AUTOMATING THE FUTURE OF LABS

Annual Report 2014

Contents

Available on the App Store

2014 at a glance

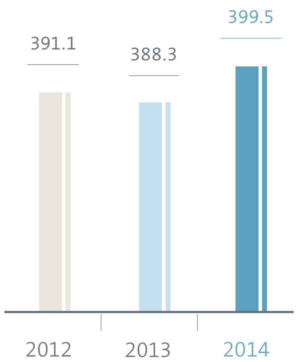
Key figures

CHF million	2013	2014	▲ 2013/2014
Sales	388.3	399.5	+2.9%
Sales in constant currencies	383.4	399.5	+4.2%
Gross profit	189.6	197.6	+4.2%
in % of sales	48.8%	49.5%	
EBIT	54.8	57.2	+4.4%
in % of sales	14.1%	14.3%	
EBIT (excluding acquisition-related effects)	54.8	57.0	+4.0%
in % of sales	14.1%	14.6%	
EBITDA	65.1	67.5	+3.8%
in % of sales	16.8%	16.9%	
Net profit	45.7	40.2	–11.9%
in % of sales	11.8%	10.1%	
EPS (CHF)	4.16	3.63	–12.7%

Financial summary

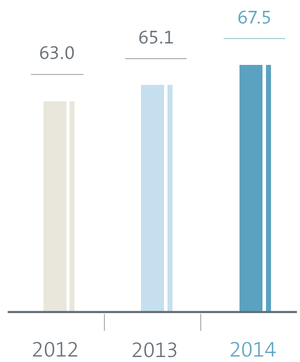
Sales

(CHF million)



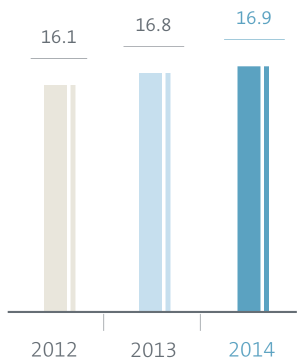
EBITDA

(CHF million)



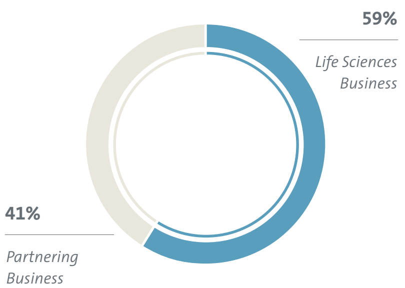
EBITDA margin

(in % of sales)



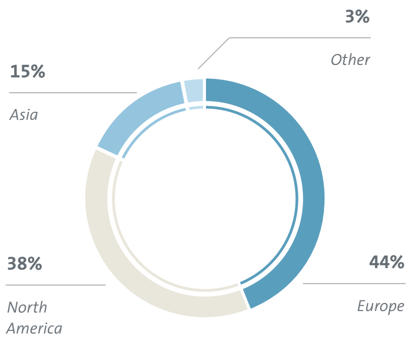
Sales by business segments

(in % of sales)



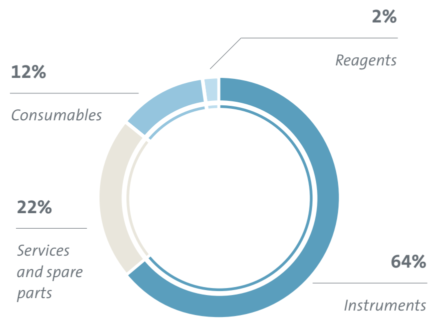
Sales by regions

(in % of sales)



Sales by product group

(in % of sales)



Accelerating Profitable Growth

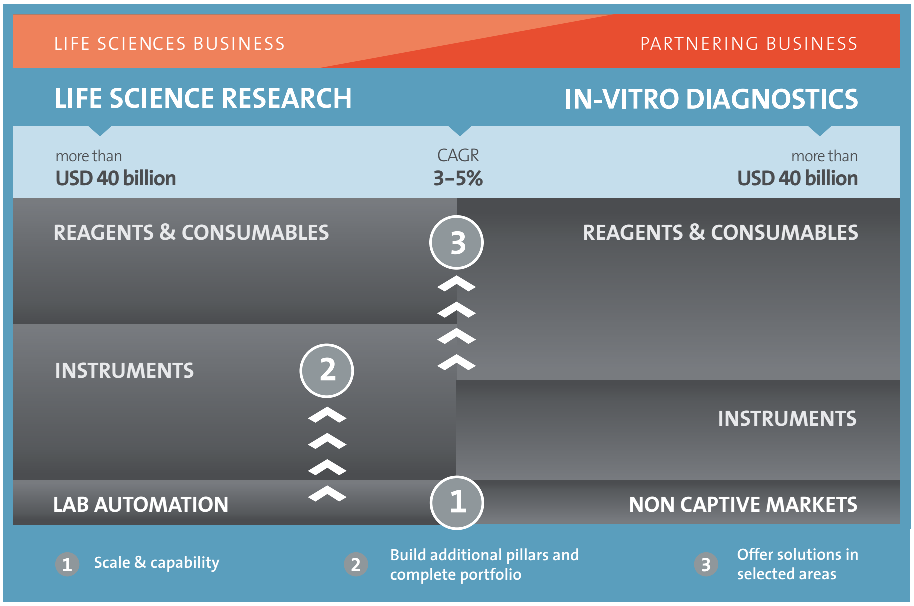
Refined Corporate Strategy is Setting the Basis

In 2014, Tecan successfully concluded major development projects and a wave of new exciting platforms and products is hitting the market to support and expand our position as the market leader in laboratory automation. It is our goal to enable efficient workflows in laboratories around the world. Everywhere researchers, clinicians and eventually patients rely on dependable, safe and fast results to improve health and the quality of life.

This is why we are proud that our solutions accelerate, automate and enhance the processes in state-of-the-art diagnostics and life sciences labs.

Our core business rests on two pillars: Partnering Business and Life Sciences Business. In the latter, Tecan has become the go-to partner for automation and analytical needs in the world's life science research labs and has just launched next generation platforms in both main product lines to further build the leading market position. 2014 marked the successful launch of the Fluent™ Laboratory Automation Solutions, bringing the next level of innovation to automated liquid handling. Fluent is setting new standards for simplicity, productivity and confidence. In Tecan's detection business, the new Spark™ multimode microplate reader brings greater flexibility and increases productivity for life sciences labs. Research & Development has been and will continue to be a cornerstone of Tecan's success. In our evolution towards a total solutions business, however, Tecan also looks at acquisitions as a catalyst to its core business. In addition to our organic growth drivers, we look for innovative businesses to provide a dedicated solution offering with more recurring revenues. The acquisition of IBL International in July 2014 presents an important step in support of this evolution.

At the heart of Tecan's approach to acquisitions is a thoughtful expansion of the addressable market by complementing the existing product offerings. We are active in identifying targets and currently have a healthy list of potential targets in review and cultivation stage. We take, however, a disciplined approach on valuation to make informed decisions that benefit our business in the long term. Key functions are involved early in the process to ensure a successful integration. Also we pay attention that acquisitions do not compete with typical instrumentation customers of our Partnering Business.



> «It is our goal to enable efficient workflows in laboratories around the world.»

In our Partnering Business, we are the partner of choice for automation systems in the in-vitro diagnostics industry. We are supporting our clinical diagnostics partners with their regional product launches of new instruments – developed and manufactured by Tecan – and the associated ramp up in our serial production. The latest of these – the ORTHO VISION™ Analyzer from Ortho-Clinical Diagnostics – is now offering enhanced safety for transfusion medicine laboratories in Europe, Japan and Australia. Among the new platforms launched by partners is also the Dako Omnis for Dako (an Agilent Technologies Company), a fully automated advanced staining platform for tissue-based cancer diagnostics. This forward-thinking platform sets new standards with regard to flexibility, ease of use, capacity, efficiency and traceability. We have a well-stocked pipeline of additional opportunities and leverage Tecan's platforms, technologies and service footprint to expand market share.

In the components business, part of our Partnering Business, it is our goal to defend and expand our leading position for liquid handling components. Various customers are launching new instruments ramping up series production, which allows us to further grow this business.

VISION

Tecan – Automating the Future of Labs

We will shape the future of **automated-workflows** in **life science** and **clinical diag-nostics** through **passion** for unrivaled **quality** and **innovation**.

ACQUISITIONS

A Perfect Fit

Specialty Diagnostics Expert Meets Automation Specialist

The acquisition of IBL International in July 2014 represents an important strategic step to support Tecan's evolution into a solutions business with a higher share of recurring revenues. Originally established in Hamburg in 1983, IBL International has grown into a recognized business for unique and specialty assays renowned for their high quality.

The Company offers one of the largest specialty immunoassay portfolios in the industry and is moreover a pioneer and market leader in saliva diagnostics.

Ever since its foundation, IBL International has been consistently growing. Highly successful with direct sales, the Company's reach was however restricted only to a small number of countries. With little infrastructure available to the Company and limited resources to expand into new markets, IBL started looking for a competent partner. With Tecan's global presence and access to clinical diagnostics customers, IBL International can now grow faster than it could as a stand-alone Company. The increasing need for an integrated instrument and reagent offering in the growing high mix/low volume market segment represents significant opportunities for the combined entity.

With IBL International as a vital part of its Life Sciences Business, Tecan can now expand into this growing market for specialty diagnostics solutions. This subsegment is not competing with large in-vitro diagnostics companies, Tecan's typical Partnering Business customers, as they rather concentrate on a smaller number of routine tests processed in high volumes on large systems based around individual samples (low mix/high volume).

End-users will greatly benefit from less complex, user-friendly automation in specialty diagnostics. The integration of IBL International allows Tecan to leverage its automation expertise and leading position within the immunoassay market for open instrumentation platforms by adapting IBL International's range of immunoassays for specialty diagnostics to Tecan platforms. A win-win situation not only for the two companies, but also for patients around the globe relying on swift and safe diagnostics.

» Simplifying the Development of New Drugs

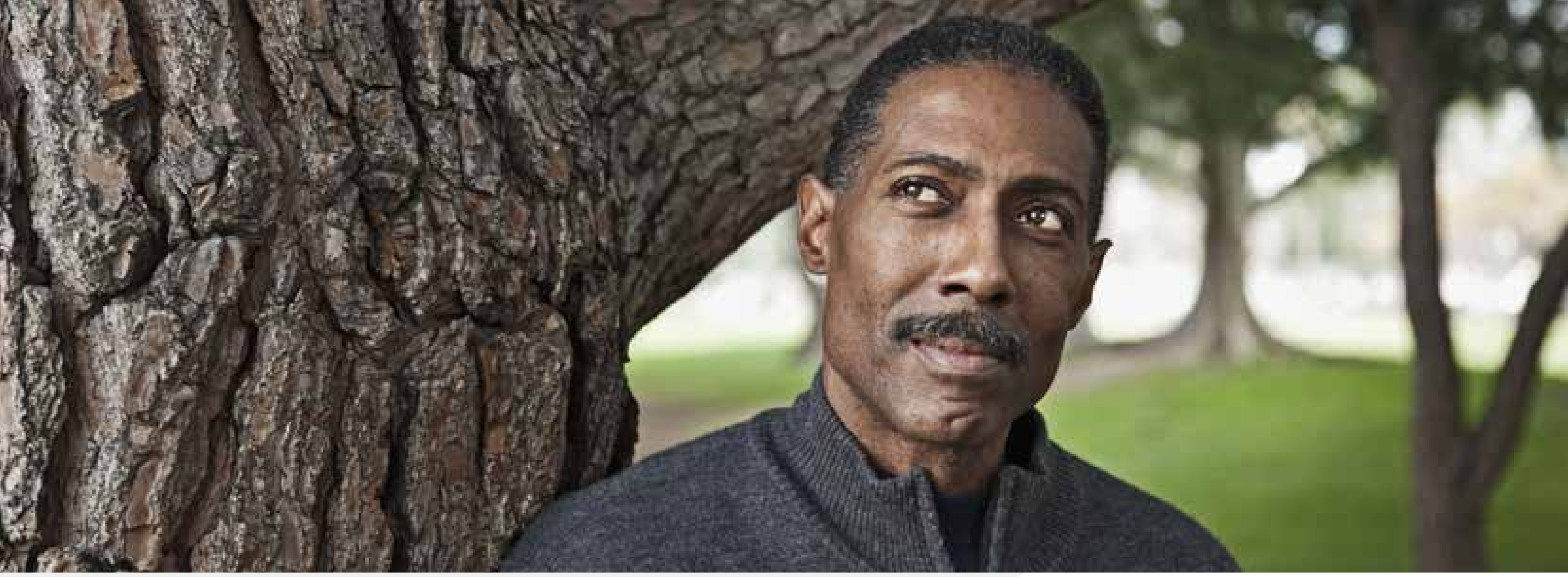
The discovery of promising active ingredients for new medications is the first step in a long development process until they can be used to potentially cure diseases. Millions of chemical and biological substances are tested by reasearchers to assess their potential, test for possible drug interactions with other substances as well as the optimal dosage. Fully automated laboratory workflow solutions with state-of-the-art technologies engineered by Tecan make the hunt for new active substances considerably more efficient. The Fluent™ Laboratory Solution Platform is the latest example of Tecan's contribution to drug discovery.

» David Martyr, CEO, on the acquisition of IBL International

"The addition of IBL International – a market leader in micro-plate based immunoassays – to the Tecan Group has generated a lot of excitement. This acquisition is an important step for Tecan, and is an excellent fit with our long-term strategic aims of helping to simplify laboratory workflows by offering fully integrated solutions – including hardware, software, and reagents."

» Impeccable Is the Standard

Quality and innovation are attributes that Tecan always seeks to be on par with. Tecan's innovations reduce the error rate in complex applications by replacing manual labor with automated and monitored processes. A new instrument for fully automated blood typing is the ORTHO VISION™ Analyzer for Ortho-Clinical Diagnostics.



DRUG DISCOVERY

More Efficient Medications:

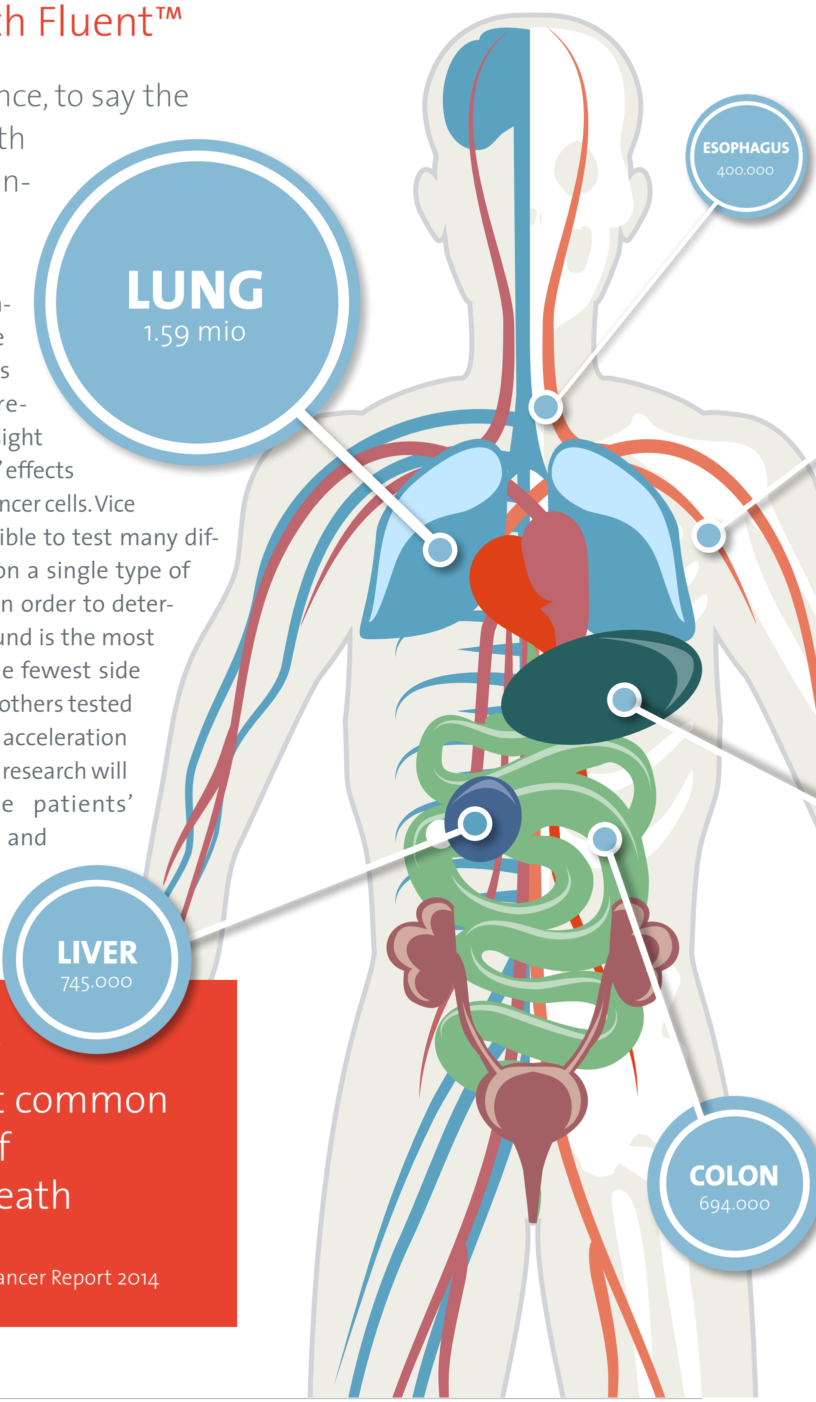
Boosting the Hunt for New Drugs with Fluent™

Being diagnosed with cancer is a difficult experience, to say the least. The diagnosis presents an uphill battle – both psychologically and physically. Treatment usually includes surgery, radiation- and chemotherapy.

The latter method involves drugs that eliminate cells that divide rapidly – a characteristic of cancer cells. However, some healthy cell types do divide rapidly as well. The sometimes severe side effects of chemotherapy are an additional burden on patients and their families. Worldwide, scientists work hard to improve the quality of life and the overall outlook of cancer patients by developing more effective treatments. In researching new active substances, there has been a trend towards cell-based assays in recent years. This trend will surely continue as cell-based assays offer a more precise representation of real-life conditions.

It is simply more productive to examine cell growth and the effect of active substances on tumor cells in an environment that more closely mimics the natural tissue. However, without laboratory automation, it would be impossible to perform these test procedures efficiently. In light of this situation, Tecan has positioned itself in a leading role by taking automation to the next level with Fluent™, a unique instrumentation concept built around the application-specific needs of laboratories. The flexibility and throughput capabilities of the Fluent™ Laboratory Automation Solutions provide researchers with the opportunity, for example, to characterize compounds in cancer research.

By testing one compound on a wide array of cancer cells simultaneously, researchers gain an insight into the compounds' effects on certain types of cancer cells. Vice versa, it is also possible to test many different compounds on a single type of cancer cell at once in order to determine which compound is the most effective and has the fewest side effects compared to others tested simultaneously. This acceleration and simplification of research will hopefully increase patients' chances of recovery and give them a better quality of life in the future.



INFOGRAPHIC

The most common causes of cancer death

Source: World Cancer Report 2014

ALZHEIMER`S

Diagnosing Neurodegeneration:

Adding a Valuable Piece to the Puzzle

Thanks to science, we can expect to lead a longer life than previous generations. However, the increase in life expectancy of the world's population also poses medical challenges.

Alzheimer's disease has become a growing concern for the world's aging population, being the most common cause of dementia. About 30 million people worldwide are currently affected by dementia. Symptoms include short term memory loss, problems with language, mood swings, disorientation and eventually lead to death. Early diagnosis is essential for implementation of appropriate treatment and support mechanisms, enabling patients to live as independently as possible. Alzheimer's disease is characterized by cognitive impairment, but it is only during post-mortem examination of the brain that the hallmark protein deposits – amyloid plaques and tau fibrils – and brain shrinkage can be definitively identified. However, the disease will have begun to take hold many years earlier, long before cognitive deficiencies were visible, and this is one of the main limitations in developing therapeutics for Alzheimer's. Biomarker analysis has the potential to change this situation. IBL International, the latest addition to the Tecan Group, offers a range of microplate-based immunoassays to help diagnose Alzheimer's disease.

BLOOD SUPPLY

When Every Second Counts:

Engineering Confidence in Transfusion Medicine

The need for blood and plasma continues to be of great importance: Trauma victims, organ transplants, invasive surgeries or patients receiving treatment for leukemia or other diseases rely on transfusions for their survival. Before a blood donation can save a life, however, rigorous compliance standards have to be met. This includes screening each donation for diseases and investigating patient-donor compatibility to avoid severe transfusion reactions such as red blood cell destruction, renal failure or shock. Crucial factors for an optimal patient-donor match are blood type and rhesus factor.

Given the possibly fatal effects, transfusion medicine leaves no room for error. Tecan has developed the ORTHO VISION™ Analyzer for Ortho-Clinical Diagnostics, the global leader for transfusion medicine, to take full automation transfusion medicine testing to the next level.

Most promising in securing the safety of the world's blood supply is automation. A system like the ORTHO VISION™ Analyzer enables more efficient testing while ensuring the highest degree of flexibility. In a case of emergency, lab personnel will now be able to prioritize tests as they are requested and respond to unpredictable lab demand. This enables unprecedented flexibility and efficiency in saving lives through blood transfusions.

» Cancer as the Predominant Cause of Mortality

The various forms of cancer have become one of the main causes of death worldwide. As the world's population continues to age and risk factors such as smoking, obesity, stress and environmental pollution remain prevalent, this is unlikely to change. In fact, the WHO expects the number of new cases to increase by approximately 70% over the next two decades. The infographic on the left is detailing the most common causes of cancer death.

» WHO Warns about Consequences of Aging Population

The world population's life expectancy is steadily rising. According to the WHO, people older than 60 years will outnumber children below the age of 5 for the first time in history in five years. Considering this demographic change, the WHO's prognosis of a steep increase in age-related health issues is easily comprehensible. New solutions that simplify clinical diagnostics and make drug research more efficient will influence the quality of life more than it already does.

» WHO on Availability of Blood

The WHO reports that blood donations have increased by 25% from 80 million in 2004 to 108 million. While in high-income countries the most frequently transfused patient group is over 65 years of age, up to 65% of blood transfusions are given to children under 5 years of age in low-income countries. The availability and safety of blood donations also differs among high-income and low-income countries. Automation offers tremendous potential as 80% of labs in emerging markets are still operating manually.

Simplicity, Productivity, Confidence:
Taking Complexity out of Drug Discovery

Do more in less time and less space: The Fluent™ Laboratory Automation Solutions presents a simple way to take complexity out of drug discovery.

High-definition liquid handling ensures precision and accuracy over a wide range of volumes, from sub-microliter to several milliliters. The patented Adaptive Signal Technology™ detects even small volumes of liquid with precision, allowing for the use of smaller reagent and sample volumes for significant cost savings. The patented Dynamic Deck™ uses a modular, multilevel design to offer exceptional deck capacity. All of the additional devices required for cell-based applications, such as incubators, microplate readers and washers, can be flexibly integrated into a single, fully automated platform.

Liquid handling and labware logistics have never been easier, thanks to the instrument's three, task-specific arms, which operate simultaneously to ensure timely completion of assays, minimizing the time cells spend outside of the incubator. Perfect coordination of the robotic arms is achieved by the platform's Path Finder™ move optimization technology, which continuously adapts to the changing topography of the workdeck, avoiding the need for laborious programming of individual arm movements, helping to accelerate both set-up and routine system use.

The platform's intuitive FluentControl™ software and built-in touchscreen interface simplify day-to-day activities by guiding scientists through routine set-up and operation of the system for consistent, reproducible operation.

Fluent was developed around the application-specific needs of laboratories. The first solution launched on the market meets the need for automation in the strongly growing cell biology market. It takes the complexity out of cell biology research, simplifies day-to-day tasks and increases both throughput and reliability, and improves the quality of test results. Fluent was launched together with specific application notes that were developed in collaboration with partners to generate real scientific data and provide a proof of concept for a selection of commonly used cell-based assays.

Tecan started marketing its second application-specific Fluent solution at the beginning of 2015, which is designed to simplify the automated management of samples for drug discovery (compound management).

ORTHO VISION™ ANALYZER

Responsive Automation:
Taking Transfusion Medicine Testing to the Next Level

To err is human. This is why Ortho-Clinical Diagnostics has formed a partnership with Tecan to develop the ORTHO VISION™ Analyzer, a system with the power to transform transfusion medicine and greatly improve the safety of blood transfusions by reducing the lab's reliance on manual methods.

Transfusion medicine has evolved to enhance safety and establish critical efficiencies, although today's automation solutions lack the ability to anticipate and respond to individual user needs and ever-changing conditions within the laboratory. The ORTHO VISION™ Analyzer's unique pairing of secure monitoring technologies and dynamic workflow management is a significant advance that offers labs the ability to address unpredictable demands when needed and have confidence in the results. Designed with secure monitoring technologies for responsive safety checks and balances, the ORTHO VISION™ Analyzer gives transfusion medicine professionals the ability to track every critical automated step in the immunohematology testing process.

The ORTHO VISION™ Analyzer verifies and documents diagnostic checks throughout the sampling process; while e-Connectivity provides 24/7 remote data tracking that monitors and ensures instrument performance while maximizing uptime. Laboratory personnel can also log on anytime, anywhere to collaborate on interpreting results in real time for an extra level of confidence.

In addition to multiple safety advancements, the ORTHO VISION™ Analyzer also delivers dynamic workflow management, providing the adaptability to respond to unpredictable lab demand. Now lab personnel will be able to focus on prioritizing tests as they are requested, including STAT requests, making informed decisions and re-establishing a natural flow in the lab, all while automating more tests than ever before.

Not yet available for commercial sale in all regions, including the USA.

Immunoassays:
Excellent Specificity and High Sensitivity Are Key

Before a disease can be cured, it has to be properly identified. For several decades, immunoassays have played a vital role in hospitals and research laboratories to improve the health of human beings.

Over the years, immunoassays have provided valuable information in diagnostics and thereby have shortened hospital stays and decreased the severity of diseases. But medicine is not the only field where they have proved to be valuable. Various industries rely on immunoassays as well when they need to detect and monitor contamination in food and water. But how exactly does this work?

Immunoassays rely on biochemistry to identify the presence or concentration of an analyte. In human medicine, this analyte could be an antibody that a person's immune system has produced in response to an infection. Should antibodies bind to the analyte, the sample is "positive".

Responsive Automation

1. Innovative monitoring technologies and control mechanisms

2. Reacting to ever-changing conditions and unpredictable requirements in the lab.

Depending on what is being tested, the samples used can come from various sources. The wide range includes serum, plasma, whole blood, urine, saliva or swabs of mucous membranes. As a non-invasive, painless and convenient way of obtaining samples, saliva diagnostics have gained increased importance in this regard.

Common forms of immunoassay are enzyme, radio, and luminescence immunoassays. Typical markers for the quality of immunoassays are specificity, sensitivity, reproducibility and ease of use. It is of great importance to achieve an optimal balance between specificity and sensitivity for a high diagnostic value. In order to maintain the high diagnostic value of quality immunoassays, the potential for errors during the testing process must also be kept at a minimum. As manual testing is susceptible to mistakes made by individual human beings andis moreover very time consuming, automation has become increasingly important.

On its evolution towards being a solution business, Tecan, the automation expert, has acquired the immunoassay specialist IBL International. IBL's large portfolio of several hundred immunoassays includes endocrinology, neonatal screening, saliva diagnostics, autoimmunity, various infectious diseases, tumor markers and tests related to neuroscience, such as testing for the levels of amyloid-ß to aid early diagnosis of Alzheimer's. Together, IBL International and Tecan will offer fully automated systems adapted for immunoassays in specialty diagnostics.

Teach-free Software

The relevance of the performance ability of fully automated solutions leaves little to debate, but this means little for a laboratory if there was no self-explanatory, application-centric user guidance. The Fluent™ Laboratory Automation Solutions comes with software that features a straight-forward design in order to make setup, management and operation of the instrument as intuitive as possible. The software guides users step by step through every task, making even the most sophisticated assays easy to run. All settings can be made using a touchscreen.

Depending on the distribution of responsibilities the software enables personalization. Thus, users only see processes that are relevant to their respective tasks. This reduces handling errors tremendously.

Automation Boosts Productivity

Accelerating innovation and engineering confidence in research is Tecan's driving force. Scientists at the research institute IME ScreeningPort – part of the Fraunhofer Institute for Molecular Biology and Applied Ecology – already benefit from Tecan's newest automation solution.

IME ScreeningPort was among the first to install the new Fluent Laboratory Automation Solution for cell-based assays in March 2014. Dr. Philip Gribbon, Assistant Department Head of IME ScreenPort, has been very pleased with the instrument's performance so far: "The Fluent workstation's fully-integrated design is ideal for our needs, allowing us to incorporate many of the auxiliary devices needed to perform our assays into a single, compact workstation. Our platform has a Tecan Infinite® M1000 PRO multimode reader and HydroSpeed™ plate washer – both of which are extremely good instruments – as well as an incubator and a carousel to store labware and assay plates. This gives us the capacity and flexibility to quickly switch between, for example, a kinetic assay that only takes a few hours and a cell-based assay with long incubation times that can take several days, helping to ensure that project deadlines are met and the instrument is being used efficiently."

Dear Shareholders

Rolf A. Classon
Chairman of the Board

Dr. David Martyr
Chief Executive Officer

In 2014, Tecan Group made significant progress in major development programs. Specific product development highlights were the introductions of Fluent, the next generation of liquid handling platforms in our Life Sciences Business, and of the ORTHO VISION™ Analyzer by Ortho-Clinical Diagnostics in our Partnering Business, key parts of a wave of new exciting platforms and products now reaching the market. Also, with the acquisition of IBL International, we successfully completed our first M&A transaction in recent years.

Regarding sales development, despite a strong start to the year by our Life Sciences Business, we had a difficult first half-year in our Partnering Business. However, we saw a solid recovery in our Partnering Business during the second half. Overall, order entry was strong throughout the year and our order backlog at year-end increased to the highest level in at least the last five years. We are also pleased that we achieved our profitability targets for the year.

Financial results full-year and second half of 2014

In the second half of 2014, order entry increased by 12.2% in local currencies and in Swiss francs. Excluding the acquisition of IBL International, orders in the second half grew by 7.5% in local currencies and Swiss francs. For the full year, order entry increased by 9.5% in local currencies to CHF 417.4 million (2013: CHF 386.1 million), corresponding to a growth of 8.1%. On an organic basis, order entry increased by 7.1% in local currencies and by 5.7% in Swiss francs.

Sales in the second half rose by 10.3% in local currencies and by 10.2% in Swiss francs, corresponding to an organic sales growth of 5.8% in local currencies and 5.7% in Swiss francs. Sales in financial year 2014 reached CHF 399.5 million (2013: CHF 388.3 million) and were therefore 4.2% above the prior-year level in local currency terms and 2.9% in Swiss francs. Excluding IBL International, consolidated in the financial statements of the Tecan Group since August 1, 2014, sales increased by 1.8% in local currencies and 0.5% in Swiss francs.

Excluding acquisition-related effects, the operating profit margin improved by 50 basis points to 14.6% of sales (2013: 14.1%) in line with original guidance. Assuming exchange rates in line with 2013, this corresponds to an EBIT margin of 14.8% of sales. This development was helped by lower net research and development expenses mainly due to the increased capitalization of costs as projects neared market launch. Including acquisition-related costs, operating profit before interest and taxes (EBIT) increased by 4.4% to CHF 57.2 million (2013: CHF 54.8 million), corresponding to an EBIT margin of 14.3% of sales. The EBITDA margin (earnings before interest, taxes, depreciation, and amortization as a percentage of sales) increased to 16.9% (2013: 16.8%).

Net profit reported for the year 2014 reached CHF 40.2 million (2013: CHF 45.7 million). The decline is the result of a lower financial result attributable to currency hedging measures as the US dollar significantly appreciated towards year end. The net profit margin was 10.1% of sales (2013: 11.8%). Earnings per share are CHF 3.63 (2013: CHF 4.16).

Cash flow from operating activities further improved to CHF 48.2 million (2013: CHF 27.9 million), as the prefinancing of an OEM development project is coming to an end and a first reimbursement of development costs was received from the partner.

Details on the course of business of the Life Sciences Business and Partnering Business segments can be found in the relevant sections on pages 22 and 30. Details regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 74.

Acquisition of IBL International to offer integrated solutions for specialty diagnostics

On July 30, 2014, we announced the acquisition of IBL International as an important strategic step to support Tecan's evolution into a solutions business with a higher share of recurring revenues. IBL International is a leading Company in the field of microtiter plate based immunoassays with one of the widest ranges of tests for specialty diagnostics to be used in research and clinical laboratories. The integration of IBL International is progressing well and sales for the five months consolidation period exceeded initial expectations.

Strong balance sheet – dividend unchanged

Tecan's equity ratio reached 65.4% as of December 31, 2014 (December 31, 2013: 72.0%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) amounted to CHF 122.7 million (December 31, 2013: CHF 143.4 million). This figure includes the acquisition of IBL International with a purchase consideration of EUR 29.0 million (CHF 35.2 million), of which the net payable was fully paid in cash. The Company's share capital stood at CHF 1,144,458 at the reporting date (December 31, 2014), 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 16, 2015.

Priorities

Tecan has a clear strategy to ensure the long-term success of the Company. This strategy was further developed and refined in the year under review. For details, please refer to pages 4-5 of this report. The deployment of Tecan's strategy is supported through the deployment of priorities Company-wide.

Success in implementing priorities for 2014
For 2014 we defined five top level Company-wide priorities:

The first of our priorities was to focus on the two strategically important partnering development programs Dako Omnis and ORTHO VISION™ Analyzer. We gave our partners our full support to achieve their launches in various regions and through the associated increase in serial production. Considerably higher volumes were achieved in serial production of Dako Omnis compared to 2013, while the development of the ORTHO VISION™ Analyzer was successfully concluded. In Europe, Japan and Australia, the launch by Ortho-Clinical Diagnostics took place in the fourth quarter of 2014 and serial production started to ramp up.

A further priority for us was the key Chinese market. Despite the challenging environment, combined sales in China in the two business segments rose to nearly CHF 30 million, having amounted to over CHF 25 million in 2013. In addition, we expanded the market organization as well as the structures and possibilities for direct contact with customers. While at the start of 2012, the Company employed less than 30 people in China, this figure had risen to over 70 by the end of 2014. In addition to our main offices in Shanghai and Beijing, a small office in Guangzhou has been added in 2014.

In the Life Sciences Business, we set ourselves the goal to focus on growth in Europe and North America, through strengthening of the organization and through the introduction of new products. Overall, we achieved a significant improvement in performance in the Life Sciences Business compared with 2013 (see also the segment report on page 22). We also were successful in launching several new products, including the first Fluent™ variant. The launch of the Fluent product family marks the latest addition to our extensive portfolio of liquid handling solutions for laboratory automation.

At the beginning of 2014, we launched a multi-year project to reduce manufacturing costs, which focused in particular on the cost of materials. We have achieved initial savings during 2014 and believe that significant potential remains for 2015 and beyond. Staffing of this activity has also been supplemented through the engagement of an external specialist supply chain consultancy.

Our fifth priority was linked to our strategy, which aims to evolve 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. Through the acquisition of IBL International in the summer of 2014, we were able to conclude an important first step in the direction to add reagents and diagnostic kits to our product portfolio.

Priorities for 2015
We have again defined five business-wide priorities for 2015, some of which involve continuing previous priorities and activities.

Our first priority is the Life Sciences Business. Tecan is at the start of a new product cycle for two main platforms: the Fluent family in liquid handling and the brand new Spark detection product launched in February 2015. Alongside these two platforms, we are also focusing on the promotion of application solution-based workstations on the popular Freedom EVO liquid handling platform. These include, for example, sample preparation for gene sequencing (next-generation sequencing) and mass spectrometry. In China we plan to further expand our sales and service team, and through the continued integration of IBL International we will focus on offering complete automated solutions for specialty diagnostics.

In the Partnering Business, one of our main tasks in 2015 is to further increase serial production of Dako Omnis and ORTHO VISION™. We are expecting significant growth for both products and want to provide optimum support to our partners Dako and Ortho-Clinical Diagnostics. The product line for Ortho-Clinical Diagnostics is also planned to be expanded through the introduction of the ORTHO VISION™ Max, an instrument variant with a higher sample throughput.

The comprehensive project to reduce material costs and optimize manufacturing will also keep us busy in 2015. The measures initiated in the year under review, which concern material costs in particular, will be continued in order to exploit the identified cost reduction potential. This is especially the case for the benchmarking process and the resulting price negotiations.

This priority is also closely linked to our desire to further increase efficiency in product development. In the Life Sciences Business, we are planning to successfully conclude the development of further variants of the Fluent and Spark platforms during the current year. The Partnering Business also has important development projects that are close to completion.

In Corporate Development, in 2015, we will again examine possible acquisitions and collaborations and undertake market analysis. We have a well-stocked list of attractive takeover targets, which we are examining and with whom we maintain good contacts. We continue to have a strong interest in acquiring companies with specific reagents and consumables, so that we can also offer performance-optimized and potentially closed systems. Instruments to broaden our range, including into adjacent market segments, are also of great interest to us.

Outlook 2015

Total Group sales are forecast to increase with a double-digit rate in local currencies. This strong growth will be driven by a continued ramp up of major Partnering Business platforms and further supported by the introductions of additional versions of the Fluent platform, the first launch of the Spark™ multimode reader platform and a full-year contribution of IBL International.

The EBITDA margin is expected to expand by more than 100 basis points, with the EBIT margin to also further increase. Before effects related to the acquisition of IBL International, this corresponds to an EBIT margin above 15%.

These expectations regarding profitability are based on an average exchange rate forecast for full-year 2015 of one euro equaling CHF 1.05 and one US dollar equaling CHF 0.92 and exclude further acquisitions.

Our gratitude

In 2014, we achieved important successes in implementing our strategic priorities, we launched first models of major product platforms and made an important acquisition. The Board of Directors and Management Board would like to thank all employees for their commitment and dedication. We are, of course, also grateful to our new colleagues at IBL International, whom we welcome wholeheartedly to our ranks. We also thank our customers for their loyalty, and our shareholders and business partners for their trust and continued support.

Männedorf, March 12, 2015

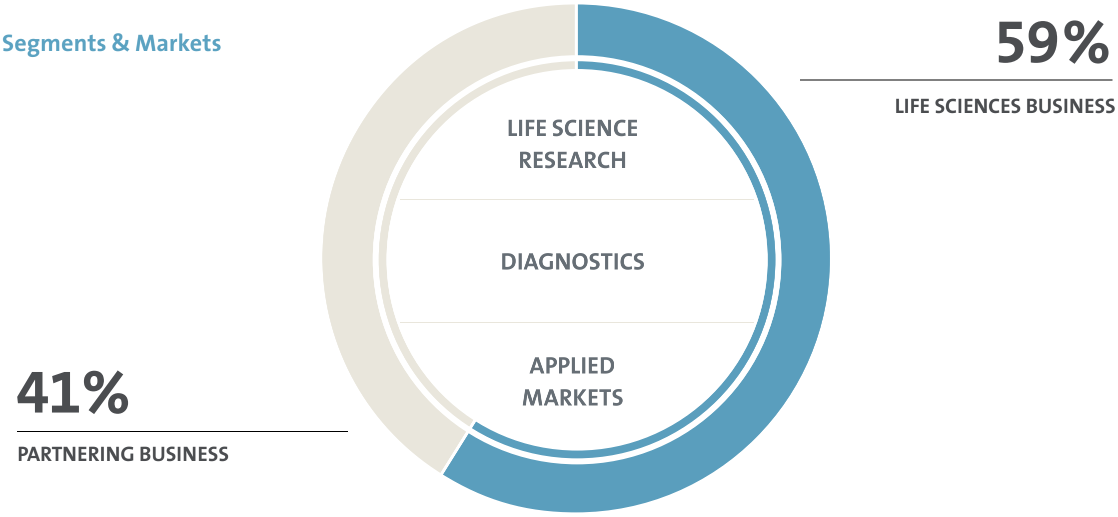
Rolf A. Classon
Chairman of the Board

Dr. David Martyr
Chief Executive Officer

Markets and Market Position

Tecan is the market leader in laboratory automation. The Company provides the life science research and the diagnostics industry with laboratory instruments and comprehensive automation solutions. Tecan also offers solutions for various 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.

Business Segments & Markets



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. In the summer of 2014, Tecan acquired IBL International, a leading supplier of microtiter plate-based immunoassays. IBL International has one of the widest ranges of specialty diagnostic tests for use in research and routine diagnostics.

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. Tecan serves the life science research sector and the various applied markets largely under its own brand using its internal 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 embody far-reaching social and technological changes. The markets in which Tecan is active are positively influenced by a number of megatrends. Tecan has focused its corporate strategy accordingly and will thus be in a position to 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 being increasingly used 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.

Market trends and structure

Tecan's two main markets are diagnostics and life science research.

The volume of the diagnostics market exceeds USD 40 billion and is growing at an annual rate of 3% to 5%. Diagnostics companies obtain the majority of their sales, around 80%, from reagent sales, while instruments generate around 20% of sales. In the instruments market segment, Tecan primarily supplies diagnostics companies with automation solutions via its Partnering Business segment. Then the customers market them with their own reagents and as a total solution to institutions such as hospitals, large diagnostic laboratories and blood banks. In its Life Sciences Business segment, Tecan distributes open automation platforms, which are used, for example, by clinical laboratories for ELISA-based protocols to investigate infectious diseases in blood samples. These laboratories are able to obtain the reagents from a variety of suppliers. Tecan was not traditionally involved in the reagent segment of the diagnostics market and made the first step in this direction with the acquisition of IBL International in the summer of 2014.

The life science research market is comparable to the diagnostics market in size and average annual growth rate. However, there is a difference in its market structure; some two-thirds of sales come from instruments and only a third from reagents. Laboratory automation, a field in which Tecan is active, forms part of the instruments market segment and has a market volume of over USD 2 billion.

Brand management

Tecan is a leading brand in laboratory automation. It stands for quality, innovation and reliability. These are decisive success factors for building up and strengthening a brand in this sector on a sustainable basis. 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. IBL International, acquired in the summer of 2014, is currently being continued as part of the Tecan Group under its own brand, with the addition of the statement "a Tecan Group Company". Key to the success of the brand are employees who actively embody the values of the Tecan brand.

To strengthen its brand identity, Tecan introduced a uniform image for the various product platforms in 2014. The Fluent liquid-handling platform introduced in 2014 and the Spark detection platform introduced at the start of 2015 are linked by the graphic element of a characteristic gray curve. Individual modules also carry the new industrial design and are therefore easily identifiable as Tecan products. In addition, the individual product names are also underlined by a red arc under the text. The branding of the established Freedom EVO platform was also harmonized with the new product design, which emphasizes the continued importance of this very popular platform.

Preparations for an extensive branding project were undertaken in the year under review, and the project itself was launched at the start of 2015. The Tecan brand will be extensively examined and evaluated as part of the project. If necessary, Tecan will review and amend its brand management strategy, taking into account the respective positioning of both business segments and the acquisition of IBL International in the year under review and further possible acquisitions in the coming years.

Corporate level

Product level (examples)

LIQUID HANDLING PLATFORMS

- Fluent™
- Freedom EVO®100
- Freedom EVO®150
- Freedom EVO®200
- Freedom EVOlyzer®

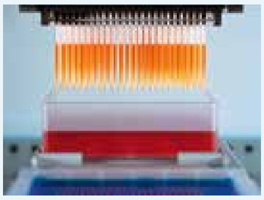
DETECTION INSTRUMENTS

- Spark™ 10M
- Infinite®M1000
- Infinite®200PRO
- Infinite®F50/Robotic
- Sunrise™

COMPONENTS

- Cavro®Centris Pump
- Cavro®XCalibur Pump
- Cavro®XE 1000 Pump
- Cavro®Omni Robot

CONSUMABLES



- MCA™ 96 disposable tips
- AC Extraction Plate™
- QC Kit
- Amyloid-beta (1-40) CSF ELISA

Technology level (examples)

- MultiChannel Arm™ 384
- Adaptive Signal Technology™
- Dynamic Deck™

- Fusion Optics
- Quad4 Monochromators™
- Te-Shake™

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 as part of a comprehensive analysis. 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.

Tecan undertakes a variety of brand management activities involving 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, Tecan organizes specialist symposia, supports various science prizes as a sponsor and presents the Tecan Award, a prize that is given to innovative customers.

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 9.9% 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. Once again, numerous new patents were granted in the year under review.

Patents strengthen Tecan's competitive position in a variety of products and applications. Numerous patents were also registered for the newly developed platforms in both product lines, the Fluent liquid handling platform and the Spark reader platform, some of which have already been granted. These patent registrations relate to a variety of basic inventions in the fields of both hardware and software that were made during the development of the platforms.

For example, the Fluent liquid handling platform's patented Dynamic Deck™ has a modular structure over several levels and offers an extremely high processing capacity. This can be achieved because the platform's work surface can be assembled from modular table-top elements, rather than a fixed surface. This enables the rapid, problem-free exchange of the individual elements to adapt the work process to specific applications for short periods. All of the additional devices required for work processes, e.g. cell-based applications, such as incubators, microplate readers and washers, can be flexibly integrated into a single, fully automated platform. If required, additional working levels can be added above or below the main working level and equipped with additional table-top elements.

During the development of Fluent, important inventions were also made in other areas and registered as patents. These made it possible to further increase the security, reliability and reproducibility of data offered by Fluent. The patented Adaptive Signal Technology™ precisely detects even small volumes enabling accurate monitoring of liquid, allowing for the use of smaller reagent and sample volumes for significant cost savings.

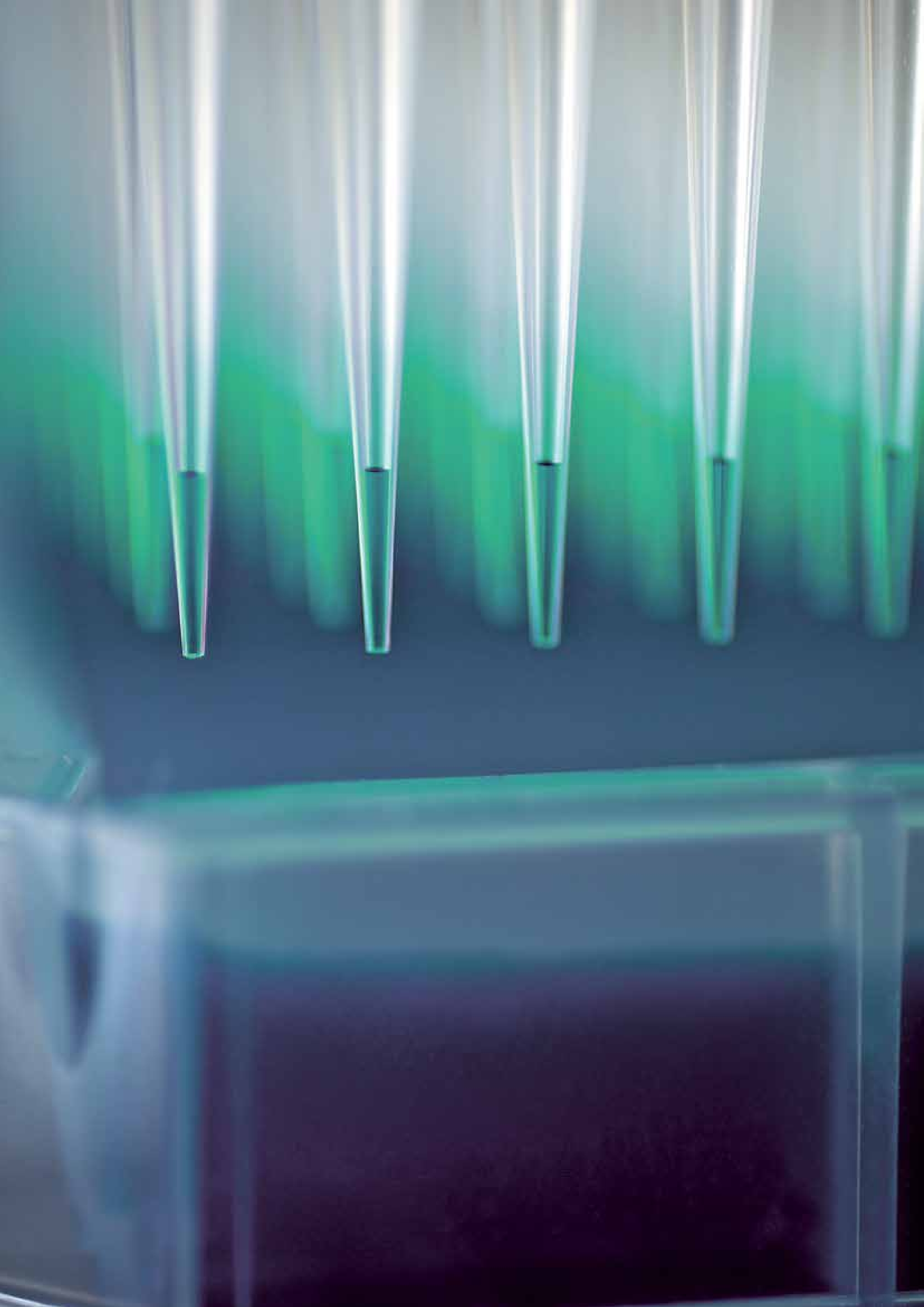
An overview of the various patents has been published on the Company's website. The overall strategy to protect intellectual property includes patents, trademark registrations of the names of product platforms, registering designs to protect Tecan products from copycat products and protecting individual graphic software elements by means of design rights and trademark rights.

Core competences

Tecan's success is based on core competences that the Company has systematically acquired and expanded over the years. Tecan's core competence is the automation of complex processes in life-science research laboratories and in the strictly regulated diagnostics market. This overall competence is made possible by core competences in individual aspects of an application's typical processes. In robotics, Tecan is the market leader in the automation of very diverse 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 enormous application know-how of Tecan' specialists, even in strictly regulated areas such as clinical diagnostics.

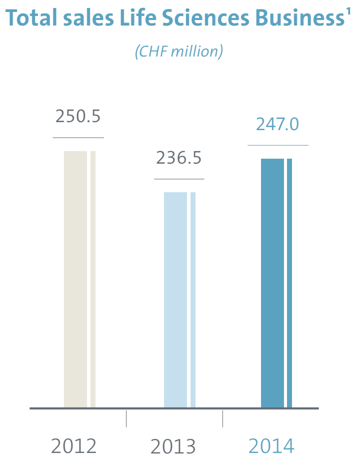
Tecan has particular expertise in liquid handling and detection. Liquid handling involves the high-precision handling of fluids, even in the smallest quantities. This process includes the aspiration and dispensing of liquids with differing physical and chemical properties, such as reagents and blood (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.

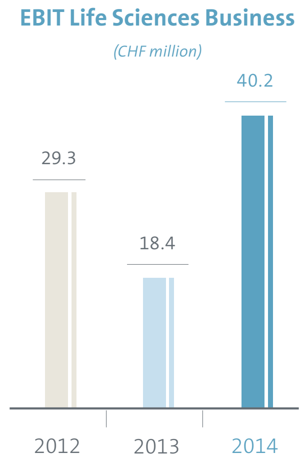
In the area of detection, Tecan specializes in analytical devices that use a variety of optical methods to detect reactions in a test procedure, such as the binding of an antibody to a target molecule. This may be done using fluorescence, luminescence or absorption techniques, for example. Tecan also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

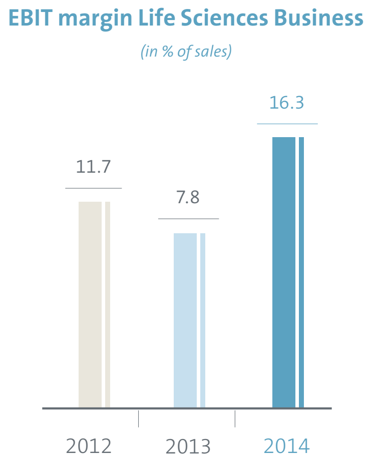


Life Sciences Business

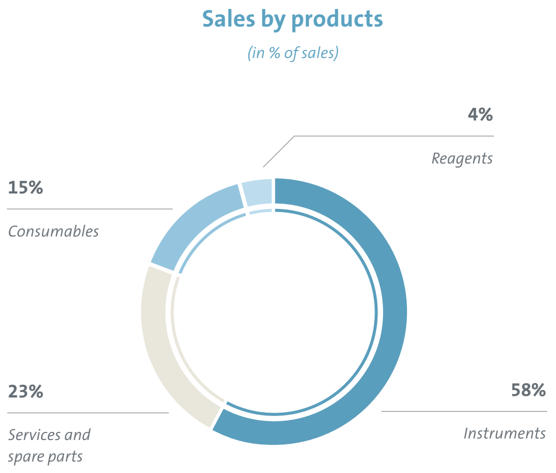
(end-customer business)

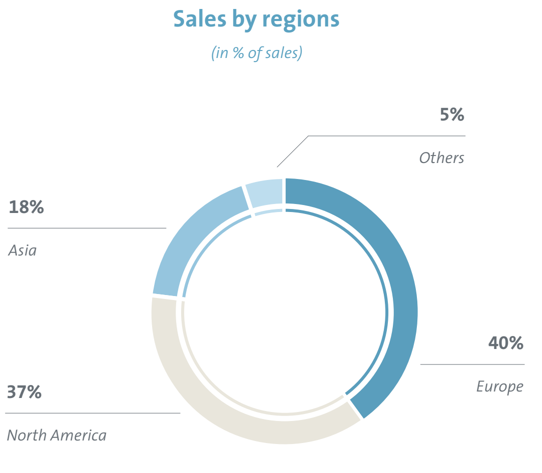






[1] Sales to third parties + intersegment sales





Performance

In the second half of the year, sales in the Life Sciences Business increased by 7.7% in local currencies and were 7.3% above the prior-year period in Swiss francs. Excluding IBL International, since August 1, 2014 part of the Life Sciences Business, sales in the second half grew by 0.4% in local currencies and by 0.2% in Swiss francs, however order entry for the full-year in the Life Sciences Business exceeded sales considerably, resulting in a significant increase in order backlog. Sales for the full year totaled CHF 236.3 million, representing an increase of 7.5% in local currencies and 5.6% in Swiss francs over the prior-year period (2013: CHF 223.7 million). On an organic basis, sales increased by 3.3% in local currencies and by 1.5% in Swiss francs.

Contributing to this growth were increased sales of liquid handling platforms in the established North American and European markets and more revenues from services and consumables. However, the business environment in China was challenging in 2014.

Operating profit in the segment increased markedly to CHF 40.2 million in the year under review (2013: CHF 18.4 million). The increase is primarily the result of the higher sales volumes and lower research and development expenses. The operating profit margin grew to 16.3% of sales (2013: 7.8%).

Tecan is the market leader and a pioneer 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 35 years. In 2014, the Life Sciences Business segment represented 59% of total sales of the Tecan Group.

Highlights of 2014

- Launch of the Fluent™ Laboratory Automation Solutions product family as the latest addition to the Company's extensive portfolio for liquid handling solutions
- Acquisition of IBL International, a leading supplier of specialty diagnostics

Organization

In the Life Sciences Business segment, 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, while service engineers as well as helpdesk and expert-line specialists work to ensure a high degree of customer loyalty and satisfaction.

Most of these customers work in the field of life science research and applied markets. Around one-third of sales in this segment are generated from customers in the diagnostics market. Customers in the fields of research and diagnostics place various requirements on products and the sales process. The diagnostics market is strictly regulated by national supervisory authorities and each automation solution is used only within a clearly defined area of application. Product features such as instrument reliability, quality and reproducibility of test results as well as user-friendliness are extremely important. And in the area of research, highly innovative, flexible and user-friendly automation solutions continue to play a key role. Greater focus was given to the various needs and requirements of both customer groups in 2014. Tecan's central management organization and local sales organization, with two separate organization units, is geared specifically toward both groups.

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 from the wide-ranging portfolio of available modules and devices to provide a high degree of flexibility and easy adaptability for a diverse range of applications. Highly complex customized offerings are also provided to a smaller group of customers. Tecan also provides a wide range of bioanalytical instruments such as microplate readers and washers which allow reactions to be monitored or specific analytes to be measured and are used as independent devices or integrated within the liquid handling platforms to ensure a complete customer solution. Tecan also works with numerous partner companies to integrate their test procedures or devices to provide comprehensive workflow solutions. Such workflow solutions include instruments, software packages and special application know-how as well as consulting, service and consumables. Tecan 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.

In the year under review, Tecan acquired IBL International, a leading supplier of specialty immunoassays, thereby supporting Tecan's evolution into a solutions business.

Launch of new products

The introduction of two main platforms marks the beginning of a new product cycle, in both liquid handling and detection. The Company has expanded and further developed its existing ranges, and launched new consumables. Tecan is shortening the intervals between new launches.

Fluent™: Simplicity – Productivity – Confidence
In June 2014, after years of development, Tecan launched the Fluent™ Laboratory Automation Solutions product family as the latest addition to the Company's extensive portfolio of liquid handling solutions for laboratory automation. Fluent is a unique automation concept that provides high precision, superior throughput and extended walkaway time. Employees in the laboratory can get more done, with confidence in the results. Completely new from the ground up, it is available in three sizes to suit the throughput requirements of almost any laboratory. The launch of the first wave of products underpins Tecan's leading brand in laboratory automation that stands for quality, reliability and innovation.

Additional information about Fluent and the application areas can be found on pages 4 to 9 of this report.

Products with a high level of user-friendliness and application focus
Modern laboratory automation increases sample throughput in a laboratory, minimizes human error, enhances precision, delivers reproducible test results, documents these results and thus improves productivity as a whole in the laboratory. Solutions that are available today are technically able to automate most highly complex processes; however, they are often complicated to use, meaning usage is limited to a small expert group within the laboratory. 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 is renowned for its user-friendly solutions and has increased its focus on this area.

User-friendliness has been improved by liquid handling solutions that are tailored to a special variety of applications thanks to both their instrument configuration and user software. For example, the Freedom EVO® NGS platform, which fully automates sample preparation for next generation sequencing (NGS), was launched in the year under review. Next generation sequencing is the most rapidly growing application in the area

FLUENT™
LABORATORY AUTOMATION SOLUTIONS

NUCLEIC ACID PURIFICATION WIZARD

of genomics, i.e. research into genetic material. The new workstation automates the key steps of sample preparation and is also user-friendly, even for inexperienced users. The Freedom EVO® NGS platform simplifies and speeds up time-consuming and laborious work steps. Tecan has already developed application protocols for standard reagents and technologies from various manufacturers in the field of sequencing. This enables laboratory users to start their research activities immediately, without having to develop these protocols themselves.

Additional examples of liquid handling solutions that are tailored to a special variety of applications:

- The Freedom EVO® ppSPE MS workstation can reduce the time needed for sample preparation for mass spectrometry by over 50% and can be operated by users who don't have experience with automation. Each sample can be tracked throughout the entire process.
- The Freedom EVO® Nucleic Acid Purification workstation can be used for a range of applications in the field of genomics. The application can be started and operated intuitively via a touch-sensitive screen using the software interface TouchTools™, which reduces training time and therefore laboratory costs, and helps to prevent errors.

Spark™ ignites productivity in the lab

At the beginning of 2015, Spark™ marked the introduction of a new generation of the reader platform to the portfolio of detection instruments. The Spark™ 10M multimode microplate reader is designed to offer greater flexibility and increased productivity for cell biology and genomics customers. The all-new platform delivers a combination of exceptional capabilities and ease-of-use to simplify routine laboratory tasks. At the heart of the Spark 10M is a unique optics module that ensures that laboratories no longer have to make a trade-off between flexibility and sensitivity. Integrated capabilities for cell counting and incubation simplify cell biology protocols, while ultra-fast scanning – in under five seconds – allows for rapid application analysis in the field of genomics.

SPARK™ 10M

Evolution into a solutions business

As part of its refined strategy, Tecan aims to increasingly offer complete solutions in speciality diagnostics in its Life Sciences Business, including the relevant reagents for the application. This range of solutions should open up new markets for Tecan, without competing with the typical customers in Tecan's Partnering Business. Tecan made the first step in this direction with the acquisition of IBL International in the summer of 2014.

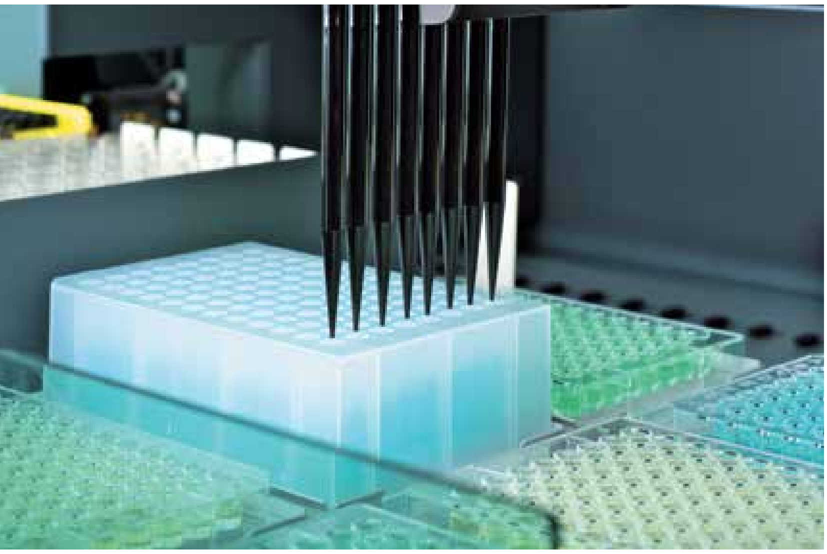
Immunodiagnostic experts and automation specialists – a perfect combination

The acquisition of IBL International is an important strategic step to support Tecan's evolution into a solutions business with a higher share of recurring revenues. IBL International is a leading Company in the field of microtiter plate-based immunoassays, with one of the widest ranges of tests for specialty diagnostics to be used in research and clinical laboratories. Tecan has a long tradition serving the clinical market with instruments optimized for immunoassay processing. Microtiter plate-based immunoassays are a growing market with a large and increasing number of tests for medical specialities, a market segment generally outside the scope of large in-vitro diagnostics companies and therefore outside the focus of Tecan's typical Partnering Business customers.

Established over 30 years ago, IBL International employs staff of over 80 and has its main operations in Hamburg, Germany. The Company develops, manufactures and offers a comprehensive portfolio of immunoassays. The portfolio comprises enzyme, radio and luminescence immunoassays for research and clinical laboratories, including a large selection of specialty assays for endocrinology (hormone measurement), neurodegeneration (e.g. Alzheimer's disease), neonatal screening and assessing steroid hormones in saliva.

Although the number of different specialized tests is large and growing, only a smaller number of each single test is processed by laboratories per day (high mix/low volume). New tests for such medical specialities are usually developed using proven immunodiagnostic technologies and first introduced in a microtiter plate format. In this growing segment, there is an increasing need for an integrated instrument and reagent offering. End-users would greatly benefit from less complex, user-friendly automation with lower throughput and which is pre-configured with reagents.

Automated microtiter plate processing of immunoassays is a traditional stronghold of Tecan in the in-vitro diagnostics market. Together with IBL International, Tecan can leverage its automation expertise and leading position within the immunoassay market for open instrumentation platforms and combine dedicated instruments with one of the widest ranges of immunoassays for specialty diagnostics.



Other growth drivers

In addition to launching new, innovative products and expanding its existing business through acquisitions, Tecan's Life Sciences Business has other growth drivers.

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, average sales have grown markedly. 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 (class 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 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 heavily 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.

REAGENT KIT

Expansion of recurring sales

Tecan generated 23% of sales in this segment from services and 14% from plastic consumables in the year under review. The acquisition of IBL International enabled Tecan to generate 4% of sales in this segment from reagents for the first time. The share of all 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 2014, most recently a new version of 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 surface is needed to prepare the consumables.

Tecan is also increasingly launching consumables that contribute even greater value to the workflow solution. The first product of this kind, the AC Extraction Plate™, was used in various laboratories in the year under review. 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.

As shown by the example of IBL International, Tecan aims to increasingly offer reagents for specialty diagnostics, thereby adding a new source of recurring revenues.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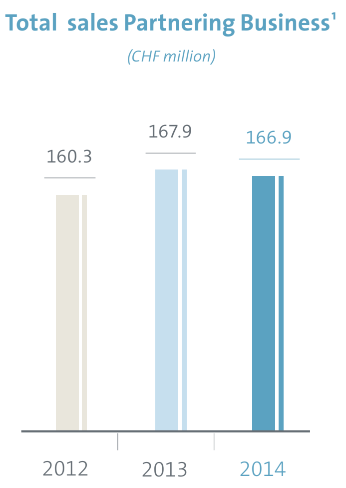
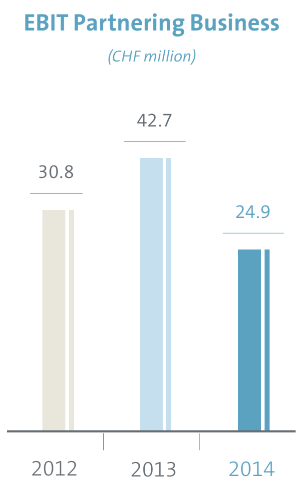
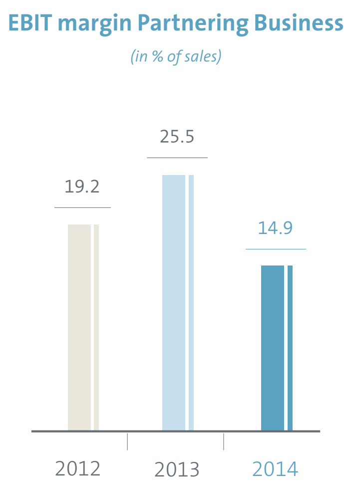
TECAN
程序成功运行完成

Partnering Business

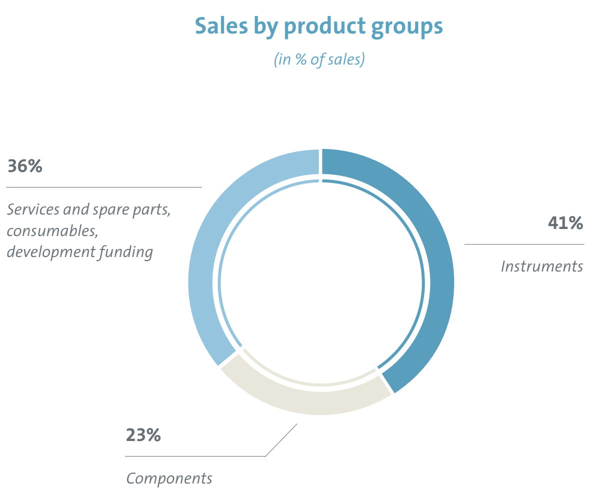
(OEM business)







[1] *Sales to third parties + intersegment sales*



Performance

After recording declining sales in the first half of the year, the Partnering Business recovered strongly in the second half, posting growth of 14.2% in local currencies and 14.7% in Swiss francs. The Partnering Business generated sales of CHF 163.2 million in financial year 2014 (2013: CHF 164.6 million), which corresponds to a slight decrease of 0.2% in local currencies and 0.8% in Swiss francs. Significant growth from newly launched instruments largely offset headwinds from lower order placement from one large customer account and reduced sales in the components business, which had recorded significant growth in the prior-year period. Order entry in the Partnering Business saw substantial growth in the second half enabling the strong H2 sales, but also resulting in a significant double-digit increase in order backlog at year end.

Operating profit in the Partnering Business reached CHF 24.9 million in 2014 (2013: CHF 42.7 million). The operating profit margin decreased from an extraordinary high level in the prior-year period to 14.9% of sales (2013: 25.5%). This reduction is mainly a reflection of lower profitability in the launch phase of new instruments and increased investments in Tecan's innovative eFluidics™ technology.

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 35 years ago; parts of the business within today's Group can even look back on 40 years of history. The share of this segment in the total sales of the Tecan Group was 41% in 2014.

Highlights of 2014

- Significant increase in serial production of Dako Omnis, a platform launched by partner Dako in 2013 for tissue-based cancer diagnostics.
- Completion of development and start of serial production and delivery of the ORTHO Vision™ Analyzer to partner Ortho-Clinical Diagnostics.

Organization

In the Partnering Business, corporate customers, who are mainly diagnostics companies, are managed centrally via Key Account Management. Employees in Europe, North America and Asia ensure local management of existing customers and support the acquisition of new customers. There are direct sales employees in individual national markets for the components business.

The sales organizations for components and complete instruments, which were previously managed separately, were brought together under a single management organization in the year under review, resulting in synergies between the two areas. In the components business, Tecan supports instrument makers with essential components where they want to develop an instrument themselves. By contrast, in the instruments business, Tecan takes over the development of the entire system, which it then manufactures under contract. By joining these two areas, Tecan can now address individual customer needs even better and offer ideal solutions for customers.

Product portfolio

In the Partnering Business, Tecan benefits from diagnostics and other life science companies outsourcing instrument development, either entirely or for specific parts, to specialists like itself. This enables these companies to focus on developing diagnostic or research-related tests. 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.

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.

Components

Tecan's Cavro® brand is the market leader in laboratory automation liquid handling 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. For example, Tecan supplies manufacturers in the fast-growing area of next generation sequencing with the Cavro® XMP 6000 Multi-Channel Pump for precision handling of fluids in different sequencers.

CAVRO® XMP 6000

Platform-based automation solutions

Rapid market launch 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 for OEM customers.

One example of this type of platform-based automation solution is one of the world's 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.

Dedicated automation 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 solutions as well as its expertise in system integration and regulatory and quality-related processes.

Dako Omnis, a new platform for automated advanced staining for tissue-based cancer diagnostics, is one example of a dedicated automation solution. The system automates both established processes in the diagnosis of abnormal cells: immunohistochemistry (IHC) and in-situ hybridization (ISH).

DAKO OMNIS

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 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 workflow solution. Only high-quality consumables can help ensure a high level of quality and reproducibility in tests. Thanks to the growing number of installed devices in recent years, this business posted high growth rates.

Launch of new products

Tecan has a broad base of OEM customers and is continuously increasing the number of supply agreements. The supply of new instruments generates additional sales stepwise, building on the established base. This enables Tecan to grow more rapidly than the market. In the coming years, Tecan expects a significant increase in sales of new diagnostics instruments in the Partnering Business.

Numerous customers are also developing instruments incorporating innovative Tecan components as elements. When serial production of these instruments begins, it will result in higher volumes of the components being required and therefore higher sales for Tecan.

Dako Omnis for Dako

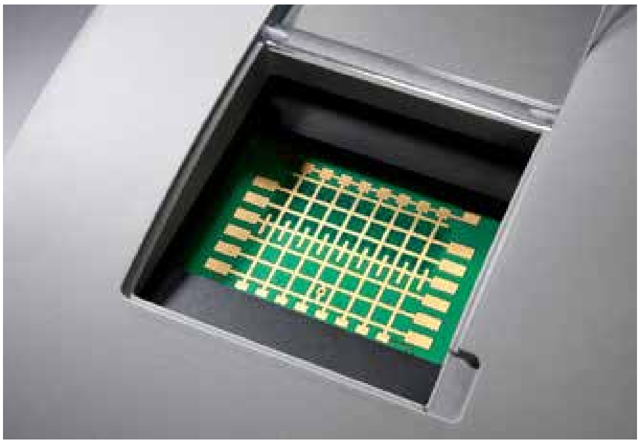
Dako Omnis is used in tissue-based cancer diagnostics. The platform was launched by partner Dako, an Agilent Technologies Company, in 2013. Dako Omnis offers full automation and fulfils the requirements of large diagnostic laboratories, hospitals and universities. It offers continuous loading with individual 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.

ORTHO VISION™ Analyzer for Ortho-Clinical Diagnostics

The ORTHO VISION™ Analyzer is a next-generation diagnostics instrument used for blood typing and to determine other important blood parameters. The device was developed by Tecan for Ortho-Clinical Diagnostics, the market leader in immunohematology, and was launched in several regional markets in the fourth quarter of 2014. The ORTHO VISION™ Analyzer heralds a new era in transfusion medicine, with Responsive Automation. Innovative monitoring technologies and control mechanisms give transfusion medicine professionals the ability to track every critical process step. The instrument can also be accessed, and data monitored and evaluated, remotely. In addition, laboratory personnel can react at any time to ever-changing conditions within the laboratory and unpredictable requirements. For example, particularly urgent cases can be rapidly processed by loading into the ORTHO VISION™ Analyzer on the fly, allowing for prioritization.

ORTHO VISION™ Max, a variant of the instrument with a higher sample throughput, is also being developed by Tecan.

ORTHO VISION™ ANALYZER



eFLUIDICS™ TECHNOLOGY DEMONSTRATOR

Other growth drivers

Tecan has set itself the aim in the Partnering Business of further expanding its leading market position and becoming the clear partner of choice for customers for instrument development in the in-vitro diagnostics business. Growth in this segment is driven by concluding new development and supply agreements, and by regional expansion.

Conclusion of new development and supply agreements
Tecan gained new customers for platform-based solutions in the recent past; these will contribute to sales growth in the years ahead. The Company has a pipeline that is well filled with potential new projects and is currently discussing a range of projects with potential partners.

Tecan 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 extremely compact instruments for a range of applications.

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

Expansion of partnership in China
As in the Life Sciences Business segment, significant market potential is also presenting itself to Tecan in the Partnering Business in China. The Partnering Business still only generates a modest share of sales in this country, although these have increased disproportionately in recent years. Local device manufacturers are increasingly integrating Tecan components in various areas of application to ensure the necessary instrument quality and reliability. The first of these instruments were granted marketing authorization in the year under review, and are now being manufactured in larger quantities. In addition, Chinese diagnostics companies are interested in the supply of complete instruments by Tecan. An initial development project of this type was pursued in the year under review, and Tecan supplied instruments to the partner for validation in the fourth quarter of 2014.

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 they are a basic mindset that shapes all corporate processes and unites economic, ecological and social aspects. Tecan's business principle is to treat partners – including employees, shareholders, customers, suppliers, government agencies and stakeholders – professionally, fairly and to high ethical standards.

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. Employees can access the most up-to-date version of these documents, which also convey 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 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 to avoid 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 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. Tecan's risk management system is regularly audited by a key insurer, who attests to the instrument's high standard, enabling a premium reduction. Two employees achieved risk management certification in the year under review. Tecan attaches great importance to this high level of qualification being present internally and to the Company not having to depend exclusively on external experts, as is often the case at other companies.

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. This 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 system is an integral part of the IT audit by the auditors. In this 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 Sys-

Ethical Values

All employees must successfully complete a training course on the Code of Conduct.

tem, 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. The Code 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. Although Tecan only generates a 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. 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 focused on a detailed screening of its distributors, establishing a separate process with a new TMS directive (Distributors and Intermediaries Anti Bribery Due Diligence) for this purpose. The screening was carried out with the assistance of an external specialist service provider who drew up a due diligence report. This process was supplemented by Internet research and a database analysis as to whether companies or individuals related to Tecan appeared in connection with corruption, bribery or other untolerated behavior. In particular, the TMS directive requires that all Tecan distribution partners and their owners, directors and employees refrain from bribing representatives of governments or state-owned or private enterprises or from taking bribes. It does not matter whether bribery is prohibited, tolerated or allowed in the countries in which business is being done. Bribes are prohibited irrespective of whether a bribe is connected to a specific act or omission or is granted or received with a general view to the future execution of duties. Bribes do not only involve cash payments but also mean for instance lavish gifts, hospitality and entertainment. Distributors and intermediaries need to ensure that their representatives and their sales force are trained and adhere to Tecan's standards on doing business. In individual cases, the screening has led to Tecan terminating relationships with intermediaries. The process is also 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 in 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. As part of a continual improvement process, gap analyses are performed and improvement measures implemented. In 2014, Tecan was subject to a number of sometimes very extensive audits by customers at its 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. One audit of a production site by an international authority also took place during the year under review and was successfully concluded. Customers in the Partnering Business were supported in authorization applications for new diagnostic instruments through the provision of key documentation. 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. 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 subcertificates. 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 subsidiaries. Tecan successfully passed these checks in 2014; various subsidiaries were recertified.

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 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 operate 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 no own incinerators are used in the production process. The production sites therefore do not emit gases or other environmental pollutants (scope 1 emissions). For this reason, emission values such as CO_2, methane and other greenhouse gases are not measured. Indirect emissions arise from energy purchased (scope 2 emissions). However, energy costs make up less than 1% of all operating costs. As Tecan has substantially improved transparency with regard to environmentally relevant indicators, the Company achieved first place as "Best Improver Switzerland" in the largest climate rankings worldwide, the Carbon Disclosure Project.

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 increased considerably since 2011 so that Tecan can cover increased demand. Employee numbers have also grown during this period. In addition, a large number of external specialists assisted Tecan employees in development projects, which resulted in an increase in total energy and water consumption in absolute terms in 2013. Tecan concluded various development projects and reduced the number of external staff further in the year under review. As a result, total energy consumption fell by 8.3% and paper consumption also declined significantly to 17.5% below the prior-year level.

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.

Environmentally responsible behavior

Tecan took first place as "Best Improver Switzerland" in the world's largest climate protection ranking.

Environmental performance

	Unit	2012	2013	2014
Net floor area	m^2	21,674	24,879.8	24,888.8
Energy consumption				
Total energy consumption	Gigajoules	18,208.1	21,492.2	19,705.6
Total fuel consumption	Gigajoules	0.0	0.0	0.0
Fuel consumption/m^2	Gigajoules/m^2	0.0	0.0	0.0
Total consumption of electricity	Gigajoules	10,025.4	11,709.5	12,084.2
Consumption of electricity/m^2	Gigajoules/m^2	0.5	0.5	0.5
Total cooling energy	Gigajoules	3,074.7	28,40.2	1,932.2
Cooling energy/m^2*	Gigajoules/m^2	0.1	0.1	0.2
Total heating energy	Gigajoules	51,08.0	6,942.5	5,689.1
Heating energy/m^2	Gigajoules/m^2	0.2	0.3	0.23
Total steam consumption	Gigajoules	0.0	0.0	0.0
Steam consumption /m^2	Gigajoules/m^2	0.0	0.0	0.0
Energy intensity (total energy/turnover)	Gigajoules/CHF million	46.6	55.3	49.3
Water consumption				
Total water consumption	m^3	5,459.5	8,212.7	8,207.5
Water consumption per head	m^3/head	7.4	11.0	9.8
Paper consumption				
Total paper consumption	kg	17,632.7	22,887.2	18,877.3
Paper consumption per head	kg/head	23.9	30.8	22.6
Percentage of recycled paper	Percentage	77.0	81.0	68.3
Waste consumption				
Total waste	Ton	111.6	106.6	96.3
Normal waste	Ton	34.7	34.5	36.0
Recyclable waste	Ton	72.8	63.7	58.5
Hazardous waste	Ton	4.0	8.4	1.8

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

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. The Company was able to significantly reduce per head water consumption in the year under review. The total amount of waste produced fell by 9.7% in comparison with the previous year, with recyclable waste accounting for the majority of that amount. Only a small portion of it was hazardous waste, which includes materials, solvents and chemicals contaminated through the automation of biological processes, for example. In 2013, the amount of waste classified as hazardous waste produced at the Männedorf location increased markedly. Tecan conducted an analysis of the precise composition of the hazardous waste, which showed that a significant portion of the waste disposed of as hazardous waste was incorrectly treated as such as a precaution. As a result, Tecan trained employees on the precise classifications and disposal types. This resulted in a 78.6% reduction in the waste classified as hazardous waste in the year under review.

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. Environmental standards such as the WEEE[1] or RoHS[2] Directives are growing in importance. Tecan incorporated the RoHS requirements into product development from an early stage to comply with this directive. The Company is also working on implementing this directive in its local form in emerging markets such as China. In addition to environmental aspects, such as avoiding toxic substances that are not readily biodegradable in electrical and electronic devices, there are also ethical aspects related to rare earth elements and mining conflict minerals. Tecan is working together with suppliers on these areas and requires a Declaration of Conformity that human rights are respected as part of supply agreements.

Through the reliable, robust and sustainable design of its products, Tecan continuously targets progress in their environmental sustainability. The PULS program set up by the Company also includes targets and measures to avoid wasting materials and energy.

Tecan also makes its administrative processes as environmentally friendly as possible. For example, the Company is holding more and more video conferences in order to reduce the number of flights. Customer service staff use tools that enable completely paper-free processes. 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 a reduction 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. The Company provides separate parking spaces equipped with charging stations that can be used free of charge.

[1] WEEE = Waste Electrical and Electronic Equipment

[2] RoHS = Restriction of Hazardous Substances

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. The number of employees remained almost constant in the year under review. The proportion of women in the workforce increased again to approximately 28.5%, and the proportion of female managers also rose by three percentage points, reaching over 24%. Two of seven positions on the Board of Directors are occupied by women.

The acquisition of IBL International led to more than 90 new employees being welcomed to the Tecan Group. This Company supplies reagents and diagnostic kits – an activity for which it is easier to recruit women than Tecan's highly technically oriented laboratory automation. Accordingly, the proportion of women in IBL International's workforce is around 65%.

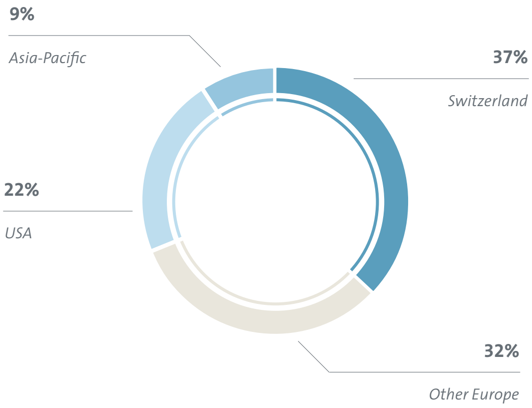
Equal opportunities

The proportion of women increased again in 2014.

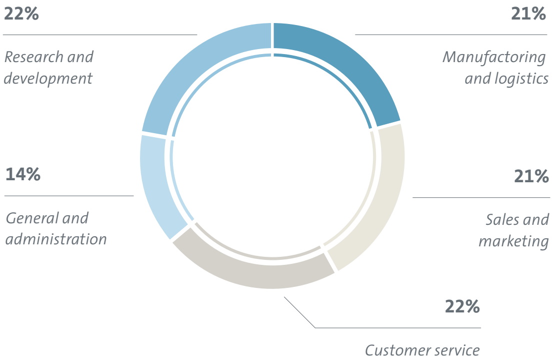
Employee satisfaction

Tecan measures and analyzes the satisfaction of its employees on a regular basis by means of an anonymous, Internet-based survey. Regular surveys enable Tecan to ascertain whether its business parameters, processes and structures are appropriate and gauge 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 last survey produced good to very good results. General satisfaction was excellent.

Employees by region*



Employees by activity*



* In % of all employees, without IBL International

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.

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. Tecan reformulated its vision in the year under review. As a common basis for collaboration, it has great importance in Tecan's corporate culture.

Overview of personnel figures*

	Unit	2012	2013	2014
Employee figures				
Employees	No.	1,224	1,232	1'224
Full-time positions	in % of all employees	89.5%	89.3%	88.3%
Part-time positions	in % of all employees	9.1%	9.1%	10.1%
Trainees	No.	18	20	19
New positions created	No.	89	8	–8
Gender diversity				
Women	No.	320	327	349
Men	No.	904	905	875
Women	in % of all employees	26.1%	26.5%	28.5%
Men	in % of all employees	73.9%	73.5%	71.5%
Women in management positions	in % of all managers	19.9%	21.4%	24.1%
Women in the Board of Directors	No.	1	2	2
Women in the Board of Directors	in % of all members	14.3%	28.6%	28.6%
Basic and continuing training **				
Investments in basic and continuing training	CHF	499,687	518,316	511'424
Investments in basic and continuing training	CHF per employee	1,041	1,089	1'105
Other figures **				
Staff turnover rate		11.8%	10.3%	12.4%
Absence rate		2.2%	2.7%	2.1%
Average number of years of service	Years	4.6	5.6	6.5
Average age	Years	40.3	39.8	39.8

* Without IBL International

** Data for Switzerland only

The Tecan vision

"We will shape the future of automated workflows in Life Science and Clinical Diagnostics through passion for unrivaled quality and innovation."

The four values "ownership", "trust", "innovation" and "solution-oriented" were defined by employees as essential in 2012. 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 ensuring 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 Company places greater emphasis on employees' conduct with regard to the Tecan values in the performance review process MyPerformance.

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 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 is increasing investments in management training. 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. This seminar offering has been established as standard and is extremely popular. The number of seminars held increased again in 2014. All the seminars include written individual and group exercises as well as larger group projects, including case studies and simulations of challenging business situations. A new two-part project management seminar is a further training focus for 2014 and 2015: first, a common basis is ensured using e-learning, then the participants take part in a two-day situational training session. Through this seminar, Tecan is building up important knowledge, establishing an internal Company standard and providing training on uniform methods and terminology. This seminar is compulsory for all project managers, subproject managers and project staff.

As a third key area, Tecan offered an intercultural seminar focusing on China in 2014. Good knowledge of Chinese culture and its dos and don'ts is now essential in many roles, for example for employees who give customer training or work on development projects with Chinese partners. The aim is to avoid cultural misunderstandings, which could seriously disrupt the collaboration.

Tecan also held a financial seminar for novices for the first time in the year under review. This was aimed at employees without in-depth financial training, who require advanced knowledge for their budget processes, project planning or business analyses.

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

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

Tecan attaches great importance to good cooperation with the people and authorities where it does business. The Company also supports projects serving the common good at its various locations. Tecan launched a collection campaign for Médecins Sans Frontières (MSF) in the year under review, to support the fight against ebola in West Africa. The Company encouraged employees to donate money in October and pledged to double the amount donated at the end of the month. A total of more than CHF 30,000 was raised for MSF.

A further 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 by Tecan.

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.

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 ultimate parent Company of the Tecan Group.

The Company is listed on the SIX Swiss Exchange.

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

As of December 31, 2014, the Company's market capitalization was CHF 1,261 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 129 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 91 of this Annual Report.

Major shareholders

As at December 31, 2014, the following shareholders held more than 3% of Tecan's shares:

	2013		2014	
	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%	846,556	7.4%
UBS Fund Management (Switzerland) AG, Basel (CH)	584,374	5.1%	584,374	5.1%
APG Algemeine Pensioen Groep N.V., Amsterdam (NL)	383,102	3.3%	572,926	5.0%
Pictet Funds SA, Geneva (CH)	572,591	5.0%	572,591	5.0%
Credit Suisse Asset Management Funds AG, Zurich (CH)	368,034	3.2%	362,760	3.2%
Tecan Group Ltd., Männedorf (CH)	362,840	3.2%		<3.0%
Artisan Partners Limited Partnership, Milwaukee (US)	350,790	3.1%		<3.0%
Norges Bank (the Central Bank of Norway), Oslo (NO)	350,520	3.1%		<3.0%

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

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

2 Capital structure

	2012	2013	2014
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)	45,362,184	22,997,864	18,893,338
Net retained earnings (CHF)	126,680,280	152,122,081	188,327,330
Shareholders' equity (CHF)	**173,186,922**	**176,264,403**	**208,365,126**
Repayment of capital contribution reserves			
Number of issued shares on repayment date	10,825,923	10,991,802	–
Reduction in capital contribution reserves (CHF)	13,532,404	10,991,802	–
Conditional share capital			
Reserved for employee participation plans			
Shares	858,636	858,636	858,636
CHF	85,864	85,864	85,864
Reserved for future business development			
Shares	1,800,000	1,800,000	1,800,000
CHF	180,000	180,000	180,000
Authorized share capital			
Expiring on April 21, 2016			
Shares	2,200,000	2,200,000	2,200,000
CHF	220,000	220,000	220,000

As of December 31, 2014, 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." Since 2011, the Company services the options exercised from its own shares. As of December 31, 2014, 124,379 shares of the conditional share capital were reserved for outstanding employee stock options and 188,113 for outstanding employee shares in connection with the Performance Share Matching Plan (PSMP). These shares correspond to a share capital of CHF 31,249. 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, 2014, 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, 2016, 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

Independence and rules regarding outside mandates
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. According to the Articles of Incorporation the permitted number of other mandates of the members of the Board of Directors in the highest executive management or bodies of legal entities outside of the Company's group is limited to six mandates in listed and six mandates in non-listed companies, foundations and other legal entities that are registered in the commercial register. Mandates in different legal entities of the same group (including in joint ventures directly or indirectly owned by such a group or the Company that are not consolidated) are counted as one mandate per group, but may not exceed the number of 20 additional mandates if counted separately. Short term transgressions of these maximum numbers by a maximum of two mandates per category are permitted during a maximum period of six months. Mandates held by members of the Board of Directors by order of the Company shall not be subject to the limitations set out above.

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 Chairman of the Board of Directors is elected by the General Meeting. The Board of Directors is responsible for the ultimate supervision and management of the Company, including the development of general strategies and guidelines, and for all other duties that are non-transferable under applicable law. To the extent permitted by law and provided that there is no conflict with the Company's Articles of Incorporation and the Organizational Regulations adopted by the Board of Directors, management of the Company's affairs is delegated to the Management Board pursuant to the Organizational Regulations. The Board of Directors meets as often as business matters require 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 four 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 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 2015
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 HealthCare, CEO and Chairman of the Executive Committee; 2005 to 2006 Hillenbrand Industries, interim President and CEO.

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

Heinrich Fischer

Vice Chairman of the Board
Chairman of the Audit Committee

Since 2007, elected until 2015
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, Delegate of the Board and Chief Executive Officer

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; SWM Inc., Atlanta/ USA, member or the Board

Dr. Oliver Fetzer

Chairman of the Compensation Committee

Since 2011, elected until 2015
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; 2009 to 2014 President and Chief Executive Officer, member of the Board of Directors of Cerulean Pharma Inc., USA.; since 2014 CEO Synthetic Genomics

Other activities:
Synthetic Genomics, member of the Board

Dr. Christa Kreuzburg

Since 2013, elected until 2015
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:
Freedom Innovations LLC, member of the Board

Dr. Karen Hübscher

Since 2012, elected until 2015
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 headquarters in the U.S., in charge of Business Development/Mergers 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' association in Brussels; since 2012 Founder and Managing Director of Fibula Medical AG; since 2014 CEO Solvias AG, Kaiseraugst, Switzerland.

Other activities:
none

Gérard Vaillant

Since 2004, elected until 2015
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

Erik Walldén

Since 2011, elected until 2015
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); 2007 to 2009 CEO Affibody Holding AB; 2009 to 2013 CEO, Gyros AB; since 2006 Chairman and President, WalldenAssociates (Erik Walldén AB).

Other activities:
Member of Industrial Supervisory Board of Healthinvest Partners AB; Deputy Chairman, Exiqon A/S; Chairman of the Board of Genovis AB; Chairman of the Board of AroCell 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

Pursuant to the Company's Articles of Incorporation, the Compensation Committee is composed of two or more members, who are elected by the General Meeting. The Chairman of the Compensation Committee is nominated by the Board of Directors. The Committee is otherwise self-constituting. The majority of members of the Compensation Committee must be non-executive and independent members of the Board of Directors.

The Compensation Committee's tasks and responsibilities include in particular:

- Putting together proposals for an overall compensation policy for consideration by the Board of Directors, as well as a compensation model, a compensation regulation and the compensation report aligned with it.
- Putting together a substantive proposed motion on the annual maximum compensation sums of the Board of Directors and the Management Board.
- Putting together a proposal on the material terms of the employment contracts and their termination and determining the actual compensation for members of the Board of Directors within the parameters of the maximum sum approved by the General Meeting.
- The resolution on loans and credits to members of the Board of Directors and the Management Board.

The Compensation Committee also 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 regularly reviewing 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, the CFO and the General Counsel. The reports are also made available to the external statutory auditors. During the year under review, Internal Audit focused its efforts on strengthening the internal control system for financial reporting and compliance. 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 contracts and rules regarding outside mandates

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. According to the Articles of Incorporation the permitted number of other mandates of the members of the Management Board in the highest executive management or bodies of legal entities outside of the Company's group is limited to two mandates in listed and four mandates in non-listed companies, foundations and other legal entities that are registered in the commercial register. Mandates in different legal entities of the same group (including in joint ventures directly or indirectly owned by such a group or the Company that are not consolidated) are counted as one mandate per group, but may not exceed the number of 20 additional mandates if counted separately. Short term transgressions of these maximum numbers by a maximum of two mandates per category are permitted during a maximum period of six months. Mandates held by members of the Management Board by order of the Company shall not be subject to the limitations set out above.

Management Board

1 | Dr Klaus Lun

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

2 | Ulrich Kanter

Executive Vice President
Head of the Division Development and Operations

Member since 2014
Joining Tecan in 2014
1963
German citizen
Mechanical Engineer (Berufsakademie Mannheim, Germany) and Diploma in Business Administration (Verwaltungs- und Wirtschaftsakademie at the J.W. Goethe University Frankfurt, Germany)

Professional background:
1995 -2000 Vice President, Operations and Global Supply Chain Manager at AVL Medizintechnik (acquired by Roche Diagnostics in 2000); 2000 to 2014 diverse positions with increasing management responsibility at Roche Diagnostics, most recently as General Manager and Head of Research & Development in Graz, Austria.

Other activities:
None

3 | Markus Schmid

Executive Vice President
Head of Corporate Human Resources & Internal Commmunications

Member since 2011
Joining Tecan in 2011
1968
Swiss citizen
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

4 | Dr. Achim von Leoprechting

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

5 | Andreas Wilhelm

Executive Vice President General Counsel and Secretary of the Board of Directors of Tecan Group Ltd.

Member since 2012
Joining Tecan in 2004
1969
Swiss citizen
Studies of law (University Berne, Switzerland), Postgraduate studies, Master of Law Program (Boston University, USA), Admitted to the Swiss Bar

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

Other activities:
None

6 | Dr. Rudolf Eugster

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

7 | Dr. David Martyr

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; Sphere Medical Holding plc, Non-executive Director

8 | Dr. Stefan Traeger

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

Members who left Tecan

Dr. Martin Brusdeilins
Until September 2014
Head Development & Operations and Chief Science Officer
Member from 2011 until September 2014
With Tecan from 2011 until September 2014

5 Content and method of determining compensation and stock option plans

According to the Articles of Incorporation, each year the compensation report of the completed business year will be submitted to the ordinary shareholders meeting for non-binding consultative vote. The process for the prospective approval of the compensation of the Board of Directors and of the Management Board is described in the compensation report on pages 62 to 70 herein.

According to the Articles of Incorporation, loans and credits to any member of the Board of Directors or the Management Board and the provision of any security in favour of any such member may not exceed an amount corresponding to 50% of the base salary. No such loans, credits or securities were outstanding by the end of 2014.

The provisions of the Articles of Incorporation regarding the principles of the compensation (articles 3, 4, 6 and 7) read as follows:

- For work performed in the interest of the Company, the members of the Board of Directors shall receive, in addition to reimbursements of costs and expenses, a compensation, the maximum amount of which must be approved by the General Meeting of Shareholders. The compensation of the members of the Board of Directors may consist of an annual compensation and further non-performance-related compensation (such as remunerations for the membership in committees or the performance of special tasks or assignments) plus the employer's social security contributions and contributions to pension plans. The compensation may be paid in cash or shares in the Company.
- The compensation of the members of the Management Board may consist of (a) an annual base salary and further non-performance-related compensation plus the employer's social security contributions and contributions to pension plans as well as (b) performance-related cash compensation and (c) compensation under the long-term participation plan, each plus the employer's social security contributions and contributions to pension plan, if any.
- The variable cash compensation shall be determined on the basis of financial targets of the Company's group and individual (quantitative and qualitative) personal targets (hereinafter referred to as "performance-related cash compensation"). The targets shall be defined by the Board of Directors upon motion of the Compensation Committee. The performance-related cash compensation of the CEO may not exceed 150% of the base salary and the performance-related cash compensation of the other members of the Management Board may not exceed 100% of the base salary. The performance-related cash compensation is generally paid out in cash but may also be paid in the form of shares or other types of benefits.
- Within the scope of the long-term participation plan, the compensation of the Members of the Management Board shall be determined on the basis of strategic and/or financial targets of the Company's group, which shall be measured over a period of at least three years. The targets shall be defined by the Board of Directors upon motion of the Compensation Committee. In addition, the members of the Management Board may be allowed to participate in the long-term participation plan on a voluntary basis. The compensation may be paid in the form of shares, entitlements to additional shares (matching shares), options, cash or other types of benefit as determined by the Board of Directors upon motion of the Compensation Committee. The Board of Directors upon motion of the Compensation Committee shall determine the grants, vesting and blocking periods as well as the circumstances triggering accelerated vesting or de-blocking or forfeiture of any grants (e.g. in the event of death, invalidity, change of control, termination of employment contract). The Board of Directors upon motion of the Compensation Committee shall determine the maximum amount of compensation under the long-term participation plan in the compensation and participation plans or regulations.

The provision of the articles of incorporation on pensions reads as follows (art.20): The Company may establish one or more independent pension funds for occupational pension plans or may join existing pension funds. Contributions by the employer to such pension funds, as opposed to the regulated benefits paid by such pension funds, are a component of the compensation. Pension benefits directly accrued or paid by the employer due to country-specific regulations for occupational benefits shall be treated the same way as contributions to and benefits by pension funds. Under special circumstances, the Company may make payments for social security purposes outside the statutory social security system, including payments by the Company to the pension fund to finance a transitional pension in the event of early retirement. The value of such payments per member of the Management Board may not exceed the total amount of the last annual compensation paid to this very member. The value of the pension is determined in accordance with generally recognized actuarial rules.

For information with regard to the actual compensation schemes and participation plans and further information on the actual compensation 2014 as well as on the motions proposed to the shareholders on the prospective approval of the compensation of the Board of Directors and of the Management Board please refer to the Compensation Report on pages 62 to 70 hereinafter.

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 or the independent proxy. 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. In connection with the implementation of the requirements of the Ordinance Against Excessive Compensation in Listed Companies, the responsibilities of the General Meeting were expanded in the Articles of Incorporation to include the responsibilities relating to the compensation of the Board of Directors and the Management Board.

Shareholders may provide the independent voting representative with proxies and instructions electronically on how to exercise their voting rights for each motion concerning an item on the agenda made in the invitation. The general instruction concerning motions that are set forth on the invitation or that are not yet made in the invitation to vote in favour of the proposal made by the Board of Directors shall be deemed to be a valid instruction to exercise voting rights. Should the independent voting representative be prevented from acting for any reason, should the Board of Directors terminate the independent proxy in his function according to the law, or should the Company for any other reason not have a voting representative capable of acting, the Board of Directors shall appoint such a representative for the next General Meeting of Shareholders. Proxies and voting instructions that were given by that time, shall remain valid for the new independent voting representative, unless a shareholder has specifically instructed otherwise. The Board of Directors may set rules on the participation and representation, it being understood that the use of electronic proxies without qualified electronic signature may also be considered.

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 "Employee participation plans" in the Compensation Report). 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	28 May 1997
Date on which the lead auditor took up his position	2011

Fees paid

CHF 1,000	2013	2014
Total auditing fees (KPMG)	620	623
Total auditing fees (other audit companies)	12	0
Total tax consulting fees (KPMG)	84	74
Total other consulting fees (KPMG)	18	12

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
18 March 2015	Zurich	Full Year Results 2014, Press Briefing on Annual Results and Analysts' Conference
16 April 2015	Zurich	Annual General Meeting
12 August 2015	Conference Call Webcast	Half-year Results 2015

For mail or phone inquiries, please contact:

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Compensation Report

This Compensation Report sets out the compensation system and the compensation paid to the members of the Board of Directors and the Management Board of Tecan Group Ltd. It will be put to the Annual General Meeting on April 16, 2015 retrospectively for the year under review, 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 and the Ordinance Against Excessive Compensation in Listed Companies (OeEC).

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 2013, 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. Since then, the members of the Board of Directors therefore no longer participate in the Performance Share Matching Plan (PSMP) and instead receive only a fixed allotment of shares. The total compensation for the Board of Directors accordingly consists of a cash component and a share component, which vests fully upon completion of their term and pro rata in the event of an early exit. The total amounts for the individual members are 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 2013, both the amount and the composition of the compensation paid to the Board of Directors was reviewed by a consultancy firm (The Hay Group) and adapted in line with its recommendations. In the year under review, the Compensation Committee comprised Oliver Fetzer (Chairman) and Christa Kreuzburg (member). The members were formerly nominated by the Board of Directors, but have been elected by the Annual General Meeting since 2014. The CEO, CFO and Corporate Head of Human Resources participate in the meetings regularly in an advisory capacity. Invited members of the Management Board 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 and approves the target achievement of the CEO and of all members of the Management Board and defines the actual bonus to be paid. The amount and type of compensation to be paid to the Board of Directors is reviewed annually by the Compensation Committee and put before the Board of Directors. Every two to three years, the compensation of the Board of Directors is benchmarked by an external specialist and, if necessary, adjustments are proposed. Each year, the Board of Directors submits a proposal to the Annual General Meeting on the maximum total compensation for the members of the Management Board for the fiscal year following the Annual General Meeting (January 1 to December 31).

In 2014, a comparison was made of the salaries of the Management Board members by an external specialist. Compensation at Tecan was compared with a selection of companies from the Mercer Group's Western European Remuneration Guide. In particular, the companies selected were sectors such as medical devices and suppliers, pharmaceuticals, chemicals, foodstuffs, etc. The system is based on an analytical approach, in which industry, value chain and size (turnover and employees) are weighted, as a result of which every function is converted into a relative value. Overall, the total compensation paid to the members of the Management Board is in line with that of the reference companies. Looking at the composition of total compensation, the results also show that long-term compensation at Tecan is above average and the cash component below average in comparison with the reference companies. This confirmed the fundamental results of the 2012 compensation comparison for the members of the Management Board with comparable Swiss companies carried out by AON Hewitt.

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 pay 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 compensation system for members of the Management Board and extended Management Board of Tecan Group Ltd., introduced in 2010 and unchanged since then, 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 members of management on level three and four and key employees at the Tecan Group, the third pillar consists of either a performance-based share plan or a performance-based option plan. The compensation system for members of management on level one and two is primarily composed of two pillars: a base salary (fixed or base salary) and a variable component (bonus) based on the performance review. In addition, outstanding performance may be rewarded with single premiums in the form of options. Employees are paid a fixed salary and individual, performance-based, single premiums paid out periodically in cash.

Cash compensation

For members of all management levels, the 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 (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: first, the Company's financial targets and second, quantitative and qualitative corporate targets. The financial targets (sales and EBIT margin) 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 members of the Management Board, extended Management Board and those on management level three and four, 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 target is fully met, 100% of the variable compensation is paid out. In 2014, financial targets at Group level were not fully achieved and therefore the full amount was not paid out.

If the defined targets are exceeded, depending on the degree of exceedance, up to 200% of the variable component may be paid out. Instead of a cash payout, members of the Management Board and extended Management Board may invest up to three quarters of the maximum variable compensation into shares under the share plan ("voluntary purchases").

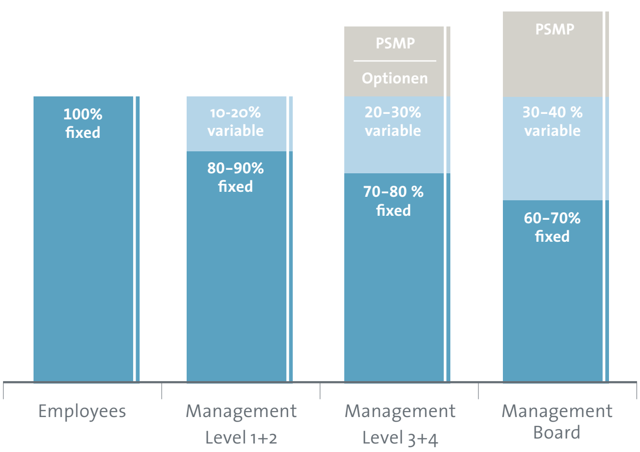
However, as defined in the Articles of Incorporation, the CEO's variable compensation may not exceed 150% of the fixed salary and that of the members of the Management Board may not exceed 100% of the fixed salary.

Employee participation plans

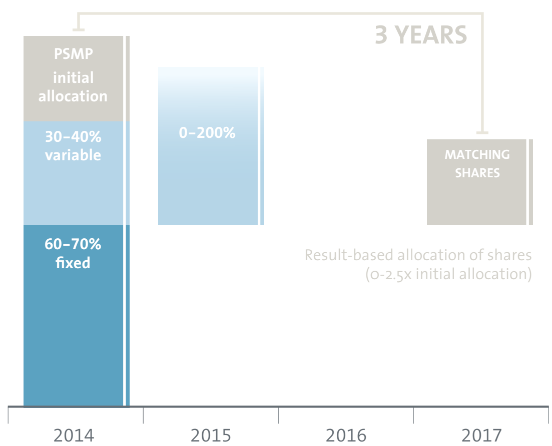
In addition to cash compensation, the members of the Management Board participated in the Performance Share Matching Plan (PSMP) in the year under review. This share plan is a long-term incentive (LTI) plan, which involves the allotment of registered shares in Tecan Group Ltd. to the Management Board and the extended Management Board. As in the previous year, participation in the PSMP was extended in the year under review to a select group of members of management level three and four as well as key employees. The shares are blocked for three years from the allotment date, and must be returned on a pro rata basis in the event that the employee terminates his/her employment before the expiration of the three-year period. 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. Participants in the PSMP can only claim matching shares if an economic profit was reached. This mechanism ensures that interests are aligned with the shareholders of the Company. The economic profit target is primarily based on sales growth and EBIT margin 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 participant in the PSMP can claim a maximum of 2.5 matching shares per originally allotted share under the plan. Members of the Management Board and extended Management Board can also claim matching shares per potential voluntary investments on the variable component of the salary. A formula incorporating the two components of "sales growth in local currencies" 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 increased 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 parameter grid is determined prospectively each year for the next three-year cycle to clearly define the financial targets in advance.

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 2014, the members of the Management Board received on average an initial allotment of 27.3% of the total compensation.

Structure of the compensation system



Structure of the compensation system Management Board



= *cash compensation*

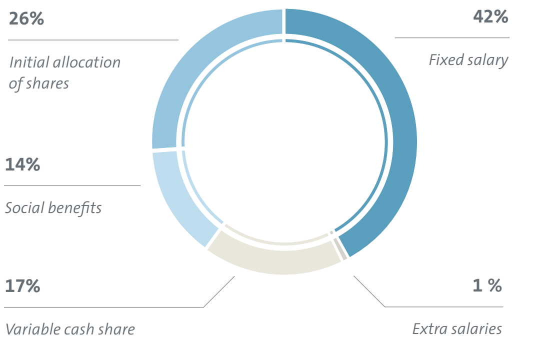
Annual General Meeting's vote on compensation

On January 1, 2014, the Ordinance Against Excessive Compensation in Listed Companies (OeEC) came into force. The compensation and approval mechanism was amended accordingly and is defined in the Articles of Incorporation of Tecan Group Ltd. The structure of the compensation system of the Tecan Group, with the elements described in this chapter, has remained unchanged since 2010. The compensation report has been presented to the shareholders since 2012 for retrospective, advisory approval.

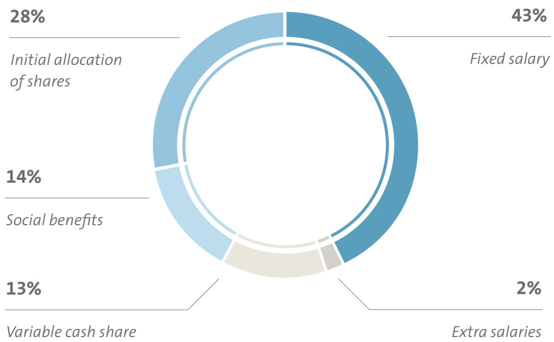
Compensation and approval mechanism

The Board of Directors proposes to the Annual General Meeting for its approval the maximum total amount for compensation to be paid to the Board of Directors each year for the period up to the next Annual General Meeting, and of compensation for the Management Board for the following fiscal year. In addition, the Board of Directors presents the Annual General Meeting with the compensation report for its retrospective, advisory approval annually in accordance with Art. 15 (7) of the Articles of Incorporation. For the first time, the Board of Directors proposes to the Annual General Meeting 2015 the prospective approval for the compensation for the Board of Directors as well as the Members of the Management Board. For the year 2015, the compensation report will be presented to the shareholders for retrospective, advisory approval at the Annual General Meeting in 2016.

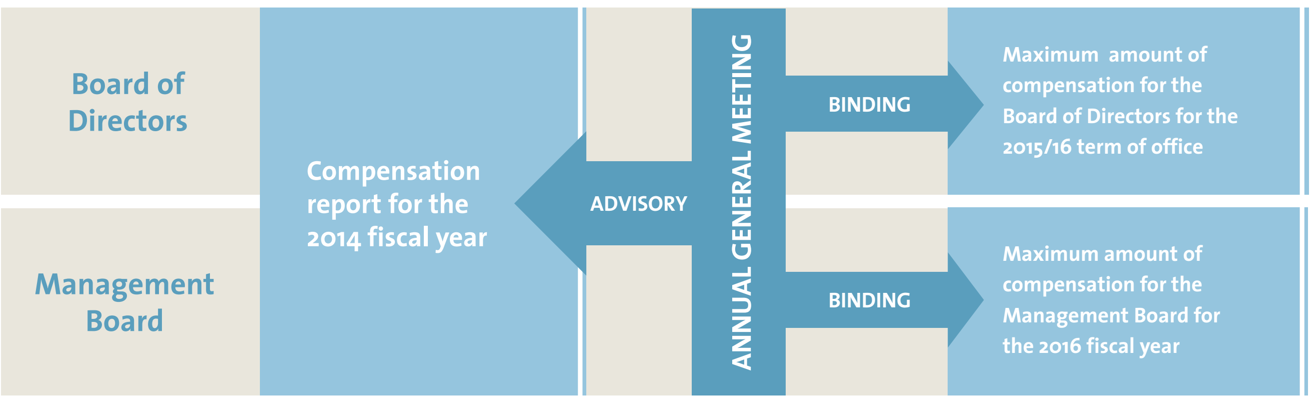
Salary structure CEO



Salary structure Management Board (without CEO)



Compensation and approval mechanism



Application for a maximum total amount for the Management Board

The Annual General Meeting of April 16, 2015 will be asked to approve a maximum total amount in Swiss francs for the compensation of the Management Board for the fiscal year 2016. The estimates of the performance-based compensation and the number of members of the Management Board constitute the most significant factors in the calculation of this maximum amount. The proposal for 2016 is based on eight members of the Management Board.

The calculation of such a maximum amount for variable compensation assumes that the defined performance targets are significantly exceeded and that the threshold for the payment of 200% of the variable component is met. The highest matching share factor of 2.5 is also used as the assumption for the long-term share plan, the Performance Share Matching Plan. In recent years, the parameters for both components of the performance-based compensation have been significantly below these maximum values, and the actual amounts achieved have been nowhere near the annual maximum amounts. The actual figures in the two years of the concluded three-year cycle were less than 40% of the maximum.

In order to make the calculation of the maximum amount as transparent and comprehensible as possible, the use of complex mathematical formulae and methods was avoided. For example, future payments were not discounted. Likewise, in calculating the value of matching shares, instead of using a complex formula (e.g. the Monte Carlo model), only the value of the initial allotment of shares in Swiss francs multiplied by the maximum factor of 2.5 was used.

In table 1 on page 67, the theoretical maximum amounts from 2011 and 2012 are compared with the actual amounts in order to provide a better understanding. In 2011, the actual sum was only 39% of the maximum, while in 2012 it amounted to just 36%.

It is not possible to present these figures in this way for 2013 and 2014, as the three-year cycle of the share plan has not yet come to an end. It is, however, highly likely that the actual values will also be significantly below the maximum value. For 2013, the average payment to the members of the Management Board was only around 73% of the variable component, not the maximum possible 200%. In the three-year cycle that started in 2013, the current expectation is of a matching share factor of 1.4, which is significantly below the maximum factor of 2.5. For 2014, the payment was only around 70% of the variable component. If the ambitious midterm targets are reached, the matching share factor could exceed the level of past three-year cycles.

If the proposed maximum total amount is not approved by the Annual General Meeting, the Board of Directors can submit new proposals to the same Annual General Meeting at any time or call a new General Meeting if the Board of Directors does not submit any new proposals or if the Annual General Meeting also rejects the new proposals. The Board of Directors can submit a proposal to retrospectively increase an approved total amount to the Annual General Meeting at any time.

Table 1

	Completed Cycles					Motion	
	Theoretical Maximum 2011–2013		Theoretical Maximum 2012–2014		Running Cycles	Theoretical Maximum 2016–2018	
	2011	2013	2012	2014	2013–2015	2016	2018
Base salary & fringe benefits	2,294		1,973		2014–2016	2,663	
Variable salary	2,132		1,978		2015–2017	2,536	
Social benefits	760		675			829	
Contingencies	0		0			372	
Total cash payments	**5,186**		**4,626**			**6,400**	
(Number of members of the Management Board)	5		6			8	
Initial share grant (value)	1,440		1,340			1,760	
Potential additional shares (value "Matching Shares")		3,600		3,350			4,400
Social security for granted shares	92	229	85	213		112	280
Potential additional shares (value "Matching Shares") on voluntary shares		3,998		3,709			4,751
Contingencies	0		0			197	
Total (potential) long term incentives	**9,359**		**8,698**			**11,500**	

	Effective Compensation Cycle 2011–2013		Effective Compensation Cycle 2012–2014		Effective Compensation Cycles	Effective Compensation Cycle 2016–2018
					2015–2016–2017	
Base salary & fringe benefits	2,294		1,973			
Variable salary	788		597			
Social benefits	670		581			
Total cash payments	**3,752**		**3,151**			
Initial share grant (value)	1,440		1,340			
Voluntary shares (value)	307		216			
Social security for granted shares	111		99			
Additional shares ("Matching Shares"; initial grant and voluntary investment)		0		0		
Total long-term incentives	**1,858**		**1,655**			
Effective compensation in % as of the theoretical maximum	**39%**		**36%**			

All data in CHF 1,000

Additional amounts for members of the Management Board
In accordance with the Articles of Incorporation, the Board of Directors may pay an additional amount as compensation in the event that new members are appointed to the Management Board following the approval of the maximum total compensation. In the case of a new CEO, this additional amount may be at most 35% above the amount of the maximum total amount of compensation for the previous CEO approved by the Annual General Meeting for the respective fiscal years, and in the case of any other new members of the Management Board, at most 25% above the average total compensation of a member of the Management Board for the respective fiscal years. The average total compensation of a member of the Management Board corresponds to the approved maximum total sum for the members of the Management Board after the deduction of the amount due to the CEO, divided by the number of members of the Management Board (excluding the CEO) on the day that the total sum is approved by the Annual General Meeting.

Comparability of the proposal to the Annual General Meeting with the disclosure of the annual compensation for members of the Management Board
As outlined, the calculation of a maximum total amount for the members of the Management Board depends on certain assumptions. The disclosures in the compensation reports of recent years and the table on page 70 of the 2014 compensation report rely on many known values, but nonetheless require the making of certain assumptions. This means that the amounts in the disclosed compensation tables will generally differ from those in the proposal to the Annual General Meeting and the values in table 1 on page 67. The deviations are mainly the result of the differing treatment of the long-term share plan. In order to increase comparability, the key differences are described below.

The disclosure of the annual compensation
- is based on the actual variable component payments.
- for the stated total compensation only takes into consideration the fair value of initial shares granted as part of the long-term share plan.
- also presents the theoretical maximum number of matching shares (assuming a matching share factor of 2.5). In the proposal to the Annual General Meeting a fair value is calculated assuming members of the Management Board can claim the maximum of 2.5 matching shares per originally allotted share. In addition, the disclosure of the annual compensation presents the fair value of matching shares effectively granted from the three-year cycle that ended in 2014.

Application for a maximum total amount for the Board of Directors
The Board of Directors proposes to the Annual General Meeting for its approval the maximum total amount for compensation to be paid to the Board of Directors consisting of a fixed cash component and a share component which is nominally determined in Swiss francs. No pension payments are intended to members of the Board of Directors.

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

Compensation to former Members of the Board or of the Management Board

No compensation was paid in 2014 or in the year before to former Members of the Board or of the Management Board.

Compensation to related parties

Neither in 2014 nor in the year before compensation payments has been made to persons related to current or former Members of the Board or of the Management Board.

Loans and credits

Actual and former Members of the Board or of the Management Board
Neither in 2014 nor in the year before loans or credits has been made to current or former Members of the Board or of the Management Board, which have been outstanding by the end of the year.

Related Parties

Neither in 2014 nor in the year before loans or credits have been made to related parties of Members of the Board or of the Management Board, which have been outstanding by the end of the year.

Compensation 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]	Total compensation
Rolf Classon (Chairman)	2013	150	18	**168**	–	934	**93**	**261**
	2014	150	22	**172**	–	764	**84**	**256**
Heinrich Fischer (Vice Chairman)	2013	85	20	**105**	**7**	584	**58**	**170**
	2014	85	28	**113**	**11**	477	**52**	**176**
Dr. Oliver S. Fetzer	2013	75	30	**105**	–	467	**47**	**152**
	2014	75	35	**110**	–	382	**42**	**152**
Dr. Karen Hübscher	2013	75	10	**85**	**6**	467	**47**	**138**
	2014	75	10	**85**	**11**	382	**42**	**138**
Dr. Christa Kreuzburg (since April 2013)	2013	50	7	**57**	**4**	467	**47**	**108**
	2014	75	10	**85**	**11**	382	**42**	**138**
Gérard Vaillant	2013	75	10	**85**	**6**	467	**47**	**138**
	2014	75	10	**85**	**12**	382	**42**	**139**
Erik Walldén	2013	75	10	**85**	**6**	467	**47**	**138**
	2014	75	10	**85**	**11**	382	**42**	**138**
Dominique F. Baly (until April 2013)	2013	25	7	**32**	**2**	–	–	**34**
	2014	–	–	–	–	–	–	-
Total	**2013**	**610**	**112**	**722**	**31**	**3,853**	**386**	**1,139**
	2014	**610**	**125**	**735**	**56**	**3,151**	**346**	**1,137**

[1] Employer's contribution to social security

[2] Vesting condition: Graded vesting from May 1, 2013 to April 30, 2014 (Share Plan BoD 2013) and from May 1, 2014 to April 30, 2015 (Share Plan BoD 2014). Vested shares are transferred at the end of the service period (April 30, 2014 and April 30, 2015 respectively). The shares are fully included in the amount of fair value of shares granted.

[3] Formula for 2013: Shares granted in 2013 * fair value at grant (CHF 100.00) and formula for 2014: Shares granted in 2014 * fair value at grant (CHF 109.80)

Compensation to the Management Board

CHF 1,000	Year	Fixed salary	Calculated variable salary[1]	Cash payout variable salary	Voluntary Investment on variable salary: granted (number of shares)	Voluntary Investment on variable salary: Fair value of voluntary shares[5]	Taxable fringe benefits	Total cash compensation[2]	Social benefits[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial shares[5]	Total compensation[6]	Theoretical maximum of matching shares (number) 2014 - 2016	Fair value of matching shares pay out Cycle 2011 - 2013 (2013) Cylce 2012 - 2014 (2014)
Dr. David Martyr (CEO)[7]	2013	**600**	(400)	**200**	1,909	**189**	**41**	**841**	**209**	4,669	**351**	**1,590**	**n/a**	**0**
	2014	**605**	**250**	n/a	n/a	n/a	**8**	**863**	**200**	3,818	**377**	**1,440**	**9,545**	**0**
Dr. Rudolf Eugster (CFO)	2013	**345**	(110)	**36**	705	**70**	-	**381**	**107**	2,918	**219**	**777**	**n/a**	**0**
	2014	**349**	**110**	n/a	n/a	n/a	-	**459**	**124**	2,386	**236**	**819**	**5,965**	**0**
Other members of the Management Board[8/9]	2013	**1,270**	(377)	**258**	1,140	**113**	**91**	**1,619**	**432**	9,338	**702**	**2,866**	**n/a**	**0**
	2014	**1,638**	**483**	n/a	n/a	n/a	**119**	**2,240**	**540**	10,633	**1,051**	**3,831**	**26,583**	**0**
Total	**2013**	**2,215**	(877)	**494**	3,754	**371**	**132**	**2,841**	**748**	16,925	**1,272**	**5,232**	**n/a**	**0**
	2014	**2,592**	**843**	**n/a**	**n/a**	**n/a**	**127**	**3,562**	**863**	16,837	**1,664**	**6,090**	**42,093**	**0**

1 Payment will be made in the following year. Up to 50% of the theoretical 100% variable part can be taken as voluntary investment for the LTI PSMP; amount for voluntary investment 2014 to be decided after the March 2015 Board of Directors Meeting

2 Excluding the voluntary investment in the LTI PSMP

3 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

4 Vesting and granting conditions: Vesting January 1, 2013 (PSMP 2013) granted May 2, 2013 and vested January 1, 2014 (PSMP 2014) granted May 2, 2014. Vested shares are blocked until the end of the performance period (December 31, 2015 and 2016 respectively).

5 Formula for 2013: Shares granted in 2013 * fair value at grant (CHF 83.5) * [1 - estimated labor turnover rate (10%)] and formula for 2014: Shares granted in 2014 * fair value at grant (CHF 109.80) * [1 - estimated labor turnover rate (10%)].

6 Including the voluntary investment in the LTI PSMP

7 Member of the Management Board with the highest compensation in 2013 and 2014.

8 2013: Total seven members, including one member who left and three members who joined the Management Board during the year.

9 2014: Total seven members, including one member who left and one member who joined the Management Board during the year.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Financial Report 2014

Chief Financial Officer's Report

In 2014, cash flow from operating activities further improved to CHF 48.2 million.

Dr. Rudolf Eugster
Chief Financial Officer

Order Entry and Sales

In the second half of 2014, order entry increased by 12.2% in local currencies and in Swiss francs. Excluding the acquisition of IBL International, orders in the second half grew by 7.5% in local currencies and Swiss francs. For the full year, order entry increased by 9.5% in local currencies to CHF 417.4 million (2013: CHF 386.1 million), corresponding to growth of 8.1%. On an organic basis, order entry increased by 7.1% in local currencies and by 5.7% in Swiss francs.

Sales in the second half rose by 10.3% in local currencies and by 10.2% in Swiss francs, corresponding to organic sales growth of 5.8% in local currencies and 5.7% in Swiss francs. Sales in financial year 2014 reached CHF 399.5 million (2013: CHF 388.3 million) and were therefore 4.2% above the prior-year level in local currency terms and 2.9% in Swiss francs. Excluding IBL International, consolidated in the financial statements of the Tecan Group since August 1, 2014, sales increased by 1.8% in local currencies and 0.5% in Swiss francs.

Regional development
In Europe, full-year sales in local currencies increased 6.5% compared to the previous year, which equates to a rise of 5.9% in Swiss francs. This increase in sales was driven by double-digit growth in the Life Sciences Business, helped by revenue contribution from IBL International. Sales in the Partnering Business were flat for the full year.

For fiscal year 2014, sales in North America declined overall by 3.0% in local currencies and by 3.9% in Swiss francs, with moderate growth in the Life Sciences Business being more than offset by a decline in the Partnering Business.

Sales in Asia increased significantly in 2014 and were up by 19.2% in local currencies and by 14.2% in Swiss francs. China grew more slowly than overall Asia as delays in government tenders and in academic spending were widely noted in the industry and also provided a drag to Tecan's Life Sciences Business sales. Spending patterns improved in the second half of the year and the Life Sciences Business posted moderate growth again in China. By contrast, sales in the Partnering Business continued to grow strongly in China throughout the year. Overall, sales in China increased to close to CHF 30 million in 2014 (2013: over CHF 25 million).

Recurring sales of services, consumables and reagents
The acquisition of IBL International marks an important step towards offering fully integrated solutions, including reagents, and thereby adding a new source of recurring revenues. Overall, recurring revenues of services, plastic consumables and reagents increased by 9.8% in local currencies in the year under review, or by 8.4% in Swiss francs. Their contribution to total sales rose to 36.0%, the highest level in the Company's history (2013: 34.1%).

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.

Gross profit

Gross profit increased to CHF 197.6 million (2013: CHF 189.6 million), which was 8.0 million or 4.2% above the prior-year figure. The reported gross profit margin increased to 49.5% (2013: 48.8%).

The gross profit margin benefitted from material cost savings, less non-standard costs of sales and lower costs from OEM development programs.

This positive effect was partly offset by a negative exchange rate impact, lower profitability in the launch phase of new instruments and price decreases.

Operating expenses less cost of sales

In 2014, operating expenses totaled CHF 142.5 million or 35.6% of sales, compared with CHF 136.7 million or 35.2% of sales in the prior-year period. Overall, operating expenses less cost of sales increased by 5.8 million Swiss francs or 4.2% and include five months of consolidation of IBL International.

Selling and marketing increased by 12.2%, due to increased investments in the sales organization, application specialists, marketing and product management to support the various product launches.

Research and development expenses in 2014 amounted to 9.9% of sales (2013: 11.7%) or CHF 39.5 million (2013: CHF 45.3 million). All told, research and development activities amounted to CHF 84.9 million gross (2013: CHF 104.1 million), out of which CHF 31.7 million are development costs for OEM partners. This total figure also includes the development costs capitalized in the balance sheet of CHF 16.2 million gross, an increase of CHF 6.0 million over 2013 as development projects progressed and were nearing market launch. Several of those products were introduced in the meantime.

General and administration expenses increased by 13.6% due to higher cost on the Corporate level, e.g for corporate development activities related to acquisitions.

Operating profit

Excluding acquisition-related effects, the operating profit margin improved by 50 basis points to 14.6% of sales (2013: 14.1%) in line with original guidance. Assuming exchange rates in line with 2013, this corresponds to an EBIT margin of 14.8% of sales. This development was helped by lower net research and development expenses mainly due to increased capitalization of costs as projects neared market launch. Including acquisition-related costs, operating profit before interest and taxes (EBIT) increased by 4.4% to CHF 57.2 million (2013: CHF 54.8 million), corresponding to an EBIT margin of 14.3% of sales. The EBITDA margin (earnings before interest, taxes, depreciation, and amortization as a percentage of sales) increased to 16.9% (2013: 16.8%).

Financial result and taxes

The financial result was CHF -8.1 million (2013: CHF 0.7 million). The decline is the result of a lower financial result attributable to currency hedging measures as the US dollar significantly appreciated towards year end.

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. A detailed sensitivity analysis regarding foreign currency risks is disclosed in note 29 of the Consolidated Financial Statements.

The tax rate increased to 18.2% (2013: 17.7%).

Net profit and earnings per share

Net profit reported for the year 2014 reached CHF 40.2 million (2013: CHF 45.7 million). The decline is the result of the lower financial result. The net profit margin was 10.1% of sales (2013: 11.8%). Earnings per share are CHF 3.63 (2013: CHF 4.16). On average, a total of 11.1 million shares were outstanding in 2013 (2013: 11.0 million shares).

Balance sheet and equity ratio

Tecan's equity ratio reached 65.4% as of December 31, 2014 (December 31, 2013: 72.0%). The Company's share capital stood at CHF 1,144,458 at the reporting date (December 31, 2014), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

Cash flow

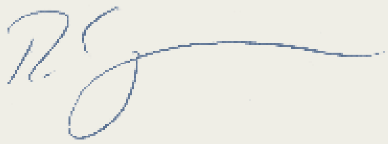
Cash flow from operating activities further improved to CHF 48.2 million (2013: CHF 27.9 million), as the prefinancing of an OEM development project is coming to an end and a first reimbursement of development costs was received from the partner.

Net working capital increased due to extraordinary strong sales in November and December. Despite this effect, the DSO number – the days sales outstanding – was almost unchanged at 52 days.

In 2014 investments amounted to CHF 22.4 million (2013: CHF 19.7 million) which exceeded the 10.3 million for amortization and depreciation (2013: CHF 10.3 million). Investments were mainly development costs capitalized in the balance sheet of CHF 16.2 million gross.

Cash flow from financing activities included the dividend payments made in April 2014 in the total amount of CHF 16.7 million.

Cash and cash equivalents were at 128.7 million Swiss Francs at the end of 2014 compared to CHF 150.4 million at the end of 2013. Net liquidity (cash and cash equivalents minus bank liabilities and loans) amounted to CHF 122.7 million (December 31, 2013: CHF 143.4 million). This figure includes cash outflows for the acquisition of IBL International which amounted to CHF 32.0 million.



Dr. Rudolf Eugster
Chief Financial Officer

Five-year consolidated data

CHF 1,000	2010	2011	2012 Restated[1]	2013	2014
Statement of profit or loss					
Sales	370,548	376,970	391,108	388,292	399,518
EBITDA	63,733	60,370	62,971	65,059	67,542
Operating profit (EBIT)	55,971	51,271	52,709	54,800	57,203
Financial result	2,100	2,289	29	693	(8,059)
Income taxes	(11,137)	(8,645)	(10,373)	(9,822)	(8,928)
Profit from continuing operations	46,934	44,915	42,365	45,671	40,216
Result from discontinued operation, net of income taxes	(30,730)	2,644	–	–	–
Profit for the period	16,204	47,559	42,365	45,671	40,216
Research and development, gross	(37,372)	(47,004)	(51,374)	(45,323)	(39,451)
Personnel expenses	(128,525)	(131,666)	(138,462)	(141,565)	(148,130)
Depreciation of property, plant and equipment	(6,024)	(5,952)	(6,251)	(6,454)	(6,271)
Amortization of intangible assets	(1,738)	(3,147)	(4,011)	(3,805)	(4,068)
Balance sheet					
Current assets	274,760	322,980	351,968	387,571	423,833
Non-current assets	63,741	66,961	70,827	79,078	128,429
Total assets	338,501	389,941	422,795	466,649	552,262
Current liabilities	98,669	107,263	103,696	105,312	124,581
Non-current liabilities	11,792	13,365	25,486	25,135	66,483
Total liabilities	110,461	120,628	129,182	130,447	191,064
Shareholders' equity	228,040	269,313	293,613	336,202	361,198
Statement of cash flows					
Cash inflows from operating activities	62,520	45,116	2,405	27,909	48,191
Capital expenditure in property, plant and equipment and intangible assets	(12,585)	(14,080)	(13,978)	(19,777)	(22,629)
Acquisition of IBL International Group[2]	–	–	–	–	(31,835)
Acquisition of Tecan Australia Pty Ltd[2] and earn-out paid	–	–	(119)	(145)	(119)
Disposal of discontinued operation[2]	(2,370)	5,480	–	–	–
Change in treasury shares (net)	21,244	1,154	3,403	10,756	3,387
Dividends paid	(10,412)	(10,771)	(13,532)	(16,488)	(16,651)
Other information					
Number of employees (end of period)	1,059	1,107	1,185	1,184	1,261
Number of employees (average)	1,031	1,079	1,163	1,190	1,265
Research and development in % of sales	10.1%	12.5%	13.1%	11.7%	9.9%
Sales per employee	359	349	336	326	316
Information per share					
Basic earnings per share from continuing operations (CHF)	4.50	4.18	3.92	4.16	3.63
Basic earnings per share including discontinued operation (CHF)	1.55	4.42	3.92	4.16	3.63
Gross dividend (CHF)[3]	–	–	0.50	1.50	1.50[4]
Payout from statutory capital contribution reserve (CHF)[3]	1.00	1.25	1.00	–	–[4]
Total payout (CHF)[3]	1.00	1.25	1.50	1.50	1.50[4]
Total payout ratio[5]	64.5%	28.3%	38.3%	36.1%	41.3%

[1] Restated due to introduction of IAS 19R

[2] Net of cash acquired/disposed of

[3] Payment is made in following year.

[4] Proposal to the Annual General Meeting of Shareholders on April 16, 2015

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

Consolidated statement of profit or loss

CHF 1,000	Notes	2013	2014
Sales	4	**388,292**	**399,518**
Cost of sales		(198,694)	(201,883)
Gross profit		**189,598**	**197,635**
Sales and marketing		(56,372)	(63,258)
Research and development	6	(45,323)	(39,451)
General and administration		(34,958)	(39,697)
Other operating income	7	1,855	1,974
Operating profit	4	**54,800**	**57,203**
Financial income		235	29
Finance cost		(521)	(454)
Net foreign exchange gains/(losses)		979	(7,634)
Financial result	8	***693***	***(8,059)***
Profit before taxes		**55,493**	**49,144**
Income taxes	11	(9,822)	(8,928)
Profit for the period, attributable to owners of the parent		**45,671**	**40,216**
Earnings per share			
Basic earnings per share (CHF/share)	9	4.16	3.63
Diluted earnings per share (CHF/share)	9	4.11	3.57

Consolidated statement of profit or loss and other comprehensive income

CHF 1,000	Notes	2013	2014
Profit for the period		**45,671**	**40,216**
Other comprehensive income			
Remeasurement of net defined benefit liability	10	2,517	(12,836)
Related income taxes	11	(520)	2,156
Items that will not be reclassified to profit or loss, net of income taxes		**1,997**	**(10,680)**
Translation differences		(1,268)	3,826
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(1,268)**	**3,826**
Other comprehensive income/(loss), net of income taxes		***729***	***(6,854)***
Total comprehensive income for the period, attributable to owners of the parent		**46,400**	**33,362**

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	31.12.2013	31.12.2014
Cash and cash equivalents	12	150,377	128,715
Current derivatives	13	2,599	1,824
Trade accounts receivable	14	74,652	97,949
Other accounts receivable		10,591	11,211
Inventories	15	145,693	175,177
Income tax receivables		1,393	5,505
Prepaid expenses		2,266	3,452
Current assets		**387,571**	**423,833**
Non-current financial assets	16	1,489	792
Property, plant and equipment	17	19,855	20,114
Intangible assets and goodwill	18	48,571	95,570
Deferred tax assets	11	9,163	11,953
Non-current assets		**79,078**	**128,429**
Assets		**466,649**	**552,262**

Liabilities and equity

CHF 1,000	Notes	31.12.2013	31.12.2014
Current bank liabilities and derivatives	19	5,588	9,895
Trade accounts payable		10,292	12,941
Other accounts payable		15,101	11,065
Current deferred revenue	20	18,739	26,249
Income tax payables		8,221	11,976
Accrued expenses		32,967	35,224
Current provisions	21	14,404	17,231
Current liabilities		**105,312**	**124,581**
Non-current bank liabilities and derivatives	19	2,013	5,305
Non-current deferred revenue	20	–	19,123
Liability for post-employment benefits	10	16,773	31,390
Non-current provisions	21	2,480	2,987
Deferred tax liabilities	11	3,869	7,678
Non-current liabilities		**25,135**	**66,483**
Total liabilities		**130,447**	**191,064**
Share capital		1,144	1,144
Capital reserve		9,301	9,519
Treasury shares		(13,151)	(10,372)
Retained earnings		369,977	388,150
Translation differences		(31,069)	(27,243)
Shareholders' equity	22	**336,202**	**361,198**
Liabilities and equity		**466,649**	**552,262**

Consolidated statement of cash flows

CHF 1,000	Notes	2013	2014
Profit for the period		**45,671**	**40,216**
Adjustments for			
Depreciation and amortization	17/18	10,259	10,339
Change in provisions and liability for post-employment benefits	10/21	6,001	3,900
Interest income	8	(115)	(29)
Interest expenses	8	179	119
Income taxes	11	9,822	8,928
Equity-settled share-based payment transactions	10	2,359	5,288
Other non-cash items		424	1,657
Change in working capital			
Trade accounts receivable	14	6,538	(19,651)
Inventories	15	(36,357)	(25,490)
Trade accounts payable		(338)	731
Other changes in working capital (net)		(7,546)	31,095
Income taxes paid		(8,988)	(8,912)
Cash inflows from operating activities		**27,909**	**48,191**
Interest received		109	28
Acquisition of IBL International Group, net of cash acquired	3	–	(31,835)
Acquisition of Tecan Australia Pty Ltd. – earn-out paid		(145)	(119)
Purchase of property, plant and equipment	17	(7,197)	(5,316)
Proceeds from sales of property, plant and equipment	17	85	227
Investment in intangible assets	18	(12,580)	(17,313)
Cash outflows from investing activities		**(19,728)**	**(54,328)**
Dividends paid	22	(16,488)	(16,651)
Purchase of treasury shares	22	(6)	–
Proceeds from sales of treasury shares	22	10,762	3,387
Change in current bank liabilities	19	2,028	(655)
Increase in bank loans	19	1,654	1,372
Repayment of bank loans	19	–	(2,793)
Repayment of other loans	19	–	(370)
Interest paid		(178)	(118)
Cash outflows from financing activities		**(2,228)**	**(15,828)**
Effect of exchange rate fluctuations on cash held		(96)	303
Increase/(decrease) in cash and cash equivalents		**5,857**	**(21,662)**
Cash and cash equivalents at January 1		144,520	150,377
Cash and cash equivalents at December 31	12	**150,377**	**128,715**

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 January 1, 2013		**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	–	(508)	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**
Profit for the period		–	–	–	40,216	–	40,216
Other comprehensive income, net of income taxes		–	–	–	(10,680)	3,826	(6,854)
Total comprehensive income for the period		**–**	**–**	**–**	***29,536***	***3,826***	***33,362***
Dividends paid	22	–	–	–	(16,651)	–	(16,651)
Share-based payments	10	–	–	–	5,288	–	5,288
Treasury shares issued based on employee participation plans	10/22	–	210	2,774	–	–	2,984
Other change in treasury shares (net)	22	–	8	5	–	–	13
Total contributions by and distributions to owners		**–**	***218***	***2,779***	***(11,363)***	**–**	***(8,366)***
Balance at December 31, 2014		**1,144**	**9,519**	**(10,372)**	**388,150**	**(27,243)**	**361,198**

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, 2014. 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 13, 2015. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 16, 2015.

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 2.7.10). 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 and 20 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, 2014, the net liability for current income taxes was CHF 6.5 million and the net asset for deferred taxes was CHF 4.3 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 127.3 million at the end of 2014. In

October 2014, the first version of the instrument was launched and the customer calls the units with individual purchase orders. The corresponding development costs are 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, 2014, 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 2014, the Group has capitalized development costs in the amount of CHF 29.4 million as disclosed in note 18.

2.2.6 *Impairment test on goodwill*

At December 31, 2014 the goodwill 'Life Sciences Business' was CHF 47.9 million. The Group performed the mandatory annual impairment test in July 2014 and a second test in December 2014 due to the increase in goodwill 'Life Sciences Business' resulting from the acquisition of IBL International Group. Based on these tests, there was no need for the recognition of any impairment. However, the calculation of the recoverable amount 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, 2014:

Standard/interpretation[1]
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IAS 32 amended 'Financial Instruments: Presentation' – Offsetting Financial Assets and Liabilities
IAS 39 amended 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 'Levies'

[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.

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
IAS 19 amended 'Employee Benefits' – 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 10 amended 'Consolidated Financial Statements' and IAS 28 amended 'Investments in Associates and Joint Ventures' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Reporting year 2016
IFRS 11 amended 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations	Reporting year 2016
IAS 1 amended 'Presentation of Financial Statements' – Disclosure Initiative	Reporting year 2016
IAS 16 amended 'Property, Plant and Equipment' and IAS 38 amended 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortization	Reporting year 2016
IAS 27 amended 'Separate Financial Statements' – Equity Method	Reporting year 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Reporting year 2016
Annual improvements to IFRSs 2012 – 2014 Cycle	Reporting year 2016
IFRS 15 'Revenue from Contracts with Customers'	Reporting year 2017
IFRS 9 'Financial Instruments'	Reporting year 2018

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

These changes are not expected to have a significant impact on the consolidated financial statements except for IFRS 15 'Revenue from Contracts with Customers'. However, a comprehensive and profound analysis is yet to be performed.

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 (exception: Canadian subsidiary IBL International with functional currency USD). 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 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.

2.7.2. 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 2.7.10 'Construction contracts').

2.7.3 Government research subsidies

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

2.7.4 Employee benefits – retirement and long-service leave benefit plans (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, considering possible risk sharing arrangements. 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.

2.7.5 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.

2.7.6 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 within operating result and 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 within operating result and 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.

2.7.7 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).

2.7.8 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.

2.7.9 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.

2.7.10 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.

2.7.11 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 (2013: none).

2.7.12 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.

2.7.13 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 (2013: 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.

2.7.14 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 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 technology	10 years
Acquired client relationships	7 – 17 years
Acquired brand	10 years

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

2.7.15 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.

2.7.16 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 costs of disposal 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.

2.7.17 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.

2.7.18 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.

2.7.19 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.

2.7.20 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.

2.7.21 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.

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 IBL International Group as of July 30, 2014 consisting of the following companies:

Company	Domicile	Participation in %	Activities
IBL International Holding B.V.	Deventer (NL)	100%	S
• IBL International GmbH	Hamburg (DE)	100%	R/P/D
• IBL International B.V.	Nijkerk (NL)	100%	D
• IBL International Corp.	Toronto (CA)	100%	D
• IBL International Corp.	Delaware (US)	100%	inactive

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

Established over 30 years ago, the IBL International Group employs staff of over 80 and has its main operations located in Hamburg, Germany. Further, the Group has dedicated sales teams in Germany, North America and the Benelux as well as an extensive distributor network. The IBL International Group develops, manufactures and offers a comprehensive portfolio of immunoassays for the life science research and routine clinical diagnostics. The acquired Group is part of the business segment 'Life Sciences Business', leveraging Tecan's global presence and strong position in immunoassay instruments.

The fair value of the identifiable assets and liabilities of IBL International Group and the net cash outflow at the date of acquisition were:

CHF 1,000	30.07.2014
Cash and cash equivalents	762
Trade accounts receivable	1,261
Inventories	3,127
Income tax receivables	148
Other current assets	2,834
Non-current financial assets	134
Property, plant and equipment	1,333
Intangible asset 'acquired in-process R&D'	151
Intangible asset 'acquired technology'	4,640
Intangible asset 'acquired client relationships'	6,867
Intangible asset 'acquired brand'	1,009
Deferred tax assets	6
Assets	**22,272**
Current bank liabilities	(1,263)
Trade and other accounts payable	(4,051)
Deferred revenue	(200)
Income tax payables	(668)
Accrued expenses	(826)
Provisions	(1,186)
Other non-current liabilities	(373)
Deferred tax liabilities	(2,452)
Liabilities	**(11,019)**
Total identifiable net assets at fair value	**11,253**
Goodwill arising on acquisition	21,344
Consideration transferred for the business combination	**32,597**
Cash acquired	(762)
Net cash outflow	**31,835**

Trade accounts receivable comprise gross contractual amounts due of CHF 1,331,000, of which CHF 70,000 was expected to be uncollectable at the acquisition date.

The acquisition was accounted for using the acquisition method. The resulting goodwill includes expected synergies from the acquisition, the work force and potentially other intangible assets that could not be valued separately. It is not expected to be deductible for tax purposes. The Group incurred acquisition-related costs of CHF 0.8 million on legal fees and due diligence costs. These costs have been included in 'General and administration'.

In the five months to December 31, 2014, IBL International Group contributed sales of CHF 9.1 million and operating profit of CHF 0.5 million to the Group's results. If the acquisition had occurred on January 1, 2014, management estimates that consolidated sales would have been CHF 411.4 million and consolidated operating profit for the year would have been CHF 57.9 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2014.

4 Segment information

4.1 Information by business segments

CHF 1,000	Life Sciences Business 2013	Life Sciences Business 2014	Partnering Business 2013	Partnering Business 2014	Corporate/consolidation 2013	Corporate/consolidation 2014	Group 2013	Group 2014
Sales third	223,706	236,271	164,586	163,247	–	–	388,292	399,518
Intersegment sales[1]	12,776	10,721	3,318	3,604	(16,094)	(14,325)	–	–
Total sales	**236,482**	**246,992**	**167,904**	**166,851**	**(16,094)**	**(14,325)**	**388,292**	**399,518**
Operating profit	**18,375**	**40,182**	**42,740**	**24,936**	**(6,315)**	**(7,915)**	**54,800**	**57,203**
Depreciation and amortization[2]	(6,608)	(6,603)	(3,651)	(3,736)	–	–	(10,259)	(10,339)
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	2013	2014
Reconciliation of reportable segment sales		
Total sales for reportable segments	404,386	413,843
Elimination of intersegment sales	(16,094)	(14,325)
Total consolidated sales	**388,292**	**399,518**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	61,115	65,118
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(6,315)	(7,915)
Financial result	693	(8,059)
Total consolidated profit before taxes	**55,493**	**49,144**

4.2 Entity-wide disclosures

Products and service

CHF 1,000	2013	2014
Products	255,769	264,936
Services	132,523	134,582
Total sales third	**388,292**	**399,518**

Sales by regions (by location of customers)

CHF 1,000	2013	2014
Switzerland	11,792	11,448
Other Europe	155,103	165,223
North America	159,122	152,837
Asia	50,969	58,185
Others	11,306	11,825
Total sales third	**388,292**	**399,518**

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

CHF 1,000	Property, plant and equipment 2013	Property, plant and equipment 2014	Intangible assets 2013	Intangible assets 2014
Switzerland	10,721	9,414	46,720	81,521
Other Europe	4,884	5,942	1,419	12,946
North America	3,814	4,304	–	751
Asia	436	454	432	352
Balance at December 31	**19,855**	**20,114**	**48,571**	**95,570**

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	2013	2014
Material costs	122,222	123,435
Personnel costs	141,565	148,130
Depreciation of property, plant and equipment	6,454	6,271
Amortization of intangible assets	3,805	4,068
Other operating costs (net)	106,380	94,815
Total operating costs incurred (gross)	**380,426**	**376,719**
Capitalization of development costs in position inventories (see note 15)	(36,686)	(18,182)
Capitalization of development costs in position intangible assets (see note 18)	(10,248)	(16,222)
Total operating expenses, according to statement of profit or loss	**333,492**	**342,315**

6 Research and development

CHF 1,000	2013	2014
Gross research and development costs incurred[1]	104,144	84,852
Reclassification to cost of sales to match with revenue from development services	(14,471)	(13,532)
Capitalization of development costs in position inventories (see note 15)	(36,686)	(18,182)
Capitalization of development costs in position intangible assets (see note 18)	(10,248)	(16,222)
Amortization of development costs and acquired technology	2,584	2,535
Total research and development (gross), according to statement of profit or loss	**45,323**	**39,451**
Government research subsidies	(1,807)	(1,945)
Total research and development (net)	43,516	37,506

[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 9.9% of sales (2013: 11.7%).

7 Other operating income

CHF 1,000	2013	2014
Government research subsidies	1,807	1,945
Other operating income (miscellaneous)	48	29
Total other operating income	**1,855**	**1,974**

8 Financial result

CHF 1,000	2013	2014
Finance income		
Interest income	115	29
Fair value adjustments on cash-settled share-based payment plans	4	–
Other	116	–
Subtotal finance income	*235*	*29*
Finance cost		
Interest expenses	(179)	(119)
Net interest cost on liability for post-employment benefits	(342)	(336)
Other	–	1
Subtotal finance cost	*(521)*	*(454)*
Foreign exchange gains/(losses)		
Result from derivatives (net)	1,281	(8,029)
Other foreign exchange (losses)/gains (net)	(302)	395
Subtotal foreign exchange gains/(losses)	*979*	*(7,634)*
Total financial result	**693**	**(8,059)**

9 Earnings per share

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

	2013	2014
Number of shares issued	11,444,576	11,444,576
Number of treasury shares	(362,840)	(286,020)
Average number of shares outstanding	*10,977,758*	*11,093,767*
Basic earnings per share (CHF/share)	**4.16**	**3.63**
Employee share option plans		
Average number of shares under option total	206,722	125,122
Average number of shares under option dilutive	190,130	125,122
Average exercise price	62.30	72.92
Number of shares that would have been issued at average market price for the year of CHF 104.93 (2013: CHF 90.40).	131,031	86,948
Adjustment for dilutive share options	59,099	38,174
Employee share plans		
Adjustment for not vested shares (PSMP/initial grant and other share plans)	28,890	31,337
Adjustment for contingently issuable shares (PSMP/matching shares)	58,648	95,801
Average number of shares outstanding after dilution	*11,124,395*	*11,259,079*
Diluted earnings per share (CHF/share)	**4.11**	**3.57**

10 Employee benefits

10.1 Number of employees

FTE[1]	2013	2014
Employees – year-end	1,184	1,261
Employees – average	1,190	1,265

[1] FTE = Full time equivalent

10.2 Personnel expenses

Personnel expenses include the following:

CHF 1,000	2013	2014
Salaries and wages	113,203	116,131
Social security	15,134	15,468
Post-employment benefits based on		
Defined contribution plans	1,321	1,267
Defined benefit plans	6,364	6,451
Share-based payment	2,359	5,288
Other personnel expenses	3,184	3,525
Total personnel expenses	**141,565**	**148,130**

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

	2013			2014		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	4	3	7	4	3	7
Actives						
Number	451	109	560	427	107	534
Defined benefit obligation (CHF 1,000)	78,395	4,346	82,741	91,435	4,753	96,188
Weighted average duration in years	20.2	11.1	19.7	24.2	10.9	23.7
Retirees						
Number	17	–	17	25	–	25
Defined benefit obligation (CHF 1,000)	423	–	423	1,062	–	1,062
Weighted average duration in years	14.4	–	14.4	16.4	–	16.4
Total						
Number	468	109	577	452	107	559
Defined benefit obligation (CHF 1,000)	78,818	4,346	83,164	92,497	4,753	97,250
Weighted average duration in years	19.5	11.1	19.1	23.1	10.9	22.5

The Group expects to contribute CHF 4.4 million to its defined benefit plans in 2015.

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 2014) 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 2013 and 2014.

Country	Benefits	Funded/ Unfunded	Description and risks
Austria (International plans)	Long-service leave benefits	Unfunded	*Nature of the benefits provided* The severance-payments plan of Tecan Austria GmbH and Tecan Sales Austria GmbH guarantees 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 an 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 2013 and 2014.
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	2013	2014
Swiss plans		
Present value of obligations arising from retirement benefit plans	78,818	92,497
Fair value of plan assets	(66,391)	(65,860)
Deficit Swiss plans (funded)	*12,427*	*26,637*
International plans		
Present value of obligations arising from long-service leave benefit plans	3,319	3,851
Present value of obligations arising from retirement benefit plans	1,027	902
Deficit International plans (unfunded)	*4,346*	*4,753*
Net liability at December 31	**16,773**	**31,390**

The components of defined benefit cost are as follows:

CHF 1,000	2013 Swiss plans	2013 International plans	2013 Total	2014 Swiss plans	2014 International plans	2014 Total
Current service cost	6,053	311	6,364	6,132	319	6,451
Defined benefit cost included in operating profit	**6,053**	**311**	**6,364**	**6,132**	**319**	**6,451**
Net interest cost on liability for post-employment benefits	217	125	342	209	127	336
Defined benefit cost included in finance cost	**217**	**125**	**342**	**209**	**127**	**336**
Total defined benefit cost included in profit or loss	**6,270**	**436**	**6,706**	**6,341**	**446**	**6,787**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	—	(4)	(4)	—	(11)	(11)
Changes in financial assumptions	(2,592)	144	(2,448)	17,811	419	18,230
Experience adjustments	(434)	(66)	(500)	(5,655)	(160)	(5,815)
Return on plan assets (excluding interest income)	435	—	435	432	—	432
Remeasurement (gain)/loss, included in other comprehensive income	**(2,591)**	**74**	**(2,517)**	**12,588**	**248**	**12,836**
Translation differences, included in other comprehensive income	—	(111)	(111)	—	(89)	(89)
Total defined benefit cost recognized	**3,679**	**399**	**4,078**	**18,929**	**605**	**19,534**

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

CHF 1,000	2013 Swiss plans	2013 International plans	2013 Total	2014 Swiss plans	2014 International plans	2014 Total
Balance at January 1	77,498	4,027	81,525	78,818	4,346	83,164
Current service cost	6,053	311	6,364	6,132	319	6,451
Employee contributions	3,215	—	3,215	3,163	—	3,163
Insurance premiums	(1,714)	—	(1,714)	(1,534)	—	(1,534)
Benefits paid	(4,818)	(80)	(4,898)	(8,041)	(198)	(8,239)
Interest expense	1,610	125	1,735	1,803	127	1,930
Actuarial losses/(gains)	(3,026)	74	(2,952)	12,156	248	12,404
Translation differences	—	(111)	(111)	—	(89)	(89)
Balance at December 31	**78,818**	**4,346**	**83,164**	**92,497**	**4,753**	**97,250**

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

CHF 1,000	2013 Swiss plans	2013 International plans	2013 Total	2014 Swiss plans	2014 International plans	2014 Total
Balance at January 1	63,921	—	63,921	66,391	—	66,391
Employer contributions	4,829	—	4,829	4,719	—	4,719
Employee contributions	3,215	—	3,215	3,163	—	3,163
Insurance premiums	(1,714)	—	(1,714)	(1,534)	—	(1,534)
Benefits paid	(4,818)	—	(4,818)	(8,041)	—	(8,041)
Interest income	1,393	—	1,393	1,594	—	1,594
Return on plan assets (excluding interest income)	(435)	—	(435)	(432)	—	(432)
Balance at December 31	**66,391**	—	**66,391**	**65,860**	—	**65,860**

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):

	2013		2014	
	Swiss plans	International plans	Swiss plans	International plans
Discount rates	2.30%	2.96%	1.10%	1.85%
Rate of future salary increases	1.75%	2.99%	1.75%	2.84%
Rate of future pension increases	0.25%	0.00%	0.25%	0.00%
Rates for the projection of savings capital	2.00%	n/a	1.75%	n/a
Post-retirement mortality table	BVG2010GT	various	BVG2010GT	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			2014		
CHF 1,000	Change in actuarial assumptions	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Discount rates	– 25 basis points	3,873	119	3,992	5,108	132	5,240
	+ 25 basis points	(3,433)	(115)	(3,548)	(4,667)	(124)	(4,791)
Rate of future salary increases	– 25 basis points	(832)	(111)	(943)	(883)	(118)	(1,001)
	+ 25 basis points	857	114	971	866	127	993
Life expectancy	– 1 year	(1,427)	(13)	(1,440)	(2,130)	(14)	(2,144)
	+ 1 year	1,359	13	1,372	2,107	15	2,122

(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 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	Vesting period completed	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
Plan 2015 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2014	34,260 options CHF 100.40	One / two / three years of service for 33% / 33% / 34% of options	7 years	November 2, 2021

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:

	2013				2014			
	Weighted average exercise price (CHF)		Number		Weighted average exercise price (CHF)		Number	
	Options	SARs	Options	SARs	Options	SARs	Options	SARs
Balance at January 1	62.05	48.40	260,689	4,080	70.41	–	148,704	–
Granted	95.00	–	33,184	–	100.10	–	34,260	–
Exercised	60.96	48.80	(131,529)	(2,797)	64.38	–	(46,297)	–
Forfeited	64.34	–	(4,504)	–	70.91	–	(8,258)	–
Expired	60.33	48.80	(9,136)	(1,283)	68.27	–	(4,030)	–
Balance at December 31	**70.41**	**–**	**148,704**	**–**	**80.96**	–	**124,379**	–

The weighted average share price at the dates of exercise was CHF 89.07 in 2013 and CHF 104.85 in 2014.

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

		2013		2014	
	Exercise price	Remaining contractual life (years)	Number	Remaining contractual life (years)	Number
Plan 2008 B	69.0	0.9	7,230	–	–
Plan 2009 B	39.7	1.9	11,065	0.9	7,282
Plan 2010	70.0	2.9	15,096	1.9	8,207
Plan 2011	69.0	3.8	18,466	2.8	10,501
Plan 2012	57.2	4.8	30,777	3.8	14,198
Plan 2013	69.6	5.8	32,886	4.8	20,240
Plan 2014	95.0	6.8	33,184	5.8	29,691
Plan 2015		–	–	6.8	34,260
Balance at December 31		**3.2**	**148,704**	**–**	**124,379**
Exercisable at December 31			71,149		58,114

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**
Plan 2015	CHF 100.40	CHF 100.40	22.54%	7.0 years	2.42%	0.45%	**CHF 18.54**

[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) 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	Extended Management Board 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, 2014	6,540 shares (maximum of potential shares granted)	CHF 92.25	January 1, 2013 to December 31, 2015	Three years of service and performance target
Performance share matching plan (PSMP) 2014 – extended Management Board (eMB)					
Initial grant	Extended Management Board on April 15, 2014	18,269 shares	CHF 103.50	Graded vesting from January 1, 2014 to December 31, 2016[1]	Three years of service
Matching shares	Extended Management Board on April 15, 2014	55,058 shares (maximum of potential shares granted)	CHF 99.00	January 1, 2014 to December 31, 2016	Three years of service and performance target
Performance share matching plan (PSMP) 2014 – other Management (oM)					
Initial grant	Other management on April 15, 2014	4,569 shares	CHF 103.50	Graded vesting from January 1, 2014 to December 31, 2016[1]	Three years of service
Matching shares	Other management on April 15, 2014	11,423 shares (maximum of potential shares granted)	CHF 99.00	January 1, 2014 to December 31, 2016	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 2011/2012/2013 and the portion of the realized cash bonus in excess of 100% of its target cash bonus 2012/2013 in Tecan shares at market prices (average share price from January 1 to April 30, 2012/2013/2014). 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)	2013	2014
Balance at January 1	220,438	217,452
Granted	79,590	89,319
De-blocked and transferred to employee	(17,866)	(30,842)
Forfeited	(64,710)	(46,497)
Balance at December 31	**217,452**	**229,432**
Thereof vested, but blocked until the end of the performance period	33,485	25,727

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]
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	2,517	20,843	2.50	52,108
PSMP 2013 - oM	2,616	n/a	n/a	2,616	2.50	6,540
2014						
PSMP 2012 – BoD	2,712	n/a	n/a	2,712	0.00	–
PSMP 2012 – eMB	21,028	530	2,015	23,573	0.00	–
PSMP 2013 – eMB	17,353	n/a	2,517	19,870	1.40	27,818
PSMP 2013 – oM	2,511	n/a	n/a	2,511	1.40	3,515
PSMP 2014 – eMB	17,464	n/a	3,754	21,218	2.50	53,044
PSMP 2014 – oM	4,569	n/a	n/a	4,569	2.50	11,423

[1] Only shares that qualify for matching shares

[2] Not adjusted for expected fluctuation

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

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 2014 – 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 April 15, 2014	3,151 shares	CHF 105.00	Graded vesting from May 1, 2014 to April 30, 2015	One year of service

10.4.3 Total expenses recognized

CHF 1,000	2013	2014
Expenses arising from equity-settled share option plans	745	585
Expenses arising from performance share matching plans	1,258	4,347
Expenses arising from other share plans	356	356
Total personnel expenses recognized with impact on operating profit	*2,359*	*5,288*
Effect of changes in the fair value of SARs with impact on the financial result	(4)	–
Total expenses	**2,355**	**5,288**

11 Income taxes

11.1 Income taxes in statement of profit or loss and reconciliation

CHF 1,000	2013	2014
Current income taxes	8,647	7,877
Deferred income taxes	1,175	1,051
Total income taxes	**9,822**	**8,928**

The income tax expense can be analyzed as follows:

CHF 1,000	2013	2014
Profit before taxes	55,493	49,144
Tax expense based on the Group's weighted average rate of 20.4% (2013: 21.5%)	*11,915*	*10,021*
Non-deductible expenses and additional taxable income	432	979
Tax-free income and tax reductions	(2,491)	(3,051)
Utilization of tax losses for which no deferred tax assets were previously recognized	–	(238)
Unrecoverable withholding tax	226	416
(Over)/under provided in prior years	(368)	468
Effect of tax rate change on opening deferred taxes	108	333
Tax expense reported	**9,822**	**8,928**

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 2014 decreased to 20.4%.

11.2 Deferred income taxes

11.2.1 Overview

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2013	2014
Deferred tax assets	9,163	11,953
Deferred tax liabilities	(3,869)	(7,678)
Net deferred tax asset at December 31	**5,294**	**4,275**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2013	Change 2014	2014
Net deferred tax assets arising from temporary differences			
Receivables	(92)	767	675
Inventories	1,859	(37)	1,822
Property, plant and equipment	(805)	(53)	(858)
Intangible assets	(1,556)	(4,073)	(5,629)
Liabilities and accrued expenses	5,853	3,159	9,012
Provisions	194	80	274
Other	57	(69)	(12)
Subtotal net deferred tax assets arising from temporary differences	*5,510*	*(226)*	*5,284*
Deferred taxes provided on expected dividends from subsidiaries	(1,275)	(428)	(1,703)
Potential tax benefits from tax loss carry-forwards	1,059	(365)	694
Net deferred tax asset at December 31	**5,294**	**(1,019)**	**4,275**
Deferred taxes recognized in profit or loss	(1,175)		(1,051)
Deferred taxes recognized in other comprehensive income	(520)		2,156
Deferred taxes recognized in equity	(78)		(104)
Acquisition through business combination	–		(2,446)
Translation differences	(324)		426
Total change compared with previous year	*(2,097)*		*(1,019)*

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

11.2.2 Potential tax benefits from tax loss carry-forwards

Tax loss carry-forwards:

CHF 1,000	Gross value of tax loss carry forwards not capitalized		Potential tax benefits	
	2013	2014	2013	2014
Expiring in				
1st – 5th year			–	–
6th year or beyond			–	–
Unlimited			1,059	694
Tax loss carry–forwards capitalized at December 31			**1,059**	**694**
Expiring in				
1st – 5th year	–	–	–	–
6th year or beyond	–	2,200	–	550
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**–**	**2,200**	**–**	**550**
Total tax loss carry-forwards	**–**	**2,200**	**1,059**	**1,244**

Due to the decided and anticipated changes in company structure, potential tax benefits in the amount of CHF 0.6 million were not capitalized.

11.2.3 Unrecognized deferred tax liabilities

At December 31, 2014, there were temporary differences of CHF 179.8 million related to investments in subsidiaries for which no deferred tax liabilities were recognized since the Group controls the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The corresponding unrecognized amount is not material.

12 Cash and cash equivalents

CHF 1,000	2013	2014
Bank balances		
Denominated in CHF	119,493	87,538
Denominated in EUR	9,854	16,902
Denominated in GBP	1,821	1,538
Denominated in USD	15,476	19,143
Denominated in JPY	498	810
Denominated in other currencies	3,235	2,784
Balance at December 31	**150,377**	**128,715**
Effective interest rate	0.07%	0.02%

13 Current derivatives

CHF 1,000	2013	2014
Current derivatives	2,599	1,824
Balance at December 31	**2,599**	**1,824**

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	2013	2014
Trade accounts receivable		
Denominated in CHF	19,684	32,715
Denominated in EUR	20,538	20,303
Denominated in GBP	1,437	1,213
Denominated in USD	28,743	32,800
Denominated in JPY	1,035	2,625
Denominated in other currencies	4,486	8,302
Subtotal trade accounts receivable	*75,923*	*97,958*
Allowance for doubtful accounts		
Individual impairment allowance account	(1,501)	(1,542)
Collective impairment allowance account	(38)	(233)
Subtotal allowance for doubtful accounts	*(1,539)*	*(1,775)*
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	476	2,721
Amounts of advances received	(208)	(955)
Subtotal construction contracts in progress	*268*	*1,766*
Balance at December 31	**74,652**	**97,949**
(Decrease) /increase	(6,538)	19,651
Acquisition through business combination	–	1,261
Translation differences	(1,202)	2,385
Total change compared with previous year	*(7,740)*	*23,297*
Amount of contract revenue recognized as sales in the statement of profit or loss relating to construction contracts	6,842	7,661

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

CHF 1,000	2013	2014
Switzerland (domestic)	3,645	2,549
Euro-zone countries	23,289	33,562
Other European countries	3,358	6,695
North America	34,385	39,901
Asia	9,286	11,998
Other	1,960	3,253
Balance at December 31	**75,923**	**97,958**

The Group's most significant customer accounts for 10.4% of the trade accounts receivable carrying amount at December 31, 2014 (December 31, 2013: 6.1%).

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

CHF 1,000	2013	2014
Individual impairment allowance account		
Balance at January 1	(2,152)	(1,501)
Change in impairment losses	596	(8)
Write-offs	45	5
Translation differences	10	(38)
Balance at December 31	**(1,501)**	**(1,542)**
Amount of trade accounts receivable with individual impairment (gross)	1,918	1,839
Collective impairment allowance account		
Balance at January 1	(58)	(38)
Change in impairment losses	21	(193)
Translation differences	(1)	(2)
Balance at December 31	**(38)**	**(233)**

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

	2013		2014	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	61,703	(25)	49,680	(28)
Past due 1–30 days	7,738	(11)	40,549	(7)
Past due 31–90 days	4,234	(2)	5,355	–
Past due 91–360 days	228	–	516	(196)
Past due more than one year	102	–	19	(2)
Balance at December 31	**74,005**	**(38)**	**96,119**	**(233)**

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 2013 and 2014 represents less than 1% of sales.

15 Inventories

CHF 1,000	2013	2014
Raw materials, semi-finished and finished goods	41,034	54,299
Allowance for slow-moving inventories	(8,167)	(8,965)
Work in progress	2,451	2,343
Capitalized customer-specific development costs	110,375	127,500
Balance at December 31	**145,693**	**175,177**
Increase	36,357	25,490
Acquisition through business combination	–	3,127
Translation differences	(88)	867
Total change compared with previous year	*36,269*	*29,484*
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss	1,098	3,799

16 Non-current financial assets

CHF 1,000	2013	2014
Non-current derivatives	761	15
Rent deposits	728	777
Balance at December 31	**1,489**	**792**

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 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 from/to 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 from/to 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**

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Total 2014
At cost					
Balance at January 1, 2014	9,237	13,440	32,067	19,977	74,721
Acquisition through business combination	6	111	1,028	188	1,333
Additions	168	650	3,178	1,320	5,316
Disposals	(53)	(332)	(2,199)	(1,747)	(4,331)
Reclassification between the classes of PPE and from/to inventories	(1)	273	(330)	(15)	(73)
Translation differences	316	111	407	364	1,198
Balance at December 31, 2014	**9,673**	**14,253**	**34,151**	**20,087**	**78,164**
Accumulated depreciation and impairment losses					
Balance at January 1, 2014	6,978	10,117	20,759	17,012	54,866
Annual depreciation	570	1,046	2,802	1,853	6,271
Disposals	(52)	(251)	(1,795)	(1,737)	(3,835)
Reclassification between the classes of PPE and from/to inventories	–	–	(84)	(14)	(98)
Translation differences	203	63	262	318	846
Balance at December 31, 2014	**7,699**	**10,975**	**21,944**	**17,432**	**58,050**
Net book value	**1,974**	**3,278**	**12,207**	**2,655**	**20,114**

There were no material purchase commitments as of year-end 2013 and 2014.

18 Intangible assets and goodwill

18.1 Overview

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

CHF 1,000	Software	Development costs	Acquired technology	Acquired client relationships	Acquired brand	Goodwill	Total 2014
At cost							
Balance at January 1, 2014	25,377	23,424	–	606	–	26,811	76,218
Acquisition through business combination	–	151	4,640	6,867	1,009	21,344	34,011
Internally developed	1,091	16,222	–	–	–	–	17,313
Translation differences	–	(2)	(44)	22	(11)	(224)	(259)
Balance at December 31, 2014	**26,468**	**39,795**	**4,596**	**7,495**	**998**	**47,931**	**127,283**
Accumulated amortization and impairment losses							
Balance at January 1, 2014	19,468	8,005	–	174	–	–	27,647
Annual amortization	1,231	2,342	193	259	43	–	4,068
Impairment losses	–	–	–	–	–	–	–
Translation differences	1	–	(2)	–	(1)	–	(2)
Balance at December 31, 2014	**20,700**	**10,347**	**191**	**433**	**42**	**–**	**31,713**
Net book value	**5,768**	**29,448**	**4,405**	**7,062**	**956**	**47,931**	**95,570**

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

CHF 1,000	2013	2014
Cost of sales	–	-
Sales and marketing	98	302
Research and development	2,584	2,535
General and administration	1,123	1,231
Total amortization	**3,805**	**4,068**

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 of disposal 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 of disposal; therefore, fair value less costs of disposal 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 2014

The Group performed impairment tests on cash-generating units containing goodwill in December 2014, using the following key assumptions:

Goodwill 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	47,931 including the increase from the acquisition of IBL International Group	December 2014	Value in use	7.8 %	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, 2014.

Based on the impairment tests 2014, 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 2013

The Group performed impairment tests on cash-generating units containing goodwill in July 2013, using the following key assumptions:

Goodwill 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.

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, 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**
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**

CHF 1,000	Other current bank liabilities	Current derivatives (see note 24)	Current portions of non–current bank loans	Total current	Bank loans	Other loans	Non–current derivatives (see note 24)	Total non–current
Balance at January 1, 2014	2,086	680	2,822	**5,588**	2,002	–	11	**2,013**
Acquisition through business combination	1,263	–	–	**1,263**	–	373	–	**373**
Increase/(decrease)	(655)	–	–	**(655)**	–	–	–	**–**
Change in fair value	–	6,524	–	**6,524**	–	–	1,973	**1,973**
Increase in bank loans	–	–	–	**–**	1,372	–	–	**1,372**
Repayment of bank loans	–	–	(2,793)	**(2,793)**	–	–	–	–
Repayment of other loans	–	–	–	**–**	–	(370)	–	**(370)**
Translation differences	(3)	–	(29)	**(32)**	(53)	(3)	–	**(56)**
Balance at December 31, 2014	**2,691**	**7,204**	**–**	**9,895**	**3,321**	**–**	**1,984**	**5,305**
Analysis by currency								
Denominated in CHF				–				–
Denominated in EUR				–				3,321
Denominated in USD				7,139				1,984
Denominated in JPY				1,147				–
Denominated in AUD				1,543				–
Denominated in other currencies				66				–
Total				**9,895**				**5,305**
Analysis by interest rates								
Interest–free				7,205				1,984
Variable interest rates depending on LIBOR				–				–
Fixed interest rate				–				–
0 % – 2 %				2,690				3,321
2 % – 4 %				–				–
4 % – 6 %				–				–
Total				**9,895**				**5,305**

In 2014, the average interest rate paid on bank loans was 1.5% (2013: 1.7%).

20 Deferred revenue

	2013		2014	
CHF 1,000	Current	Non-current	Current	Non-current
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	2,263	–	5,650	19,123
Deferred income related to service contracts	16,291	–	19,167	–
Construction contracts in progress				
Aggregate amount of cost incurred and recognized profits	(838)	–	(3,720)	–
Amounts of advances received	1,023	–	5,152	–
Subtotal construction contracts in progress	*185*	–	*1,432*	–
Balance at December 31	**18,739**	**–**	**26,249**	**19,123**
Increase		703		25,359
Acquisition through business combination		–		200
Translation differences		(384)		1,074
Total change (current and non-current) compared with previous year		*319*		*26,633*

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 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)

CHF 1,000	Restructuring	Warranties and returns	WEEE[1]	Legal cases	Other	Total 2014
Balance at January 1, 2014	297	11,628	932	360	3,667	16,884
Acquisition through business combination	–	306	–	–	880	1,186
Provisions made	–	1,563	83	282	3,641	5,569
Provisions used	(297)	(2,332)	(5)	(13)	(50)	(2,697)
Provisions reversed	–	(332)	–	(148)	(364)	(844)
Unwind of discounts	–	–	–	–	–	–
Translation differences	–	111	(13)	16	6	120
Balance at December 31, 2014	–	**10,944**	**997**	**497**	**7,780**	**20,218**
Thereof current	–	10,944	–	496	5,791	17,231
Thereof non–current	–	–	997	–	1,990	2,987

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

The provision for legal cases (2014: CHF 0.5 million and 2013: CHF 0.4 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 (2014: CHF 4.9 million and 2013: CHF 1.6 million), to other non-current employee benefits (2014: CHF 1.9 million and 2013: CHF 1.5 million) and to several minor items (2014: CHF 1.0 million and 2013: CHF 0.6 million).

22 Shareholders' equity

22.1 Share capital and capital reserve

Holders of ordinary shares are entitled to dividends and to one vote per share at the General Meetings of Shareholders. All payments of the shareholders in excess to the nominal value of the share (CHF 0.10 / share) are classified to capital reserve (share premium).

22.2 Nature and purpose of the equity reserves

22.2.1 Treasury shares

The Position 'Treasury shares' comprises the cost of the treasury shares held by the Group. All rights attached to treasury shares are suspended until those shares are reissued.

22.2.2 Translation differences

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

22.3 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, 2013	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**
Treasury shares issued based on employee participation plans	-	76,695	76,695
Sale of treasury shares	-	125	125
Balance at December 31, 2014	**11,444,576**	**(286,020)**	**11,158,556**

22.4 Dividends paid

	2013	2014	2015 (proposed)
Number of shares eligible for dividend	10,991,802	11,098,831	
Dividends paid (CHF/share)	0.50	1.50	1.50
Payout from statutory capital contribution reserve (CHF/share)	1.00	–	

22.5 Conditional share capital reserved for the employee participation plans

Shares (each share has a nominal value of CHF 0.10)	2013	2014
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)	148,704	124,739
Shares granted to employees based on performance share matching plans, not yet transferred (see note 10)	162,709	182,740
Shares granted to employees based on other share plans, not yet transferred (see note 10)	6,075	5,373

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

	2013	2014
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	14.04.16
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.

22.7 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% (reported in 2014: 65.4% and 2013: 72.0%), 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:

		Closing exchange rates		Average exchange rates January to December	
CHF		31.12.2013	31.12.2014	2013	2014
EUR	1	1.23	1.20	1.23	1.21
GBP	1	1.48	1.55	1.45	1.51
SEK	100	13.87	12.74	14.23	13.35
USD	1	0.89	0.99	0.93	0.92
SGD	1	0.71	0.75	0.74	0.72
CNY	1	0.15	0.16	0.15	0.15
JPY	100	0.85	0.83	0.95	0.87
AUD	1	0.80	0.81	0.90	0.83

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	2013	2014
Financial assets held for trading		
Derivatives	3,360	1,839
Loans and receivables		
Cash and cash equivalents	150,377	128,715
Trade accounts receivable[1]	74,384	96,183
Other accounts receivable[1]	1,414	809
Non-current financial assets	728	777
Balance at December 31	**226,903**	**226,484**
Financial liabilities held for trading		
Derivatives	691	9,188
Financial liabilities measured at amortized cost		
Bank liabilities and loans	6,910	6,012
Trade accounts payable	10,292	12,941
Other accounts payable[1]	9	56
Accrued expenses	32,967	35,224
Balance at December 31	**50,178**	**54,233**

[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, 2014, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been CHF 0.5 million (2013: CHF 0.6 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:

	2013				2014			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Cash and cash equivalents	406	8,111	14,765	3,733	239	11,635	15,548	2,372
Trade accounts receivable[1]	3,262	1,074	929	99	3,215	1,046	4,703	1,970
Other accounts receivable[1]	–	–	–	–	–	–	–	–
Non-current financial assets	–	30	–	–	–	42	–	–
Current bank liabilities	–	–	–	(1,997)	–	–	–	(2,690)
Trade accounts payable	(12)	(1,892)	(769)	(53)	–	(3,053)	(850)	(31)
Other accounts payable[1]	–	–	–	–	–	–	–	–
Accrued expenses	–	–	–	(23)	–	–	(60)	(21)
Non-current bank liabilities	–	–	–	–	–	–	–	–
Foreign currency forwards	–	–	2,739	–	–	–	(6,354)	(66)
Foreign currency options	–	(70)	–	–	–	–	(928)	–
Net exposure to currency at December 31	**3,656**	**7,253**	**17,664**	**1,759**	**3,454**	**9,670**	**12,059**	**1,534**

[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	2013 higher/(lower)	2014 higher/(lower)
If CHF had weakened against EUR by 10 %	(9)	736
If CHF had strengthened against EUR by 10 %	(386)	(736)
If CHF had weakened against USD by 10 %	(3,588)	(6,544)
If CHF had strengthened against USD by 10 %	3,593	5,641

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		Contract value			
	Positive	Negative	Total	Due within		
				Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years
Foreign currency forwards						
Sell USD	3,350	(54)	85,718	13,393	42,859	29,466
Buy 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**

CHF 1,000	Fair value		Contract value			
	Positive	Negative	Total	Due within		
				Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years
Foreign currency forwards						
Sell USD	–	(8,109)	103,407	19,886	47,726	35,795
Buy USD	1,754	–	(32,812)	(19,886)	(12,926)	–
Sell CNY	–	(66)	3,510	3,510	–	–
Foreign currency options						
Call short with knockout USD	–	(1,013)	28,384	5,773	17,319	5,292
Put long with knockout USD	85	–	14,193	2,887	8,660	2,646
Balance at December 31, 2014	**1,839**	**(9,188)**	**116,682**	**12,170**	**60,779**	**43,733**

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	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

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	2,691	2,695	2,695	–	–	–
Trade accounts payable	12,941	12,941	12,884	57	–	–
Other accounts payable[1]	56	56	56	–	–	–
Accrued expenses	35,224	35,224	17,106	18,118	–	–
Non-current bank liabilities	3,321	3,372	–	28	3,344	–
Derivative financial liabilities						
Foreign currency forwards	*8,175*					
Outflow		106,917	23,396	47,726	35,795	–
Inflow		(97,953)	(21,879)	(42,520)	(33,554)	–
Foreign currency options	*1,013*					
Outflow		23,465	4,772	14,318	4,375	–
Inflow		(22,793)	(4,634)	(13,903)	(4,256)	–
Balance at December 31, 2014	**63,421**	**63,924**	**34,396**	**23,824**	**5,704**	–

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

Unused lines of credit amounting to CHF 40.0 million were available to the Group at December 31, 2014 (2013: CHF 43.0 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
	2013	2014			
Currency forwards	2,739	(6,421)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points])* amount in foreign currency
Currency options	(70)	(928)	Level 2	Bloomberg	Black-Scholes model

There have been no transfers between the levels in 2013 and 2014.

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
	2013	2014	2013	2014			
Receivables	75,798	96,992	75,798	96,992			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	(10,301)	(12,997)	(10,301)	(12,997)			
Bank loans	(4,824)	(3,321)	(4,742)	(3,279)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flow s at the current market interest rate that is available 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	2013	2014
Due date		
1st year	6,809	7,565
2nd year	5,835	5,568
3rd year	3,890	2,982
4th year	2,009	1,410
5th year	1,100	691
6th year or beyond	3,118	2,839
Balance at December 31	**22,761**	**21,055**

In financial year 2014, CHF 8.2 million (2013: CHF 7.9 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, 2013 and 2014, 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.

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	2013	2014
Short-term employee benefits	3,998	4,743
Post-employment benefits	425	474
Termination benefits	230	–
Share-based payment[1]	1,239	4,033
Total compensation	**5,892**	**9,250**

[1] 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. 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, please refer to the compensation report. The information reported in this note and the information provided in other parts of the annual report may differ due to different recognition and valuation principles.

29 Subsequent events

On January 15, 2015 the Swiss National Bank announced that it was discontinuing the minimum exchange rate of CHF 1.20 per euro (EUR). As a consequence, the value of the Swiss franc increased substantially.

The amounts reported in these consolidated financial statements do not reflect changes in foreign exchange rates after December 31, 2014. Since the Group uses the Swiss franc as the presentation currency, then a weakening of foreign currencies against Swiss franc will have a negative currency translation impact on the Group's consolidated results when reported in Swiss francs.

The Group's exposure to movements in foreign currencies affecting its sales and costs is summarized below:

	Average rate used in 2014	Currency exposure of sales	Impact on sales drop by 1 Rappen (basis points)	Currency exposure of costs	Impact on costs drop by 1 Rappen (basis points)
CHF (presentation currency)		25.90%	n/a	32.20%	n/a
EUR	1.2146	26.60%	(20)	35.90%	7
USD	0.9155	34.50%	(40)	25.00%	(9)
Other		13.00%		6.90%	
Total		**100.00%**		**100.00%**	

Further information:

Note 10.3	Liability for post-employment benefits – actuarial assumptions and sensitivity analysis
Note 18.2	Intangible assets and goodwill – impairment tests
Note 24.4	Financial risk management (IFRS 7) – market risks and sensitivity analysis

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.

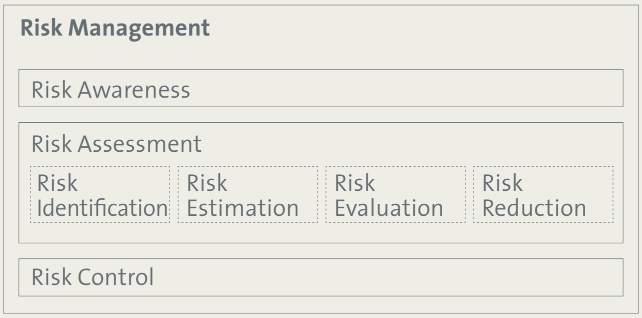
30.2 Risk assessment cycle

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:



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 79 to 125, which comprise the statement of profit or loss, statement of profit or loss and other comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes for the year ended December 31, 2014.

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 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, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Thomas Lehner
Licensed Audit Expert

Zurich, March 13, 2015

Balance sheet of Tecan Group Ltd. at December 31

Assets

CHF 1,000	Notes	31.12.2013	31.12.2014
Cash an cash equivalents		97,370	81,011
Current loans to Group companies		35,400	85,500
Other accounts receivable from third parties		146	28
Other accounts receivable from Group companies		3,482	4,634
Prepaid expenses		–	8
Current assets		**136,398**	**171,181**
Investments in subsidiaries	2	52,997	54,757
Treasury shares	3	19,401	15,297
Property, plant and equipment		1	2
Non-current assets		**72,399**	**70,056**
Assets		**208,797**	**241,237**

Liabilities and equity

CHF 1,000	Notes	31.12.2013	31.12.2014
Other liabilities to third parties		132	32
Other liabilities to Group companies		20	1
Current tax liabilities		507	732
Accrued expenses		1,456	1,487
Current liabilities		**2,115**	**2,252**
Provision for general business risks	4	30,000	30,000
Other non-current provisions		418	620
Non-current liabilities		**30,418**	**30,620**
Share capital		1,144	1,144
General reserve		1,000	1,000
Capital contribution reserve		2,597	2,597
Reserve for treasury shares		19,401	15,297
Retained earnings		152,122	188,327
Shareholders' equity	5	**176,264**	**208,365**
Liabilities and equity		**208,797**	**241,237**

Income statement of Tecan Group Ltd.

CHF 1,000	2013	2014
Royalties from Group companies	2,253	3,904
Dividend income from Group companies	14,319	42,247
Interest income from third parties	68	18
Interest income from Group companies	1,230	1,766
Gain on sale of treasury shares	4,592	4,081
Foreign exchange gains (net)	70	–
Income	**22,532**	**52,016**
Personnel expenses	(1,362)	(1,364)
Depreciation of property, plant and equipment	(1)	(1)
Other expenses	(1,097)	(1,120)
Foreign exchange losses (net)	–	(47)
Expenses	**(2,460)**	**(2,532)**
Profit before taxes	**20,072**	**49,484**
Income taxes	(507)	(732)
Net profit	**19,565**	**48,752**

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 79 through 125) 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 127 through 134) 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
• IBL International Holding B.V.	Deventer (NL)	100%	138	EUR	S
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
• IBL International GmbH	Hamburg (DE)	100%	25	EUR	R/P/D
Tecan Benelux B.V.B.A.	Mechelen (BE)	100%	137	EUR	D
IBL International B.V.	Giessen (NL)	100%	18	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	Stockholm (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
IBL International Corp.	Delaware (US)	100%	0	USD	inactive
IBL International Corp.	Toronto (CA)	100%	0	USD	D
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 via its subsidiary Tecan Trading AG 100% of the voting rights of IBL International Group as of July 30, 2014.

3 Treasury shares

CHF 1,000	2013	2014
Treasury shares	19,401	15,297
Allowance	–	–
Balance at December 31	**19,401**	**15,297**

Shares (each share has a nominal value of CHF 0.10)	2013	2014
Balance at January 1	546,590	362,840
Treasury shares issued based on employee participation plans	(157,785)	(76,695)
Purchase of treasury shares	60	–
Sale of treasury shares	(26,025)	(125)
Balance at December 31	**362,840**	**286,020**
Average price of shares purchased, CHF	100.00	–
Average price of shares sold, CHF	86.88	106.55

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, 2013	**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**
Net profit	–	–	–	–	48,752	48,752
Dividend paid	–	–	–	–	(16,651)	(16,651)
Change in reserve for treasury shares	–	–	–	(4,104)	4,104	–
Balance at December 31, 2014	**1,144**	**1,000**	**2,597**	**15,297**	**188,327**	**208,365**

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 (2013: 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 14, 2014, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2013	2014
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	148,704	124,379
Shares granted to employees based on performance share matching plans, not yet transferred	162,709	182,740
Shares granted to employees based on other share plans, not yet transferred	6,075	5,373
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	14.04.2016
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.

6 Guarantees in favor of third parties

The total amount of guarantees in favor of its subsidiaries was CHF 64.0 million at December 31, 2014 (2013: CHF 31.0 million).

7 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, 2014 (2013: CHF 0.0 million).

8 Subsequent events

On January 15, 2015 the Swiss National Bank announced that it was discontinuing the minimum exchange rate of CHF 1.20 per euro (EUR). As a consequence, the value of the Swiss franc increased substantially. The amounts reported in these financial statements do not reflect changes in foreign exchange rates after December 31, 2014.

The impact of this event on the result of financial year 2015 is depending on the future development of the euro.

9 Disclosures concerning the conduction of a risk assessment

See note 30 of the consolidated financial statements.

10 Information according to article 663c of the Swiss Code of Obligations

10.1 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:

	2013	2014
Chase Nominees Ltd., London (UK)	13.5%	13.5%
ING Groep N.V., Amsterdam (NL)	9.2%	7.4%
UBS Fund Management (Switzerland) AG, Basel (CH)	5.1%	5.1%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	3.3%	5.0%
Pictet Funds SA, Geneva (CH)	5.0%	5.0%
Credit Suisse Asset Management Funds AG, Zurich (CH)	3.2%	3.2%
Tecan Group Ltd., Männedorf (CH)	3.2%	<3.0%
Artisan Partners Limited Partnership, Milwaukee (US)	3.1%	<3.0%
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.1%	<3.0%

10.2 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.

10.2.1 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
					2008	2009	2010	2011	
Strike price in CHF					69.00	39.70	70.00	69.00	
Expiring in					2014	2015	2016	2017	
Rolf Classon (Chairman)	2013	1,547	2,800	**4,347**	–	–	1,700	2,442	**4,142**
	2014	1,673	3,608	**5,281**	–	–	1,700	2,442	**4,142**
Heinrich Fischer (Vice Chairman)	2013	774	10,000	**10,774**	864	1,551	850	1,221	**4,486**
	2014	1,358	10,000	**11,358**	–	1,551	850	1,221	**3,622**
Dr. Oliver S. Fetzer	2013	774	–	**774**	–	–	–	–	**–**
	2014	370	871	**1.241**	–	–	–	–	**–**
Dr. Karen Hübscher	2013	370	–	**370**	–	–	–	–	**–**
	2014	837	–	**837**	–	–	–	–	**–**
Dr. Christa Kreuzburg	2013	–	–	**–**	–	–	–	–	**–**
	2014	467	–	**467**	–	–	–	–	**–**
Gérard Vaillant	2013	774	–	**774**	864	–	850	1,221	**2,935**
	2014	1,241	–	**1,241**	–	–	850	1,221	**2,071**
Erik Walldén	2013	774	–	**774**	–	–	–	–	**–**
	2014	837	404	**1,241**	–	–	–	–	**–**
Balance at December 31, 2013		5,013	12,800	**17,813**	1,728	1,551	3,400	4,884	**11,563**
Balance at December 31, 2014		6,783	14,883	**21,666**	–	1,551	3,400	4,884	**9,835**

[1] According to 'Corporate Employee Portfolio'. Members are entitled to vote, but not all shares are vested.

[2] According to 'Corporate Employee Portfolio'. All options are vested and exercisable.

10.2.2 Share and option ownership of the Management Board

Number	Year	Share plans[1]	Other shares	Total shares	Employee share option plans[2]			Total options
					2008	2009	2010	
Strike price in CHF					69.00	39.70	70.00	
Expiring in					2014	2015	2016	
Dr. David Martyr (CEO)	2013	7,143	–	**7,143**	–	–	–	**–**
	2014	12,870	–	**12,870**	–	–	–	**–**
Dr. Rudolf Eugster (CFO)	2013	12,186	–	**12,186**	1,113	1,386	2,345	**4,844**
	2014	11,812	401	**12,213**	–	–	–	**–**
Ulrich Kanter	2013	–	–	**–**	–	–	–	**–**
(since July 2014)[3]	2014	875	–	**875**	–	–	–	**–**
Dr. Achim von Leoprechting	2013	584	–	**584**	–	–	–	**–**
	2014	2,493	–	**2,493**	–	–	–	**–**
Dr. Klaus Lun	2013	1,517	–	**1,517**	–	–	–	**–**
	2014	3,611	–	**3,611**	–	–	–	**–**
Markus Schmid	2013	6,127	–	**6,127**	–	–	–	**–**
	2014	6,893	–	**6,893**	–	–	–	**–**
Dr. Stefan Traeger	2013	1,167	–	**1,167**	–	–	–	**–**
	2014	3,458	–	**3,458**	–	–	–	**–**
Andreas Wilhelm	2013	5,697	–	**5,697**	–	–	–	**–**
	2014	5,706	–	**5,706**	–	–	–	**–**
Dr. Martin Brusdeilins	2013	6,985	–	**6,985**	–	–	–	**–**
(until July 2014)[4]	2014	–	–	**–**	–	–	–	**–**
Balance at December 31, 2013		41,406	–	**41,406**	1,113	1,386	2,345	**4,844**
Balance at December 31, 2014		47,718	401	**48,119**	–	–	–	**–**

[1] According to 'Corporate Employee Portfolio'. Members are entitled to vote, but not all shares are vested.

[2] According to 'Corporate Employee Portfolio'. All options are vested and exercisable.

[3] Shares and share options in 2013 are not disclosed, because the member of the Board joined after year-end 2013.

[4] Shares and share options in 2014 are not disclosed, because the member of the Board stepped down before year-end 2014.

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 16, 2015 to allocate retained earnings as follows:

CHF 1,000	2013 Approved	2014 Proposed
Carried forward from previous year	**121,184**	**135,471**
Net profit	19,565	48,752
Change in reserve for treasury shares	11,373	4,104
Available retained earnings	**152,122**	**188,327**
Dividend paid as approved by the annual general meeting of shareholders on April 14, 2014: CHF 1.50 per share with a nominal value of CHF 0.10 each (total 11'100'381 shares eligible for dividend)	(16,651)	
Dividend proposed: CHF 1.50 per share with a nominal value of CHF 0.10 each (total 11'158'556 shares eligible for dividend)[1]		(16,738)
Balance to be carried forward	**135,471**	**171,589**

[1] These numbers are based on the outstanding share capital at December 31, 2014. 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 2014, a total of 58'114 options were exercisable before the date of the dividend payment.

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 127 to 134, which comprise the balance sheet, income statement and notes for the year ended December 31, 2014.

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, 2014 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 13, 2015

The Tecan Share

The positive performance of the Tecan share in the prior year continued in 2014.

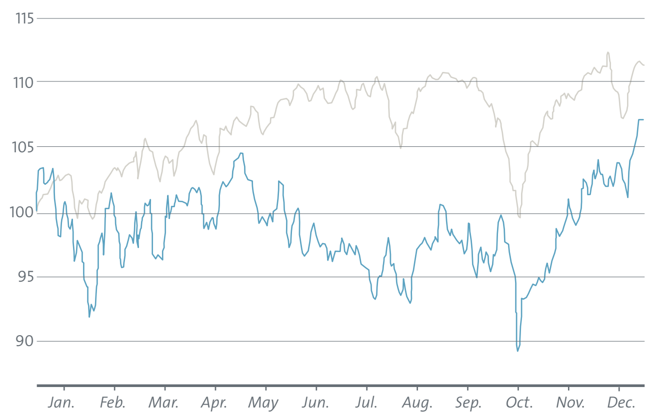
The Tecan share rose by +7.1% in the year under review, peaking at CHF 113.00 at the end of the year. The SPI Extra benchmark of small and medium-sized companies listed on the SIX Swiss Exchange performed even better and closed the year +11.4% higher.

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 01.01.2014 and 31.12.2014

in comparison with SPI Extra (indexed)



Share price performance between 2011 and 2014

in comparison with SPI Extra (indexed)

Tecan share

	2012	2013	2014
Numbers of shares issued	11,444,576	11,444,576	11,444,576
Number of treasury shares	546,590	362,840	286,020
Number of shares outstanding at December 31	10,897,986	11,081,736	11,158,556
Average number of shares outstanding	10,817,668	10,977,758	11,093,767
Share price at December 31 (CHF)	76.50	105.50	113.00
High (CHF)	77.50	105.50	113.00
Low (CHF)	59.05	77.2	89.05
Average number of traded shares per day[1]	34,065	31,753	22,058
Average trading volume per day (CHF)[1]	2,301,772	2,868,248	2,295,135

Information per share

	2013	2014
Basic earnings per share (CHF/share)	4.16	3.63
Shareholder's equity at December 31 (CHF)	336,202	361,198
Dividend (CHF)	1.50	1.50
Dividend yield (%)[2]	1.42%	1.33%

Financial ratios

	2013	2014
Market capitalization (CHF million)[3]	1,207.4	1,293.2
Enterprise Value (CHF million)[4]	1064.0	1,170.5
Price Earnings Ratio[5]	25.36	31.13

[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

Tecan Group

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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.