Tecan Annual Report 2015

Every lab.
Every day.
Empowered.

The new human race.

Imagine a future where every person is diagnosed accurately and is given a therapy according to his or her individual makeup. A world where people are treated as individuals. The promise of better, faster, more cost effective solutions is now within our grasp.

In this world, our children will enjoy a level of healthcare that has never before been possible.

Tecan plays a vital role in bringing about this new world. Together with scientists and clinicians, we are part of a global community that is designing a better future for healthcare. A future where advanced life science research and diagnostic solutions will change the outcomes of our most challenging diseases. For good.

Our commitment: The highest standards.

The future comes by itself, but progress does not.

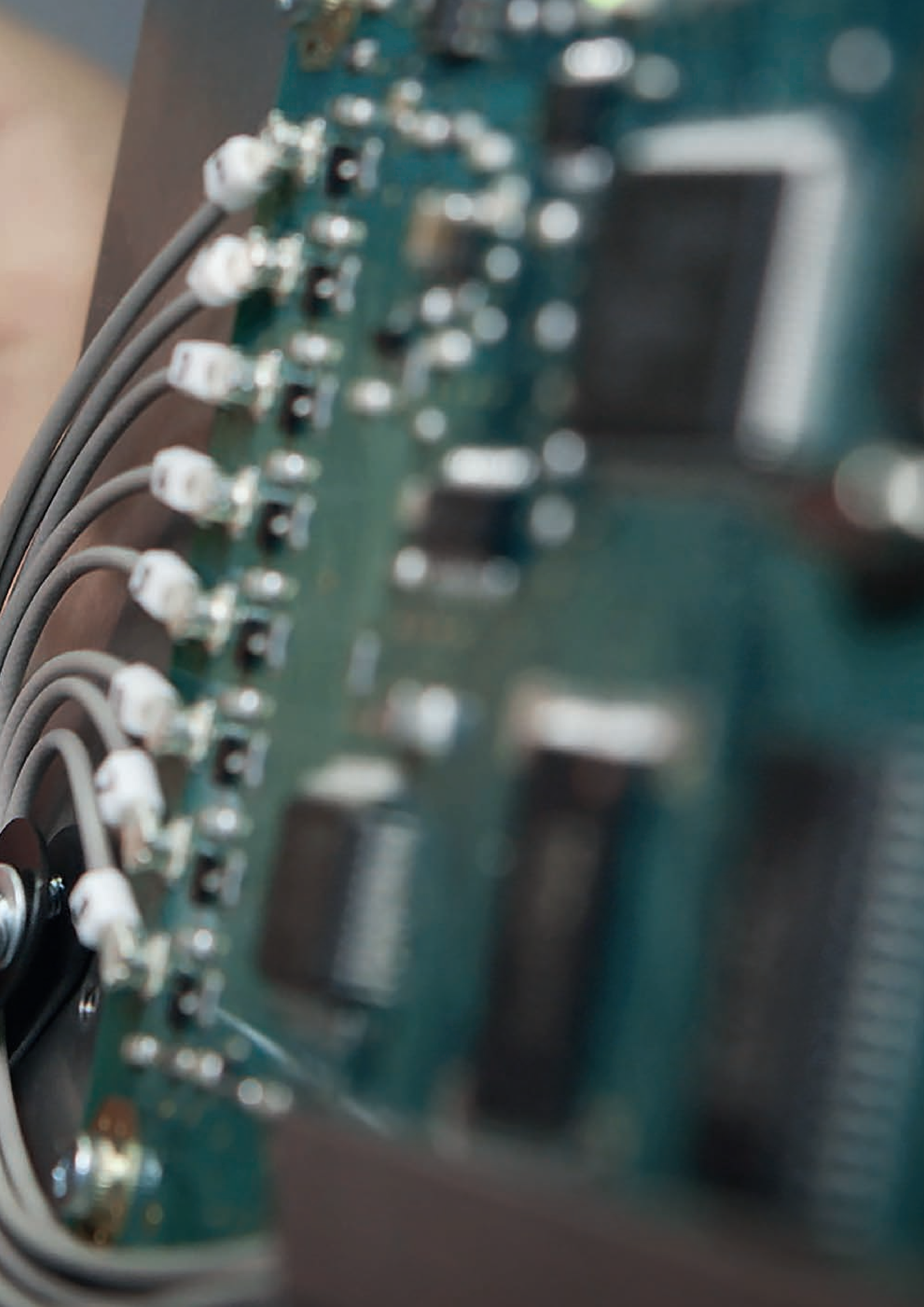
To become reality, personalized healthcare requires expertise, excellence and flexibility. It will demand an intense focus to achieve standards of performance that every assay or diagnostic test deserves. It will require exceptional attention to detail.

The Tecan name is synonymous with reliability. Test after test, year after year, reliability is a cornerstone in research labs and hospitals. Labs everywhere rely on continuous excellence in the thousands of blood, cell and tissue samples they analyze every day.

Our reputation: The confidence to deliver.

For over 35 years, scientists and engineers that need to depend on their results have turned to Tecan.

We are proud to count among our customers some of the world's leading biomedical and diagnostic companies. Working in true partnership, Tecan helps them to realize new flagship life science research and diagnostic platforms. Our customers want really fresh, original thinking and projects. They have the confidence that Tecan will always find a way to deliver.



Our mindset: Global.

From Beijing to Berlin, labs around the world expect the same exacting standards. Today, life science research and diagnostics is a single, global marketplace. It takes a company with global capabilities to provide globally viable solutions.

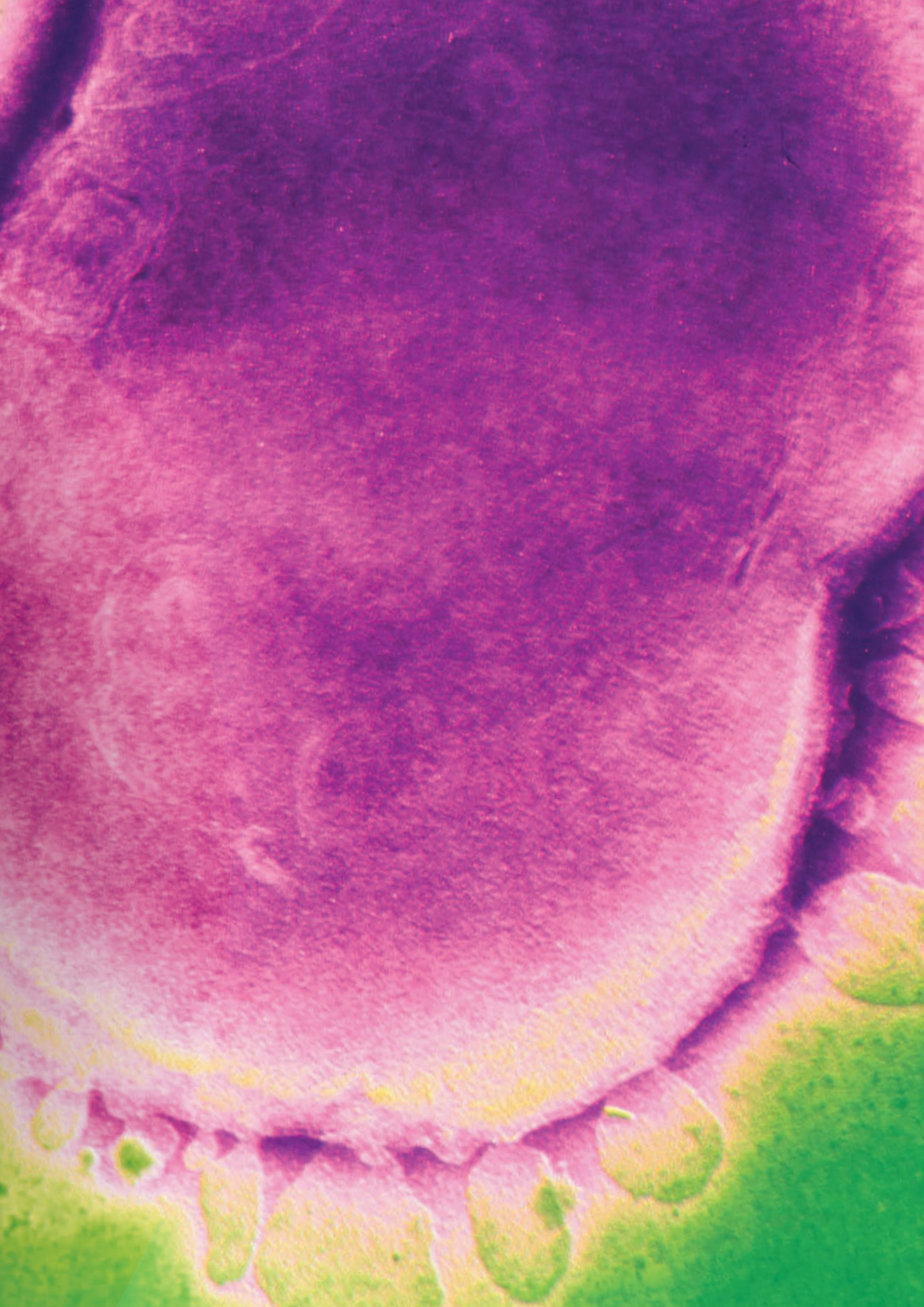
Solutions that serve people everywhere help contribute to healthcare equality. By thinking and acting globally, we are working towards a time when every citizen can enjoy precise diagnosis and treatment, wherever they may live.

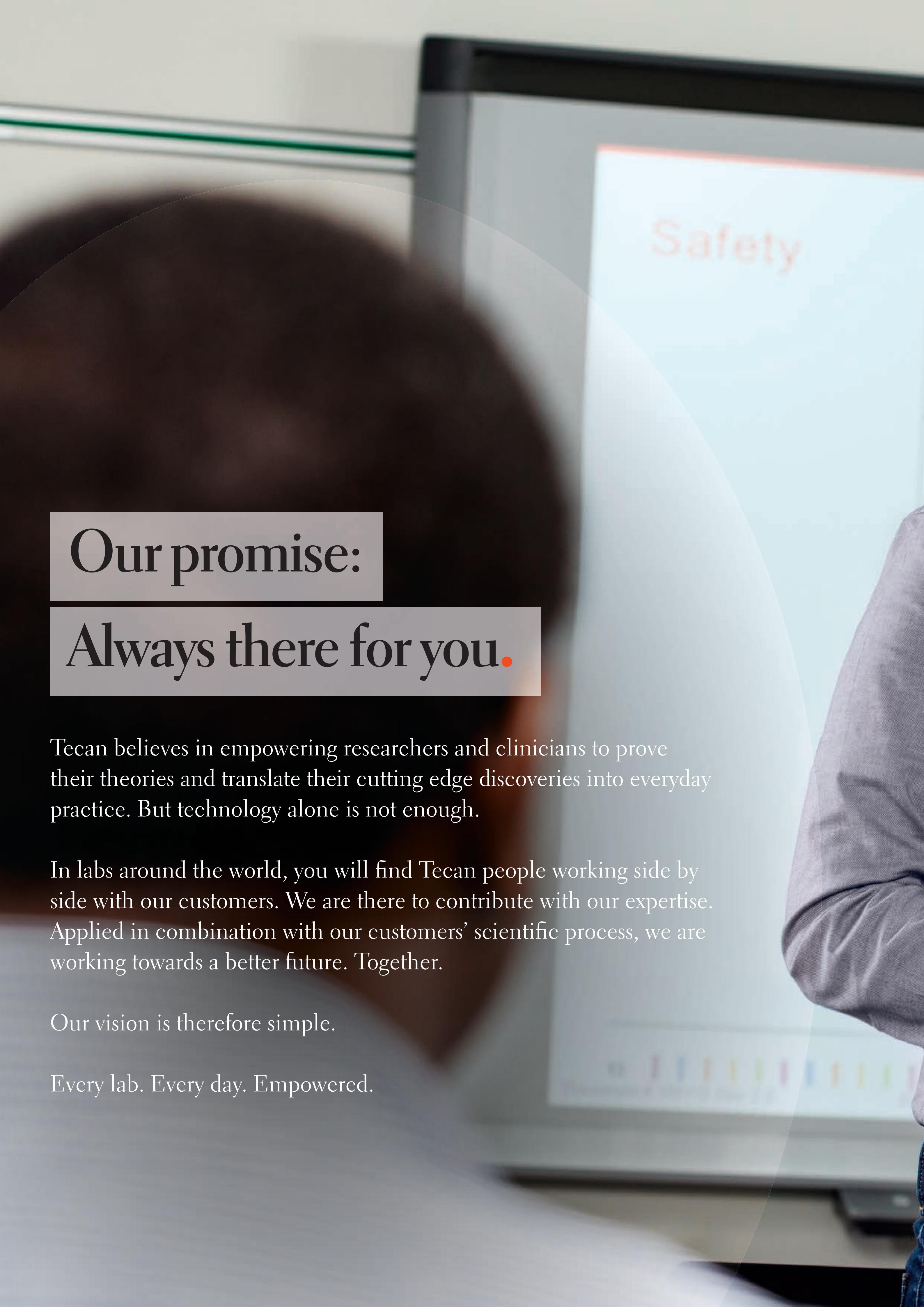

TECAN.

Our method:
To lead.

Diagnostics and life science research are continually on a path to decrease risk and improve the certainty of the answers obtained. We need to explore paths to move ahead more quickly and find ways to do things better, faster and safer.

Tecan has pioneered and continues to lead in many of the areas in which we engage. We have helped to change the way things are done in the lab. We continuously push the boundaries of the possible. What was once impractical and a dream becomes everyday routine. Step by step, we help keep life science on the front line of discovery.





Our promise: Always there for you.

Tecan believes in empowering researchers and clinicians to prove their theories and translate their cutting edge discoveries into everyday practice. But technology alone is not enough.

In labs around the world, you will find Tecan people working side by side with our customers. We are there to contribute with our expertise. Applied in combination with our customers' scientific process, we are working towards a better future. Together.

Our vision is therefore simple.

Every lab. Every day. Empowered.


TECAN

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Available on the App Store

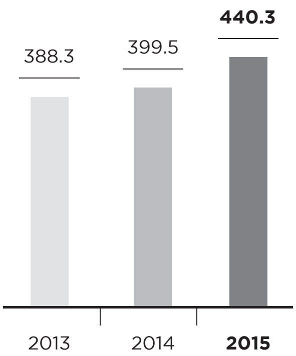
2015 at a glance

KEY FIGURES

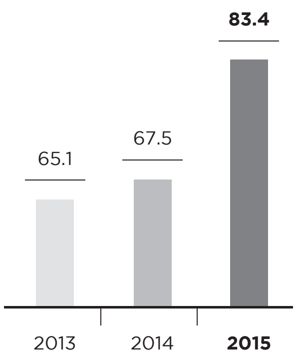
CHF million	2014	2015	2014/2015
Sales	399.5	440.3	+10.2%
Sales in local currencies	389.2	440.3	+13.1%
Gross profit	197.6	215.5	+9.0%
in % of sales	49.5%	48.9%	
EBIT	57.2	66.9	+17.0%
in % of sales	14.3%	15.2%	
EBITDA	67.5	83.4	+23.5%
in % of sales	16.9%	18.9%	
Net profit	40.2	57.1	+42.1%
in % of sales	10.1%	13.0%	
EPS (CHF)	3.63	5.05	+39.1%

FINANCIAL SUMMARY

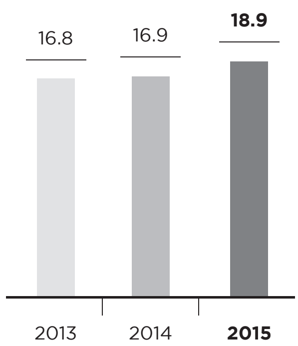
SALES
(CHF million)



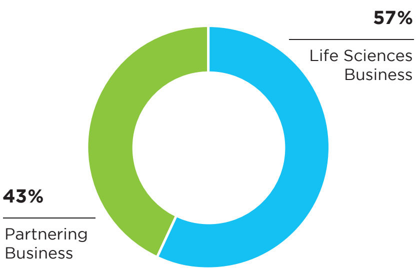
EBITDA
(CHF million)



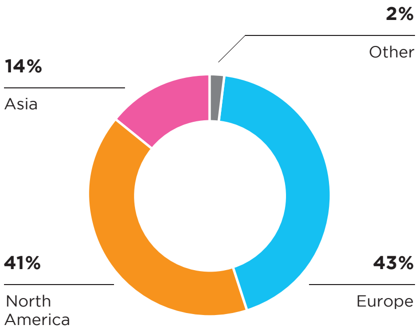
EBITDA MARGIN
(in % of sales)



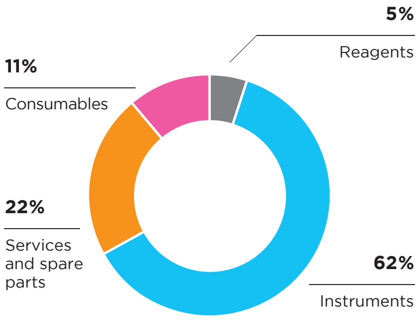
SALES BY BUSINESS SEGMENTS
(in % of sales)



SALES BY REGIONS
(in % of sales)



SALES BY PRODUCT GROUP
(in % of sales)



Dear Shareholders

During 2015, Tecan was able to grow sales strongly, benefitting from major development programs in prior years and the subsequent introduction of the wave of new exciting platforms and products. In our Life Sciences Business we launched an all-new multimode microplate reader platform, called Spark® and we continued to introduce new features and applications for our Fluent next generation liquid handling platform, first introduced in 2014. Our Partnering Business saw the FDA clearance and US launch of the ORTHO VISION™ Analyzer by our partner Ortho Clinical Diagnostics and the completion of the CE marked version of the ORTHO VISION™ Max Analyzer. Further, with the acquisition of Sias AG, we made an important step to expand our leading OEM instrument business. These growth drivers will also be important elements of our further expansion in 2016.

We are pleased with Tecan's financial performance in 2015. With strong sales, net profit and operating cash flow we delivered on our commitments for the year.

FINANCIAL RESULTS FULL-YEAR AND SECOND HALF OF 2015

In the second half of 2015, order entry increased by 13.8% in local currencies and by 10.9% in Swiss francs. On an organic basis, orders in the second half grew by 12.3% in local currencies and by 9.6% in Swiss francs. Organic development excludes any contributions from acquisitions from those months in the reporting period that were not already included in the consolidated financial statements in the prior-year period. For the full year, order entry increased by 14.1% in local currencies to CHF 465.0 million (2014: CHF 417.4 million), corresponding to growth of 11.4%. On an organic basis, order entry increased by 10.9% in local currencies and by 8.3% in Swiss francs.

Sales in the second half rose by 8.7% in local currencies and by 5.6% in Swiss francs against a strong base in the prior-year period. This corresponds to organic sales growth of 7.0% in local currencies and 4.0% in Swiss francs. Sales in financial year 2015 increased by 13.1% in local currencies and 10.2% in Swiss francs to CHF 440.3 million (2014: CHF 399.5 million), setting a new company record. On an organic basis, sales grew by 9.6% in local currencies and 6.8% in Swiss francs.

Operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 23.5% to CHF 83.4 million in the fiscal year (2014: CHF 67.5 million). The EBITDA margin improved by 200 basis points to 18.9% of sales (2014: 16.9%), thereby exceeding the margin targets for the year of "more than 100 basis points".

These results include acquisition-related costs. The results development was helped by a positive exchange rate effect and a one-time impact from revised pension liabilities according to IAS 19.

Net profit reported for the year 2015 increased by 42.1% and reached CHF 57.1 million (2014: CHF 40.2 million). Net profit increased more than operating profit as a result of an improved financial result and a lower tax rate. The net profit margin improved by 290 basis points to 13.0% of sales (2014: 10.1%). Earnings per share increased by 39.1% to CHF 5.05 (2014: CHF 3.63).

ROLF A. CLASSON
Chairman of the Board

DR. DAVID MARTYR
Chief Executive Officer

Cash flow from operating activities more than doubled to CHF 99.1 million (2014: CHF 48.2 million), corresponding to a cash conversion of 22.5% of sales.

Details on the course of business of the Life Sciences Business and Partnering Business segments can be found in the relevant sections on pages 28 and 36. Details regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 78.

ACQUISITION OF SIAS TO FURTHER EXPAND PARTNERING BUSINESS

On October 27, 2015, we announced that Tecan had reached agreement with the majority shareholders of Sias to acquire Sias AG, a leading OEM supplier of a wide range of modular and complete laboratory automation solutions. From December 1, 2015, Sias is included in the consolidated financial statements of the Tecan Group as a part of the Partnering Business segment. Sias' modular platforms and robotic components are ideally suited for low- to medium-throughput applications and thus expand the range of Tecan's existing automation solutions and components offering.

STRONG BALANCE SHEET – INCREASE IN DIVIDEND PROPOSED

Tecan's equity ratio increased to 68.7% as of December 31, 2015 (December 31, 2014: 65.4%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) amounted to CHF 198.8 million (December 31, 2014: CHF 122.7 million). This figure includes the acquisition of Sias AG with a purchase consideration of around CHF 25 million, of which the net payable was fully paid in cash. The increase in net liquidity was the result of the high cash flow from operating activities as well as the sale of 249,331 treasury shares during the first half of 2015, which was necessary for tax reasons. Sales proceeds totaled CHF 31.6 million, while the company's share capital was CHF 1,146,758 as at the reporting date of December 31, 2015 (December 31, 2014: CHF 1,144,458), consisting of 11,467,577 registered shares with a nominal value of CHF 0.10.

The Board of Directors will propose an increase in the dividend from CHF 1.50 to CHF 1.75 per share to the shareholders at the Company's Annual General Meeting on April 13, 2016.

PRIORITIES

Tecan has a clear strategy to ensure the long-term success of the Company. For details, please refer to pages 20–27 of this report. The implementation of Tecan's strategy is supported through the implementation of priorities Company-wide.

SUCCESS IN IMPLEMENTING PRIORITIES FOR 2015

For 2015 we defined five Company-wide priorities, some of which involve continuing previous longer-term priorities and activities.

Our first priority was the Life Sciences Business. Tecan was at the start of a new product cycle for two main platforms: the Fluent family in liquid handling and the Spark platform for detection. In 2015 we started marketing new application-specific solutions as well as new hardware and software options for the Fluent product line, a new generation of liquid handling platforms. These solutions open up a wider range of applications. After launching the Spark product family in February 2015, Tecan introduced a series of additional features over the course of the year. Both platforms – Fluent and Spark – were extremely well received on the market. We also continued to grow in China, where despite being faced with a persistently challenging environment, the overall situation improved during the year under review and Tecan once again succeeded in achieving double-digit growth.

In the Partnering Business, we were successful in supporting our customers with a further increase in serial production of the Dako Omnis and the ORTHO VISION™ Analyzer. Our partner Ortho Clinical Diagnostics, a market leader in immunohematology, launched the ORTHO VISION™ Analyzer also in the USA in August, and the development of ORTHO VISION™ Max was successfully concluded. This instrument variant was developed for high-volume transfusion medicine laboratories. In October, Ortho Clinical Diagnostics announced that ORTHO VISION™ Max had received CE Mark clearance, making it available for purchase in Europe and Japan.

In a multi-year project, launched in 2014, to reduce material costs and optimize manufacturing, we realized cost savings, identified further potential and set the path for our continued collaboration with our suppliers in 2015. What is more, the significant increase in the Swiss franc in January 2015 provided us with further impetus to work together with suppliers to find joint cost-cutting opportunities through imports from the Eurozone and where appropriate to support our partners with our know-how in this area.

We also set ourselves the goal of further improving efficiency in product development in 2015. Our progress in doing so is highlighted by the development of further variants of the Fluent and Spark platforms in our Life Sciences Business and the other already mentioned product launches with our partner Ortho Clinical Diagnostics in the Partnering Business. It was also thanks to the efficiency gains that research and development spending fell from 9.9% to 9.1% of sales in the year under review.

Our fifth priority was to examine external growth opportunities through either acquisitions or collaborations. In the year under review our Corporate Development team carried out further market analysis and maintained contact with numerous interesting companies, taking a closer look at a selection of them. The acquisition of Sias in the fourth quarter of 2015 provided us with an ideal complement to our Partnering Business, and marked the successful completion of the second transaction within the last two years.

PRIORITIES FOR 2016

We have again defined five business-wide operational priorities for 2016, some of which involve continuing previous priorities and activities.

Our first priority for the year is to increase operational efficiency. Within the framework of the project launched in 2014, we aim to focus even more closely on material cost savings and productivity projects while maintaining the fast pace of innovation. In order to do this, we will continue to optimize procurement processes and enter into more strategic partnerships with suppliers. We plan to achieve shorter manufacturing times for new instruments. We have optimized work processes and we now have a well-functioning team whose members have more experience with the new instruments. In development, the aim is to create a further wave of innovation with the Fluent and Spark platforms in the Life Sciences Business, and to rapidly complete development projects involving instruments and components in the Partnering Business.

The second priority focuses on the Partnering Business. Following on from our progress in ramping up serial production in 2015, we aim for a continued increase in 2016. We are supporting partners with upcoming market launches for several instrument projects. Furthermore, we are focusing on concluding new development agreements. We would like to acquire new business in our traditional markets, while also placing a particular focus on China. We expect our Partnering Business to receive a further boost through the integration of Sias, whose relocation into our buildings in Männedorf is planned for 2016 and will help to ensure that Sias rapidly becomes an integral part of our Partnering Business.

The third priority addresses the Life Sciences Business, and is based on the successful market launch of our main platforms Fluent and Spark. We aim to drive the marketing of these product lines forward and generate further growth in order entry and sales. This year will see the launch of additional variants and packages based on new applications. Already at the beginning of the year, we introduced the next model of the Spark platform: the Spark 20M which has become the most productive multimode microplate reader on the market with industry-leading sensitivity. We also want to drive growth with immunoassays, by introducing new tests, adapting further tests for automation and placing a higher number of optimized instruments onto the market. By these means we are working on our strategic objective of increasing recurring revenues.

In Corporate Development we are continuing with our central tasks of the two previous years. Following completion of two successful acquisitions, we will continue the integration of those companies and would also like to carry out further acquisitions. We have a list of attractive candidates and are working hard on projects aimed at helping us to achieve this goal. We are focusing particularly on companies with specific reagents and consumables, as we also wish to be able to offer performance-optimized and potentially closed systems. Also of great interest to us are instruments that will allow us to broaden our range in our core markets or into adjacent market segments, leveraging our local sales and service organizations.

The fifth priority has been newly defined, but is based on a well-established Tecan business. We aim to achieve a significant increase in recurring revenues with plastic consumables. Tecan already operates a rapidly growing business with consumables, especially pipette tips. In 2015, these products accounted for around 11% of total sales, with both Business Segments having contributed to this result. In order to achieve our ambitious growth targets, at the beginning of 2016 we created a central management position and a dedicated organization for the consumables business as a whole that bears cross-divisional responsibility. We see promising opportunities for further expanding the business with existing products with a view to benefitting to an even greater extent from the broad base of installed instruments. What is more, we plan to expand the existing portfolio, develop new products and work together with new partners to this end.

OUTLOOK 2016

In 2016, total Tecan Group sales are forecast to again increase with a double-digit rate in local currencies. This growth will be driven by the continued ramp up of major instrument platforms and launches of new products in both business segments as well as a full-year contribution of Sias.

The underlying EBITDA margin, excluding the Sias business and adjusted for tailwinds in 2015, mainly from the one-time positive net impact of revised pension liabilities, is expected to further expand by at least 50 basis points. Integration costs related to the Sias acquisition are expected to reach a mid single-digit million Swiss franc amount in 2016 and the acquisition to become accretive in 2017. Including these one-time integration costs, the EBITDA is expected to reach about a similar level as in 2015.

These expectations regarding profitability are based on an average exchange rate forecast for full-year 2016 of one euro equaling CHF 1.05 and one US dollar equaling CHF 0.98 and exclude further acquisitions.

OUR GRATITUDE

In 2015, we launched two main platforms, Fluent and Spark, on the market. We have used a comprehensive brand refresh project to define the common guidelines, values and principles of conduct that underpin our corporate culture and the Tecan brand – a key factor for the company's success. A wide range of employees and managers played their part in putting the project together, and it has been rolled out worldwide. We also made an acquisition – the second in two successive financial years.

All of these projects called for above-average commitment. For that, we want to express the heartfelt gratitude of the Board of Directors and the Management Board to all our employees. We are also especially grateful to our new colleagues at Sias, whom we welcome wholeheartedly to our ranks. We would also like to thank our customers for their loyalty, our shareholders for their confidence in us and our business partners for their continued trust and support.

Männedorf, March 11, 2016

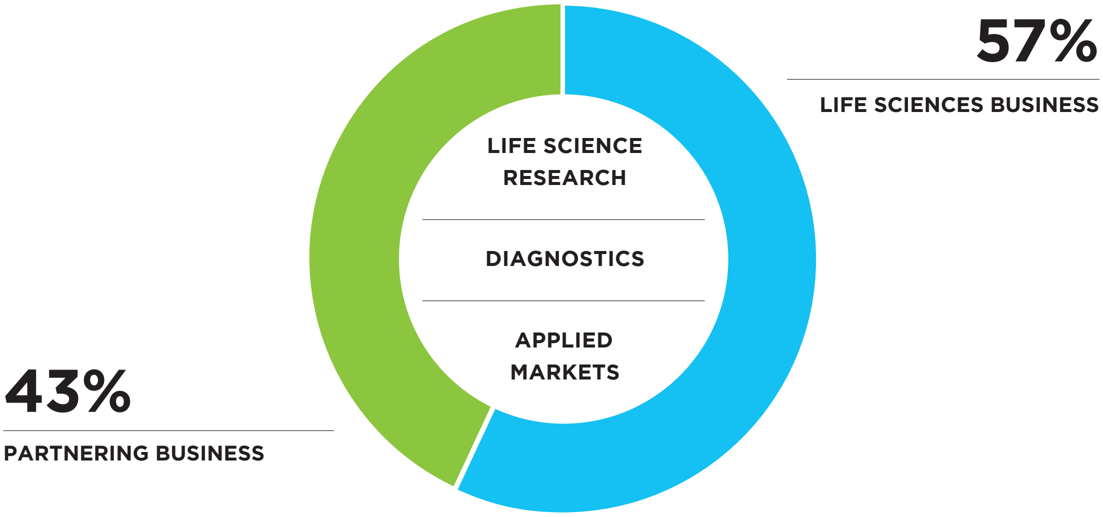
ROLF A. CLASSON
Chairman of the Board

DR. DAVID MARTYR
Chief Executive Officer

Markets, strategy and brand management

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, special application expertise as well as regulatory and quality consulting, service, plastic consumables and (for selected applications) the corresponding reagents.

BUSINESS SEGMENTS & MARKETS



It is Tecan's 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. 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, which analyze reactions on a microtiter plate, as well as washers, which perform the washing and purification operations of a test procedure. In 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.

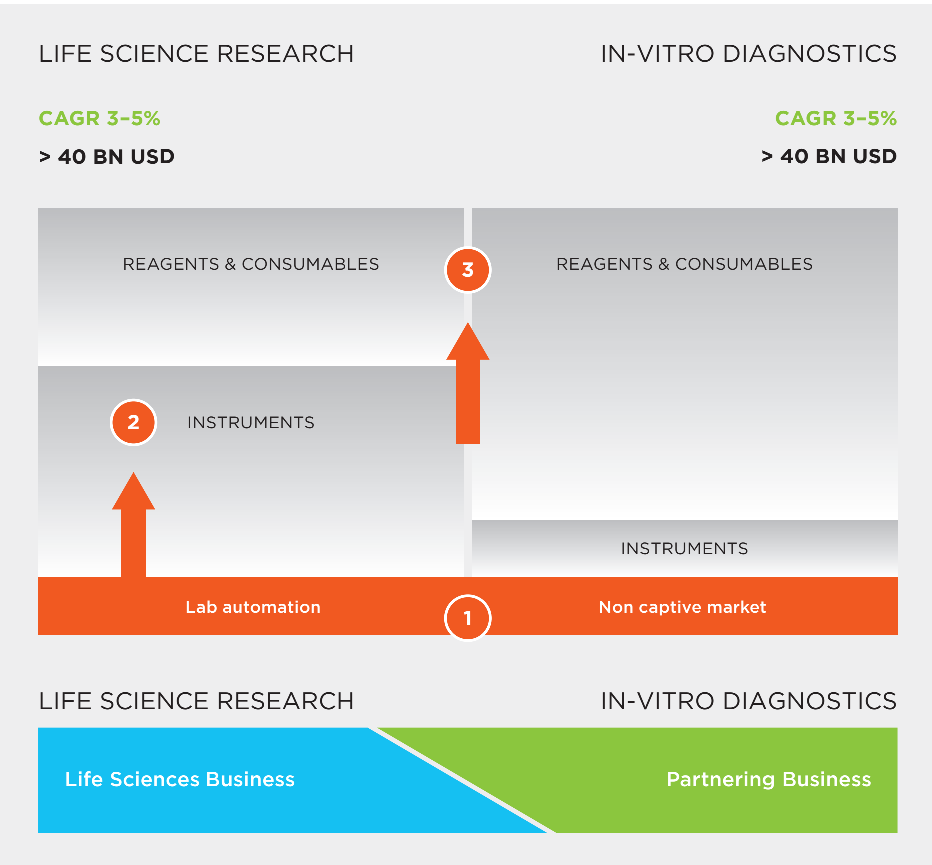
The Company serves some customers directly, but is also a leader in developing and manufacturing OEM instruments and components that are distributed by partner companies under their own names. The Tecan Group can count on two strong pillars in the Life Sciences Business (end-customer business) and Partnering 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. Group-wide functions are combined in the Development & Operations division to better unlock synergies in research, development, procurement and production across different locations.

MARKET DEVELOPMENT AND STRUCTURE AS THE BASIS FOR CORPORATE STRATEGY

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 blood samples for specialty diagnostics, such as evidence of rare infectious diseases or to determine certain hormone levels. 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.

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.



MARKET STRUCTURE

STRATEGY FOR PROFITABLE GROWTH

The corporate strategy is based on the structure of the two main markets. It pursues three vectors to ensure sustainable profitable growth.

1. In the two main markets the core business will be further expanded and market share gained by new product launches and geographical expansion. In Life Sciences the market leading position in laboratory automation will be further increased by launching innovative new products. In recent years Tecan has introduced next-generation platforms in both main product lines, and more market launches will follow. In the in-vitro diagnostics market, some of the instrument development and production will be outsourced to specialists like Tecan. In this addressable market share, Tecan, through its Partnering Business, is the partner of choice in automation systems for many companies in the in-vitro diagnostics industry. Tecan supports these partners with their regional product launches of new instruments – developed and manufactured by Tecan – and the associated ramp up in serial production. Tecan has a well-stocked pipeline of additional opportunities and leverages its proprietary platforms, technologies and service footprint to expand market share. In the components business, part of the Partnering Business, Tecan aims to defend and expand its leading position for liquid handling components. Various customers are launching new instruments ramping up series production, which allows Tecan to further grow this business.

   Market share in the core business will also be expanded through acquisitions. The acquisition of Sias AG in the year under review further expanded the Partnering Business and added new corporate customers in in-vitro diagnostics and a well-stocked pipeline of new development projects.

2. Tecan is also aiming to build up further pillars in the instrument market for life science research. This applies in particular to areas beyond conventional, open and flexible robotics solutions for liquid handling and microplate readers. There are plenty of opportunities here, especially in dedicated instruments for sample preparation. In adjacent markets, Tecan sees opportunities to extend its traditional core business so as to grow faster than the overall markets for life science research instruments. This potential can be accessed both organically and through acquisitions.

3. The third vector focuses on expanding recurring revenues in Tecan's two main markets, life science research and in-vitro diagnostics. The Company wants to supply reagents and consumables for both markets so as to be able to offer fully integrated solutions. For Tecan this includes instruments, software, applications support and, crucially, reagents and consumables for the platforms for selected applications. In future Tecan will focus more closely on fully integrated solutions rather than acting just as a pure instrument provider, which was the focus of the business in the past. With reagents, this growth will be achieved primarily through acquisitions. The purchase of IBL International was an important first step in this direction. This company expanded the Tecan offering by adding a key element – diagnostics for special parameters.

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. In the USA, 45 new medications were approved in 2015 – the largest number for 19 years. 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.

BRAND MANAGEMENT

Tecan is a leading brand in laboratory automation. It stands for the highest standards, 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.

In 2015, Tecan conducted a global survey of over 1,000 scientists to find out how the Company adds value to their work. The resounding answer from the respondents was the solid reliability that Tecan stands for. Every day around the world, Tecan products are used in key studies in life science labs, as well as in daily operations in diagnostic labs that are critical to human lives. Tecan provides a high level of reliability and responsiveness that many people have come to depend upon.

It also highlights the need to give more visibility to the OEM business, which comes under the Partnering Business segment. This will be more strongly anchored in the market under "Tecan Partnering". Scientists and engineers have described to Tecan how they envision the Company empowering their life sciences and diagnostic applications. And by working together with Tecan, they can launch new, innovative solutions faster to market and better than they could on their own.

As a consequence, Tecan clearly formulated what it stands for and refreshed its brand. It started out by defining its new vision: Every Lab. Every Day. Empowered. This vision is not about Tecan, but is about its customers and partners, wherever they are around the world.

Next, Tecan looked at what the Company needs to commit to, in order to achieve its vision. Its promise to its customers is to be Always There For You. Tecan strives to be closer to customers and partners, to be more responsive, and help them achieve their goals by contributing with its expertise wherever it can.

The Company's visual image was also redesigned, with the introduction of new graphic elements. The Tecan barcode, with its new range of colors, is the Company's visual identity signature. The red dot reinforces the design of the Tecan corporate logo and appears as a unique sign-off at the end of headlines. The transparent box is a feature of Tecan's visual identity that lends a touch of refinement to its brand presentation. With its new style of photography, the Company aims to express the positioning and the promise of the Tecan brand through the use of powerful images. Close-up and detail shots allow Tecan to focus on the things it values and the areas where it claims leadership.

To strengthen its brand identity, Tecan had previously introduced a uniform image for the various product platforms in 2014. The Fluent liquid handling platform introduced in the same year and the Spark detection platform introduced at the start of 2015 are linked by the graphic element of a characteristic grey curve. Individual modules also carry the new industry design and are therefore easily identifiable as Tecan products.

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 9.1% 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. In 2015, Tecan arranged for key branding elements of the new design to be protected and applied for brand registration.

CORE COMPETENCES

Tecan's success is based on core competences that the Company has systematically acquired and expanded over the years. Tecan's overall 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's 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.

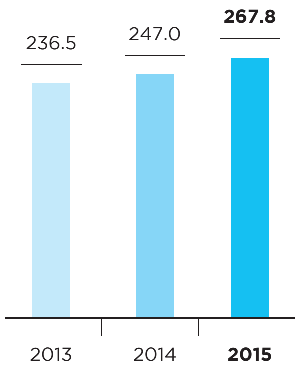
IBL International, acquired by Tecan in 2014, is a leading provider in the field of microtiter plate-based immunoassays, with one of the widest ranges of tests for specialty diagnostics to be used in research and clinical laboratories. It covers enzyme, radio and luminescence immunoassays for research 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. 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.

Life Sciences Business

(end-customer business)

TOTAL SALES LIFE SCIENCES BUSINESS[1]

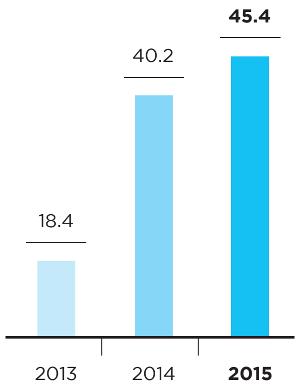
(CHF million)



[1] Sales to third parties + intersegment sales

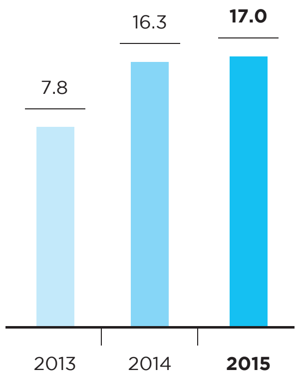
EBIT LIFE SCIENCES BUSINESS

(CHF million)



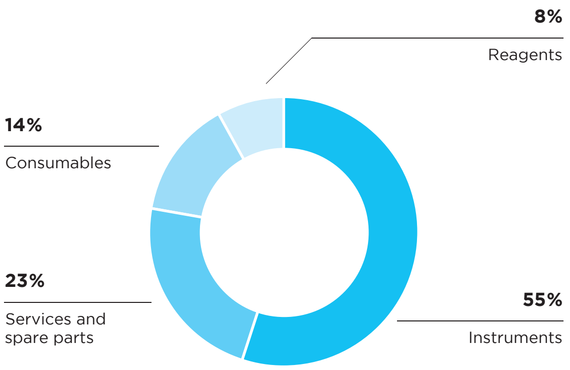
EBIT MARGIN LIFE SCIENCES BUSINESS

(in % of sales)



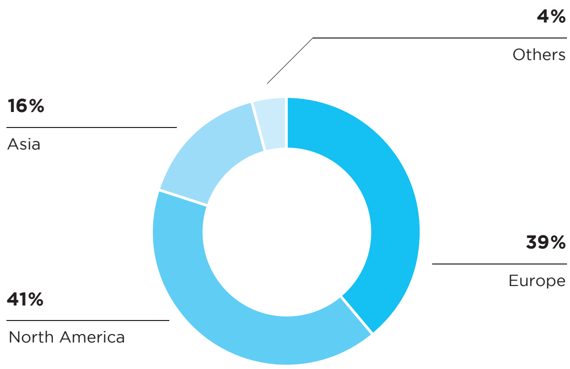
SALES BY PRODUCTS

(in % of sales)



SALES BY REGIONS

(in % of sales)



PERFORMANCE

In the second half of the year, sales in the Life Sciences Business increased by 12.7% in local currencies and were 7.5% above the prior-year period in Swiss francs. On an organic basis, sales in local currencies grew by 11.3%. Sales for the full year totaled CHF 253.0 million, representing an increase of 11.8% in local currencies and 7.1% in Swiss francs over the prior-year period (2014: CHF 236.3 million). On an organic basis, sales increased by 6.7% in local currencies in 2015. The newly launched Fluent and Spark platforms contributed considerably to this growth. Also, order entry in the Life Sciences Business was strong overall and organically and exceeded sales.

Operating profit before interest and taxes (EBIT) in the segment increased to CHF 45.4 million in the year under review (2014: CHF 40.2 million). The increase is primarily the result of the higher sales volumes and lower research and development expenses. The EBIT margin grew to 17.0% of sales (2014: 16.3%).

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, and scientists from numerous applied markets for over 35 years. In 2015, the Life Sciences Business segment represented 57% of total sales of the Tecan Group.

HIGHLIGHTS OF 2015

- Launch of additional features and applications for the Fluent™ laboratory automation family, Tecan's next generation liquid handling platform in the Life Sciences Business
- Launch of the all-new Spark® 10M multimode microplate reader platform for cell biology and genomics customers in the Life Sciences Business

MARKETS AND 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 a help desk 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. We take the various needs and requirements of both customer groups into account with separate management and local sales organizations geared specifically toward both groups.

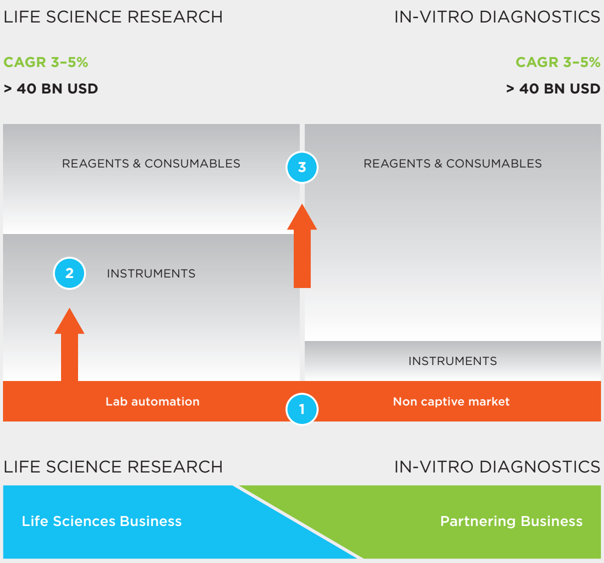
PRODUCT PORTFOLIO

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 expertise 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.

IBL International, acquired by Tecan in 2014, is a leading provider 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. This enables Tecan to 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.

SEGMENT STRATEGY

The corporate strategy pursues three vectors to ensure sustainable profitable growth. The company's specific strategies allow it to drive forward customer projects with the respective business models of the two business segments.



MARKET STRUCTURE

1 EXPANDING THE CORE BUSINESS

In the Life Sciences Business the market leading position will be further increased and market share gained through launching new products and expanding geographically.

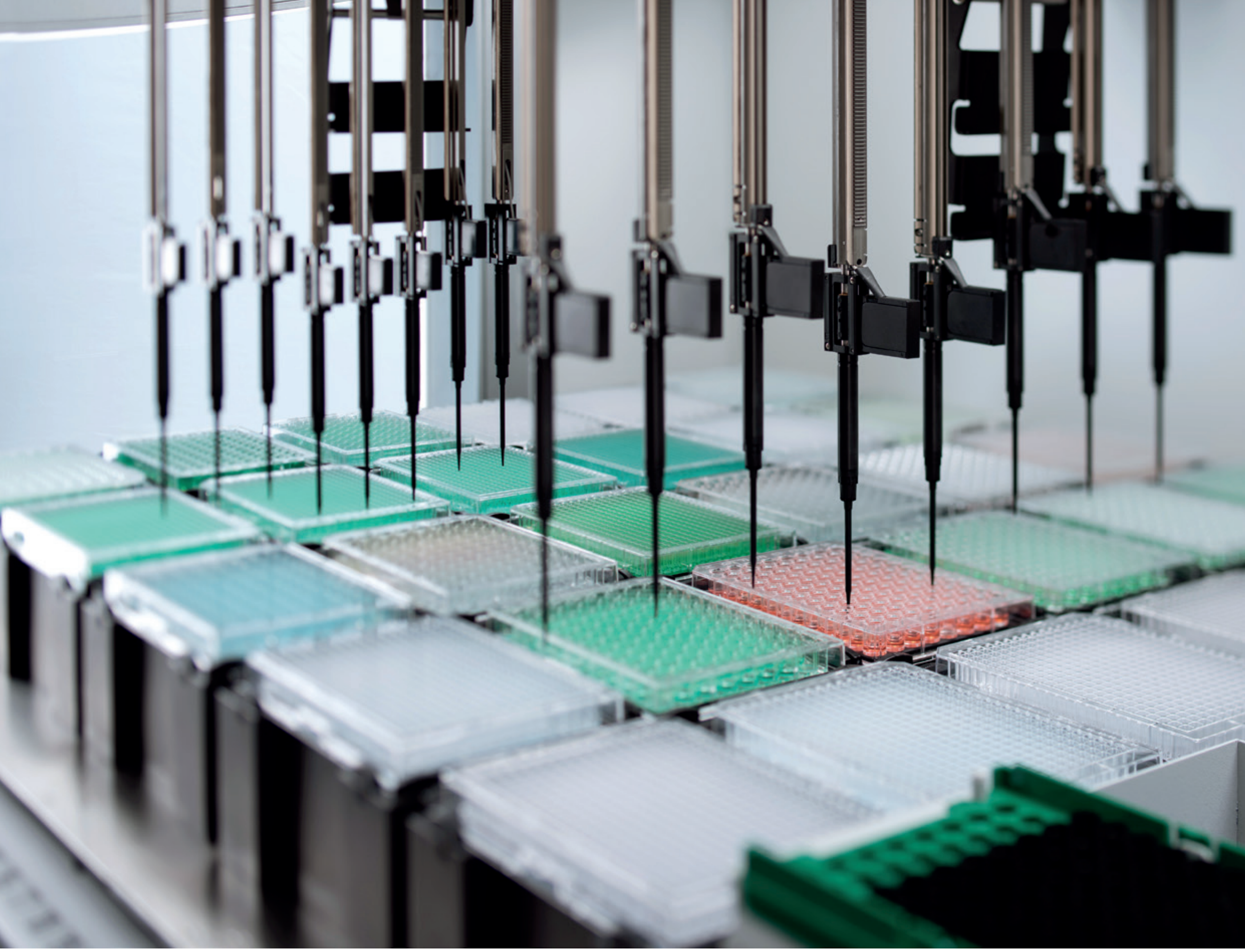
LAUNCH OF NEW PRODUCTS

The introduction of two main platforms marks the beginning of a new product cycle, in both liquid handling and detection. Further launches are set to follow.

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 walkway time. Employees in the laboratory can get more done, with greater 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.

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.



FLUENT®
LABORATORY AUTOMATION SOLUTIONS

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 Fluent solutions that have already been introduced address the need for automation in the rapidly growing cell biology market, compound management and genomics.

Spark® ignites productivity in the lab

At the beginning of 2015, Spark® 10M marked the introduction of a new generation of the reader platform to the second main product line – 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. Tecan has introduced a number of new exciting features during the year for the Spark 10M.

At the beginning of 2016, Tecan has launched the new Spark 20M multimode microplate reader which offers solutions to suit virtually any drug discovery or advanced research application. The unique Fusion Optics enables unparalleled sensitivity, speed and flexibility. Options include the newly developed Te-Cool™ cooling module that uniquely allows the measurement chamber temperature to be set below the ambient room temperature for more accurate and reliable results. The Spark 20M's cell handling capabilities have also been extended, with a new automated cell imaging and confluence measurement feature. This allows incubation and monitoring of cell culture microplates within the measurement chamber.

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. The currently available solutions 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.

SPARK® 20M
WITH TE-COOL™ COOLING MODULE

Automation solutions have already been introduced that, for example, fully automate sample preparation for gene sequencing (next-generation sequencing) and mass spectrometry. Both areas are among the fastest-growing applications in life-science research.

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. In recent years, average sales have grown markedly. Tecan is, for example, the market leader in liquid handling platforms for the largest hospitals (class 3). The laboratories use Tecan platforms to test blood samples for infectious diseases, for instance. 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.

2 BUILDING UP FURTHER PILLARS IN THE INSTRUMENT MARKET

Tecan is aiming to build up further pillars in the instrument market for life science research. This applies in particular to areas beyond conventional, open and flexible robotics solutions for liquid handling and microplate readers. There are plenty of opportunities here, especially in dedicated instruments for sample preparation. In adjacent markets, Tecan sees opportunities to extend its traditional core business so as to grow faster than the overall markets for life science research instruments. This potential can be accessed both organically and through acquisitions.

3 EXPANSION OF RECURRING REVENUES

The third vector focuses on expanding recurring revenues in Tecan's two main markets, life science research and in-vitro diagnostics. The Company wants to supply reagents and consumables for both markets so as to be able to offer fully integrated solutions.

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 and reagents contributed 8% to sales in the segment in the year under review.

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 when it comes to immunoassay instruments for clinical diagnostics. 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 diagnostic companies and therefore outside the focus of Tecan's typical Partnering Business customers.

The product 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 each 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 certain reagents.

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

EXPANSION OF RECURRING SALES WITH PLASTIC CONSUMABLES

In the year under review, Tecan generated 14% of sales in the segment with plastic consumables. The share of these recurring sales is to be further expanded. 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.

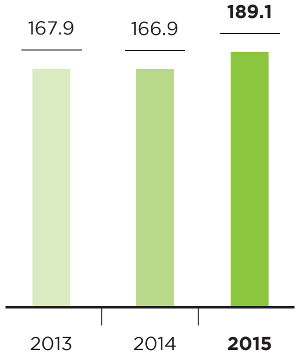
Tecan is continuously expanding its product offering in the area of plastic consumables and benefits from the broad base of existing installed instruments. Tecan is also increasingly launching consumables that contribute even greater value to the workflow solution. One of the first products of this kind is the AC Extraction Plate™. This extraction plate, with the inner surface of each well coated with a special technology, was developed to make it possible to easily automate sample preparation for mass spectrometry. The proprietary TICE™ (Tecan Immobilized Coating Extraction) technology enables extraction of low molecular weight analytes such as vitamin D or testosterone for subsequent analysis with a mass spectrometer. The AC Extraction Plate eliminates numerous laborious and difficult-to-automate process steps.

REAGENT KITS

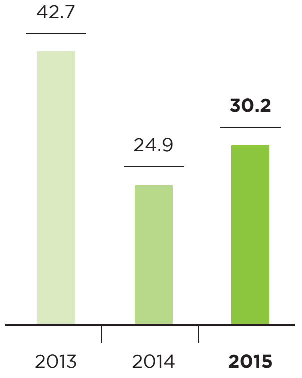

Empowered
with
Tecan.

Partnering Business
(OEM business)

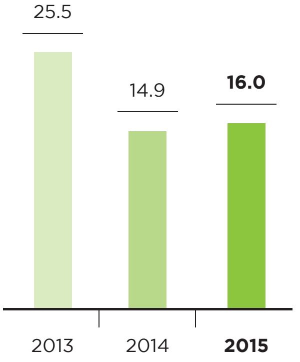
TOTAL SALES PARTNERING BUSINESS[1]
(CHF million)



EBIT PARTNERING BUSINESS
(CHF million)

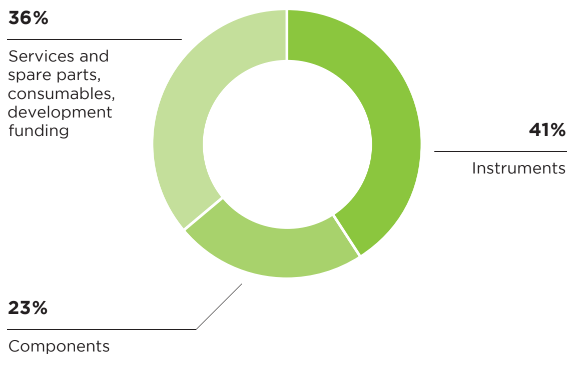


EBIT MARGIN PARTNERING BUSINESS
(in % of sales)



[1] Sales to third parties + intersegment sales

SALES BY PRODUCT GROUPS
(in % of sales)



PERFORMANCE

Sales in the Partnering Business grew by 3.1% in local currencies and 2.9% in Swiss francs in the second half against a strong base in the prior-year period with a 14.7% growth rate. Excluding contributions from Sias, since December 1, 2015 part of the Partnering Business, sales in the second half grew by 1.0% in local currencies. The Partnering Business generated sales of CHF 187.3 million in financial year 2015 (2014: CHF 163.2 million), which corresponds to an increase of 14.9% in local currencies and 14.7% in Swiss francs. On an organic basis, sales increased by 13.7% in local currencies. Instruments launched in the past two years made a significant contribution to the strong sales growth. Also, the components business continued to perform well. Order entry in the Partnering Business also grew at a double-digit percentage rate in 2015 and exceeded sales considerably.

The segment's EBIT rose to CHF 30.2 million in 2015 (2014: CHF 24.9 million) and the EBIT margin grew to 16.0% of sales (2014: 14.9%). The impact of lower margins on profitability from some newly introduced instruments, which are normal during launch phase, was more than outweighed by higher sales volumes.

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 over 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 43% in 2015.

HIGHLIGHTS OF 2015

- US launch of FDA cleared ORTHO VISION™ Analyzer by Ortho Clinical Diagnostics
- Acquisition of Sias AG on 30 November 2015, a leading OEM supplier of laboratory automation solutions, to further expand Tecan's Partnering Business

ORGANIZATION

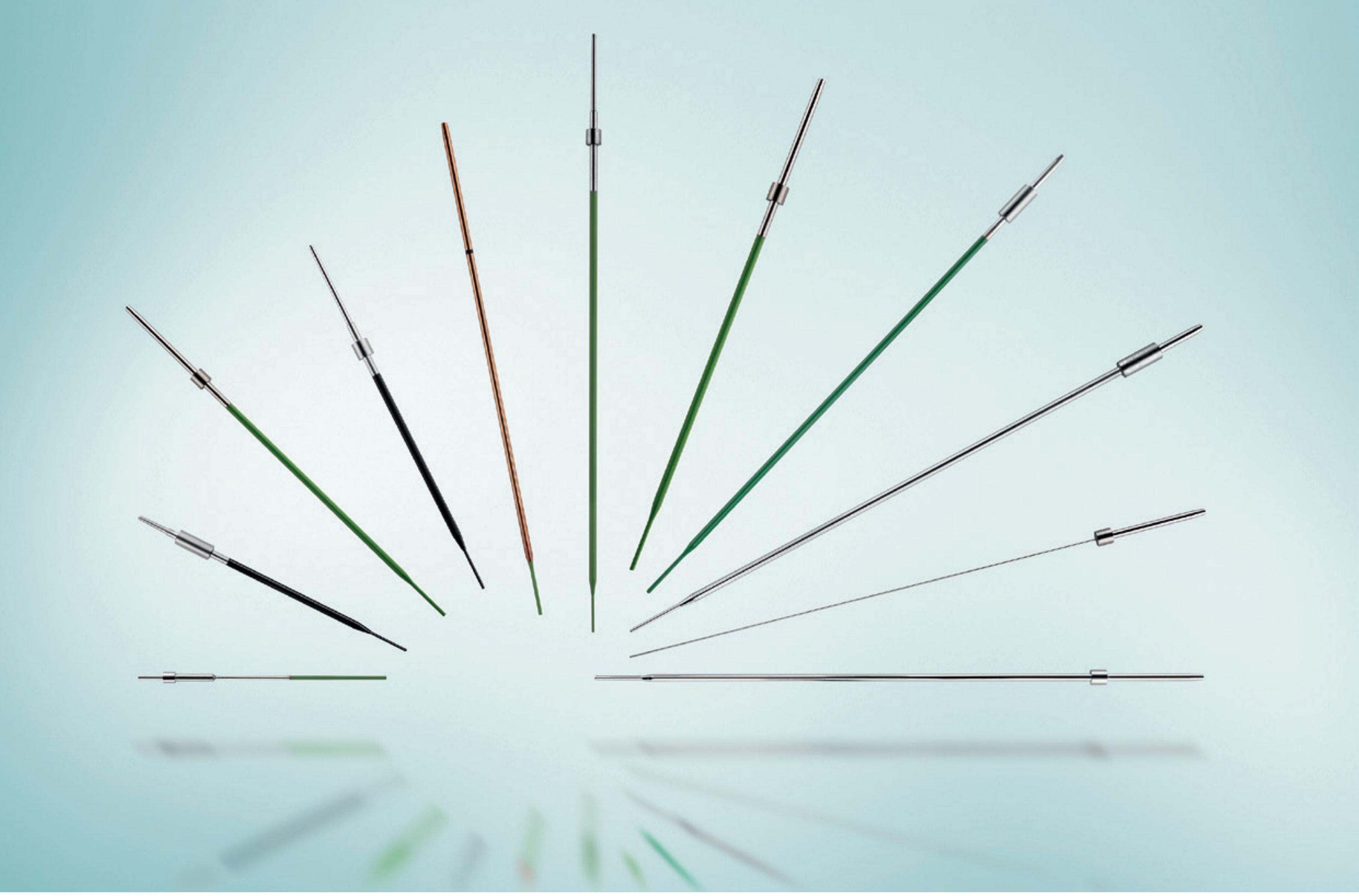
In the Partnering Business, corporate customers, who are mainly diagnostics companies, are managed centrally via Key Account Management. Employees in Europe, North America and Asia ensure local management of existing customers and support the acquisition of new customers. There are direct sales employees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

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.

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® product 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.

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.

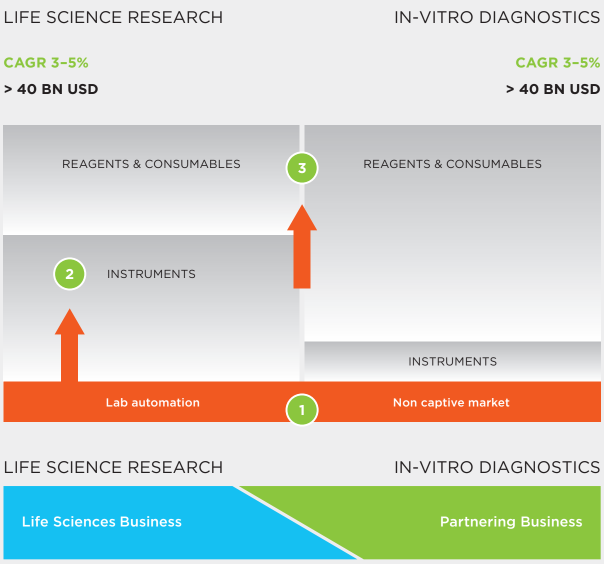
One example of this type of platform-based automation solution is one of the world's most successful molecular diagnostic platforms. It is marketed by the partner as a system solution jointly with a wide range of different molecular diagnostic tests. Applications include, for example, therapy monitoring 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.

SEGMENT STRATEGY

The corporate strategy pursues three vectors to ensure sustainable profitable growth. The company's specific strategies allow it to drive forward customer projects with the respective business models of the two business segments.



MARKET STRUCTURE

1 EXPANDING THE CORE BUSINESS

In the in-vitro diagnostics market, some of the instrument development and production will be outsourced to specialists like Tecan. In this addressable market share, Tecan, through its Partnering Business, is the partner of choice in automation systems for many companies in the in-vitro diagnostics industry. Tecan supports these partners with their regional product launches of new instruments – developed and manufactured by Tecan – and the associated ramp up in serial production.

SUPPLY OF MAJOR 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.

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.

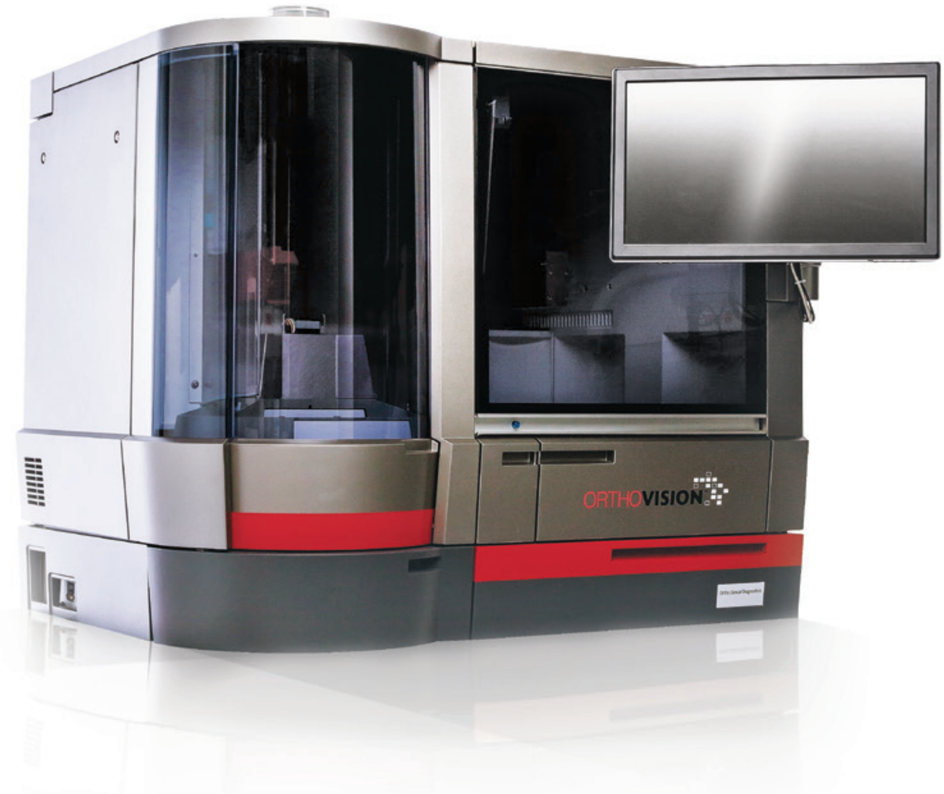
Dako Omnis for Dako

Dako Omnis, a 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).

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, a 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



ORTHO VISION™ ANALYZER

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.

In August 2015, Tecan's partner Ortho Clinical Diagnostics, has launched the FDA cleared ORTHO VISION™ Analyzer in the United States as well. Tecan also successfully concluded the development of the ORTHO VISION™ Max, a variant of the instrument for high-volume transfusion medicine laboratories in the year under review. In October 2015, Ortho Clinical Diagnostics announced that this instrument variant has received CE Mark clearance, making it available for purchase in Europe and Japan.

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. 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.

OPENING UP GLOBAL GROWTH MARKETS

As in the Life Sciences Business segment, significant market potential is also presenting itself to Tecan in the Partnering Business in China and sales in this country 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, 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 is in an advanced stage of development.

2 BUILDING UP FURTHER PILLARS IN THE INSTRUMENT MARKET

Through the Partnering Business, Tecan primarily supplies diagnostics companies with automation solutions or components. Currently, Tecan is only aiming to build up further pillars in the instrument market for life science research through the Life Sciences Business.

3 EXPANSION OF RECURRING REVENUES

The third vector focuses on expanding recurring revenues. In Partnering Business, 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.

Tecan is focusing increasingly on developing proprietary, patent-protected technologies. One example is the innovative consumable based eFluidics™ technology concept. eFluidics is an alternative liquid handling technology based on electrowetting, which can manipulate fluids by altering the electrical field.

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.

CUSTOMER LOYALTY AND SATISFACTION

At Tecan, strong customer loyalty and a high degree of customer satisfaction are key factors for sustainable business growth. In collaboration with an external market research institute, Tecan regularly measures and evaluates customer loyalty and satisfaction. For example, the Company conducted a global survey of more than a thousand scientists as part of the major brand refresh project. Both customers and non-customers were questioned about their perception of Tecan compared to its most important competitors in the various market segments. The survey confirmed Tecan as the leading brand in the field of laboratory automation. It stands for the highest standards, quality, reliability and innovation. These are decisive success factors for building up and strengthening a brand in this sector on a sustainable basis.

In addition to the largely positive results, the survey also identified room for improvement, which Tecan is now addressing with appropriate measures. Overall, the Company is putting the customer at the center of its actions to an even greater extent. Tecan's promise is: Always there for you. Tecan wishes to be closer to its customers and partners, in order to help them reach their targets even quicker. Using its expertise, the Company plays its part wherever possible.

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 efficiency as well as quality and occupational safety, 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.

As part of the existing lean production, an even more consistent one-piece flow approach – an "employee-linked workflow"– was adopted in the production system in the year under review. The employees accompany the instrument along the entire production path to completion, with no interruptions between the various work steps. Not only does this production process shorten production times and further improve quality, it should also further increase employees' motivation levels.

In the year under review, Tecan also reorganized the manufacturing processes of the various product lines at the Männedorf site. The most important innovations were as follows: Employees have clearer responsibilities and each product line has a production manager. Responsibility for the timely execution of orders, the procurement of materials and the observance of the agreed objectives is clearly allocated to individuals. Performance reviews are undertaken on the basis of KPIs (key performance indicators). Each morning, the production manager discusses the next steps to be undertaken with the entire team before production gets underway.

RISK MANAGEMENT

Tecan has a well-established global risk management process that allows the Company 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 also regularly audited by a key insurer, who attests to the instrument's high standard, enabling a premium reduction. Some of the Company's employees hold risk management certification. 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.

ETHICAL VALUES

Tecan's most important suppliers are provided with a dedicated version of the Tecan Code of Conduct, to which they must commit.

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. Tecan has a formalized Code of Conduct that is binding for all employees, managers and Board members. In this Code, Tecan undertakes to maintain the highest standards in its business activities and to respect ethical values. The document is available to the public on the Company's website. Tecan aims to document internally and externally that the Company is a credible and reliable business partner and employer in all situations through the Code. The Code of Conduct also brings together key guidelines that are already included in other tools, such as the employment regulations or the Tecan Management System, in a comprehensible form. It instructs employees how to orient themselves within the Company, and to seek further information or support in cases of doubt. 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 relevant 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.

The Code is established worldwide and the relevant employees have been given training on it. Tecan conducted the training for a proportion of the employees in the form of 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.

Tecan's most important suppliers are also provided with a dedicated version of the Tecan Code of Conduct, to which they must commit. This document, the "Tecan Supplier Code of Conduct", defines the minimum requirements by which all suppliers must abide. These refer to internationally recognized ethical standards relating to labor and the environment, as well as business practices. The requirements are based on the ten principles of the UN Global Compact initiative.

Tecan also carries out regular detailed screening of its distributors, and has established a separate process with a TMS directive (Distributors and Intermediaries Anti Bribery Due Diligence) for this purpose. The screening is carried out with the assistance of an external specialist service provider who draws up a due diligence report. This process is supplemented by Internet research and a database analysis as to whether companies or individuals related to Tecan appear 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 2015, 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. In 2015, audits of one production site and one distribution site by international authorities also took place and were 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 almost all 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, Groupwide 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 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.

ENVIRONMENTALLY RESPONSIBLE BEHAVIOR

Tecan also strives to employ modern, energy-efficient technology for the infrastructure of its buildings.

In the production process – unlike, for example, the mass production of consumer goods – 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 CO_2, methane or other greenhouse gases (scope 1 emissions) from this direct source. Indirect emissions arise from energy purchased (scope 2 emissions). For the first time, Tecan is reporting these indirect emissions in the year under review for its largest location in Männedorf, Switzerland, in the environmental performance table. Overall, the manufacturing process is less energy-intensive and is limited to the final assembly. Energy costs therefore make up less than 1% of all operating costs. 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. Employee numbers rose in the period 2013 to 2015. The figures for the location of the subsidiary IBL International in Hamburg have been consolidated for the first time in 2015, which has led to an increase in total energy consumption of 6.2%. However, without the inclusion of IBL International, energy consumption would have fallen year-on-year in the year under review. For the same reason, there was also an increase in paper consumption, which, with the inclusion of IBL International was 20.4% above the prior-year level, but would otherwise have been lower for the existing locations.

Tecan takes care to ensure that modern, energy-efficient technology is used in the infrastructure of its buildings. For example, hot and cold water lines in the ceiling are the sole source of heating and cooling at the headquarters in Männedorf. Processed wastewater from the Männedorf wastewater treatment plant supplies the heat pumps with energy.

No water is used as a production factor in the assembly process. Tecan's water requirements are met entirely by the communal water utilities and do not influence any water resources in protected areas. The Company was again able to significantly reduce per head water consumption in the year under review. Even with the inclusion of the IBL International location in Hamburg, Germany, overall consumption rose only slightly. Taking into account the Hamburg location, which is included for the first time, the total amount of waste produced increased by 20.45% in comparison with the previous year. Without the inclusion of the new location, the amount of waste would have risen only slightly and would still have been significantly below the levels of 2011 to 2013, with recyclable waste and refuse 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. As Tecan has substantially improved transparency with regard to environmentally relevant indicators, in 2014 the Company achieved first place as "Best Improver Switzerland" in the largest climate rankings worldwide, the Carbon Disclosure Project.

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 must also implement the directives in their local forms 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, CO_2 efficiency is also a key criterion. Designing products to be lighter and more compact means that CO_2 emissions arising from their transportation can be reduced. The use of LED lamps also allows energy to be saved in comparison with predecessor technologies. 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

ENVIRONMENTAL PERFORMANCE

	Unit	2013	2014	2015*
Net floor area	m^2	24,879.8	24,888.8	28,151.8
Energy consumption				
Total energy consumption	Gigajoules	21,492.2	19,705.6	20,927.4
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	11,709.5	12,084.2	12,706.0
Consumption of electricity/m^2	Gigajoules/m^2	0.5	0.5	0.5
Total cooling energy	Gigajoules	2,840.2	1,932.2	1,768.6
Cooling energy/m^2 *	Gigajoules/m^2	0.1	0.2	0.1
Total heating energy	Gigajoules	6,942.5	5,689.1	6,452.8
Heating energy/m^2	Gigajoules/m^2	0.3	0.2	0.2
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	55.3	49.3	47.5
Water consumption				
Total water consumption	m^3	8,212.7	8,207.5	8,590.5
Water consumption per head	m^3/head	11.0	9.8	9.1
Paper consumption				
Total paper consumption	kg	22,887.2	18,877.3	18,877.3
Paper consumption per head	kg/head	30.8	22.6	23.9
Percentage of recycled paper	Percentage	81.0	68.3	84.5
Waste consumption				
Total waste	Ton	106.6	96.3	116.1
Normal waste	Ton	34.5	36.0	58.3
Recyclable waste	Ton	63.7	58.5	55.6
Hazardous waste	Ton	8.4	1.8	2.2

* Data available for Switzerland only, included in electricity for other sites

GREENHOUSE GAS EMISSIONS

	Unit	2013	2014	2015
Direct CO_2 emissions from incinerators	Ton	0	0	0
Direct emissions of other greenhouse gases*	Ton	0	0	0
Total indirect CO_2 emissions via energy procurement (scope 2)**	**Ton (CO_2 equivalents)**	**n.a.**	**n.a.**	**70.96**
Emissions via electricity procurement	Ton (CO_2 equivalents)	n.a.	n.a.	39.83
Emissions via cooling energy	Ton (CO_2 equivalents)	n.a.	n.a.	15.54
Emissions via heating energy	Ton (CO_2 equivalents)	n.a.	n.a.	15.59

* Methane, nitrous oxide, sulfur hexafluoride, nitrogen trifluoride

** Data available for Switzerland only

EMPLOYEES

Tecan is very aware of the enormous responsibility it bears 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. As part of fundamental labor rights, Tecan is also committed to observing international labor and social standards that are based on the defined standards of the International Labour Organization (ILO), a specialized agency of the United Nations. The globally applicable minimum standards are intended to ensure workplace rights and thus decent work. The four basic principles of the ILO are freedom of association and the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation.

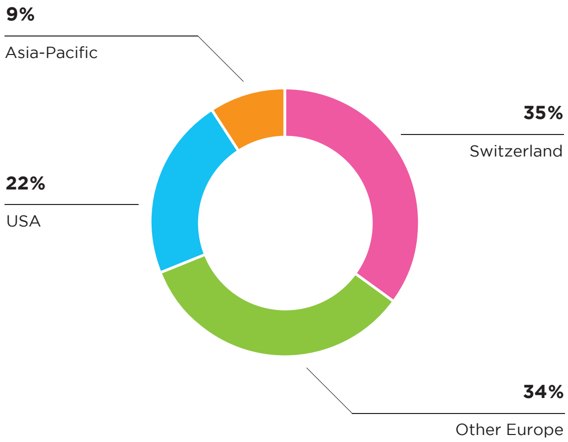
Tecan has a very cosmopolitan workforce comprising employees from more than 40 countries. The average age of Tecan employees is just over 40. With the incorporation of the IBL International employees, the total number of employees increased by 11.8%. The proportion of women in the workforce increased again to 30.2%, while the proportion of female managers was 23.5%, which was slightly down year-on-year. Two of seven positions on the Board of Directors are occupied by women.

The employees of IBL International, which was acquired in 2014, were effectively integrated into the Tecan Group's workforce in the year under review. Furthermore, the acquisition of Sias led to around 80 new employees being welcomed to the Tecan Group in 2015. These employees are not yet included in the table listing personnel figures.

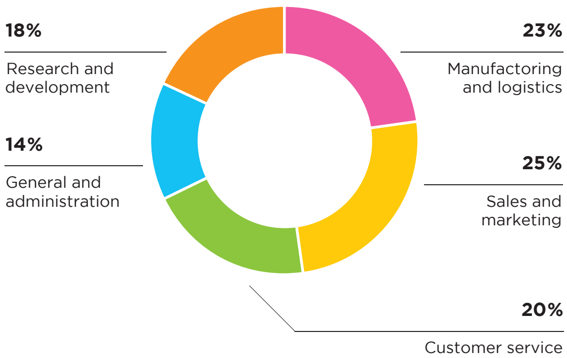
EMPLOYEE SATISFACTION

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 Sias AG

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. As part of a major brand refresh project, Tecan reformulated the vision in 2015. As a common basis for collaboration, it has great importance in Tecan's corporate culture.

OVERVIEW OF PERSONNEL FIGURES

	Unit	2013	2014	**2015***
Employee figures				
Employees	No.	1,232	1,224	1,369
Full-time positions	in % of all employees	89.3%	88.3%	87.5%
Part-time positions	in % of all employees	9.1%	10.1%	12.5%
Trainees	No.	20	19	21
New positions created	No.	8	-8	145
Gender diversity				
Women	No.	327	349	413
Men	No.	905	875	956
Women	in % of all employees	26.5%	28.5%	30.2%
Men	in % of all employees	73.5%	71.5%	69.8%
Women in management positions	in % of all managers	21.4%	24.1%	23.5%
Women in the Board of Directors	No.	2	2	2
Women in the Board of Directors	in % of all members	28.6%	28.6%	28.6%
Basic and continuing training**				
Investments in basic and continuing training	CHF	518,316	511,424	639,254
Investments in basic and continuing training	CHF per employee	1,089	1,105	1,321
Other figures**				
Staff turnover rate		10.3%	12.4%	10.4%
Absence rate		2.7%	2.1%	2.5%
Average number of years of service	Years	5.6	6.5	5.7
Average age	Years	39.8	39.8	40.7

* Including IBL International, excluding Sias AG

** Data for Switzerland only

THE TECAN VISION

The common values and objectives for all Tecan employees are encapsulated in the new vision: Every lab. Every day. Empowered.

In the brand refresh project, Tecan, in collaboration with an external partner, drafted comprehensive guidelines, common values and principles of conduct for employees, to which the visual image of the Company was also linked. The result of this link is the Tecan brand – a key factor for the Company's success. The building blocks of the Tecan brand are graphically visualized in the "brand house": the unique selling points for the Company's positioning in the market, as well as its promise to its customers and the elements of its visual image are built on the foundations of the three core values – trust, highest standards and ambition. Tecan's inner strength is made up of reliability, highest performance standards for the products and ambitious goals for innovations and process improvements. Through its new vision "Every lab. Every day. Empowered.", Tecan aims to maintain a global presence with outstanding technologies, products and support. The Company wants to actively shape the future of automated workflows in the life sciences and clinical diagnostics by facilitating key innovations and empowering customers. When it comes to its unique selling points, Tecan sets particular store by the characteristic "leading". Throughout its corporate history, Tecan has launched many pioneering projects and has played a decisive role in the laboratory automation industry. In the future, Tecan wishes to increase its focus on these traditional strengths and, on that basis, further strengthen its leading, formative role in the industry.

The vision and values have been implemented in the Company by means of an intensive program, with great emphasis being placed on familiarizing all employees with them. Internal events were held to this end in all European locations and at two locations each in the US and in Asia. Field service employees who were unable to take part in person were given the training in the form of webinars. The employees reacted very positively to the new brand house. The elements of the Tecan brand are comprehensively described in the brand book, which is available on the intranet and is given to new employees on their first day with the Company.

The brand book has already established itself in Tecan's day-to-day routine. For instance, the three core values – trust, the highest standards and ambition – 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 review, investments in basic and continuing training again increased significantly 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 is established as standard and is extremely popular.

PROJECTS SERVING THE COMMON GOOD

In 2015, a team from Tecan's company IBL International helped generate a sizeable amount in donations by taking part in a city run in Hamburg.

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: 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.

Tecan also holds a financial seminar for novices. This is 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.

SOCIAL RESPONSIBILITY

Tecan offers a wide range of healthcare initiatives for its employees including medical courses, vaccination programs and various sporting activities. The Company also 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 various projects serving the common good at its various locations. For example, in the year under review, IBL International put together a team of 17 for the HafenCity Run, which took place in Hamburg in June. Some 852 teams composed of a total of over 24,000 people took part in this charity run. The HafenCity Run generated donations of EUR 155,000 for children in difficult situations.

In addition to individual projects, Tecan also gets involved in long-term projects. For example, the Company supports 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. The "Spürnasenecke" lets teachers lead children toward scientific discoveries in a playful way. Tecan contributed to the development of the "Spürnasenecke" project in the form of 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.


Empowered
with
Tecan.

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, 2015, the Company's market capitalization was CHF 1,863 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 135 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 96 of this Annual Report.

IMPORTANT SHAREHOLDERS

As of December 31, 2015, the following shareholders held more than 3% of Tecan's shares:

	2014		**2015**	
	Shares	%	Shares	%
Chase Nominees Ltd., London (GB)	1,546,910	13.5%	1,546,910	13.5%
ING Groep N.V., Amsterdam (NL)	846,556	7.4%	848,426	7.4%
Black Rock Inc., New York (US)		<3.0%	578,431	5.0%
APG Algemeine Pensioen Groep N.V., Amsterdam (NL)	572,591	5.0%	572,926	5.0%
UBS Fund Management (Switzerland) AG, Basel (CH)	584,374	5.1%	570,408	5.0%
Massachusetts Mutual Life Insurance Company, Springfield, MA (US)		<3.0%	524,388	4.6%
Pictet Funds SA, Geneva (CH)	572,591	5.0%	347,150	3.0%
Credit Suisse Funds AG, Zurich (CH)	362,760	3.2%		<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

	2013	2014	2015
Shares	11,444,576	11,444,576	11,467,577
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,144,458	1,144,458	1,146,758
Legal reserves (CHF)	3,596,526	3,596,526	6,716,885
Net retained earnings (CHF)	171,523,419	203,624,142	198,291,481
Treasury shares (CHF)	(19,401,338)	(15,296,812)	–
Shareholders' equity (CHF)	**156,863,065**	**193,068,314**	**206,155,124**
Repayment of capital contribution reserves			
Number of issued shares on repayment date	10,991,802	–	–
Reduction in capital contribution reserves (CHF)	10,991,802	–	–
Conditional share capital			
Reserved for employee participation plans			
Shares	858,636	858,636	835,635
CHF	85,864	85,864	83,564
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, 2015, the Company's share capital was CHF 1,146,758 and was divided into 11,467,577 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 has serviced the options exercised and share transfers from its own shares. Due to the sale of all treasury shares in the first half of 2015, share capital was created again for the first time for the options subsequently exercised. A total of 23,001 options were exercised in fiscal year 2015, increasing the Company's share capital by CHF 2,300 and decreasing the Company's conditional capital by 23,001 shares. As of December 31, 2015, 117,167 shares of the conditional share capital were reserved for outstanding employee stock options and 186,722 for outstanding employee shares in connection with the Performance Share Matching Plan (PSMP) and other share plans. These shares correspond to a share capital of CHF 30,389. 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 for nominees, 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 three extended conference calls were held in the year under review. Four meetings or conference calls of the Audit Committee lasting about four hours each were also held. In addition, there were three meetings of the Compensation Committee.

Board of Directors

ROLF A. CLASSON

Chairman of the Board
Chairman of the Nomination and Governance Committee

Since 2009, elected until 2016
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 2016
1950
Swiss citizen
Master of Applied Physics & Electrical Engineering (ETH Zurich), MBA (University of Zurich)

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

Other activities:
Orell Füssli Holding AG, Chairman of the Board; Hilti AG, member of the Board; CAMOX Fund, member of the Board; Sensirion Holding AG, member of the Board; SWM Inc., Atlanta/USA, member or the Board

DR. OLIVER FETZER

Chairman of the Compensation Committee

Since 2011, elected until 2016
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

LARS HOLMQVIST

Since 2015, elected until 2016
1959
Swedish citizen
INSEAD, Fontainebleu France
Business Administration (Mid Sweden University, Sweden)

Professional background:
1983 to 1987, Lederle Labs. Nordic; 1991 to 1993, Becton Dickinson Nordic; 1993 to1996, Pharma Hospital Care; 1996 to 1998, Boston Scientific Europe, Vice President Vascular EMEA, Member of the Executive Management Group; 1998 to 2004, MEDITRONIC EUROPE SARL, various positions, last position Vice President, Vascular & Cardic Surgery, Western Europe, Member of the European Management, Committee and Global Vascular & Cardiac Surgery Executive Staff; 2004 to 2009, Applied Biosystems, Inc., various positions, last position Vice President and Executive Member of Applera Corp.; 2009 to 2012, Dako Denmark A/S President and CEO; 2012 to 2014, Agilent Technology, Inc. President of Life Sciences and Diagnostics Group/ Senior Vice President of Agilent.

Other activities:
H. Lundbeck A/S, Valby, Denmark, member of the board and Member of the Audit Committee; ALK-Abelló A/S, Denmark member of the board and Member of the Remuneration Committee; Naga UK TopCo Limited, Hertfordshire, UK member of the board. Senior Advisor to Bain Capital

GÉRARD VAILLANT

Since 2004, elected until 2016
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; STAT-Diagnostica & Innovation S.L., Spain, Chairman of the Board

DR. KAREN HÜBSCHER

Since 2012, elected until 2016
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

DR. CHRISTA KREUZBURG

Since 2013, elected until 2016
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

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. For specific topics (for example in connection with M&A discussions) the Board of Directors forms ad-hoc committees. Several conference calls of ad-hoc committees were held in the year under review. 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
Lars Holmqvist	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 | 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

2 | 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

3 | 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

4 | 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

5 | 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

Other activities:
None

6 | DR. DAVID MARTYR

Chief Executive Officer

Member since October 2012
Joining Tecan in October 2012
1957
British citizen
B.Sc. and Ph.D. 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; Non-executive Chairman, Sphere Medical Holding plc, UK

7 | 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 to 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

8 | 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

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 68 to 76 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 2015.

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.
- For work performed in the interest of the Company, the members of the Management Board 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 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 (Article 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 2015 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 68 to 76 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	May 28, 1997
Date on which the lead auditor took up his position	2011

FEES PAID

CHF 1,000	2014	2015
Total auditing fees (KPMG)	623	597
Total auditing fees (other audit companies)	0	31
Total tax consulting fees (KPMG)	74	60
Total other consulting fees (KPMG)	12	7

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

9 INFORMATION POLICY

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

IMPORTANT DATES FOR INVESTORS

Date	Location	Event
March 15, 2016	Zurich	Full Year Results 2015, Press Briefing on Annual Results and Analysts' Conference
April 13, 2016	Zurich	Annual General Meeting
August 16, 2016	Conference Call/ Webcast	Half-year Results 2016

FOR MAIL OR PHONE INQUIRIES, PLEASE CONTACT

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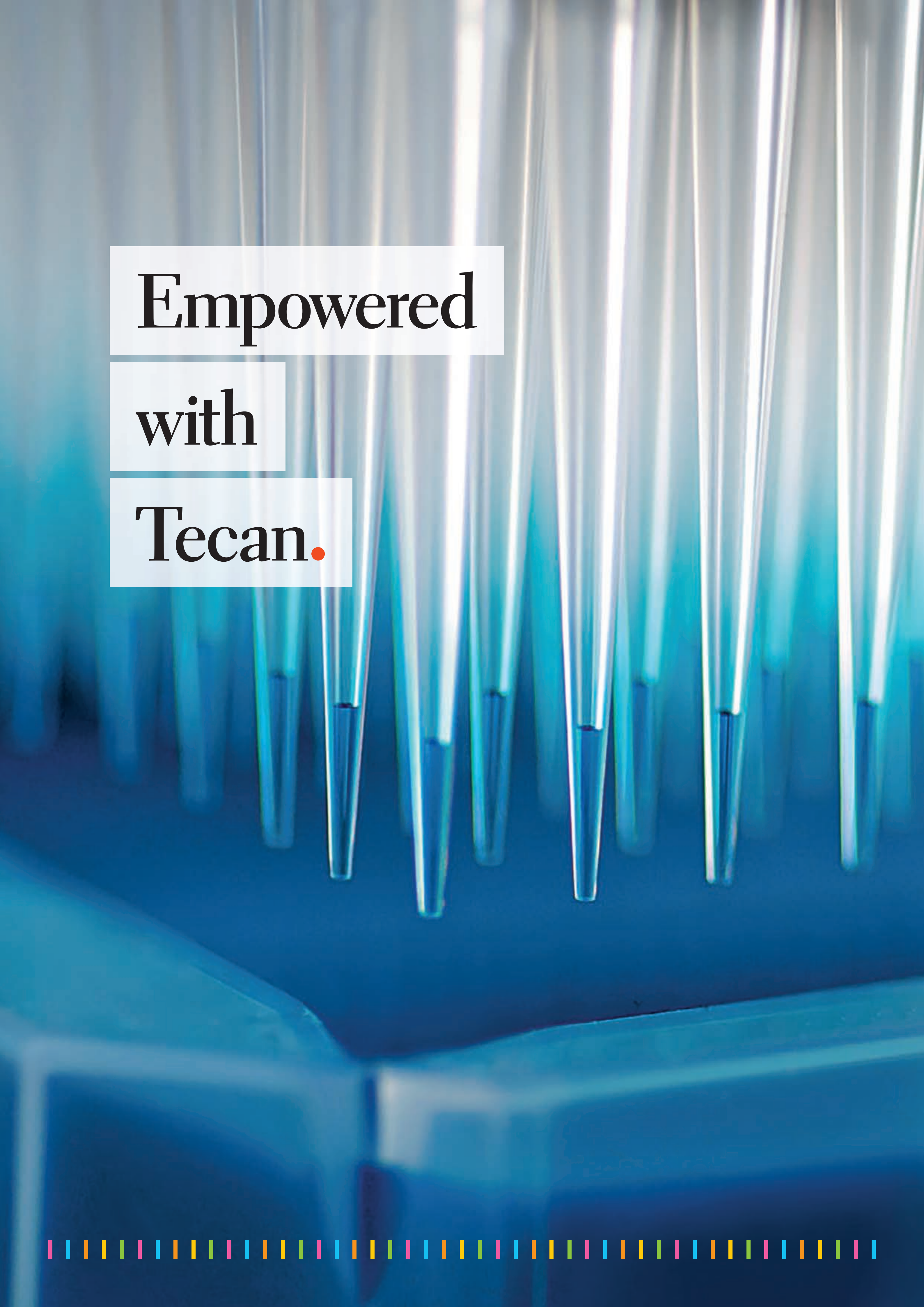

Empowered
with
Tecan.

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. The report will be put to the Annual General Meeting on April 13, 2016 retrospectively for the past fiscal year 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 (OaEC), which took effect on January 1, 2014.

POLICIES

The Compensation Report contains information on the total compensation paid to members of the Board of Directors and Management Board and refers to the 2015 reporting year unless otherwise noted. 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: corporate profit, individual performance, position held and the labor market. The ultimate goal of the compensation system is to attract highly qualified and motivated specialists and managers, ensure their long-term loyalty to the Company and align 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 stock ownership plan in place for all members of the Management Board since 2010 – guarantees direct financial participation in the long-term performance of Tecan's stock. In 2013, the compensation of the Board of Directors was adjusted in line with the current corporate governance recommendations for compensation systems, which stipulate only a fixed fee. Since then, therefore, members of the Board of Directors no longer participate in the performance-based PSMP, instead receiving a fixed allotment of shares in addition to a specified cash component. These shares vest 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 value of the shares is based on the Tecan share's average closing price on the SIX Swiss Exchange during the first four months of the relevant 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 adjusted in line with its recommendations. In the year under review, the Compensation Committee comprised Oliver Fetzer and Christa Kreuzburg and was elected directly by the Annual General Meeting. The CEO, CFO and Corporate Head of Human Resources regularly attend meetings 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 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 members of the Management Board and 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, companies were selected from 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 (sales volume and employees) are weighted and applied to transform each job into a relative value. Overall, the total compensation paid to members of the Management Board is in line with that of the reference companies. As for the composition of total compensation, the results also show that long-term compensation at Tecan is slightly above average and the cash component slightly 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 preceding fiscal year. It also ensures that consistent targets are set across the Group for the new fiscal year and promotes the development of both individual employees and the Group. Personal targets are determined in the performance review process at 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 (variable salary component) and a variable long-term stock ownership plan (Performance Share Matching Plan). For 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 the other employees with variable salary in most cases consists of two pillars: a base salary (fixed or base salary) and a variable component (variable salary component) based on the performance review. In addition, outstanding performance may be rewarded with one-time bonuses in the form of options. Employees are paid a fixed salary and may receive individual, performance-based, one-time spot cash bonus payments.

CASH COMPENSATION

The compensation structure at all management levels is based on the Variable Pay Policies adopted by the Board of Directors. These call for a target salary to be determined. For members of the Management Board, the target salary is made up of a fixed component (60% of the target salary for the CEO or 70% for the other members) and a variable component (40% of the target salary for the CEO or 30% for the other members). The amount of the variable component is based on achievement of both Group financial targets and quantitative and qualitative corporate goals. The financial targets (sales and EBIT margin) are set annually by the Board of Directors in December for the following year. The composition of the variable component differs depending on the position and management responsibility. Group targets predominate (at up to 80%) at management levels three and four and at the Management Board level, while their percentage falls to as little as 40% at lower management levels. If the target is fully met, 100% of the variable compensation is paid out. However, as stipulated in the Articles of Incorporation, the CEO's variable compensation may not exceed 150% of the fixed salary and that of Management Board members may not exceed 100% of the fixed salary. In the year under review, financial targets at Group level were exceeded overall, and a component above 100% was paid out accordingly.

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 were able in past years to invest up to 150% of the maximum variable compensation in stock under the PSMP (“voluntary purchases”).

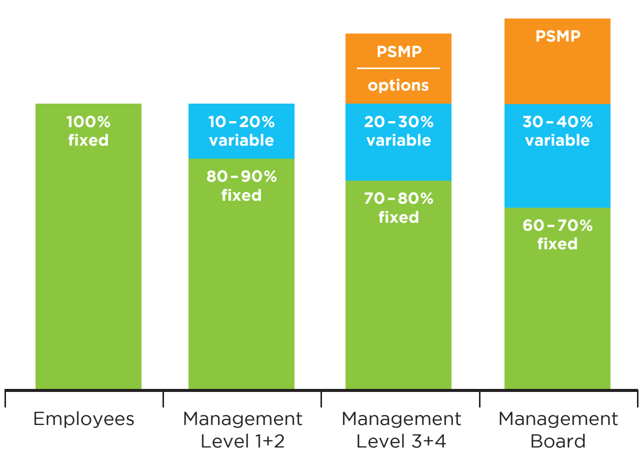
Depending on the strategic and operational orientation of the fiscal year, and in order to assure continuity on the Management Board, however, the Board of Directors may also establish for members of the Management Board and extended Management Board a requirement to invest a portion of the short-term variable component in the long-term PSMP (“mandatory purchases”). Since the financial targets for fiscal year 2014 were not attained in full, this procedure was implemented for the first time in the year under review.

EMPLOYEE PARTICIPATION PLANS

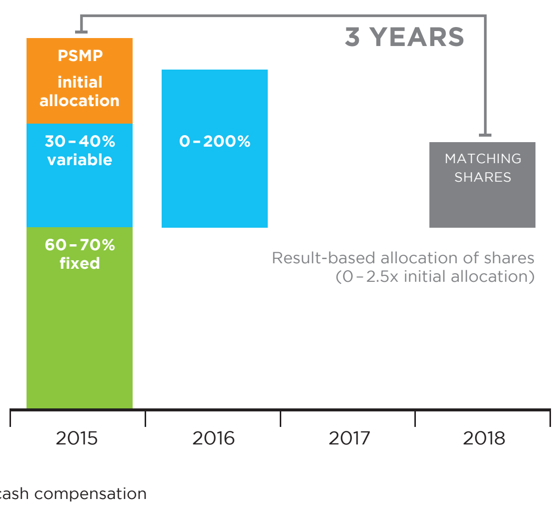
In addition to cash compensation, the members of the Management Board participated in the Performance Share Matching Plan (PSMP) in the year under review. This share plan is a long-term incentive (LTI) plan based on allotment of Tecan Group Ltd. registered shares to the Management Board and the extended Management Board. As in the two previous years, participation in the PSMP was extended in the year under review to a select group of key employees. The shares vest three years from the allotment date and must be returned on a pro rata basis in the event of termination on the part of the employee before the expiration of the three-year period. Employees are eligible to receive additional shares ("matching shares") if certain predefined financial targets based on the Tecan Group's economic profit are reached three years after the allotment of shares. Participants in the PSMP are eligible for matching shares only if an economic profit was achieved. This mechanism ensures that shareholders' interests are aligned with those of PSMP participants. The economic profit target is based primarily on sales growth and EBIT targets. The factor used to calculate this matching share portion is between 0x and 2.5x, depending on the degree to which the economic profit target is attained. This means that a participant in the PSMP may be eligible for up to 2.5 matching shares per originally allotted share under the plan, plus any voluntary or mandatory purchases by members of the Management Board and extended Management Board under the plan. A formula incorporating the two components of "sales growth in local currencies" and "EBIT margin" among other factors has been devised for calculating the matching share factor, provided that a certain asset turnover is reached. The two parameters are linked, i.e. EBIT margin must be higher to achieve a specific factor if growth is low, while higher growth is required if the EBIT margin is low. 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 specified anew each year on a look-ahead basis for the coming three-year period in order to clearly establish 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 2015, the initial allotment for Management Board members averaged 24.8% of total compensation.

STRUCTURE OF THE COMPENSATION SYSTEM



STRUCTURE OF THE COMPENSATION SYSTEM MANAGEMENT BOARD



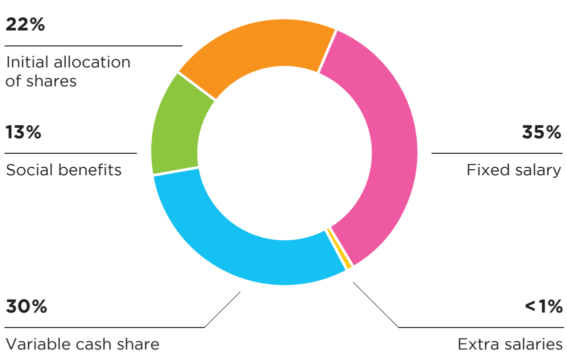
ANNUAL GENERAL MEETING VOTE ON COMPENSATION

The Ordinance Against Excessive Compensation in Listed Companies (OaEC) took effect on January 1, 2014. The compensation and approval mechanism was amended accordingly in 2015 and is set out in the Articles of Incorporation of Tecan Group Ltd. The structure of the Tecan Group's compensation system, 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.

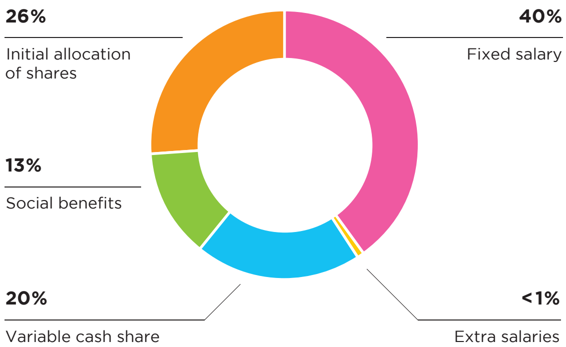
COMPENSATION AND APPROVAL MECHANISM

Each year the Board of Directors proposes to the Annual General Meeting for its approval the maximum total amount of compensation to be paid to the Board of Directors for the period up to the next Annual General Meeting and to the Management Board for the following fiscal year. In addition, as previously, each year the Board of Directors presents the Annual General Meeting with the Compensation Report for its retrospective, advisory approval in accordance with Art. 15 (7) of the Articles of Incorporation. For the second time since 2015, the Board of Directors will propose to the 2016 Annual General Meeting the advance approval of compensation for the Board of Directors and Management Board. For 2016, the Compensation Report will be presented to the shareholders for retrospective, advisory approval at the 2017 Annual General Meeting.

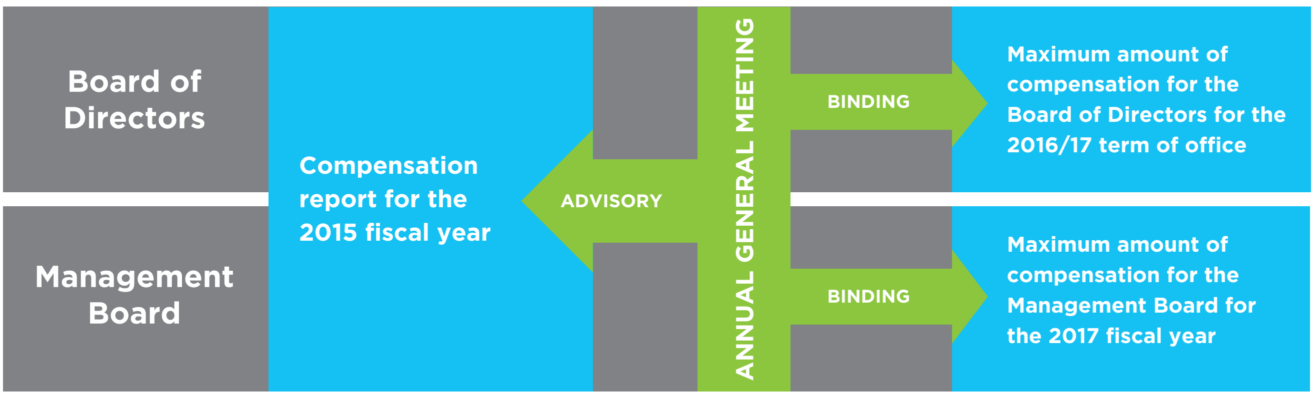
SALARY STRUCTURE CEO



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 13, 2016 will be asked to approve a maximum total amount in Swiss francs for compensation of the Management Board for fiscal year 2017. The most significant factors in the calculation of this maximum amount are the estimated performance-based compensation and the number of members of the Management Board. As was the case last year, the proposal for 2017 is based on eight members.

In determining variable compensation, the calculation of this maximum amount 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 maximum matching share factor of 2.5 is also assumed for the long-term stock ownership 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 actual figures have been well below the annual maximum amounts. The actual figures in the two years when the three-year period had already ended were less than 50% of the maximum.

To make the calculation of the maximum amount as transparent and comprehensible as possible, complex mathematical formulae and methods have been avoided. For example, future payments were not discounted. Likewise, in calculating the value of matching shares, no complex formula such as the Monte Carlo model was used, but simply the value of the initial allotment of shares in Swiss francs multiplied by the maximum factor of 2.5.

In table 1 on page 73, the theoretical maximum amounts from 2012 and 2013 are compared with the actual amounts in order to provide a better understanding. In 2012, the actual sum was 36% of the maximum, while in 2013 it amounted to 59%.

These figures are not available for the three-year cycles starting in 2014 and 2015 as the cycles of the stock ownership plan have not yet come to an end. It is, however, highly likely that the actual values will also be below the maximum value. For 2014, the payment was around 70% of the variable component and for the three-year cycle 2012–2014 no matching shares can be claimed. In 2015 the average target attainment of all Management Board members was 116%, and a matching share factor of approximately 1.1 was attained for the three-year period ending in 2015 (2013–2015).

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 or call a new General Meeting if it does not submit 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 Theoretical Maximum Cycle 2012 – 2014		Theoretical Maximum Cycle 2013 – 2015		MOTION 2015 Cycle 2016 – 2018 (anticipated)		MOTION 2016 Cycle 2017 – 2019 (anticipated)	
	2012	2014	2013	2015	2016	2018	2017	2019
Base salary & fringe benefits	1,973		2,347					
Variable salary	1,978		2,544					
Social benefits	675		875					
Contingencies	0		0					
Total cash payments	**4,626**		**5,766**		**6,400**		**6,700**	
(Number of members of the Management Board)	6		8		8		8	
Initial share grant (value)	1,340		1,272					
Potential additional shares (value "Matching Shares")		3,350		3,180				
Social security for granted shares	85	213	81	202				
Potential additional shares (value "Matching Shares") on voluntary shares		3,709		4,770				
Contingencies	0		0					
Total (potential) long term incentives	**8,698**		**9,505**		**11,500**		**11,500**	

	Effective Compensation Cycle 2012 – 2014		Effective Compensation Cycle 2013 – 2015		Effective Compensation Cycle 2016 – 2018	Effective Compensation Cycle 2017 – 2019
Base salary & fringe benefits	1,973		2,347			
Variable salary	597		494			
Social benefits	581		644			
Total cash payments	**3,151**		**3,485**			
Initial share grant (value)	1,340		1,272			
Voluntary shares (value)	216		371			
Social security for granted shares	99		104			
Additional shares ("Matching Shares"; initial grant and voluntary investment)		0		3,317		
Total long-term incentives	**1,655**		**5,064**			
Effective compensation in % as of the theoretical maximum	**36%**		**56%**			

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. For a new CEO, this additional amount may not exceed the maximum total compensation for the previous CEO approved by the Annual General Meeting for the relevant fiscal years by more than 35%; for any other new members of the Management Board it may not exceed the average total compensation of a Management Board member for the relevant fiscal years by more than 25%. The average total compensation of a Management Board member is equal 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 ANNUAL COMPENSATION OF MANAGEMENT BOARD MEMBERS

As outlined, the calculation of a maximum total amount for the members of the Management Board depends on certain assumptions. The amounts in the disclosed compensation table on page 76 will therefore generally differ from those in the proposal to the Annual General Meeting and the values in Table 1 on page 73. The deviations are mainly the result of the differing treatment of the long-term stock ownership plan. In order to increase comparability, the key differences are described below.

In the disclosure of annual compensation:
- The actual variable component paid is used.
- Only the fair value of initial shares granted as part of the long-term stock ownership plan is taken into account, in the stated total compensation.
- In addition, the theoretical maximum matching share factor of 2.5 is used to determine the number of potential matching shares together with the matching shares actually granted in the fiscal year for the three-year period that ended in 2015. In the proposal to the Annual General Meeting, however, a fair value has already been calculated and the maximum matching share factor of 2.5 is assumed.

APPLICATION FOR A MAXIMUM TOTAL AMOUNT FOR THE BOARD OF DIRECTORS

The Board of Directors will propose to the Annual General Meeting for its approval the maximum total compensation to be paid to the Board of Directors, consisting of a fixed cash component and a share component nominally determined in Swiss francs. No payments to a pension fund are planned.

COMPENSATION TO FORMER MEMBERS OF GOVERNING BODIES

No compensation was paid to former members of the Board of Directors or Management Board in 2015, nor in the previous year.

RELATED PARTY COMPENSATION

No compensation was paid in 2015 or the previous year to parties related to present or former members of the governing bodies.

SEVERANCE BENEFITS

Members of the Board of Directors and Management Board are not contractually entitled to any severance payments.

LOANS AND CREDITS

CURRENT AND FORMER MEMBERS OF GOVERNING BODIES

Neither in 2015 nor in the previous year were any loans or credits extended to current or former Members of the Board of Directors or Management Board that remained outstanding at the end of the year.

RELATED PARTIES

Neither in 2015 nor in the previous year were any loans or credits extended to related parties of present or former members of the governing bodies that remained outstanding at 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	2014	150	22	172	–	764	84	256
(Chairman)	2015	150	34	184	–	703	80	264
Heinrich Fischer	2014	85	28	113	11	477	52	176
(Vice Chairman)	2015	85	42	127	12	439	50	189
Dr. Oliver S. Fetzer	2014	75	35	110	–	382	42	152
	2015	75	47	122	–	352	40	162
Lars Holmqvist	2014	–	–	–	–	–	–	–
(since April 2015)	2015	50	7	57	5	352	40	102
Dr. Karen Hübscher	2014	75	10	85	11	382	42	138
	2015	75	10	85	11	352	40	136
Dr. Christa Kreuzburg	2014	75	10	85	11	382	42	138
	2015	75	10	85	11	352	40	136
Gérard Vaillant	2014	75	10	85	12	382	42	139
	2015	75	16	91	9	352	40	140
Erik Walldén	2014	75	10	85	11	382	42	138
(until April 2015)	2015	25	3	28	6	–	–	34
Total	**2014**	**610**	**125**	**735**	**56**	**3,151**	**346**	**1,137**
	2015	**610**	**169**	**779**	**54**	**2,902**	**330**	**1,163**

[1] Employer's contribution to social security

[2] Vesting condition: Graded vesting from May 1, 2014 to April 30, 2015 (Share Plan BoD 2014) and from May 1, 2015 to April 30, 2016 (Share Plan BoD 2015). Vested shares are transferred at the end of the service period (April 30, 2015 and April 30, 2016, respectively). The shares are fully included in the amount of fair value of shares granted.

[3] Formula for 2014: Shares granted in 2014* fair value at grant (CHF 109.80) and formula for 2015: Shares granted in 2015 * fair value at grant (CHF 124.40)

COMPENSATION TO THE MANAGEMENT BOARD

CHF 1,000	Year	Fixed Salary	Calculated variable salary[1]	Cash payout variable salary	Voluntary/mandatory investment on variable salary; granted (number of shares)	Fair value of voluntary/mandatory shares	Taxable fringe benefits	Total cash compensation[2]	Social benefits[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial grant[5]	Total compensation[6]	Theoretical maximum of matching shares (number) Cycle 2015–2017	Fair value of matching shares pay out Cycle 2012–2014 (2014) Cycle 2013–2015 (2015)
Dr. David Martyr (CEO)[7]	2014	605	250	49	1,771	198	8	662	200	3,818	377	1,437	n/a	0
	2015	617	516	n/a	n/a	n/a	8	1,141	221	3,516	374	1,736	8,790	964
Dr. Rudolf Eugster (CFO)	2014	349	110	35	657	74	–	384	124	2,386	236	818	n/a	0
	2015	353	190	n/a	n/a	n/a	–	543	119	2,197	234	896	5,493	679
Other members of the Management Board[8]	2014	1,638	483	192	2,141	240	119	1,949	540	10,633	1,051	3,780	n/a	0
	2015	1,615	783	n/a	n/a	n/a	43	2,441	545	9,756	1,039	4,025	24,390	1,429
Total	**2014**	**2,592**	**843**	**276**	**4,569**	**512**	**127**	**2,995**	**864**	**16,837**	**1,664**	**6,035**	**n/a**	**0**
	2015	**2,585**	**1,489**	**n/a**	**n/a**	**n/a**	**51**	**4,125**	**863**	**15,469**	**1,647**	**6,657**	**38,673**	**3,072**

[1] Payment will be made in the following year. Up to 50% of the theoretical 100% variable part can be taken as voluntary Investment (2014) or mandated by the Board of Directors (2015) for the LTI PSMP.

[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, 2014 (PSMP 2014) granted May 2, 2014. Vested January 1, 2015 (PSMP 2015) granted May 4, 2015. Vested shares are blocked until the end of the performance period (December 31, 2016 and 2017, respectively).

[5] Formula for 2014: Shares granted in 2014 * fair value at grant (CHF 109.80) * [1 - estimated labor turnover rate (10%)] and formula for 2015: Shares granted in 2015 * fair value at grant (CHF 124.40) * [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 2014 and 2015.

[8] 2014: Total seven members, including one member who left and one member who joined the Management Board during the year; 2015: Total eight members

Financial Report 2015.

Chief Financial Officer's Report

DR. RUDOLF EUGSTER
Chief Financial Officer

I am particularly pleased with the high operating cash flow.

ORDER ENTRY AND SALES

In the second half of 2015, order entry increased by 13.8% in local currencies and by 10.9% in Swiss francs. On an organic basis, orders in the second half grew by 12.3% in local currencies and by 9.6% in Swiss francs. Organic development excludes any contributions from acquisitions from those months in the reporting period that were not already included in the consolidated financial statements in the prior-year period. For the full year, order entry increased by 14.1% in local currencies to CHF 465.0 million (2014: CHF 417.4 million), corresponding to growth of 11.4%. On an organic basis, order entry increased by 10.9% in local currencies and by 8.3% in Swiss francs.

Sales in the second half rose by 8.7% in local currencies and by 5.6% in Swiss francs against a strong base in the prior-year period. This corresponds to organic sales growth of 7.0% in local currencies and 4.0% in Swiss francs. Sales in financial year 2015 increased by 13.1% in local currencies and 10.2% in Swiss francs to CHF 440.3 million (2014: CHF 399.5 million), setting a new company record. On an organic basis, sales grew by 9.6% in local currencies and 6.8% in Swiss francs.

REGIONAL DEVELOPMENT

In Europe, full-year sales in local currencies increased 14.7% compared to the previous year. In Swiss francs, this growth was lower at 7.8% due to the devaluation of the euro. In the Life Sciences Business, the increase in sales was driven by newly launched products and the revenue contribution from IBL International. Sales in the Partnering Business were boosted by solid sales figures for instruments and components.

In North America, sales grew by 13.2% in local currencies and 17.8% in Swiss francs. With a significant contribution from newly launched products, both business segments grew at a double-digit percentage rate in local currencies in this region.

With both business segments contributing to growth, sales in Asia increased by 12.3% in local currencies and by just 3.6% in Swiss francs due to negative exchange rate movements. Despite a continued challenging market environment in China, the overall situation improved in 2015 and Tecan once again posted growth in the double-digit percentage range.

RECURRING SALES OF SERVICES, CONSUMABLES AND REAGENTS

Recurring sales of services and consumables increased considerably in 2015 by 19.1% in local currencies and 15.9% in Swiss francs. With IBL International immunoassays, Tecan was able to add a new source of recurring revenues through this reagents-based business. Overall, recurring revenues accounted for 37.8% of total sales (2014: 36.0%). Services (including spare parts) accounted for 22.2% of total sales, while consumables (plastic and reagents) accounted for 15.6%.

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 215.5 million Swiss Francs (2014: CHF 197.6 million), which was 17.9 million or 9.0% above the prior-year figure. The reported gross profit margin was at 48.9% – 60 basis points lower than in the prior year (2014: 49.5%).

Several factors impacted the gross profit margin level:

- The product and channel mix as well as acquisition-related costs had a negative impact.
- The gross profit margin benefitted from material cost savings, less non-standard costs of sales, a positive exchange rate impact and price increases.

OPERATING EXPENSES LESS COST OF SALES

In 2015, operating expenses totaled CHF 150.0 million or 34.1% of sales, compared with CHF 142.5 million or 35.6% of sales in the prior-year period. Overall, operating expenses less cost of sales increased by 7.5 million Swiss francs or 5.3% and therefore less than sales. All costs include costs from acquired businesses. All expense lines were benefitting from a positive one-time impact from revised pension liabilities according to IAS 19.

Sales and Marketing increased about in line with sales as investments in the sales organization were continued to support product launches.

Research and development expenses in 2015 amounted to 9.1% of sales (2014: 9.9%) or CHF 39.9 million (2014: CHF 39.5 million). All told, research and development activities continued to fall as planned to CHF 56.7 million gross (2014: CHF 84.9 million), as development projects were successfully concluded and various products launched. The total figure also includes development programs for OEM instrument customers in the Partnering Business (CHF 15.8 million) and development costs capitalized in the balance sheet (CHF 9.1 million). These capitalized costs were almost entirely offset by amortization.

General and administration expenses increased less than sales.

OPERATING PROFIT

Reported operating profit before interest and taxes (EBIT) increased to 66.9 million Swiss francs, 9.7 million Swiss francs or 17% above 2014. The EBIT margin increased to 15.2% of sales (2014: 14.6%). The lower gross margin with a negative impact of 60 basis points more than compensated by the lower expenses – a positive impact of 150 basis points.

Operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 23.5% to CHF 83.4 million in the fiscal year (2014: CHF 67.5 million). The EBITDA margin improved by 200 basis points to 18.9% of sales (2014: 16.9%), thereby exceeding the margin targets for the year of "more than 100 basis points".

These results include acquisition-related costs. The results development was helped by a positive exchange rate effect and a one-time impact from revised pension liabilities according to IAS 19.

NET PROFIT AND EARNINGS PER SHARE

Net profit reported for the year 2015 increased by 42.1% and reached CHF 57.1 million (2014: CHF 40.2 million). Net profit increased more than operating profit as a result of an improved financial result and a lower tax rate. The net profit margin improved by 290 basis points to 13.0% of sales (2014: 10.1%). Earnings per share increased by 39.1% to CHF 5.05 (2014: CHF 3.63).

BALANCE SHEET AND EQUITY RATIO

Tecan's equity ratio increased to 68.7% as of December 31, 2015 (December 31, 2014: 65.4%). The company's share capital was CHF 1,146,758 as at the reporting date of December 31, 2015 (December 31, 2014: CHF 1,144,458), consisting of 11,467,577 registered shares with a nominal value of CHF 0.10.

CASH FLOW

Cash flow from operating activities more than doubled to CHF 99.1 million (2014: CHF 48.2 million), corresponding to a cash conversion of 22.5% of sales.

Cash and cash equivalents were at 208.4 million Swiss Francs at the end of 2015 compared to CHF 128.7 million at the end of 2014. Net liquidity (cash and cash equivalents minus bank liabilities and loans) amounted to CHF 198.8 million (December 31, 2014: CHF 122.7 million). This figure includes the acquisition of Sias AG with a purchase consideration of around CHF 25 million, of which the net payable was fully paid in cash. The increase in net liquidity was the result of the high cash flow from operating activities as well as the sale of 249,331 treasury shares during the first half of 2015, which was necessary for tax reasons. Sales proceeds totaled CHF 31.6 million.

DR. RUDOLF EUGSTER
Chief Financial Officer

FIVE-YEAR CONSOLIDATED DATA

CHF 1,000	2011	2012 Restated[1]	2013	2014	**2015**
Statement of profit or loss					
Sales	376,970	391,108	388,292	399,518	440,295
EBITDA	60,370	62,971	65,059	67,542	83,401
Operating profit (EBIT)	51,271	52,709	54,800	57,203	66,949
Financial result	2,289	29	693	(8,059)	(942)
Income taxes	(8,645)	(10,373)	(9,822)	(8,928)	(8,860)
Profit from continuing operations	44,915	42,365	45,671	40,216	57,147
Result from discontinued operation, net of income taxes	2,644	–	–	–	–
Profit for the period	47,559	42,365	45,671	40,216	57,147
Research and development, gross	(47,004)	(51,374)	(45,323)	(39,451)	(39,857)
Personnel expenses	(131,666)	(138,462)	(141,565)	(148,130)	(149,813)
Depreciation of property, plant and equipment	(5,952)	(6,251)	(6,454)	(6,271)	(6,213)
Amortization of intangible assets	(3,147)	(4,011)	(3,805)	(4,068)	(10,239)
Balance sheet					
Current assets	322,980	351,968	387,571	423,833	492,353
Non-current assets	66,961	70,827	79,078	128,429	149,129
Total assets	389,941	422,795	466,649	552,262	641,482
Current liabilities	107,263	103,696	105,312	124,581	137,843
Non-current liabilities	13,365	25,486	25,135	66,483	62,966
Total liabilities	120,628	129,182	130,447	191,064	200,809
Shareholders' equity	269,313	293,613	336,202	361,198	440,673
Statement of cash flows					
Cash inflows from operating activities	45,116	2,405	27,909	48,191	99,128
Capital expenditure in property, plant and equipment and intangible assets	(14,080)	(13,978)	(19,777)	(22,629)	(14,723)
Acquisition of Sias-Xiril Group[2]	–	–	–	–	(18,899)
Acquisition of IBL International Group[2]	–	–	–	(31,835)	–
Acquisition of Tecan Australia Pty Ltd. and earn-out paid[2]	–	(119)	(145)	(119)	–
Disposal of discontinued operation[2]	5,480	–	–	–	–
Change in treasury shares (net)	1,154	3,403	10,756	3,387	32,437
Dividends paid	(10,771)	(13,532)	(16,488)	(16,651)	(16,857)
Other information					
Number of employees (end of period)	1,107	1,185	1,184	1,261	1,368
Number of employees (average)	1,079	1,163	1,190	1,265	1,368
Research and development in % of sales	12.5%	13.1%	11.7%	9.9%	9.1%
Sales per employee	349	336	326	316	322
Information per share					
Basic earnings per share from continuing operations (CHF)	4.18	3.92	4.16	3.63	5.05
Basic earnings per share including discontinued operation (CHF)	4.42	3.92	4.16	3.63	5.05
Gross dividend (CHF)[3]	–	0.50	1.50	1.50	1.75 [4]
Payout from statutory capital contribution reserve (CHF)[3]	1.25	1.00	–	–	– [4]
Total payout (CHF)[3]	1.25	1.50	1.50	1.50	1.75 [4]
Total payout ratio[5]	28.3%	38.3%	36.1%	41.3%	34.7%

[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 13, 2016

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2014	2015
Sales	4	**399,518**	**440,295**
Cost of sales		(201,883)	(224,794)
Gross profit		**197,635**	**215,501**
Sales and marketing		(63,258)	(69,193)
Research and development	6	(39,451)	(39,857)
General and administration		(39,697)	(40,866)
Other operating income	7	1,974	1,364
Operating profit	4	**57,203**	**66,949**
Financial income		29	43
Finance cost		(454)	(429)
Net foreign exchange losses		(7,634)	(556)
Financial result	8	**(8,059)**	**(942)**
Profit before taxes		**49,144**	**66,007**
Income taxes	11	(8,928)	(8,860)
Profit for the period, attributable to owners of the parent		**40,216**	**57,147**
Earnings per share			
Basic earnings per share (CHF/share)	9	3.63	5.05
Diluted earnings per share (CHF/share)	9	3.57	4.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2014	2015
Profit for the period		**40,216**	**57,147**
Other comprehensive income			
Remeasurement of net defined benefit liability	10	(12,836)	4,353
Related income taxes	11	2,156	(739)
Items that will not be reclassified to profit or loss, net of income taxes		**(10,680)**	**3,614**
Translation differences		3,826	(5,340)
Related income taxes	11	–	250
Items that may be reclassified subsequently to profit or loss, net of income taxes		**3,826**	**(5,090)**
Other comprehensive loss, net of income taxes		*(6,854)*	*(1,476)*
Total comprehensive income for the period, attributable to owners of the parent		**33,362**	**55,671**

There were no reclassification adjustments relating to translation differences for the periods presented.

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2014	**31.12.2015**
Cash and cash equivalents	12	128,715	208,434
Current derivatives	13	1,824	1,269
Trade accounts receivable	14	97,949	89,290
Other accounts receivable		11,211	9,887
Inventories	15	175,177	175,302
Income tax receivables		5,505	4,886
Prepaid expenses		3,452	3,285
Current assets		**423,833**	**492,353**
Non-current financial assets	16	792	755
Property, plant and equipment	17	20,114	22,736
Intangible assets and goodwill	18	95,570	110,985
Deferred tax assets	11	11,953	14,653
Non-current assets		**128,429**	**149,129**
Assets		**552,262**	**641,482**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2014	**31.12.2015**
Current bank liabilities and derivatives	19	9,895	9,999
Trade accounts payable		12,941	11,535
Other accounts payable		11,065	13,462
Current deferred revenue	20	26,249	31,238
Income tax payables		11,976	15,482
Accrued expenses		35,224	39,741
Current provisions	21	17,231	16,386
Current liabilities		**124,581**	**137,843**
Non-current loans and derivatives	19	5,305	5,521
Non-current deferred revenue	20	19,123	20,759
Liability for post-employment benefits	10	31,390	26,462
Non-current provisions	21	2,987	4,048
Deferred tax liabilities	11	7,678	6,176
Non-current liabilities		**66,483**	**62,966**
Total liabilities		**191,064**	**200,809**
Share capital		1,144	1,147
Capital reserve		9,519	31,114
Treasury shares		(10,372)	–
Retained earnings		388,150	440,745
Translation differences		(27,243)	(32,333)
Shareholders' equity	22	**361,198**	**440,673**
Liabilities and equity		**552,262**	**641,482**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2014	2015
Profit for the period		**40,216**	**57,147**
Adjustments for			
Depreciation and amortization	17/18	10,339	16,452
Change in provisions and liability for post-employment benefits	10/21	3,900	(5,903)
Interest income	8	(29)	(43)
Interest expenses	8	119	90
Income taxes	11	8,928	8,860
Equity-settled share-based payment transactions	10	5,288	7,515
Other non-cash items		1,657	262
Change in working capital			
Trade accounts receivable	14	(19,651)	12,764
Inventories	15	(25,490)	2,509
Trade accounts payable		731	(3,787)
Other changes in working capital (net)		31,095	11,690
Income taxes paid		(8,912)	(8,428)
Cash inflows from operating activities		**48,191**	**99,128**
Interest received		28	43
Acquisition of Sias-Xiril Group, net of cash acquired	3	–	(18,899)
Acquisition of IBL International Group, net of cash acquired	3	(31,835)	–
Acquisition of Tecan Australia Pty Ltd. – earn-out paid		(119)	–
Purchase of property, plant and equipment	17	(5,316)	(4,674)
Proceeds from sales of property, plant and equipment	17	227	73
Investment in intangible assets	18	(17,313)	(10,049)
Cash outflows from investing activities		**(54,328)**	**(33,506)**
Proceeds from employee participation plans	10.4	3,373	2,388
Dividends paid	22	(16,651)	(16,857)
Proceeds from sales of treasury shares	22	14	31,556
Change in current bank liabilities	19	(655)	(2,713)
Increase in bank loans	19	1,372	477
Repayment of bank loans	19	(2,793)	(20)
Repayment of other loans	19	(370)	–
Interest paid		(118)	(91)
Cash (out)/inflows from financing activities		**(15,828)**	**14,740**
Effect of exchange rate fluctuations on cash held		303	(643)
(Decrease)/increase in cash and cash equivalents		**(21,662)**	**79,719**
Cash and cash equivalents at January 1		150,377	128,715
Cash and cash equivalents at December 31	12	**128,715**	**208,434**

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, 2014		**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)
Treasury shares transferred based on employee participation plans	10/22	–	210	2,774	–	–	2,984
Share-based payments	10	–	–	–	5,288	–	5,288
Sale of treasury shares	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**
Profit for the period		–	–	–	57,147	–	57,147
Other comprehensive income, net of income taxes		–	–	–	3,614	(5,090)	(1,476)
Total comprehensive income for the period		**–**	**–**	**–**	**60,761**	**(5,090)**	**55,671**
Dividends paid	22	–	–	–	(16,857)	–	(16,857)
New shares issued based on employee participation plans	10/22	3	1,504	–	–	–	1,507
Treasury shares transferred based on employee participation plans	10/22	–	(652)	1,321	–	–	669
Share-based payments	10	–	–	–	8,691	–	8,691
Sale of treasury shares	22	–	20,743	9,051	–	–	29,794
Total contributions by and distributions to owners		**3**	**21,595**	**10,372**	**(8,166)**	**–**	**23,804**
Balance at December 31, 2015		**1,147**	**31,114**	**–**	**440,745**	**(32,333)**	**440,673**

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, 2015. 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 11, 2016. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 13, 2016.

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 2.5. 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, 2015, the net liability for current income taxes was CHF 10.6 million and the net asset for deferred taxes was CHF 8.5 million. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Various internal and external factors may have favorable or unfavorable effects on the income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations (particularly in relation to the acceptance of intra-Group transfer prices), and changes in overall levels of pre-tax earnings. Such changes could impact the assets and liabilities recognized in the balance sheet in future periods.

2.2.4 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 123.7 million at the end of 2015. 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.

At December 31, 2015, 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 2015, the Group has capitalized development costs in the amount of CHF 31.4 million as disclosed in note 18.

2.2.6 Impairment test on goodwill

At December 31, 2015 total goodwill amounted to CHF 58.2 million. The Group performed the mandatory annual impairment tests at the end of June and December respectively. Based on these tests, there was no need for the recognition of any impairment. However, the calculation of the recoverable amounts 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, 2015:

Standard/interpretation[1]
IAS 19 amended 'Employee Benefits' – Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs 2010 – 2012 Cycle
Annual improvements to IFRSs 2011 – 2013 Cycle

[1] IAS = International Accounting Standards, IFRS = International Financial Reporting Standards, 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.

The Group has made a minor presentational change to the financing section of the consolidated statement of cash flows to increase the relevance of the information provided. 'Proceeds from employee participation plans' are now presented as separate line item. Prior year figures have been re-presented accordingly.

2.4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

Standard/interpretation[1]	Effective date for the Group
IFRS 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 9 'Financial Instruments'	Reporting year 2018
IFRS 15 'Revenue from Contracts with Customers'	Reporting year 2018
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	To be determined

[1] IAS = International Accounting Standards, IFRS = International Financial Reporting Standards, 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 introduced several equity-settled share-based compensation plans, for which 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 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.

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.

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 (2014: 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 (2014: 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:

Land	indefinite useful life
Buildings	25 years
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

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

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.

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:

Software	3–5 years
Development costs	3–5 years
Patents	3–5 years
Acquired brand	2–10 years
Acquired technology	10 years
Acquired client relationships	7–17 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. 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

3.2.1 Assets and liabilities arising from acquisitions

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

CHF 1,000	30.07.2014 IBL International Group	**30.11.2015 Sias-Xiril Group**
Cash and cash equivalents	762	801
Trade accounts receivable	1,261	6,584
Inventories	3,127	3,794
Income tax receivables	148	12
Other current assets	2,834	334
Non-current financial assets	134	–
Property, plant and equipment	1,333	4,881
Intangible assets	12,667	6,501
Deferred tax assets	6	2,473
Assets	**22,272**	**25,380**
Current bank liabilities	(1,263)	(2,600)
Trade and other accounts payable	(4,051)	(2,771)
Deferred revenue	(200)	(20)
Income tax payables	(668)	–
Accrued expenses	(826)	(1,962)
Provisions	(1,186)	(1,637)
Non-current loans	(373)	(3,594)
Liability for post-employment benefits	–	(4,736)
Deferred tax liabilities	(2,452)	(764)
Liabilities	**(11,019)**	**(18,084)**
Total identifiable net assets at fair value	**11,253**	**7,296**
Goodwill arising on acquisition	21,344	12,404
Consideration transferred for the business combination, in cash	**32,597**	**19,700**
Cash acquired	(762)	(801)
Net cash outflow	**31,835**	**18,899**

Trade accounts receivable comprise gross contractual amounts due of CHF 7.1 million (2014: CHF 1.3 million), of which CHF 0.5 million (2014: CHF 0.1 million) was expected to be uncollectable at the acquisition date.

The acquisitions were 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 initial accounting for the acquisition in the current financial year is provisional and subject to change regarding the recognized deferred tax asset from tax loss carry-forwards in the amount of CHF 2.4 million. Further analysis has to be performed in order to confirm the measurement of the amount.

3.2.2 Acquisition in 2015: Sias-Xiril Group

The Group acquired 100% of the voting rights of Sias-Xiril Group on November 30, 2015 consisting of the following companies:

Company	Domicile	Participation in %	Activities
Sias AG	Hombrechtikon/Zurich (CH)	100%	S/R/P/D
• Xiril AG	Hombrechtikon/Zurich (CH)	100%	R/D

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

The Sias-Xiril Group develops, manufactures and sells a wide range of modular and complete laboratory automation solutions to OEM-partners. The acquired Group is part of the business segment 'Partnering Business'.

3.2.3 Acquisition in 2014: IBL International Group

The Group acquired 100% of the voting rights of IBL International Group on 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

The IBL International Group develops, manufactures and sells 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'.

3.2.4 Contribution of acquired companies in the year of acquisition and consolidated numbers

CHF 1,000	2014	2015
Contribution of acquired companies from the date of acquisition		
Months	5	1
Sales	9,115	1,933
Operating profit	504	(272)
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period		
Sales	411,408	465,334
Operating profit[1]	57,900	66,100
Acquisition-related legal fees and due diligence costs, included in 'General and administration'	775	315

[1] 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, 2015 and 2014, respectively.

4 SEGMENT INFORMATION

4.1 INFORMATION BY BUSINESS SEGMENTS

CHF 1,000	Life Sciences Business 2014	Life Sciences Business 2015	Partnering Business 2014	Partnering Business 2015	Corporate/ consolidation 2014	Corporate/ consolidation 2015	Group 2014	Group 2015
Sales third	236,271	253,029	163,247	187,266	–		399,518	440,295
Intersegment sales[1]	10,721	14,760	3,604	1,785	(14,325)	(16,545)	–	–
Total sales	**246,992**	**267,789**	**166,851**	**189,051**	**(14,325)**	**(16,545)**	**399,518**	**440,295**
Operating profit	**40,182**	**45,433**	**24,936**	**30,201**	**(7,915)**	**(8,685)**	**57,203**	**66,949**
Depreciation and amortization[2]	(6,603)	(10,190)	(3,736)	(6,262)	–	–	(10,339)	(16,452)
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	2014	2015
Reconciliation of reportable segment sales		
Total sales for reportable segments	413,843	456,840
Elimination of intersegment sales	(14,325)	(16,545)
Total consolidated sales	**399,518**	**440,295**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	65,118	75,634
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(7,915)	(8,685)
Financial result	(8,059)	(942)
Total consolidated profit before taxes	**49,144**	**66,007**

4.2 ENTITY-WIDE DISCLOSURES

Products and services

CHF 1,000	2014	2015
Products	264,936	294,108
Services	134,582	146,187
Total sales third	**399,518**	**440,295**

Sales by regions (by location of customers)

CHF 1,000	2014	2015
Switzerland	11,448	11,181
Other Europe	165,223	179,331
North America	152,837	179,995
Asia	58,185	60,284
Others	11,825	9,504
Total sales third	**399,518**	**440,295**

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

CHF 1,000	Property, plant and equipment 2014	2015	Intangible assets 2014	2015
Switzerland	9,414	13,059	81,521	98,575
Other Europe	5,942	5,234	12,946	11,462
North America	4,304	3,961	751	710
Asia	454	482	352	238
Balance at December 31	**20,114**	**22,736**	**95,570**	**110,985**

Information about major customers

There are sales to one individual customer (CHF 53.2 million) relating to business segment 'Partnering Business' that accumulated exceeded 10% of total sales in 2015 (2014: none).

5 OPERATING EXPENSES BY NATURE

CHF 1,000	2014	2015
Material costs	123,435	144,139
Personnel costs	148,130	149,813
Depreciation of property, plant and equipment	6,271	6,213
Amortization of intangible assets	4,068	10,239
Other operating costs (net)	94,815	76,175
Total operating costs incurred (gross)	**376,719**	**386,579**
Capitalization of development costs in position inventories (see note 15)	(18,182)	(4,132)
Capitalization of development costs in position intangible assets (see note 18)	(16,222)	(9,101)
Total operating expenses, according to statement of profit or loss	**342,315**	**373,346**

6 RESEARCH AND DEVELOPMENT

CHF 1,000	2014	2015
Gross research and development costs incurred[1]	84,852	56,691
Reclassification to cost of sales to match with revenue from development services	(13,532)	(11,716)
Capitalization of development costs in position inventories (see note 15)	(18,182)	(4,132)
Capitalization of development costs in position intangible assets (see note 18)	(16,222)	(9,101)
Amortization of development costs and acquired technology	2,535	8,115
Total research and development (gross), according to statement of profit or loss	**39,451**	**39,857**
Government research subsidies	(1,945)	(1,203)
Total research and development (net)	37,506	38,654

[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 9.1% of sales (2014: 9.9%).

7 OTHER OPERATING INCOME

CHF 1,000	2014	2015
Government research subsidies	1,945	1,203
Other operating income (miscellaneous)	29	161
Total other operating income	**1,974**	**1,364**

8 FINANCIAL RESULT

CHF 1,000	2014	2015
Financial income		
Interest income	29	10
Other	–	33
Subtotal financial income	**29**	**43**
Finance cost		
Interest expenses	(119)	(90)
Net interest cost on liability for post-employment benefits	(336)	(335)
Other	1	(4)
Subtotal finance cost	**(454)**	**(429)**
Net foreign exchange gains/(losses)		
Result from derivatives (net)	(8,029)	(31)
Other foreign exchange gains (net)	395	(525)
Subtotal net foreign exchange losses	**(7,634)**	**(556)**
Total financial result	**(8,059)**	**(942)**

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.

	2014	2015
Number of shares issued	11,444,576	11,467,577
Number of treasury shares	(286,020)	–
Average number of shares outstanding	**11,093,767**	**11,324,970**
Basic earnings per share (CHF/share)	**3.63**	**5.05**
Employee share option plans		
Average number of shares under option total	125,122	112,917
Average number of shares under option dilutive	125,122	108,989
Average exercise price	72.92	83.13
Number of shares that would have been issued at average market price for the year of CHF 126.13 (2014: CHF 104.93).	86,948	71,829
Adjustment for dilutive share options	38,174	37,160
Employee share plans		
Adjustment for not vested shares (PSMP/initial grant and other share plans)	31,337	29,108
Adjustment for contingently issuable shares (PSMP/matching shares)	95,801	140,904
Average number of shares outstanding after dilution	**11,259,079**	**11,532,142**
Diluted earnings per share (CHF/share)	**3.57**	**4.96**

10 EMPLOYEE BENEFITS

10.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2014	2015
Employees – year-end	1,261	1,368
Employees – average	1,265	1,368

10.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2014	2015
Salaries and wages		116,131	121,707
Social security		15,468	15,450
Post-employment benefits			
Thereof defined contribution plans		1,267	1,400
Thereof defined benefit plans	10.3	6,451	(184)
Share-based payment	10.4	5,288	7,515
Termination benefits		–	227
Other personnel expenses		3,525	3,698
Total personnel expenses		**148,130**	**149,813**

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

	2014			2015		
CHF 1,000	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	4	3	7	6	3	9
Actives						
Number	427	107	534	580	101	681
Defined benefit obligation (CHF 1,000)	91,435	4,753	96,188	106,054	4,439	110,493
Weighted average duration in years	24.2	10.9	23.7	22.4	10.9	21.9
Retirees						
Number	25	–	25	26	–	26
Defined benefit obligation (CHF 1,000)	1,062	–	1,062	–	–	–
Weighted average duration in years	16.4	–	16.4	15.8	–	15.8
Total						
Number	452	107	559	606	101	707
Defined benefit obligation (CHF 1,000)	92,497	4,753	97,250	106,054	4,439	110,493
Weighted average duration in years	23.1	10.9	22.5	21.5	10.9	21.1

The Group expects to contribute CHF 5.3 million to its defined benefit plans in 2016.

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 requirements of the mandatory employer-sponsored pension plan in Switzerland. In particular, annual salary up to CHF 84,600 (amount in 2015) must be insured and the financing is age-dependent with contribution rates in per cent of the insured salary ranging 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). Under LPP/BVG law, the plan must be fully funded 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 24,675 and CHF 84,600 are age-dependent and range from 8% to 19%. The saving credits for the part of the annual salary above CHF 84,600 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 the savings capital is 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** In 2015, the board of trustees has decided to gradually reduce the conversion rate for calculating the annuity relating to the exceeding part of the savings capital, starting from January 1, 2017. This alteration is considered as a plan amendment. The resulting past service costs amounting to CHF 7.7 million were recognized immediately in profit or loss. **Acquisition through business combination in 2015** Sias AG and Xiril AG are affiliated to the collective foundation Nest Sammelstiftung. The benefits provided as well as the plan rules and the governance of the plans are highly comparable to the plans described above.

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 2014 and 2015.
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	2014	**2015**
Swiss plans		
Present value of obligations arising from retirement benefit plans	92,497	106,054
Fair value of plan assets	(65,860)	(84,031)
Deficit Swiss plans (funded)	**26,637**	**22,023**
International plans		
Present value of obligations arising from long-service leave benefit plans	3,851	3,480
Present value of obligations arising from retirement benefit plans	902	959
Deficit International plans (unfunded)	**4,753**	**4,439**
Net liability at December 31	**31,390**	**26,462**

The components of defined benefit cost are as follows:

CHF 1,000	2014 Swiss plans	2014 International plans	2014 Total	2015 Swiss plans	2015 International plans	2015 Total
Current service cost	6,132	319	6,451	7,225	275	7,500
Past service cost	–	–	–	(7,684)	–	(7,684)
Defined benefit cost included in operating profit	**6,132**	**319**	**6,451**	**(459)**	**275**	**(184)**
Net interest cost on liability for post-employment benefits	209	127	336	258	77	335
Defined benefit cost included in finance cost	**209**	**127**	**336**	**258**	**77**	**335**
Total defined benefit cost included in profit or loss	**6,341**	**446**	**6,787**	**(201)**	**352**	**151**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	–	(11)	(11)	(1,694)	–	(1,694)
Changes in financial assumptions	17,811	419	18,230	(1,956)	43	(1,913)
Experience adjustments	(5,655)	(160)	(5,815)	(739)	(70)	(809)
Return on plan assets (excluding interest income)	432	–	432	63	–	63
Remeasurement loss/(gain), included in other comprehensive income	**12,588**	**248**	**12,836**	**(4,326)**	**(27)**	**(4,353)**
Translation differences, included in other comprehensive income	–	(89)	(89)	–	(329)	(329)
Total defined benefit cost recognized	**18,929**	**605**	**19,534**	**(4,527)**	**(4)**	**(4,531)**

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

CHF 1,000	2014 Swiss plans	2014 International plans	2014 Total	2015 Swiss plans	2015 International plans	2015 Total
Balance at January 1	78,818	4,346	83,164	92,497	4,753	97,250
Acquisition through business combination	–	–	–	16,278	–	16,278
Current service cost	6,132	319	6,451	7,225	275	7,500
Past service cost	–	–	–	(7,684)	–	(7,684)
Employee contributions	3,163	–	3,163	3,190	–	3,190
Insurance premiums	(1,534)	–	(1,534)	(1,478)	–	(1,478)
Benefits paid	(8,041)	(198)	(8,239)	(601)	(243)	(844)
Interest expense	1,803	127	1,930	1,016	77	1,093
Actuarial losses/(gains)	12,156	248	12,404	(4,389)	(27)	(4,416)
Translation differences	–	(89)	(89)	–	(396)	(396)
Balance at December 31	**92,497**	**4,753**	**97,250**	**106,054**	**4,439**	**110,493**

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

CHF 1,000	2014 Swiss plans	2014 International plans	2014 Total	2015 Swiss plans	2015 International plans	2015 Total
Balance at January 1	66,391	–	66,391	65,860	–	65,860
Acquisition through business combination	–	–	–	11,542	–	11,542
Employer contributions	4,719	–	4,719	4,823	–	4,823
Employee contributions	3,163	–	3,163	3,190	–	3,190
Insurance premiums	(1,534)	–	(1,534)	(1,478)	–	(1,478)
Benefits paid	(8,041)	–	(8,041)	(601)	–	(601)
Interest income	1,594	–	1,594	758	–	758
Return on plan assets (excluding interest income)	(432)	–	(432)	(63)	–	(63)
Balance at December 31	**65,860**	**–**	**65,860**	**84,031**	**–**	**84,031**

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):

	2014 Swiss plans	2014 International plans	2015 Swiss plans	2015 International plans
Discount rates	1.10%	1.85%	0.90%	0.94%
Rate of future salary increases	1.75%	2.84%	1.75%	1.79%
Rate of future pension increases	0.25%	0.00%	0.00%	0.00%
Rates for the projection of savings capital	1.75%	n/a	1.25%	n/a
Mortality tables	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:

CHF 1,000	Change in actuarial assumptions	2014 Swiss plans	2014 International plans	2014 Total	2015 Swiss plans	2015 International plans	2015 Total
Discount rates	- 25 basis points	5,108	132	5,240	4,495	107	4,602
	+ 25 basis points	(4,667)	(124)	(4,791)	(4,077)	(105)	(4,182)
Rate of future salary increases	- 25 basis points	(883)	(118)	(1,001)	(755)	(99)	(854)
	+ 25 basis points	866	127	993	766	102	868
Life expectancy	- 1 year	(2,130)	(14)	(2,144)	(2,417)	(12)	(2,429)
	+ 1 year	2,107	15	2,122	2,377	11	2,388

(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 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	Vesting period completed	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
Plan 2016 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2015	23,569 options CHF 135.00	One/two/three years of service for 33%/33%/34% of options	7 years	November 2, 2022

All share options grant the right to purchase one Tecan share per option.

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

	Exercise price	2014 Remaining contractual life (years)	2014 Number	2015 Remaining contractual life (years)	2015 Number
Plan 2009 B	39.7	0.9	7,282	–	–
Plan 2010	70.0	1.9	8,207	0.9	5,718
Plan 2011	69.0	2.8	10,501	1.8	7,947
Plan 2012	57.2	3.8	14,198	2.8	8,249
Plan 2013	69.6	4.8	20,240	3.8	13,944
Plan 2014	95.0	5.8	29,691	4.8	25,404
Plan 2015	100.4	6.8	34,260	5.8	32,336
Plan 2016	135.0	–	–	6.8	23,569
Balance at December 31		**4.9**	**124,379**	**4.8**	**117,167**
Exercisable at December 31			58,114		60,624

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

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

	2014 Weighted average exercise price (CHF)	2014 Number	2015 Weighted average exercise price (CHF)	2015 Number
Balance at January 1	70.41	148,704	80.96	124,379
Granted	100.10	34,260	135.00	23,569
Exercised	64.38	(46,297)	65.24	(28,743)
Forfeited	70.91	(8,258)	80.89	(1,508)
Expired	68.27	(4,030)	40.29	(530)
Balance at December 31	**80.96**	**124,379**	**95.87**	**117,167**

The weighted average share price at the date of exercise was CHF 104.85 in 2014 and CHF 133.95 in 2015.

The expenses, recognized in profit or loss, are calculated as follows:

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 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**
Plan 2016	CHF 135.00	CHF 135.00	26.41%	7.0 years	2.10%	(0.20%)	**CHF 29.24**

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

Data source: Bloomberg

10.4.2 Employee share plans

10.4.2.1 Performance share matching plans (PSMP)

The terms and conditions of the outstanding 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) 2013					
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
	Other management on September 1, 2013	2,616 shares	CHF 95.25		
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
	Other management on September 1, 2013	6,540 shares (maximum of potential shares granted)	CHF 92.25		
Performance share matching plan (PSMP) 2014					
Initial grant	Extended Management Board and other management on April 15, 2014	22,838 shares	CHF 103.50	Graded vesting from January 1, 2014 to December 31, 2016[1]	Three years of service
Matching shares	Extended Management Board and other management on April 15, 2014	66,481 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) 2015					
Initial grant	Extended Management Board and other management on April 16, 2015	20,727 shares	CHF 130.70	Graded vesting from January 1, 2015 to December 31, 2017[1]	Three years of service
Mandatory investment Up to 50% of the target cash bonus 2014	Extended Management Board on April 16, 2015	4,847 shares	CHF 130.70	Immediate vesting[1]	None
Matching shares	Extended Management Board and other management on April 16, 2015	63,935 shares (maximum of potential shares granted)	CHF 126.20	January 1, 2015 to December 31, 2017	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 a limited amount of its cash bonus 2012 and 2013 in Tecan shares at market prices (average share price from January 1 to April 30, 2013 and 2014). The shares are blocked until the end of the performance period and are included in the calculation of the matching shares for PSMP 2013 and 2014.

Number of shares outstanding at December 31:

Shares (excluding voluntary investments)	2014	2015
Balance at January 1	217,452	229,432
Granted	89,319	89,509
De-blocked and transferred to employee	(30,842)	(23,854)
Forfeited	(46,497)	(62,855)
Balance at December 31	**229,432**	**232,232**
Thereof vested, but blocked until the end of the performance period	25,727	27,408

The expenses, recognized in 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.

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 2.5.

Number of matching shares expected to vest at December 31, 2015:

Year/plan	Initial grant[1]	Mandatory investment[1]	Voluntary Investment[1]	Total base shares	Matching share factor applied	Matching shares expected to vest[2]
PSMP 2013	19,763	n/a	2,517	22,280	1.15	25,622
PSMP 2014	21,920	n/a	3,754	25,674	2.00	51,348
PSMP 2015	20,727	4,847	n/a	25,574	2.50	63,935

[1] Only shares that qualify for matching shares
[2] Not adjusted for expected fluctuation

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:

Arrangement	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Share plan 2015 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 16, 2015	2,902 shares	CHF 130.70	Graded vesting from May 1, 2015 to April 30, 2016	One year of service

10.4.3 Total expenses recognized

CHF 1,000	2014	**2015**
Expenses arising from equity-settled share option plans	585	592
Expenses arising from performance share matching plans	4,347	6,547
Expenses arising from other share plans	356	376
Total expenses recognized	**5,288**	**7,515**

11 INCOME TAXES

11.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2014	2015
Current income taxes	7,877	11,251
Deferred income taxes	1,051	(2,391)
Total income taxes	**8,928**	**8,860**

The income tax expense can be analyzed as follows:

CHF 1,000	2014	2015
Profit before taxes	49,144	66,007
Tax expense based on the Group's weighted average rate of 20.7% (2014: 20.4%)	**10,021**	**13,690**
Non-deductible expenses and additional taxable income	979	1,031
Tax-free income and tax reductions	(3,051)	(5,519)
Tax-deductible write-off of an investment in subsidiaries	–	(705)
Change in funding of employee participation plans	–	(559)
Effect of tax rate change on opening deferred taxes	333	467
Utilization of tax losses for which no deferred tax assets were previously recognized	(238)	(2)
Unrecoverable withholding tax	416	167
Underprovided in prior years	468	290
Tax expense reported	**8,928**	**8,860**

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 2015 increased to 20.7%.

Due to the sale of all treasury shares in the first half of 2015, the outstanding employee share options and the employee shares are covered only by the conditional share capital and no longer by treasury shares. This change in funding of the employee participation plans is resulting in a one-time tax benefit of CHF 0.8 million, of which CHF 0.6 million was recognized in the statement of profit or loss and CHF 0.2 million in equity.

11.2 DEFERRED INCOME TAXES

11.2.1 Overview

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	2014	2015
Deferred tax assets	11,953	14,653
Deferred tax liabilities	(7,678)	(6,176)
Net deferred tax asset at December 31	**4,275**	**8,477**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2014	Change 2015	2015
Net deferred tax assets arising from temporary differences			
Receivables	675	3,185	3,860
Inventories	1,822	(2,231)	(409)
Property, plant and equipment	(858)	(645)	(1,503)
Intangible assets	(5,629)	1,751	(3,878)
Liabilities and accrued expenses	9,012	(439)	8,573
Provisions	274	975	1,249
Other	(12)	(503)	(515)
Subtotal net deferred tax assets arising from temporary differences	**5,284**	**2,093**	**7,377**
Deferred taxes provided on expected dividends from subsidiaries	(1,703)	(135)	(1,838)
Potential tax benefits from tax loss carry-forwards	694	2,244	2,938
Net deferred tax asset at December 31	**4,275**	**4,202**	**8,477**
Deferred taxes recognized in profit or loss	(1,051)		2,391
Deferred taxes recognized in other comprehensive income	2,156		(739)
Deferred taxes recognized in equity	(104)		791
Acquisition through business combination	(2,446)		1,709
Translation differences	426		50
Total change compared with previous year	**(1,019)**		**4,202**

Temporary differences on inventories primarily relate 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:

	Gross value of tax loss carry forwards not capitalized		Potential tax benefits	
CHF 1,000	2014	2015	2014	2015
Expiring in				
1st – 5th year			–	2,182
6th year or beyond			–	214
Unlimited			694	542
Tax loss carry-forwards capitalized at December 31			**694**	**2,938**
Expiring in				
1st – 5th year	–	784	–	196
6th year or beyond	2,200	–	550	–
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**2,200**	**784**	**550**	**196**
Total tax loss carry-forwards	**2,200**	**784**	**1,244**	**3,134**

Due to the decided and anticipated changes in company structure, potential tax benefits in the amount of CHF 0.2 million were not capitalized.

11.2.3 Unrecognized deferred tax liabilities

At December 31, 2015, there were temporary differences of CHF 172.3 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	2014	2015
Bank balances		
Denominated in CHF	87,538	155,977
Denominated in EUR	16,902	19,289
Denominated in GBP	1,538	2,091
Denominated in USD	19,143	22,546
Denominated in JPY	810	880
Denominated in other currencies	2,784	7,651
Balance at December 31	**128,715**	**208,434**
Effective interest rate	0.02%	0.01%

Cash and cash equivalents as per cash flow statement comprise cash and cash equivalents as per balance sheet and bank overdrafts under bank pooling arrangements (December 31, 2015: CHF 0.0 million; December 31, 2014: CHF 0.0 million) that are included in the position 'current bank liabilities and derivatives'.

13 CURRENT DERIVATIVES

CHF 1,000	2014	2015
Current derivatives	1,824	1,269
Balance at December 31	**1,824**	**1,269**

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	2014	2015
Trade accounts receivable		
Denominated in CHF	32,715	22,121
Denominated in EUR	20,303	20,241
Denominated in GBP	1,213	3,199
Denominated in USD	32,800	37,029
Denominated in JPY	2,625	1,756
Denominated in other currencies	8,302	5,099
Subtotal trade accounts receivable	**97,958**	**89,445**
Allowance for doubtful accounts		
Individual impairment allowance account	(1,542)	(1,831)
Collective impairment allowance account	(233)	(199)
Subtotal allowance for doubtful accounts	**(1,775)**	**(2,030)**
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	2,721	2,830
Amounts of advances received	(955)	(955)
Subtotal construction contracts in progress	**1,766**	**1,875**
Balance at December 31	**97,949**	**89,290**
Increase/(decrease)	19,651	(12,764)
Acquisition through business combination	1,261	6,584
Translation differences	2,385	(2,479)
Total change compared with previous year	**23,297**	**(8,659)**
Amount of contract revenue recognized as sales in the statement of profit or loss relating to construction contracts	7,661	3,455

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

CHF 1,000	2014	2015
Switzerland (domestic)	2,549	4,157
Euro-zone countries	33,562	26,159
Other European countries	6,695	7,757
North America	39,901	40,436
Asia	11,998	8,027
Other	3,253	2,909
Balance at December 31	**97,958**	**89,445**

The Group's most significant customer accounts for 8.6% of the trade accounts receivable carrying amount at December 31, 2015 (December 31, 2014: 10.4%).

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

CHF 1,000	2014	2015
Individual impairment allowance account		
Balance at January 1	(1,501)	(1,542)
Change in impairment losses	(8)	(424)
Write-offs	5	30
Translation differences	(38)	105
Balance at December 31	**(1,542)**	**(1,831)**
Amount of trade accounts receivable with individual impairment (gross)	1,839	1,928
Collective impairment allowance account		
Balance at January 1	(38)	(233)
Change in impairment losses	(193)	15
Translation differences	(2)	19
Balance at December 31	**(233)**	**(199)**

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

	2014		2015	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	49,680	(28)	59,434	(38)
Past due 1–30 days	40,549	(7)	22,660	–
Past due 31–90 days	5,355	–	5,000	–
Past due 91–360 days	516	(196)	433	(134)
Past due more than one year	19	(2)	(10)	(27)
Balance at December 31	**96,119**	**(233)**	**87,517**	**(199)**

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 2014 and 2015 represents less than 1% of sales.

15 INVENTORIES

CHF 1,000	2014	2015
Raw materials, semi-finished and finished goods	54,299	58,430
Allowance for slow-moving inventories	(8,965)	(10,268)
Work in progress	2,343	3,273
Capitalized customer-specific development costs	127,500	123,867
Balance at December 31	**175,177**	**175,302**
Increase/(decrease)	25,490	(2,509)
Acquisition through business combination	3,127	3,794
Translation differences	867	(1,160)
Total change compared with previous year	**29,484**	**125**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss	3,799	2,042

16 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	2014	2015
Non-current derivatives	15	100
Rent deposits	777	655
Balance at December 31	**792**	**755**

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 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**

CHF 1,000	Land and buildings	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	**Total 2015**
At cost						
Balance at January 1, 2015	–	9,673	14,253	34,151	20,087	78,164
Acquisition through business combination	4,370	–	156	89	266	4,881
Additions	–	221	620	2,413	1,420	4,674
Disposals	–	(13)	(738)	(390)	(1,654)	(2,795)
Reclassification between the classes of PPE and from/to inventories	–	–	–	(10)	–	(10)
Translation differences	–	(12)	(339)	(1,029)	(464)	(1,844)
Balance at December 31, 2015	**4,370**	**9,869**	**13,952**	**35,224**	**19,655**	**83,070**
Accumulated depreciation and impairment losses						
Balance at January 1, 2015	–	7,699	10,975	21,944	17,432	58,050
Annual depreciation	19	517	1,029	3,007	1,641	6,213
Disposals	–	(13)	(716)	(202)	(1,670)	(2,601)
Reclassification between the classes of PPE and from/to inventories	–	–	–	10	–	10
Translation differences	–	3	(255)	(698)	(388)	(1,338)
Balance at December 31, 2015	**19**	**8,206**	**11,033**	**24,061**	**17,015**	**60,334**
Net book value	**4,351**	**1,663**	**2,919**	**11,163**	**2,640**	**22,736**

There were no material purchase commitments at year-end 2014 and 2015.

18 INTANGIBLE ASSETS AND GOODWILL

18.1 OVERVIEW

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

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	**Total 2015**
At cost								
Balance at January 1, 2015	26,468	39,795	–	998	4,596	7,495	47,931	127,283
Acquisition through business combination	–	510	64	409	2,198	3,320	12,404	18,905
Additions	–	–	–	–	–	–	(9)	(9)
Internally developed	957	9,101	–	–	–	–	–	10,058
Translation differences	7	(19)	–	(95)	(440)	(643)	(2,155)	(3,345)
Balance at December 31, 2015	**27,432**	**49,387**	**64**	**1,312**	**6,354**	**10,172**	**58,171**	**152,892**
Accumulated amortization and impairment losses								
Balance at January 1, 2015	20,700	10,347	–	42	191	433	–	31,713
Annual amortization	1,550	7,687	2	106	426	468	–	10,239
Translation differences	–	–	–	(3)	(10)	(32)	–	(45)
Balance at December 31, 2015	**22,250**	**18,034**	**2**	**145**	**607**	**869**	**–**	**41,907**
Net book value	**5,182**	**31,353**	**62**	**1,167**	**5,747**	**9,303**	**58,171**	**110,985**

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

CHF 1,000	2014	**2015**
Cost of sales	–	–
Sales and marketing	302	574
Research and development	2,535	8,115
General and administration	1,231	1,550
Total amortization	**4,068**	**10,239**

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 2015

The Group performed impairment tests on cash-generating units containing goodwill in June and December 2015 respectively, 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	45,767	June 2015	Value in use	10.0%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	12,404	December 2015	Value in use	9.9%	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 August 31, 2015.

Based on the impairment tests 2015, 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 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	December 2014	Value in use	9.5%	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.

19 BANK LIABILITIES, LOANS AND DERIVATIVES

CHF 1,000	Current bank liabilities	Current derivatives[1]	Current maturities of non-current bank liabilities	**Total current**	Bank loans	Other loans	Non-current derivatives[1]	**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**
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 rate								
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**

[1] See note 24

CHF 1,000	Current bank liabilities	Current derivatives[1]	Current maturities of non-current bank liabilities	**Total current**	Bank loans	Mortgages	Other loans (subordinated)	Non-current derivatives[1]	**Total non-current**
Balance at January 1, 2015	2,691	7,204	–	**9,895**	3,321	–	–	1,984	**5,305**
Acquisition through business combination	2,600	–	–	**2,600**	–	1,675	1,919	–	**3,594**
Decrease	(2,713)			**(2,713)**	–	–	–	–	**–**
Change in fair value	–	(2,380)	–	**(2,380)**	–	–	–	(927)	**(927)**
Increase in bank loans	–	–	–	**–**	477	–	–	–	**477**
Repayment of bank loans	–	–	–	**–**	–	(20)	–	–	**(20)**
Transfer to current	–	–	2,553	**2,553**	(2,473)	(80)	–	–	**(2,553)**
Translation differences	–	–	44	**44**	(355)	–	–	–	**(355)**
Balance at December 31, 2015	**2,578**	**4,824**	**2,597**	**9,999**	**970**	**1,575**	**1,919**	**1,057**	**5,521**
Analysis by currency									
Denominated in CHF				80					3,494
Denominated in EUR				2,517					970
Denominated in USD				4,788					1,057
Denominated in JPY				1,183					–
Denominated in AUD				1,388					–
Denominated in other currencies				43					–
Total				**9,999**					**5,521**
Analysis by interest rate									
Interest-free				4,824					1,057
Variable interest rates depending on LIBOR				7					–
Fixed interest rate									
0% – 2%				5,168					2,545
2% – 4%				–					1,919
4% – 6%				–					–
Total				**9,999**					**5,521**

[1] See note 24

In 2015, the average interest rate paid on bank loans was 0.9% (2014: 1.5%).

20 DEFERRED REVENUE

CHF 1,000	2014 Current	2014 Non-current	2015 Current	2015 Non-current
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	5,650	19,123	8,738	20,759
Deferred income related to service contracts	19,167	–	21,894	–
Construction contracts in progress				
Aggregate amount of cost incurred and recognized profits	(3,720)	–	(7,066)	–
Amounts of advances received	5,152	–	7,672	–
Subtotal construction contracts in progress	**1,432**	**–**	**606**	**–**
Balance at December 31	**26,249**	**19,123**	**31,238**	**20,759**
Increase		25,359		7,191
Acquisition through business combination		200		20
Translation differences		1,074		(586)
Total change (current and non-current) compared with previous year		**26,633**		**6,625**

21 PROVISIONS

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)

CHF 1,000	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2015**
Balance at January 1, 2015	10,944	997	497	7,780	20,218
Acquisition through business combination	632	–	–	1,005	1,637
Provisions made	1,074	87	321	1,467	2,949
Provisions used	(2,738)	–	(471)	(416)	(3,625)
Provisions reversed	(251)	–	–	(26)	(277)
Unwind of discounts	–	–	–	–	–
Translation differences	(191)	(83)	(21)	(173)	(468)
Balance at December 31, 2015	**9,470**	**1,001**	**326**	**9,637**	**20,434**
Thereof current	9,470	–	326	6,590	16,386
Thereof non-current	–	1,001	–	3,047	4,048

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

The provision for legal cases (2015: CHF 0.3 million and 2014: CHF 0.5 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 other non-current employee benefits (2015: CHF 2.8 million and 2014: CHF 1.9 million), to parts and material for discontinued products (2015: CHF 5.1 million and 2014: CHF 4.9 million), to regulatory issues (2015: CHF 1.3 million and 2014: CHF 0.8 million) and to several minor items (2015: CHF 0.4 million and 2014: CHF 0.2 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, 2014	11,444,576	(362,840)	11,081,736
Treasury shares transferred 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**
New shares issued based on employee participation plans	23,001	–	23,001
Treasury shares transferred based on employee participation plans	–	36,689	36,689
Sale of treasury shares	–	249,331	249,331
Balance at December 31, 2015	**11,467,577**	**–**	**11,467,577**

22.4 DIVIDENDS PAID

	2014	**2015**	2016 (proposed)
Number of shares eligible for dividend	11,098,831	11,238,250	
Dividends paid (CHF/share)	1.50	1.50	1.75

22.5 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2014	2015
Balance at January 1	858,636	858,636
Employee share options exercised (see note 10)	–	(23,001)
Balance at December 31	**858,636**	**835,635**
Employee share options outstanding (see note 10)	124,379	117,167
Shares granted to employees based on performance share matching plans, not yet delivered (see note 10)	182,740	183,820
Shares granted to employees based on other share plans, not yet delivered (see note 10)	5,373	2,902

22.6 CONDITIONAL AND AUTHORIZED SHARE CAPITAL FOR THE PURPOSE OF FUTURE BUSINESS DEVELOPMENT

	2014	2015
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	14.04.2016	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. (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 share 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 2015: 68.7% and 2014: 65.4%), 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		31.12.2014	**31.12.2015**	2014	**2015**
EUR	1	1.20	1.09	1.21	1.07
GBP	1	1.55	1.48	1.51	1.47
SEK	100	12.74	11.90	13.35	11.42
USD	1	0.99	1.00	0.92	0.96
SGD	1	0.75	0.71	0.72	0.70
CNY	1	0.16	0.15	0.15	0.15
JPY	100	0.83	0.83	0.87	0.80
AUD	1	0.81	0.73	0.83	0.72

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.

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	Cash and cash equivalents	Current derivatives	Trade and other receivables	Non-current financial assets	**Total assets**	Current bank liabilities and derivatives	Trade and other payables/ accrued expenses	Non-current loans and derivatives	**Total liabilities**
Financial instruments measured at fair value									
Derivatives	–	1,824	–	15	**1,839**	(7,204)	–	(1,984)	**(9,188)**
Financial instruments measured at amortized costs									
Cash and cash equivalents	128,715	–	–	–	**128,715**	–	–	–	**–**
Receivables	–	–	96,549	–	**96,549**	–	–	–	**–**
Rent and other deposits	–	–	443	777	**1,220**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	(2,691)	–	–	**(2,691)**
Bank loans	–	–	–	–	**–**	–	–	(3,321)	**(3,321)**
Payables and accrued expenses	–	–	–	–	**–**	–	(48,221)	–	**(48,221)**
Total financial instruments	**128,715**	**1,824**	**96,992**	**792**	**228,323**	**(9,895)**	**(48,221)**	**(5,305)**	**(63,421)**
Reconciling items[1]	–	–	12,168	–	**12,168**	–	(11,009)	–	**(11,009)**
Balance at December 31, 2014	**128,715**	**1,824**	**109,160**	**792**	**240,491**	**(9,895)**	**(59,230)**	**(5,305)**	**(74,430)**

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

CHF 1,000	Cash and cash equivalents	Current derivatives	Trade and other receivables	Non-current financial assets	**Total assets**	Current bank liabilities and derivatives	Trade and other payables/ accrued expenses	Non-current loans and derivatives	**Total liabilities**
Financial instruments measured at fair value									
Derivatives	–	1,269	–	100	**1,369**	4,824	–	1,057	**5,881**
Financial instruments measured at amortized costs									
Cash and cash equivalents	208,434	–	–	–	**208,434**	–	–	–	**–**
Receivables	–	–	87,997	–	**87,997**	–	–	–	**–**
Rent and other deposits	–	–	322	655	**977**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	2,578	–	–	**2,578**
Bank loans	–	–	–	–	**–**	2,597	–	2,545	**5,142**
Other loans	–	–	–	–	**–**	–	–	1,919	**1,919**
Payables and accrued expenses	–	–	–	–	**–**	–	51,062	–	**51,062**
Total financial instruments	**208,434**	**1,269**	**88,319**	**755**	**298,777**	**9,999**	**51,062**	**5,521**	**66,582**
Reconciling items[1]	–	–	10,858	–	**10,858**	–	13,676	–	**13,676**
Balance at December 31, 2015	**208,434**	**1,269**	**99,177**	**755**	**309,635**	**9,999**	**64,738**	**5,521**	**80,258**

[1] Receivables/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, 2015, 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 0.9 million (2014: CHF 0.5 million) higher/lower, mainly as a result of cash positions held at variable rates.

24.4.2 Foreign currency risks

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

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

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

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

CHF 1,000	2014 CHF	2014 EUR	2014 USD	2014 Other	2015 CHF	2015 EUR	2015 USD	2015 Other
Derivatives	–	–	(7,282)	(66)	–	–	(4,469)	(43)
Cash and cash equivalents	239	11,635	15,548	2,372	413	14,153	18,513	6,278
Receivables	3,215	1,046	4,703	1,970	681	1,166	1,795	1,221
Rent and other deposits	–	42	–	–	–	42	–	–
Current bank liabilities	–	–	–	(2,690)	–	–	–	(2,571)
Bank loans	–	–	–	–	–	–	–	–
Other loans	–	–	–	–	–	–	–	–
Payables and accrued expenses	–	(3,053)	(910)	(52)	(66)	(2,389)	(1,045)	(206)
Net exposure to currency at December 31	**3,454**	**9,670**	**12,059**	**1,534**	**1,028**	**12,972**	**14,794**	**4,679**

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	2014 higher/(lower)	**2015 higher/(lower)**
If CHF had weakened against EUR by 10%	736	1,031
If CHF had strengthened against EUR by 10%	(736)	(1,031)
If CHF had weakened against USD by 10%	(6,544)	(5,110)
If CHF had strengthened against USD by 10%	5,641	5,110

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

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

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

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within 1 and 90 days	Due within 91 and 360 days	Due within 1 and 2 years
Foreign currency forwards						
Sell USD	100	(5,718)	107,650	20,028	51,071	36,551
Buy USD	1,269	(120)	(36,050)	(20,028)	(16,022)	–
Sell CNY	–	(43)	6,706	6,706	–	–
Balance at December 31, 2015	**1,369**	**(5,881)**	**78,306**	**6,706**	**35,049**	**36,551**

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
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)	–
Non-derivative financial liabilities						
Current bank liabilities	2,691	2,695	2,695	–	–	–
Payables and accrued expenses[1]	48,221	48,221	30,046	18,175	–	–
Bank loans	3,321	3,372	–	28	3,344	–
Balance at December 31, 2014	**63,421**	**63,924**	**34,396**	**23,824**	**5,704**	**–**

[1] Excluding reconciling items (see note 24.2)

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
Derivative financial liabilities						
Foreign currency forwards	**5,881**					
Outflow		107,847	26,734	51,071	30,042	–
Inflow		(100,688)	(24,874)	(47,547)	(28,267)	–
Non-derivative financial liabilities						
Current bank liabilities	2,578	2,578	2,578	–	–	–
Payables and accrued expenses[1]	51,062	51,062	30,157	20,905	–	–
Bank loans	5,142	5,220	24	2,610	1,065	1,521
Other loans	1,919	2,034	14	43	1,977	–
Balance at December 31, 2015	**66,582**	**68,053**	**34,633**	**27,082**	**4,817**	**1,521**

[1] Excluding reconciling items (see note 24.2)

Unused lines of credit amounting to CHF 44.7 million were available to the Group at December 31, 2015 (2014: CHF 40.0 million). In addition, the Group had uncommitted lines of credit amounting to CHF 100 million for the purpose of financing possible future business combinations.

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
	2014	**2015**			
Currency forwards	(6,421)	(4,512)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points]) * amount in foreign currency
Currency options	(928)	–	Level 2	Bloomberg	Black-Scholes model

There have been no transfers between the levels in 2014 and 2015.

25.3 FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The carrying amount of financial instruments measured at amortized costs (see note 24.2) is a reasonable approximation of their fair value due to their short-term nature. Bank and other loans are the only exception due to their long-term nature. Their fair values are disclosed in the following table:

Position	Net carrying amount in balance sheet measured at amortized cost (CHF 1,000)		Fair value disclosure (CHF 1,000)		Level	Data source	Model
	2014	**2015**	2014	**2015**			
Bank loans	(3,321)	(5,142)	(3,279)	(5,108)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments
Other loans	–	(1,919)	–	(1,996)			

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	2014	2015
Due date		
1st year	7,565	5,891
2nd year	5,568	3,281
3rd year	2,982	1,630
4th year	1,410	704
5th year	691	613
6th year or beyond	2,839	2,247
Balance at December 31	**21,055**	**14,366**

In financial year 2015, CHF 7.9 million (2014: CHF 8.2 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, 2014 and 2015, the Group had no significant contingent liabilities to third parties, and none of the Group's assets were pledged, assigned or subject to retention of title, except for the following positions:

CHF 1,000	2014	2015
Pledged assets		
Cash and cash equivalents	–	69
Land and buildings	–	4,351

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	2014	2015
Short-term employee benefits	4,743	5,373
Post-employment benefits	474	468
Termination benefits	–	–
Share-based payment[1]	4,033	5,345
Total compensation	**9,250**	**11,186**

[1] See note 10.4 for more details

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

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

30 GROUP RISK MANAGEMENT

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.

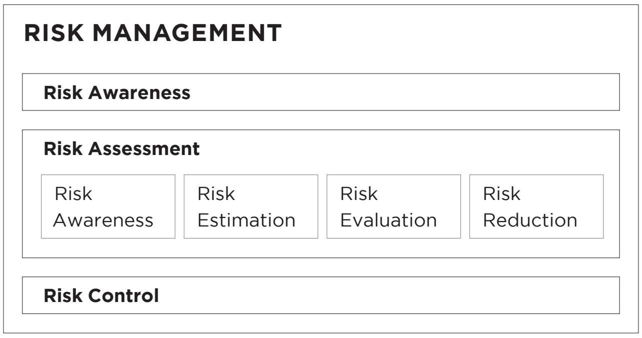
30.2 RISK ASSESSMENT CYCLE

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 accompanying consolidated financial statements of Tecan Group Ltd., presented on pages 83 to 130, 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, 2015.

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, 2015 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 11, 2016

BALANCE SHEET OF TECAN GROUP LTD. AT DECEMBER 31

ASSETS

CHF 1,000	Notes	31.12.2014	31.12.2015
Cash and cash equivalents		81,011	103,764
Current loans to Group companies		85,500	67,230
Other accounts receivable from third parties		28	150
Other accounts receivable from Group companies		4,634	3,533
Prepaid expenses		8	7
Current assets		**171,181**	**174,684**
Investments in subsidiaries	3	54,757	65,457
Property, plant and equipment		2	1
Non-current assets		**54,759**	**65,458**
Assets		**225,940**	**240,142**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2014	31.12.2015
Other accounts payable to third parties		32	87
Other accounts payable to Group companies		1	93
Current tax liabilities		732	1,143
Accrued expenses		1,487	989
Current liabilities		**2,252**	**2,312**
Provision for general business risks	4	30,000	30,000
Other non-current provisions		620	1,675
Non-current liabilities		**30,620**	**31,675**
Total liabilities		**32,872**	**33,987**
Share capital		1,144	1,147
Legal capital reserve (capital contribution reserve)		2,597	5,717
General legal retained earnings		1,000	1,000
Voluntary retained earnings		203,624	198,291
Treasury shares	5.3	(15,297)	–
Shareholders' equity	5	**193,068**	**206,155**
Liabilities and equity		**225,940**	**240,142**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	Notes	2014	2015
Royalties from Group companies		3,904	2,502
Dividend income from Group companies		42,247	808
Interest income from third parties		18	2
Interest income from Group companies		1,766	935
Gain on sale of treasury shares		4,081	20,774
Operating income		**52,016**	**25,021**
Personnel expenses		(1,364)	(2,593)
Other operating expenses		(1,120)	(884)
Depreciation of property, plant and equipment		(1)	(1)
Foreign exchange losses, net		(47)	(70)
Operating expenses		**(2,532)**	**(3,548)**
Operating profit		**49,484**	**21,473**
Impairment on investment Tecan France (introduction single-asset-valuation)	2.2	–	(9,000)
Extraordinary, non-recurring or prior-period income and expenses		**–**	**(9,000)**
Profit before taxes		**49,484**	**12,473**
Income taxes		(732)	(949)
Profit for the period		**48,752**	**11,524**

Notes to the financial statements of Tecan Group Ltd.

1 REPORTING ENTITY

Tecan Group Ltd. is 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

The financial statements of Tecan Group Ltd. were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). They are a supplement to the consolidated financial statements (pages 83 through 130) 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 132 through 140) 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.

These financial statements have been prepared in accordance with the new provisions on accounting and financial reporting of the Swiss Code of Obligations introduced on January 1, 2013. The previous year (2014) has been reclassified and is fully comparable with the current year (2015), except for the valuation of investments in subsidiaries (see summary of significant accounting principles). Due to the preparation of consolidated financial statements for the Group the financial statements of Tecan Group Ltd. are exempted from the disclosure of a management report, a cash flow statement and extended information in the notes.

2.2 ACCOUNTING AND VALUATION PRINCIPLES

2.2.1 Financial assets

Financial assets (cash and cash equivalents, loans and receivables) are valued at acquisition costs less adjustments for foreign currency losses and any other impairment of value.

2.2.2 Investments in subsidiaries

Investments are valued at historical costs less any impairment of value. In the previous year the company applied the group-valuation principle for investments. Due to the introduction of the single-asset-valuation principle for all assets and liabilities in connection with the new provisions on accounting and financial reporting, the Company had to recognize an impairment loss on investments in 2015 amounting to CHF 9.0 million.

2.2.3 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that the outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.2.4 Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is recognized through income statement.

3 INVESTMENTS IN SUBSIDIARIES

3.1 OVERVIEW (DIRECT AND INDIRECT)

Company	Registered office	Participation in % (capital and votes)	Share capital (LC 1,000)	Currency	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	5,000	CHF	R/P
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	250	CHF	D
Sias AG	Hombrechtikon/Zurich (CH)	100%	3,113	CHF	S/R/P/D
• Xiril AG	Hombrechtikon/Zurich (CH)	100%	611	CHF	R/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.	Nijkerk (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.	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

3.2 CHANGE IN INVESTMENTS

The Company acquired 100% of the voting rights of IBL International Group (via its subsidiary Tecan Trading AG) on July 30, 2014 and 100% of the voting rights of Sias AG on November 30, 2015.

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

CHF 1,000	Share capital	Legal capital reserve (capital contribution reserve)	Reserve for treasury shares	General legal retained earnings	Voluntary retained earnings	Treasury shares	Total share-holders' equity
Balance at December 31, 2013	**1,144**	**2,597**	**19,401**	**1,000**	**152,122**	**–**	**176,264**
Introduction of new Swiss GAAP	–	–	(19,401)	–	19,401	(19,401)	(19,401)
Net profit	–	–	–	–	48,752	–	48,752
Dividend paid	–	–	–	–	(16,651)	–	(16,651)
Sale of treasury shares	–	–	–	–	–	4,104	4,104
					–	–	–
Balance at December 31, 2014	**1,144**	**2,597**	**–**	**1,000**	**203,624**	**(15,297)**	**193,068**
Net profit	–	–	–	–	11,524	–	11,524
Dividend paid	–	–	–	–	(16,857)	–	(16,857)
Share capital increase	3	3,120	–	–	–	–	3,123
Sale of treasury shares	–	–	–	–	–	15,297	15,297
Balance at December 31, 2015	**1,147**	**5,717**	**–**	**1,000**	**198,291**	**–**	**206,155**

The Company's share capital is CHF 1,146,758, consisting of 11,467,577 registered shares with a nominal value of CHF 0.10 each (2014: 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. Between February 2011 and June 2015 the employee participation plans were funded with treasury shares. In the second half of 2015 a total of 23,001 options were exercised, increasing the Company's share capital by CHF 2,300 and decreasing the Company's conditional share capital by 23,001 shares.

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.

	2014	2015
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	858,636	835,635
CHF	85,864	83,564
Employee share options outstanding	124,379	117,167
Shares granted to employees based on performance share matching plans, not yet delivered	182,740	183,820
Shares granted to employees based on other share plans, not yet delivered	5,373	2,902
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	14.04.2016	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 share capital for employee participation plans is not affected by this rule.

5.3 TREASURY SHARES

Shares (each share has a nominal value of CHF 0.10)	2014	2015
Balance at January 1	362,840	286,020
Treasury shares transferred based on employee participation plans	(76,695)	(36,689)
Sale of treasury shares	(125)	(249,331)
Balance at December 31	**286,020**	**–**
Average price of shares purchased, CHF	0.00	0.00
Average price of shares sold, CHF	106.55	126.11

6 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2014	2015
Employees – year-end	1.0	1.0
Employees – average	1.0	1.0

7 GUARANTEES IN FAVOR OF THIRD PARTIES

The total amount of guarantees in favor of its subsidiaries was CHF 63.2 million at December 31, 2015 (2014: CHF 64.0 million).

8 NUMBER OF SHARES AND SHARE OPTIONS

During the year the following number and value of shares were granted:

	2014		2015	
	Number	Value (CHF)	Number	Value (CHF)
Board of Directors				
Shares	3,151	331	2,902	379
Employees				
Shares	550	55	3,156	401
Total	**3,701**	**386**	**6,058**	**780**

The numbers and values disclosed include the maximum amount of matching shares granted. The final amount of matching shares that will vest is not only subject to a service period of three years, but also to the achievement of specific performance targets on Group level.

9 INFORMATION ACCORDING TO ARTICLE 663C OF THE SWISS CODE OF OBLIGATIONS

9.1 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:

	2014	2015
Chase Nominees Ltd., London (UK)	13.5%	13.5%
ING Groep N.V., Amsterdam (NL)	7.4%	7.4%
BlackRock Inc., New York (US)	<3.0%	5.0%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	5.0%	5.0%
UBS Fund Management (Switzerland) AG, Basel (CH)	5.1%	5.0%
Massachusetts Mutual Life Insurance Company, Springfield MA (US)	<3.0%	4.6%
Pictet Funds SA, Geneva (CH)	5.0%	3.0%
Credit Suisse Asset Management Funds AG, Zurich (CH)	3.2%	<3.0%

9.2 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.

9.2.1 Share and option ownership of the Board of Directors

Number	Year	Total shares	Employee share option plans[1] 2009	2010	2011	Total options
Strike price in CHF			39.70	70.00	69.00	
Expiring in			2015	2016	2017	
Rolf Classon	2014	**5,281**	–	1,700	2,442	**4,142**
(Chairman)	2015	**6,045**	–	1,700	2,442	**4,142**
Heinrich Fischer	2014	**11,358**	1,551	850	1,221	**3,622**
(Vice Chairman)	2015	**15,457**	–	–	–	**–**
Dr. Oliver S. Fetzer	2014	**1,241**	–	–	–	**–**
	2015	**1,623**	–	–	–	**–**
Lars Holmqvist	2014	**–**	–	–	–	**–**
(since April 2015)[2]	2015	**–**	–	–	–	**–**
Dr. Karen Hübscher	2014	**837**	–	–	–	**–**
	2015	**1,219**	–	–	–	**–**
Dr. Christa Kreuzburg	2014	**467**	–	–	–	**–**
	2015	**849**	–	–	–	**–**
Gérard Vaillant	2014	**1,241**	–	850	1,221	**2,071**
	2015	**1,623**	–	850	1,221	**2,071**
Erik Walldén	2014	**1,241**	–	–	–	**–**
(until April 2015)[3]	2015	**–**	–	–	–	**–**
Balance at December 31, 2014		**21,666**	**1,551**	**3,400**	**4,884**	**9,835**
Balance at December 31, 2015		**26,816**	**–**	**2,550**	**3,663**	**6,213**

[1] All options are vested and exercisable.

[2] Shares and share options in 2014 are not disclosed, because the member of the Board joined after year-end 2014.

[3] Shares and share options in 2015 are not disclosed, because the member of the Board stepped down before year-end 2015.

9.2.2 Share and option ownership of the Management Board

Number	Year	Total shares
Dr. David Martyr (CEO)	2014	**12,870**
	2015	**16,383**
Dr. Rudolf Eugster (CFO)	2014	**12,213**
	2015	**13,219**
Ulrich Kanter	2014	**875**
	2015	**2,897**
Dr. Achim von Leoprechting	2014	**2,493**
	2015	**4,516**
Dr. Klaus Lun	2014	**3,611**
	2015	**5,543**
Markus Schmid	2014	**6,893**
	2015	**6,311**
Dr. Stefan Traeger	2014	**3,458**
	2015	**5,514**
Andreas Wilhelm	2014	**5,706**
	2015	**5,772**
Balance at December 31, 2014		**48,119**
Balance at December 31, 2015		**60,155**

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 13, 2016 to allocate the voluntary retained earnings as follows:

CHF 1,000	2014 Approved	**2015 Proposed**
Carried forward from previous year	135,471	171,470
Reversal of reserve for treasury shares due to introduction of new Swiss GAAP on January 1, 2015	–	15,297
Net profit	48,752	11,524
Change in reserve for treasury shares	4,104	
Available retained earnings	**188,327**	**198,291**
Dividend paid as approved by the annual general meeting of shareholders on April 16, 2015: CHF 1.50 per share with a nominal value of CHF 0.10 each (total 11,238,250 shares eligible for dividend)	(16,857)	
Dividend proposed: CHF 1.75 per share with a nominal value of CHF 0.10 each (total 11,467,577 shares eligible for dividend)[1]		(20,068)
Balance to be carried forward	**171,470**	**178,223**

[1] These numbers are based on the outstanding share capital at December 31, 2015. The number of shares eligible for dividend may change due to the repurchase or sale of treasury shares and the issuance of up to 86,246 new shares from the conditional share capital reserved for employee participation plans.

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 accompanying financial statements of Tecan Group Ltd., presented on pages 132 to 139, which comprise the balance sheet, income statement and notes for the year ended December 31, 2015.

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, 2015 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 11, 2016

Performance of the Tecan share in 2015

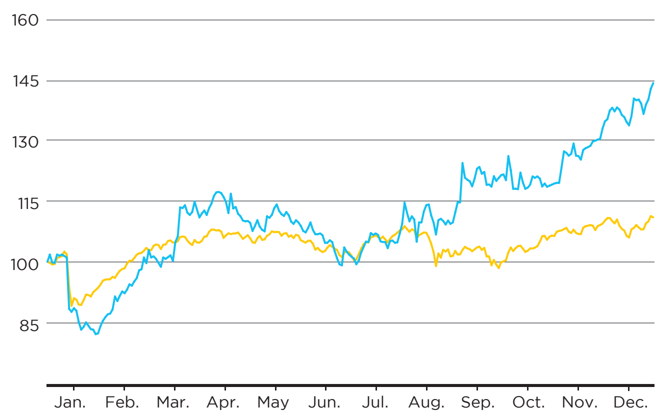
The positive performance of the Tecan share in previous years continued in 2015. Tecan's shares value increased by 44.2% in the year under review, once again recording the highest daily closing price in the year and thereby outperforming the SPI Extra benchmark (2015: +11.0%) of small and medium-sized companies listed on the SIX Swiss Exchange by 33.2%.

SHARE INFORMATION

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

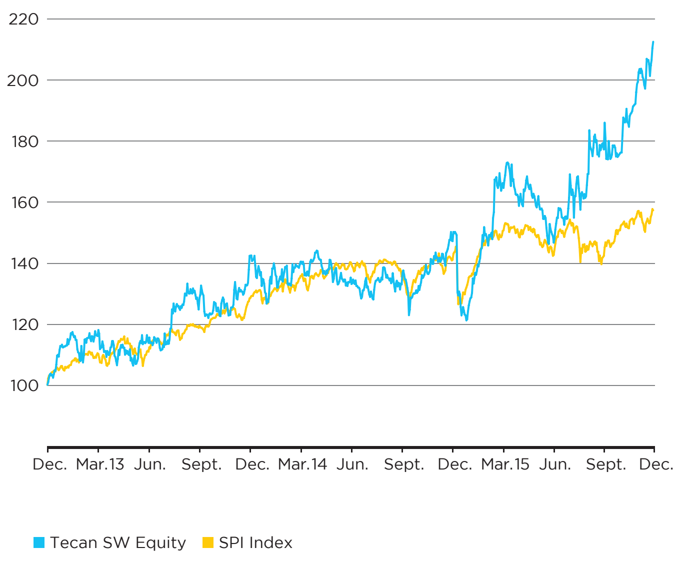
SHARE PRICE PERFORMANCE BETWEEN 01.01.2015 AND 31.12.2015

in comparison with SPI Extra (indexed)



SHARE PRICE PERFORMANCE BETWEEN 2012 AND 2015

in comparison with SPI Extra (indexed)



Tecan's shares started 2015 at CHF 113. After the Swiss National Bank discontinued the CHF-EUR minimum exchange rate in the middle of January, the share prices of Swiss companies dropped significantly across the board. The Tecan share price was subsequently at an annual low of CHF 91.50 at the end of January, but recovered after a relatively short period of time back to the level it was at before the SNB's decision. This trend continued into the middle of March after the announcement of the positive financial results for 2014. Until mid-August, the share price remained relatively stable within the range of CHF 120 to CHF 130. Following the publication of the interim results, the share experienced further gains, increasing to over CHF 130 for the first time in 14 years. This positive trend continued through to the end of the year. With a share price of CHF 162.90, we recorded the year's highest closing price on the final trading day of 2015.

TECAN SHARE

	2013	2014	2015
Numbers of shares issued	11,444,576	11,444,576	11,467,577
Number of treasury shares	362,840	286,020	0
Number of shares outstanding at December 31	11,081,736	11,158,556	11,467,577
Average number of shares outstanding	10,977,758	11,093,767	11,324,970
Share price at December 31 (CHF)	105.50	113.00	162.90
High (CHF)	105.50	113.00	163.30
Low (CHF)	77.20	89.05	91.50
Average number of traded shares per day[1]	31,753	22,058	27,219
Average trading volume per day (CHF)[1]	2,868,248	2,295,135	3,429,327

INFORMATION PER SHARE

	2013	2014	2015
Basic earnings per share (CHF/share)	4.16	3.63	5.05
Shareholder's equity at December 31 (CHF)	336,202	361,198	440,673
Dividend (CHF)	1.5	1.5	1.75[2]
Dividend yield (%)[3]	1.42%	1.33%	1.07%

FINANCIAL RATIOS

	2013	2014	2015
Market capitalization (CHF million)[4]	1,207.4	1,293.2	1,868.1
Enterprise Value (CHF million)[5]	1,064.0	1,170.5	1,669.3
Price Earnings Ratio[6]	25.36	31.13	32.26

[1] Including off-exchange trading

[2] Proposal to the Annual General Meeting of Shareholders on April 13, 2016

[3] At share price as of Dec 31

[4] Number of shares issued multiplied with share price as of Dec 31

[5] Market capitalization minus net liquidity

[6] Share price as of Dec 31 divided by basic earnings per share

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