Tecan Annual Report 2016

Advancing.

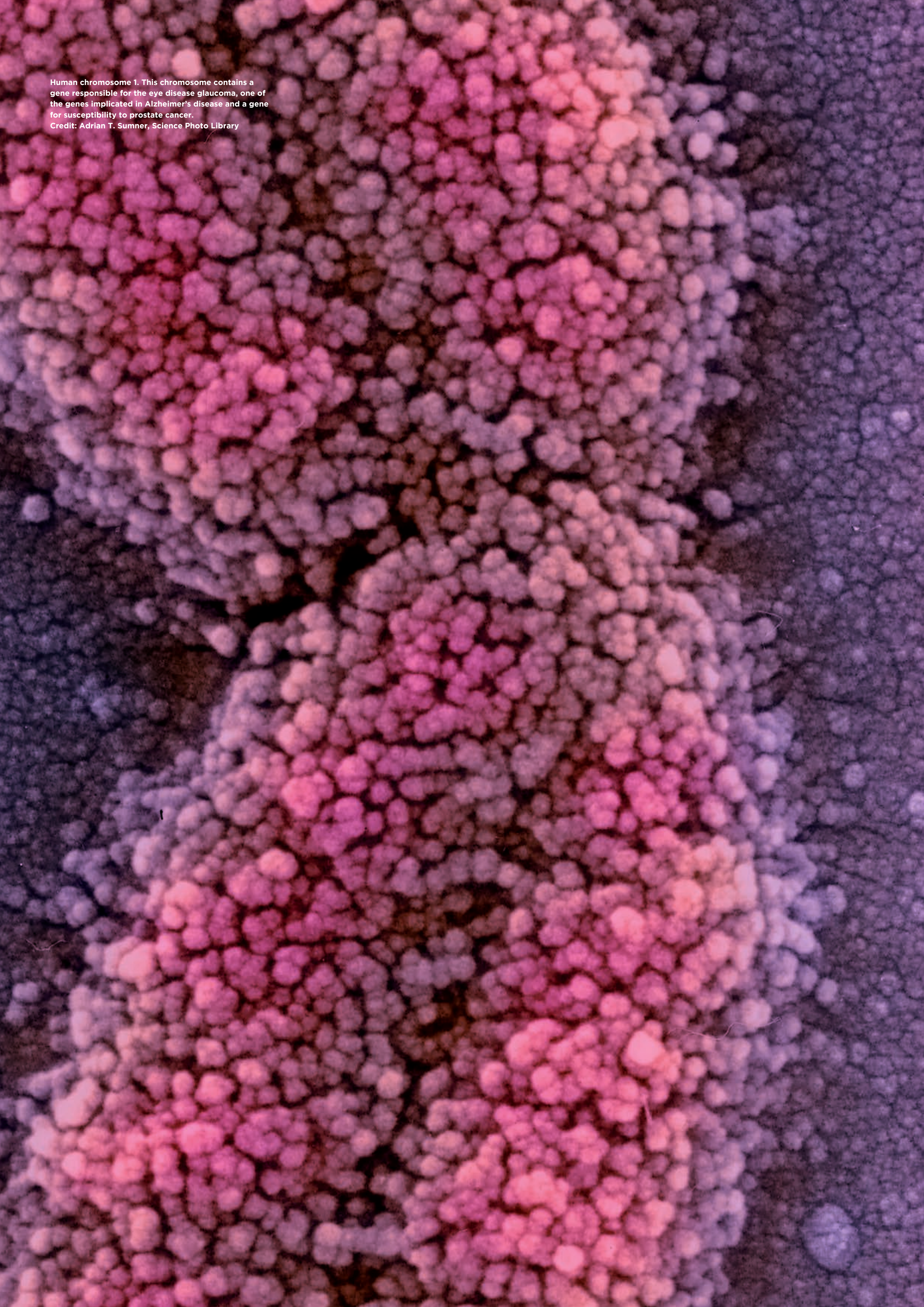
Prepared for the century of biology.

The last century saw massive changes in the human condition, especially in our understanding and harnessing of the physical world. In 1901, the telegraph was still the dominant form of long distance communication. That same year, Wilhelm Röntgen was awarded the Nobel Prize for the discovery of X-rays. Today, the telegraph has been superseded by handheld mobile communications that give us instant access to anyone, anywhere. Beyond the X-ray, we now have a multitude of imaging technologies at our fingertips to provide insight and diagnosis. All this happened in just 100 years.

In 1928, Fleming discovered the antibiotic effect, one of the most powerful tools for saving lives from infectious diseases. In 1953, Watson, Crick and Franklin established the structure and function of DNA, which propelled our understanding of evolution, genetics and hereditary diseases. These were tipping points in the history of human medicine. We are now firmly rooted in a century of biological discovery and development. The potential to apply our knowledge to improve lives has never been stronger.

It is estimated that, every six months, the world's laboratories create more biological data than has ever been created in human history. The ensuing discoveries will be astounding and their applications will change human life forever. Some of the most successful companies and institutions of this century will be the winners of the race of biological discovery and development.

Tecan prepares its customers and partners to win this race. Find out how we are advancing Tecan's capabilities to empower our customers to succeed.



Human chromosome 1. This chromosome contains a gene responsible for the eye disease glaucoma, one of the genes implicated in Alzheimer's disease and a gene for susceptibility to prostate cancer.
Credit: Adrian T. Sumner, Science Photo Library

Preparing for precision medicine.

Millions of diagnostic tests are performed every day around the world. Today, doctors can already prescribe treatment and medication tailored for some diseases. Soon, when deciding which treatment is best for their patients, doctors will likely recommend a whole panel of diagnostic tests.

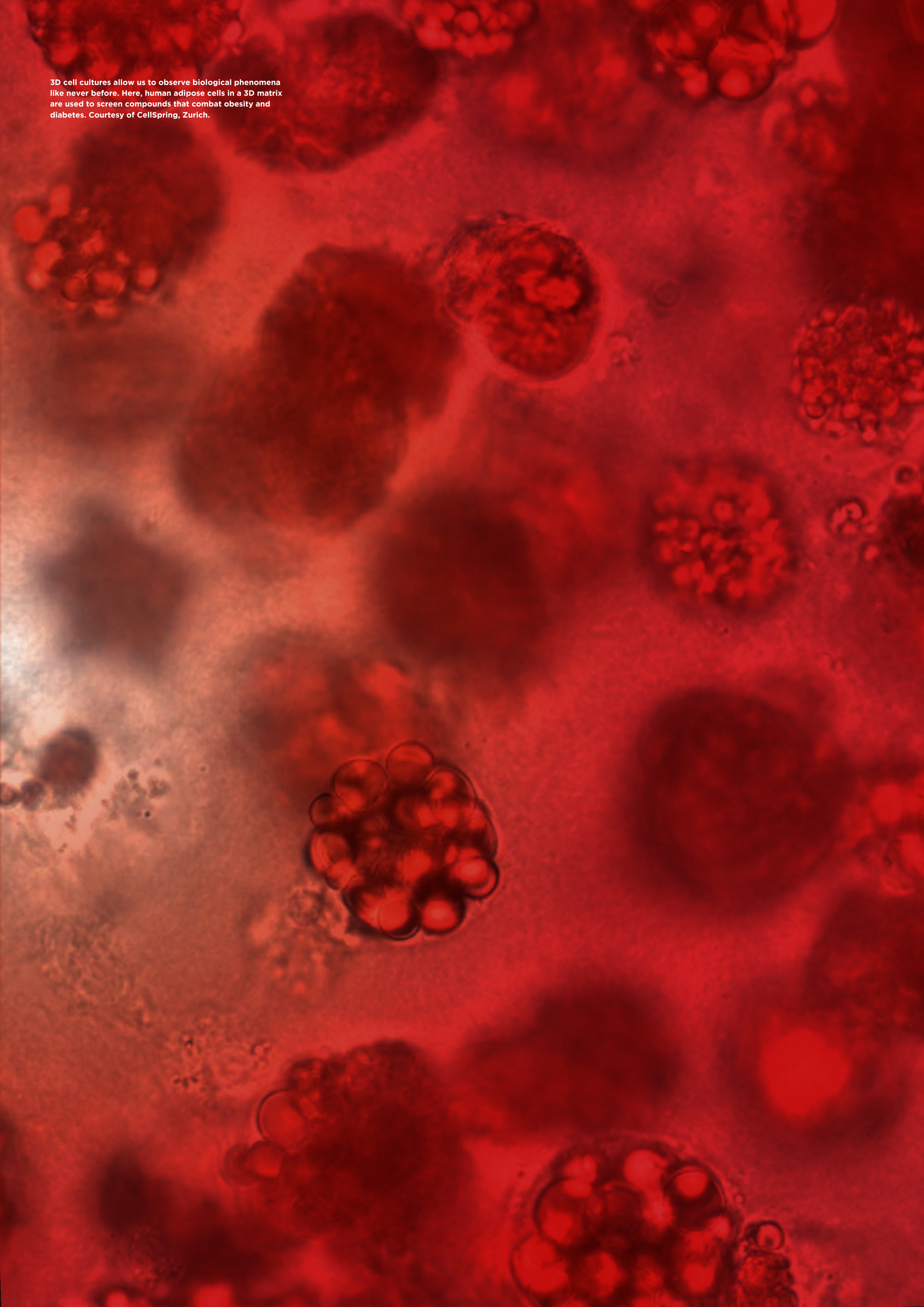
Performing these complex tests accurately is central to making the right diagnosis. Tecan automation plays a crucial role by reducing costs and eliminating human error.

Tecan has taken three major steps in preparing for its role in the rapidly expanding world of precision medicine:

In the earliest phase of research and diagnostic development, Tecan empowers researchers to gain insight into fundamental biological mechanisms to discover new targeted drugs and develop strategies for more precise diagnostics. Tecan provides advanced automated solutions with an extensive toolbox of hardware and software, consumables and in certain cases, the reagents to perform the tests.

Tecan has created automated solutions for routine diagnostics as well as for novel analyses like Next Generation Sequencing, mass spectrometry, the analysis of liquid biopsies and circulating tumor cells. This empowers diagnostic labs around the world to develop and perform their own testing panels.

Through its Partnering Business, Tecan leverages its development and regulatory expertise to enable global diagnostic companies and emerging players to launch new in vitro diagnostic platforms that serve clinicians and patients around the world.



3D cell cultures allow us to observe biological phenomena like never before. Here, human adipose cells in a 3D matrix are used to screen compounds that combat obesity and diabetes. Courtesy of CellSpring, Zurich.

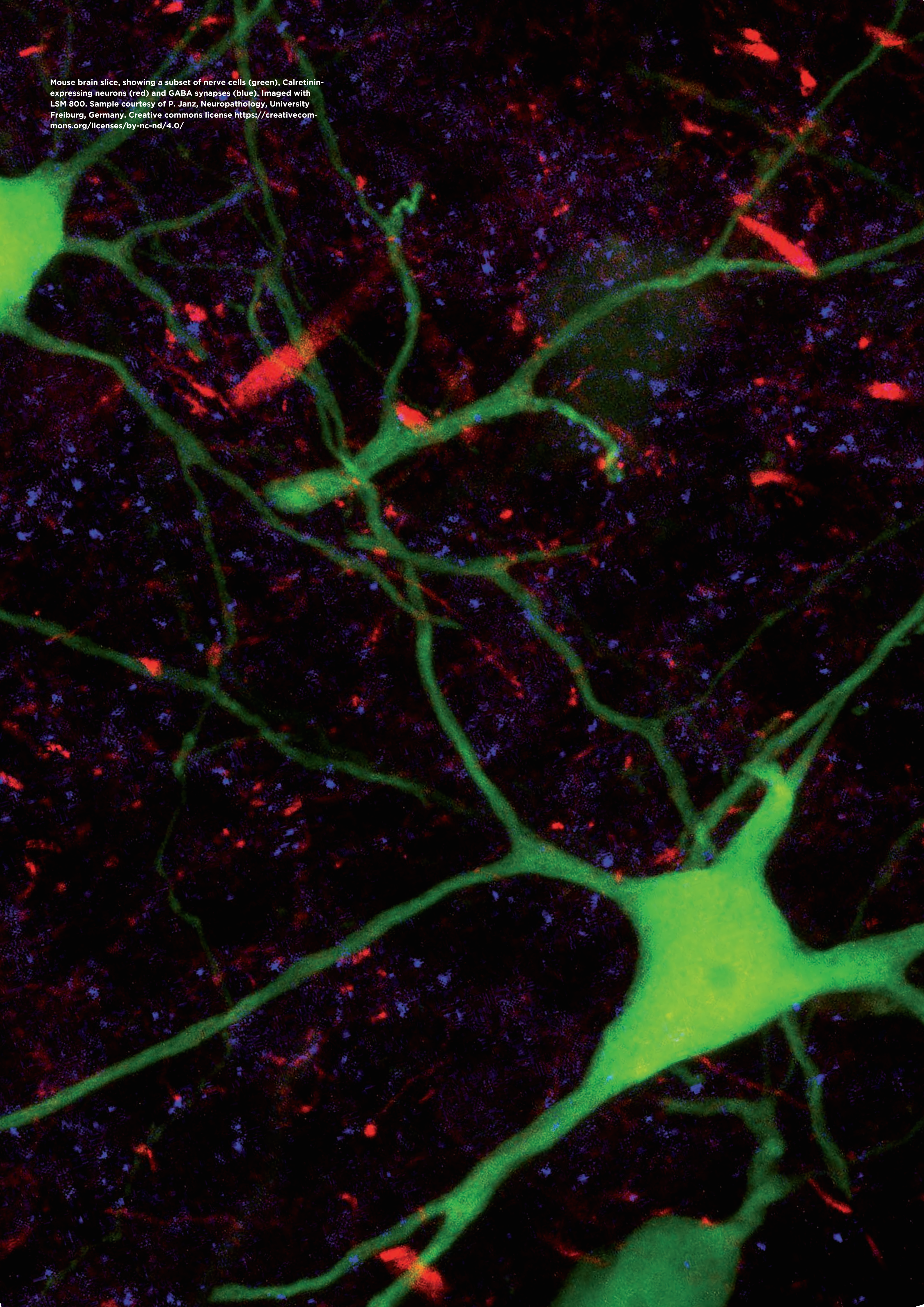
Prepared for today and the future.

Inevitably, today's cutting edge technologies will be superseded by cheaper, faster and more powerful alternatives. It's called progress. Keeping an eye on developments is essential. Our customers expect us to stay ahead of the curve, and provide smart solutions based on new approaches.

Breakthrough technologies like CRISPR/Cas9 and Next Generation Sequencing place a big focus on throughput and ease of use. By integrating these technologies into automated solutions, Tecan lowers the barrier of adoption and makes larger scales of operation a practical reality. One of Tecan's strengths is that it is technology-agnostic. With the freedom to consider any technology to provide a solution, Tecan partners with the best institutions and companies to make it happen.

In certain areas Tecan offers fully integrated solutions, including reagents and functional consumables. An integrated solution with an optimized automation platform improves workflow in the lab, and fulfills the drive towards greater convenience and better data quality. Further to Tecan's acquisition of IBL International in 2014, which gives in-house expertise for developing immunoassays for specialty diagnostics, Tecan acquired US-based SPEware in 2016. This acquisition offers new possibilities to automate the complex sample preparation process for mass spectrometric (MS) analysis of biological samples. Tecan can now take a leading position by creating a smarter approach to MS sample preparation and a better workflow. Tecan's customers can realize higher levels of efficiency and better accuracy at lower cost.

Acquisitions like these give Tecan the capability to build solutions that significantly enhance lab productivity. In every lab, every day, we are empowering people to do more and more.



Mouse brain slice, showing a subset of nerve cells (green), Calretinin-expressing neurons (red) and GABA synapses (blue). Imaged with LSM 800. Sample courtesy of P. Janz, Neuropathology, University Freiburg, Germany. Creative commons license https://creativecommons.org/licenses/by-nc-nd/4.0/

Prepared for China.

With rapidly improving standards of living, its large urban centers, aging population and high rate of infrastructural development, it is no surprise that China is the largest growth market for healthcare. Tecan is prepared for the opportunities.

China is moving fast and it is a pull market. Having feet on the ground and local business knowledge are the keys to success. Building the Tecan brand in China is very important to maintain our global reputation of leadership, quality and trust.

Tecan has made important strides into the Chinese market in 2016:
Tecan's direct force of around 80 representatives, including sales, service and application engineers ensures timely response to sales enquiries and the assured deployment of Tecan instruments in diagnostic and research labs across the country.

Tecan creates a fast track for the introduction of diagnostic platforms and tests into the Chinese market by supplying essential instrument components or full automation platforms to domestic diagnostic companies.

Chinese customers demand the highest standards of quality. No matter how advanced the lab equipment, however, the final quality of results depends upon consistent quality of consumable products. Tecan consumable products, such as pipetting tips and microplates, improve reliability and move the competitive playing field to Tecan's areas of strength: quality, workflow improvement and regulatory compliance.

Prepared for growth.

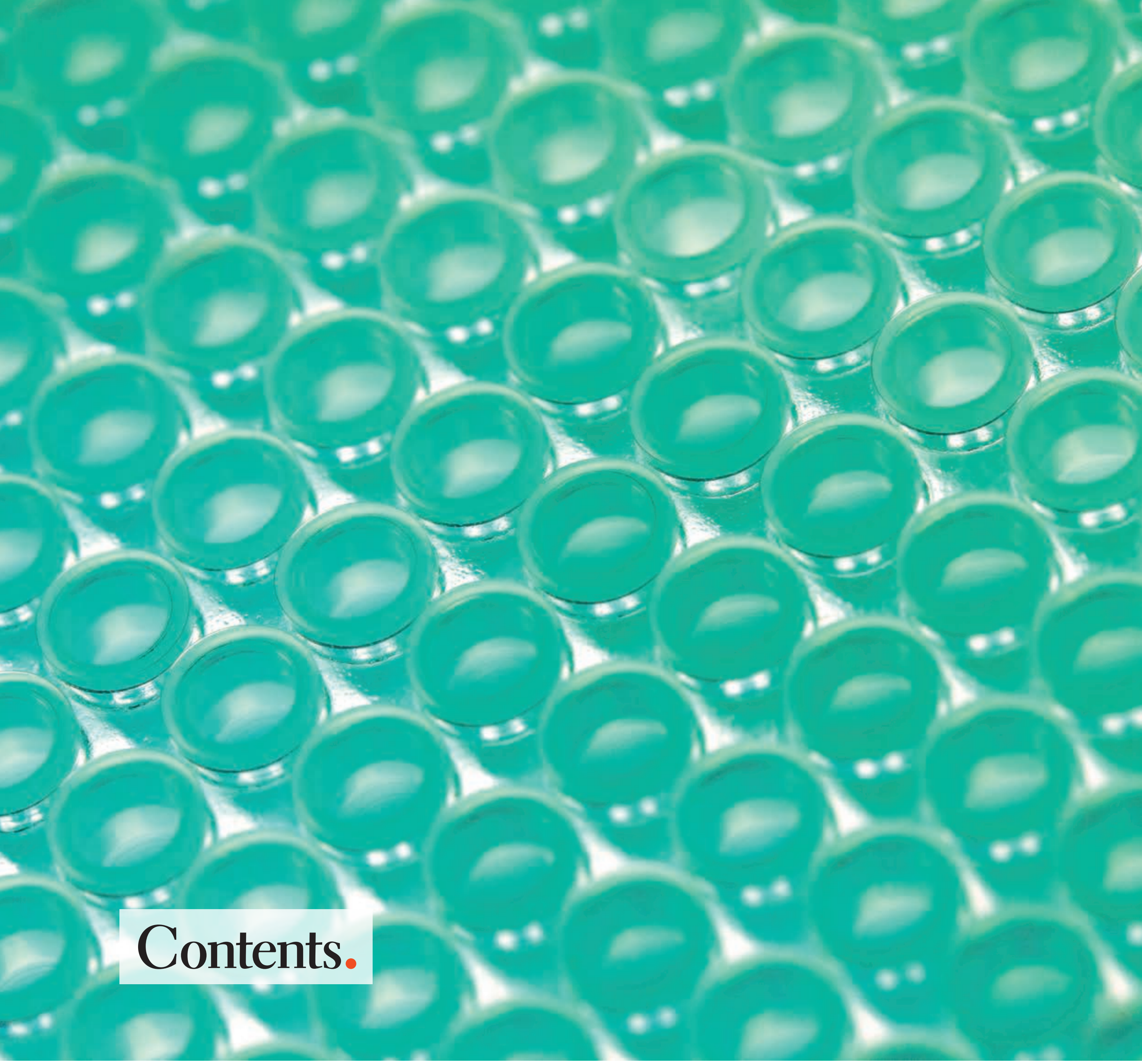
Tecan has a highly educated workforce and is renowned for quality lab solutions. Staying competitive in a global market means investing substantially in R&D and running operations as efficiently as possible. Therefore, since 2014, Tecan has focused on efficiency in operations as well as in research and development.

In this multi-year project, Tecan has made significant progress by optimizing manufacturing processes and costs while maintaining a fast pace of innovation. The single biggest saving was realized in the cost of materials, which saved a mid-single-digit million Swiss franc amount in 2016.

Tecan will achieve long-term benefits from the steps taken to re-think the way products are developed. Tecan now builds products on modular and flexible platforms that use standardized elements and common modules. Focusing on core competencies, Tecan has involved the procurement and manufacturing engineers at a much earlier phase of product development to not only design the most reliable and innovative products, but also the most cost-effective solutions.

These efforts have already started to pay off. Tecan has enjoyed two consecutive years of double-digit growth, outgrowing the market and gaining market share and at the same time increasing profitability.

As we advance into the century of biology, Tecan is committed to helping its customers advance the efficiency of their labs. And like its customers, Tecan strives towards the highest standards of quality. This is a fundamental requirement in the new world of life science discovery and medicine, and one which Tecan is uniquely prepared to fulfill — advancing Tecan not only for the benefit of its customers, but also for its shareholders.



Contents.

Available on the App Store

2016 at a glance

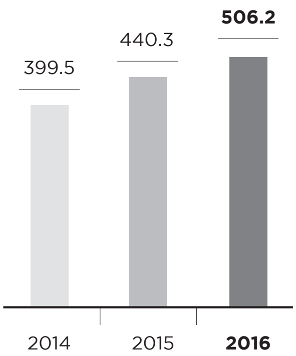
KEY FIGURES

CHF million	2015	2016	2015/2016
Sales	440.3	506.2	15%
Sales in local currencies	446.1	506.2	13.5%
Gross profit	215.5	239.4	11.1%
in % of sales	48.9%	47.3%	
EBIT	66.9	68.1	1.8%
in % of sales	15.2%	13.5%	
EBITDA	83.4	89.0	6.8%
in % of sales	18.9%	17.6%	
Underlying EBITDA*	79.7	93.2	16.9%
in % of sales	18.1%	19.5%	
Net profit	57.1	54.5	-4.6%
in % of sales	13.0%	10.8%	
EPS (CHF)	5.05	4.74	-6.1%

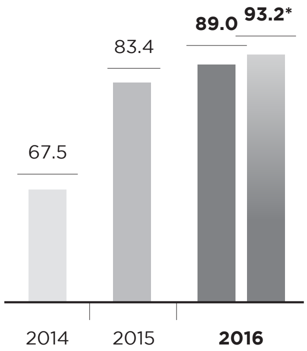
*Excluding acquisition-related effects in 2016 and a one-time positive net impact mainly from revised pension liabilities in 2015

FINANCIAL SUMMARY

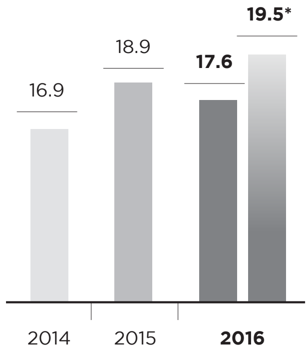
SALES
(CHF million)



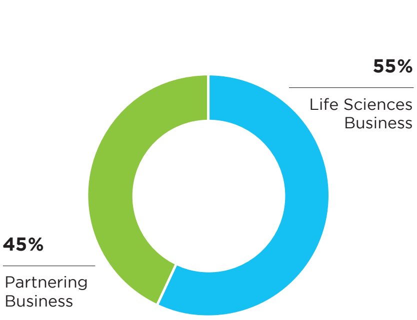
EBITDA
(CHF million)



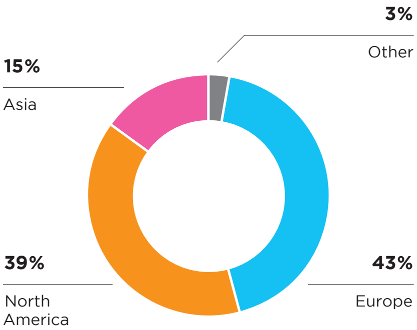
EBITDA MARGIN
(in % of sales)



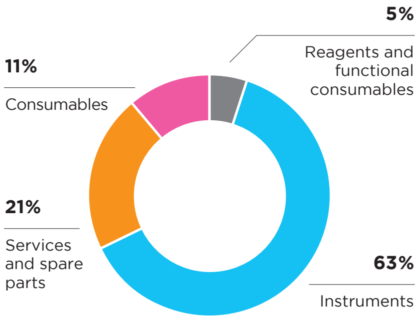
SALES BY BUSINESS SEGMENTS
(in % of sales)



SALES BY REGIONS
(in % of sales)



SALES BY PRODUCT GROUP
(in % of sales)



Dear Shareholders

During 2016, Tecan recorded another year of double-digit sales growth and a further improvement in underlying profitability. Importantly, we posted strong sales growth in both divisions and all regions, with China being a specific highlight. Once again, the high operating cash flow of over 23% of sales was particularly satisfactory.

Our new platforms had a strong market uptake, with Fluent quickly becoming the industry-leading automation solution and Spark setting new standards for multimode readers regarding sensitivity, speed and accuracy. In our Partnering Business, we saw a substantial increase in serial production of major platforms and we successfully concluded several new development agreements, providing the basis for continued growth. We fully integrated Sias AG, which we acquired at the end of 2015 and relocated our new colleagues and the production lines into the Tecan site in Maennedorf. In August, we were delighted to announce the acquisition of US-based SPEware Corporation, which further expands our solutions offering into the sample preparation for mass spectrometry market.

FINANCIAL RESULTS FULL-YEAR AND SECOND HALF OF 2016

In the second half of 2016, order entry in the Life Science Business grew strongly, however Partnering Business was affected by a large order which was shifted by a corporate customer from December 2016 to January 2017. Despite this timing effect, total order entry in the second half increased by 2.8% in local currencies and by 3.1% in Swiss francs against a strong base in the prior-year period. For the full year, order entry increased by 6.9% in local currencies to CHF 503.2 million (2015: CHF 465.0 million), corresponding to growth of 8.2%. On an organic basis, order entry increased by 1.8% in local currencies and by 3.1% in Swiss francs. Organic development only includes contributions from acquisitions from those months in the reporting period that were already included in the consolidated financial statements in the prior-year period.

Sales in the second half rose by 12.2% in local currencies and by 12.7% in Swiss francs. This corresponds to organic sales growth of 7.3% in local currencies and 7.8% in Swiss francs. Sales in financial year 2016 increased by 13.5% in local currencies and 15.0% in Swiss francs to CHF 506.2 million (2015: CHF 440.3 million), exceeding the CHF 500 million mark for the first time in the Company's history. On an organic basis, sales grew by 8.2% in local currencies and 9.6% in Swiss francs.

Operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 6.8% to CHF 89.0 million in the fiscal year (2015: CHF 83.4 million). Including acquisition-related costs from two recent transactions and reduced margins associated with the acquisition of Sias AG, the EBITDA margin was 17.6% of sales (2015: 18.9%). By contrast, the underlying EBITDA margin, excluding acquisition-related effects, improved by 140 basis points to 19.5% of sales, thereby comfortably delivering on the margin commitment for the year of "at least 50 basis points". In 2015, the underlying EBITDA margin reached 18.1% and excludes a one-time positive net impact mainly from revised pension liabilities. The margin improvement in 2016 was driven by positive volume and price effects as well as substantial efficiency improvements in operations and in research and development.

Despite a higher operating result, net profit for the year 2016 was CHF 54.5 million and therefore below the prior-year period due to non-operational effects (2015: CHF 57.1 million). In addition to acquisition-related costs, the difference is due to the lack of the positive one-time effects from 2015, an increase of the tax rate in 2016 to an again more normalized level and a lower financial result

DR. DAVID MARTYR
Chief Executive Officer

ROLF A. CLASSON
Chairman of the Board

due to currency hedging. The net profit margin therefore reached 10.8% of sales (2015: 13.0%), while earnings per share were CHF 4.74 (2015: CHF 5.05).

Cash flow from operating activities grew strongly to CHF 118.8 million (2015: CHF 99.1 million), including a further reimbursement of development costs by an OEM partner. Thus, cash flow from operating activities corresponded to 23.5% 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 26 and 34. Details regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 76.

ACQUISITION OF SPEWARE CORPORATION, A LEADING PROVIDER FOR MASS SPECTROMETRY SAMPLE PREPARATION SOLUTIONS

In August 2016, we announced the acquisition of SPEware, a leading provider for mass spectrometry sample preparation solutions based in Baldwin Park, California (USA), to further expand Tecan's dedicated solutions offering into a new market segment. From October 1, 2016, SPEware is included in the consolidated financial statements of the Tecan Group as a part of the Life Sciences Business segment. With over 70% of revenues generated with smart consumables, the acquisition of SPEware will further expand Tecan's overall recurring revenues.

STRONG BALANCE SHEET – UNCHANGED DIVIDEND PROPOSED

Tecan's equity ratio reached 66.3% as of December 31, 2016 (December 31, 2015: 68.7%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) increased to CHF 242.3 million (December 31, 2015: CHF 198.8 million). This figure includes the acquisition of SPEware Corporation with a base purchase consideration of USD 50.0 million (CHF 49.0 million), of which the net payable was fully paid in cash. The company's share capital was CHF 1,154,137 as at the reporting date of December 31, 2016 (December 31, 2015: CHF 1,146,758), consisting of 11,541,371 registered shares with a nominal value of CHF 0.10.

The Board of Directors will propose an unchanged dividend of CHF 1.75 per share to the shareholders at the Company's Annual General Meeting on April 11, 2017.

PRIORITIES

Tecan has a clear strategy to ensure the long-term success of the Company. For details, please refer to pages 20 and 21 of this report. The implementation of Tecan's strategy is supported through the implementation of Company-wide priorities.

SUCCESS IN IMPLEMENTING PRIORITIES FOR 2016

For 2016 we had again defined five Company-wide priorities, some of which involve continuing previous longer-term priorities and activities.

Our first priority was to increase operational efficiency. Within the framework of the project launched in 2014, we aimed to focus even more closely on material cost savings and productivity projects while maintaining the fast pace of innovation. After realizing a low single-digit million Swiss franc amount of net material cost savings in 2015, we were successful in increasing those savings to a mid single-digit million Swiss franc amount in 2016. In addition, we were able to achieve significantly shorter manufacturing times for our new instruments, helped by a new production setup, management and organization. Those changes also freed up enough production floor space to enable the integration of the acquired Sias business, including all production lines, into the existing space at Tecan's site in Maennedorf, Switzerland. Another highlight of the year was the successful completion of our third consecutive FDA inspection with zero formal observations, this time at our largest production site in Maennedorf. Concurrently to these activities, we launched a further wave of new platforms and products in both business divisions which enjoy a strong market uptake. More information on these products can be found in the respective segment reports.

The second priority focused on the Partnering Business. Here, we saw a substantial increase in serial production, especially for the ORTHO VISION™ Analyzer family of platforms for our partner Ortho Clinical Diagnostics. We were particularly excited, when our partner celebrated the 1000th installation of an ORTHO VISION™ Analyzer platform worldwide in January 2017.

We also significantly grew our sales in China, with several of our local components and instrument customers now successfully commercializing their respective platforms. Partnering Business received a further boost through the first-time contribution from the fully integrated Sias product lines as our new colleagues became an integral part of Tecan Partnering. As a basis for future growth, we were supporting various partners with upcoming market launches and we concluded several new development agreements. More details on these new projects can be found in the segment report on page 38 and 39.

The third priority addressed the Life Sciences Business and centered around the successful market launch of our Fluent and Spark instrument platforms. Fluent quickly became the industry-leading, application-focused automation solution, convincing customers with more capacity, increased speed, superior precision, throughput and walkaway time – and yet, offering extraordinary ease of use. Also, our Spark multimode microplate reader platform saw a strong market uptake and with additional modules and technologies introduced in 2016, it sets new standards for sensitivity, speed and accuracy. Our specialty immunoassay business continued to grow above the market rate. We introduced new tests to the broad portfolio and now offer 75 assays adapted to our automation platform.

In Corporate Development we supported the integration work of the Sias business, which we had acquired at the end of 2015. At the same time, we maintained contact with numerous interesting companies, again, taking a closer look at a selection of them. We were therefore delighted to announce the acquisition of US-based SPEware Corporation in August – our third transaction within two years. SPEware is a leading provider for mass spectrometry sample preparation solutions. This acquisition follows very much the rationale of our acquisition of IBL International in 2014, which supported our evolution into a solutions business for dedicated applications.

The fifth priority was newly defined, but was based on a well-established Tecan business as we aimed to achieve a significant increase in recurring revenues with plastic consumables. With a newly created central management position and a dedicated organization for the consumables business, we were able to grow sales by 20% during 2016. Plastic consumable products now account for over 11% of total sales and we have laid the foundation for further growth.

PRIORITIES FOR 2017

As in recent years, we have again defined five business-wide operational priorities for 2017.

With our first priority for the year, we maintain our high focus on operational efficiency and material cost savings. We see further significant potential through continued supplier relocation and consolidation, global alignment of our procurement activities and by strategically leveraging our established sourcing hub in Singapore. Together with further reductions in manufacturing times for our instruments, we expect an even higher savings contribution than in 2016. At the same time, we will continue our strong innovation output with strengthened global R&D governance and processes.

As in 2016, *our second priority* focuses on the Partnering Business. We are supporting our partners with a further ramp-up of serial production as well as with upcoming market launches for several new instrument projects. Concluding new development agreements and driving forward our expanding business in Asia again remain a priority for us in 2017.

The third priority addresses the Life Sciences Business. The successful commercialization of our Fluent and Spark platforms continues to be a major focus for us in 2017. We will again launch new options and further expand the capabilities of those flagship platforms. We will also bring more application-focused solutions to the market, especially in the areas of specialty immunoassays and sample preparation for mass spectrometry where we can offer optimized instruments together with reagents and functional consumables. We continue to work on the integration of SPEware as we are excited about the opportunity to leverage Tecan's global sales and service infrastructure to build on their momentum and further accelerate growth.

In Corporate Development we continue to screen the markets as acquisitions remain an important contributor to our overall growth and a key element of our corporate strategy. We continue to look for bolt-on acquisitions, similar to the three transactions we have already completed recently. Our M&A funnel, however, also includes potential larger, rather transformative deals.

The fifth priority is a continuation of the very successful activities to grow our plastic consumables business. We continue to see significant opportunities for further expanding the business with existing products as well as through the introduction of new products, thereby expanding our portfolio, for example with special microplates. We are convinced that we can benefit to an even greater extent from our broad base of installed instruments by assuring optimum system performance for our customers.

OUTLOOK 2017

As previously communicated, Tecan expects in the mid-term to continue to organically outgrow market average and increase this growth rate through acquisitions. For 2017, total Tecan Group sales are forecast to increase by at least 6% in local currencies. The reported EBITDA margin is expected to further expand to at least 18% of sales, including acquisition-related costs in a mid single-digit million Swiss franc amount.

These expectations regarding profitability are based on an average exchange rate forecast for full-year 2017 of one euro equaling CHF 1.07 and one US dollar equaling CHF 0.99 and exclude future acquisitions.

OUR GRATITUDE

In 2016, we achieved further important successes in implementing our strategic priorities, launched new products and made another important acquisition. The Board of Directors and Management Board would like to thank all employees for their commitment and dedication. We are, of course, also grateful to our new colleagues at SPEware, whom we welcome wholeheartedly to our ranks. We also thank our customers for their loyalty, and our shareholders and business partners for their trust and continued support.

Männedorf, March 10, 2017

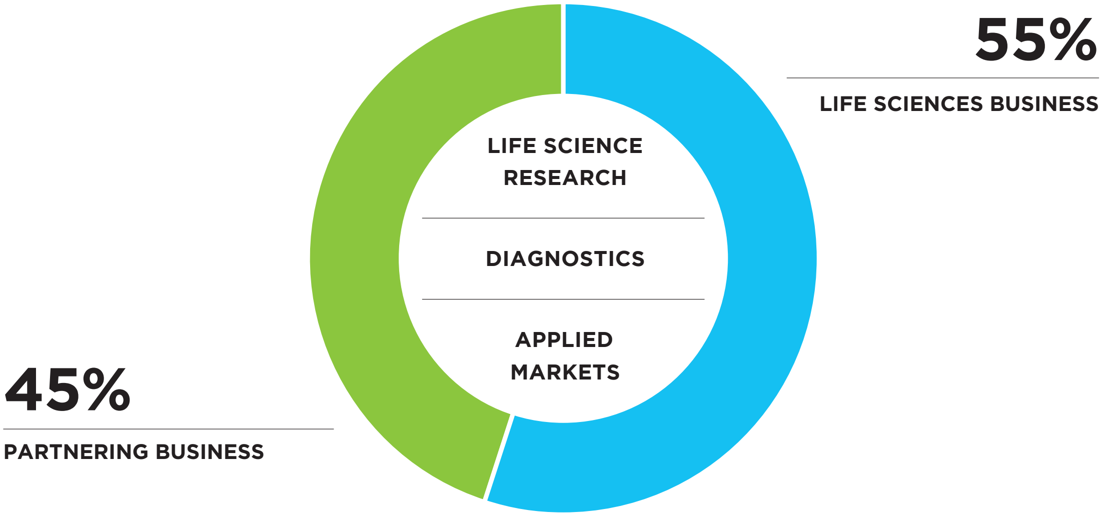
ROLF A. CLASSON
Chairman of the Board

DR. DAVID MARTYR
Chief Executive Officer

Markets, strategy and brand management

Tecan is the market leader in laboratory automation. It enables customers in the life science research and diagnostics sectors to put seminal discoveries into practice in their daily business thanks to 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



The name Tecan is synonymous with a level of reliability that has through countless tests and over many years become one of the foundations of numerous research institutes and hospitals. Laboratories throughout the world can rely on the consistent excellent quality of Tecan products they use to analyze thousands of blood, cell and tissue samples every day.

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. Tecan also offers integrated solutions in the area of immunoassays for specialty diagnostics and sample preparation for mass spectrometry, including reagents and functional consumables.

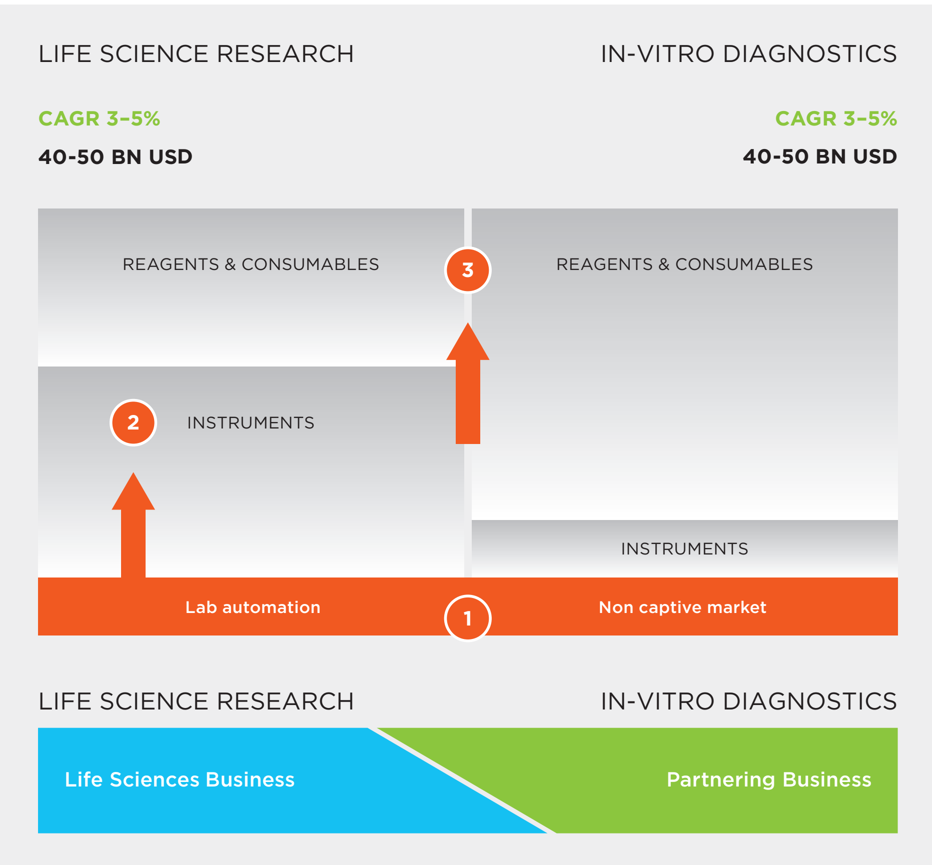
The Company serves some customers directly, but is also a leader in developing and manufacturing OEM instruments and components that are distributed by partner companies under their own names. The Tecan Group can count on two strong pillars in the Life Sciences Business (end-customer business) and Partnering 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 is between USD 40 and 50 billion and is growing at an average 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 in 2014.

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



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 both markets, the aim is to further consolidate the core business and gain market share through launching new products and expanding geographically. 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 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 late 2015 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. The acquisition of SPEware during the year under review, for example, enables the Company to now also offer dedicated instruments in the area of sample preparation for mass spectrometry.

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. Tecan has a long tradition of providing immunoassay instruments in the specialty diagnostics market segment, but has so far failed to benefit from recurring revenue from the use of reagents on these platforms. The acquisition of IBL International in 2014 was an important step toward also generating revenue from reagent kits. The acquisition of SPEware follows the same logic. In this market segment, too, Tecan is already a leading provider of automation platforms. With SPEware's consumables, Tecan can now expand its range of solutions to include sample preparation.

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. Numerous novel drugs were approved in recent years, many of which are based on previously unused modes of action. 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 one of the world's largest healthcare markets, although its spending per capita is still 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.

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' specialists, even in strictly regulated areas such as clinical diagnostics.

Tecan has particular technical 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.

Over and above the technical expertise, Tecan also has extensive application know-how in the various disciplines of life science research and clinical diagnostics. One of the Company's unique selling points and core competences is its ability to bridge the gap between research and the tightly regulated diagnostics market for its customers and partner firms. Various new technologies are no longer applied solely in a research context, but increasingly also in diagnostics. Two such technologies that have expanded into diagnostics are next generation sequencing and mass spectrometry, both of which were originally used exclusively for research purposes. Via its Life Science Business, Tecan already collaborates with research institutes and companies in the early phases of such technologies and supports them in automating them. As a result, the Company gains application knowledge and the required technical modules early on. When these technologies reach a later stage and are to be marketed worldwide as standardized, approved tests, Tecan can then contribute to the development of dedicated automation platforms in partnership with diagnostics companies based on this knowledge and help to significantly shorten the time it takes to launch a system onto the market.

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 9.3% 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. 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.

BRAND MANAGEMENT

Tecan is a leading brand in 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. 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 around 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.

With the "Every Lab. Every day. Empowered." vision, Tecan aims to maintain a global presence with outstanding technologies, products and support.

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.

Tecan has a clearly identifiable visual signature, including the five-color barcode. 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.

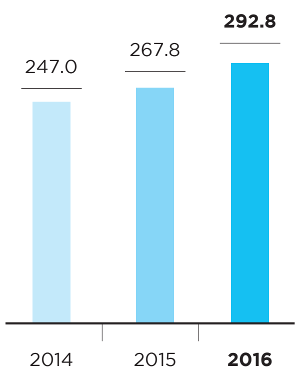
To strengthen its brand identity, Tecan had previously introduced a uniform image for the various product platforms in 2014. The Fluent liquid handling platform introduced in the same year and the Spark detection platform introduced at the start of 2015 are linked by the graphic element of a characteristic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

Life Sciences Business

(end-customer business)

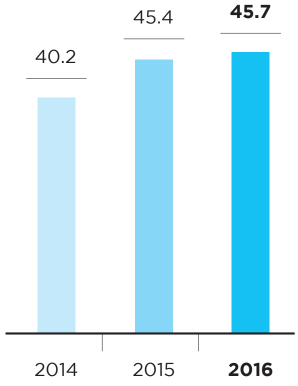
TOTAL SALES LIFE SCIENCES BUSINESS[1]

(CHF million)



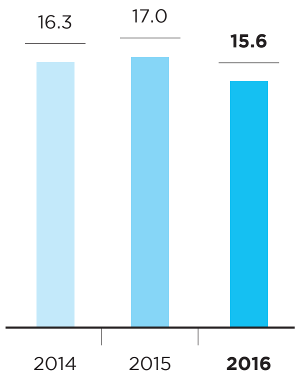
EBIT LIFE SCIENCES BUSINESS

(CHF million)



EBIT MARGIN LIFE SCIENCES BUSINESS

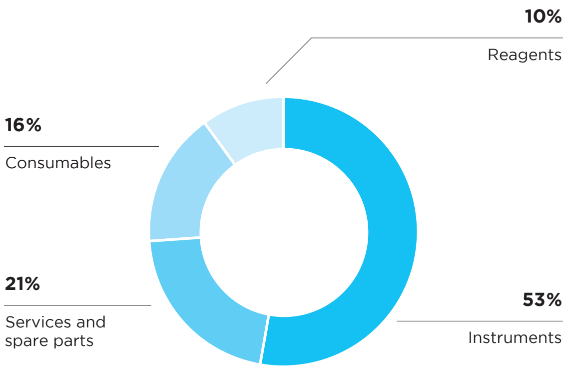
(in % of sales)



[1] Sales to third parties + intersegment sales

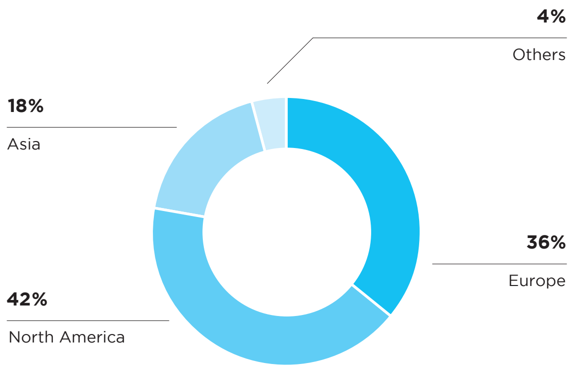
SALES BY PRODUCTS

(in % of sales)



SALES BY REGIONS

(in % of sales)



PERFORMANCE

In the second half of the year, sales in the Life Sciences Business increased by 10.7% in local currencies and were 11.7% above the prior-year period in Swiss francs. On an organic basis, excluding sales from SPEware in the last quarter, sales in the second half grew by 7.5% in local currencies. Sales for the full year totaled CHF 280.2 million, representing an increase of 8.6% in local currencies and 10.7% in Swiss francs over the prior-year period (2015: CHF 253.0 million). On an organic basis, sales increased by 6.8% in local currencies in 2016. The new Fluent and Spark platforms as well as recurring sales of services, consumables and reagents made a considerable contribution to this growth. Order entry in the Life Sciences Business again exceeded sales for the full year and saw an acceleration in the second half, supported by a strong market uptake of new products.

Operating profit before interest and taxes (EBIT) in the segment was CHF 45.7 million in the year under review (2015: CHF 45.4 million), corresponding to an operating profit margin of 15.6% of sales (2015: 17.0%).

Tecan is the market leader and a pioneer in laboratory automation. Tecan has offered 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 more than 35 years. In 2016, the Life Sciences Business segment represented 55% of total sales of the Tecan Group.

HIGHLIGHTS OF 2016

- Acquisition of SPEware Corporation, a leading provider in the area of sample preparation for mass spectrometry,
- Market launch of additional functions and applications of the Fluent® laboratory automation family as well as a new variant of the Spark® microplate reader

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. More than one-quarter 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.

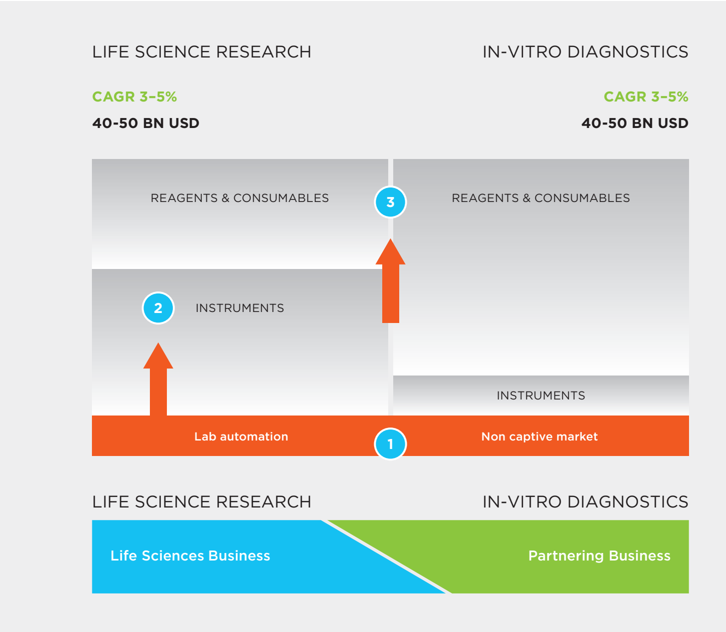
PRODUCT PORTFOLIO

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.

In the fields of immunoassays for diagnostic special parameters and sample preparation for mass spectrometry, Tecan also offers integrated total solutions, including appropriate reagents and functional consumables.

SEGMENT STRATEGY

The corporate strategy pursues three vectors to ensure sustainable profitable growth. Tecan'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 Life Sciences 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

The Fluent® product family is the latest addition to the extensive portfolio of liquid handling solutions for laboratory automation. Fluent® is a unique automation concept that provides high precision, superior throughput and extended walkaway time. Employees in the laboratory can get more done, with 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 ID™

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. 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 in the area of genomics as well as in numerous other fields of application.

Spark® ignites productivity in the lab

At the beginning of 2015, Spark® marked the introduction of a new generation of the reader platform to the second product line of detection instruments. The Spark® 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. In the core of the instrument a unique optics module was developed 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. In early 2016, Tecan rolled out a new variant of the Spark® multimode microplate reader. With the new functions, Spark® offers solutions for almost every application in drug development or other research areas. The special fusion optics function provides a unique sensitivity, speed and flexibility. Other options include the newly developed Te-Cool™ cooling module. This module makes it possible for the first time to set the temperature of the measuring chamber lower than the room temperature and thereby achieve exact and reliable results. In addition, Spark's cell handling features have been enhanced by two new features: automated cell imaging and confluence measurement. This allows cell cultures to be incubated and monitored in the measuring 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 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.

Tecan offers, for example, automation solutions that 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.

SPARK®

CEREX® IP8

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 already one of the world's largest healthcare markets, even though the country's 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 already been active in China for a number of years, and since 2008 through its own subsidiary. In recent years, the average sales growth rate has been high. Tecan, for example, is 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. In the reporting year, sales rose by a double-digit growth rate, well above the previous long-term average of 25%. A larger direct market presence should lead to a further significant increase in sales in China in the coming years.

2 SETTING UP OTHER 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. For example, the acquisition of SPEware in the year under review may make it possible to offer dedicated instruments in the area of sample preparation for mass spectrometry, which is increasingly being used for automated solid phase extraction. The integration of these overpressure processors in the liquid handling workstations of Tecan enable the automation of all work steps in the workflow.

3 EXPANSION OF RECURRING SALES

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 as well. Reagents and consumables contributed 26% of segment sales during the period under review.

EVOLUTION INTO A SOLUTIONS BUSINESS

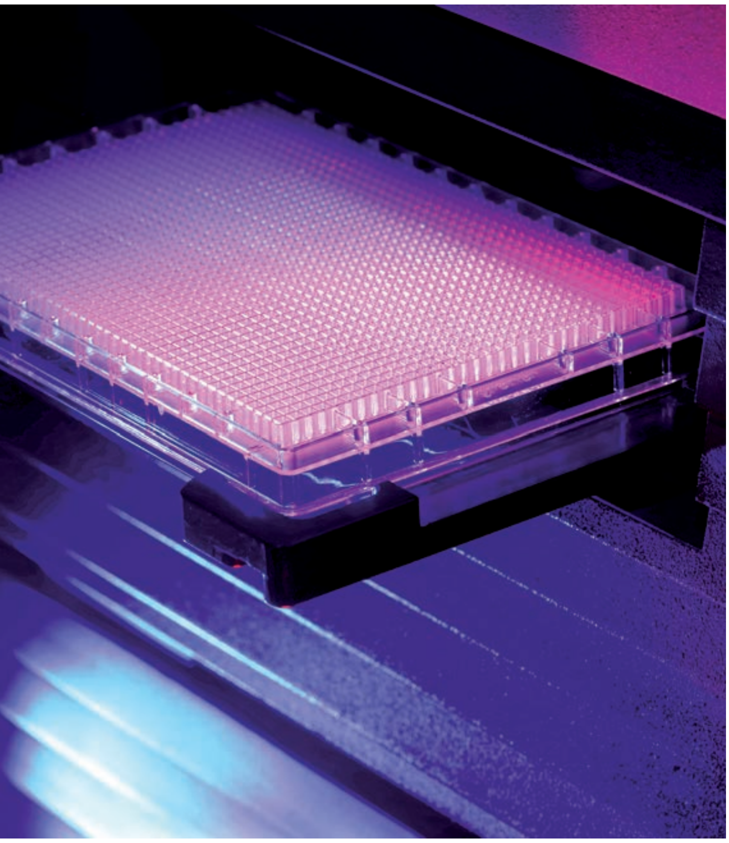
As part of the company's strategy, Tecan is increasingly seeking to provide comprehensive solutions in the areas of diagnostics and life science research in the life sciences business, including the reagents or functional consumables used during the application. This range of solutions should open up 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. In the field of microtiter plate-based immunoassays, Tecan has 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. New tests were added to the broad portfolio in the period under review. A total of 75 assays have already been tailored to the Tecan automation platform.

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.

With the acquisition of the US-based SPEware Corporation (SPEware) during the year under review, Tecan expanded its offer of dedicated total solutions to a new market segment. SPEware is a leading provider of sample preparation solutions for mass spectrometry, with a focus on the North American market.



This company provides analytical laboratories with highly developed solutions for sample preparation by combining functional consumables with dedicated instruments and modules. As a result, the procedures for the combination of liquid chromatography with mass spectrometry (LC-MS) can be made more efficient. The total market for this type of extraction technology is growing in the mid single-digit percentage range per year.

In recent years, SPEware has expanded significantly above the market rate of growth, thanks to a differentiated product offering and a market development that increasingly promotes the use of automated solid-phase extraction for high-complexity tests over other sample preparation methods.

The customers of SPEware are mainly large reference laboratories as well as specialized laboratories in North America. They use the solutions that are provided mainly for toxicological investigations and other analyses of complex samples such as urine and saliva. The separation of a target analyte from a complex sample before it can be introduced into an LC-MS improves the robustness of the assay and leads to reduced maintenance for the instrument. The proprietary, microparticle-filled consumables for enrichment of a substance for the solid phase extraction offer significant advantages, including higher selectivity, reproducible separation and improved data quality.

EXPANSION OF RECURRING SALES WITH PLASTIC CONSUMABLES

Sales of consumables made of plastic grew strongly in the period under review to 14% of segment sales. Tecan plans to expand the share of these recurring sales. 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.

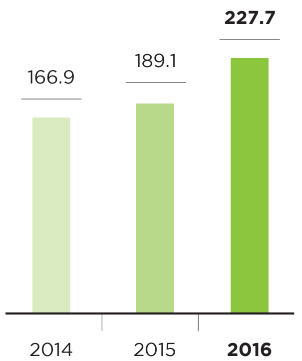
Tecan is continuously expanding its product offering in the area of plastic consumables and benefits from the broad base of existing installed instruments.

MICROPLATE

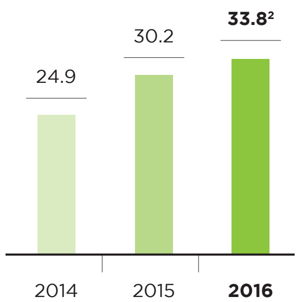

Empowered
with
Tecan.

Partnering Business
(OEM business)

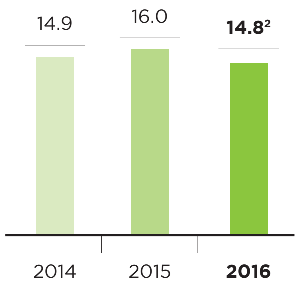
TOTAL SALES PARTNERING BUSINESS[1]
(CHF million)



EBIT PARTNERING BUSINESS
(CHF million)

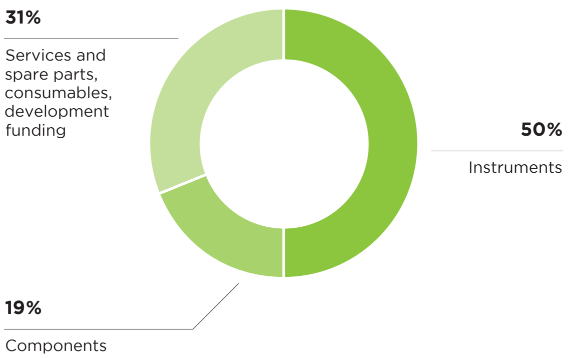


EBIT MARGIN PARTNERING BUSINESS
(in % of sales)



[1] Sales to third parties + intersegment sales
[2] Including integration costs related to the Sias acquisition reaching a mid single-digit million Swiss franc amount.

SALES BY PRODUCT GROUPS
(in % of sales)



PERFORMANCE

Sales in the Partnering Business grew by 14.3% in local currencies as well as in Swiss francs in the second half of 2016. On an organic basis, revenue rose by 7.0% in local currencies.

The Partnering Business generated sales of CHF 226.0 million in financial year 2016 (2015: CHF 187.3 million), which corresponds to an increase of 20.1% in local currencies and 20.7% in Swiss francs. On an organic basis, sales increased by 10.1% in local currencies.

Instrument platforms launched in recent years made a significant contribution to the strong sales growth. Also, sales in China increased substantially, with several local components and instrument customers now successfully commercializing their respective platforms. Order entry in the Partnering Business also grew at a solid rate for the full year 2016, albeit slowing down in the second half as a large order was shifted by a corporate customer from December 2016 to January 2017.

The segment's operating profit rose to CHF 33.8 million (2015: CHF 30.2 million), despite integration costs related to the Sias acquisition reaching a mid single-digit million Swiss franc amount. Due to those acquisition-related costs, operating profit margin was down on the prior-year period at 14.8% of sales (2015: 16.0%).

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 45% in 2016.

HIGHLIGHTS OF 2016

- Significant increase in serial production, particularly with respect to the platform family for the ORTHO VISION™ Analyzer for Ortho Clinical Diagnostics
- Induction of the new colleagues from Sias AG, which was taken over at the end of 2015, as well as the integration of the Sias product lines as an integral part of the Partnering Business

ORGANIZATION

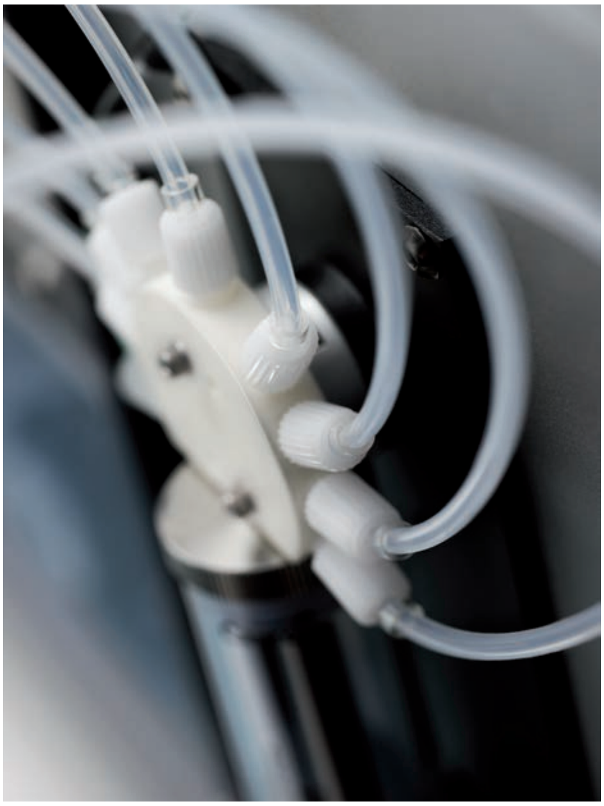
In the Partnering Business, Tecan manages corporate customers, who are mainly diagnostics companies, centrally via Key Account Management. Employees in Europe, North America and Asia ensure the local management of existing customers and support the acquisition of new customers. There are direct sales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

In the components business, Tecan supports instrument manufacturers 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.



CAVRO® XLP 6000 PUMP

COMPONENTS

Tecan 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 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. The modular Sias platforms have proven to be an ideal addition to Tecan's range of existing automation solutions, as they are particularly suited to applications with a low to medium throughput. 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. Tecan's specific strategies allow it to drive forward customer projects with the respective business models of the two business segments.

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.

PRODUCTION OF IMPORTANT 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 which is used in tissue-based cancer diagnostics, is one example of a dedicated automation solution. The system automates both established processes in the diagnosis of abnormal cells: immunohistochemistry (IHC) and in-situ hybridization (ISH).

Dako Omnis produced by our partner Dako – an Agilent Technologies company – 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.

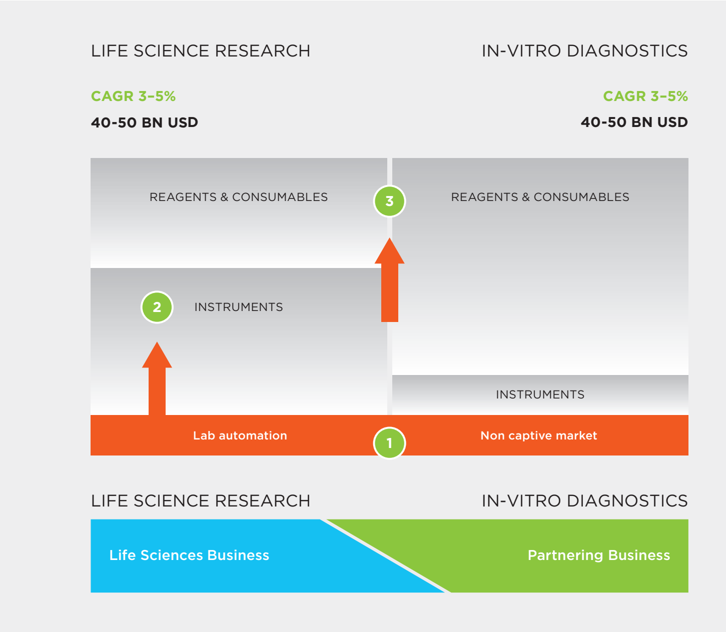
ORTHO VISION™ ANALYZER FOR ORTHO-CLINICAL DIAGNOSTICS

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 the first regional markets in 2014. The ORTHO VISION™ Analyzer heralds a new era in transfusion medicine, with Responsive Automation. ORTHO VISION™ Max is another variant of the instrument for transfusion medicine laboratories and has a high sample throughput. Innovative monitoring technologies and control mechanisms give transfusion medicine professionals the ability to track every critical process step. 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.

The year under review saw a significant increase in the serial production of products from the ORTHO VISION™ Analyzer platform family. In January 2017, Tecan's partner Ortho Clinical Diagnostics announced that it had installed over 1000 instruments around the world.

SGX CLARITY™ FOR SINGULEX

In preparation for launch on the market, work also began in the year under review on the serial production of the Sgx Clarity™ system for partner company Singulex. Based in Alameda in the US state of California, Singulex operates in the field of immunodiagnostics and develops new methods that are based on Single Molecule Counting (SMC) technology. Thanks to the ultra-sensitive SMC technology, acute heart attacks and the onset of clinical symptoms, for example, can be prevented. Working in collaboration with Singulex, Tecan has developed the Sgx Clarity™ system in just three years.



MARKET STRUCTURE

NEW DEVELOPMENT AND SUPPLY AGREEMENTS

Tecan has acquired a wide range of new customers for platform-based solutions over the past few years; these will contribute to sales growth in the years ahead. Furthermore, 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.

For 2017, Tecan anticipates starting and expanding serial production for a wide range of instrument customers.

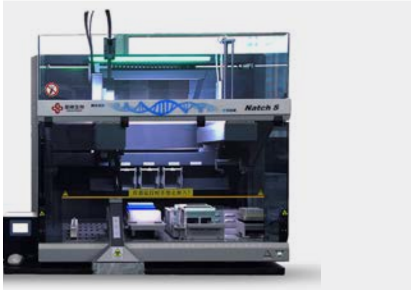
OPENING UP GLOBAL GROWTH MARKETS

As in the Life Sciences Business segment, significant market potential is also presenting itself to Tecan in the Partnering Business in China. Sales have increased disproportionately in this region 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 have already been granted marketing authorization, and are now being manufactured in larger quantities. Furthermore, Tecan is also increasingly supplying Chinese diagnostics companies with entire instruments.

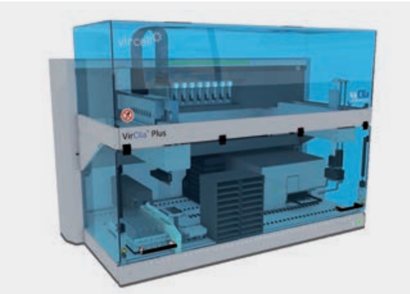
SOME EXAMPLES OF INSTRUMENTS RAMPING UP IN 2017, PROVIDING BASIS FOR CONTINUED GROWTH

INOVA QUANTA LYSER® 3000 FOR INOVA DIAGNOSTICS IFA/ELISA FOR AUTOIMMUNITY

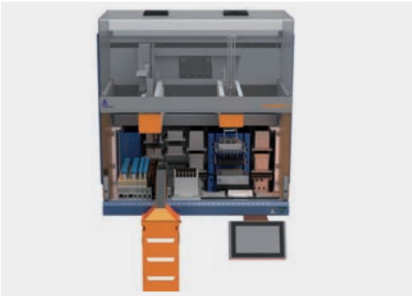
APLIDIAG® EASY FOR MOBIDIAG MDX FOR STOOL TESTING



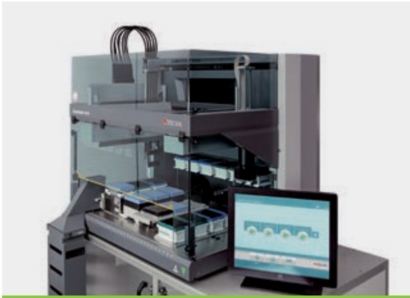
NATCH S FOR SANSURE MDX FOR INFECTIOUS DISEASES



VIRCLIA® PLUS FOR VIRCELL CHEMOLUMINESCENCE IA FOR INFECTIOUS DISEASES



MULTIMACS® X FOR MILTENYI BIOTEC CELL SEPARATION FOR MULTIPLE APPLICATIONS



TOP 10 IVD COMPANY NGS SAMPLE PREP

2 BUILDING UP FURTHER PILLARS IN THE INSTRUMENT MARKET

In the Partnering Business segment, Tecan mainly supplies diagnostics companies with instruments and components. Further pillars in the instrument market for life science research should therefore only be built up in the Life Sciences Business segment.

3 EXPANSION OF RECURRING REVENUES

The third vector focuses on expanding recurring revenues. Support for OEM customers in the Partnering Business segment will not end once 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 the complete service portfolio for devices 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 also focusing increasingly on developing proprietary, patent-protected technologies. One example is the innovative eFluidics™ technology concept which is being implemented using a new type of consumable. 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.

BUSINESS PROCESSES

At Tecan, prudent corporate activity is an integral component of the daily routine of both employees and management. This requires clearly structured, transparent business processes. 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 at any time in the Tecan Management System (TMS). The documents also convey intangible values that form the guiding principles of the corporate culture. 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, a consistent one-piece flow approach – an "employee-linked workflow"– was adopted in the production system. 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.

At the Männedorf site, all employees have clearly defined responsibilities in the manufacturing process of the various product lines, and each product line is overseen by 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

To ensure sustainable corporate growth, it is crucial that any risks that could compromise this growth be recognized early on, assessed in terms of likelihood and consequences, and mitigated through an appropriate plan of measures. Tecan has a well-established global risk management process for this purpose. 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 optimize the number of banks it uses in connection with its business activities, and transfer cash reserves to banks at lower risk of failure. The treasury system has also improved short-term financial planning and ensured an interest rate benefit compared with decentralized management.

Tecan uses an IT-based control system in the financial area. This automatically recognizes and flags potential areas of conflict with regard to employees entrusted with a range of duties, which when combined could result in a risk of manipulation. The system is an integral part of the IT audit by the auditors. In this process, Tecan provided evidence that the access control system is working well.

All IT services offered by the Group worldwide are outsourced to servers of an external service provider. The data is backed up redundantly, and the data centers are physically separated from one another and from the production sites. This enables Tecan to minimize the risk of critical data loss and increase data security. Global round-the-clock IT support is also available to Group companies, thereby reducing outages.

ETHICAL VALUES

In the code of conduct, Tecan undertakes to maintain the highest standards in its business activities and to respect ethical values.

CORRECT CORPORATE BEHAVIOR

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 helps employees understand the Company structure, 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 2016, Tecan was again subject to a number of sometimes very extensive audits by customers at its production sites. These included leading diagnostics companies that Tecan supplies with instruments through its OEM business in the Partnering Business, or will supply in the future. The audits covered areas including processes, quality management systems, product design, validation and documentation. The customers again attested a high standard at Tecan with regard to the relevant requirements. One extensive audit of a production site by an international authority also took place during 2016 and was successfully concluded. Customers in the Partnering Business were supported in authorization applications for new diagnostic instruments through the provision of key documentation. Tecan put together an ISO 14971-certified product risk management process for medical devices that covers the entire lifespan of a product and evaluates all possible risks, especially those pertinent to patients and users. The Tecan parent company, all production sites and almost all sales subsidiaries are now ISO 13485 certified. With global certification to this standard by a certifying body, 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. The certifying body 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 sites and the majority of suppliers are located in stringently regulated markets. Direct suppliers are subject to an audit program in order to ensure sustainable business.

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) during the production process. Two production sites produce direct emissions exclusively from the combustion of natural gas for heating purposes. Indirect emissions arise from energy purchased (scope 2 emissions). 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 greenhouse gas emissions table for 2015 showed the values for the Männedorf (Switzerland) production site, where only indirect emissions arise via purchased energy. These were 13.8% lower during the year under review than in the prior-year period. In the year under review, the table for the first time presents the values of all four production sites.

ENVIRONMENTALLY RESPONSIBLE BEHAVIOR

Total energy consumption for the year under review fell by 10%.

The environmental performance table for 2015 for the first time includes the consolidated values for the site of subsidiary IBL International in Hamburg in addition to the data for the production sites in Männedorf (Switzerland), Grödig (Austria) and San Jose (California, USA). Moreover, the activities of Sias AG, acquired at the end of 2015, were consolidated after its employees relocated to the site in Männedorf and the product lines were integrated there. It should also be taken into account that the number of employees has risen in the time period presented (2014–2016).

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

Total energy consumption for the year under review fell by 10.1% compared with the prior year, despite higher production volumes. Aside from a mild winter and the related lower consumption of energy for heating purposes, this was primarily due to the purchase of a new refrigeration system at the largest production site in Männedorf. The new refrigeration system for this production facility has a significantly better energy rating. Aside from reducing energy costs, the system also helped to reduce indirect CO_2 emissions by around 7 tons. The energy intensity, i.e total energy consumption in relation to turnover, dropped by 21.7% due to much higher turnover and lower energy consumption.

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. Overall consumption remained on a par with the previous year, even taking into account the higher number of employees. Consumption per head on the other hand dropped by 17.6%.

Paper consumption was 20.4% higher in the year under review than it was in 2015, although paper consumption per head increased by only 4.8%. The main reason for the higher consumption was the extensive audit of a production site by an international authority.

Total waste increased by 19.7% overall and by 12.1% per head compared with 2015. Alterations were carried out at the Männedorf site for the integration of the Sias production lines and to create additional workspaces for the new employees. This also entailed the disposal of documents, material and obsolete equipment, which led to a rise in total waste.

Recyclable waste and refuse accounted for more than 98% of total waste. Only a small portion of it was hazardous waste, which includes materials, solvents and chemicals contaminated through the automation of biological processes, for example.

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.

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.

[1] WEEE = Waste Electrical and Electronic Equipment

[2] RoHS = Restriction of Hazardous Substances

Tecan has a very cosmopolitan workforce comprising employees from 45 countries. The average age of Tecan employees is under 42. With the incorporation of the Sias employees, the total number of employees increased by 3.2%. The proportion of women in the workforce increased again to 30.5%, with the proportion of female managers remaining on a par with the prior year at 23.4%. Two of seven positions on the Board of Directors are occupied by women. Furthermore, the acquisition of SPEware led to around 60 new employees being welcomed to the Tecan Group in 2016. These employees are not yet included in the table listing personnel figures.

OVERVIEW OF PERSONNEL FIGURES

	Unit	2014	2015	2016*
Employee figures				
Employees	No.	1,224	1,369	1,413
Full-time positions	in % of all employees	88.3%	87.5%	88.8%
Part-time positions	in % of all employees	10.1%	12.5%	9.8%
Trainees	No.	19	21	20
New positions created	No.	-8	145	44
Gender diversity				
Women	No.	349	413	431
Men	No.	875	956	982
Women	in % of all employees	28.5%	30.2%	30.5%
Men	in % of all employees	71.5%	69.8%	69.5%
Women in management positions	in % of all managers	24.1%	23.5%	23.4%
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	511,424	639,254	585,204
Investments in basic and continuing training	CHF per employee	1,105	1,321	1,117
Other figures**				
Staff turnover rate		12.4%	10.4%	11.0%
Absence rate		2.1%	2.5%	2.3%
Average number of years of service	Years	6.5	5.7	6.8
Average age	Years	39.8	40.7	41.7

* Including Sias AG, excluding SPEware Corporation

** Data for Switzerland only

ENVIRONMENTAL PERFORMANCE

	Unit	2014	2015	2016
Net floor area	m^2	24,880	28,152	28,249
Energy consumption				
Total energy consumption	Gigajoules	19,705.7	20,927.6	18,817.4
Total direct energy consumption	Gigajoules	3,598.3	3,363.8	3,595.3
Total fuel consumption	Gigajoules	0.0	0.0	0.0
Fuel consumption/m^2	Gigajoules/m^2	0.0	0.0	0.0
Total natural gas consumption	Gigajoules	3,598.3	3,363.8	3,595.3
Natural gas consumption / m2	Gigajoules/m^2	0.1	0.1	0.1
Total indirect energy consumption	Gigajoules	16,107.5	17,563.8	15,222.1
Total consumption of electricity	Gigajoules	12,084.2	12,706.0	11,113.8
Consumption of electricity/m^2	Gigajoules/m^2	0.5	0.5	0.4
Total heating energy	Gigajoules	2,091.1	3,089.2	2,202.6
Heating energy / m^2	Gigajoules/m^2	0.2	0.2	0.1
Total cooling energy	Gigajoules	1,932.2	1,768.6	1,905.6
Cooling energy / m^2	Gigajoules/m^2	0.2	0.1	0.1
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	49.3	47.5	37.2
Water consumption				
Total water consumption	m^3	8,207.5	6,910.5	6,694.7
Water consumption per head	m^3/head	9.8	9.1	7.5
Paper consumption				
Total paper consumption	kg	18,877.3	22,725.8	25,437.9
Paper consumption per head	kg/head	22.6	27.1	28.4
Percentage of recycled paper	Percentage	68.3	84.5	80.9
Waste consumption				
Total waste	Ton	96.3	163.4	195.7
Normal waste	Ton	36.0	80.7	85.6
Recyclable waste	Ton	58.5	80.5	107.1
Hazardous waste	Ton	1.8	2.2	3.1

GREENHOUSE GAS EMISSIONS

	Unit	2014	2015	2016*
Total direct CO_2 emissions (scope 1)	Ton (CO_2 equivalents)	n.a.	0.00	183.76
Emissions via fuel consumption	Ton (CO_2 equivalents)	n.a.	0.00	0.00
Emissions via natural gas consumption	Ton (CO_2 equivalents)	n.a.	0.00	183.76
Total direct emissions of other greenhouse gases**	Ton	n.a.	0.00	0.00
Total indirect CO_2 emissions via energy procurement (scope 2)	Ton (CO_2 equivalents)	n.a.	70.96	962.35
Emissions via electricity procurement	Ton (CO_2 equivalents)	n.a.	39.83	819.84
Emissions via heating energy	Ton (CO_2 equivalents)	n.a.	15.59	127.59
Emissions via cooling energy	Ton (CO_2 equivalents)	n.a.	15.54	14.92

*Including sites in Maennedorf (CH), Grödig (A), Hamburg (GER) and San Jose (USA), 2015 site in Maennedorf (CH) only

**Methane, nitrous oxide, sulfur hexafluoride, nitrogen trifluoride

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.

THE TECAN VISION

The common values and objectives for all Tecan employees are encapsulated in the vision:

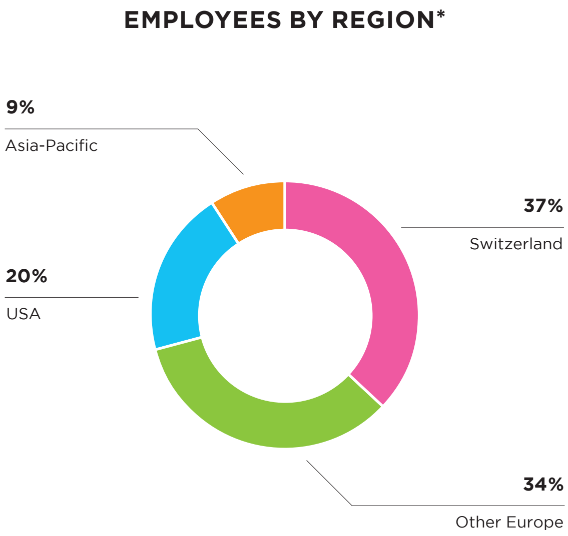
Every lab. Every day. Empowered.

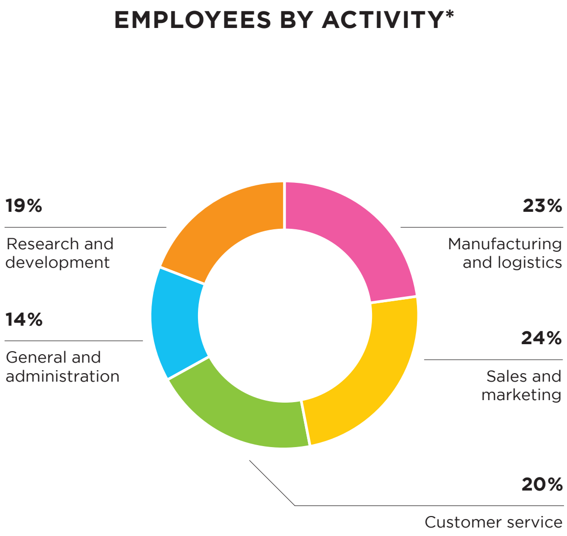
In the brand refresh project, Tecan drafted comprehensive guidelines, common values and principles of conduct for employees, to which the image of the Company was also linked. The result of this link is the Tecan brand – a key factor for the Company's success. The building blocks of the Tecan brand are 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 life sciences and clinical diagnostics by facilitating key innovations and empowering those involved to achieve. 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 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 events again held at various sites during the year under review to increase and renew awareness. 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 house has firmly established itself in Tecan's day-to-day routine, with the various elements having been integrated into, for example, year-end process and employee meetings as part of their performance review.

Tecan's central customer promise is "Always There For You" – all of the Company's activities are geared toward its customers. This promise is put into practice in an exemplary manner by numerous Tecan employees across the world in their daily dealings with customers and colleagues. To honor these sometimes extraordinary efforts and special commitment, Tecan created the "Always There For You Award" during the year under review. Employees can nominate colleagues for this prize on the intranet. The winners will be announced to the entire Group and receive a special financial bonus.





* In % of all employees, excluding SPEware Corporation

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. Employees can choose the right offer for them from a wide range of seminars and training opportunities. Specific four-part seminars, for example, 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. 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.

CUSTOMER LOYALTY AND SATISFACTION

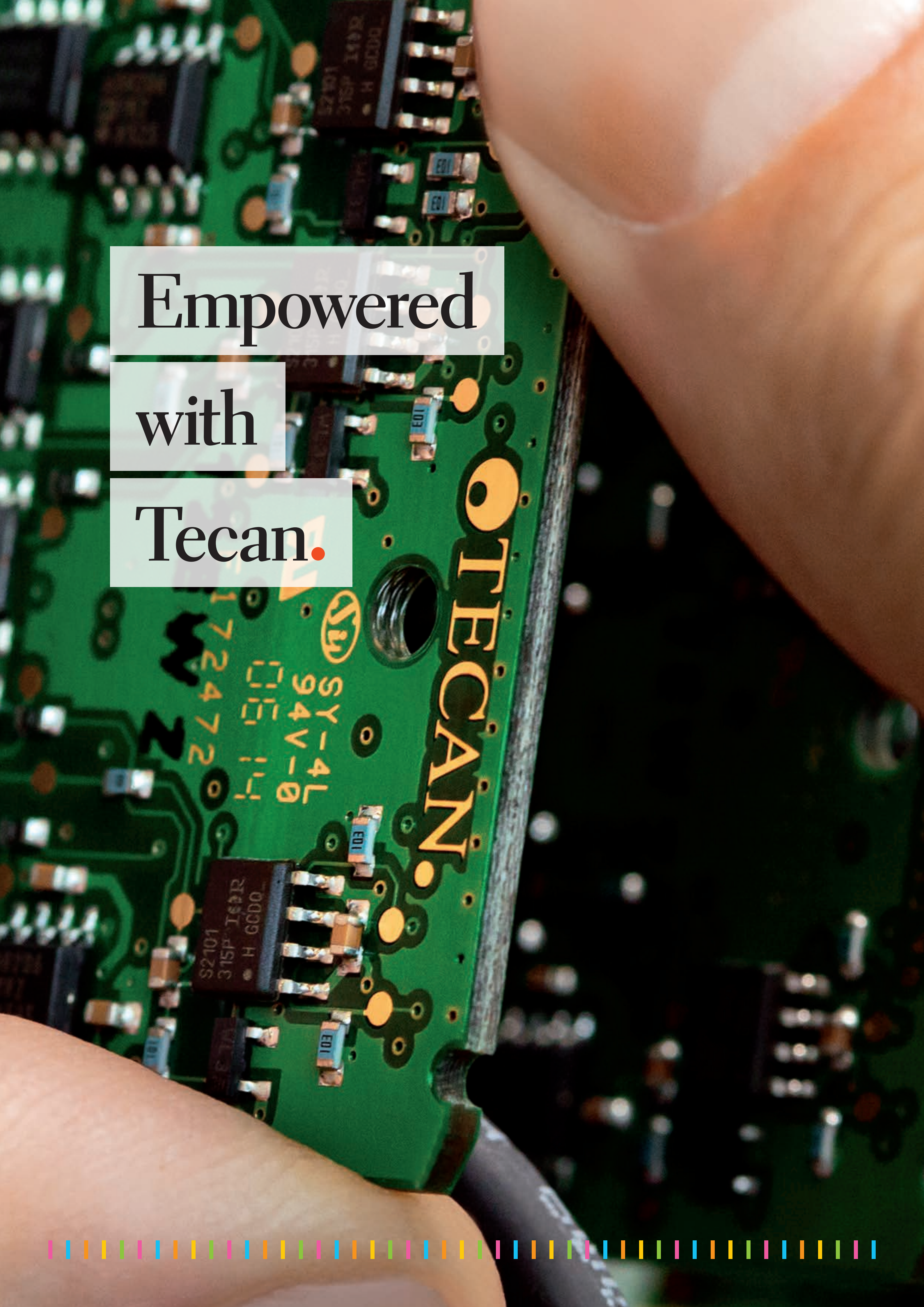
At Tecan, strong customer loyalty and a high degree of customer satisfaction are key factors for sustainable business growth. In collaboration with external market research institutes, Tecan regularly measures and evaluates customer loyalty and satisfaction. In addition to regular customer surveys, the Company also conducted its most recent global survey of more than 1,000 researchers in 2015. 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.

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.

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.



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, 2016, the Company's market capitalization was CHF 1,834 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section on page 137 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 95 of this Annual Report.

IMPORTANT SHAREHOLDERS

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

	2015		2016	
	Shares	%	Shares	%
Chase Nominees Ltd., London (UK)	1,546,910	13.5%	1,546,910	13.4%
NN Groep N.V., Amsterdam (NL)	848,426	7.4%	848,426	7.4%
BlackRock Inc., New York (US)	578,431	5.0%	578,431	5.0%
APG Algemeine Pensioen Groep N.V., Amsterdam (NL)	572,926	5.0%	572,926	5.0%
UBS Fund Management (Switzerland) AG, Basel (CH)	570,408	5.0%	570,408	5.0%
Massachusetts Mutual Life Insurance Company, Springfield, MA (US)	524,388	4.6%	570,285	4.9%
Credit Suisse Funds AG, Zurich (CH)		<3.0%	376,921	3.3%
Norges Bank (the Central Bank of Norway), Oslo (NO)		<3.0%	345,939	3.0%
Pictet Funds SA, Genf (CH)	347,150	3.0%	344,811	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

	2014	2015	2016
Shares	11,444,576	11,467,577	11,541,371
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,144,458	1,146,758	1,154,137
Legal reserves (CHF)	3,596,526	6,716,885	16,551,751
Net retained earnings (CHF)	203,624,142	198,291,481	247,403,692
Treasury shares (CHF)	(15,296,812)	–	–
Shareholders' equity (CHF)	**193,068,314**	**206,155,124**	**265,109,580**
Conditional share capital			
Reserved for employee participation plans			
Shares	858,636	835,635	761,841
CHF	85,864	83,564	76,184
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, 2018			
Shares	2,200,000	2,200,000	2,200,000
CHF	220,000	220,000	220,000

As of December 31, 2016, the Company's share capital was CHF 1,154,137 and was divided into 11,541,371 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 130,000 (consisting of 1,300,000 registered shares with a nominal value of CHF 0.10 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 23,319 options (share option plans) were exercised and 50,475 (share plans) were transferred, increasing the Company's share capital by CHF 7,379 and decreasing the Company's conditional capital by 73,794 shares (fiscal year 2015: exercise of 23,001 options, increase of share capital by CHF 2,300 and decrease of conditional capital by 23,001 shares). As of December 31, 2016, 113,893 shares of the conditional share capital were reserved for outstanding employee stock options and 177,435 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 29,133. 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 13, 2016, 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 13, 2018, 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

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

ENTRY IN THE SHARE REGISTER AND NOMINEE REGULATIONS

Registration of voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account. The Company's Board of Directors may register nominees for not more than 2% of the share capital as shareholders with voting rights in the share register. Nominees are shareholders who do not explicitly declare in the registration application that they hold the shares for their own account and with whom the Company has entered into a corresponding agreement. In addition, for shares in excess of 2% of the share capital, the Board of Directors may register nominees with voting rights in the share register if such nominees disclose the names, addresses, nationalities and shareholdings of those persons for whose account they hold 2% or more of the share capital. Legal entities and companies that are linked to one another in terms of capital and voting power through uniform management or otherwise, as well as individuals, legal entities or companies coordinating their actions to circumvent the registration limitations, are considered to be one person. The Board of Directors is entitled to grant exceptions to the registration limitations in special cases. No such exceptions were granted in the year under review. The procedures and conditions for canceling these limitations on transferability are described in section 6.

3 BOARD OF DIRECTORS

INDEPENDENCE AND RULES REGARDING OUTSIDE MANDATES

All the members of the Board of Directors are non-executive members. None of the Board members was formerly a member of the Management Board of Tecan Group Ltd. 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 2017
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 2017
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. CHRISTA KREUZBURG

Chairwoman of the Compensation Committee

Since 2013, elected until 2017
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

LARS HOLMQVIST

Since 2015, elected until 2017
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 2017
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. OLIVER FETZER

Since 2011, elected until 2017
1964
US citizen
MBA, Carnegie Mellon University, Pittsburgh, USA, Ph.D. Pharmaceutical Sciences, 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 and member of the board Synthetic Genomics.

Other activities:
Synthetic Genomics, member of the Board; Arena Pharmaceuticals, member of the Board

DR. KAREN HÜBSCHER

Since 2012, elected until 2017
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

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		Member	
Oliver Fetzer		Member	Member
Lars Holmqvist	Member		
Christa Kreuzburg		Chairwoman	
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 nonexecutive members of the Board of Directors. The Committee consists of three members. It is chaired by the Chairman of the Board. 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: 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. 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

3 | 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:
Toolpoint for Lab Sience, member of the Board

4 | 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

5 | 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; Büchi Labortechnik AG, Vice Chairman of the Board

6 | DR. KLAUS LUN

Executive Vice President Head of Corporate Development (since 2013) and Head of the Life Sciences Business division (since February 2017)

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

7 | 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), Master of Law Program (Boston University, USA), Admitted to the Swiss Bar

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

Other activities:
None

MEMBERS WHO LEFT TECAN

DR. STEFAN TRAEGER

Executive Vice President Head of the Life Sciences Business division

Until March 2017
Member from 2013 until March 2017
With Tecan from 2013 until March 2017

5 CONTENT AND METHOD OF DETERMINING COMPENSATION AND STOCK OPTION PLANS

Pursuant to the Articles of Incorporation, each year the Compensation Report for the completed business year is submitted to the Annual General Meeting for a 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.

Pursuant to the Articles of Incorporation, any loans, credits or securities granted to a member of the Board of Directors or the Management Board may not exceed an amount corresponding to 50% of such member's base salary. No such loans, credits or securities were outstanding at the end of 2016.

The provisions of the Articles of Incorporation regarding the compensation policy (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 Annual General Meeting. 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 and partly in 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 Annual General Meeting. 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, (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 plans, if applicable.
- The variable cash compensation shall be determined on the basis of financial targets of the Company's group and (quantitative and qualitative) personal targets (hereinafter referred to as "performance-related cash compensation"). The targets shall be defined by the Board of Directors at the beginning of each year 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 the Company's strategic and/or financial targets, 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 conditions that apply to 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 provisions 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 2016 as well as on the motions proposed to the Annual General Meeting 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 66 to 74.

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 cancellation 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 General Meeting until the day of the 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.

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 issued 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 (and the related change of the employment relationship), these options vest immediately and may be exercised immediately (accelerated vesting period). In the event of a change of control (and the related change of the employment relationship), the three-year blocking period for the shares allotted under PSMP will be lifted and the matching shares will be allocated before the usual time (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 Ernst & Young AG (EY) took over the existing auditing mandate	April 13, 2016
Year in which the lead auditor took up his position	2016

FEES PAID

CHF 1,000	2015	2016
Total auditing fees of the Group auditor (2015: KPMG and 2016: EY)	547	482
Total auditing fees of other audit companies	31	–
Total tax consulting fees of the Group auditor (2015: KPMG and 2016: EY)	60	181
Total other consulting fees of the Group auditor (2015: KPMG and 2016: EY)	57	12

The auditors are appointed by vote of the Annual General Meeting of Shareholders for a one-year term. The external audit is reviewed by the Audit Committee. 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, 2017	Zurich	Full Year Results 2016, Press Briefing on Annual Results and Analysts' Conference
April 11, 2017	Pfaeffikon, SZ	Annual General Meeting
August 16, 2017	Conference Call / Webcast	Half-year Results 2017

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. It has been drawn up based on the applicable regulatory provisions for Switzerland and will be put to the Annual General Meeting on April 11, 2017, retrospectively for the past fiscal year for an advisory vote.

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 2016 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 — guarantees direct financial participation in the long-term performance of Tecan's stock. The compensation of the Board of Directors is in line with the current corporate governance recommendations for compensation systems, which stipulate only a fixed fee. Members of the Board of Directors receive 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 the year under review, the Compensation Committee comprised Christa Kreuzburg, Oliver Fetzer and Gérard Vaillant, who were directly elected 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 2016, a comparison was made of the salaries of the Management Board members by an external specialist (Willis Towers Watson). Compensation at Tecan was compared with a selection of companies from the medical devices and suppliers, pharmaceuticals, chemical and foodstuffs sectors. 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. This confirmed the fundamental results of the 2012 and 2014 compensation comparison for the members of the Management Board with comparable companies (2012: by AON Hewitt; 2014: by Mercer).

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. 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 members of management levels three and four and key employees at the Tecan Group, the third pillar consists of either a performance-based share plan or a performance-based option plan. The compensation system for members of management levels one and two 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 other quantitative and qualitative corporate goals. The financial targets (sales and EBITDA margin) are set annually by the Board of Directors in December for the following year. 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 short-term 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 slightly exceeded overall, and a component of just above 100% was paid out accordingly.

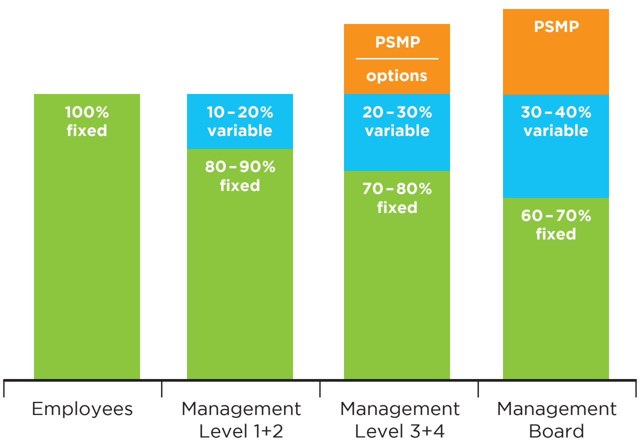
If the defined targets are exceeded, depending on the degree of exceedance, up to 200% of the target component may be paid out. Instead of receiving cash, members of the Management Board and extended Management Board were able in past years to invest up to 150% of the target variable compensation in stock under the PSMP ("voluntary purchases"). This possibility is no longer exercised with effect from fiscal year 2016 in order to reduce the complexity of the compensation system caused by this option.

EMPLOYEE PARTICIPATION PLANS

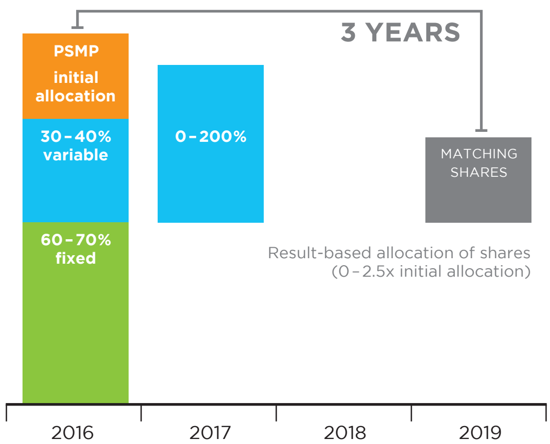
In addition to cash compensation, the members of the Management Board participated in the Performance Share Matching Plan (PSMP) in the year under review. This share plan is a long-term incentive (LTI) plan based on allotment of Tecan Group Ltd. registered shares to the Management Board and the extended Management Board. The shares are blocked for three years from the allotment date. Employees are eligible to receive additional shares ("matching shares") if certain quantitative 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. A formula incorporating the two components of “sales growth in local currencies” and “EBITDA margin” among other factors has been devised for calculating the matching share factor. The two parameters are linked, i.e. EBITDA margin must be higher to achieve a specific factor if growth is low, while higher growth is required if the EBITDA 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 2016, the initial allotment for Management Board members averaged 29% of total compensation.

STRUCTURE OF THE COMPENSATION SYSTEM



STRUCTURE OF THE COMPENSATION SYSTEM MANAGEMENT BOARD



= cash compensation

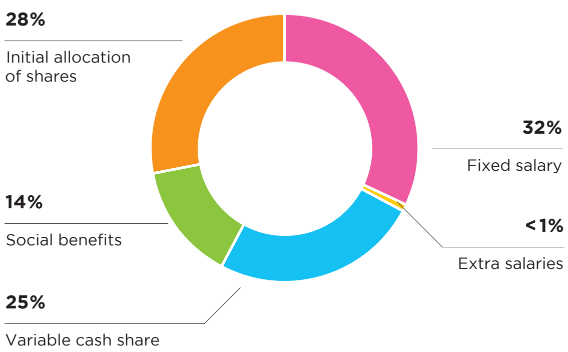
ANNUAL GENERAL MEETING VOTE ON COMPENSATION

The Ordinance against Excessive Compensation in Listed Companies (OeEC) 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 with the exception of the simplifications in the long-term participation plan. The Compensation Report has been presented to the shareholders since 2012 for retrospective, advisory approval.

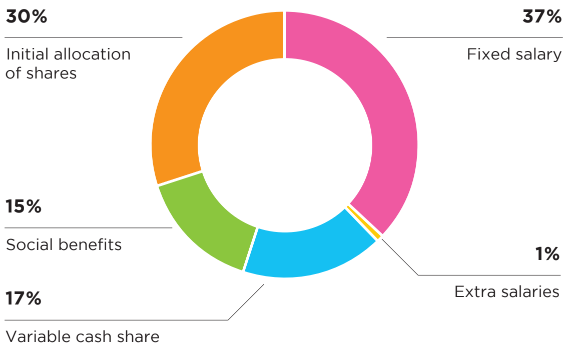
COMPENSATION AND APPROVAL MECHANISM

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. The Board of Directors will propose to the 2017 Annual General Meeting the advance approval of compensation for the Board of Directors and Management Board for fiscal year 2018. For 2017, the Compensation Report will be presented to the shareholders for retrospective, advisory approval at the 2018 Annual General Meeting.

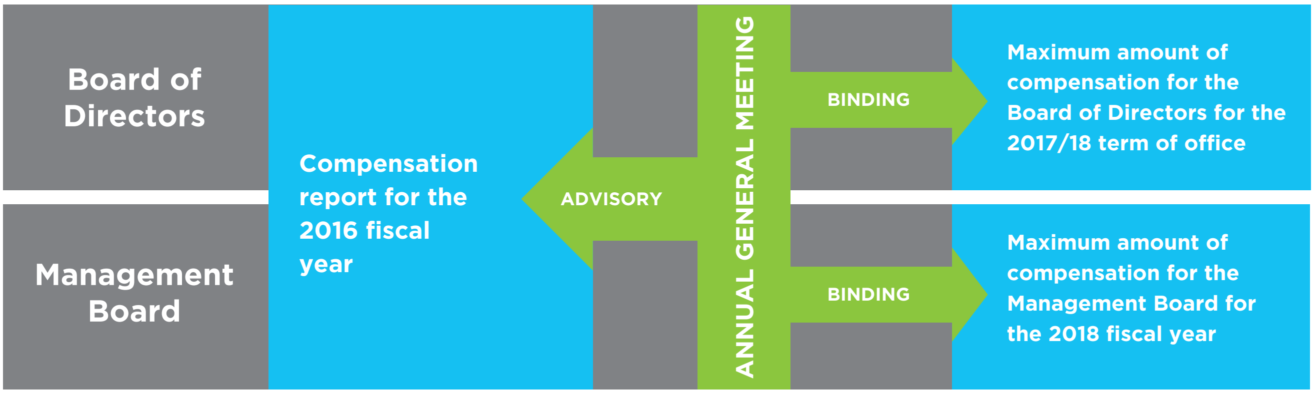
SALARY STRUCTURE CEO



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 11, 2017, will be asked to approve a maximum total amount in Swiss francs for compensation of the Management Board for fiscal year 2018. 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 2018 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. 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 a 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 2016, the average target attainment of all Management Board members was 105.2%, and a matching share factor of approximately 2.2 was attained for the three-year period ending in 2016 (2014 –2016).

In table 1 on page 71, the theoretical maximum amounts from the already completed three-year cycles starting in 2013 and 2014 are compared with the actual amounts in order to provide a better understanding. These figures are not available for the three-year cycles starting in 2015 and 2016 as the cycles of the stock ownership plan have not yet come to an end. If the proposed maximum total amount is not approved by the Annual General Meeting, the Board of Directors can submit new proposals to the same Annual General Meeting at any time or call a new General Meeting if 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				MOTION 2016		MOTION 2017	
	Theoretical Maximum Cycle 2013 - 2015		Theoretical Maximum Cycle 2014 - 2016		Cycle 2017 - 2019 (anticipated)		Cycle 2018 - 2020 (anticipated)	
	2013	2015	2014	2016	2017	2019	2018	2020
Base salary & fringe benefits	2,347		2,713					
Variable salary	2,544		2,576					
Social benefits	875		946					
Contingencies	0		0					
Total cash payments	**5,766**		**6,235**		**6,700**		**6,800**	
(Number of members of the Management Board)	8		8		8		8	
Initial share grant (value)	1,272		1,843					
Potential additional shares (value "Matching Shares")		3,180		4,608				
Social security for granted shares	81	202	113	237				
Potential additional shares (value "Matching Shares") on voluntary shares		4'770		4,830				
Contingencies	0		0					
Total (potential) long-term incentives	**9,505**		**11,631**[1]		**11,500**		**11,700**	

	Effective Compensation Cycle 2013 - 2015		Effective Compensation Cycle 2014 - 2016		Effective Compensation Cycle 2017 - 2019	Effective Compensation Cycle 2018 - 2020
Base salary & fringe benefits	2,347		2,713			
Variable salary	494		843			
Social benefits	644		734			
Total cash payments	**3,485**		**4,290**			
Initial share grant (value)	1,272		1,843			
Voluntary shares (value)	371		412			
Social security for granted shares	104		138			
Additional shares ("Matching Shares"; initial grant and voluntary investment)		3,317		7,188		
Total long-term incentives	**5,064**		**9,581**			
Effective compensation in % as of the theoretical maximum	**56 %**		**78 %**			

All data in CHF 1,000

[1] Share price per 30.12.2016 (CHF 158.90)

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 74 will therefore generally differ from those in the proposal to the Annual General Meeting and the values in Table 1 on page 71. 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 2016. 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 2016.

RELATED PARTY COMPENSATION

No compensation was paid in 2016 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 2016 nor in the previous year were any loans or credits extended to current or former Members of the Board or of the Management Board that remained outstanding at the end of the year.

RELATED PARTIES

Neither in 2016 nor in the previous year were any loans or credits extended to related parties of current of former members of 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 (Chairman)	2015	150	34	184	–	703	80	264
	2016	150	28	178	–	545	73	251
Heinrich Fischer (Vice Chairman)	2015	85	42	127	12	439	50	189
	2016	85	36	121	3	341	46	170
Dr. Oliver S. Fetzer	2015	75	47	122	–	352	40	162
	2016	75	37	112	–	273	37	149
Lars Holmqvist (since April 2015)	2015	50	7	57	5	352	40	102
	2016	75	10	85	–	273	37	122
Dr. Karen Hübscher	2015	75	10	85	11	352	40	136
	2016	75	10	85	11	273	37	133
Dr. Christa Kreuzburg	2015	75	10	85	11	352	40	136
	2016	75	13	88	11	273	37	136
Gérard Vaillant	2015	75	16	91	9	352	40	140
	2016	75	17	92	9	273	37	138
Erik Walldén (until April 2015)	2015	25	3	28	6	–	–	34
	2016	–	–	–	–	–	–	–
Total	**2015**	**610**	**169**	**779**	**54**	**2,902**	**330**	**1,163**
	2016	**610**	**151**	**761**	**34**	**2,251**	**304**	**1,099**

[1] Employer's contribution to social security

[2] Vesting condition: Graded vesting from May 1, 2015 to April 30, 2016 (Share Plan BoD 2015) and from May 1, 2016 to April 30, 2017 (Share Plan BoD 2016). Vested shares are transferred at the end of the service period (April 30, 2016 and April 30, 2017, respectively). The shares are fully included in the amount of fair value of shares granted.

[3] Formula for 2015: Shares granted in 2015* fair value at grant (CHF 124.40) and formula for 2016: Shares granted in 2016 * fair value at grant (CHF 134.20).

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 2016–2018	Fair value of matching shares pay out Cycle 2013–2015 (2015) Cycle 2014–2016 (2016)[7]
Dr. David Martyr (CEO)[8]	2015	617	516	516	–	–	8	1'141	221	3'516	374	1'736	n/a	964
	2016	661	500	n/a	n/a	n/a	7	1'168	291	5'023	673	2'132	12'558	1'999
Dr. Rudolf Eugster (CFO)	2015	353	190	190	–	–	–	543	119	2'197	234	896	n/a	679
	2016	354	159	n/a	n/a	n/a	5	518	161	2'478	332	1'011	6'195	1'079
Other members of the Management Board[9]	2015	1'615	783	783	–	–	43	2'441	545	9'756	1'039	4'025	n/a	1'429
	2016	1'626	730	n/a	n/a	n/a	48	2'404	646	11'171	1'498	4'548	27'928	3'734
Total	**2015**	**2'585**	**1'489**	**1'489**	**–**	**–**	**51**	**4'125**	**885**	**15'469**	**1'647**	**6'657**	**n/a**	**3'072**
	2016	**2'641**	**1'389**	**n/a**	**n/a**	**n/a**	**60**	**4'090**	**1'098**	**18'672**	**2'503**	**7'691**	**46'680**	**6'813**

[1] Payment will be made in the following year. Up to 50% of the theoretical 100% variable part can be taken as voluntary investment (2015) or mandated by the Board of Directors (2016) 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, 2015 (PSMP 2015) granted May 4, 2015. Vested January 1, 2016 (PSMP 2016) granted May 2, 2016. Vested shares are blocked until the end of the performance period (December 31, 2017 and 2018, respectively).

[5] Formula for 2015: Shares granted in 2015* fair value at grant (CHF 124.40) – 14.4% tax reductions; Formula for 2016: Shares granted in 2016* fair value at grant (CHF 134.2); tax redemption of 14.4% (3-year holding period) no longer deducted.

[6] Including the voluntary investment in the LTI PSMP

[7] Assigned/allocated matching shares* Stock price as 30.12.2016 (CHF 158.90)

[8] Member of the Management Board with the highest compensation in 2015 and 2016.

[9] 2015: Total eight members; 2016: Total eight members

Financial Report 2016.

Chief Financial Officer's Report

DR. RUDOLF EUGSTER
Chief Financial Officer

Once again, the high operating cash flow of over 23% of sales was particularly satisfactory.

ORDER ENTRY AND SALES

In the second half of 2016, order entry in the Life Science Business grew strongly, however Partnering Business was affected by a large order which was shifted by a corporate customer from December 2016 to January 2017. Despite this timing effect, order entry in the second half overall increased by 2.8% in local currencies and by 3.1% in Swiss francs against a strong base in the prior-year period. For the full year, order entry increased by 6.9% in local currencies to CHF 503.2 million (2015: CHF 465.0 million), corresponding to growth of 8.2%. On an organic basis, order entry increased by 1.8% in local currencies and by 3.1% in Swiss francs. Organic development only includes contributions from acquisitions from those months in the reporting period that were already included in the consolidated financial statements in the prior-year period.

Sales in the second half rose by 12.2% in local currencies and by 12.7% in Swiss francs. This corresponds to organic sales growth of 7.3% in local currencies and 7.8% in Swiss francs. Sales in financial year 2016 increased by 13.5% in local currencies and 15.0% in Swiss francs to CHF 506.2 million (2015: CHF 440.3 million), exceeding the CHF 500 million mark for the first time in the Company's history. On an organic basis, sales grew by 8.2% in local currencies and 9.6% in Swiss francs.

REGIONAL DEVELOPMENT

In Europe, full-year sales in local currencies increased by 12.8% and by 13.3% in Swiss francs. This growth was driven primarily by the Partnering Business, both from the first-time contribution to sales from Sias products and strong organic growth by major platforms.

In North America, sales grew by 7.6% in local currencies and 9.6% in Swiss francs. The Life Sciences Business and Partnering Business recorded solid growth in this region.

In Asia, Tecan once again achieved a considerable increase in sales of 27.0% in local currencies and 30.2% in Swiss francs. Both segments posted a double-digit increase in organic sales, which was further supported by a first-time contribution to sales by Sias products. Growth in China, where sales grew with more than 50%, was particularly pleasing, bringing the total business to close to CHF 50 million in the year.

RECURRING SALES OF SERVICES, CONSUMABLES AND REAGENTS

In 2016, recurring sales of services and consumables increased by 12.5% in local currencies and 14.1% in Swiss francs, and therefore amounted to 37.6% of total sales (2015: 37.8%). Services (including spare parts) accounted for 20.7% of total sales, while consumables (plastic and reagents) accounted for 16.8%.

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 239.4 million Swiss Francs (2015: CHF 215.5 million), which was 23.9 million or 11.1.0% above the prior-year figure. The reported gross profit margin was at 47.3% – 160 basis points lower than in the prior year (2015: 48.9%).

Several factors impacted the gross profit margin level:
- (-) Impact from acquisitions
- (-) Divisional mix with higher revenue share from Partnering Business
- (-) Product mix impact within divisions: higher sales contribution from new products with lower profitability in early life cycle
- (+) Material cost savings and positive exchange rate impact
- (+) Price increases

OPERATING EXPENSES LESS COST OF SALES

In 2016, operating expenses grew in line with sales and totaled CHF 172.5 million or 34.1% of sales, compared with CHF 150.0 million or 34.1% of sales in the prior-year period. All costs in 2016 include costs from acquired businesses. In 2015, all expense lines were benefitting from a positive one-time impact from revised pension liabilities according to IAS 19.

Sales and Marketing increased less than sales despite continued investments in the sales organization to support product launches.

Research and development expenses in 2016 amounted to 9.3% of sales (2015: 9.1%) or CHF 47.1 million (2015: CHF 39.9 million). All told, research and development activities were CHF 51.9 million gross (2015: CHF 56.7 million). The total figure also includes development programs for OEM instrument customers in the Partnering Business (CHF 9.8 million) and capitalized development costs (CHF 6.6 million). However, these costs were clearly exceeded by amortization amounting to CHF 11.6 million.

General and administration expenses increased slightly more than sales due to acquisition-related costs and more costs on the corporate level.

OPERATING PROFIT

Operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 6.8% to CHF 89.0 million in the fiscal year (2015: CHF 83.4 million). Including acquisition-related costs from two recent transactions and reduced margins associated with the acquisition of Sias AG, the EBITDA margin was 17.6% of sales (2015: 18.9%). By contrast, the underlying EBITDA margin, excluding acquisition-related effects, improved by 140 basis points to 19.5% of sales, thereby comfortably delivering on the margin commitment for the year of "at least 50 basis points". In 2015, the underlying EBITDA margin reached 18.1% and excludes a one-time positive net impact mainly from revised pension liabilities. The margin improvement in 2016 was driven by positive volume and price effects as well as substantial efficiency improvements in operations and in research and development.

NET PROFIT AND EARNINGS PER SHARE

Despite a higher operating result, net profit for the year 2016 was CHF 54.5 million and therefore below the prior-year period due to non-operational effects (2015: CHF 57.1 million). In addition to acquisition-related costs, the difference is due to the lack of the positive one-time effects from 2015, an increase of the tax rate in 2016 to an again more normalized level and a lower financial result due to currency hedging. The net profit margin therefore reached 10.8% of sales (2015: 13.0%), while earnings per share were CHF 4.74 (2015: CHF 5.05).

BALANCE SHEET AND EQUITY RATIO

Tecan’s equity ratio reached 66.3% as of December 31, 2016 (December 31, 2015: 68.7%). The company’s share capital was CHF 1,154,137 as at the reporting date of December 31, 2016 (December 31, 2015: CHF 1,146,758), consisting of 11,541,371 registered shares with a nominal value of CHF 0.10.

CASH FLOW

Cash flow from operating activities grew strongly to CHF 118.8 million (2015: CHF 99.1 million), including a further reimbursement of development costs by an OEM partner. Thus, cash flow from operating activities corresponded to 23.5% of sales.

Cash and cash equivalents were at 246.7 million Swiss Francs at the end of 2016 compared to CHF 208.4 million at the end of 2015. Net liquidity (cash and cash equivalents minus bank liabilities and loans) increased to CHF 242.3 million (December 31, 2015: CHF 198.8 million). This figure includes the acquisition of SPEware Corporation with a base purchase consideration of USD 50.0 million (CHF 49.0 million), of which the net payable was fully paid in cash.

DR. RUDOLF EUGSTER
Chief Financial Officer

FIVE-YEAR CONSOLIDATED DATA

CHF 1'000	2012	2013	2014	2015	2016
Statement of profit or loss					
Sales	391,108	388,292	399,518	440,295	506,227
EBITDA	62,971	65,059	67,542	83,401	89,031
Operating profit (EBIT)	52,709	54,800	57,203	66,949	68,137
Financial result	29	693	(8,059)	(942)	(2,709)
Income taxes	(10,373)	(9,822)	(8,928)	(8,860)	(10,886)
Profit for the period	42,365	45,671	40,216	57,147	54,542
Research and development, gross	(51,374)	(45,323)	(39,451)	(39,857)	(47,090)
Personnel expenses	(138,462)	(141,565)	(148,130)	(149,813)	(174,217)
Depreciation of property, plant and equipment	(6,251)	(6,454)	(6,271)	(6,213)	(6,750)
Amortization of intangible assets	(4,011)	(3,805)	(4,068)	(10,239)	(14,144)
Balance sheet					
Current assets	351,968	387,571	423,833	492,353	534,290
Non-current assets	70,827	79,078	128,429	149,129	201,871
Total assets	422,795	466,649	552,262	641,482	736,161
Current liabilities	103,696	105,312	124,581	137,843	141,956
Non-current liabilities	25,486	25,135	66,483	62,966	107,120
Total liabilities	129,182	130,447	191,064	200,809	249,076
Shareholders' equity	293,613	336,202	361,198	440,673	487,085
Statement of cash flows					
Cash inflows from operating activities	2,405	27,909	48,191	99,128	118,801
Capital expenditure in property, plant and equipment and intangible assets	(13,978)	(19,777)	(22,629)	(14,723)	(14,322)
Acquisition of SPEware Group[1]					(40,390)
Acquisition of Sias-Xiril Group[1]	–	–	–	(18,899)	–
Acquisition of IBL International Group[1]	–	–	(31,835)	–	–
Change in treasury shares (net)	3,403	10,756	3,387	32,437	–
Dividends paid	(13,532)	(16,488)	(16,651)	(16,857)	(20,122)
Other information					
Number of employees (end of period)	1,185	1,184	1,261	1,368	1,447
Number of employees (average)	1,163	1,190	1,265	1,368	1,368
Research and development in % of sales	13.1%	11.7%	9.9%	9.1%	9.3%
Sales per employee	336	326	316	322	370
Information per share					
Basic earnings per share	3.92	4.16	3.63	5.05	4.74
Gross dividend (CHF)[2]	0.50	1.50	1.50	1.75	1.75
Payout from statutory capital contribution reserve (CHF)[2]	1.00	–	–	–	–[3]
Total payout (CHF)[2]	1.50	1.50	1.50	1.75	1.75[3]
Total payout ratio	38.3%	36.1%	41.3%	34.7%	36.9%[3]

[1]Net of cash acquired

[2]Payment is made in following year

[3]Proposal to the Annual General Meeting of Shareholders on April 11, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2015	2016
Sales	4	**440,295**	**506,227**
Cost of sales		(224,794)	(266,870)
Gross profit		**215,501**	**239,357**
Sales and marketing		(69,193)	(76,485)
Research and development	6	(39,857)	(47,090)
General and administration		(40,866)	(48,888)
Other operating income	7	1,364	1,243
Operating profit	4	**66,949**	**68,137**
Financial income		43	309
Finance cost		(429)	(785)
Net foreign exchange losses		(556)	(2,233)
Financial result	8	**(942)**	**(2,709)**
Profit before taxes		**66,007**	**65,428**
Income taxes	11	(8,860)	(10,886)
Profit for the period, attributable to owners of the parent		**57,147**	**54,542**
Earnings per share			
Basic earnings per share (CHF/share)	9	5.05	4.74
Diluted earnings per share (CHF/share)	9	4.96	4.66

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2015	2016
Profit for the period		**57,147**	**54,542**
Other comprehensive income			
Remeasurement of net defined benefit liability		4,353	(3,099)
Related income taxes		(739)	569
Items that will not be reclassified to profit or loss, net of income taxes		**3,614**	**(2,530)**
Translation differences	9	(5,340)	(64)
Related income taxes		250	37
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(5,090)**	**(27)**
Other comprehensive loss, net of income taxes		*(1,476)*	*(2,557)*
Total comprehensive income for the period, attributable to owners of the parent		**55,671**	**51,985**

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

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2015	31.12.2016
Cash and cash equivalents	12	208,434	246,744
Current derivatives	13	1,269	3,038
Trade accounts receivable	14	89,290	97,045
Other accounts receivable		9,887	9,784
Inventories	15	175,302	168,409
Income tax receivables		4,886	1,633
Prepaid expenses		3,285	3,497
Assets held for sale	3.3	–	4,140
Current assets		**492,353**	**534,290**
Non-current financial assets	16	755	692
Property, plant and equipment	17	22,736	20,290
Intangible assets and goodwill	18	110,985	164,685
Deferred tax assets	11	14,653	16,204
Non-current assets		**149,129**	**201,871**
Assets		**641,482**	**736,161**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2015	31.12.2016
Current bank liabilities and derivatives	19	9,999	7,780
Trade accounts payable		11,535	10,057
Other accounts payable		13,462	14,155
Current deferred revenue	20	31,238	33,379
Income tax payables		15,482	13,046
Accrued expenses		39,741	40,294
Current provisions	21	16,386	21,596
Liabilities held for sale	3.3	–	1,649
Current liabilities		**137,843**	**141,956**
Non-current loans and derivatives	19	5,521	11,078
Non-current deferred revenue	20	20,759	46,945
Liability for post-employment benefits	10	26,462	30,146
Non-current provisions	21	4,048	4,199
Deferred tax liabilities	11	6,176	14,752
Non-current liabilities		**62,966**	**107,120**
Total liabilities		**200,809**	**249,076**
Share capital		1,147	1,154
Capital reserve		31,114	33,061
Retained earnings		440,745	485,230
Translation differences		(32,333)	(32,360)
Shareholders' equity	22	**440,673**	**487,085**
Liabilities and equity		**641,482**	**736,161**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2015	2016
Profit for the period		**57,147**	**54,542**
Adjustments for			
Depreciation and amortization	17/18	16,452	20,894
Change in provisions and liability for post-employment benefits	10/21	(5,903)	2,690
Interest income	8	(43)	(309)
Interest expenses	8	90	336
Income taxes	11	8,860	10,886
Equity-settled share-based payment transactions	10	7,515	12,878
Other non-cash items		262	(1,377)
Change in working capital			
Trade accounts receivable	14	12,764	(4,529)
Inventories	15	2,509	9,375
Trade accounts payable		(3,787)	(1,776)
Other changes in working capital (net)		11,690	25,113
Income taxes paid		(8,428)	(9,922)
Cash inflows from operating activities		**99,128**	**118,801**
Interest received		43	265
Acquisition of SPEware Group, net of cash acquired	3	–	(40,309)
Acquisition of Sias-Xiril Group, net of cash acquired	3	(18,899)	–
Purchase of property, plant and equipment	17	(4,674)	(6,780)
Proceeds from sales of property, plant and equipment	17	73	76
Investment in intangible assets	18	(10,049)	(7,542)
Cash outflows from investing activities		**(33,506)**	**(54,290)**
Proceeds from employee participation plans	10.4	2,388	1,954
Dividends paid	22	(16,857)	(20,122)
Proceeds from sales of treasury shares	22	31,556	–
Change in current bank liabilities	19	(2,713)	(1,475)
Increase in bank loans	19	477	716
Repayment of bank loans	19	(20)	(3,535)
Repayment of other loans	19	–	(3,543)
Interest paid		(91)	(209)
Cash in/(out) flows from financing activities		**14,740**	**(26,214)**
Effect of exchange rate fluctuations on cash held		(643)	13
Increase in cash and cash equivalents		**79,719**	**38,310**
Cash and cash equivalents at January 1		128,715	208,434
Cash and cash equivalents at December 31	12	**208,434**	**246,744**

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, 2015		**1,144**	**9,519**	**(10,372)**	**388,150**	**(27,243)**	**361,198**
Profit for the period		–	–	–	57,147	–	57,147
Other comprehensive loss, 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**
Profit for the period		–	–	–	54,542	–	54,542
Other comprehensive loss, net of income taxes		–	–	–	(2,530)	(27)	(2,557)
Total comprehensive income for the period		**–**	**–**	**–**	**52,012**	**(27)**	**51,985**
Dividends paid	22	–	–	–	(20,122)	–	(20,122)
New shares issued based on employee participation plans	10/22	7	1,947	–	–	–	1,954
Share-based payments	10	–	–	–	12,595	–	12,595
Total contributions by and distributions to owners		**7**	**1,947**	**–**	**(7,527)**	**–**	**(5,573)**
Balance at December 31, 2016		**1,154**	**33,061**	**–**	**485,230**	**(32,360)**	**487,085**

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 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, 2016. 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 and the contingent consideration, which are stated at their fair value.

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2017. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 11, 2017.

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, 2016, the net liability for current income taxes was CHF 11.4 million and the net asset for deferred taxes was CHF 1.5 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 were capitalized in the position inventories as part of the production costs. The delivery of the instrument, which takes place over a period of more than 10 years, started in October 2014. The customer calls the units with individual purchase orders. The Group recognizes the corresponding development costs in cost of sales upon fulfillment of the individual purchase orders. The remaining balance of capitalized development costs as of December 31, 2016 amounted to CHF 113.1 million.

At December 31, 2016, 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 2016, the Group has capitalized development costs in the amount of CHF 27.2 million as disclosed in note 18.

2.2.6 Impairment test on goodwill

At December 31, 2016 total goodwill amounted to CHF 98.2 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, 2016:

Standard/interpretation[1]
IFRS 11 amended 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations
IAS 1 amended 'Presentation of Financial Statements' – Disclosure Initiative
IAS 16 amended 'Property, Plant and Equipment' and IAS 38 amended 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortization
IAS 27 amended 'Separate Financial Statements' – Equity Method
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Annual improvements to IFRSs 2012 – 2014 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.

2.4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

Standard/interpretation[1]	Effective date for the Group
IAS 7 amended 'Statement of Cash Flows' – Disclosure Initiative	Reporting year 2017
IAS 12 amended 'Income taxes' – Recognition of Deferred Tax Assets on Unrealised Losses	Reporting year 2017
IFRS 2 amended 'Share-based Payment' – Classification and Measurement of Share-based Payment Transactions	Reporting year 2018
IFRS 9 'Financial Instruments'	Reporting year 2018
IFRS 15 'Revenue from Contracts with Customers'	Reporting year 2018
IFRS 16 'Leases'	Reporting year 2019
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 defined

[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' and IFRS 16 'Leases'. For IFRS 16, a comprehensive and detailed analysis is yet to be performed.

The Group initially assessed the impact of IFRS 15 on the revenue recognition principles that are currently applied. While the Group does not expect changes to the timing of revenue recognition for the majority of its sales due to their nature, the introduction of the standard will limit and reduce the possibility to use the percentage of completion method (see note 2.7.10) and therefore may change the timing of the revenue recognition for such contracts. Further, it will modify the presentation in the balance sheet and increase the disclosures in the notes. The Group will continue to analyze the impact in 2017.

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

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

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

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

2.7 ACCOUNTING AND VALUATION PRINCIPLES

2.7.1 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 knowhow, 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 earned.

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 in the foreseeable future from subsidiary companies (nonrecoverable 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 (2015: 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 (2015: 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. 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 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	30.11.2015 Sias-Xiril Group	**30.09.2016 SPEware Group**
Cash and cash equivalents	801	374
Trade accounts receivable	6,584	3,180
Inventories	3,794	2,481
Income tax receivables	12	–
Other current assets	334	43
Property, plant and equipment	4,881	2,058
Intangible assets	6,501	19,704
Deferred tax assets	2,473	677
Assets	**25,380**	**28,517**
Current loans	(2,600)	(2,556)
Trade and other accounts payable	(2,771)	(2,013)
Deferred revenue	(20)	(32)
Accrued expenses	(1,962)	(2,475)
Provisions	(1,637)	(2,623)
Non-current loans	(3,594)	–
Liability for post-employment benefits	(4,736)	(647)
Deferred tax liabilities	(764)	(7,724)
Liabilities	**(18,084)**	**(18,070)**
Total identifiable net assets at fair value	**7,296**	**10,447**
Goodwill arising on acquisition	12,404	39,004
Consideration transferred for the business combination, in cash	**19,700**	**49,451**
Cash acquired	(801)	(374)
Contingent consideration (earn-out)	–	(8,768)
Net cash outflow	**18,899**	**40,309**

Trade accounts receivable comprise gross contractual amounts due of CHF 3.5 million (2015: CHF 7.1 million), of which CHF 0.3 million (2015: CHF 0.5 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.

3.2.2 Acquisition on September 30, 2016: SPEware Group

The Group acquired 100% of the voting rights of SPEware Group on September 30, 2016 consisting of the following companies:

Company	Domicile	Participation in %	Activities
SPEware Corp.	Baldwin Park/Los Angeles, CA (US)	100%	S/D
• Cera Inc.	Baldwin Park/Los Angeles, CA (US)	100%	R/P/D

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

The SPEware Group is a provider for mass spectrometry sample preparation solutions, with a focus on the North American market. The acquired Group is part of the business segment 'Life Sciences Business'.

At the acquisition date, the fair value of the contingent consideration was estimated to be CHF 8.8 million. The fair value was determined using the Discounted cash flow method with a discount rate of 10%. Two payments in the amount of USD 5.0 million each were agreed with the seller upon the achievement of sales-defined milestones in 2017 and 2018. The underlying business plan indicates that the full amount will be payable. There is no change to this assessment at year-end 2016.

3.2.3 Acquisition on November 30, 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'.

At year-end 2015 the recognized deferred tax asset from tax loss carry-forwards in the amount of CHF 2.4 million was assessed to be provisional. Further analysis in 2016 confirmed the measurement of the amount.

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

CHF 1,000	2015	2016
Contribution of acquired companies from the date of acquisition		
Months	1	3
Sales	1,933	4,910
Operating profit	(272)	734
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period (unaudited)		
Sales	465,334	520,134
Operating profit[1]	66,100	70,721
Acquisition-related legal fees and due diligence costs, included in 'general and administration'	315	762

[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 2016, respectively.

3.3 DISPOSAL GROUP HELD FOR SALE

In the second half of 2016 management committed to a plan to sell its manufacturing facility after having transferred all business activities to Männedorf. Accordingly, the facility and the related mortgage are presented as a disposal group held for sale. Efforts to sell the disposal group have started.

At December 31, 2016 the disposal group comprised the following assets and liabilities:

CHF 1,000	Notes	2016
Land and buildings in Hombrechtikon, Zurich (CH)	17	4,140
Assets held for sale		**4,140**
Mortgage	19	1,575
Interest derivative	19	74
Liabilities held for sale		**1,649**

Land and buildings are valued at the lower of their carrying amount and fair value less costs to sell.

4 SEGMENT INFORMATION

4.1 INFORMATION BY BUSINESS SEGMENTS

CHF 1,000	Life Sciences Business 2015	Life Sciences Business 2016	Partnering Business 2015	Partnering Business 2016	Corporate/ consolidation 2015	Corporate/ consolidation 2016	Group 2015	Group 2016
Sales third	253,029	280,224	187,266	226,003	–	–	440,295	506,227
Intersegment sales	14,760	12,620	1,785	1,661	(16,545)	(14,281)	–	–
Total sales	**267,789**	**292,844**	**189,051**	**227,664**	**(16,545)**	**(14,281)**	**440,295**	**506,227**
Operating profit	**45,433**	**45,685**	**30,201**	**33,781**	**(8,685)**	**(11,329)**	**66,949**	**68,137**
Depreciation and amortization	(10,190)	(11,839)	(6,262)	(9,055)	–	–	(16,452)	(20,894)
Impairment losses	–	–	–	–	–	–	–	–

CHF 1,000	2015	2016
Reconciliation of reportable segment sales		
Total sales for reportable segments	456,840	520,508
Elimination of intersegment sales	(16,545)	(14,281)
Total consolidated sales	**440,295**	**506,227**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	75,634	79,466
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(8,685)	(11,329)
Financial result	(942)	(2,709)
Total consolidated profit before taxes	**66,007**	**65,428**

4.2 ENTITY-WIDE DISCLOSURES

Products and services

CHF 1,000	2015	2016
Products	294,108	343,111
Services	146,187	162,716
Leases	–	400
Total sales third	**440,295**	**506,227**

Sales by regions (by location of customers)

CHF 1,000	2015	2016
Switzerland	11,181	10,160
Other Europe	179,331	205,605
North America	179,995	197,235
Asia	60,284	78,490
Others	9,504	14,737
Total sales third	**440,295**	**506,227**

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

CHF 1,000	Property, plant and equipment 2015	Property, plant and equipment 2016	Intangible assets 2015	Intangible assets 2016
Switzerland	13,059	9,658	98,575	93,003
Other Europe	5,234	4,713	11,462	10,537
North America	3,961	5,554	710	60,986
Asia	482	365	238	159
Balance at December 31	**22,736**	**20,290**	**110,985**	**164,685**

Information about major customers

There are sales to one individual customer (CHF 73.1 million) relating to the business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in 2016 (2015: one individual customer (CHF 53.2 million) relating to the business segment 'Partnering Business').

5 OPERATING EXPENSES BY NATURE

CHF 1,000	2015	2016
Material costs	144,139	181,143
Personnel costs	149,813	174,217
Depreciation of property, plant and equipment	6,213	6,750
Amortization of intangible assets	10,239	14,144
Other operating costs (net)	76,175	70,237
Total operating costs incurred (gross)	**386,579**	**446,491**
Capitalization of development costs in position inventories (see note 15)	(4,132)	(1,759)
Capitalization of development costs in position intangible assets (see note 18)	(9,101)	(6,642)
Total operating expenses, according to statement of profit or loss	**373,346**	**438,090**

6 RESEARCH AND DEVELOPMENT

CHF 1,000	2015	2016
Gross research and development costs incurred[1]	56,691	51,853
Reclassification of development costs related to engineering services to cost of sales	(11,716)	(7,955)
Capitalization of development costs in position inventories (see note 15)	(4,132)	(1,759)
Capitalization of development costs in position intangible assets (see note 18)	(9,101)	(6,642)
Amortization of development costs and acquired technology	8,115	11,593
Total research and development (gross), according to statement of profit or loss	**39,857**	**47,090**
Government research subsidies	(1,203)	(1,098)
Total research and development (net)	38,654	45,992

[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 9.3% of sales (2015: 9.1%).

7 OTHER OPERATING INCOME

CHF 1,000	2015	2016
Government research subsidies	1,203	1,098
Other operating income (miscellaneous)	161	145
Total other operating income	**1,364**	**1,243**

8 FINANCIAL RESULT

CHF 1,000	2015	2016
Financial income		
Interest income	10	288
Other	33	21
Subtotal financial income	**43**	**309**
Finance cost		
Interest expenses	(90)	(336)
Net interest cost on liability for post-employment benefits	(335)	(243)
Unwind of discounts on contingent consideration	–	(197)
Other	(4)	(9)
Subtotal finance cost	**(429)**	**(785)**
Net foreign exchange gains/(losses)		
Result from derivatives (net)	(31)	(3,578)
Other foreign exchange (losses)/gains (net)	(525)	1,345
Subtotal net foreign exchange losses	**(556)**	**(2,233)**
Total financial result	**(942)**	**(2,709)**

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.

	2015	2015	2016	2016
Average number of shares outstanding		**11,324,970**		**11,502,948**
Basic earnings per share (CHF/share)		**5.05**		**4.74**
Employee share option plans				
Average number of shares under option total	112,917		106,745	
Average number of shares under option dilutive	108,989		100,768	
Average adjusted exercise price	83.13		99.93	
Number of shares that would have been issued at average market price	(71,829)		(63,373)	
Adjustment for dilutive share options		37,160		37,395
Employee share plans				
Adjustment for not vested shares (PSMP/initial grant and other share plans)		29,108		16,397
Adjustment for contingently issuable shares (PSMP/matching shares)		140,904		144,909
Average number of shares outstanding after dilution		**11,532,142**		**11,701,649**
Diluted earnings per share (CHF/share)		**4.96**		**4.66**

10 EMPLOYEE BENEFITS

10.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2015	2016
Employees – year-end	1,368	1,447
Employees – average	1,368	1,368

10.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2015	2016
Salaries and wages		121,707	133,761
Social security		15,450	16,710
Post-employment benefits			
Thereof defined contribution plans		1,400	1,516
Thereof defined benefit plans	10.3	(184)	6,066
Share-based payment	10.4	7,515	12,878
Termination benefits		227	–
Other personnel expenses		3,698	3,286
Total personnel expenses		**149,813**	**174,217**

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

	2015			2016		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	6	3	9	5	3	8
Actives						
Number	580	101	681	628	99	727
Defined benefit obligation (CHF 1,000)	106,054	4,439	110,493	112,608	4,483	117,091
Weighted average duration in years	22.4	10.9	21.9	21.5	9.3	21.0
Retirees						
Number	26	–	26	29	–	29
Total						
Number	606	101	707	657	99	756

There is no obligation according to IAS 19 for the retirees.

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 2016) 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 ranges. 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 had decided to gradually reduce the conversion rate for calculating the annuity relating to the exceeding part of the savings capital, starting as from January 1, 2017. The modification was considered as a plan amendment. The resulting past service costs amounting to CHF 7.7 million were recognized immediately in profit or loss of 2015. Sias AG and Xiril AG, acquired through business combination in 2015, were affiliated with the collective foundation Nest Sammelstiftung. Due to the legal integration of these subsidiaries in 2016, the acquired retirement benefit plans were transferred into the existing solution at Swiss Life. The resulting curtailment amounting to CHF 1.4 million was recognized in profit or loss of 2016.

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 latest at retirement. **Plan amendments, settlements or curtailments** There were no major plan amendments, settlements or curtailments during the financial years 2015 and 2016.
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.
Other (International plans)	Retirement benefits	Funded	The Group acquired the SPEware Group in 2016. Immediately before the closing of the transaction, the associated retirement benefit plan was frozen and all contributions to the plan were stopped. The plan is subject to a formal settlement process.

10.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	2015	**2016**
Swiss plans		
Present value of obligations arising from retirement benefit plans (funded)	106,054	112,608
Related fair value of plan assets	(84,031)	(86,947)
Deficit Swiss plans	**22,023**	**25,661**
International plans		
Present value of obligations arising from retirement benefit plans (unfunded)	959	1,056
Present value of obligations arising from retirement benefit plans (funded)	–	2,569
Related fair value of plans assets	–	(2,569)
Present value of obligations arising from long-service leave benefit plans (unfunded)	3,480	3,429
Deficit International plans	**4,439**	**4,485**
Net liability at December 31	**26,462**	**30,146**

The components of defined benefit cost are as follows:

CHF 1,000	2015 Swiss plans	2015 International plans	2015 Total	**2016** Swiss plans	**2016** International plans	**2016** Total
Current service cost	7,225	275	7,500	7,169	294	7,463
Past service cost (plan amendment)	(7,684)	–	(7,684)	–	24	24
Past service cost (curtailment)	–	–	–	(1,421)	–	(1,421)
Defined benefit cost included in operating profit	**(459)**	**275**	**(184)**	**5,748**	**318**	**6,066**
Net interest cost on liability for post-employment benefits	258	77	335	163	80	243
Defined benefit cost included in finance cost	**258**	**77**	**335**	**163**	**80**	**243**
Total defined benefit cost included in profit or loss	**(201)**	**352**	**151**	**5,911**	**398**	**6,309**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	(1,694)	–	(1,694)	(40)	(26)	(66)
Changes in financial assumptions	(1,956)	43	(1,913)	2,809	17	2,826
Experience adjustments	(739)	(70)	(809)	545	45	590
Return on plan assets (excluding interest income)	63	–	63	(251)	–	(251)
Remeasurement (gain)/loss, included in other comprehensive income	**(4,326)**	**(27)**	**(4,353)**	**3,063**	**36**	**3,099**
Translation differences, included in other comprehensive income	–	(329)	(329)	–	(25)	(25)
Total defined benefit cost recognized	**(4,527)**	**(4)**	**(4,531)**	**8,974**	**409**	**9,383**

The Group expects to contribute CHF 5.4 million to its defined benefit plans in 2017.

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

CHF 1,000	2015 Swiss plans	2015 International plans	2015 Total	**2016** Swiss plans	**2016** International plans	**2016** Total
Balance at January 1	92,497	4,753	97,250	106,054	4,439	110,493
Acquisition through business combination	16,278	–	16,278	–	2,484	2,484
Current service cost	7,225	275	7,500	7,169	294	7,463
Past service cost	(7,684)	–	(7,684)	(1,421)	24	(1,397)
Employee contributions	3,190	–	3,190	3,598	.	3,598
Insurance premiums	(1,478)	–	(1,478)	(1,771)	.	(1,771)
Benefits paid	(601)	(243)	(844)	(2,955)	(363)	(3,318)
Settlement payments from plan assets	–	–	–	(2,333)	–	(2,333)
Interest expense	1,016	77	1,093	953	80	1,033
Actuarial (gains)/losses	(4,389)	(27)	(4,416)	3,314	36	3,350
Translation differences	–	(396)	(396)	–	60	60
Balance at December 31	**106,054**	**4,439**	**110,493**	**112,608**	**7,054**	**119,662**

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

CHF 1,000	2015 Swiss plans	2015 International plans	2015 Total	2016 Swiss plans	2016 International plans	2016 Total
Balance at January 1	65,860	–	65,860	84,031	–	84,031
Acquisition through business combination	11,542	–	11,542	–	1,837	1,837
Employer contributions	4,823	–	4,823	5,336	647	5,983
Employee contributions	3,190	–	3,190	3,598	–	3,598
Insurance premiums	(1,478)	–	(1,478)	(1,771)	–	(1,771)
Benefits paid	(601)	–	(601)	(2,955)	–	(2,955)
Settlement payments from plan assets	–	–	–	(2,333)	–	(2,333)
Interest income	758	–	758	790	–	790
Return on plan assets (excluding interest income)	(63)	–	(63)	251	–	251
Translation differences	–	–	–	–	85	85
Balance at December 31	**84,031**	**–**	**84,031**	**86,947**	**2,569**	**89,516**

The investment risk for the Swiss plans 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):

	2015 Swiss plans	2015 International plans	2016 Swiss plans	2016 International plans[1]
Discount rates	0.90%	0.94%	0.70%	1.67%
Rate of future salary increases	1.75%	1.79%	1.75%	2.69%
Rate of future pension increases	0.00%	0.00%	0.00%	0.00%
Rates for the projection of savings capital	1.25%	n/a	1.00%	0.00%
Mortality tables	BVG2010GT	various	BVG2015G	various

[1]Excluding plan SPEw are due to settlement

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	2015 Swiss plans	2015 International plans	2015 Total	2016 Swiss plans	2016 International plans[1]	2016 Total
Discount rates	- 25 basis points	4,495	107	4,602	4,707	104	4,811
	+ 25 basis points	(4,077)	(105)	(4,182)	(4,482)	(104)	(4,586)
Rate of future salary increases	- 25 basis points	(755)	(99)	(854)	(853)	(99)	(952)
	+ 25 basis points	766	102	868	629	98	727
Life expectancy	- 1 year	(2,417)	(12)	(2,429)	(2,641)	(19)	(2,660)
	+ 1 year	2,377	11	2,388	2,401	13	2,414

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

[1]Excluding plan SPEw are due to settlement

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 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	Vesting period completed	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
Plan 2017 Equity-settled	Options granted to members of management level 3 and 4 on November 2, 2016	23,907 options CHF 162.80	One / two / three years of service for 33% / 33% / 34% of options	7 years	November 2, 2023

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

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

		2015		**2016**	
	Exercise price	Remaining contractual life (years)	Number	Remaining contractual life (years)	Number
Plan 2010	70.0	0.9	5,718	–	1,854
Plan 2011	69.0	1.8	7,947	0.8	6,436
Plan 2012	57.2	2.8	8,249	1.8	5,853
Plan 2013	69.6	3.8	13,944	2.8	9,483
Plan 2014	95.0	4.8	25,404	3.8	16,856
Plan 2015	100.4	5.8	32,336	4.8	25,858
Plan 2016	135.0	6.8	23,569	5.8	23,646
Plan 2017	162.8	–	–	6.8	23,907
Balance at December 31		**4.8**	**117,167**	**4.7**	**113,893**
Thereof exercisable at December 31			60,624		63,090

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

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

	2015 Weighted average exercise price (CHF)	2015 Number	2016 Weighted average exercise price (CHF)	2016 Number
Balance at January 1	80.96	124,379	95.87	117,167
Granted	135.00	23,569	162.80	23,907
Exercised	65.24	(28,743)	84.82	(23,319)
Forfeited	80.89	(1,508)	82.28	(2,009)
Expired	40.29	(530)	70.73	(1,853)
Balance at December 31	**95.87**	**117,167**	**95.87**	**113,893**

The weighted average share price at the date of exercise was CHF 133.95 in 2015 and CHF 152.45 in 2016.

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 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**
Plan 2017	CHF 162.80	CHF 162.80	29.42%	7.0 years	1.75%	(0.31%)	**CHF 40.47**

[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) 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
Performance share matching plan (PSMP) 2016					
Initial grant	Extended Management Board on March 10, 2016	20,981 shares	CHF 146.95	Immediate vesting[1]	None
	Other management on May 23, 2016	2,335 shares	CHF 142.25		
Matching shares	Extended Management Board on March 10, 2016	52'453 shares (maximum of potential shares granted)	CHF 143.45	January 1, 2016 to December 31, 2018	Three years of service and performance target
	Other management on May 23, 2016	5'838 shares (maximum of potential shares granted)	CHF 138.75		

[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 2013 in Tecan shares at market prices (average share price from January 1 to April 30, 2014). The shares are blocked until the end of the performance period and are included in the calculation of the matching shares for PSMP 2014.

Number of shares outstanding at December 31:

Employee shares (excluding voluntary investments)	2015	**2016**
Balance at January 1	229,432	232,232
Granted	89,509	81,607
Deblocked and available to the participants	(23,854)	(47,290)
Forfeited	(62,855)	(42,670)
Balance at December 31	**232,232**	**223,879**
Thereof vested, but blocked until the end of the performance period	27,408	41,884

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, 2016:

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 2014	21,768	n/a	3,754	25,522	2.35	59,977
PSMP 2015	18,729	4,549	n/a	23,278	2.50	58,195
PSMP 2016	21,274	n/a	n/a	21,274	2.50	53,185

[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 2016 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 13, 2016	2,251 shares	CHF 139.25	Graded vesting from May 1, 2016 to April 30, 2017	One year of service

10.4.3 Total expenses recognized

CHF 1,000	2015	**2016**
Expenses arising from equity-settled share option plans	592	639
Expenses arising from performance share matching plans	6,547	11,920
Expenses arising from other share plans	376	319
Total expenses recognized	**7,515**	**12,878**

11 INCOME TAXES

11.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2015	2016
Current income taxes	11,251	10,748
Deferred income taxes	(2,391)	138
Total income taxes	**8,860**	**10,886**

The income tax expense can be analyzed as follows:

CHF 1,000	2015	2016
Profit before taxes	66,007	65,428
Tax expense based on the Group's weighted average rate of 19.95% (2015: 20.7%)	**13,690**	**13,050**
Non-deductible expenses and additional taxable income	1,031	2,115
Tax-free income and tax reductions	(5,519)	(5,229)
Tax-deductible write-off of investments in subsidiaries	(705)	(96)
Change in funding of employee participation plans	(559)	–
Effect of tax rate change on opening deferred taxes	467	210
Changes in recognition of tax losses	(2)	166
Unrecoverable withholding tax	167	(84)
Underprovided in prior years	290	754
Tax expense reported	**8,860**	**10,886**

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 2016 decreased to 19.95%.

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 was 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	2015	2016
Deferred tax assets	14,653	16,204
Deferred tax liabilities	(6,176)	(14,752)
Net deferred tax asset at December 31	**8,477**	**1,452**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	2015	Change 2016	2016
Net deferred tax assets arising from temporary differences			
Receivables	3,860	(4,135)	(275)
Inventories	(409)	5,315	4,906
Property, plant and equipment	(1,503)	405	(1,098)
Intangible assets	(3,878)	(7,459)	(11,337)
Liabilities and accrued expenses	8,573	(280)	8,293
Provisions	1,249	1,738	2,987
Other	(515)	(75)	(590)
Subtotal net deferred tax assets arising from temporary differences	**7,377**	**(4,491)**	**2,886**
Deferred taxes provided on expected dividends from subsidiaries	(1,838)	84	(1,754)
Potential tax benefits from tax loss carry-forwards	2,938	(2,618)	320
Net deferred tax asset at December 31	**8,477**	**(7,025)**	**1,452**
Deferred taxes recognized in profit or loss	2,391		(138)
Deferred taxes recognized in other comprehensive income	(739)		569
Deferred taxes recognized in equity	791		(283)
Acquisition through business combination	1,709		(7,049)
Translation differences	50		(124)
Total change compared with previous year	**4,202**		**(7,025)**

Temporary differences on intangible assets primarily relate to assets recognized during the purchase price allocation process for business combinations.

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	2015	2016	2015	2016
Expiring in				
1st – 5th year			2,182	–
6th year or beyond			214	–
Unlimited			542	320
Tax loss carry-forwards capitalized at December 31			**2,938**	**320**
Expiring in				
1st – 5th year	784	977	196	244
6th year or beyond	–	–	–	–
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**784**	**977**	**196**	**244**
Total tax loss carry-forwards	**784**	**977**	**3,134**	**564**

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, 2016, there were temporary differences of CHF 179.6 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	2015	2016
Bank balances		
Denominated in CHF	155,977	206,736
Denominated in EUR	19,289	20,623
Denominated in GBP	2,091	1,342
Denominated in USD	22,546	12,242
Denominated in JPY	880	973
Denominated in other currencies	7,651	4,828
Balance at December 31	**208,434**	**246,744**
Effective interest rate	0.01%	0.02%

Cash and cash equivalents as per cash flow statement comprise cash and cash equivalents as per balance sheet and bank overdrafts (December 31, 2016: CHF 0.0 million; December 31, 2015: CHF 0.0 million) that are included in the position 'current bank liabilities and derivatives'.

13 CURRENT DERIVATIVES

CHF 1,000	2015	2016
Current derivatives	1,269	3,038
Balance at December 31	**1,269**	**3,038**

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	2015	2016
Trade accounts receivable		
Denominated in CHF	22,121	27,456
Denominated in EUR	20,241	19,533
Denominated in GBP	3,199	1,996
Denominated in USD	37,029	40,856
Denominated in JPY	1,756	2,369
Denominated in other currencies	5,099	4,988
Subtotal trade accounts receivable	**89,445**	**97,198**
Allowance for doubtful accounts		
Individual impairment allowance account	(1,831)	(1,851)
Collective impairment allowance account	(199)	(360)
Subtotal allowance for doubtful accounts	**(2,030)**	**(2,211)**
Construction contracts in progress		
Aggregate amount of cost incurred and recognized profits	2,830	15,915
Allowance	–	(1,247)
Amounts of advances received	(955)	(12,610)
Subtotal construction contracts in progress	**1,875**	**2,058**
Balance at December 31	**89,290**	**97,045**
(Decrease)/increase	(12,764)	4,529
Acquisition through business combination	6,584	3,180
Translation differences	(2,479)	46
Total change compared with previous year	**(8,659)**	**7,755**
Amount of contract revenue recognized as sales in the statement of profit or loss relating to construction contracts	3,455	7,074

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

CHF 1,000	2015	2016
Switzerland (domestic)	4,157	3,329
Euro-zone countries	26,159	20,744
Other European countries	7,757	7,509
North America	40,436	55,089
Asia	8,027	9,153
Other	2,909	1,374
Balance at December 31	**89,445**	**97,198**

The Group's most significant customer accounts for 11.3% of the trade accounts receivable carrying amount at December 31, 2016 (December 31, 2015: 8.6%).

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

CHF 1,000	2015	2016
Individual impairment allowance account		
Balance at January 1	(1,542)	(1,831)
Change in impairment losses	(424)	(74)
Write-offs	30	73
Translation differences	105	(19)
Balance at December 31	**(1,831)**	**(1,851)**
Amount of trade accounts receivable with individual impairment (gross)	1,928	1,936
Collective impairment allowance account		
Balance at January 1	(233)	(199)
Change in impairment losses	15	(163)
Translation differences	19	2
Balance at December 31	**(199)**	**(360)**

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

	2015		2016	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	59,434	(38)	82,298	(38)
Past due 1–30 days	22,660	–	11,137	–
Past due 31–90 days	5,000	–	2,327	–
Past due 91–360 days	433	(134)	(350)	(321)
Past due more than one year	(10)	(27)	(150)	(1)
Balance at December 31	**87,517**	**(199)**	**95,262**	**(360)**

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 2015 and 2016 represents less than 1% of sales.

15 INVENTORIES

CHF 1,000	2015	2016
Raw materials, semi-finished and finished goods	58,430	63,477
Allowance for slow-moving inventories	(10,268)	(10,458)
Work in progress	3,273	2,340
Capitalized customer-specific development costs	123,867	113,050
Balance at December 31	**175,302**	**168,409**
Decrease	(2,509)	(9,375)
Acquisition through business combination	3,794	2,481
Translation differences	(1,160)	1
Total change compared with previous year	**125**	**(6,893)**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss	2,042	2,564

16 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	2015	2016
Non-current derivatives	100	36
Rent deposits	655	656
Balance at December 31	**755**	**692**

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	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)	(678)	(388)	(1,318)
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**

CHF 1,000	Land and buildings	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	**Total 2016**
At cost							
Balance at January 1, 2016	4,370	9,869	13,952	35,224	19,655	–	83,070
Acquisition through business combination	–	129	4	1,727	3	195	2,058
Additions	–	666	452	4,368	1,183	111	6,780
Disposals	–	(123)	(419)	(822)	(2,282)	–	(3,646)
Reclassification between the classes of PPE and from/to inventories	–	–	–	(959)	(2)	1'056	95
Reclassification to assets held-for-sale	(4,370)	–	–	–	–	–	(4,370)
Translation differences	–	41	(72)	57	(19)	(24)	(17)
Balance at December 31, 2016	**–**	**10,582**	**13,917**	**39,595**	**18,538**	**1,338**	**83,970**
Accumulated depreciation and impairment losses							
Balance at January 1, 2016	19	8,206	11,033	24,061	17,015	–	60,334
Annual depreciation	211	547	956	3,371	1,555	110	6,750
Disposals	–	(112)	(338)	(586)	(2,120)	–	(3,156)
Reclassification between the classes of PPE and from/to inventories	–	–	–	(227)	(3)	261	31
Reclassification to assets held for sale	(230)	–	–	–	–	–	(230)
Translation differences	–	29	(64)	3	(11)	(6)	(49)
Balance at December 31, 2016	**–**	**8,670**	**11,587**	**26,622**	**16,436**	**365**	**63,680**
Net book value	**–**	**1,912**	**2,330**	**12,973**	**2,102**	**973**	**20,290**

[1]See note 23.1

There were no material purchase commitments at year-end 2015 and 2016.

18 INTANGIBLE ASSETS AND GOODWILL

18.1 OVERVIEW

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**

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	**Total 2016**
At cost								
Balance at January 1, 2016	27,432	49,387	64	1,312	6,354	10,172	58,171	152,892
Acquisition through business combination	–	–	–	395	4,630	14,679	39,004	58,708
Additions	–	–	116	–	–	–	–	116
Internally developed	784	6,642	–	–	–	–	–	7,426
Disposal	(1)	(136)	–	–	–			(137)
Translation differences	(8)	(6)	–	1	102	443	1,055	1,587
Balance at December 31, 2016	**28,207**	**55,887**	**180**	**1,708**	**11,086**	**25,294**	**98,230**	**220,592**
Accumulated amortization and impairment losses								
Balance at January 1, 2016	22,250	18,034	2	145	607	869	–	41,907
Annual amortization	1,222	10,780	60	315	753	1,014	–	14,144
Disposal	–	(132)	–	–	–	–		(132)
Translation differences	(2)	1	–	(2)	(11)	2	–	(12)
Balance at December 31, 2016	**23,470**	**28,683**	**62**	**458**	**1,349**	**1,885**	**–**	**55,907**
Net book value	**4,737**	**27,204**	**118**	**1,250**	**9,737**	**23,409**	**98,230**	**164,685**

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

CHF 1,000	2015	2016
Cost of sales	–	–
Sales and marketing	574	1,329
Research and development	8,115	11,593
General and administration	1,550	1,222
Total amortization	**10,239**	**14,144**

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 Discounted cash flow 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 2016

The Group performed impairment tests on cash-generating units containing goodwill in June and December 2016 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	85,826	December 2016	Value in use	10.3%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	12,404	June 2016	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 August 31, 2016.

Based on the impairment tests 2016, 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 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.

19 BANK LIABILITIES, LOANS AND DERIVATIVES

CHF 1,000	Current bank liabilities	Current maturities of non-current bank liabilities	Current derivatives[1]	**Total current**	Bank loans	Mortgages	Other loans (subordina ted)	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**	**2,597**	**4,824**	**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

CHF 1,000	Current bank liabilities	Current maturities of non-current bank liabilities	Other loans	Current derivatives[1]	**Total current**	Bank loans	Mort-gages	Other loans (subordina-ted)	Non-current derivatives[1]	Contingent consi-deration[2]	**Total non-current**
Balance at January 1, 2016	2,578	2,597	–	4,824	**9,999**	970	1,575	1,919	1,057	–	**5.521**
Acquisition through business combination	–	932	1,624	–	**2,556**	–	–	–	–	8,768	**8,768**
Decrease	(1,475)	–	–	–	**(1,475)**	–	–	–	–	–	**–**
Change in fair value	–	–	–	897	**897**	–	–	–	118	–	**118**
Unwind of discounts	–	–	–	–	**–**	–	–	–	–	197	**197**
Increase in loans	–	–	–	–	**–**	716	–	–	–	–	**716**
Repayment of loans	–	(3,535)	(1,624)	–	**(5,159)**	–	–	(1,919)	–	–	**(1,919)**
Transfer to current	–	1,052	–	–	**1,052**	(972)	(80)	–	–	–	**(1,052)**
Reclassification to liabilities held for sale	–	(80)	–	–	**(80)**	–	(1,495)	–	(74)	–	**(1,569)**
Translation	–	(10)	–	–	**(10)**	(10)	–	–	–	308	**298**
Balance at December 31, 2016	**1,103**	**956**	**–**	**5,721**	**7,780**	**704**	**–**	**–**	**1,101**	**9,273**	**11,078**
Analysis by currency											
Denominated in EUR					956						704
Denominated in USD					5,696						10,374
Denominated in JPY					441						–
Denominated in AUD					662						–
Denominated in other					25						–
Total					**7,780**						**11,078**
Analysis by interest rate											
Interest-free					5,721						1,101
Variable interest rates depending on LIBOR					–						–
Fixed interest rate											
0% – 2%					2,059						704
2% – 4%					–						–
4% – 6%					–						–
6% - 8%					–						–
8% - 10%					–						9,273
Total					**7,780**						**11,078**

[1]See note 24

[2]See note 3.2

In 2016, the average interest rate paid on bank loans was 0.8% (2015: 0.9%).

20 DEFERRED REVENUE

CHF 1,000	2015 Current	2015 Non-current	2016 Current	2016 Non-current
Advance payments received related to product sales to be recognized upon delivery or customer's acceptance	8,738	20,759	12,119	46,945
Deferred income related to service contracts	21,894	–	21,235	–
Construction contracts in progress				
Aggregate amount of cost incurred and recognized profits	(7,066)	–	(1,009)	–
Amounts of advances received	7,672	–	1,034	–
Subtotal construction contracts in progress	**606**	**–**	**25**	**–**
Balance at December 31	**31,238**	**20,759**	**33,379**	**46'945**
Increase		7,191		28,571
Acquisition through business combination		20		32
Translation differences		(586)		(276)
Total change (current and non-current) compared with previous year		**6,625**		**28,327**

21 PROVISIONS

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)
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)

CHF 1,000	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2016**
Balance at January 1, 2016	9,470	1,001	326	9,637	20,434
Acquisition through business combination	286	–	–	2,337	2,623
Provisions made	8,996	60	–	1,859	10,915
Provisions used	(6,548)	–	–	(1,112)	(7,660)
Provisions reversed	(273)	(49)	(164)	(45)	(531)
Translation differences	(8)	(34)	(1)	57	14
Balance at December 31, 2016	**11,923**	**978**	**161**	**12,733**	**25,795**
Thereof current	11,923	–	161	9,512	21,596
Thereof non-current	–	978	–	3,221	4,199

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

The provision for legal cases (2016: CHF 0.2 million and 2015: CHF 0.3 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 (2016: CHF 3.0 million and 2015: CHF 2.8 million), to parts and material for discontinued products (2016: CHF 4.9 million and 2015: CHF 5.1 million), to regulatory issues (2016: CHF 0.3 million and 2015: CHF 1.3 million), to controversial transactional tax positions (2016: CHF 4.1 million and 2015: CHF 0.0 million) and to several minor items (2016: CHF 0.4 million and 2015: CHF 0.4 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 of 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 acquisition cost of the treasury shares held by the Group. All rights attached to treasury shares are suspended until those shares are resold.

22.2.2 Translation differences

The translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency into the reporting currency (CHF).

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, 2015	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**
New shares issued based on employee participation plans	73,794	–	73,794
Balance at December 31, 2016	**11,541,371**	**–**	**11,541,371**

22.4 DIVIDENDS PAID

	2015	**2016**	2017 Proposed
Number of shares eligible for dividend	11,238,250	11,498,012	11,541,371
Dividends paid (CHF/share)	1.50	1.75	1.75

22.5 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2015	2016
Balance at January 1	858,636	835,635
Employee share options exercised	(23,001)	(73,794)
Balance at December 31	**835,635**	**761,841**
Employee share options and employee shares, not yet delivered	303,889	291,328

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

	2015	2016
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	13.04.2018
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 2016: 66.2% and 2015: 68.7%), 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:

CHF		Closing exchange rates 31.12.2015	Closing exchange rates 31.12.2016	Average exchange rates January to December 2015	Average exchange rates January to December 2016
EUR	1	1.09	1.07	1.07	1.09
GBP	1	1.48	1.26	1.47	1.33
SEK	100	11.90	11.19	11.42	11.52
USD	1	1.00	1.02	0.96	0.99
SGD	1	0.71	0.70	0.70	0.71
CNY	1	0.15	0.15	0.15	0.15
JPY	100	0.83	0.88	0.80	0.91
AUD	1	0.73	0.73	0.72	0.73

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									
Currency forwards	–	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

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									
Currency forwards and options	–	3,038	–	36	**3,074**	(5,721)	–	(1,101)	**(6,822)**
Contingent consideration[2]	–	–	–	–	**–**	–	–	(9,273)	**(9,273)**
Financial instruments measured at amortized costs									
Cash and cash equivalents	246,744	–	–	–	**246,744**	–	–	–	**–**
Receivables	–	–	95,763	–	**95,763**	–	–	–	**–**
Rent and other deposits	–	–	341	656	**997**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	(1,103)	–	–	**(1,103)**
Bank loans	–	–	–	–	**–**	(956)	–	(704)	**(1,660)**
Payables and accrued expenses	–	–	–	–	**–**	–	(50,329)	–	**(50,329)**
Total financial instruments	**246,744**	**3,038**	**96,104**	**692**	**346,578**	**(7,780)**	**(50,329)**	**(11,078)**	**(69,187)**
Reconciling items[1]	–	–	10,725	–	**10,725**	–	(14,177)	–	**(14,177)**
Balance at December 31, 2016	**246,744**	**3,038**	**106,829**	**692**	**357,303**	**(7,780)**	**(64,506)**	**(11,078)**	**(83,364)**

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

[2] See note 3.2

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, derivatives and trade accounts receivable.

All domestic and international bank relationships are selected by the 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, 2016, 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 (2015: CHF 0.9 million) higher/lower, mainly as a result of cash positions held at variable

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 the Euro (EUR) and the 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	2015 CHF	2015 EUR	2015 USD	2015 Other	2016 CHF	2016 EUR	2016 USD	2016 Other
Derivatives	–	–	(4,469)	(43)	–	–	(3,831)	83
Contingent consideration	–	–	–	–	–	–	–	–
Cash and cash equivalents	413	14,153	18,513	6,278	674	12,811	1,048	2,364
Receivables	681	1,166	1,795	1,221	12	2,076	1,452	950
Rent and other deposits	–	42	–	–	–	42	–	–
Current bank liabilities	–	–	–	(2,571)	–	–	–	(1,103)
Bank and other loans	–	–	–	–	–	–	–	–
Payables and accrued expenses	(66)	(2,389)	(1,045)	(206)	11	(3,035)	(861)	(496)
Net exposure to currency at December 31	**1,028**	**12,972**	**14,794**	**4,679**	**697**	**11,894**	**(2,192)**	**1,798**

At December 31, 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	2015 higher/(lower)	**2016 higher/(lower)**
If CHF had weakened against EUR by 10%	1,031	945
If CHF had strengthened against EUR by 10%	(1,031)	(945)
If CHF had weakened against USD by 10%	(5,110)	(8,067)
If CHF had strengthened against USD by 10%	5,110	8'078

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	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**

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	212	(5,175)	130,433	40,760	52,479	37,194
Buy USD	1,174	(42)	(37,194)	(21,399)	(15,795)	–
Sell CNY	108	–	7,164	7,164	–	–
Buy CNY	–	(25)	(7,164)	(7,164)	–	–
Foreign currency options						
Sell USD	–	(1,580)	35,665	35,665	–	–
Buy USD	1,580	–	(35,665)	(35,665)	–	–
Balance at December 31, 2016	**3,074**	**(6,822)**	**93,239**	**19,361**	**36,684**	**37,194**

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 lines in the amount of 10% of its annual sales 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	**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)

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	**5,242**					
Outflow		104,423	18,826	52,479	33,118	–
Inflow		(97,365)	(17,081)	(49,269)	(31,015)	–
Foreign currency options	**1,580**					
Outflow		35,665	35,665	–	–	
Inflow		(34,076)	(34,076)	–	–	
Non-derivative financial liabilities						
Current bank liabilities	1,103	1,104	1,104	–	–	–
Payables and accrued expenses[1]	50,329	50,330	31,768	18,524	–	38
Bank loans	1,660	1,679	957	6	5	711
Contingent consideration	9,273	10,190	–	–	5,095	5,095
Balance at December 31, 2016	**69,187**	**71,950**	**37,163**	**21,740**	**7,203**	**5,844**

[1] Excluding reconciling items (see note 24.2)

Unused lines of credit amounting to CHF 44.8 million were available to the Group at Decembe 31, 2016 (2015: CHF 44.7 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
	2015	**2016**			
Currency forwards	(4,512)	(3,748)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points]) * amount in foreign currency
Currency options	–	p.m.	Level 2	Bloomberg	Black-Scholes model
Contingent consideration	–	(9'273)	Level 3	n/a	See note 3.2

There have been no transfers between the levels in 2015 and 2016.

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
	2015	**2016**	2015	**2016**			
Bank loans	(5,142)	(1,660)	(5,108)	(1,644)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flow s at the current market interest rate that is available to the Group for similar financial instruments
Other loans	(1,919)	–	(1,996)	–			

26 FUTURE PAYMENTS UNDER OPERATING LEASE ARRANGEMENTS

The Group did not enter into any finance lease contracts.

26.1. THE GROUP AS A LESSOR IN OPERATING LEASE ARRANGEMENTS

The operating leases mainly relate to arrangements in which the Group provides instruments free of charge in return for a minimum commitment of the customer for consumables or reagents.

The future minimum lease payments (receivables) under non-cancellable operating leases are:

CHF 1,000	2015	2016
Due date		
Within one year	–	442
In 1 to 3 years	–	761
In 3 to 5 years	–	229
After 5 years	–	–
Balance at December 31	**–**	**1,432**

In financial year 2016, CHF 0.4 million were recognized as revenue from leases in the consolidated statement of profit or loss.

26.2. THE GROUP AS A LESSEE IN OPERATING LEASE ARRANGEMENTS

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

The future minimum lease payments (payables) under non-cancellable operating leases are:

CHF 1,000	2015	2016
Due date		
Within one year	5,891	7,818
In 1 to 3 years	4,911	12,803
In 3 to 5 years	1,317	7,325
After 5 years	2,247	2,809
Balance at December 31	**14,366**	**30,755**

In financial year 2016, CHF 8.3 million (2015: CHF 7.9 million) were recognized as expenses for leases in the consolidated statement of profit or loss.

27 CONTINGENT LIABILITIES AND ENCUMBRANCE OF ASSETS

At December 31, 2015 and 2016, 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	2015	2016
Pledged assets		
Cash and cash equivalents	69	–
Land and buildings (classified as held for sale)	4,351	4,140

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	2015	2016
Short-term employee benefits	5,373	5,515
Post-employment benefits	468	477
Share-based payment[1]	5,345	10,584
Total compensation	**11,186**	**16,576**

[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, except for the following event:

The Group closed a transaction to acquire a smaller company located in France to increase the technology portfolio of its «Partnering Business» on February 28, 2017. The transaction price amounts up to CHF 5.4 million, of which CHF 2.1 million are subject to an earn-out arrangement. The acquired company reports assets according to local French GAAP of CHF 1.4 million (unaudited) at the end of 2016 and sales of CHF 1.2 million (unaudited) for the year 2016. The purchase price allocation is yet to be performed.

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:

RISK MANAGEMENT

Risk Awareness

Risk Assessment

Risk Identification	Risk Estimation	Risk Evaluation	Risk Reduction

Risk Control

30.2.2 Risk identification

The risk ass essment 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 mitigation actions required.
- *Elevated risk:* Further risk mitigation actions recommended. Requires justification and approval by the CFO if no further measures are taken.
- *Unacceptable risk:* Further risk mitigation actions are 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.

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zürich, 10 March 2017

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Tecan Group Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 81 to 129) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 81 to 129).

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Revenue recognition

Area of focus	For goods sold and services rendered, sales are recorded at the time the risk 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 pro-rata based on the full contract period. With regard to construction contracts, contract revenue and expenses are recognized in proportion to the stage of completion of the contract as soon as the outcome of a construction contract can be estimated reliably. Refer to note 2.7.2 (Sales – revenue recognition) in the consolidated financial statements for further details. Revenues are significant to our audit as the Group generates revenues from various different streams (goods sold, services rendered and construction contracts) and due to the risks that transactions may be recorded in the incorrect period and the stage of completion may be estimated inappropriately.
Our audit response	Our audit procedures included assessing the application of the Group’s revenue recognition policies. We tested a sample of transactions near the year-end and agreed the details of these transactions to underlying documentation, such as the contractual terms, to ensure that revenue has been recognized in the appropriate period and in the appropriate amount. For sales transactions where material application and installation work was required, we evaluated whether written customer acceptance had been received before revenue was recognized. We also corroborated the Group’s estimated stage of completion in relation to construction contracts based on underlying project information.

Capitalized customer-specific development costs

Area of focus	As at 31 December 2016, capitalized customer-specific development costs (included in “Inventories” in the consolidated balance sheet) amount to CHF 113.1 million. The assessment whether capitalized customer-specific development costs are realizable is dependent on the Group’s ability to successfully commercialize its products and reach expected sales quantities. Refer to note 2.2.4 (Inventories – capitalized development costs) in the consolidated financial statements for further details. Capitalized customer-specific development costs are significant to our audit due to the complexity of and judgment involved in the Group’s net realizable value test requiring the projection of future sales quantities and cash flows.
Our audit response	Our audit procedures included understanding the Group’s net realizable value testing process and its determination of key assumptions. We evaluated the Group’s net realizable value testing model and key assumptions involving valuation specialists. We further corroborated the Group’s key assumptions applied and underlying data.

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Goodwill

Area of focus	As at 31 December 2016, the Group reported CHF 98.2 million in goodwill as a result of previous acquisitions. For purposes of the annual impairment test, 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. The recoverable amount (higher of fair value less costs of disposal and value in use) of the cash-generating unit is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. Refer to notes 2.7.15 (Goodwill) and 18 (Intangible assets and goodwill) in the consolidated financial statements for further details. Goodwill is significant to our audit due to the complexity and judgment involved in the Group's impairment test.
Our audit response	Our audit procedures included understanding the Group's goodwill impairment testing process and the determination of key assumptions. We evaluated the Group's impairment testing model and key assumptions involving valuation specialists. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data.

Income taxes – Accounting for uncertain tax positions

Area of focus	The Group operates in multiple tax jurisdictions that are regulated by various tax laws and is subject to periodic tax audits by local tax authorities. Management is required to use significant judgment in estimating the appropriate amount to record in respect to uncertain tax positions. Refer to note 2.2.3 (Income taxes) in the consolidated financial statements for further details. Income taxes are significant to our audit due to the complexity and judgment involved in the Group's identification and determination of uncertain tax positions.
Our audit response	Our audit procedures included evaluating the Group's judgments used in the determination of uncertain tax positions, involving local and group tax specialists. Our procedures focused on considering the status of past and current tax audits in relevant jurisdictions, analyzing the Group's correspondence with the relevant tax authorities and corroborating the assumptions utilized with supporting evidence.

Other matter

The consolidated financial statements of Tecan Group Ltd. for the year ended 31 December 2015 were audited by another statutory auditor who expressed an unmodified opinion on those consolidated financial statements on 11 March 2016.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

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Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the 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.

Ernst & Young Ltd

Andreas Bodenmann Licensed audit expert (Auditor in charge)	Siro Bonetti Licensed audit expert

BALANCE SHEET OF TECAN GROUP LTD. AT DECEMBER 31

ASSETS

CHF 1,000	Notes	31.12.2015	31.12.2016
Cash and cash equivalents		103,764	143,735
Current loans to subsidiaries	4	67,230	52,052
Other accounts receivable from third parties		150	20
Other accounts receivable from subsidiaries		3,533	5,097
Prepaid expenses		7	12
Current assets		**174,684**	**200,916**
Investments in subsidiaries	3	65,457	63,479
Non-current loans to subsidiaries		–	32,000
Property, plant and equipment		1	1
Non-current assets		**65,458**	**95,480**
Assets		**240,142**	**296,396**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2015	31.12.2016
Other accounts payable to third parties		87	112
Other accounts payable to subsidiaries		93	17
Current tax liabilities		1,143	169
Accrued expenses		989	876
Current liabilities		**2,312**	**1,174**
Provision for general business risks	5	30,000	30,000
Other non-current provisions		1,675	112
Non-current liabilities		**31,675**	**30,112**
Total liabilities		**33,987**	**31,286**
Share capital		1,147	1,154
Legal capital reserve (capital contribution reserve)		5,717	15,552
General legal retained earnings		1,000	1,000
Voluntary retained earnings		198,291	247,404
Shareholders' equity	6	**206,155**	**265,110**
Liabilities and equity		**240,142**	**296,396**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	Notes	2015	2016
Royalties from subsidiaries		2,502	4,597
Dividend income from subsidiaries		808	67,387
Interest income from third parties		2	–
Interest income from subsidiaries		935	659
Gain on sale of treasury shares		20,774	–
Operating income		**25,021**	**72,643**
Personnel expenses		(1,564)	(1,166)
Change in provision relating to employee participation plans		(1,029)	1,266
Other operating expenses		(884)	(1,177)
Depreciation of property, plant and equipment		(1)	(1)
Interest expense to third parties		–	(16)
Foreign exchange losses, net		(70)	(16)
Operating expenses		**(3,548)**	**(1,110)**
Operating profit		**21,473**	**71,533**
Impairment on investments in and loans to subsidiaries	2.2	(9,000)	(2,132)
Extraordinary, non-recurring or prior-period income and expenses		**(9,000)**	**(2,132)**
Profit before taxes		**12,473**	**69,401**
Income taxes		(949)	(166)
Profit for the period		**11,524**	**69,235**

Notes to the financial statements of Tecan Group Ltd.

1 REPORTING ENTITY

Tecan Group Ltd. is a limited 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. (the 'Company') have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (32nd title) introduced on January 1, 2013. They are a supplement to the consolidated financial statements (pages 83 through 131) prepared in accordance with International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information reported in the Company's financial statements (pages 136 through 144) relates to the ultimate parent company alone. The retained earnings disclosed 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.

Subsidiaries include all legal entities which are directly or indirectly owned and controlled by the Company.

As consolidated financial statements are provided, the Company is exempt 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 Loans

Loans are valued at historical 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. 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 the income statement.

3 INVESTMENTS IN SUBSIDIARIES

3.1 OVERVIEW (DIRECT AND INDIRECT INVESTMENTS)

The investments in directly and indirectly held subsidiaries are the same for the years ended December 31, 2015 and December 31, 2016, except as noted below in note 3.2.

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
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. (in liquidation)	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
• SPEware Corp.	Baldwin Park/Los Angeles, CA (US)	100%	472	USD	S/D
• Cera Inc.	Baldwin Park/Los Angeles, CA (US)	100%	56	USD	R/P/D
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 Sias AG (including Xiril AG) on November 30, 2015 and 100% of the voting rights of SPEware Corp. (including Cera Inc.) on September 30, 2016. Sias AG was merged into Tecan Schweiz AG in 2016, retrospectively as from December 1, 2015.

4 CURRENT LOANS TO SUBSIDIARIES

CHF 1,000	2015	2016
Current loans to subsidiaries	67,230	52,488
Allowance	–	(436)
Balance at December 31	**67,230**	**52,052**

5 PROVISION FOR GENERAL BUSINESS RISKS

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

6 SHAREHOLDERS' EQUITY

6.1 CHANGES IN SHAREHOLDER'S EQUITY

CHF 1,000	Share capital	Legal capital reserve (capital contribution reserve)	General legal retained earnings	Voluntary retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2015	**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**
Net profit	–	–	–	69,235	–	69,235
Dividend paid	–	–	–	(20,122)	–	(20,122)
Share capital increase	7	9,835	–	–	–	9,842
Balance at December 31, 2016	**1,154**	**15,552**	**1,000**	**247,404**	**–**	**265,110**

The Company's share capital is CHF 1'154'137, consisting of 11'541'371 registered shares with a nominal value of CHF 0.10 each (2015: share capital of 1'146'758 consisting of 11'467'577 registered shares with a nominal value of CHF 0.10 each).

6.2 CONDITIONAL AND AUTHORIZED SHARE CAPITAL

In 1997, a conditional share capital of CHF 130'000 reserved for employee participation plans was approved. The conditional share capital consisted of 1'300'000 registered shares with a nominal value of CHF 0.10 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 2016 a total of 23'319 options (share option plans) were exercised and 50'475 shares transferred (share plans), increasing the Company's share capital by CHF 7'379 and decreasing the Company's conditional share capital by 73'794 shares (second half of 2015: a total of 23'001 options were exercised, increasing the share capital by CHF 2'300 and decreasing the conditional share capital by 23'001 shares).

On April 26, 2006 and on April 13, 2016, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2015	2016
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	835,635	761,841
CHF	83,564	76,184
Employee share options and employee shares, not yet delivered	303,889	291,328
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	13.04.2018
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.

6.3 TREASURY SHARES

Shares (each share has a nominal value of CHF 0.10)	2015	2016
Balance at January 1	286,020	–
Treasury shares transferred based on employee participation plans	(36,689)	–
Sale of treasury shares	(249,331)	–
Balance at December 31	**–**	**–**
Average price of shares purchased, CHF	0.00	0.00
Average price of shares sold, CHF	126.11	0.00

7 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2015	2016
Employees – average	1.0	1.0

8 GUARANTEES IN FAVOR OF THIRD PARTIES

The total amount of guarantees in favor of its subsidiaries was CHF 89.9 million at December 31, 2016 (2015: CHF 63.2 million).

9 NUMBER OF SHARES AND SHARE OPTIONS

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

	2015		2016	
	Number	Value (CHF 1,000)	Number	Value (CHF 1,000)
Board of Directors				
Shares	2,902	379	2,251	313
Employees				
Shares	3,156	401	3,315	479
Total	**6,058**	**780**	**5,566**	**792**

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 the Group level.

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

10.1 SIGNIFICANT SHAREHOLDERS

The Company has knowledge of the following significant shareholders with shareholdings in excess of 3% of the issued share capital at December 31: [1]

	2015	2016
Chase Nominees Ltd., London (UK)	13.5%	13.4%
ING Groep N.V., Amsterdam (NL)	7.4%	7.4%
BlackRock Inc., New York (US)	5.0%	5.0%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	5.0%	5.0%
UBS Fund Management (Switzerland) AG, Basel (CH)	5.0%	5.0%
Massachusetts Mutual Life Insurance Company, Springfield MA (US)	4.6%	4.9%
Credit Suisse Funds AG, Zürich (CH)	<3.0%	3.3%
Norges Bank (the Central Bank of Norway), Oslo (NO)	<3.0%	3.0%
Pictet Funds SA, Geneva (CH)	3.0%	3.0%

[1] Percentages are based on the most recent shareholder notifications to SIX, adjusted to the actual share capital at the end of the reporting period.

10.2 SHARE AND OPTION OWNERSHIP OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

For details of the employee participation plans please refer to note 10.4 of the consolidated financial statements.

10.2.1 Share and option ownership of the Board of Directors

Number	Year	Employee share option plans[1] 2010	2011	**Total options**	**Total shares**
Strike price in CHF		70.00	69.00		
Expiring in		2016[2]	2017		
Rolf Classon (Chairman)	2015	1,700	2,442	**4,142**	**6,045**
	2016	1,700	2,442	**4,142**	**6,748**
Heinrich Fischer (Vice Chairman)	2015	–	–	**–**	**15,457**
	2016	–	–	**–**	**15,896**
Dr. Oliver S. Fetzer	2015	–	–	**–**	**1,623**
	2016	–	–	**–**	**1,975**
Lars Holmqvist	2015	–	–	**–**	**–**
	2016	–	–	**–**	**352**
Dr. Karen Hübscher	2015	–	–	**–**	**1,219**
	2016	–	–	**–**	**1,571**
Dr. Christa Kreuzburg	2015	–	–	**–**	**849**
	2016	–	–	**–**	**1,201**
Gérard Vaillant	2015	850	1,221	**2,071**	**1,623**
	2016	–	–	**–**	**1,975**
Balance at December 31, 2015		2,550	3,663	**6,213**	**26,816**
Balance at December 31, 2016		1,700	2,442	**4,142**	**29,718**

[1]All options are vested and exercisable.
[2]Extended due to insider trading restrictions in 2016

10.2.2 Share and option ownership of the Management Board

Number	Year	**Total options**	**Total shares**
Dr. David Martyr (CEO)	2015	**–**	**16,383**
	2016	**–**	**16,037**
Dr. Rudolf Eugster (CFO)	2015	**–**	**13,219**
	2016	**–**	**9,088**
Ulrich Kanter	2015	**–**	**2,897**
	2016	**–**	**4,878**
Dr. Achim von Leoprechting	2015	**–**	**4,516**
	2016	**–**	**5,974**
Dr. Klaus Lun	2015	**–**	**5,543**
	2016	**–**	**5,728**
Markus Schmid	2015	**–**	**6,311**
	2016	**–**	**5,703**
Dr. Stefan Traeger	2015	**–**	**5,514**
	2016	**–**	**6,389**
Andreas Wilhelm	2015	**–**	**5,772**
	2016	**–**	**5,256**
Balance at December 31, 2015		**–**	**60,155**
Balance at December 31, 2016		**–**	**59,053**

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 11, 2017 to allocate the voluntary retained earnings as follows:

CHF 1,000	2015 Approved	**2016 Proposed**
Carried forward from previous year	171,470	178,169
Reversal of reserve for treasury shares due to introduction of new Swiss GAAP on January 1, 2015	15,297	–
Net profit	11,524	69,235
Available retained earnings	**198,291**	**247,404**
Dividend paid as approved by the annual general meeting of shareholders on April 13, 2016: CHF 1.75 per share with a nominal value of CHF 0.10 each (total 11,498,012 shares eligible for dividend)	(20,122)	
Dividend proposed: CHF 1.75 per share with a nominal value of CHF 0.10 each (total 11,541,371 shares eligible for dividend)[1]		(20,197)
Balance to be carried forward	**178,169**	**227,207**

[1]These numbers are based on the outstanding share capital at December 31, 2016. The number of shares eligible for dividend may change due to the repurchase or sale of treasury shares and the issuance of up to 123'067 new shares from the conditional share capital reserved for employee participation plans.

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zürich, 10 March 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Tecan Group Ltd. (the "Company"), which comprise the balance sheet, income statement and notes (pages 134 to 142), for the year ended 31 December 2016.

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 about 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 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

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matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 134 to 142).

Valuation of investments in subsidiaries

Area of focus	As at 31 December 2016, investments in subsidiaries of the Company amount to CHF 63.5 million and represent 21% of total assets. Investments in subsidiaries are valued at historical cost less any impairment of value. The Company values investments in subsidiaries individually (single-asset-valuation principle). Refer to note 2.2.2 (Investments in subsidiaries) in the financial statements for further details. Investments in subsidiaries are significant to our audit due to the complexity and judgment involved in the Company's impairment test.
Our audit response	Our audit procedures included understanding the Company's investment in subsidiaries impairment testing process and the determination of key assumptions. We evaluated the Company's impairment testing model and key assumptions. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data. Furthermore, we evaluated related income tax consequences.

Other matter

The financial statements of Tecan Group Ltd. for the year ended 31 December 2015 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 11 March 2016.

Page 3

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 para. 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.

Ernst & Young Ltd

Andreas Bodenmann	Siro Bonetti
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Performance of the Tecan share in 2016

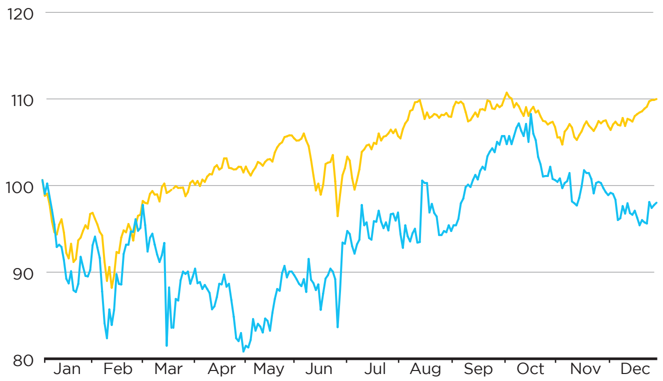
The performance of the various indices on the Swiss stock exchange was mixed in 2016. While the SPI Extra, which comprises small and medium-sized companies listed on the SIX, rose by 8.5%, the SMI, which covers Swiss standard stocks, declined by 6.8%. The Tecan share ended the year down 2.5% at CHF 158.90, making 2016 the first year in which it recorded a loss following four straight years of significant increases. The share price remained within a tighter range over the course of the year than in 2015. The annual peak of CHF 174.90 recorded in October was also the highest the Tecan share has been in 15 years.

SHARE INFORMATION

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

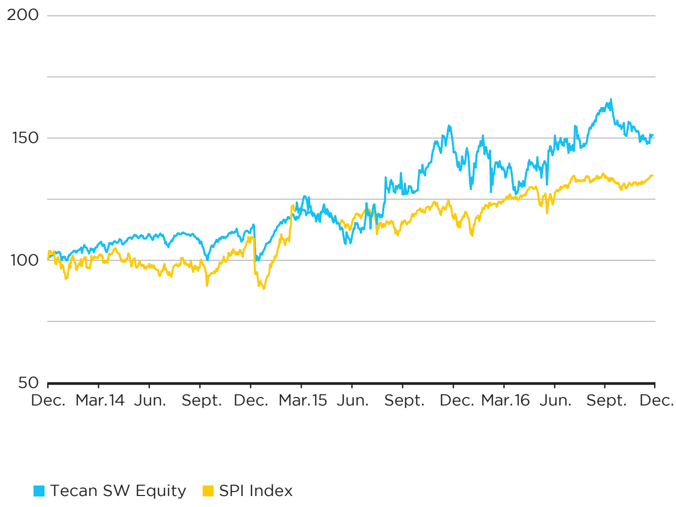
SHARE PRICE PERFORMANCE BETWEEN 30.12.2015 AND 31.12.2016

in comparison with SPI Extra (indexed)



SHARE PRICE PERFORMANCE BETWEEN 2014 AND 2016

in comparison with SPI Extra (indexed)



TECAN SHARE

	2014	2015	2016
Numbers of shares issued	11,444,576	11,467,577	11,541,371
Number of treasury shares	286,020	0	0
Number of shares outstanding at December 31	11,158,556	11,467,577	11,541,371
Average number of shares outstanding	11,093,767	11,324,970	11,502,948
Share price at December 31 (CHF)	113.00	162.90	158.90
High (CHF)	113.00	163.30	174.90
Low (CHF)	89.05	91.50	126.10
Average number of traded shares per day[1]	22,058	27,219	21,814
Average trading volume per day (CHF)[1]	2,295,135	3,429,327	3,338,414

INFORMATION PER SHARE

	2014	2015	2016
Basic earnings per share (CHF/share)	3.63	5.05	4.74
Shareholder's equity at December 31 (CHF)	361,198	440,673	487,085
Dividend (CHF)	1.5	1.75	1.75[2]
Dividend yield (%)[3]	1.33 %	1.07 %	1.10 %

FINANCIAL RATIOS

	2014	2015	2016
Market capitalization (CHF million)[4]	1,293.2	1,868.1	1,833.9
Enterprise Value (CHF million)[5]	1,170.5	1,669.3	1,591.6
Price Earnings Ratio[6]	31.13	32.26	31.47

[1] Including off-exchange trading

[2] Proposal to the Annual General Meeting of Shareholders on April 11, 2017

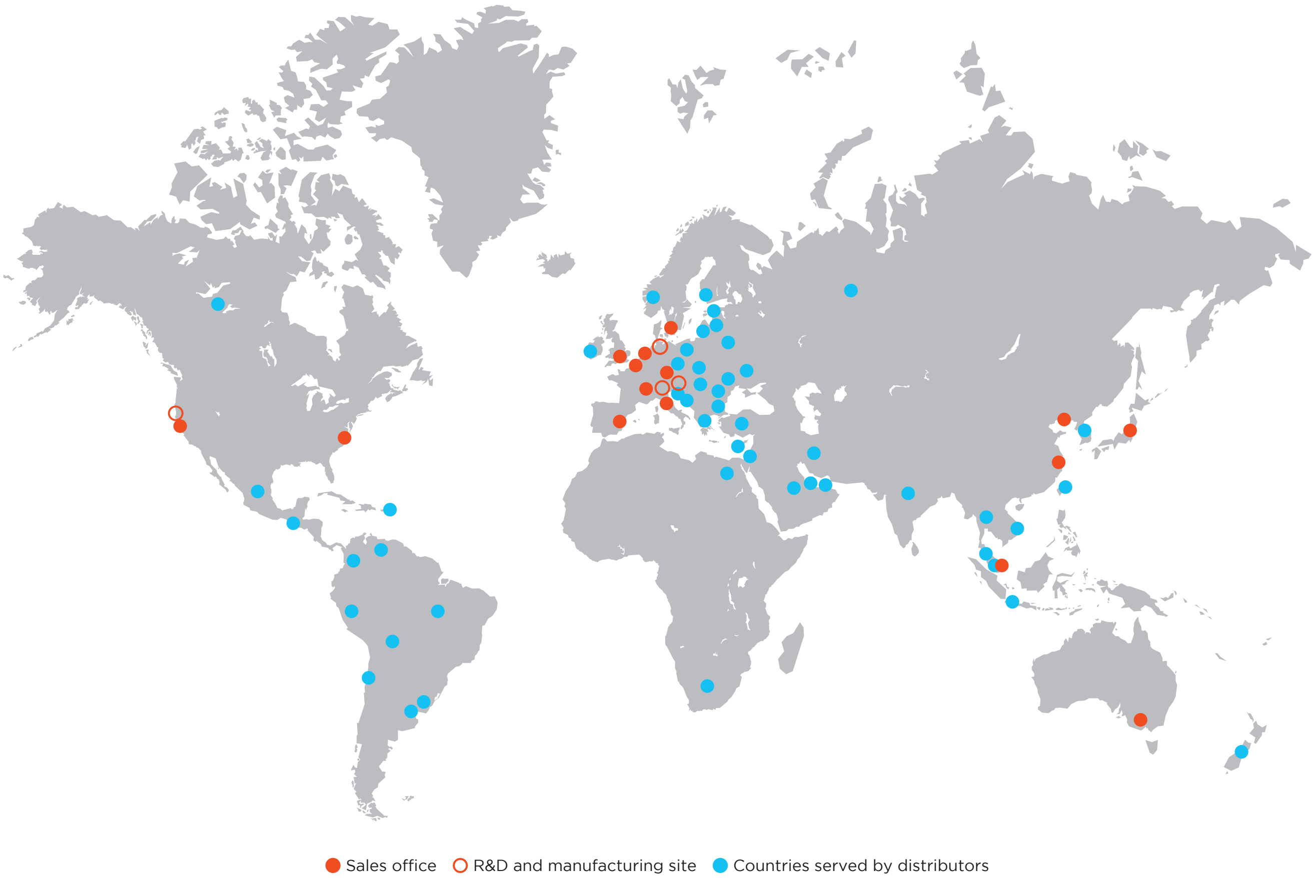
[3] At share price as of Dec 31

[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

Global.



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TECAN.

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