CHF 1,000	2012 Restated	2013
Finance income		
Interest income	143	115
Fair value adjustments on cash-settled share-based payment plans	–	4
Other	–	116
Subtotal finance income	*143*	*235*
Finance cost		
Interest expenses	(84)	(179)
Fair value adjustments on cash-settled share-based payment plans	(37)	–
Net interest cost on liability for post-employment benefits	(152)	(342)
Other	(81)	–
Subtotal finance cost	*(345)*	*(521)*
Foreign exchange gains/(losses)		
Result from derivatives (net)	672	1,281
Other foreign exchange losses	(432)	(302)
Subtotal foreign exchange gains (net)	*240*	*979*
Total financial result	**29**	**693**

9 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.

	2012 Restated	2013
Number of shares issued	11,444,576	11,444,576
Number of treasury shares	(546,590)	(362,840)
Average number of shares outstanding	10,817,668	10,977,758
Basic earnings per share (CHF/share)	**3.92**	**4.16**
Employee share option plans		
Average number of shares under option total	337,462	206,722
Average number of shares under option dilutive	297,482	190,130
Average exercise price	58.60	62.30
Number of shares that would have been issued at average market price for the year of CHF 90.40 (2012: CHF 68.11).	255,947	131,031
Adjustment for dilutive share options	41,535	59,099
Employee share plans		
Adjustment for not vested shares (PSMP/initial grant and other share plans)	33,095	28,890
Adjustment for contingently issuable shares (PSMP/matching shares)	76,007	56,648
Average number of shares outstanding after dilution	*10,968,306*	*11,124,395*
Diluted earnings per share (CHF/share)	**3.86**	**4.11**

10 Employee benefits

10.1 Number of employees

FTE[1]	2012	2013
Employees – year-end	1,185	1,184
Employees – average	1,163	1,190

[1] FTE = Full time equivalent

10.2 Personnel expenses

Personnel expenses include the following:

CHF 1,000	2012 Restated	2013
Salaries and wages	111,534	113,203
Social security	14,145	15,134
Post-employment benefits based on		
Defined contribution plans	1,245	1,321
Defined benefit plans	5,204	6,364
Share-based payment	3,035	2,359
Other personnel expenses	3,299	3,184
Total personnel expenses	**138,462**	**141,565**

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

10.3.1 Characteristics of defined benefit plans and risks associated with them

	2012 Restated			2013		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	4	3	7	4	3	7
Actives						
Number	448	109	557	451	109	560
Defined benefit obligation (CHF 1,000)	77,176	4,027	81,203	78,395	4,346	82,741
Weighted average duration in years	21.2	11.5	20.7	20.2	11.1	19.7
Retirees						
Number	11	–	11	17	–	17
Defined benefit obligation (CHF 1,000)	322	–	322	423	–	423
Weighted average duration in years	15.3	–	15.3	14.4	–	14.4
Total						
Number	459	109	568	468	109	577
Defined benefit obligation (CHF 1,000)	77,498	4,027	81,525	78,818	4,346	83,164
Weighted average duration in years	20.2	11.5	19.8	19.5	11.1	19.1

The Group expects to contribute CHF 5.1 million to its defined benefit plans in 2014.

Within the Group, various defined benefit plans exist, which differ in their purpose and financing according to local needs:

Country	Benefits	Funded/ Unfunded	Description and risks
Switzerland (Swiss plans)	Retirement, death-in-service and disability benefits	Funded	*Nature of the benefits provided* The pension plans of Tecan Group Ltd., Tecan Schweiz AG, Tecan Sales Switzerland AG and Tecan Trading AG are plans with guarantee of a minimum interest credit on the savings and fixed conversion rates at retirement. Disability and death benefits are defined as percentage of the insured salary. *Regulatory framework* The plan provides benefits based on the LPP/BVG law, which stipulates the minimum requirement of the mandatory employer's sponsored pension plan in Switzerland. In particular, annual salary up to CHF 84'240 (amount in 2013) must be insured, the financing is age-related with contribution rates in per cent of pensionable salary increasing with age from 7 % to 18 %. The conversion rate to calculate the annuity based on the accrued savings capital is 6.8 % at normal retirement age (65 for men and 64 for women). The plan must be fully funded under LPP/BVG law on a static basis at all times, In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both. *Specific plan rules* The saving credits for the retirement benefits are defined in percentage of the insured salary. The saving credits for the part of the annual salary between CHF 24'570 and CHF 84'240 are age dependent and amount to 8 % to 19 %. The saving credits for the part of the annual salary above CHF 84'240 amount to 14 % for the employees and to 18 % or 19 % for the members of the management. The conversion rate for the mandatory part of savings capital amounts to 6.8 % at normal retirement age. For the exceeding part of the savings capital, the conversion rate is defined by the board of trustees. The annual disability pension amounts to 70 % of the insured salary, the annual partner's pension to 50 % of the insured salary or to 60 % of the current retirement pension. In case of death before retirement an additional lump-sum of 200 % of the insured salary is paid. *Governance of the plan* The companies are affiliated to the collective foundation Swiss Life Collective BVG Foundation. The collective foundation is a separate legal entity. The foundation is responsible for the governance of the plan; the foundation's board of trustees is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. The foundation has set up investment guidelines, defining in particular the strategic allocation with margins. Additionally, there are pension committees for each affiliated company composed of an equal number of representatives from the company and the employees. The pension committee is responsible for the set-up of the plan benefits. *Risks to which the plan exposes the Group* The plan provider Swiss Life Collective BVG Foundation has reinsured the risks disability, death, longevity and the investment risk with Swiss Life Ltd. Therefore, the only risks for the Group are that the Swiss Life Collective BVG Foundation terminates the affiliation contract or increases the premiums. *Plan amendments, settlements or curtailments* There were no plan amendments, settlements or curtailments during the financial years 2012 and 2013.

Country	Benefits	Funded/ Unfunded	Description and risks
Austria (International plans)	Long-service leave benefits	Unfunded	*Nature of the benefits provided* The severance-payments plans of Tecan Austria GmbH and Tecan Sales Austria GmbH guarantee a one-time lump sum payment, once the employee leaves the company. The plan was closed for new members at December 31, 2002. Plan participants are all employees with at least 3 years of service and an entry-date before January 1, 2003. The membership to this plan is mandatory. *Regulatory framework* The plan provides benefits according to Austrian law (AngG 23 and 23a) which stipulates benefits in case of retirement, death (50 %), disability or termination of employment. Vesting is after 3 years of service, whereas all rights forfeit in the case of voluntary termination. The level of the benefits depends on the period of service in the company and amounts to a lump-sum payment of 2 monthly salaries after 3 years of service up to 12 monthly salaries after 25 years of service. The monthly salary is defined as twelfth part of the total annual salary of the last 12 months. *Governance of the plan* Only the company (employer) is responsible for the governance of the plan. *Risks to which the plan exposes the Group* The plan is exposed to the inflation risk as well as to the risk of salary increases. There is no longevity risk because the payments are due at retirement the latest. *Plan amendments, settlements or curtailments* There were no plan amendments, settlements or curtailments during the financial years 2012 and 2013.
Other (International plans)	Retirement benefits	Unfunded	There are two minor retirement benefit plans in Tecan Japan Co., Ltd. and Tecan Italia S.r.l. for only a limited number of participants.

10.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	2012 January 1 Restated	2012 December 31 Restated	2013 December 31
Swiss plans			
Present value of obligations arising from retirement benefit plans	63,722	77,498	78,818
Fair value of plan assets	(59,199)	(63,921)	(66,391)
Deficit Swiss plans (funded)	*4,523*	*13,577*	*12,427*
International plans			
Present value of obligations arising from long-service leave benefit plans	2,148	2,980	3,319
Present value of obligations arising from retirement benefit plans	1,045	1,047	1,027
Deficit International plans (unfunded)	*3,193*	*4,027*	*4,346*
Net liability at January 1/December 31	**7,716**	**17,604**	**16,773**

The components of defined benefit cost are as follows:

CHF 1,000	2012 Restated Swiss plans	2012 Restated International plans	2012 Restated Total	2013 Swiss plans	2013 International plans	2013 Total
Current service cost	4,924	280	5,204	6,053	311	6,364
Defined benefit cost included in operating result	**4,924**	**280**	**5,204**	**6,053**	**311**	**6,364**
Net interest cost on liability for post-employment benefits	38	114	152	217	125	342
Defined benefit cost included in finance cost	**38**	**114**	**152**	**217**	**125**	**342**
Total defined benefit cost included in profit or loss	**4,962**	**394**	**5,356**	**6,270**	**426**	**6,706**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	5,451	—	5,451	–	(4)	(4)
Changes in financial assumptions	3,727	—	3,727	(2,590)	144	(2,448)
Experience adjustments	(87)	675	588	(434)	(66)	(500)
Return on plan assets (excluding interest income)	(277)	—	(277)	435	—	435
Remeasurement loss/(gain), included in other comprehensive income	**8,814**	**675**	**9,489**	**(2,591)**	**74**	**(2,517)**
Translation differences, included in other comprehensive income	—	(138)	(138)	—	(111)	(111)
Total defined benefit cost recognized	**13,776**	**931**	**14,707**	**3,679**	**399**	**4,078**

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

CHF 1,000	2012 Restated Swiss plans	2012 Restated International plans	2012 Restated Total	2013 Swiss plans	2013 International plans	2013 Total
Balance at January 1	63,722	3,193	66,915	77,498	4,027	81,525
Current service cost	4,924	280	5,204	6,053	311	6,364
Employee contributions	3,143	—	3,143	3,215	—	3,215
Insurance premiums	(1,674)	—	(1,674)	(1,714)	—	(1,714)
Benefits paid	(3,428)	(97)	(3,525)	(4,818)	(80)	(4,898)
Interest expense	1,720	114	1,834	1,610	125	1,735
Actuarial losses/(gains)	9,091	675	9,766	(3,026)	—	(2,925)
Translation differences	—	(138)	(138)	—	(111)	(111)
Balance at December 31	**77,498**	**4,027**	**81,525**	**78,818**	**4,346**	**83,164**

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

CHF 1,000	2012 Restated Swiss plans	2012 Restated International plans	2012 Restated Total	2013 Swiss plans	2013 International plans	2013 Total
Balance at January 1	59,199	—	59,199	63,921	—	63,921
Employer contributions	4,722	—	4,722	4,829	—	4,829
Employee contributions	3,143	—	3,143	3,215	—	3,215
Insurance premiums	(1,674)	—	(1,674)	(1,714)	—	(1,714)
Benefits paid	(3,428)	—	(3,428)	(4,818)	—	(4,818)
Interest income	1,682	—	1,682	1,393	—	1,393
Return on plan assets (excluding interest income)	277	—	277	(435)	—	(435)
Balance at December 31	**63,921**	—	**63,921**	**66,391**	—	**66,391**

The investment risk is reinsured. Therefore the plan assets represent a receivable from the life insurance company.

10.3.3 Actuarial assumptions and sensitivity analysis

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

	2012		2013	
	Swiss plans	International plans	Swiss plans	International plans
Discount rates	2.10 %	3.11 %	2.30 %	2.96 %
Rate of future salary increases	1.75 %	2.96 %	1.75 %	2.99 %
Rate of future pension increases	0.25 %	0.00 %	0.25 %	0.00 %
Rates for the projection of savings capital	1.90 %	n. a.	2.00 %	n. a.
Mortality tables	BVG 2010 GT	Various	BVG 2010 GT	Various

Sensitivities of significant actuarial assumptions

The discount rate, the rate of future salary increase and the life expectancy were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected:

		2013		
	Change in actuarial assumptions	Swiss plans	International plans	Total
Discount rates	– 25 basis points	3,873	119	3,992
	+ 25 basis points	(3,433)	(115)	(3,548)
Rate of future salary increases	– 25 basis points	(832)	(111)	(943)
	+ 25 basis points	857	114	971
Life expectancy	– 1 year	(1,427)	(13)	(1,440)
	+ 1 year	1,359	13	1,372

(positive = increase in obligation/negative = decrease in obligation)

The sensitivity analysis is based on realistically possible changes at the end of the reporting period. Each change in significant assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

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

10.4.1 Employee share option plans

The terms and conditions of the outstanding grants are as follows, whereby all options are settled by physical delivery of shares:

Arrangement	Employees entitled / grant date	Number of options granted / exercise price	Vesting conditions	Contractual life	Expiry date
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	Vesting period completed	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
Plan 2014 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2013	35,112 options CHF 95.00	One / two / three years of service for 33 % / 33 % / 34 % of options	7 years	November 2, 2020

All share options grant the right to purchase one Tecan share per option. In 2002 and 2003 the employees from the USA received stock appreciation rights (SARs) with the same treatment and same conditions as share options. The arrangements were classified as cash-settled plans and ended in 2012 and 2013 respectively.

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

	2012				2013			
	Weighted average exercise price (CHF)		Number		Weighted average exercise price (CHF)		Number	
	Options	SARs	Options	SARs	Options	SARs	Options	SARs
Balance at January 1	63.20	87.67	400,666	23,440	62.05	48.40	260,689	4,080
Granted	69.60	–	40,953	–	95.00	–	33,184	–
Exercised	55.43	48.80	(54,270)	(1,170)	60.96	48.80	(131,529)	(2,797)
Forfeited	42.65	–	(59,846)	–	64.34	–	(4,504)	–
Expired	96.33	99.00	(66,814)	(18,190)	60.33	48.80	(9,136)	(1,283)
Balance at December 31	**62.05**	**48.40**	**260,689**	**4,080**	**70.41**	–	**148,704**	–

The weighted average share price at the dates of exercise was CHF 70.20 in 2012 and CHF 89.07 in 2013.

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

		2012				2013			
	Exercise price	Remaining contractual life (years)		Number		Remaining contractual life (years)		Number	
		Options	SARs	Options	SARs	Options	SARs	Options	SARs
Plan 2003	48.4	0.9	0.9	26,321	4,080	–	–	–	–
Plan 2007 B	70.0	0.9	–	11,148	–	–	–	–	–
Plan 2007 P	70.0	0.9	–	3,971	–	–	–	–	–
Plan 2008 B	69.0	1.9	–	20,608	–	0.9	–	7,230	–
Plan 2009 B	39.7	2.9	–	24,699	–	1.9	–	11,065	–
Plan 2010	70.0	3.9	–	39,741	–	2.9	–	15,096	–
Plan 2011	69.0	4.8	–	40,335	–	3.8	–	18,466	–
Plan 2012	57.2	5.8	–	52,913	–	4.8	–	30,777	–
Plan 2013	69.6	6.8	–	40,953	–	5.8	–	32,886	–
Plan 2014	95.0	–	–	–	–	6.8	–	33,184	–
Balance at December 31		**4.2**	**0.9**	**260,689**	**4,080**	**3.2**	–	**148,704**	–
Exercisable at period-end				166,476	4,080			71,149	–

All outstanding options are fully covered by the conditional share capital.

The expenses, recognized in 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 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**
Plan 2014	CHF 95.00	CHF 95.00	22.75 %	7.0 years	1.61 %	1.03 %	**CHF 19.72**

[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.

10.4.2 *Employee share plans*

10.4.2.1 *Performance share matching plan (PSMP)*

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

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Performance share matching plan (PSMP) 2011 – Board of Directors (BoD)					
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
Performance share matching plan (PSMP) 2011 – extended Management Board (eMB)					
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
Performance share matching plan (PSMP) 2012 – Board of Directors (BoD)					
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
Performance share matching plan (PSMP) 2012 – extended Management Board (eMB)					
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
Performance share matching plan (PSMP) 2013 – extended Management Board (eMB)					
Initial grant	Extended Management Board on April 18, 2013	18,326 shares	CHF 83.50	Graded vesting from January 1, 2013 to December 31, 2015[1]	Three years of service
Matching shares	Extended Management Board on April 18, 2013	52,108 shares (maximum of potential shares granted)	CHF 80.50	January 1, 2013 to December 31, 2015	Three years of service and performance target
Performance share matching plan (PSMP) 2013 – other Management (oM)					
Initial grant	Other management on September 1, 2013	2,616 shares	CHF 95.25	Graded vesting from January 1, 2013 to December 31, 2015[1]	Three years of service
Matching shares	Other management on September 1, 2013	6,540 shares (maximum of potential shares granted)	CHF 95.25	January 1, 2013 to December 31, 2015	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period.

In addition to the grants listed above, the Management Board was entitled to invest voluntarily up to 50 % of its target cash bonus 2010/2011/2012 and the portion of the realized cash bonus in excess of 100 % of its target cash bonus 2012 in Tecan shares at market prices (average share price from January 1 to April 30, 2011/2012/2013). 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 December 31:

Shares (excluding voluntary investments)	2012	2013
Balance at January 1	189,323	220,438
Granted	122,220	79,590
De-blocked and transferred to employee	(30,953)	(17,866)
Forfeited	(60,152)	(64,710)
Balance at December 31	**220,438**	**217,452**
Thereof vested, but blocked until the end of the performance period	29,198	33,485

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]
2012						
PSMP 2010 – eMB	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 – eMB	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 – eMB	23,720	682	2,037	26,439	2.50	66,097
2013						
PSMP 2011 – BoD	2,828	n/a	n/a	2,828	0.00	–
PSMP 2011 – eMB	14,630	143	121	14,894	0.00	–
PSMP 2012 – BoD	2,712	n/a	n/a	2,712	0.00	–
PSMP 2012 – eMB	21,388	536	2,037	23,961	0.00	–
PSMP 2013 – eMB	18,326	n/a	2,515	20,843	2.50	52,108
PSMP 2013 – oM	2,616	n/a	n/a	2,616	2.50	6,540

[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 and other Management) respectively.

10.4.2.2 *Other share plans*

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically and free of charge:

Additional grant 2010 – CEO

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.

The second part of the additional grant, comprising of 10,000 shares, has vested pro rata. The resulting 2,222 shares are blocked until March 1, 2015.

Share plan 2013 – Board of Directors (BoD)

Arrangement	Employees entitled / grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Annual grant	Board of Directors on December 10, 2013	3,853 shares	CHF 100.00	Graded vesting from May 1, 2013 to April 30, 2014	One year of service

10.4.3 *Total expenses recognized*

CHF 1,000	2012	2013
Expenses arising from equity-settled share option plans	412	745
Expenses arising from performance share matching plans	2,456	1,258
Expenses arising from other share plans	167	356
Total personnel expenses recognized with impact on operating profit	*3,035*	*2,359*
Effect of changes in the fair value of SARs with impact on the financial result	37	(4)
Total expenses	**3,072**	**2,355**

The provision for cash-settled share-based payment transactions amounts to CHF 0.0 million at December 31, 2013 (2012: CHF 0.1 million, see note 21).

11 Income taxes

CHF 1,000	2012 Restated	2013
Current income taxes	8,622	8,647
Deferred taxes	1,751	1,175
Total income taxes	**10,373**	**9,822**

The income tax expense can be analyzed as follows:

CHF 1,000	2012 Restated	2013
Profit before taxes	52,738	55,493
Tax expense based on the Group's weighted average rate of 21.5 % (2012: 22.1 %)	*11,653*	*11,915*
Non-deductible expenses and additional taxable income	380	432
Tax-free income and tax reductions	(2,298)	(2,491)
Unrecoverable withholding tax	10	226
Under/(over) provided in prior years	480	(368)
Effect of tax rate change on opening deferred taxes	148	108
Tax expense reported	**10,373**	**9,822**

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 2013 decreased to 21.5 %.

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2012 January 1 Restated	2012 December 31 Restated	Change 2013	2013 December 31
Net deferred tax assets arising from temporary differences				
Receivables	1,700	6	(98)	(92)
Inventories	1,680	1,974	(115)	*1,859*
Property, plant and equipment	(640)	(708)	(97)	(805)
Intangible assets	(594)	(903)	(653)	(1,556)
Liabilities and accrued expenses	4,760	6,058	(205)	5,853
Provisions	1,215	523	(329)	194
Other	(468)	363	(306)	57
Subtotal net deferred tax assets arising from temporary differences	*7,653*	*7,313*	*(1,803)*	*5,510*
Deferred taxes provided on expected dividends from subsidiaries	(1,062)	(1,060)	(215)	(1,275)
Potential tax benefits from tax loss carry-forwards	1,334	1,138	(79)	1,059
Total net deferred tax assets	**7,925**	**7,391**	**(2,097)**	**5,294**
Deferred taxes recognized in profit or loss		(1,751)		(1,175)
Deferred taxes recognized in other comprehensive income		1,645		(520)
Deferred taxes recognized in equity		–		(78)
Acquisition through business combination		(125)		–
Translation differences		(303)		(324)
Total change compared with previous year		*(534)*		*(2,097)*

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

Tax loss carry-forwards:

CHF 1,000	Potential tax benefits 2012	2013
1^{st}–5^{th} year	–	–
6^{th} year or beyond	–	–
Unlimited	1,138	1,059
Total tax loss carry-forwards capitalized	**1,138**	**1,059**

The potential tax benefits of all available tax loss carry-forwards were capitalized at year-end 2012 and 2013.

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2012 January 1 Restated	2012 December 31 Restated	2013 December 31
Deferred tax assets	10,610	9,888	9,163
Deferred tax liabilities	(2,685)	(2,497)	(3,869)
Net asset at January 1 / December 31	**7,925**	**7,391**	**5,294**

12 Cash and cash equivalents

CHF 1,000	2012	2013
Cash and cash equivalents		
Denominated in CHF	110,855	119,493
Denominated in EUR	12,965	9,854
Denominated in GBP	1,850	1,821
Denominated in USD	12,536	15,476
Denominated in JPY	1,660	498
Denominated in other currencies	4,662	3,235
Balance at December 31	**144,528**	**150,377**
Thereof time deposits with maturities of less than three months from the date of acquisition	82,316	–
Effective interest rate	0.1 %	0.1 %

13 Current loans and derivatives

CHF 1,000	2012	2013
Current derivatives	834	2,599
Balance at December 31	**834**	**2,599**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 24.

14 Trade accounts receivable

CHF 1,000	2012	2013
Trade accounts receivable		
Denominated in CHF	18,288	19,684
Denominated in EUR	22,046	20,538
Denominated in GBP	1,095	1,437
Denominated in USD	29,961	28,743
Denominated in JPY	3,862	1,035
Denominated in other currencies	4,908	4,486
Subtotal trade accounts receivable	*80,160*	*75,923*
Allowance for doubtful accounts		
Individual impairment allowance account	(2,152)	(1,501)
Collective impairment allowance account	(58)	(38)
Subtotal allowance for doubtful accounts	*(2,210)*	*(1,539)*
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	19,553	476
Amounts of advances received	(15,111)	(208)
Subtotal construction contracts in progress	*4,442*	*268*
Balance at December 31	**82,392**	**74,652**
Increase/(decrease)	10,959	(6,538)
Acquisition through business combination	1,074	–
Translation differences	(1,550)	(1,202)
Total change compared with previous year	*10,483*	*(7,740)*
Amount of contract revenue recognized as sales in the statement of profit or loss relating to construction contracts	4,810	6,842

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

CHF 1,000	2012	2013
Switzerland (domestic)	2,817	3,645
Euro-zone countries	28,245	23,289
Other European countries	2,280	3,358
North America	35,307	34,385
Asia	9,531	9,286
Other	1,980	1,960
Balance at December 31	**80,160**	**75,923**

The Group's most significant customer accounts for 6.1% of the trade accounts receivable carrying amount at December 31, 2013 (December 31, 2012: 6.1%).

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

CHF 1,000	2012	2013
Individual impairment allowance account		
Balance at January 1	(1,396)	(2,152)
Change in impairment losses	(1,118)	596
Write-offs	336	45
Translation differences	26	10
Balance at December 31	**(2,152)**	**(1,501)**
Amount of trade accounts receivable with individual impairment (gross)	2,174	1,918
Collective impairment allowance account		
Balance at January 1	(47)	(58)
Change in impairment losses	(12)	21
Translation differences	1	(1)
Balance at December 31	**(58)**	**(38)**

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

	2012		2013	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	60,285	(41)	61,703	(25)
Past due 1–30 days	11,852	(14)	7,738	(11)
Past due 31–90 days	3,970	(3)	4,234	(2)
Past due 91–360 days	1,837	–	228	–
Past due more than one year	42	–	102	–
Balance at December 31	**77,986**	**(58)**	**74,005**	**(38)**

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 2012 and 2013 represents less than 1% of sales.

15 Inventories

CHF 1,000	2012	2013
Raw materials, semi-finished and finished goods	41,098	41,034
Allowance for slow-moving inventories	(8,006)	(8,167)
Work in progress	2,643	2,451
Capitalized customer-specific development costs	73,689	110,375
Balance at December 31	**109,424**	**145,693**
Increase	41,270	36,357
Acquisition through business combination	613	–
Translation differences	(377)	(88)
Total change compared with previous year	*41,506*	*36,269*
Amount of write-offs due to slow-moving inventories charged to the income statement	1,062	1,098

16 Non-current financial assets

CHF 1,000	2012	2013
Non-current derivatives	720	761
Rent deposits	811	728
Balance at December 31	**1,531**	**1,489**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 24.

17 Property, plant and equipment

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**

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Total 2013
At cost					
Balance at January 1, 2013	8,388	13,117	29,806	20,429	71,740
Additions	938	825	3,713	1,721	7,197
Disposals	–	(449)	(1,287)	(2,017)	(3,753)
Reclassification between the classes of PPE and to position inventories	(1)	(11)	(112)	(99)	(223)
Translation differences	(88)	(42)	(53)	(57)	(240)
Balance at December 31, 2013	**9,237**	**13,440**	**32,067**	**19,977**	**74,721**
Accumulated depreciation and impairment losses					
Balance at January 1, 2013	6,551	9,333	19,223	17,089	52,196
Annual depreciation	479	1,243	2,655	2,077	6,454
Disposals	–	(426)	(1,148)	(1,995)	(3,569)
Reclassification between the classes of PPE and to position inventories	2	(4)	57	(112)	(57)
Translation differences	(54)	(29)	(28)	(47)	(158)
Balance at December 31, 2013	**6,978**	**10,117**	**20,759**	**17,012**	**54,866**
Net book value	**2,259**	**3,323**	**11,308**	**2,965**	**19,855**

There were no material purchase commitments as of year-end 2012 and 2013.

18 Intangible assets

18.1 Overview

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**

CHF 1,000	Development costs	Software	Acquired client relationships	Goodwill	Total 2013
At cost					
Balance at January 1, 2013	13,176	23,238	724	26,788	63,926
Internally developed	10,248	2,332	–	–	12,580
Disposal	–	(193)	–	–	(193)
Translation differences	–	–	(118)	23	(95)
Balance at December 31, 2013	**23,424**	**25,377**	**606**	**26,811**	**76,218**
Accumulated amortization and impairment losses					
Balance at January 1, 2013	5,421	18,538	103	–	24,062
Annual amortization	2,584	1,123	98	–	3,805
Impairment losses	–	–	–	–	–
Disposal	–	(193)	–	–	(193)
Translation differences	–	–	(27)	–	(27)
Balance at December 31, 2013	**8,005**	**19,468**	**174**	**–**	**27,647**
Net book value	**15,419**	**5,909**	**432**	**26,811**	**48,571**

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

CHF 1,000	2012	2013
Cost of sales	–	–
Sales and marketing	106	98
Research and development	2,636	2,584
General and administration	1,269	1,123
Total amortization	**4,011**	**3,805**

18.2 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.

18.2.1 Financial year 2013

The Group performed impairment tests on cash-generating units containing goodwill in July 2013, 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	26,811	July 2013	Value in use	10.6 %	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, 2013.

Based on the impairment tests 2013, 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.

18.2.2 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.

19 Bank liabilities and derivatives

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 24)	Current portions of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 24)	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 USD					1,284			88
Denominated in JPY					249			–
Denominated in other currencies					7			–
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**

CHF 1,000	Bank overdrafts under bank pooling arrangements	Other current bank liabilities	Current derivatives (see note 24)	Current portions of non-current bank loans	Total current	Bank loans	Non-current derivatives (see note 24)	Total non-current
Balance at January 1, 2013	8	58	1,505	–	**1,571**	3,123	202	**3,325**
Increase/(decrease)	(8)	2,030	–	–	**2,022**	–	–	**–**
Change in fair value	–	–	(825)	–	**(825)**	–	(191)	**(191)**
Increase in bank loans	–	–	–	–	**–**	1,654	–	**1,654**
Repayment of bank loans	–	–	–	–	**–**	–	–	**–**
Transfer to current	–	–	–	2,829	**2,829**	(2,829)	–	**(2,829)**
Translation differences	–	(2)	–	(7)	**(9)**	54	–	**54**
Balance at December 31, 2013	**–**	**2,086**	**680**	**2,822**	**5,588**	**2,002**	**11**	**2,013**
Analysis by currency								
Denominated in CHF					–			–
Denominated in EUR					2,892			2,002
Denominated in USD					610			11
Denominated in JPY					763			–
Denominated in AUD					1,234			–
Denominated in other currencies					89			–
Total					**5,588**			**2,013**
Analysis by interest rates								
Interest-free					769			11
Variable interest rates depending on LIBOR					–			–
Fixed interest rate								
0% – 2%					1,997			2,002
2% – 4%					2,822			–
4% – 6%					–			–
Total					**5,588**			**2,013**

In 2013, the average interest rate paid on bank loans was 1.7% (2012: 2.0%).

20 Deferred revenue

CHF 1,000	2012	2013
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	3,461	2,263
Deferred income related to service contracts	14,959	16,291
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	–	(838)
Amounts of advances received	–	1,023
Subtotal construction contracts in progress	*–*	*185*
Balance at December 31	**18,420**	**18,739**
(Decrease)/increase	(1,990)	703
Acquisition through business combination	906	–
Translation differences	(368)	(384)
Total change compared with previous year	*(1,452)*	*319*

21 Provisions

CHF 1,000	Cash-settled share-based payment transactions (see note 10.4)	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)

CHF 1,000	Cash-settled share-based payment transactions (see note 10.4)	Restructuring	Warranties and returns	WEEE[1]	Legal cases	Other	Total 2013
Balance at January 1, 2013	114	–	8,533	852	589	2,665	12,753
Provisions made	–	297	6,768	72	–	1,484	8,621
Provisions used	(110)	–	(3,396)	–	(225)	(352)	(4,083)
Provisions reversed	(4)	–	(204)	–	–	(126)	(334)
Unwind of discounts	–	–	–	–	–	–	–
Translation differences	–	–	(73)	8	(4)	(4)	(73)
Balance at December 31, 2013	**–**	**297**	**11,628**	**932**	**360**	**3,667**	**16,884**
Thereof current	–	297	11,628	–	360	2,119	14,404
Thereof non–current	–	–	–	932	–	1,548	2,480

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

The provision for legal cases (2013: CHF 0.4 million and 2012: CHF 0.6 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 (2013: CHF 1.6 million and 2012: CHF 0.9 million), to other non-current employee benefits (2013: CHF 1.5 million and 2012: CHF 1.1 million) and to several minor items (2013: CHF 0.6 million and 2012: CHF 0.7 million).

22 Shareholders' equity

22.1 Dividends paid

	2012	2013	2014 (proposed)
Number of shares eligible for dividend	10,825,923	10,991,802	
Dividends paid (CHF/share)	–	0.50	1.50
Payout from statutory capital contribution reserve (CHF/share)	1.25	1.00	

22.2 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, 2012	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**
Treasury shares issued based on employee participation plans	–	157,785	157,785
Purchase of treasury shares	–	(60)	(60)
Sale of treasury shares	–	26,025	26,025
Balance at December 31, 2013	**11,444,576**	**(362,840)**	**11,081,736**

22.3 Conditional share capital reserved for the employee participation plans

Shares (each share has a nominal value of CHF 0.10)	2012	2013
Balance at January 1	858,636	858,636
Employee share options exercised (see note 10)	–	–
Balance at December 31	**858,636**	**858,636**
Employee share options outstanding (see note 10)	264,769	148,704
Shares granted to employees based on performance share matching plans, not yet transferred (see note 10)	168,771	162,709
Shares granted to employees based on other share plans, not yet transferred (see note 10)	2,222	6,075

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

	2012	2013
Conditional share capital		
Shares (with a nominal value of CHF 0.10 each)	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Expiry date	21.04.2014	21.04.2014
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,200,000
CHF	220,000	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.

22.5 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.

23 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		31.12.2012	31.12.2013	2012	2013
EUR	1	1.21	1.23	1.21	1.23
GBP	1	1.49	1.48	1.49	1.45
SEK	100	14.07	13.87	13.85	14.23
USD	1	0.92	0.89	0.94	0.93
SGD	1	0.75	0.71	0.75	0.74
CNY	1	0.15	0.15	0.15	0.15
JPY	100	1.06	0.85	1.18	0.95
AUD	1	0.95	0.80	0.97	0.90

24 Financial risk management (IFRS 7)

24.1 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.

24.2 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	2012	2013
Financial assets held for trading		
Derivatives	1,554	3,360
Loans and receivables		
Cash and cash equivalents	144,528	150,377
Trade accounts receivable[1]	77,950	74,384
Other accounts receivable[1]	2,511	1,414
Non-current financial assets	811	728
Total	**225,800**	**226,903**
Financial liabilities held for trading		
Derivatives	1,707	691
Financial liabilities measured at amortized cost		
Bank liabilities and loans	3,189	6,910
Trade accounts payable	10,691	10,292
Other accounts payable[1]	34	9
Accrued expenses	36,849	32,967
Total	**50,763**	**50,178**

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

24.3 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 14) 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.

24.4 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.

24.4.1 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 19.

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, 2013, 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 0.6 million (2012: CHF 0.5 million) higher/lower, mainly as a result of cash positions held at variable rates.

24.4.2 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:

	2012				2013			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Cash and cash equivalents	88	6,180	8,123	3,772	406	8,111	14,765	3,733
Trade accounts receivable[1]	2,175	1,387	981	1,045	3,262	1,074	929	99
Other accounts receivable[1]	–	–	–	–	–	–	–	–
Non-current financial assets	–	30	–	–	–	30	–	–
Current bank liabilities	–	–	–	–	–	–	–	(1,997)
Trade accounts payable	–	(1,647)	(517)	(45)	(12)	(1,892)	(769)	(53)
Other accounts payable[1]	–	–	–	–	–	–	–	–
Accrued expenses	–	(215)	–	(27)	–	–	–	(23)
Non-current bank liabilities	–	–	–	–	–	–	–	–
Foreign currency forwards	–	–	(202)	94	–	–	2,739	–
Foreign currency options	–	(44)	–	–	–	(70)	–	–
Net exposure to currency at December 31	**2,263**	**5,691**	**8,385**	**4,839**	**3,656**	**7,253**	**17,664**	**1,759**

[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	2012 higher/(lower)	2013 higher/(lower)
If CHF had weakened against EUR by 10 %	(356)	(9)
If CHF had strengthened against EUR by 10 %	525	(386)
If CHF had weakened against USD by 10 %	(3,934)	(3,588)
If CHF had strengthened against USD by 10 %	3,942	3,593

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 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**

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	3,350	(54)	85,718	13,393	42,859	29,466
Purchase USD	10	(567)	(25,001)	(13,393)	(11,608)	–
Foreign currency options						
Call short EUR	–	(70)	6,137	6,137	–	–
Balance at December 31, 2013	**3,360**	**(691)**	**66,854**	**6,137**	**31,251**	**29,466**

24.5 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	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

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	4,908	4,951	2,087	2,864	–	–
Trade accounts payable	10,292	10,292	10,069	223	–	–
Other accounts payable[1]	9	9	9	–	–	–
Accrued expenses	32,967	32,967	19,704	13,263	–	–
Non-current bank liabilities	2,002	2,051	–	18	2,033	–
Derivative financial liabilities						
Foreign currency forwards	*621*					
Outflow		20,115	13,860	4,469	1,786	–
Inflow		(19,575)	(13,394)	(4,418)	(1,763)	–
Foreign currency options	*70*					
Outflow		6,137	–	6,137	–	–
Inflow		(6,121)	–	(6,121)	–	–
Balance at December 31, 2013	**50,869**	**50,826**	**32,335**	**16,435**	**2,056**	–

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

Unused lines of credit amounting to CHF 43.0 million were available to the Group at December 31, 2013 (2012: CHF 44.5 million).

25 Fair value measurement and disclosures

25.1 Fair value hierarchy

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 established a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure their value.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.

Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

25.2 Assets and liabilities measured at fair value on a recurring basis after initial recognition

The following table shows the valuation techniques used in the determination of fair values for assets and liabilities measured at fair value on a recurring basis after initial recognition:

Position	Net carrying amount in balance sheet measured at fair value (CHF 1,000)		Level	Data source	Model
	2012	2013			
Currency forwards	(107)	2,739	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points])* amount in foreign currency
Currency options	(45)	(70)	Level 2	Bloomberg	Black-Scholes model

There have been no transfers between the levels in 2012 and 2013.

25.3 Fair value disclosures of assets and liabilities measured at amortized cost

The following table discloses the fair values of assets and liabilities measured at amortized cost:

Position	Net carrying amount in balance sheet measured at amortized cost (CHF 1,000)		Fair value disclosure (CHF 1,000)		Level	Data source	Model
	2012	2013	2012	2013			
Receivables	80,461	75,798	80,461	75,798			The carrying amounts less impairment 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.
Payables	10,725	10,301	10,725	10,301			
Bank loans	3,123	4,824	3,000	4,742	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flow s at the current market interest rate that is availabe to the Group for similar financial instruments.

26 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	2012	2013
Due date		
1st year	6,461	6,809
2nd year	5,159	5,835
3rd year	4,261	3,890
4th year	2,579	2,009
5th year	1,599	1,100
6th year or beyond	4,216	3,118
Balance at December 31	**24,275**	**22,761**

In financial year 2013, CHF 7.9 million (2012: CHF 7.7 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.

27 Contingent liabilities and encumbrance of assets

At December 31, 2012 and 2013, 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	2012	2013
Pledged assets		
Cash and cash equivalents	134,000	145,900
Derivatives with positive fair value	1,555	3,360

28 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	2012	2013
Short-term employee benefits	4,640	3,998
Post-employment benefits	374	425
Other long-term benefits[1]	16	–
Termination benefits	799	230
Share-based payment[2]	2,093	1,239
Total compensation	**7,922**	**5,892**

[1] Settlement of long-term retention bonus

[2] See note 10.4 for more details

The Group recognized termination benefits amounting to CHF 0.2 million in 2013 for one member of the Management Board (2012: CHF 0.8 million for one member of the Management Board). 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 member was released from work prior to the termination of his employment.

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.

29 Subsequent events

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

30 Group risk management (disclosure according to Swiss law)

30.1 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.

30.2 Risk assessment cycle

30.2.1 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

30.2.2 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

30.2.3 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.

30.2.4 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.

30.2.5 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 to the General Meeting of Shareholders of

Tecan Group Ltd., Männedorf

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Tecan Group Ltd., presented on pages 73 to 120, which comprise the balance sheet, statement of profit or loss, statement of other comprehensive profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes for the year ended December 31, 2013.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation 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 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, 2013 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	Thomas Lehner
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, March 4, 2014

Balance sheet of Tecan Group Ltd. at December 31

Assets

CHF 1,000	Notes	2012	2013
Cash and cash equivalents		83,085	97,370
Current loans to Group companies		36,000	35,400
Other accounts receivable from third parties		34	146
Other accounts receivable from Group companies		2,044	3,482
Current assets		**121,163**	**136,398**
Investments in subsidiaries	2	52,997	52,997
Treasury shares	3	30,774	19,401
Property, plant and equipment		1	1
Non-current assets		**83,772**	**72,399**
Assets		**204,935**	**208,797**

Liabilities and equity

CHF 1,000	Notes	2012	2013
Other liabilities to third parties		463	132
Other liabilities to Group companies		27	20
Current tax liabilities		80	507
Accrued expenses		1,115	1,456
Current liabilities		**1,685**	**2,115**
Provision for general business risks	4	30,000	30,000
Other non-current provisions		63	418
Non-current liabilities		**30,063**	**30,418**
Share capital		1,144	1,144
General reserve		1,000	1,000
Capital contribution reserve		13,589	2,597
Reserve for treasury shares		30,774	19,401
Retained earnings		126,680	152,122
Shareholders' equity	5	**173,187**	**176,264**
Liabilities and equity		**204,935**	**208,797**

Income statement of Tecan Group Ltd.

CHF 1,000	2012	2013
Royalties from Group companies	1,320	2,253
Dividend income from Group companies	10,402	14,319
Interest income from third parties	88	68
Interest income from Group companies	398	1,230
Gain on sale of treasury shares	1,013	4,592
Foreign exchange gains, net	–	70
Income	**13,221**	**22,532**
Personnel expenses	(1,197)	(1,362)
Depreciation of property, plant and equipment	(1)	(1)
Other expenses	(1,109)	(1,097)
Foreign exchange losses, net	(10)	–
Expenses	**(2,317)**	**(2,460)**
Profit before taxes	**10,904**	**20,072**
Income taxes	(80)	(507)
Net profit	**10,824**	**19,565**

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 120) 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 122 through 131) 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	Participation in %	Share capital (LC 1,000)	Currency	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	5,000	CHF	R/P
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	250	CHF	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	100%	1,460	EUR	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	100%	25	EUR	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	100%	51	EUR	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	100%	103	EUR	R
Tecan Benelux B.V.B.A.	Mechelen (BE)	100%	137	EUR	D
Tecan France S.A.S.	Lyon (FR)	100%	2,760	EUR	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	100%	30	EUR	D
Tecan Italia S.r.l.	Milano (IT)	100%	77	EUR	D
Tecan UK Ltd.	Reading (UK)	100%	500	GBP	D
Tecan Nordic AB	Mölndal/Gothenburg (SE)	100%	100	SEK	D
Tecan US Group, Inc.	Morrisville, NC (US)	100%	1,500	USD	S
• Tecan US, Inc.	Morrisville, NC (US)	100%	400	USD	D
• Tecan Systems, Inc.	San Jose, CA (US)	100%	26	USD	R/P
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	800	SGD	D
Tecan (Shanghai) Trading Co., Ltd.	Shanghai (CN)	100%	3,417	CNY	D
Tecan Japan Co., Ltd.	Kawasaki (JP)	100%	125,000	JPY	D
Tecan Australia Pty Ltd	Melbourne (AU)	100%	0	AUD	D

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

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.

3 Treasury shares

CHF 1,000	2012	2013
Treasury shares	30,774	19,401
Allowance	–	–
Balance at December 31	**30,774**	**19,401**

Shares (each share has a nominal value of CHF 0.10)	2012	2013
Balance at January 1	639,631	546,590
Treasury shares issued based on employee participation plans	(93,041)	(157,785)
Purchase of treasury shares	–	60
Sale of treasury shares	–	(26,025)
Balance at December 31	**546,590**	**362,840**
Average price of shares purchased, CHF	n/a	100.00
Average price of shares sold, CHF	69.82	86.88

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

	Share capital	Legal reserves			Retained earnings	Total shareholders' equity
CHF 1,000		General reserve	Capital contribution reserve	Reserve for treasury shares (see note 3)		
Balance at January 1, 2012	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	–
Balance at December 31, 2012	**1,144**	**1,000**	**13,589**	**30,774**	**126,680**	**173,187**
Net profit	–	–	–	–	19,565	19,565
Dividend paid	–	–	–	–	(5,496)	(5,496)
Payout from capital contribution reserve	–	–	(10,992)	–	–	(10,992)
Change in reserve for treasury shares	–	–	–	(11,373)	11,373	–
Balance at December 31, 2013	**1,144**	**1,000**	**2,597**	**19,401**	**152,122**	**176,264**

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 (2012: 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 consisted 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 share capital.

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.

	2012	2013
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	858,636	858,636
CHF	85,864	85,864
Employee share options, outstanding	264,769	148,704
Shares granted to employees based on performance share matching plans, not yet transferred	168,771	162,709
Shares granted to employees based on other share plans, not yet transferred	2,222	6,075
Reserved for future business development		
Shares (with a nominal value of CHF 0.10 each)	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Reserved for future business development		
Expiry date	21.04.2014	21.04.2014
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,200,000
CHF	220,000	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:

	2012	2013
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 %
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	<3.0 %	3.3 %
Credit Suisse Asset Management Funds AG, Zürich (CH)	3.2 %	3.2 %
Tecan Group Ltd., Männedorf (CH)	4.8 %	3.2 %
Artisan Partners Limited Partnership, Milwaukee (US)	<3.0 %	3.1 %
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.1 %	3.1 %

6 Guarantees in favor of third parties

The total amount of guarantees in favor of its subsidiaries was CHF 31.0 million at December 31, 2013 (2011: CHF 31.1 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	2012	2013
Pledged assets		
Cash and cash equivalents	83,084	97,370

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, 2013 (2012: 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 compensation	Social benefits[1]	Share award plan: shares granted (number)[2]	Fair value of shares granted[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial shares granted[5]	PSMP: Total matching shares granted (number)[6]	Fair value of matching shares PSMP 2011 earned in period[7/8]	Fair value of matching shares PSMP 2012 earned in period[7/9]	Total compensation
Rolf Classon	2012	150	18	**168**	**–**	–	**–**	739	**44**	924	**4**	**16**	**232**
(Chairman)	2013	150	18	**168**	**–**	934	**93**	–	**–**	–	**–**	**–**	**261**
Heinrich Fischer	2012	85	20	**105**	**8**	–	**–**	370	**22**	463	**2**	**8**	**145**
(Vice Chairman)	2013	85	20	**105**	**7**	584	**58**	–	**–**	–	**–**	**–**	**170**
Dr. Oliver S. Fetzer	2012	75	27	**102**	**–**	–	**–**	370	**22**	463	**2**	**8**	**134**
	2013	75	30	**105**	**–**	467	**47**	–	**–**	–	**–**	**–**	**152**
Dr. Karen Hübscher	2012	50	7	**57**	**5**	–	**–**	370	**22**	463	**–**	**8**	**92**
(since April 2012)	2013	75	10	**85**	**6**	467	**47**	–	**–**	–	**–**	**–**	**138**
Dr. Christa Kreuzburg	2012	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**
(since April 2013)	2013	50	7	**57**	**4**	467	**47**	–	**–**	–	**–**	**–**	**108**
Gérard Vaillant	2012	75	13	**88**	**8**	–	**–**	370	**22**	463	**2**	**8**	**128**
	2013	75	10	**85**	**6**	467	**47**	–	**–**	–	**–**	**–**	**138**
Erik Walldén	2012	75	10	**85**	**8**	–	**–**	370	**22**	463	**2**	**8**	**125**
	2013	75	10	**85**	**6**	467	**47**	–	**–**	–	**–**	**–**	**138**
Dominique F. Baly	2012	75	20	**95**	**9**	–	**–**	370	**22**	463	**2**	**8**	**136**
(until April 2013)	2013	25	7	**32**	**2**	–	**–**	–	**–**	–	**–**	**–**	**34**
Dr. Lukas Braunschweiler	2012	25	7	**32**	**2**	–	**–**	–	**–**	–	**2**	**–**	**36**
(until April 2012)	2013	–	–	**–**	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**
Total	**2012**	**610**	**122**	**732**	**40**	**–**	**–**	**2,959**	**176**	**3,702**	**16**	**64**	**1,028**
	2013	**610**	**112**	**722**	**31**	**3,853**	**386**	**–**	**–**		**–**	**–**	**1,139**

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

[2] Vesting condition: Graded vesting from May 1, 2013 to April 30, 2014. Vested shares are transferred at the end of the service period (April 30, 2014). The shares are fully included in the amount of fair value of shares granted.

[3] Formula: Shares granted in 2013 * fair value at grant (CHF 100.00).

[4] Vesting condition: Graded vesting from May 1, 2012 to April 30, 2015. Vested shares are blocked until the end of the performance period (April 30, 2015). The shares are fully included in the amount of fair value of initial shares granted.

[5] Formula: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10 %)]

[6] Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 10.4 of the consolidated financial statements.

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

[8] Formula for 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; and formula for 2013: {initial shares granted in 2011 that qualify for matching shares [total 3,232 shares] * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2011 earned in period 2013.

[9] 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 and formula for 2013: {initial shares granted in 2012 that qualify for matching shares [total 2,959 shares] * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2012 earned in period 2013.

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 “Compensation to the Management Board”. His total compensation in 2012 was CHF 1,139,000.

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]	Fair value of matching shares PSMP 2013 earned in period[6/10]	Total compen-sation
Dr. David Martyr	2012	139	120	10	**269**	**57**	1,774	**105**	4,435	**–**	**–**	**113**	**–**	**544**
(CEO)[11/12]	2013	600	400	41	**1,041**	**209**	4,669	**351**	13,423	**–**	**–**	**–**	**472**	**2,073**
Gérard Vaillant	2012	952	–	–	**952**	**59**	–	**–**	–	**–**	**–**	**–**	–	**1,011**
(interim CEO)[13]	2013	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**–**
Thomas Bachmann	2012	458	275	9	**742**	**160**	4,929	**292**	18,853	**–**	**42**	**401**	–	**1,637**
(former CEO)[14/15]	2013	–	–	–	**–**	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**–**
Dr. Rudolf Eugster	2012	345	131	–	**476**	**108**	3,697	**219**	12,350	**–**	**32**	**315**	**–**	**1,150**
(CFO)	2013	345	110	–	**455**	**107**	2,918	**219**	9,453	**–**	**–**	**–**	**332**	**1,113**
Other members of the Manage-ment Board[16/17]	2012	1,349	397	19	**1,765**	**455**	13,776	**815**	36,162	**–**	**52**	**781**	**–**	**3,868**
	2013	1,270	367	24	**1,661**	**427**	9,338	**702**	25,730	**–**	**–**	**–**	**905**	**3,695**
Total	**2012**	**3,243**	**923**	**38**	**4,204**	**839**	**24,176**	**1,431**	**71,800**	**–**	**126**	**1,610**	**–**	**8,210**
	2013	**2,215**	**877**	**65**	**3,157**	**743**	**16,925**	**1,272**	**48,606**	**–**	**–**	**–**	**1,709**	**6,881**

[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, 2012 to December 31, 2014 (PSMP 2012) and from January 1, 2013 to December 31, 2015 (PSMP 2013). Vested shares are blocked until the end of the performance period (December 31, 2014 and 2015 respectively). The shares are fully included in the amount of fair value of initial shares granted.

[4] Formula for 2012: Shares granted in 2012 * fair value at grant (CHF 65.75) * [1 - estimated labor turnover rate (10 %)] and formula for 2013: Shares granted in 2013 * fair value at grant (CHF 83.50) * [1 - estimated labor turnover rate (10 %)].

[5] Vesting conditions: Three years of service and performance target. The terms and conditions are disclosed in note 10.4 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 2012: {initial shares granted 2010 plus mandatory and voluntary investments that qualify for matching shares [total 12,488 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; formula for 2013: plan ended December 31, 2012.

[8] 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; formula for 2013: {(initial shares granted 2011 plus mandatory and voluntary investments that qualify for matching shares [total 9,050 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2011 earned in period 2013.

[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 and formula for 2013: {(initial shares granted 2012 plus mandatory and voluntary investments that qualify for matching shares [total 18,961 shares]) * estimated matching share factor of 0.00} * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2012 earned in period 2013.

[10] Formula for 2013: {initial shares granted 2013 plus voluntary investments that qualify for matching shares [total 19,442 shares]) * estimated matching share factor of 2.50 * individual service period pro rata * share price at year-end 2013 [CHF 105.50] = fair value of matching shares PSMP 2013 earned in period 2013.

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

[12] Member of the Management Board with the highest compensation in 2013.

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

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

[15] Member of the Management Board with the highest compensation in 2012.

[16] 2012: Total six members, including two members who left and one member who joined the Management Board during the year.

[17] 2013: Total seven members, including one member who left and three members who joined the Management Board during the year.

No termination benefits were paid in 2012 and 2013.

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

For details of the employee participation plans please refer to note 10.4 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	2012	1,547	2,800	**4,347**	–	–	–	1,700	1,628	**3,328**
(Chairman)	2013	1,547	2,800	**4,347**	–	–	–	1,700	2,442	**4,142**
Heinrich Fischer	2012	774	10,000	**10,774**	–	864	1,551	850	814	**4,079**
(Vice Chairman)	2013	774	10,000	**10,774**	–	864	1,551	850	1,221	**4,486**
Dr. Oliver S. Fetzer	2012	774	–	**774**	–	–	–	–	–	**–**
	2013	774	–	**774**	–	–	–	–	–	**–**
Dr. Karen Hübscher	2012	370	–	**370**	–	–	–	–	–	**–**
	2013	370	–	**370**	–	–	–	–	–	**–**
Dr. Christa Kreuzburg	2012	–	–	**–**	–	–	–	–	–	**–**
(since April 2013)[3]	2013	–	–	**–**	–	–	–	–	–	**–**
Gérard Vaillant	2012	774	–	**774**	234	864	–	850	814	**2,762**
	2013	774	–	**774**	–	864	–	850	1,221	**2,935**
Erik Walldén	2012	774	–	**774**	–	–	–	–	–	**–**
	2013	774	–	**774**	–	–	–	–	–	**–**
Dominique F. Baly	2012	774	–	**774**	–	–	–	850	814	**1,664**
(until April 2013)[4]	2013	–	–	**–**	–	–	–	–	–	**–**
Balance at December 31, 2012		5,787	12,800	**18,587**	234	1,728	1,551	4,250	4,070	**11,833**
Balance at December 31, 2013		5,013	12,800	**17,813**	–	1,728	1,551	3,400	4,884	**11,563**

[1] Members are entitled to vote, but only 3,593 shares (2012: 2,229 shares) are vested.

[2] Only vested options.

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

[4] Shares and share options in 2013 are not disclosed, because the member of the Board stepped down before year-end 2013.

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
					2007	2008	2009	2010	
Strike price in CHF					70.00	69.00	39.70	70.00	
Expiring in					2013	2014	2015	2016	
Dr. David Martyr (CEO)	2012	1,774	–	**1,774**	–	–	–	–	**–**
	2013	7,143	–	**7,143**	–	–	–	–	**–**
Dr. Rudolf Eugster (CFO)	2012	11,931	–	**11,931**	1,280	1,113	1,386	2,345	**6,124**
	2013	12,186	–	**12,186**	–	1,113	1,386	2,345	**4,844**
Dr. Martin Brusdeilins	2012	4,650	–	**4,650**	–	–	–	–	**–**
	2013	6,985	–	**6,985**	–	–	–	–	**–**
Dr. Achim von Leoprechting (since October 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	584	–	**584**	–	–	–	–	**–**
Dr. Klaus Lun (since June 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	1,517	–	**1,517**	–	–	–	–	**–**
Markus Schmid	2012	3,656	–	**3,656**	–	–	–	–	**–**
	2013	6,127	–	**6,127**	–	–	–	–	**–**
Dr. Stefan Traeger (since July 2013)[3]	2012	–	–	**–**	–	–	–	–	**–**
	2013	1,167	–	**1,167**	–	–	–	–	**–**
Andreas Wilhelm	2012	5,078	–	**5,078**	707	459	–	971	**2,137**
	2013	5,697	–	**5,697**	–	–	–	–	**–**
Dr. Bernhard Grob (until July 2013)[4]	2012	6,047	–	**6,047**	–	–	–	–	**–**
	2013	–	–	**–**	–	–	–	–	**–**
Balance at December 31, 2012		33,136	–	**33,136**	1,987	1,572	1,386	3,316	**8,261**
Balance at December 31, 2013		41,406	–	**41,406**	–	1,113	1,386	2,345	**4,844**

[1] Members are entitled to vote, but only 25,432 shares (2012: 18,848 shares) are vested.

[2] Only vested options.

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

[4] Shares and share options in 2013 are not disclosed, because the member of the Board stepped down before year-end 2013.

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 14, 2014 to allocate retained earnings as follows:

CHF 1,000	2012 Approved	2013 Proposed
Carried forward from previous year	110,372	121,184
Net profit	10,824	19,565
Change in reserve for treasury shares	5,484	11,373
Available retained earnings	**126,680**	**152,122**
Dividend paid as approved by the annual general meeting of shareholders on April 17, 2013: CHF 0.50 per share with a nominal value of CHF 0.10 each (total 10,991,802 shares eligible for dividend)	(5,496)	
Dividend proposed: CHF 1.50 per share with a nominal value of CHF 0.10 each (total 11,081,736 shares eligible for dividend)[1]		(16,623)
Balance to be carried forward	**121,184**	**135,499**

[1] These numbers are based on the outstanding share capital at December 31, 2013. The number of shares eligible for dividend 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 2013, a total of 71,149 options were exercisable before the date of the dividend payment.

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

CHF 1,000	2012 Approved	2013 Proposed
Carried forward from previous year	13,591	2,597
New shares issued upon exercise of employee share options	(2)	–
Subtotal	**13,589**	**2,597**
Allocation to free reserve and payout as approved by the Annual General Meeting of Shareholders on April 17, 2013: CHF 1.00 per share with a nominal value of CHF 0.10 each (total 10,991,802 shares eligible for payout)	(10,992)	
Balance to be carried forward	**2,597**	**2,597**

Report of the Statutory Auditor to the General Meeting of Shareholders of

Tecan Group Ltd., Männedorf

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Tecan Group Ltd., presented on pages 122 to 131, which comprise the balance sheet, income statement and notes for the year ended December 31, 2013.

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, 2013 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

Thomas Lehner
Licensed Audit Expert

Zurich, March 4, 2014

The Tecan Share

Performance of the Tecan share in 2013

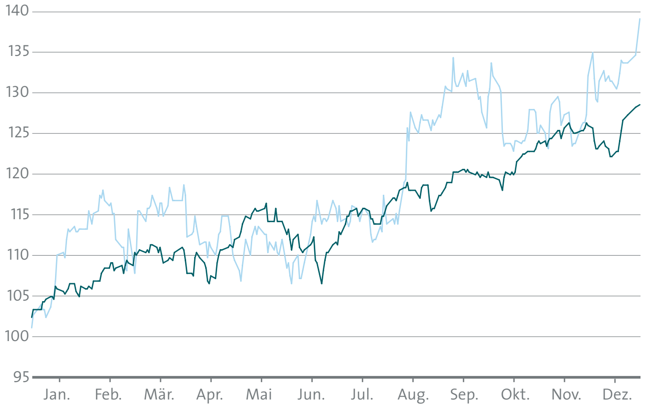
The positive performance of the Tecan share in the prior year continued in 2013. The Tecan share rose by 37.9 % in the year under review, peaking at CHF 105.50 and thereby outperforming the SPI Extra benchmark (2013: +27.7 %) of small and medium-sized companies listed on the SIX Swiss Exchange by 10.2 %. The Tecan share began 2013 with price gains and in March, the company reported healthy results for the 2012 financial year, which led to further slight rises. Between April and October, the share price remained relatively stable within the range of CHF 80 to 90. Following the publication of the interim results, the share experienced further gains, rising to over CHF 100 for the first time in ten years. The Tecan share saw a temporary price correction in October, which was partly the result of the threat of insolvency of the US federal government and partly due to Tecan's revised outlook for 2013. However, the share price rose again at the end of the year, closing at its peak.

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 01.01.2013 and 31.12.2013

in comparison with SPI Extra (indexed)



Share price performance between 2010 and 2013

in comparison with SPI Extra (indexed)

Tecan share

	2011	2012	2013
Numbers of shares issued	11’444’576	11’444’576	11’444’576
Number of treasury shares	639’631	546’590	362’840
Number of shares outstanding at December 31	10’804’945	10’897’986	11’081’736
Average number of shares outstanding	10’756’118	10’817’668	10’977’758
Share price at December 31 (CHF)	63.50	76.50	105.50
High (CHF)	82.50	77.50	105.50
Low (CHF)	49.25	59.05	77.2
Average number of traded shares per day[1]	34’544	34’065	31’753
Average trading volume per day (CHF)[1]	2’321’011	2’301’772	2’868’248

Information per share

	2012	2013
Basic earnings per share (CHF/share)	3.92	4.16
Shareholder's equity at December 31 (CHF)	293’613	336’202
Dividend (CHF)	1.25	1.50
Dividend yield (%)[2]	1.63 %	1.42 %

Financial ratios

	2012	2013
Market capitalization (CHF mio)[3]	875.5	1’207.4
Enterprise Value (CHF mio)[4]	734.2	1'064.0
Price Earnings Ratio[5]	19.52	25.36

[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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