Tecan Annual Report 2018

Empowering the Century of Biology.

Empowering the Century of Biology.

Evolution, heritability, genetic diseases, and cancer. Before our ability to understand DNA, these domains of biology were shrouded in mystery. The way we look at biology changed forever with the discovery of the structure of DNA in 1953 by Watson, Crick, Franklin, and Wilkins. Since then, the late 20th century has brought greater understanding of the principles of biological heritability, the genetic causes of diseases, the intricacies of biological signaling, and much more. Our power to interrogate and take action has increased at an unprecedented pace, aided by computation, lab automation, and the global competitiveness to discover the mysteries and unearth the treasures of the genome.

The effects are being clearly seen in the development of health care in the 21st century. For example, the US Food and Drug Administration (USFDA) approved 59 novel drugs in the USA in 2018 alone, topping its previous record of 53 in 1996. Drugs approved in the last two years include many anticancer drugs, some with entirely novel mechanisms of action for treatment, such as the first products based on gene and cell therapy. Biological drugs will become cheaper as patent protections expire. Today, there are over 1,000 biosimilar drugs under development. Added to that, affordable technology has given rise to a booming number of consumers who want to reveal the secrets hidden in their genes.

The 17th century was a period of wonder, when mankind discovered many principles of the natural sciences. The 18th century focused on exploiting these discoveries in early industrialization. The 19th century was the age of physics: steam, locomotion and mechanization. The 20th century was the age of chemistry, the internal combustion engine, flight, electromagnetism, nuclear energy and the onset of computers, and our very first expeditions into the genome.

The 21st century will be the Century of Biology, when we apply our newfound knowledge to help mankind and the natural world.

Here are some examples of where Tecan plays a role.


21st

Empowering Discovery.

What massive scale genomics can tell us about ourselves as humans

In 1911, Alfred Sturtevant mapped the locations of the fruit fly genes being tracked by his lab. The National Human Genome Research Institute, USA, has compared his gene map to the Wright brothers' first flight at Kitty Hawk, with the Human Genome Project (HGP) being the program that landed man on the moon. The space race provided a technological boost that changed the course of human history while the HGP has revolutionized genome sequencing and transformed the way we view ourselves as a species.

It took the HGP 13 years to reveal three billion bits of genetic information in the human genome that contains 20,500 genes. Since then, expansive research interest and commercial competition have driven enormous advances in genome sequencing, with plummeting costs and increasing accessibility. There are now massive efforts around the globe to sequence genomes on a large scale to generate more data on the causes of disease. More than 1,800 disease genes have been discovered so far and at least 350 biotechnology-based products resulting from the HGP are currently in clinical trials.

Automating workflows in genome sequencing

Aiming to help shape the future of automated workflows in genome sequencing, Tecan already supplies solutions covering key steps in the next generation sequencing methods that evolved from the HGP. Tecan solutions include automated workstations, the consumables and application expertise that are important for the performance of the system. Through the acquisition of NuGEN Technologies, Tecan also has a dedicated solutions offering that includes NGS reagents and kits, making the company the one-stop-shop for the most critical sample preparation step prior to sequencing. Tecan is also supplying major sequencing vendors with critical components as building blocks for the sequencers themselves.

For example, Tecan's Cavro® Air Displacement Pipettor plays a central role in a system developed by Pacific Biosciences, USA, that delivers longer high-accuracy sequencing reads for better coverage of the genome. As Paz Yogev, a Staff Mechanical Design Engineer at Pacific Biosciences, explains, "This OEM solution offers a combination of performance, accuracy, cost and advanced features – including automatic tip detection and ejection, plus liquid level detection – that is very favorable for our application."

As the exploration of the human genome, and other species, accelerates, Tecan solutions are contributing with automation and efficient liquid handling that delivers high reproducibility while minimizing errors.

Massive developments in DNA sequencing technology have enabled highly efficient large-scale mapping of genomes and chromosome architectures.

Empowering Personal Genomics.

How DNA sequencing helps us as individuals

Thanks to the technological leaps made during the Human Genome Project, an entire genome can now be sequenced in a few days for less than $1,000. The sequencer that will deliver the $100 genome may already be on the market.

The genomics revolution has already resulted in the development of more than 1,800 genetic tests for human conditions, making sequencing an invaluable diagnostic and prognostic tool. For example, the identification of mutations in the BRCA1 gene that can cause heritable breast cancer has become a gold standard in cancer research and diagnostics. Not only that, this sort of testing is now starting to be available directly to consumers.

The huge trend of consumer-driven genetic testing
Bringing enabling technology to the consumer has been a key driver in many areas. The falling cost of sequencing and genotyping, which looks at specific points in the genome, is now opening up access to genomics. Just as online services have enabled us to shop in the comfort of our homes, millions of people are now signing up annually to receive genetic data that gives them new insights into their ancestry and health risks within weeks. And the numbers are booming.

Consumer genetic testing is also expected to boost drug development, with the pharma industry starting to leverage the genetic and phenotypic information provided by consenting individuals as a new source for novel medicines. This development is very promising since targets for drugs validated using such genetic information are more likely to benefit patients and make it onto the market. Many of the DNA sequencers in the service labs generating the data use Tecan high precision pumps for the liquid handling steps. And preparing the samples relies heavily on automation, with Tecan solutions helping to deliver the high capacity, speed, and flexibility needed by the service labs running the samples to ensure a rapid turnaround.

The genomics revolution has reached the person on the street. We are truly in the Century of Biology.

Discovering the genetic code in your own DNA is now a reality, giving you the chance to find out more about your ancestry and health risks.

Empowering Diagnostics.

How we can find disease sooner and better then ever before

An estimated 18 million people died from cardiovascular disease in 2016, representing 31% of all global deaths, and this is expected to rise to almost 23.6 million by 2030 (World Health Organization). A third of patients with cardiac conditions may be misdiagnosed initially and the risk of misdiagnosis is particularly serious for women. Heart attacks are a primary symptom and the longer it takes to diagnose and treat a heart attack, the greater the damage.

This is just one example of the importance of early and correct diagnosis. Such tests depend on reliable automation to generate reproducible data, which is why Tecan Partnering has become the partner of choice for the industry.

Revealing what was invisible – the presence of disease

Rapid diagnosis is vital but it would be even better to be able to differentiate between healthy individuals, people at risk, and true patients to provide peace of mind, implement early and effective treatment, and improve prognosis. Depending on the disease, diagnosis can be based on genetic information or other biomarkers requiring highly sensitive analysis.

Several customers of Tecan Partnering have developed technologies with unprecedented sensitivity that enable much earlier detection of time-critical biomarkers – such as the cardiac biomarker troponin, or severe bacterial infections such as *Clostridium difficile* – than would be possible with traditional methods. This enables appropriate care to be initiated much sooner. Such high-sensitivity analysis can effectively identify much lower concentrations of diagnostic markers much sooner, leading to earlier intervention and eventually better patient outcomes. The ability to better define biomarker levels is expected to refine diagnosis, and may even help predict disease.

Tailoring automated systems that scale up the throughput of such innovative tests for the rapid delivery of reproducible and reliable results is another example of how Tecan technology is empowering diagnostics.

State-of-the-art methods improve prognosis by providing the sensitivity needed for early detection of disease based on a simple blood sample.

Empowering Precision Medicine.

How disease can be targeted precisely by tailor-made treatment

Breakthroughs such as whole genome sequencing together with medical insights have driven the development of precision medicine, which identifies the most effective therapy for patients based on their genetic, environmental, and lifestyle factors. As a result, the majority of cancer therapeutics approved by the Food and Drug Administration (FDA) in 2018 were targeted therapies. Even truly personalized medicine is becoming a reality with therapy targeting individual tumors in individual patients.

Precision medicine also includes gene-manipulation methods, such as the promising gene-editing technique CRISPR/Cas9, and targeted cell therapies. Cancer therapy, for example, can involve immunotherapy by injecting T cells capable of fighting cancer cells.

Targeted cell therapy kills malignant cells with minimal side effects
Singapore-based Tessa Therapeutics is one of many Tecan customers in the field of precision medicine. This clinical stage biopharmaceutical company aims to revolutionize cancer treatment by redirecting the body's anti-viral immune response to recognize and kill malignant cells. Unlike many other cell therapies, Tessa's proprietary virus-specific T cells have the ability to infiltrate and survive within solid tumors. This allows them to migrate to the tumor site and kill malignant cells with minimal side effects.

This approach has already shown exciting results in the treatment of advanced nasopharyngeal carcinoma, leading to the world's largest Phase III trial of a T cell immunotherapy for any cancer indication. Tecan technology is playing a key role. As Ruijuan Du, head of quality control at Tessa Therapeutics, explains, "Before any of our products enter a clinical trial they must undergo stringent QC testing." To do this they use a Tecan high-performance multimode microplate reader. "We are really pleased with our Spark® reader, and use it several times a week for QC batch testing. It allows us to rapidly and accurately acquire specific fluorescence readouts, and is easy to use, accurate, and reliable."

As innovative medicine powers on, Tecan empowers with precision.

Medicine is moving from a one-cure-for-all approach to the precise determination of what is needed to effectively treat specific patient groups, and even individuals.

Empowering Environmental Care.

How we can take better care of our world

It has been said many times. We have only one planet and we need to look after it. Taking a natural step in building corporate sustainability, Tecan Group supports the Ten Principles of the United Nations Global Compact that involve meeting fundamental responsibilities in the areas of human rights, labor, anti-corruption, and environment.

As Dr. David Martyr, CEO, wrote in the signatory letter to the UN Secretary-General in December, "We are committed to making the UN Global Compact and its principles part of the strategy, culture, and day-to-day operations of our company, and to engage in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals."

This commitment by Tecan to sustainable development is vital. Not only that, nearly all the sales of Tecan Group are generated in areas defined by the Sustainable Development Goals.

Detection of micro-pollutants at the molecular level

The principles relating to the environment require that businesses "support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies." In line with this, Tecan's advanced technologies are helping organizations and institutions in their efforts to promote environmental care. For example, in collaboration with the consultancy firm ÖKOnsult, researchers at Karlsruhe Institute of Technology in Germany are using Tecan technology to investigate the effects of food additives and pharmaceuticals on aquatic ecosystems, as well as raising social awareness of the problems these micro-pollutants can cause.

Many common food additives and pharmaceuticals make their way directly into aquatic ecosystems. While their effects on humans are well documented, the impact on the environment and marine life forms is largely unknown. The researchers have adopted fluorescence polarization to explore the problem at the molecular level, screening compounds for their affinity to nuclear receptors with the help of Tecan's Spark® multimode microplate reader with enhanced Fusion Optics.

This collaboration specifically supports Sustainable Development Goal 14, Life Below Water, aimed to "Conserve and sustainably use the oceans, seas, and marine resources for sustainable development" – just one way that Tecan technology is empowering customers in their search for better ways to take care of our world.

The drive to improve the state of our planet includes fighting pollution in aquatic ecosystems.

Contents.

Available on the App Store

2018 at a glance

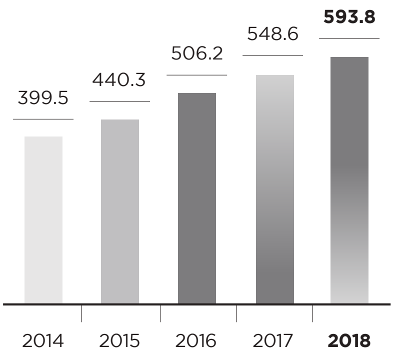
KEY FIGURES

CHF million	2017	2018	Δ in %
Order Entry	564.3	627.0	+11.1%
Sales	548.6	593.8	+8.2%
Sales in local currencies	552.6	593.8	+7.4%
Gross profit	264.9	278.3	+5.1%
in % of sales	48.3%	46.9%	
EBIT	79.8	88.6	+11.0%
in % of sales	14.5%	14.9%	
EBITDA	104.6	110.3	+5.4%
in % of sales	19.1%	18.6%	
Net profit	65.9	70.7	+7.2%
in % of sales	12.0%	11.9%	
EPS (CHF)	5.67	6.02	+6.2%

FINANCIAL SUMMARY

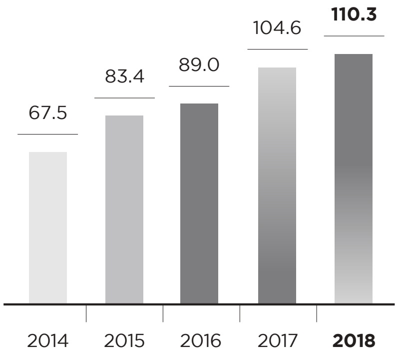
SALES

(CHF million)



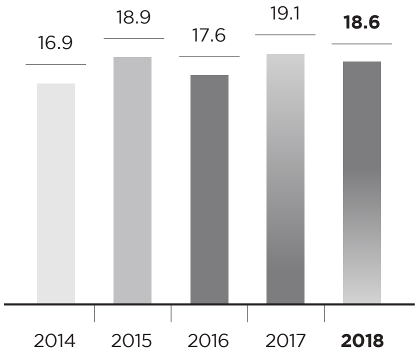
EBITDA

(CHF million)



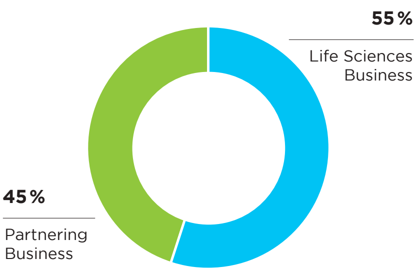
EBITDA MARGIN

(in % of sales)



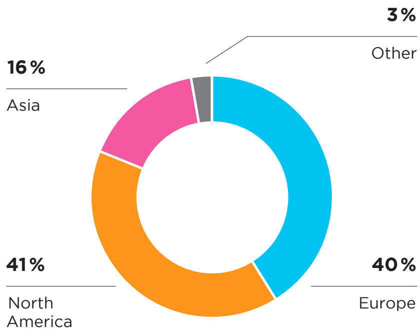
SALES BY BUSINESS SEGMENTS

(in % of sales)



SALES BY REGIONS

(in % of sales)



Dear Shareholders

During 2018, Tecan recorded another year of strong sales growth, a further increase in underlying profitability and a higher net profit. Of particular note is our high order entry in the second half of the year, leading to a substantial increase in order backlog – a solid basis to head into 2019.

Tecan is in a strong position to benefit from the tremendous opportunities that the ‘Century of Biology’ has to offer. With an end-user as well as an OEM business, Tecan has a unique position to bridge from research to diagnostics settings and thereby help our customers with the discovery of novel medications all the way to better diagnosis of diseases.

FINANCIAL RESULTS FULL-YEAR AND SECOND HALF OF 2018

In the year under review, Tecan grew its order entry by 11.1% to CHF 627.0 million (2017: CHF 564.1 million), which corresponds to an increase of 10.3% in local currencies. With an increase of 20.0% in local currencies and by 19.9% in Swiss francs, orders grew particularly strongly in the second half of 2018. Both business segments contributed with double-digit growth rates in the second half. Thanks to the strong order entry, the order backlog was sharply higher as of December 31, 2018. The order backlog also includes a large order in the Life Sciences Business for customized solutions which is likely to be recognized as revenues in 2020.

Sales for fiscal year 2018 climbed by 7.4% in local currencies or 8.2% in Swiss francs to CHF 593.8 million (2017: CHF 548.6 million). On an organic basis, sales grew by 6.8% in local currencies and 7.7% in Swiss francs.

Sales continued their positive trajectory in the second half of the year as well, growing by 7.8% in local currencies and 8.1% in Swiss francs. On an organic basis, excluding sales from NuGEN (now Tecan Genomics) in the last four months of the year, sales grew by 6.8% in local currencies and 7.0% in Swiss francs.

Recurring sales of services and consumables increased for the full year 2018 by 5.9% in local currencies and 6.7% in Swiss francs, and therefore amounted to 41.8% of total sales (2017: 42.4%).

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 5.4% to CHF 110.3 million in the fiscal year (2017: CHF 104.6 million), after acquisition-related costs in a mid-single-digit million Swiss franc amount. The reported EBITDA margin thus reached 18.6% of sales (2017: 19.1%; 18.4% excluding non-recurring positive effects). The EBITDA margin excluding all effects related to the NuGEN acquisition increased to 19.4%, delivering on the margin commitment for the year of “more than 19%”.

Reported net profit for the year 2018 rose by 7.2% to CHF 70.7 million (2017: CHF 65.9 million). Net profit increased less than operating profit as a lower financial result was recorded due to currency hedging losses. The net profit margin was almost unchanged at 11.9% of sales (2017: 12.0%), while basic earnings per share increased to CHF 6.02 (2017: CHF 5.67).

Cash flow from operating activities reached CHF 92.7 million (2017: CHF 99.4 million), thereby corresponding to 15.6% 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 30 and 38. Details regarding the regional development of sales are discussed in the Chief Financial Officer’s Report on page 86.

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

DR. ACHIM VON LEOPRECHTING
EVP and designated Chief Executive Officer

DR. DAVID MARTYR
Chief Executive Officer

STRONG BALANCE SHEET – HIGH EQUITY RATIO

Tecan's equity ratio reached 71.4% as of December 31, 2018 (December 31, 2017: 68.4%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 289.6 million, despite having paid the purchase consideration for the NuGEN acquisition fully in cash in the second half of the year (June 30, 2018: CHF 284.1 million; December 31, 2017: CHF 290.7 million). The company's share capital was CHF 1,176,637 as at the reporting date of December 31, 2018 (December 31, 2017: CHF 1,166,487), consisting of 11,766,372 registered shares with a nominal value of CHF 0.10.

On the basis of the increase of net profit in 2018 and an ongoing positive business perspective, the Board of Directors will propose at the Company's Annual General Meeting an increase in the dividend from CHF 2.00 to CHF 2.10 per share.

PRIORITIES

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

SUCCESS IN IMPLEMENTING PRIORITIES FOR 2018

Our *first priority* was to increase operational efficiency and achieve additional savings on material costs. Considerable progress has been made in recent years, and we can also report further successes for the reporting year, with a savings of several million francs. In R&D, several projects were successfully concluded. These include new instruments and in particular software solutions that open up completely new opportunities for our customers.

In the Partnering Business, which was our *second priority*, we concluded new development agreements and therefore are currently working on more than five customer projects. In addition, we were actively involved in more than 25 concept developments, which form the basis for future development projects. The growth of this business segment in the reporting year shows that we were able to successfully ramp up series production for our existing customers, including for our customers in China.

Our *third priority* was the Life Sciences Business. The recently launched Fluent Gx platform variant for customers from the clinical diagnostic and other regulated markets enjoyed great demand on the market and was therefore an important growth driver for this business segment. Other instruments, such as the Spark reader as well as the service business and consumables also made an important contribution – a priority we had defined for the reporting year. The products of Tecan SP for mass spectrometry sample preparation, which had been sold primarily in the USA, were launched successfully in Europe and generated a lot of interest on the market.

In the area of Corporate Development, which was our *fourth priority*, we successfully concluded another acquisition. With the US-based NuGEN Technologies (now Tecan Genomics), we are accelerating the implementation of our comprehensive genomic strategy and expanding the offering of dedicated total solutions in the new marketing segment of reagents for gene sequencing. We also acquired a minority interest in Andrew Alliance, an innovative company developing affordable benchtop liquid handling robots that use conventional hand pipettes. We continue to have a healthy funnel of other possible M&A targets.

As part of the *fifth priority* we established a comprehensive customer satisfaction program in the reporting year. In addition to the regular comprehensive survey, since 2018 customers are also surveyed directly after transactions, service interventions or at set intervals. This feedback forms the basis for ongoing improvements.

PRIORITIES FOR 2019

As in recent years, we have again defined five business-wide operational priorities for 2019.

We will focus on the ongoing implementation of our comprehensive strategy in the area of Development and Operations as well as ensuring a high level of customer satisfaction. In addition, we continue to work on more efficient processes in procurement and logistics as well as on reducing material and production costs. The ultimate goal remains, however, to ensure that we deliver the highest standards of quality to our customers. The continuous measurement at different points of contact ensures that we can react quickly to customer feedback and make improvements where necessary. In R&D, we aim to achieve a continuously high level of innovation output through the further development of a promising technology portfolio.

A key factor for success in our Partnering Business is the timely development of new instruments for our partners. We also plan to sign new development agreements in our focus areas. For our existing customers, we continue to be a reliable partner in all phases of the market launch of the instruments we have developed and we want to continue our successful expansion into the growth markets of Asia.

We are building on our efforts from previous years, with targeted investments and priority projects in our Life Sciences Business. Here we plan to push ahead with our development towards becoming a provider of integrated total solutions in selected areas of application. This includes in particular the consumables and reagents that we added through acquisitions. We are optimally combining these products with dedicated automation platforms and are expanding the marketing of these products worldwide, and in some regions launching new marketing efforts.

We are also focused on expanding the marketing of our innovative and successful Fluent and Spark platform families, with new variants and with additional functions.

We are also aiming to make some acquisitions in 2019. We have a healthy list of potential M&A targets. Some of the targets we have in mind would be optimal bolt-on additions to our business; others would lead to more transformative transactions. On top of potential new additions, we continue to focus on the careful integration of the most recent acquisitions. In addition, we will continue to develop our strategy further, and in particular with regard to the rapidly advancing digitalization in the laboratory world.

The area of genomics is one of the largest and fastest growing segments in our two main markets. As a result, we placed greater emphasis on business development in this area. Both, our Life Sciences Business and our Partnering Business will benefit from these activities. With the acquisition of the US-based company NuGEN in September 2018, we were able to accelerate our comprehensive genomic strategy. With new dedicated as well as new modular automation platforms that are already under development, we can optimally cover the new client needs that arise due to greater dissemination of genomic technologies.

We will also continue our efforts to further strengthen our corporate culture across all business activities and as a part of all priorities. We believe that doing this is a key factor for the Company's success.

OUTLOOK 2019

We expect sales growth for full-year 2019 to be in the mid- to high single-digit percentage range in local currencies. This forecast does not take account of potential additional acquisitions during the course of the year.

As previously communicated, integration costs together with lower margins associated with the NuGEN acquisition will have an impact on Tecan's reported EBITDA margin. These acquisition-related costs are expected to add up to a high single-digit million Swiss franc amount in 2019.

However, we anticipate that costs related to the NuGEN acquisition as well as the CEO transition will be largely offset by gains in profitability due to the adoption of the IFRS 16 accounting standard regarding leases that becomes effective in 2019. The IFRS 16 gains will be recurring.

We therefore anticipate that the overall reported EBITDA margin will expand to around 19% of sales in 2019.

The expectations for profitability are based on an average exchange rate forecast for full-year 2019 of one euro equaling CHF 1.14 (2018: 1.15) and one US dollar equaling CHF 0.99 (2018: 0.96). Again, no contributions or costs linked to further acquisitions are taken into account.

OUR GRATITUDE

We can look back on 2018 as yet another very successful financial year, which was only made possible by the exemplary commitment of our employees. On behalf of the Board of Directors and the Management Board, we extend our thanks to all our dedicated and talented colleagues around the world for their important contributions. And that of course includes our new colleagues at Tecan Genomics (formerly NuGEN), whom we welcome wholeheartedly to our ranks. We are also grateful to our customers for their loyalty, and to our shareholders and business partners for their trust.

Männedorf, March 7, 2019

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

DR. DAVID MARTYR
Chief Executive Officer

DR. ACHIM VON LEOPRECHTING
EVP and designated Chief Executive Officer

CHANGES AT THE TOP OF THE COMPANY

At the Annual General Meeting on April 17, 2018, Rolf Classon, Chairman of the Board of Directors since 2009, and Gérard Vaillant, a member of the Board of Directors since 2004, did not stand for re-election. On behalf of the Board of Directors, I wish to again warmly thank the departing members for their service over many years. Both Rolf Classon and Gérard Vaillant made an extraordinarily valuable contribution to putting Tecan where it is today, in an outstandingly good strategic position to perform well over the coming years. Operationally, too, Tecan has performed very well in recent years and achieved profitable growth well above the market average.

As announced in mid-January 2019, Tecan's Board of Directors has promoted Dr. Achim von Leoprechting to CEO of the Tecan Group with effect from April 1. In this position, he succeeds Dr. David Martyr, who is retiring after another very successful financial year. Achim von Leoprechting, who has been a member of Tecan's Management Board since 2013, is the ideal candidate to take over as CEO. This internal appointment ensures the utmost continuity in terms of corporate strategy. This is the first time in Tecan's history that the Board of Directors has elected an internal successor, which is firm evidence that a strong management team has been built up in recent years.

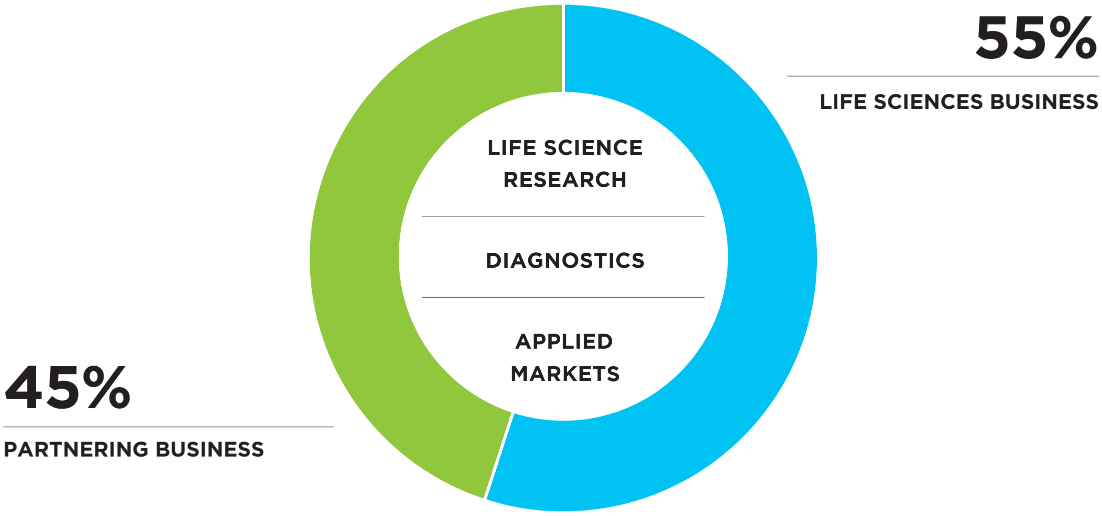
The Board of Directors extends its sincere thanks to David Martyr for his outstanding achievements and wishes him all the very best in his retirement. It was under his leadership that Tecan found its way back to strong growth and sharply higher profitability. Some two-thirds of the 50%-plus sales growth since 2012 was generated organically, largely through product innovation and regional growth. The significant increase in the percentage of recurring sales is particularly noteworthy. These recurring revenues also include sales of functional consumables and reagents from acquisitions, which are optimal additions to our product range.

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

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, environmental and crop research, the food industry, the cosmetic industry and veterinary applications. Automation solutions include instruments, software packages, numerous configurable modules, special application know-how, regulatory expertise as well as consulting, service, plastic consumables and increasingly (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 clinical laboratories. 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, for example. 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. For selected applications, Tecan also increasingly offers integrated total solutions, 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 – mainly diagnostics companies – under their own names as total solutions together with the relevant test kits. 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. 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.

FLUENT GX FOR CUSTOMERS IN CLINICAL DIAGNOSTICS AND OTHER REGULATED ENVIRONMENTS

MARKET DEVELOPMENT AND STRUCTURE AS THE BASIS FOR CORPORATE STRATEGY

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

The volume of the diagnostics market exceeds USD 60 billion and is growing at an annual rate of 3% to 5%. This is the largest sales market for Tecan, accounting for approximately 60% of sales. The market structure in general is dominated by the share of sales generated by diagnostics companies through the sale of reagents and consumables. These recurring sales make up about 80% of the market volume, while the remaining 20% of sales are generated with instruments. However, the instruments are only partly developed and produced by the diagnostic companies themselves, with some being outsourced to specialists such as Tecan. In this sub-sector of the market segment, which has a value of about USD 3.5 billion, Tecan supplies diagnostics companies with automation solutions through its Partnering Business segment. The Partnering Business segment generates more than 90% of its sales in the diagnostic market. Customers then market these instruments under their own name, combined 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. Just over a third of sales in the Life Sciences Business are generated in regulated markets such as clinical diagnostics. 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. Other fast-growing areas of the regulated diagnostics market that Tecan serves directly with automation solutions include molecular diagnostic applications, such as in gene sequencing. The Fluent Gx platform variant was developed for the automation of laboratory workflows in regulated markets.

The life science research market is valued at more than USD 55 billion and is comparable to the diagnostics market in terms of the average annual growth rate. However, there is a difference in its market structure; some two-thirds of sales come from instruments and only about 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 more than USD 3 billion. The automated Liquid Handling & Robotics product group, which is the largest product area at Tecan, generates approximately half of the sales in this market segment. Detection instruments, the second largest instrument group at Tecan, accounts for more than one-quarter of the market segment.

STRATEGY FOR PROFITABLE GROWTH

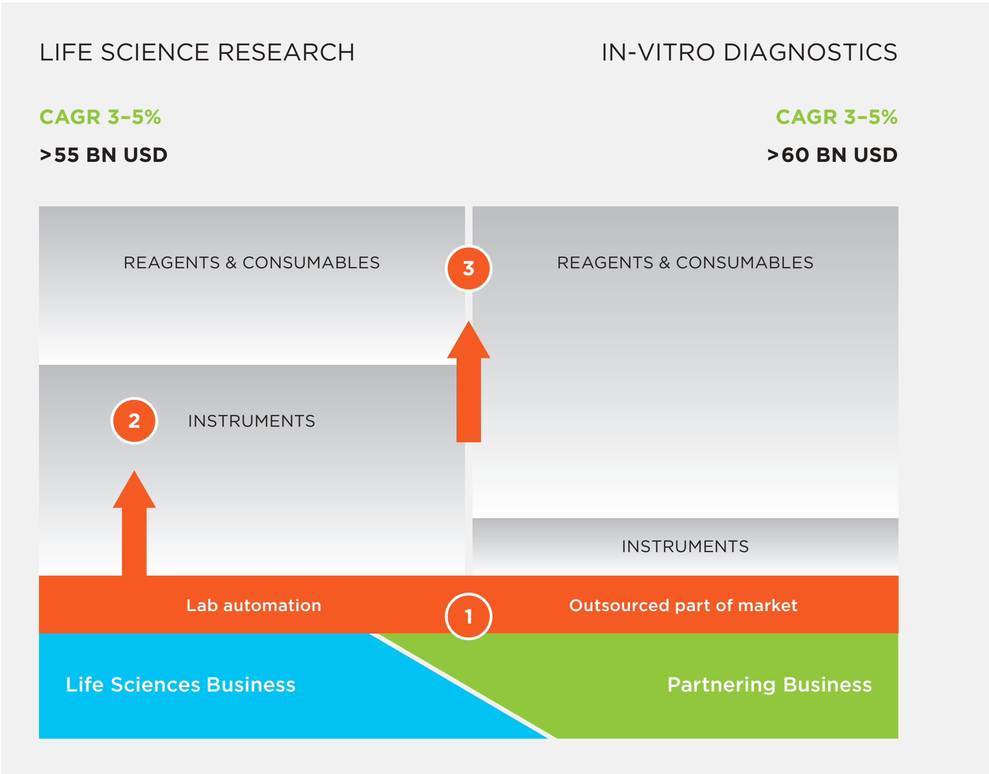
The corporate strategy is based on the structure of the two main markets. It pursues three vectors to ensure sustainable profitable growth.

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 primarily by launching innovative new products. Tecan has introduced next-generation platforms in both of its largest product lines and continuously introduced additional platform variants in recent years. An example of this in the year under review was Fluent Gx for customers in clinical diagnostics and other regulated markets. Several new launches are also planned for 2019.

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 it leverages its proprietary platforms, technologies and service footprint to expand market share. In the components business, part of the Partnering Business, Tecan aims to expand its leading position for liquid handling components. Various customers are launching new instruments and 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 and Pulssar Technologies S.A.S in early 2018 further expanded the Partnering Business and added new corporate customers in in-vitro diagnostics and a well-stocked pipeline of new development projects. Both companies are now an integral part of the Group and have each been merged with a Tecan company. Similar opportunities exist in the Life Sciences Business, such as in the area of instruments for life science research – a rather fragmented market segment with scope for consolidation.

MARKET STRUCTURE



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 in 2016 – since renamed Tecan SP – enables the Company, for example, to offer dedicated instruments in the area of sample preparation for mass spectrometry. As part of its comprehensive genomics strategy, Tecan is also working on developing its own dedicated automation platforms for this area of application.

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 select applications in both markets so as to be able to offer better matched or even fully integrated solutions. For Tecan this includes instruments, software, applications support and, as a crucial element for selected applications, reagents and consumables for the platforms. Tecan now offers a broad portfolio of consumables, most of which are pipette tips used on liquid handling platforms.

In future, however, Tecan will focus even more on fully integrated solutions for selected applications 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 instruments in various areas of application, but has not benefited from recurring revenue from the use of reagents on these platforms. Through several acquisitions, the company now offers complete solutions in three areas:

- Immunoassays for the specialty diagnostics market segment
- Sample preparation for mass spectrometry
- Sample preparation for gene sequencing (NGS, next-generation sequencing). Access was gained to this new market segment in the year under review with the acquisition of NuGEN Technologies.

The offering for these three areas can be expanded going forward, while also adding new applications.

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.

The 21st century has often been described as a century of biological discovery and development – the century of biology. It is estimated that, every six months, the world's laboratories generate more biological data than has ever been created in human history. The ensuing discoveries and their applications will change human life forever.

For example, the new findings are being used with increasing success in drug development. In the US, the Food and Drug Administration (FDA) approved 59 novel drugs in the year under review, breaking the record of 1996. This followed a sharp increase in new registrations in the previous year. The new drugs that have been approved in the last two years include various anticancer drugs, some with entirely novel mechanisms of action for treatment, such as the first products based on gene therapy approaches. One of these groundbreaking drugs, for example, genetically modifies immune cells taken from the patient's blood so that they recognize specific tumor antigens and destroy cancer cells.

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.
Genetic testing for consumers	Another trend that Tecan is benefiting from is the **fast-growing market for genetic testing** carried out directly for consumers. This development was made possible by the rapidly declining costs of gene **sequencing** and other technologies. In the US in particular, this segment has already become a highly relevant market, with approximately 12 million samples tested in 2018. Areas of application include, for example, tests for inheritable diseases or genealogical research. Various work steps are being automated in large laboratories using Tecan instruments.

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 to 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.

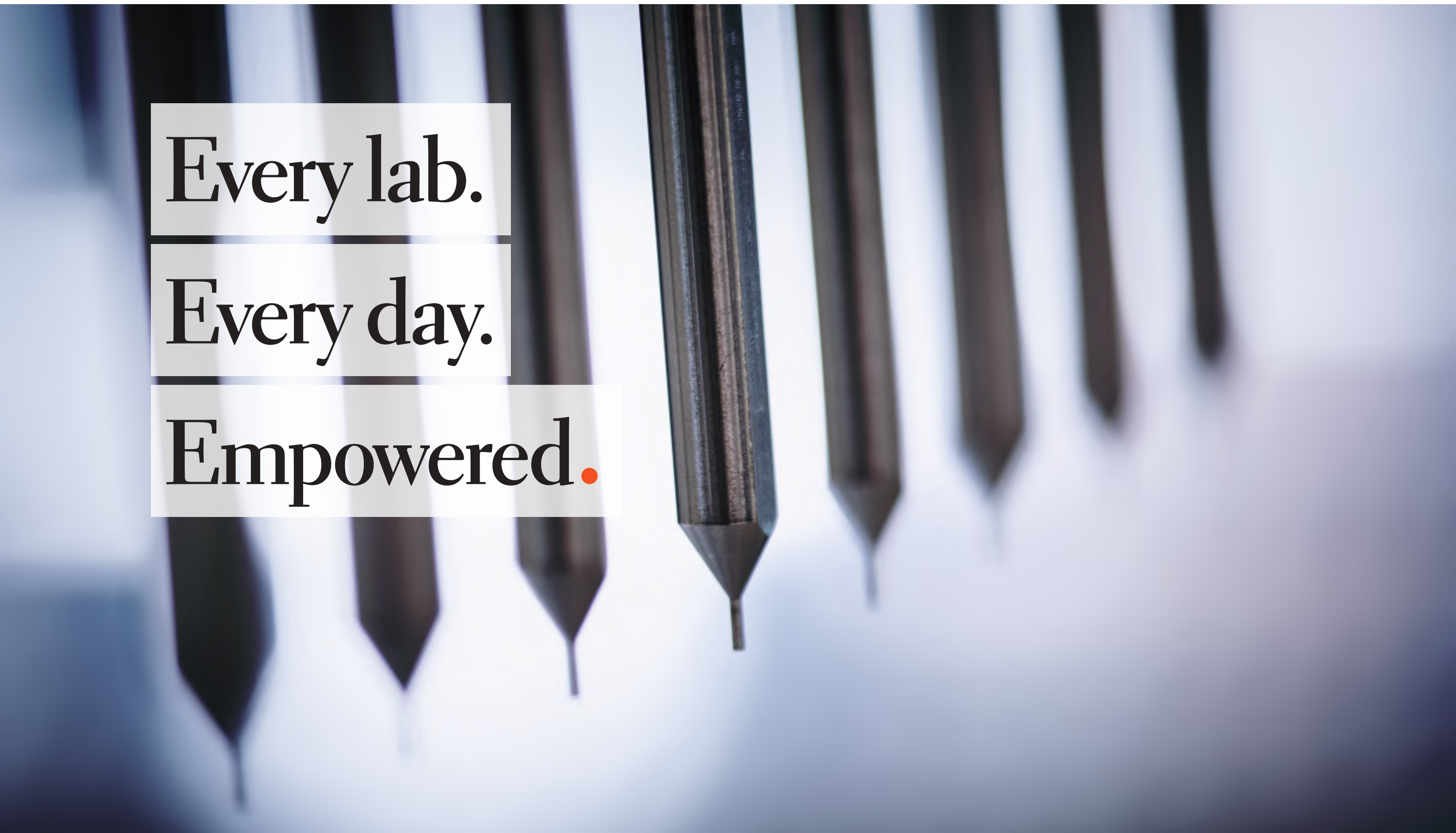
Over and above the technical expertise, Tecan also has extensive application know-how in the various disciplines of life science research and clinical diagnostics. One of the Company's unique selling points and core competences is its ability to bridge the gap between research and the strictly regulated 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 bring this expertise to the development of dedicated automation platforms through partnerships with diagnostics companies and significantly reduce time to market. The steady increase in regulatory requirements presents a major challenge, in particular for smaller companies and companies that are traditionally oriented only toward the research market. Tecan can benefit from these growing market barriers, as it has built up these core competences and invested in regulatory compliance for years.

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 8.6% 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 Tecan'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. Tecan has also arranged for the protection of key branding elements of the new design that has been launched or has 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 long-term 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.

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

In fiscal year 2017, Tecan again carried out a comprehensive international customer survey. It found that the vast majority of customers were satisfied with Tecan's products and services, with most describing themselves as "completely satisfied" or "very satisfied". A large proportion of customers would also recommend Tecan to someone else – both within and outside of their own organization. In addition to the largely positive results, the survey also identified room for improvement, which Tecan addressed in the year under review with appropriate measures. Previous surveys also found that Tecan is synonymous with solid reliability. 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.

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. To further develop customer focus, continuous assessment of customer satisfaction was set up in the year under review, as a further key pillar of the customer satisfaction program. In addition to the regular comprehensive survey, customers are also surveyed directly after transactions, service interventions or at set intervals as of 2018. This feedback forms the basis for ongoing improvements.

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 and after the product name on instruments. 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. A characteristic curve is used as a graphic element to link the various instrument platforms. Individual modules also carry the consistent industry design and are therefore easily identifiable as Tecan products.

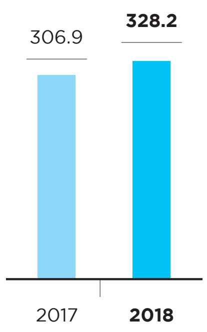

Always there
for you.

Life Sciences Business

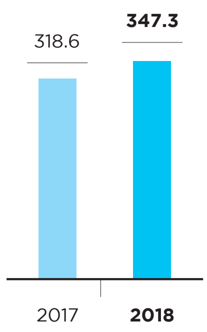
(end-customer business)

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 almost 40 years. In 2018, the Life Sciences Business segment represented 55% of total sales of the Tecan Group.

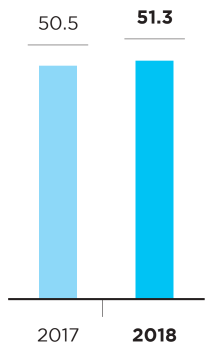
SALES TO THIRD PARTIES LIFE SCIENCES BUSINESS
(CHF million)



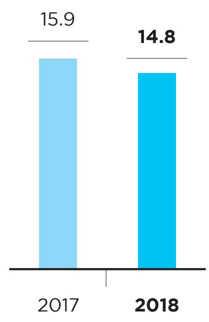
TOTAL SALES[1] LIFE SCIENCES BUSINESS
(CHF million)



EBIT LIFE SCIENCES BUSINESS
(CHF million)



EBIT MARGIN LIFE SCIENCES BUSINESS
(in % of sales)



[1] Sales to third parties + intersegment sales

PERFORMANCE

Sales in the Life Sciences Business increased by 7.0% to CHF 328.2 million in 2018 (2017: CHF 306.9 million) and were 5.6% above the prior-year period in local currencies. On an organic basis (excluding sales from NuGEN for the last four months), sales in 2018 rose by 4.6% in local currencies. After a moderate start into the year, based on a high comparative basis from the prior-year period, sales in the Life Sciences Business accelerated significantly in the second half and were 11.3% above the prior-year period, corresponding to an increase of 10.8% in local currencies. On an organic basis, sales in the second half grew by 8.9% in local currencies. The newly launched Fluent Gx platform variant enjoyed strong demand on the market, which contributed significantly to this growth.

Full-year order entry in the Life Sciences Business segment grew with a double-digit rate, significantly exceeding sales, which resulted in a sharp rise in order backlog.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) rose to CHF 51.3 million (2017: CHF 50.5 million), despite the cost impact from the NuGEN acquisition. The corresponding operating profit margin reached 14.8% of sales (2017: 15.9%).

HIGHLIGHTS OF 2018

- Market launch of Fluent® Gx platform variant for regulated markets; successful registration as a Class I medical device in the US
- Acceleration of broad genomics strategy with the acquisition of NuGEN Technologies

MARKETS AND ORGANIZATION

In the Life Sciences Business segment, Tecan distributes its branded products through its own market organization and distributors in more than 50 countries worldwide. Sales and application specialists communicate with end customers to discuss their various requirements in terms of automating highly diverse laboratory procedures, while service engineers as well as a help desk and expert-line specialists work to ensure a high degree of customer loyalty and satisfaction.

Most of these customers work in the field of life science research and applied markets. Around one-third of sales in this segment are generated from customers in the diagnostics market, for example large reference labs. 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 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, more flexible and user-friendly automation solutions continue to play a key role. The local sales organizations take into account the various needs and requirements of both customer groups.

PRODUCT PORTFOLIO

Within the Life Sciences Business, the largest instrument 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 is the global market leader in automated liquid handling platforms. 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. They are used as independent devices or integrated within the liquid handling workstations 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. Tecan's offering includes instruments, special software packages and application expertise as well as consulting, service and consumables.

In select application areas, 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.

1 EXPANDING THE CORE BUSINESS

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

NEW INNOVATIVE INSTRUMENT PLATFORMS

A continuous stream of innovations and market launches of new instrument platforms and variants thereof set the basis for future growth on the instrument side as well as for recurring revenues generated from services, consumables and reagents.

Fluent: Simplicity – Productivity – Confidence

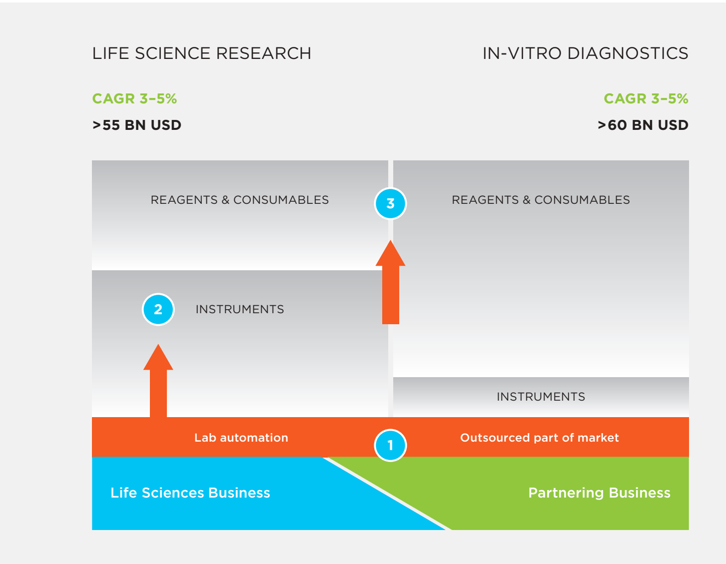
The Fluent Laboratory Automation Workstation is the highest performance platform within Tecan's extensive portfolio of liquid handling solutions for laboratory automation. Fluent is a unique automation concept that provides high precision, superior throughput and extended walkaway time. Employees in the laboratory can get more done, with greater confidence in the results. It is available in three sizes to suit the throughput requirements of almost any laboratory. Fluent was developed around the application-specific needs of laboratories. In recent years, Tecan continuously launched new Fluent solutions on the market that target specific applications. For example, these solutions address the need for automation in the rapidly growing cell biology market, in compound management, in the area of genomics as well as in numerous other fields of application.

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.

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.

The Fluent Gx platform variant was developed for the automation of laboratory workflows in regulated markets and was launched in various regions in the first half of 2018. After successful registration as a Class I medical device, the platform also became available in the US. Its specific functionalities, which facilitate greater process security, traceability of samples and stricter user management, have met with a lot of interest and several major lab chains ordered multiple instruments at once.

In addition, Tecan, through its Partnering Business, is the partner of choice in automation systems for many companies in the in-vitro diagnostics industry. With the availability of Fluent Gx, customers in regulated markets are also able to benefit from the high level of productivity and performance offered by Fluent platforms.



MARKET STRUCTURE

Spark ignites productivity in the lab

The Spark multimode microplate reader is a new generation of reader platform designed to offer greater flexibility and increased productivity for cell biology and genomics customers. The 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. The special fusion optics function provides a unique sensitivity, speed and flexibility. Other options include the 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. Automated cell imaging and confluence measurement allows cell cultures to be incubated and monitored in the measuring chamber.

In the year under review, Tecan has made significant progress in the development of a new platform variant of Spark, aiming to introduce new imaging functionalities into the market in 2019.

In order to provide research laboratories with a more cost-effective entry into state-of-the-art reader technology, Tecan added an updated version of the still highly popular Infinite® 200 PRO series of multimode microplate readers to its product offering in 2017. This proven, reliable reader platform has already been cited in more than 1,800 scientific publications and enjoys great popularity across the world. Customers in the area of life science research can now order one of six application-oriented configurations of the Infinite 200 PRO platform that is perfectly geared to their research and budget.

Beyond the Ordinary – TECAN LABWERX

The speed of change is high in life science research, frequently outpacing the lab industry's development of standard product. Tecan Labwerx creates custom solutions to address the ever-changing needs of the market. At Tecan, automation and robotic systems integration is in the Company's DNA. Tecan's multidisciplinary team of life scientists, engineers and software experts has been creating custom automation solutions for over 20 years, delivering over 1,000 projects – from simple modified workstations to large-scale robotic integrations.

There may not be a readily integrated automation platform that meets the unique needs of new and evolving workflows in a laboratory or manufacturing facility. Innovation in automation instrumentation happens on its own timeline that may not match the unique needs of brand-new biotechnology. With its customizing capabilities, Tecan Labwerx can deliver solutions beyond the ordinary, which was an important contributor to sales and order growth in the year under review.

TECAN LABWERX LOGO

INTROSPECT™: CLOUD-BASED SOFTWARE SERVICE

INCREASING PRODUCTIVITY WITH UNPARALLELED INSIGHTS

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. However, in today's busy labs, mission-critical decisions about laboratory equipment purchases, service contract renewals, consumables spending, and staffing are often made on the basis of incomplete information.

Why did a particular instrument run fail? Why are some protocols less efficient than others – or have more workflow errors? Why do similar tasks take longer to complete at different times of the day, or on different days of the week? To optimize instrument uptime and increase throughput, labs need to get to the root of such questions and identify underlying causes. Historical instrument usage patterns may highlight capacity gaps, helping to deploy resources more effectively, and improve troubleshooting.

In the year under review, Tecan has introduced Introspect™ to help laboratories to increase their productivity with unparalleled insights. Introspect is an easy and secure cloud-based reporting and analysis service. Data from connected automation workstations are displayed on intuitive dashboards with real data on instrument uptime, consumables consumption and run success rates. Introspect completely replaces manually maintained spreadsheets, it automatically gathers instrument runtime, consumables usage, error rates and more, directly from Freedom EVO® or Fluent systems. Even historical and archived instrument data can be uploaded which allows a lab manager to study past data to make informed decisions possible for the future.

One or more instruments, even across multiple locations, can be connected and Introspect dashboards can be viewed on a web-browser anywhere.

EXPANDING PRESENCE IN 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. Since 2012, sales have almost tripled.

In China, laboratories in the largest hospitals 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 or biopharma research. The 13th Five-Year Plan, a blueprint containing the country's social, economic, and political goals, provides continued opportunities for Tecan. One of the ten focus sector areas is to strengthen innovation in science and technology, boosting science spending and reducing bureaucratic barriers for scientists. Improvements in the public health system also continue to be a priority with concrete projects defined to lower the chronic premature mortality rate and further building out the hospital infrastructure in all counties.

In order to exploit the various end markets in China, Tecan is continuing to invest heavily in expanding its marketing and service organization. Headcount in the local organization exceeded 100 employees in the year under review, making China the second largest local organization for Tecan. A larger direct market presence should lead to a further significant increase in sales in China in the coming years.

2 BUILDING UP FURTHER PILLARS IN THE INSTRUMENT MARKET

Tecan is aiming to build up further pillars in the instrument market for life science research. This applies in particular to areas beyond conventional, open and flexible robotics solutions for liquid handling and microplate readers. There are plenty of opportunities here, especially in dedicated instruments for sample preparation. In adjacent markets, Tecan sees opportunities to extend its traditional core business so as to grow faster than the overall markets for life science research instruments. This potential can be accessed both organically and through acquisitions. For example, the acquisition of SPEware (now Tecan SP) in August 2016 makes it possible to offer dedicated instruments in the area of sample preparation for mass spectrometry, which are increasingly being used for automated solid phase extraction. Automated solid phase extraction with positive pressure workstations offers many advantages compared with conventional vacuum-based purification. The positive pressure ensures a steady flow across a series of pillars. Ultimately, better-purified samples can produce higher-quality analytical results that, thanks to automation, are not dependent on the individual user.

The new Resolvex A200 positive pressure workstation increases the productivity of labs by, among other things, enabling longer operating times without user interaction. It weighs less and is more compact, powerful and easier to operate than other models. After a successful market introduction in the US, the Resolvex A200 was also launched in Europe in the year under review. To enable all process steps of a workflow to be automated, Tecan also developed a fully automated solution, integrating the Resolvex A200 in Tecan's liquid handling workstations.

Also in other application areas like genomics, Tecan is developing new dedicated workstations to fully automate specific workflows. Shortly after the acquisition of NuGEN in September 2018 (now Tecan Genomics), Tecan started to develop the NGS DreamPrep, a fully-automated approach to next-generation sequencing (NGS) library preparation for research use. This groundbreaking new approach offers quality controlled, sequencing-ready NGS libraries in just a matter of hours, with minimal manual interaction and no sample loss. NGS DreamPrep is a full walkaway solution that combines the Tecan Fluent liquid handler and Infinite plate reader, together with Celero™ DNA-Seq and Universal Plus mRNA-Seq library preparation kits – an optimized solution that brings significant improvements in speed, flexibility, accuracy and precision.

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 select applications in both markets so as to be able to offer fully integrated solutions as well. Reagents and consumables already contributed about one third 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 specialty diagnostics and life science research as part of the Life Sciences Business, including the reagents or functional consumables used during specific applications. This range of solutions should open up new markets for Tecan, without competing with the typical in-vitro diagnostic customers in Tecan's Partnering Business.

Tecan made the first step in this direction with the acquisition of IBL International in 2014. 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 microtiter plate-based immunoassays for specialty diagnostics. New tests were again added to the broad portfolio in the period under review. A total of about 120 assays have already been tailored to the Tecan automation platform.

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.

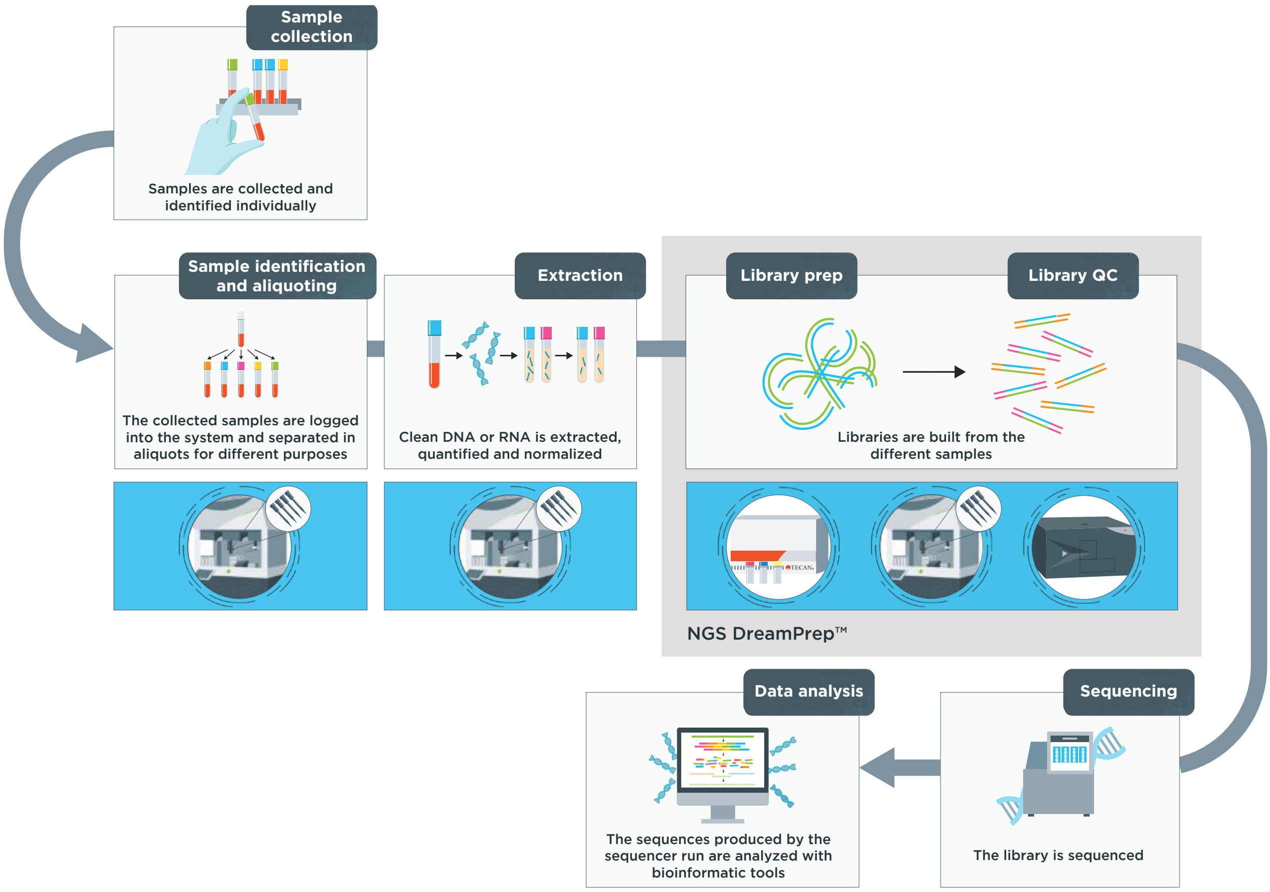
With the acquisition of the US-based SPEware Corporation (Tecan SP), Tecan expanded its offer of dedicated total solutions to a new market segment in the autumn of 2016. Tecan SP is a leading provider of sample preparation solutions for mass spectrometry, previously with a focus on the North American market.

Its comprehensive product portfolio provides analytical laboratories with 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 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 the improved purification of the samples enables longer maintenance intervals. 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. Tecan's application-oriented approach enables it to offer its customers a one-stop shop for everything from receiving samples to sample preparation to transferring sample parameters to the mass spectrometer.

In September 2018, Tecan successfully closed the acquisition of NuGEN Technologies (now Tecan Genomics) to further expand the Company's dedicated solutions offering into the new market segment of next-generation sequencing (NGS). NuGEN has already been a leading provider for innovative NGS kits and genomic sample preparation solutions for the fastest growing field within the genomics area, serving customers in life science research and applied markets. The business will now benefit from Tecan's global presence, customer base and strong position serving the market with automation platforms optimized for NGS sample preparation.

Tecan can now provide innovative genomic sample preparation for NGS and microarrays for a broad range of sample types including RNA and DNA from whole tissues, preserved and prepared tissue samples (FFPE, Formalin-Fixed Paraffin-Embedded), single cells and liquid biopsies such as from blood samples. An example of the innovative product portfolio is the newly launched Celero™ DNA-Seq with NuQuant library system which provides researchers with a simplified library preparation workflow with integrated quantification for DNA sequencing. Next-generation sequencing technologies are currently transforming the life sciences, e.g. the field of cancer research, due to the wealth of genetic information obtained.



NGS SAMPLE PREPARATION WORKFLOW

NGS workflows are composed of multiple complex steps, several of which need to be performed prior to loading samples in the actual sequencer. The most critical step prior to sequencing is the so called library preparation, in which many samples are processed in parallel and its correct performance is key to match the individual DNA sequences with the respective samples again after sequencing. The quality of prepared libraries has a significant impact on the sequencing process, the reproducibility and usability of the data and thereby ultimately on the overall data quality. With large numbers of samples being processed, library preparation can actually cost more than the sequencing itself.

Costs associated with NGS overall are dropping, making the technology more affordable and widely accessible. A higher adoption of NGS and fast growing sample numbers increase the need for automation, a particular strength of Tecan, especially in the genomics area. With automation, labs can increase the throughput and eliminate unnecessary manual steps and sources of error.

EXPANSION OF RECURRING SALES WITH PLASTIC CONSUMABLES

Sales of consumables made of plastic grew strongly again in the period under review. Tecan plans to further expand the share of these recurring sales. Pipette tips, which are used with liquid handling platforms, account for the largest proportion of consumables. 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.

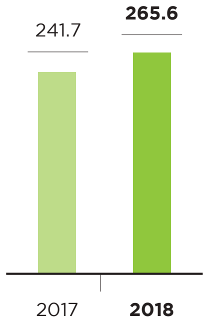
Tecan is continuously expanding its product offering in the area of plastic consumables and benefits from the broad base of existing installed instruments and the strongly growing genomics applications, which demand the use of disposable tips.

Partnering Business

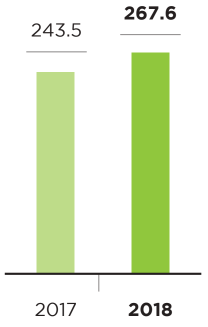
(OEM business)

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 nearly 40 years ago. The share of this business segment in the total sales of the Tecan Group was 45% in 2018.

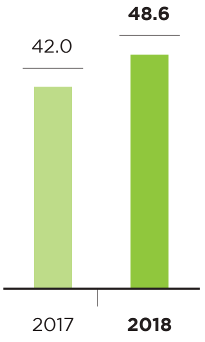
SALES TO THIRD PARTIES PARTNERING BUSINESS
(CHF million)



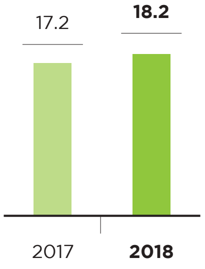
TOTAL SALES[1] PARTNERING BUSINESS
(CHF million)



EBIT PARTNERING BUSINESS
(CHF million)



EBIT MARGIN PARTNERING BUSINESS
(in % of sales)



[1] Sales to third parties + intersegment sales

PERFORMANCE

The Partnering Business generated sales of CHF 265.6 million during the year under review (2017: CHF 241.7 million), which corresponds to an increase of 9.7% in local currencies and 9.9% in Swiss francs. The segment posted continued strong growth from existing instrument platforms, first contributions from newly launched analyzers and the consumables business.

After posting significant growth in the first half of the year, sales in the second half grew by 3.9% in Swiss francs and in local currencies.

Also in the Partnering Business order entry increased at a high rate in fiscal year 2018.

Operating profit in this segment (earnings before interest and taxes; EBIT) rose by 15.9% to CHF 48.6 million (2017: CHF 42.0 million). This positive performance is primarily a result of sales growth and lower acquisition-related integration costs compared to the prior-year period. The operating profit margin improved by 100 basis points to 18.2% of sales (2017: 17.2%).

HIGHLIGHTS OF 2018

- Broad-based strong sales growth from existing and newly launched instrument platforms; considerable progress with a number of development projects
- Development of groundbreaking MAPlinx™ OEM software platform

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. This trend has accelerated in recent years, especially in the development of instruments that automate novel applications such as gene sequencing or other molecular-diagnostic technologies. 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 has developed various well-known diagnostics instruments in the OEM business and serves several hundred customers with components.

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 developer 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. Tecan has a broad range of modular platforms suited to applications with low to high sample 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.

This platform-based approach is very popular in China, too. Many up-and-coming Chinese diagnostics companies are relying on the high-quality platforms of Tecan to automate locally developed tests, for example for molecular diagnostics.

DEDICATED AUTOMATION SOLUTIONS

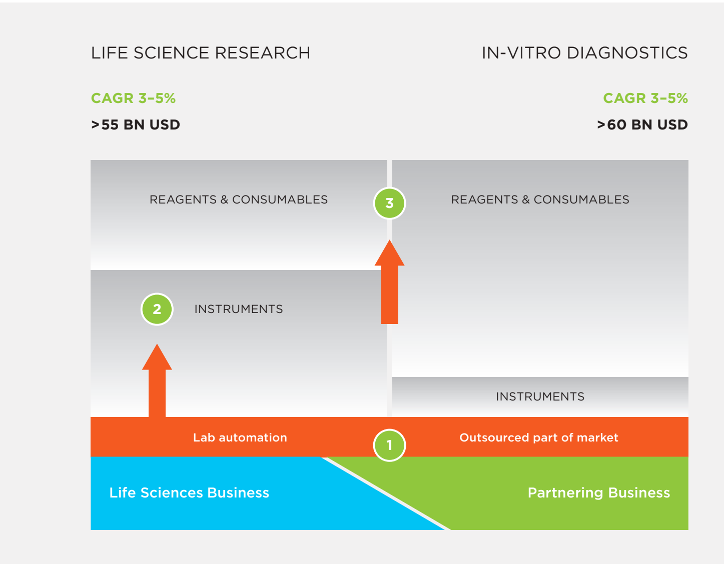
When an OEM customer is looking for a specific product, designed and manufactured to a specific functionality and cost, a dedicated system development can be the most suitable answer. Dedicated systems are usually most appropriate for products with a longer life cycle and when the specific functionality 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.



MARKET STRUCTURE

PRODUCTION OF MAJOR INSTRUMENT PLATFORMS

Tecan has a broad base of OEM customers and is continuously increasing the number of development and 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 for 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. Agilent Technologies has been selected as the main supplier for certain tissue tests by one of the biggest laboratory chains in the US.

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.

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 samples into the ORTHO VISION Analyzer on the fly, allowing for prioritization.

DEVELOPMENT PIPELINE AND PRODUCT LAUNCHES

Tecan made considerable progress with a number of development projects in the Partnering Business and has concluded new development agreements during 2018. More than five projects are currently in the development phase, the sales potential of which ranges from single-digit to clear double-digit million amounts in Swiss francs per year. To continuously fill the development pipeline, Tecan is currently discussing a range of projects with potential future partners. It is the riches project funnel to date, with the majority of projects in the area of molecular diagnostics and other fast growing applications. Furthermore, numerous customers are also developing instruments incorporating innovative Tecan components as elements.

The year under review saw Tecan begin or increase the serial production of new instruments for different partners. For 2019, again several additional market launches are expected.

One such example is the PS-10 Sample Prep System for Japan-based Sysmex Corporation. In 2018 Tecan successfully concluded the development of this new instrument platform. It was developed on the basis of Tecan's new Cavro® Omni Flex platform, which was adapted specifically to the area of flow cytometry.

The PS-10 is a highly automated, flexible sample prep system for laboratory developed tests and routine flow cytometry applications. It helps highly trained operators to concentrate on analyzing data and allows existing laboratory procedures to be easily incorporated.

Flow cytometry is applied in healthcare, microbiology, industrial applications, quality control, as well as plant and animal cytology. The technology makes it possible to carry out real-time, absolute counting of cells, cellular subsets and other particles on a volumetric basis and thereby allowing to detect and measure physical and chemical characteristics of a population of cells or particles.

Recently the Biosciences unit of Lonza Group using Tecan's Freedom Evo platform developed the PyroTec™ Pro Robotic Solution, the first-ever fully automated, plate-based robotic solution for endotoxin detection. The new system includes innovative dynamic software to run the assay and marks a milestone in endotoxin detection, allowing pharmaceutical manufacturers to replace manual, error-prone processes with a fully automated solution.

The PyroTec™ Pro Robotic Solution was unveiled at the beginning of 2019 at a major industry trade show.

THE SYSMEX PS-10 SAMPLE PREP SYSTEM

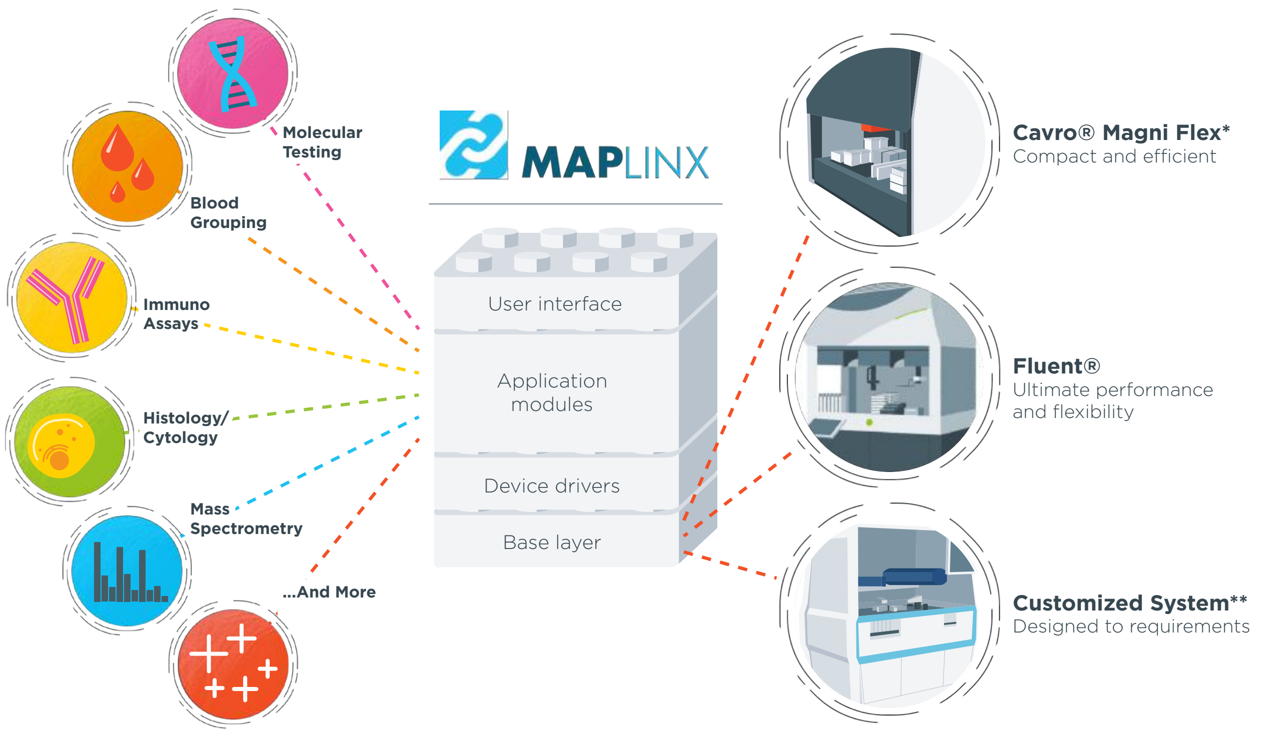
NEW GROUNDBREAKING SOFTWARE PLATFORM AS BASIS FOR FUTURE PROJECTS

In instrument development projects, the importance of software has continuously increased over the years. The software platform hereby has to control the system itself and at the same time needs to cover a wide range of applications. A competitive OEM offering has to therefore include not only modular hardware but also modular software, where parts and software code can be re-used to create new configurations – without having to start from scratch. Fast time to market, reduced life cycle management cost and multi-application utilization are key aspects when it comes to developing software for a dynamic product portfolio in a regulated environment.

With the introduction of the groundbreaking MAPlinx™ OEM software platform, Tecan can address those increasing demands with a design that is based on fully pre-tested modular building blocks. Whether it is sample preparation for next generation sequencing, an automated immunoassay workflow or another application, MAPlinx can be tailored to match an OEM customer's automation needs. It is one common software architecture, regardless of the specific hardware platform or application.

MAPlinx is also at the heart of the new Cavro® Magni Flex platform that was developed for low- to mid-throughput volume needs. Together with the Fluent workstation, Tecan's high-speed automation solution, MAPlinx can also be leveraged for high throughput volumes that are not covered by the Cavro Magni Flex.

The modular components can be adapted for a wide range of applications including molecular testing, blood group analysis, immunoassays, histology/cytology, mass spectrometry and more. This allows Tecan's clients to address different future market needs and leverage the intention of the modular portfolio to be faster to market.



*Instrument not released yet. Coming soon.
**This is a concept not an existing product.

MAPLINX™ OEM MODULAR SOFTWARE

OPENING UP GLOBAL GROWTH MARKETS

As in the Life Sciences Business segment, there is also significant market potential for 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. Asia sales in the Partnering Business grew by 18.3%, particularly boosted by strong growth in China.

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 at present.

3 EXPANSION OF RECURRING REVENUES

The third vector focuses on expanding recurring revenues. In the year under review, the share of recurring revenues from services, spare parts and consumables exceeded one fourth of total segment sales.

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.

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, regulatory, ecological and social aspects. Tecan's business principle is to treat partners – including employees, shareholders, customers, suppliers, government agencies and stakeholders – professionally, fairly and with high ethical standards. In 2018, Tecan became a signatory of the UN Global Compact, fully endorsing its ten principles in the areas of human rights, labor, environment, and anti-corruption.

COMPLIANCE WITH THE SUSTAINABILITY TARGETS OF THE UNITED NATIONS

In September 2015, the United Nations (UN) adopted the 2030 Agenda for Sustainable Development at a sustainability summit convened as a meeting of the General Assembly. The agenda's 17 Sustainable Development Goals (SDGs) target fundamental improvements in the living standards of people alive today as well as of future generations. They also comprise objectives aimed at protecting Planet Earth.

Tecan not only supports the Sustainable Development Goals, but the Company's activities and products allow its customers to have a direct beneficial impact to help reach these sustainability goals. For instance, nearly all the Group's sales are generated in areas that are defined in the individual SDGs. Tecan develops and sells flexible automation solutions that are deployed in a wide area of applications, from drug discovery to the sustainable management of fish stocks in the Atlantic, for example.

Also, some of Tecan's products have a direct beneficial environmental impact. For examples, automated workstations support research into the potential of plant-and microbial-based renewable resources.

By far the largest share of Tecan's Group sales is attributable to SDG 3, which aims to promote good health and well-being for people of all ages. The majority of end-users come from the diagnostics market, accounting for around 60% of total sales. In the various defined sub-goals of SDG 3, Tecan supports both research applications and processes in routine laboratories and helps researchers to discover novel medicines. The use of Tecan products also promotes other UN SDGs, including 2, 6, 14 and 15. Examples of how Tecan products are used in these areas of application are available at www.tecan.com/tecan-journal. Searching for keywords such as "crop", "environment", "food", "fish", "water", "marine" or "animal" will provide specific examples of how customers use Tecan products.

In the search of novel therapies, for example to treat a number of neuromuscular diseases, some researchers use stem cells that can differentiate into other types of cells. Many researchers are doing differentiation of induced pluripotent stem cells (iPSCs) generated directly from adult cells. Some also use embryonic stem cells that were for example excluded as part of preimplantation genetic screening. Tecan's products are used in laboratories around the World for a variety of applications in life science research and diagnostics. Although not specifically designed for research using embryonic stem cells, human fetal tissue or cell lines, customers could adapt and use Tecan instruments for such purposes, e.g. in pre-clinical predictive toxicity testing to discover novel drugs. However, Tecan estimates that overall only a very small number of customers could possibly use its instruments for such applications. Tecan does not perform or has not performed any own research nor has it contracted out such research using embryonic stem cells, human fetal tissue or cell lines. Tecan also does not participate in, or knowingly fund, any external studies that use embryonic stem cells, fetal tissue or cell lines.

SUSTAINABLE DEVELOPMENT GOALS (SDG's)*

End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all ages

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all

Ensure access to affordable, reliable, sustainable and modern energy for all

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Reduce inequality within and among countries

Make cities and human settlements inclusive, safe, resilient and sustainable

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

*Source:
www.un.org/sustainabledevelopment/sustainable-development-goals/

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 enhance efficiency as well as quality and occupational safety, improve internal collaboration and finally increase the Company's profitability. Where possible, the success of the CIP is measured by examining key performance indicators. For example, in production this is done by looking at productivity, throughput time and inventories.

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 identify opportunities 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

ETHICAL VALUES

Since 2018, Tecan is a signatory of the United Nations Global Compact, a voluntary initiative for companies wanting to align strategies and operations with principles of human rights, labor, environment and anti-corruption.

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 the fact that this high level of qualification is internally available and that the Company does not have to depend exclusively on external experts, as is often the case at other companies. With Tecan's industry- and end-market exposure, product offering, location of production sites, no significant risks with the potential to have a substantive financial or strategic impact on the business are expected to result from regulatory requirements on climate change or directly from climate change.

In the 21st century, many business risks are centered around the use of information technologies and systems.

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.

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. In 2018, Tecan carried out an audit regarding cybersecurity with an external specialist. The goal of the audit was to determine the security level, derive a risk level, develop counter measures and compare the security level to other companies. Overall, Tecan reached high security levels and scored above industry benchmarks, especially regarding external security.

Tecan is committed to handling all information (including personal, technical and commercial information) which employees, customers and other stakeholders entrust to it with due care, in compliance with applicable laws and solely for the purposes for which the information was provided or generated. When processing personal information, Tecan pays particular attention to the principles of transparency, lawfulness, proportionality and accountability.

This translates into ongoing efforts which Tecan puts into to safeguarding the safety and integrity of the information it holds both on its premises and its IT infrastructure. Some noteworthy examples of those efforts are:

- Dedicated staff (including a Chief IT Security Officer) and technical and organizational measures to ensure state of the art IT security;
- A Data Protection Governance Structure which comprises a certified Group Data Protection Officer which directly reports to Tecan's Management Board and Board of Directors;
- An online and easily accessible Data Subject Request Portal through which data subjects can invoke the rights they enjoy under applicable data protection laws;
- An advanced and reputable tool for maintaining a registry of all of Tecan's processing activities;
- Ongoing training of Tecan staff in the fields of IT security.

Tecan also 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.

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.

CORRECT AND ETHICAL CORPORATE BEHAVIOR

Tecan has established several organizational control mechanisms with the aim of ensuring correct corporate behavior. In particular, the Internal Audit department has the task of periodically assessing the effectiveness of the internal control system.

The internal control system consists of all organizational measures taken by the Company in order to maintain the effectiveness of its operations, protect the corporate resources, appropriately manage the risks and ensure compliance with laws and regulations, while always keeping a strong focus on the trustworthiness of the financial reporting.

In this perspective, the Internal Audit has the power to check and verify processes, systems, management activities, projects and contracts, acting as a supervisory body independent from operations and is reporting directly to the Audit Committee of the Board of Directors. In 2018, the Audit Committee and Head of Internal Audit had three meetings.

The Head of Internal Audit is a certified member of the Institute of Internal Auditors of Switzerland (SVIR) and the department is subject to the international standards for internal auditing.

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. With the Code, Tecan aims to document internally and externally that the Company is a credible and reliable business partner and employer in all situations. The Code of Conduct also brings together in a comprehensible form the key guidelines that are already included in other tools, such as the employment regulations or the Tecan Management System. 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 smaller 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 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 some 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 other languages, including Spanish, 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.

Due to the broad product portfolio and long life cycles of its products with ongoing spare parts support, Tecan manages a total of more than 500 suppliers at its different production sites. These suppliers are mainly high-tech design and component makers in Europe, North America and Asia, that supply parts or modules to the Company for final assembly. In spending terms between 60 – 80% of Tecan's purchase volume are typically sourced in the same region of the production site to balance cost efficiency, inventory needs, just-in-time delivery, freight cost, experience of suppliers and quality aspects.

Direct suppliers are subject to an audit program and Tecan's most important suppliers are 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.

In order to prevent violations of the Company's Code of Conduct, for employees and for suppliers, the Internal Audit department is in charge to provide assurance that the intended ethical standards are applied and takes the responsibility of the investigations in case events of non-compliance are reported. The Head of Internal Audit is a certified member of the Association of Certified Fraud Examiners (ACFE).

Since 2018, Tecan is a signatory of the United Nations Global Compact, a voluntary initiative for companies wanting to align strategies and operations with principles of human rights, labor, environment and anti-corruption. In the framework of the UN Global Compact, Tecan is committed to supporting and implementing, within its sphere of influence, the ten fundamental principles relating to human rights, labor standards, the environment and the fight against corruption:

i. Protection of human rights
ii. No complicity in abuse of human rights
iii. Recognition of freedom of association and collective bargaining
iv. No forced or compulsory labor
v. No child labor
vi. No discrimination
vii. Precautions against environmental challenges
viii. Promotion of environmental responsibility
ix. Promotion of environment-friendly technologies
x. Fight against corruption.

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 behavior which is not tolerated. 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 this perspective, the representatives of the Company's distribution partners are required to give evidence of their understanding and acceptance of the Tecan Code of Conduct by answering an online questionnaire.

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 2018, Tecan was again subject to a number of sometimes 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. Tecan is also subject to regular extensive audits by international authorities at its production sites. The US Food and Drug Administration (FDA), for example, inspected Tecan's main production sites for instruments in Männedorf (Switzerland), Grödig (Austria) and San Jose (USA) between 2014 and 2016. All audits were successfully concluded with zero formal observations. During 2018, Tecan US, the importer and sales and service arm for the Americas, was inspected by FDA with zero observations. At the production site for immunoassays in Hamburg (Germany), after successfully completing the initial certification for the Medical Device Single Audit Program (MDSAP) in 2017, their first surveillance audit was completed with no major observations in the year under review. The MDSAP is a catalog of requirements for manufacturers of medical products drawn up by a number of participating countries. It aims to ensure that audits are performed in a standard and thus simplified manner. Thus, manufacturers of medical products can gain access to several markets by means of a single audit. Countries currently participating in the MSDAP are the USA, Canada, Japan, Brazil and Australia. Health Canada has mandated transition to MDSAP program in order to market and obtain device licenses for Class 2, 3 and 4 devices as of January 1, 2019. As part of the Company's continuous improvement efforts for 2019, additional Tecan production sites will enroll in the MDSAP program.

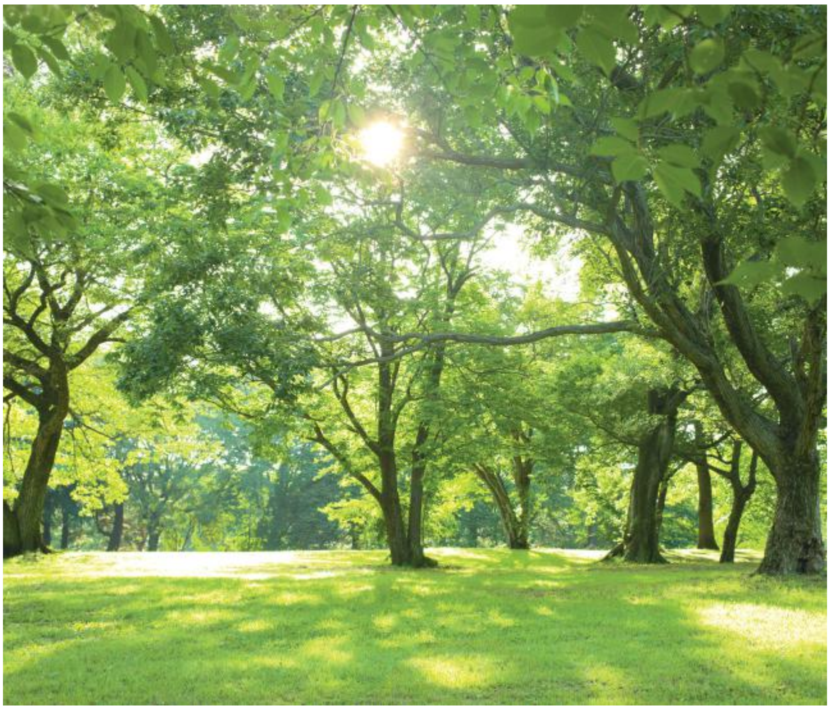
Another focal point in Tecan's regulatory efforts is the supporting of customers in the Partnering Business, with Tecan making key documentation available for authorization applications for new diagnostic instruments as well as forging a strong regulatory partnership to enable successful commercialization, not just at launch but throughout the product life cycle.

ENVIRONMENTALLY RESPONSIBLE BEHAVIOR

Paper consumption decreased by 11.6% compared with the prior year period as more employees use tools provided by the Company that enable completely paper-free processes.

To ensure these efforts were compliant with the relevant regulations, they were based on various ISO standards. 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 have now transitioned to the latest ISO 13485:2016-certification well ahead of the required transition date. During the year under review, Tecan's facility at Tecan SP in California, US, which was acquired in the fall of 2016 transitioned to the Tecan Quality System and became certified to ISO 13485:2016 with no observations. The most important difference versus prior versions of ISO 13485 lies in the greater focus on risk management. As part of the risk assessment, processes are analyzed, for example during the development phase of a product, to determine whether the processes can influence product quality. At the same time as transitioning to the latest ISO 13485 standard, Tecan has completed transition to the current ISO 9001:2015 standard for its production sites.

As part of its ISO certification strategy, Tecan obtained a full, Group-wide matrix certificate based on ISO 13485. The Company wants to ensure that all units worldwide work according to the same processes and strive together to continuously improve their products and services. The matrix certificate also accommodates the current and future Group structure with an increasing number of subsidiaries. In Europe, the sales subsidiary in Germany was awarded the main certificate, while subsidiaries in other countries received sub-certificates. This new method of coordinated certification has benefits for customers and Tecan alike: greater transparency; the possibility to systematically monitor processes worldwide; and harmonized, standardized systems that also accommodate differences in the markets. The matrix certificate results in considerable simplifications and increased safety compared to individual certificates. 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, Canadian Medical Device Regulations SOR/98-282, PMD Act (Pharmaceutical and Medical Device Act) 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. As an example, the Tecan Global Regulatory team is actively working on implementation of the new EU IVDR regulations across the Company's facilities. Although companies have a five year transition time frame, Tecan has launched a global regulatory project during 2018 to ensure readiness and implementation of IVDR by the May 2022 deadline.

Tecan has a central Quality & Regulatory organization at Group level to ensure ongoing improvements in the high quality standards worldwide. In Europe, all the quality systems of the national subsidiaries and organizations have been harmonized and processes standardized, including sales, service and complaint processes. 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. In a Policy Statement for Product Environmental Compliance published on the corporate website, Tecan expresses its commitment to provide customers with safe, high-quality, and environmentally friendly products and to comply with all relevant product environmental legislations. The Company strives to continually identify and realize opportunities to reduce the environmental footprint of its products during product design, manufacture, use and disposal.

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, which provides guidelines for the establishment or improvement of an environmental management system, has not been applied for, as the production sites do not emit CO_2, methane or other greenhouse gases (scope 1 emissions) during the production process. Also, the ISO 14001 standard shares many common traits with ISO 9000, the international standard of quality management, which serves as a model for the ISO 14001 internal structure. Tecan has established the current ISO 9001 standard for its production sites. 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). In the year under review, indirect emissions were further reduced by 7.4% thanks to additional saving measures. Including acquired Tecan SP (formerly SPEware Inc.), total indirect emissions increased by 38.8% for the Group. Total (direct and indirect) emissions excluding Tecan SP fell by 5.9%, which corresponds to a reduction of 39 tons of CO_2 Equivalents (t CO_2 eq). 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. For the year under review, the table shows the values of the production sites in Männedorf (Switzerland), Grödig (Austria), San Jose (USA) and Hamburg (Germany) and for the first time Baldwin Park (USA). Due to changes in the reporting scope, these values are not directly comparable to the previous years.

Tecan aims to be transparent and trustworthy regarding the Company's emissions and therefore participates in the annual Carbon Disclosure Project (CDP) for several years, also allowing its results to be made publicly available.

The areas used at the production sites consist exclusively of offices and rooms for assembling products and are located in already developed commercial and industrial zones. Environmental considerations such as the impact on protected areas and biodiversity are therefore not relevant in the current circumstances. Through the expanded scope (addition of Tecan SP), the net floor area increased by 11.2%.

FOCUS ON ENERGY REDUCTION

Total energy consumption for the year under review increased by 2.1%, including the energy consumption from acquired Tecan SP for the first time. Excluding Tecan SP, the total energy consumption dropped by 6.2%, despite the higher production output and increased business activities. The energy intensity, which is the total energy consumption in relation to sales, decreased by 5.8%, due to energy savings measures.

Based on an energy consumption analysis conducted in 2017, Tecan continued to replace conventional lighting with energy efficient LED technology. At its largest site in Männedorf, Switzerland, about 2,800 new LED lights were installed in the year under review, already helping to save about 100,000 kilowatt hours in 2018. On an annualized basis savings between 160,000 – 180,000 kilowatt hours are expected. At the development and production site in Austria, new LED lighting already saved about 29,000 kilowatt hours in the year under review. Excluding Tecan SP, consumption of electricity dropped by 7.2% despite the increased output.

Tecan continuously invests in measures aimed at further increasing energy efficiency. Energy-saving measures already concluded in 2016 and 2017 include the installation of new cold-water pumps and better insulation of the cooling distribution system as well as the acquisition of a new refrigeration system with a significantly better energy rating in the production facility in Männedorf.

Tecan takes care to ensure that modern, energy-efficient technology is also 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.

Tecan uses water provided by utilities primarily for sanitary services and in the kitchen for the employee restaurants. No significant amounts of water are used as a production factor in the assembly and testing process or during development. As Tecan's water requirements are met entirely by the communal water utilities they do not influence any water resources in protected areas. Overall consumption increased compared to the previous year mainly due to a higher number of employees. Per capita consumption increased from 6.0 to 6.8 m^3/head. Tecan returns water to the sewage system without contamination and has experienced no spills from operating processes or other instances of water contamination.

Paper consumption decreased by 11.6% compared with the prior-year period as more employees use tools provided by the Company that enable completely paper-free processes.

Total amounts of waste increased, also without the inclusion of Tecan SP. The increase is mainly a result of the increased production output as well as renovation work at the Männedorf site. Of the total waste, recyclable waste and refuse accounted for more than 98%. 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 complies with legal requirements to transport and dispose hazardous waste solely through authorized disposal agents.

BUSINESS-RELATED TRAVEL

Tecan operates on a global basis and business-related travel is essential to conduct business and run its operations with production sites, direct selling units and distribution relationships on six continents. Tecan has engaged a leading travel management company to efficiently book and manage the global air as well as a smaller share of its railway travel activities and thereby help contain overall business travel spending. Tecan is reporting for the first time the estimated carbon emissions from business-related air and train travel activities for the year under review and the prior-year period. These values were estimated by the third party travel management company. In 2018, the carbon emissions from business-related air and rail travel activities booked through this provider were 2,528 t CO_2 eq, an increase of 8.3% compared to 2017. This increase is attributable to the overall increased business activities with a higher number of employees. Three regions contributed with more than 90% of those travel-related emissions: about 48% originated from Tecan employees in Switzerland, 28% from employees in the US and another 15% from employees in China.

The carbon emission intensity of business travels (expressed as t CO_2 eq/million CHF sales) stayed constant at 4.3.

Tecan encourages the use of information and communication technologies, for example the use of modern video conference systems to reduce the need for air travel. The Company also incentivizes the use of public transportation where possible, as its availability differs in the various countries. At Tecan's site in Switzerland, its largest site for development, production and office functions, the Company offers its employees a personal yearly travelcard at a significantly reduced rate which is valid in all zones of the Zurich Transport Network. With this contribution, Tecan wants to support its workforce while endorsing environmentally friendly mobility.
Tecan also 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.

MATERIALS

Tecan attaches great importance to using the most environmentally friendly materials and ecologically efficient processes possible. The Policy Statement for Product Environmental Compliance specifically describes the Company's commitment to comply with the following laws and regulations:

- The European Union (EU) Directive on "Restriction of use of certain Hazardous Substances in electrical and electronic equipment", 2011/65/EU (RoHS2 Directive)
- The Management Methods for Restricted Use of Hazardous Substances in Electrical and Electronic Products (China RoHS)
- The European Union (EU) Regulation EC 1907/2006 on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH Regulation),
- The European Union (EU) Directive on Waste Electrical and Electronic Equipment Directive, 2012/19/EU (WEEE Directive)

Employees receive regular training and are familiar with the latest developments in this area.

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's ultimate goal is to prevent the use of conflict minerals (gold, tin, tantalum, or tungsten) that originate from sources whose profits support armed groups and human rights abuses, yet support the use of materials from legitimate sources. The US Dodd Frank Act (section 1502) from 2010, addressing US publicly listed companies, is the first legislation that tackles this problem. Even if not affected directly, Tecan is committed to support its customers to comply with this legislation and adheres to the applicable elements of the OECD Due Diligence Guidance for responsible supply chains of minerals from conflict affected and high-risk areas. 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.

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 ethical guidelines 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. Also by signing the UN Global Compact, Tecan committed to the principles relating to human rights and labor standards.

Tecan has a very cosmopolitan workforce comprising employees from 52 countries. The average age of Tecan employees is 42 years. With the incorporation of the Tecan Genomics (formerly NuGEN Technologies) employees, the total number of employees increased by 12.1%, excluding the new colleagues, the personnel count grew by 7.8% The proportion of women in the workforce increased again to 33.8% (2017: 33.0%). The proportion of female managers was virtually unchanged at 22.4%. Two of seven positions on the Board of Directors continue to be occupied by women.

OVERVIEW OF PERSONNEL FIGURES

	Unit	2016	2017	**2018***
Employee figures				
Employees	No.	1,413	1,482	1,598
Full-time positions	in % of all employees	88.8%	88.7%	88.9%
Part-time positions	in % of all employees	9.8%	11.3%	11.1%
Trainees	No.	20	24	26
New positions created	No.	44	69	116
Gender diversity				
Women	in % of all employees	30.5%	33.0%	33.8%
Men	in % of all employees	69.5%	67.0%	66.2%
Women in management positions	in % of all managers	23.4%	22.8%	22.4%
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	585,204	481,694	574,971
Investments in basic and continuing training	CHF per employee	1,117	981	1,083
Other figures				
Staff turnover rate		11.0%	10.7%	13.8%
Absence rate**		2.3%	2.7%	2.5%
Average number of years of service**	Years	6.8	7.7	7.4
Average age**	Years	41.7	42.5	42.0

* Excluding NuGEN Technologies (now Tecan Genomics)

** Data for Switzerland only

ENVIRONMENTAL PERFORMANCE

	Unit	2016	2016	**2018***
Net floor area	m²	28,249	28,249	31,409
Energy consumption				
Total energy consumption	Gigajoules	18,817.4	18,905.7	19,315.7
Total direct energy consumption	Gigajoules	3,595.3	3,908.8	3,598.9
Total fuel consumption	Gigajoules	0	0	0
Fuel consumption/m²	Gigajoules/m²	0	0	0
Total natural gas consumption	Gigajoules	3,595.3	3,908.8	3,598.9
Natural gas consumption/m²	Gigajoules/m²	0.1	0.1	0.1
Total indirect energy consumption	Gigajoules	15,222.1	14,996.9	15,716.8
Total consumption of electricity	Gigajoules	11,113.8	10,949.2	11,742.3
Consumption of electricity/m²	Gigajoules/m²	0.4	0.4	0.4
Total heating energy	Gigajoules	2,202.6	2,092.1	2,195.9
Heating energy/m²	Gigajoules/m²	0.1	0.1	0,1
Total cooling energy	Gigajoules	1,905.6	1,955.6	1,778.6
Cooling energy/m²	Gigajoules/m²	0.1	0.1	0.1
Total steam consumption	Gigajoules	0	0	0
Steam consumption/m²	Gigajoules/m²	0	0	0
Energy intensity (total energy/turnover)	Gigajoules/CHF million	37.2	34.5	32.5
Water consumption				
Total water consumption	m³	6,694.7	6,576.2	9,133.4
Water consumption per head	m³/head	7.5	6.1	6.8
Paper consumption				
Total paper consumption	kg	25,437.9	25,484.0	22,535.4
Paper consumption per head	kg/head	28.4	23.6	16.8
Percentage of recycled paper	Percentage	80.9	68.8	67.8
Waste consumption				
Total waste	Ton	195.7	178.4	251.9
Normal waste	Ton	85.6	79.3	138.8
Recyclable waste	Ton	107.1	96.7	108.9
Hazardous waste	Ton	3.1	2.4	4.2

* Excluding NuGEN Technologies (now Tecan Genomics)

GREENHOUSE GAS EMISSIONS

	Unit	2016	2017	2018*
Total direct CO_2 emissions (scope 1)	Ton (CO_2 equivalents)	183.76	198.92	194.05
Emissions via fuel consumption	Ton (CO_2 equivalents)	0.00	0.00	0
Emissions via natural gas consumption	Ton (CO_2 equivalents)	183.76	198.92	194.05
Total direct emissions of other greenhouse gases**	Ton	0.00	0.00	0
Total indirect CO_2 emissions via energy procurement (scope 2)	Ton (CO_2 equivalents)	962.35	615.24	638.16
Emissions via electricity procurement	Ton (CO_2 equivalents)	819.84	405.06	583.49
Emissions via heating energy	Ton (CO_2 equivalents)	127.59	205.70	49.26
Emissions via cooling energy	Ton (CO_2 equivalents)	14.92	4.48	5.42
Total indirect CO_2 emissions via business travel (scope 3 estimates for air and railway travel)	Ton (CO_2 equivalents)	n.a.	2,334.1	2,527.6
Emission intensity (emissions/turnover)	Ton (CO_2 equivalents)/CHF million	n.a.	4.25	4.26

* Excluding NuGEN Technologies (now Tecan Genomics)

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

VISION AND VALUES

Tecan's management considers it of key importance to instill the Company's vision and common values in all its employees and ensure they are put into practice. As a common basis for collaboration, it has great importance in Tecan's corporate culture.

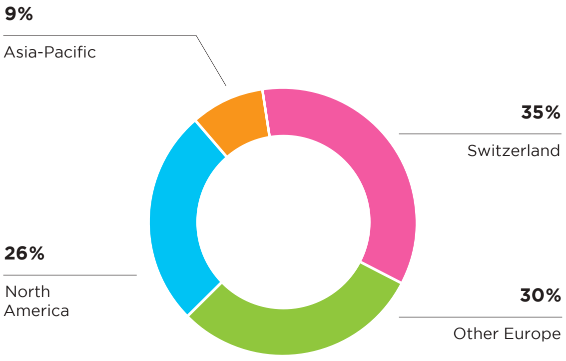
Tecan drafted comprehensive guidelines, common values and principles of conduct for employees, to which the image of the Company is linked as well. The result of this link is the Tecan brand – a key factor for the Company's success. The building blocks of the Tecan brand are graphically visualized in 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 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.

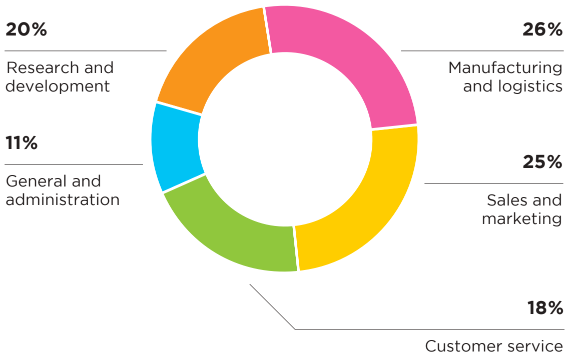
The brand house has firmly established itself in Tecan's day-to-day routine, with the various elements having been integrated into, for example, year-end process and employee meetings as part of their performance review.

Tecan measures and analyzes the satisfaction of its employees on a regular basis by means of an anonymous, Internet-based survey. Regular surveys enable Tecan to ascertain whether its business parameters, processes and structures are appropriate and gauge how motivated and committed its staff are. In this way, Tecan can ensure that it is employing the right staff in the best possible way. The results also help management gain a better understanding of what constitutes employee satisfaction and how staff can be motivated. The survey that was conducted in the year under review was focused on the impact of the Tecan "brand house", for example the defined values. The goal of the survey was to measure the influence and impact the

EMPLOYEES BY REGION*



EMPLOYEES BY ACTIVITY*



* Excluding NuGEN Technologies (now Tecan Genomics)

"brand house" has had on Tecan employees since its introduction in 2015. The survey results will also form the basis for further cultural development activities. Overall, identification of employees with what Tecan stands for was high and the "brand house" well known. Particular high scores were achieved in areas focused around putting in practice the Tecan values and its customer promise.

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". 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.

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, Tecan again invested heavily in basic and continuing training. 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.

These seminars have become a standard and are very 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.


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, 2018, the Company's market capitalization was CHF 2,245 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section 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 of this Annual Report.

IMPORTANT SHAREHOLDERS

As of December 31, 2018, the following shareholders held more than 3% of Tecan's shares:

	2017		**2018**	
	Shares	%	Shares	%
Chase Nominees Ltd., London (UK)	1,546,910	13.3%	1,546,910	13.1%
NN Groep N.V., Amsterdam (NL)	848,426	7.3%	848,426	7.2%
Massachusetts Mutual Life Insurance Company, Springfield MA (US)	577,131	4.9%	677,766	5.8%
UBS Fund Management (Switzerland) AG, Basel (CH)	575,537	4.9%	575,537	4.9%
BlackRock Inc., New York (US)	749,718	6.4%	575,116	4.9%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	572,926	4.9%	572,926	4.9%
T. Rowe Price Associates, Baltimore, MD (US)		<3.0%	348,302	3.0%
Norges Bank (the Central Bank of Norway), Oslo (NO)	345,939	3.0%	345,939	2.9%
Pictet Funds SA, Geneva (CH)	344,811	3.0%	344,811	2.9%
Wellington Management Group LLP, Boston (US)	344,269	3.0%		<3.0%

For more information, please refer to www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

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

	2016	2017	2018
Shares	11,541,371	11,664,872	11,766,372
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,154,137	1,166,487	1,176,637
Legal reserves (CHF)	16,551,751	36,385,751	56,032,468
Net retained earnings (CHF)	247,403,692	231,404,950	226,779,641
Shareholders' equity (CHF)	**265,109,580**	**268,957,188**	**283,988,746**
Conditional share capital			
Reserved for employee participation plans	761,841	638,340	536,840
Shares	76,184	63,834	53,684
CHF			
Reserved for future business development	1,800,000	1,800,000	1,800,000
Shares	180,000	180,000	180,000
CHF			
Authorized share capital			
Expiring on April 17, 2020			
Shares	2,200,000	2,200,000	2,300,000
CHF	220,000	220,000	230,000

As of December 31, 2018, the Company's share capital was CHF 1,176,637 and was divided into 11,766,372 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 11 "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 24,487 options (share option plans) were exercised and 77,013 shares (share plans) were transferred, increasing the Company's share capital by CHF 10,150 and decreasing the Company's conditional capital by 101,500 shares (fiscal year 2017: exercise of 39,053 options, transfer of 84,448 shares, increase of share capital by CHF 12,350 and decrease of conditional capital by 123,501 shares). As of December 31, 2018, 90,040 shares of the conditional share capital were reserved for outstanding employee stock options and 148,652 for outstanding employee shares. These shares correspond to a share capital of CHF 23,869.

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 pre-emptive 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 pre-emptive 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. The Articles of Incorporation are available for consultation at www.tecan.com/tecan-corporate-policies.

AUTHORIZED SHARE CAPITAL

On April 17, 2018, the shareholders approved the creation of authorized share capital in article 3c paragraph 1 of the Articles of Incorporation, which authorizes the Board of Directors to increase the share capital at any time up to April 17, 2020, by a maximum of CHF 115,000 through the issue of not more than 1,150,000 registered shares to be paid in full with a nominal value of CHF 0.10, while preserving the pre-emptive rights of shareholders. The Board of Directors is also authorized in accordance with article 3c paragraph 1 to increase the share capital at any time up to April 17, 2020 by a maximum of CHF 115,000 through the additional issue of up to 1,150,000 registered shares to be paid in full with a nominal value of CHF 0.10, whereby the pre-emptive 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 pre-emptive rights were granted but not exercised must be used by the Board of Directors in the interest of the Company.

The following applies in both cases: 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.

ADDITIONAL REQUIREMENTS TO INCREASE THE SHARE CAPITAL UNDER THE AUTHORIZED AND CONDITIONAL SHARE CAPITAL

As long as the Company has authorized capital in accordance with article 3c of the Articles of Incorporation and if and to the extent that the Board of Directors issues convertible bonds, warrant-linked bonds, similar securities or other financial market instruments to create share capital (conditional capital increase), the right of the Board of Directors to increase the share capital based on article 3c paragraph 1 (authorized capital increase while maintaining pre-emptive rights) and the right of the Board of Directors to increase the share capital based on article 3c paragraph 2 (authorized capital increase with possible exclusion of pre-emptive rights) shall be reduced in each case by the amount of this conditional capital increase in proportion to the maximum amounts specified in article 3c paragraph 1 and article 3c paragraph 2. As long as the Company has conditional capital in accordance with article 3b of the Articles of Incorporation and if and to the extent that the Board of Directors increases the share capital based on article 3c of the Articles of Incorporation (authorized capital increase), the right of the Board of Directors, in accordance with article 3b of the Articles of Incorporation, to issue convertible bonds, warrant-linked bonds, similar securities or other financial market instruments to create share capital (conditional capital increase) shall be reduced by the amount of the aforementioned authorized capital increase. As a result of these provisions, the total authorization will be limited to less than 20% of the share capital. The Company has no convertible bonds and no employee stock options outstanding other than those described above. 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 cancelling 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. Re-election 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 between five and seven hours. 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 Board meetings were held in the year under review, each of which was attended by all members of the Board of Directors. Four meetings or conference calls of the Audit Committee lasting about four hours each were also held. In addition, there were four meetings of the Compensation Committee and several conference calls of the Nomination and Governance Committee.

Board of Directors

DR. LUKAS BRAUNSCHWEILER

Chairman of the Board
Chairman of the Nomination and Governance Committee

Since 2018, elected until 2019
1956
Swiss citizen
PhD in physical Chemistry, Swiss Federal Institute of Technology, Zurich (ETH Zurich) Switzerland

Professional background:
1985 to 1995 Various management positions at Wild Leitz Heerbrugg AG (today Leica Geosystems), Switzerland; Huber + Suhner AG, Switzerland; Saurer Group Holding AG, Switzerland; and Landis & Gyr AG (today Siemens AG), Switzerland; 1995 to 2002 Member of the Group Executive Board and Group Vice President, Mettler-Toledo International, Inc. USA/Switzerland; 2002 to 2009 President and CEO, Member of the Board of Directors, Dionex Corporation, USA; 2009 to 2011 CEO, RUAG Holding AG, Switzerland; 2011 to March 2018 CEO, Sonova Holding AG, Switzerland

Other activities:
Schweiter Technology Group, Member of the Board of Directors; Sonova Holding AG, Member of the Board of Directors; Sulzer AG, Member of the Board of Directors; BURU Holding (private company), Member of the Board of Directors

HEINRICH FISCHER

Vice Chairman of the Board
Chairman of the Audit Committee

Since 2007, elected until 2019
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:
Hilti AG, Chairman of the Board; CAMOX Fund, Member of the Board; Sensirion Holding AG, Member of the Board

DR. CHRISTA KREUZBURG

Chairwoman of the Compensation Committee

Since 2013, elected until 2019
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:
Catalent Inc, Member of the Board

LARS HOLMQVIST

Since 2015, elected until 2019
1959
Swedish citizen
INSEAD, Fontainebleau, France
Business Administration (Mid Sweden University, Sweden)

Professional background:
1983 to 1987, Lederle Labs. Nordic; 1991 to 1993, Becton Dickinson Nordic; 1993 to 1996, 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:
Lundbeck Foundation, Denmark, Member of the board of trustees and Member of the investment committee; 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 and Member of the audit and nomination committee;
Member of Board of Directors and Member of the Audit Committee at Vitrolife AB (publ.), Sweden

DR. DANIEL R. MARSHAK

Since 2018, elected until 2019
1957
US citizen
Ph.D in Biochemistry and Cell Biology, The Rockefeller University, New York, USA; Bachelor in Biochemical Sciences, Harvard University, Cambridge, USA

Professional background:
1986 to 1995 Sr. Staff Investigator, Cold Spring Harbor Laboratory, USA; 1994 to 2000 Sr. Vice President and Chief Scientific Officer and Sr. Vice President, Research and Development and Chief Technology Officer, Osiris Therapeutics, Inc.; 2000 to 2006 Vice President and Chief Technology Officer, Biotechnology and Vice President Research and Development, Biosciences, Cambrex Corporation, USA; 2006 to 2014 his last role Senior Vice President and Chief Scientific Officer, additional positions: President, Emerging Diagnostics, Waltham, USA and Shanghai, China
President, Greater China, Shanghai, China; PerkinElmer, Inc., USA; 2014 to present Consultancy for various companies in the Life Sciences, BioPharmaceutical, and Diagnostics industry

Other activities:
Upside Biotechnologies, Ltd; Member of the Board of Directors;
InVivo Therapeutics Corp (NASDAQ:NVIV), Member of the Board of Directors; LifeVault Bio Inc., Member of the Board of Directors

DR. OLIVER FETZER

Since 2011, elected until 2019
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 2019
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:
SMG (Swiss Management Association), Member of the Board

MEMBERS WHO LEFT TECAN

ROLF A. CLASSON

Chairman of the Board
Chairman of the Nomination and Governance Committee

until April 2019

GÉRARD VAILLANT

until April 2019

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
Dr. Lukas Braunschweiler			Chairman
Heinrich Fischer	Chairman		Member
Dr. Daniel R. Marshak		Member	
Dr. Oliver Fetzer		Member	
Lars Holmqvist	Member		
Dr. Christa Kreuzburg		Chairwoman	Member
Dr. Karen Hübscher	Member		

AUDIT COMMITTEE

The Audit Committee is composed of at least two members. The Committee's principal duties and responsibilities are to form an opinion regarding internal and external audits and to monitor cooperation between the external statutory auditors and the Company; to assess the quality of internal audits and compliance; to review the annual financial statements (both consolidated and single-entity) and interim financial statements destined for publication and report on them to the full Board of Directors; to make recommendations to the full Board of Directors, especially with regard to the approval of annual and interim financial statements; and to monitor the independence, performance and fees of the statutory auditors and propose that they be appointed or reappointed by vote of the Annual General Meeting. Representatives of the external statutory auditors and the internal auditor may attend meetings of this Committee at the invitation of the Chairman.

COMPENSATION COMMITTEE

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

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

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

The Compensation Committee also reviews reports on salary structure and trends and monitors the disclosure requirements pertaining to compensation for senior management and the Board of Directors.

NOMINATION AND GOVERNANCE COMMITTEE

The majority of members of the Nomination and Governance Committee must be independent and non-executive members of the Board of Directors. The Committee consists of three members. It is chaired by the Chairman of the Board. The 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; the compliance, efficiency and effectiveness of business processes; and the implementation of recommendations made by the internal auditors. 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 | ERIK NORSTRÖM

**Executive Vice President
Head of
Corporate Development**

Member since 2017
Joining Tecan in December 2017
1973
Swedish and Swiss citizen
M.Sc. in Chemical Engineering (Chalmers University of Technology, Göteborg, Sweden)
B.Sc. in Business Administration (Göteborg University of Economics and Commercial Law, Sweden)

Professional background:
1999 to 2001 Capex Analyst at F. Hoffmann-La Roche AG, Basel; 2001 to 2008 Corporate Development Director at F. Hoffmann-La Roche AG, Basel; 2008 to 2012 Head of M&A and alliances at Nobel Biocare AG, Zürich; 2012 to 2015 Head of Corporate Development and M&A Member of the Corporate Leadership Team at Nobel Biocare AG, Zürich; 2015 to 2017 Corporate Vice President strategic development and M&A Member of the Corporate Leadership team at Chr. Hansen a/s, Copenhagen, Denmark.

Other activities:
Andrew Alliance S.A., Member of the Board

2 | DR. ACHIM VON LEOPRECHTING

**Executive Vice President
Head of the Partnering Business division
Designated Chief Executive Officer (from April 2019)**

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 | 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

4 | DR. DAVID MARTYR

**Chief Executive Officer
(until March 2019)**

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

5 | 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

6 | 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 Science, member of the Board

7 | DR. KLAUS LUN

Executive Vice President Head of the Life Sciences Business division

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, 2013 to 2017 Executive Vice President, Head of Corporate Development, Tecan Group.

Other activities:
None

8 | 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

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 as well as the statutory additional amount for further members of the Management Board are described in the Compensation Report.

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 2018.

The Articles of Incorporation are available for consultation at www.tecan.com/tecan-corporate-policies. The provisions of the Articles of Incorporation regarding the compensation policy (article 18, sections 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 read 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 2018 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.

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	2017	2018
Total auditing fees of the Group auditor	503	595
Total tax consulting fees of the Group auditor	188	187
Total other consulting fees of the Group auditor	11	52

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 11, 2019	Zurich	Full Year Results 2018, Press Briefing on Annual Results and Analysts' Conference
April 16, 2019	Pfäffikon, SZ	Annual General Meeting
August 15, 2019	Conference Call / Webcast	Half Year Results 2019

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 16, 2019, 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 2018 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 the ultimate goal. In addition, the Performance Share Matching Plan (PSMP) – the stock ownership plan in place for all members of the Management Board – aligns long-term financial incentives with the long-term financial development of the Group. 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, in addition to a specified cash component, a fixed allotment of shares, which 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 (Chairwoman), Oliver Fetzer and Dan Marshak. All members were directly elected by the 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. In the year under review, the Compensation Committee held four meetings in total.

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 variable salary component 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 years, the compensation of the Board of Directors and Management Board 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 2018, a comparison was made of the salaries of the Management Board members by the external specialist Pearl Meyer. Compensation at Tecan was evaluated in comparison with that at three different groups: 1. with selected firms listed on the SIX Swiss Exchange that have similar market capitalization, 2. with selected firms listed on the London Stock Exchange and also with similar market capitalization, and 3. with firms from the same industry sector (Life Science Tools and Services). As a general rule, the compensation paid to individual members of the Management Board is in line with that paid in these benchmark firms, provided that the achievement of the performance targets results in higher variable components. The compensation paid for two roles was identified as below the average. The compensation paid to the CEO is regarded as at the market rate. As in earlier benchmarking exercises, it became evident that the compensation system is more weighted towards the long-term elements, while short-term compensation (the cash component) is less competitive by comparison.

THE SYSTEM

The compensation system for members of the Management Board and the extended Management Board of Tecan Group Ltd. is based on three central pillars: a fixed cash component, a variable cash component, and a variable long-term Performance Share Matching Plan (PSMP). For members of management levels three and four (senior management) at the Tecan Group and key employees, the third pillar consists of either the PSMP or a performance-based option plan. The compensation system for members of management levels one and two (middle management) in most cases consists of two pillars: a fixed cash component and a variable cash 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 provide for a target salary to be determined in cash. 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 of 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 growth 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. In the year under review, financial targets at Group level reached 141% and thus exceeded the overall target. The average payout of 129% to members of the Management Board was below the overall target achievement based on a broader set of targets.

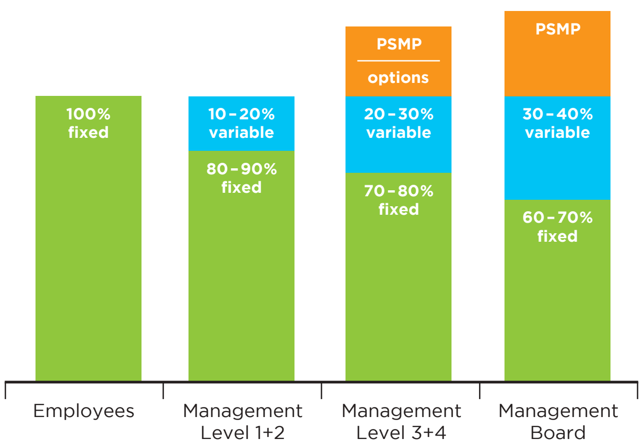
If the defined targets are exceeded, depending on the degree of exceedance, up to 200% of the variable component may be paid out. The Articles of Incorporation stipulate that the CEO's short-term variable compensation may not exceed 150% of the fixed salary and that of the other Management Board members may not exceed 100% of the fixed salary. These and other provisions on compensation may be found in the Articles of Incorporation, which are available for consultation on the Company's website at: www.tecan.com/tecan-corporate-policies

EMPLOYEE PARTICIPATION PLANS

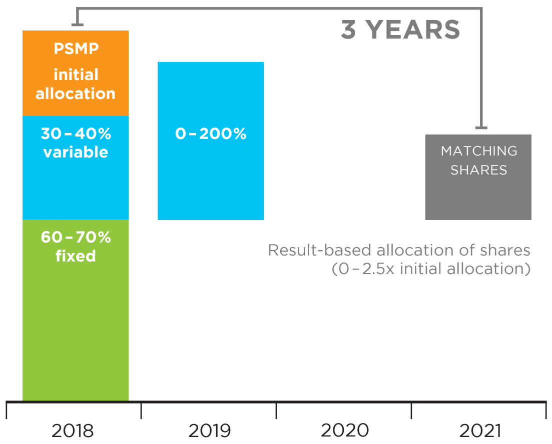
In addition to cash compensation, the members of the Management Board participate in a long-term incentive plan. This Performance Share Matching Plan (PSMP) is based on quantitative targets defined for a three-year period. The 2016 to 2018 cycle came to an end in the year under review. The PSMP is initially (first year of the cycle) based on the 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 of the Tecan Group are reached three years after the allotment of shares. Participants in the PSMP are eligible for matching shares only if a certain economic profit was achieved. This mechanism ensures that shareholders' interests are aligned with those of PSMP participants. The factor used to calculate the matching share portion is between 0x and 2.5x, depending on the degree to which the targets are achieved. 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, among other factors, the two principal components of "sales growth in local currencies" and "EBITDA margin" (as of the 2016 cycle; prior to that the bases were sales growth and EBIT margin), has been devised for the calculation of the matching share factor. The two parameters are linked, meaning that the EBITDA margin must be higher to achieve a specific factor if growth is lower, while higher growth is required if the EBITDA margin is lower. 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.

In 2018, the initial allotment for Management Board members averaged 33% of total compensation.

STRUCTURE OF THE COMPENSATION SYSTEM



STRUCTURE OF THE COMPENSATION SYSTEM MANAGEMENT BOARD



= cash compensation

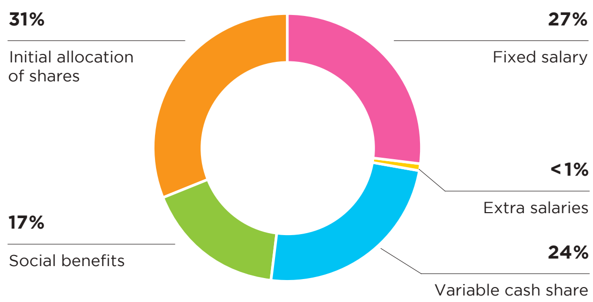
ANNUAL GENERAL MEETING VOTE ON COMPENSATION

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 compensation system of the Tecan Group, with the components described in this chapter, has remained unchanged since 2016.

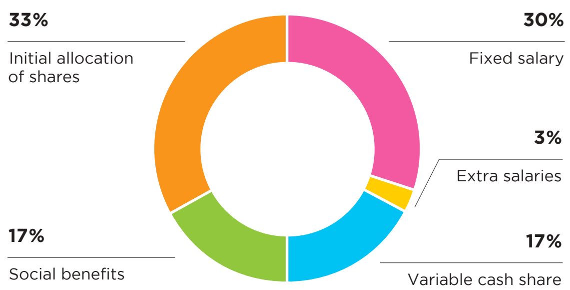
COMPENSATION AND APPROVAL MECHANISM

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 2019 Annual General Meeting the advance approval of compensation for the Board of Directors and Management Board for the fiscal year 2020. For 2019, the Compensation Report will be presented to the shareholders for retrospective, advisory approval at the 2020 Annual General Meeting.

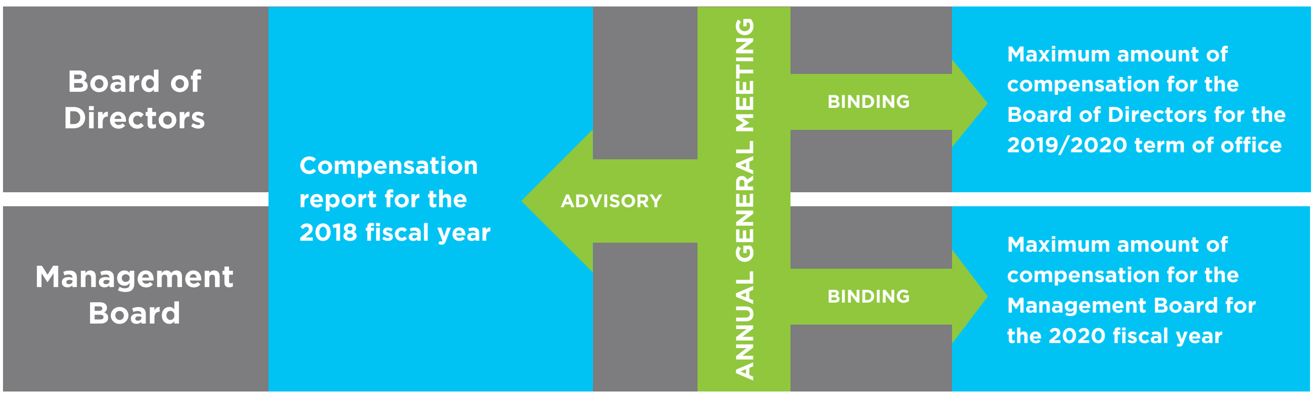
SALARY STRUCTURE CEO



SALARY STRUCTURE MANAGEMENT BOARD (WITHOUT CEO)



COMPENSATION AND APPROVAL MECHANISM



APPLICATION FOR A MAXIMUM TOTAL AMOUNT FOR THE MANAGEMENT BOARD

The Annual General Meeting on April 16, 2019 will be asked to approve a maximum total amount in Swiss francs for compensation of the Management Board for the fiscal year 2020. 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 2020 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 annual 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 2018, the average target attainment of all Management Board members for the variable cash component was approximately 125%, and a matching share factor of 2.5 was attained for the three-year cycle ending in 2018 (2016 to 2018).

In table 1 on page 79, the theoretical maximum amounts from the already completed three-year cycles in the years 2015 – 2017 and 2016 – 2018 are compared with the actual amounts in order to provide a better understanding. These figures are not available for the cycles for the years 2017 – 2019 and 2018 – 2020, 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 Theoretical Maximum Cycle 2015 – 2017		Theoretical Maximum Cycle 2016 – 2018		MOTION 2018 Cycle 2019 – 2021 (anticipated)		MOTION 2019 Cycle 2020 – 2022 (anticipated)	
	2015	2017	2016	2018	2019	2021	2020	2022
Base salary & fringe benefits	2,635		2,701					
Variable salary	2,533		2,604					
Social benefits	878		850					
Contingencies	0		0					
Total cash payments	**6,046**		**6,155**					
(Number of members of the Management Board)	8		8		8		8	
Initial share grant (value)	1,924		2,506					
Potential additional shares (value "Matching Shares")		4,810		6,265				
Social security for granted shares	117	348	173	426				
Potential additional shares (value "Matching Shares") on voluntary shares		4,749		0				
Contingencies	0		0					
Total (potential) long-term incentives		**11,948**		**9,370**				
Motion to AGM					**18,500**		**18,500**	

	Effective Compensation Cycle 2015 – 2017	Effective Compensation Cycle 2016 – 2018	Effective Compensation Cycle 2019 – 2021	Effective Compensation Cycle 2020 – 2022
Base salary & fringe benefits	2,635	2,701		
Variable salary	1,488	1,389		
Social benefits	769	766		
Total cash payments	**4,892**	**4,856**		
Initial share grant (value)	1,924	2,506		
Voluntary shares (value)	568			
Social security for granted shares[1]	197	173		
Additional shares ("Matching Shares"; initial grant and voluntary investment)[2]	10,169	5,579		
Total long-term incentives	**12,858**	**8,258**		
Effective compensation in % as of the theoretical maximum	**99 %**	**84 %**		

All data in CHF 1,000

[1] Cycle 2016-2018: excl. social security for matching shares.

[2] Cycle 2015-2017: share price per 16.3.2018 (CHF 203.00).
Cycle 2016-2018: share price per grant date (CHF 134.20); effective value can vary.

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 82 will therefore generally differ from those in the proposal to the Annual General Meeting and from the values in Table 1 on page 79. 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 cycle that ended in 2018. 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 2018 after the end of their term of office or contract with Tecan respectively.

RELATED PARTY COMPENSATION

No compensation was paid in 2018 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 2018 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 2018 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[4] (Chairman) (till 30.04.2018)	2017	150	27	177	–	501	86	262
	2018	50	7	57	–	–	–	57
Dr. Lukas Braunschweiler (Chairman) (since 01.05.2018)	2017	–	–	–	–	–	–	–
	2018	133	7	140	11	491	108	259
Heinrich Fischer (Vice Chairman)	2017	85	34	119	3	313	54	176
	2018	85	28	113	4	246	54	171
Dr. Oliver S. Fetzer	2017	75	31	106	–	250	43	148
	2018	75	23	98	–	196	43	141
Lars Holmqvist	2017	75	10	85	–	250	43	128
	2018	75	10	85	–	196	43	128
Dr. Karen Hübscher	2017	75	10	85	11	250	43	139
	2018	75	10	85	11	196	43	139
Dr. Christa Kreuzburg	2017	75	18	93	11	250	43	147
	2018	75	20	95	12	196	43	150
Gérard Vaillant[5] (till 30.04.2018)	2017	75	20	95	–	250	43	138
	2018	25	7	32	–	–	–	32
Daniel R. Marshak (since 01.05.2018)	2017	–	–	–	–	–	–	–
	2018	50	13	63	–	196	43	106
Total	**2017**	**610**	**150**	**760**	**25**	**2,064**	**354**	**1,138**
	2018	**643**	**125**	**768**	**38**	**1,717**	**378**	**1,184**

[1] Employer's contribution to social security.

[2] Vesting condition: Graded vesting from May 1, 2017 to April 30, 2018 (Share Plan BoD 2017) and from May 1, 2018 to April 30, 2019 (Share Plan BoD 2018). Vested shares are transferred at the end of the service period (April 30, 2018 and April 30, 2019, respectively). The shares are fully included in the amount of fair value of shares granted.

[3] Formula for 2017: Shares granted in 2017* fair value at grant (CHF 171,30) and formula for 2018: Shares granted in 2018 * fair value at grant (CHF 220,20).

[4] Parting gift not included in the total compensation; worth CHF 9,500 (2017)

[5] Seniority gift worth CHF 4,000 (2017) and parting gift worth CHF 1,500 (2018) not included in the total compensation.

COMPENSATION TO THE MANAGEMENT BOARD

CHF 1,000	Year	Fixed Salary	Calculated variable salary[1]	Taxable fringe benefits[2]	Total cash compen-sation	Social benefits[3]	PSMP: Initial shares granted (number)[4]	Fair value of initial grant[5]	Total com-pensation	Theoretical maximum of matching shares (number) Cycle 2018–2020	Fair value of matching shares pay out Cycle 2015–2017 (2017)[6] Cycle 2016–2018 (2018)[7]
Dr. David Martyr (CEO)[8]	2017	686	575	12	1,273	450	11,620[9]	1,991	3,714	n/a	2,683
	2018	690	623	11	1,324	432	3,625	798	2,554	9,063	2,396
Dr. Rudolf Eugster (CFO)	2017	354	190	9	553	201	2,279	390	1,144	n/a	1,448
	2018	357	211	6	574	228	1,788	394	1,196	4,470	1,182
Other members of the Management Board[10]	2017	1,448	777	136	2,361	782	8,838	1,518	4,661	n/a	4,994
	2018	1,640	903	193	2,736	944	8,059	1,775	5,455	20,148	4,355
Total	**2017**	**2,488**	**1,542**	**157**	**4,187**	**1,433**	**22,737**	**3,899**	**9,519**	**n/a**	**9,126**
	2018	**2,687**	**1,737**	**210**	**4,634**	**1,604**	**13,472**	**2,967**	**9,205**	**33,680**	**7,933**

1 Payment will be made in the following year.

2 Including the first third of the special payment to a new MB member for lost LTI.

3 Employer's contribution to social security and contributions to post-employment benefit plans (including social security on shares transferred during the reporting period).

4 Vesting and granting conditions: Vesting January 1, 2017 (PSMP 2017) granted May 2, 2017. Vesting January 1, 2018 (PSMP 2018) granted May 2, 2018. Vested shares are blocked until the end of the performance period (December 31, 2019 and 2020, respectively).

5 Formula for 2017: Shares granted in 2017 * fair value at grant (CHF 171,30); Formula for 2018: Shares granted in 2018 * fair value at grant (CHF 220,20).

6 Assigned/allocated matching shares * Stock price as 16.03.2018 (CHF 203,00)

7 Assigned/allocated matching shares * Stock price as 28.12.2018 (CHF 190,80)

8 Member of the Managment Board with the highest compensation in 2017 and 2018

9 In 2017, the CEO was granted a one-off 7,000 PSMP shares as an additional long-term incentive (LTI), although the matching share potential is limited to 3,000 shares.

10 2017: Total six members (leaving of a member March, 31; entry of a member Dec,1); 2018: Total six members

Building a better working world

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 7 March 2019

Report of the statutory auditor on the remuneration report

We have audited the compensation report of Tecan Group Ltd. for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 80 in the sections “Compensation to former members of governing bodies”, “Related party compensation”, “Termination benefits”, “Loans and credits”, and “Related parties” and in the tables “Compensation to members of the Board of Directors and Management Board” on pages 81 and 82 of the compensation report.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2018 of Tecan Group Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Financial Report 2018.

Chief Financial Officer's Report

DR. RUDOLF EUGSTER
Chief Financial Officer

Thanks to the strong order entry, the order backlog was sharply higher as of December 31, 2018.

ORDER ENTRY AND SALES

In the year under review, Tecan grew its order entry by 11.1% to CHF 627.0 million (2017: CHF 564.1 million), which corresponds to an increase of 10.3% in local currencies. With an increase of 20.0% in local currencies and by 19.9% in Swiss francs, orders grew particularly strongly in the second half of 2018. Both business segments contributed with double-digit growth rates in the second half. Thanks to the strong order entry, the order backlog was sharply higher as of December 31, 2018. The order backlog also includes a large order in the Life Sciences Business for customized solutions which is likely to be recognized as revenues in 2020.

Sales for fiscal year 2018 climbed by 7.4% in local currencies or 8.2% in Swiss francs to CHF 593.8 million (2017: CHF 548.6 million). On an organic basis, sales grew by 6.8% in local currencies and 7.7% in Swiss francs.

Sales continued their positive trajectory in the second half of the year as well, growing by 7.8% in local currencies and 8.1% in Swiss francs. On an organic basis, excluding sales from NuGEN (now Tecan Genomics) in the last four months of the year, sales grew by 6.8% in local currencies and 7.0% in Swiss francs.

Recurring sales of services and consumables increased for the full year 2018 by 5.9% in local currencies and 6.7% in Swiss francs, and therefore amounted to 41.8% of total sales (2017: 42.4%).

REGIONAL DEVELOPMENT

In Europe, Tecan's full-year sales increased by 12.1% in local currencies and by 14.0% in Swiss francs, with both business segments performing strongly. The Life Sciences Business grew particularly strongly in the second half of the year with sales increasing by 17.1% in local currencies.

In North America, sales grew by 4.7% in local currencies and 4.2% in Swiss francs in 2018. The Life Sciences Business recorded solid growth in this region. The Partnering Business posted moderate growth, mainly due to the high comparative basis of the prior-year period. With a growth rate of 10.9% in local currencies, sales accelerated markedly in the second half of the year.

In Asia, Tecan posted an increase in sales of 2.5% in local currencies and 4.2% in Swiss francs. Sales in the Life Sciences Business were 2.6% below the prior year, while sales in the Partnering Business grew by 18.3%, particularly boosted by strong growth in China.

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 278.3 million Swiss Francs (2017: CHF 264.9 million), which was 13.4 million or 5.1% above the prior-year figure. The reported gross profit margin was at 46.9% – 140 basis points below the prior year (2017: 48.3%).

Several factors impacted the gross profit margin level:
- (-) Higher freight and logistics cost
- (-) Exchange rate impact
- (-) Product and divisional mix
- (+) Price
- (+) Material cost savings

OPERATING EXPENSES LESS COST OF SALES

In 2018, operating expenses grew less than sales and totaled CHF 192.6 million or 32.4% of sales, compared with CHF 186.8 million or 34.0% of sales in the prior-year period. All costs in 2018 include costs from acquired businesses.

Sales and Marketing increased less than sales despite continued investments in the market units.

At an absolute level, net research and development expenses of CHF 51.1 million were unchanged in 2018 compared to the prior-year level. As a percentage of sales, they reached 8.6% of sales (2016: 9.3%). Overall R&D activities and gross expenses ("gross R&D") were higher compared to the prior-year period, including customer funding of OEM projects. Gross R&D was at CHF 72.1 million or 12.2% of sales (2017: CHF 59.2 million or 10.8% of sales).

General and administration expenses increased less than sales, realizing a positive volume effect.

OPERATING PROFIT

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 5.4% to CHF 110.3 million in the fiscal year (2017: CHF 104.6 million), after acquisition-related costs in a mid-single-digit million Swiss franc amount. The reported EBITDA margin thus reached 18.6% of sales (2017: 19.1%; 18.4% excluding non-recurring positive effects). The EBITDA margin excluding all effects related to the NuGEN acquisition increased to 19.4%, delivering on the margin commitment for the year of "more than 19%".

The profit before interest and taxes, EBIT, rose by 11.0% to CHF 88.6 million in the fiscal year (2017: CHF 79.8 million).

NET PROFIT AND EARNINGS PER SHARE

Reported net profit for the year 2018 rose by 7.2% to CHF 70.7 million (2017: CHF 65.9 million). Net profit increased less than operating profit as a lower financial result was recorded due to currency hedging losses. The net profit margin was almost unchanged at 11.9% of sales (2017: 12.0%), while basic earnings per share increased to CHF 6.02 (2017: CHF 5.67).

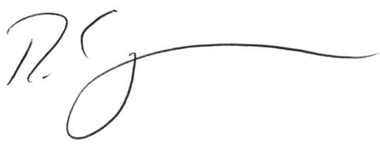
BALANCE SHEET AND EQUITY RATIO

Tecan’s equity ratio reached 71.4% as of December 31, 2018 (December 31, 2017: 68.4%). The company’s share capital was CHF 1,176,637 as at the reporting date of December 31, 2018 (December 31, 2017: CHF 1,166,487), consisting of 11,766,372 registered shares with a nominal value of CHF 0.10.

CASH FLOW

The Cash flow from operating activities reached CHF 92.7 million (2017: CHF 99.4 million), thereby corresponding to 15.6% of sales.

Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 289.6 million, despite having paid the purchase consideration for the NuGEN acquisition fully in cash in the second half of the year (June 30, 2018: CHF 284.1 million; December 31, 2017: CHF 290.7 million).



DR. RUDOLF EUGSTER
Chief Financial Officer

FIVE-YEAR CONSOLIDATED DATA

CHF 1,000	2014	2015	2016	2017 (Restated)[1]	2018
Statement of profit or loss					
Sales	399,518	440,295	506,227	548,559	593,795
EBITDA	67,542	83,401	89,031	104,625	110,322
Operating profit (EBIT)	57,203	66,949	68,137	79,796	88,553
Financial result	(8,059)	(942)	(2,709)	(804)	(5,155)
Income taxes	(8,928)	(8,860)	(10,886)	(13,062)	(12,702)
Profit for the period	40,216	57,147	54,542	65,930	70,696
Research and development, gross	(39,451)	(39,857)	(47,090)	(51,069)	(51,086)
Personnel expenses	(148,130)	(149,813)	(174,217)	(187,451)	(197,320)
Depreciation of property, plant and equipment	(6,271)	(6,213)	(6,750)	(6,969)	(7,699)
Amortization of intangible assets	(4,068)	(10,239)	(14,144)	(16,723)	(14,070)
Impairment losses	–	–	–	(1,137)	–
Balance sheet					
Current assets	423,833	492,353	534,290	602,194	596,048
Non-current assets	128,429	149,129	201,871	201,767	261,623
Total assets	552,262	641,482	736,161	803,961	857,671
Current liabilities	124,581	137,843	141,956	153,142	163,470
Non-current liabilities	66,483	62,966	107,120	100,698	81,792
Total liabilities	191,064	200,809	249,076	253,840	245,262
Shareholders' equity	361,198	440,673	487,085	550,121	612,409
Statement of cash flows					
Cash inflows from operating activities	48,191	99,128	118,801	99,428	92,702
Capital expenditure in property, plant and equipment and intangible assets	(22,629)	(14,723)	(14,322)	(19,641)	(26,193)
Acquisition of NuGEN Technologies, Inc.[2]	–	–	–	–	(43,805)
Acquisition of Pulssar Technologies S.A.S.[2]	–	–	–	(2,895)	–
Acquisition of SPEware Group[2]	–	–	(40,390)	–	(4,546)
Acquisition of SIAS-Xiril Group[2]	–	(18,899)	–	–	–
Acquisition of IBL International Group[2]	(31,835)	–	–	–	–
Change in treasury shares (net)	3,387	32,437	–	–	–
Dividends paid	(16,651)	(16,857)	(20,122)	(20,315)	(23,462)
Other information					
Number of employees (end of period)	1,261	1,368	1,447	1,482	1,662
Number of employees (average)	1,265	1,368	1,368	1,469	1,562
Research and development in % of sales	9.9%	9.1%	9.3%	9.3%	8.6%
Sales per employee	316	322	370	373	380
Information per share					
Basic earnings per share	3.63	5.05	4.74	5.67	6.02
Gross dividend (CHF)[3]	1.50	1.75	1.75	2.00	2.10[4]
Total payout (CHF)[3]	1.50	1.75	1.75	2.00	2.10[4]
Total payout ratio	41.3%	34.7%	36.9%	35.3%	34.9%

[1]Restated due to introduction of IFRS 15

[2]Net of cash acquired

[3]Payment is made in following year

[4]Proposal to the Annual General Meeting of Shareholders on April 16, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2017 (Restated)	2018
Sales	4/5	**548,559**	**593,795**
Cost of sales		(283,677)	(315,472)
Gross profit		**264,882**	**278,323**
Sales and marketing		(84,220)	(89,072)
Research and development	7	(51,069)	(51,086)
General and administration		(51,489)	(52,376)
Other operating income	8	3,324	3,436
Other operating expenses	8	(1,632)	(672)
Operating profit	5	**79,796**	**88,553**
Financial income		31	44
Finance cost		(671)	(735)
Net foreign exchange losses		(164)	(4,464)
Financial result	9	**(804)**	**(5,155)**
Profit before taxes		**78,992**	**83,398**
Income taxes	12	(13,062)	(12,702)
Profit for the period, attributable to owners of the parent		**65,930**	**70,696**
Earnings per share			
Basic earnings per share (CHF/share)	10	5.67	6.02
Diluted earnings per share (CHF/share)	10	5.59	5.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2017 (Restated)	**2018**
Profit for the period		**65,930**	**70,696**
Other comprehensive income			
Remeasurement of net defined benefit liability	11	(3,901)	3,377
Related income taxes		608	(539)
Items that will not be reclassified to profit or loss, net of income taxes		**(3,293)**	**2,838**
Translation differences		3,562	(1,521)
Related income taxes		(241)	111
Items that may be reclassified subsequently to profit or loss, net of income taxes		**3,321**	**(1,410)**
Other comprehensive income, net of income taxes		28	1,428
Total comprehensive income for the period, attributable to owners of the parent		**65,958**	**72,124**

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Cash and cash equivalents	13	246,744	309,412	296,845
Current derivatives	14	3,038	1,017	977
Trade accounts receivable	15	94,987	111,561	105,443
Contract assets		1,885	1,123	2,405
Other accounts receivable		9,784	11,618	13,304
Inventories	16	170,748	160,218	171,709
Income tax receivables	12	1,633	732	1,467
Prepaid expenses		3,497	2,863	3,898
Assets held for sale	3.3	4,140	3,650	–
Current assets		**536,456**	**602,194**	**596,048**
Non-current financial assets	17	692	831	5,105
Investment property	3.3	–	–	3,650
Property, plant and equipment	18	20,290	21,291	25,053
Intangible assets and goodwill	19	164,685	164,303	209,126
Deferred tax assets	12	16,204	15,342	18,689
Non-current assets		**201,871**	**201,767**	**261,623**
Assets		**738,327**	**803,961**	**857,671**

LIABILITIES AND EQUITY

CHF 1,000	Notes	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Current financial liabilities	20	7,780	10,150	9,945
Trade accounts payable		10,057	13,948	14,385
Other accounts payable		14,155	16,666	15,130
Current contract liabilities	21	35,106	37,683	37,392
Income tax payables	12	13,046	12,923	15,474
Accrued expenses		39,894	44,887	51,833
Current provisions	22	21,996	15,345	19,311
Liabilities held for sale	3.3	1,649	1,540	–
Current liabilities		**143,683**	**153,142**	**163,470**
Non-current financial liabilities	20	11,078	8,330	1,588
Non-current contract liabilities	21	46,945	38,960	34,799
Liability for post-employment benefits	11	30,146	36,512	34,091
Non-current provisions	22	4,199	5,335	4,721
Deferred tax liabilities	12	14,794	11,561	6,593
Non-current liabilities		**107,162**	**100,698**	**81,792**
Total liabilities		**250,845**	**253,840**	**245,262**
Share capital		1,154	1,166	1,177
Capital reserve		33,061	36,418	38,861
Retained earnings		485,627	541,576	602,820
Translation differences		(32,360)	(29,039)	(30,449)
Shareholders' equity	23	**487,482**	**550,121**	**612,409**
Liabilities and equity		**738,327**	**803,961**	**857,671**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2017 (Restated)	2018
Profit for the period		**65,930**	**70,696**
Adjustments for			
Depreciation, amortization and impairment losses	18/19	24,829	21,769
Change in provisions and liability for post-employment benefits	11/22	(3,633)	2,625
Interest income	9	(31)	(44)
Interest expenses	9	471	400
Income taxes	12	13,062	12,702
Equity-settled share-based payment transactions	11	12,807	11,153
Fair value adjustment of contingent considerations	8	1,036	(1,894)
Other non-cash items		2,592	15
Change in working capital			
Trade accounts receivable	15	(16,196)	6,657
Inventories	16	11,174	(7,944)
Trade accounts payable		3,551	(3,575)
Contract liabilities	21	(5,678)	(3,940)
Other changes in working capital (net)		3,081	(1,332)
Settlement of contingent consideration	20	–	(290)
Income taxes paid		(13,567)	(14,296)
Cash inflows from operating activities		**99,428**	**92,702**
Acquisition of an unquoted equity investment	17	–	(4,000)
Interest received		29	40
Settlement of contingent consideration	20	–	(4,546)
Acquisition of NuGEN Technologies, Inc., net of cash acquired	3.2	–	(43,805)
Acquisition of Pulssar Technologies S.A.S., net of cash acquired	3.2	(2,895)	–
Purchase of property, plant and equipment	18	(8,142)	(11,800)
Proceeds from sales of property, plant and equipment	18	98	68
Investment in intangible assets	19	(11,499)	(14,393)
Cash outflows from investing activities		**(22,409)**	**(78,436)**
Proceeds from employee participation plans	11.4	3,369	2,454
Dividends paid	23	(20,315)	(23,462)
Increase in/repayment of short-term credit facilities	20	3,216	(3,209)
Increase in bank loans	20	437	–
Repayment of bank loans	20	(1,503)	–
Repayment of mortgage and settlement of interest derivative (held for sale)	3.3	(80)	(1,537)
Interest paid		(282)	(397)
Cash outflows from financing activities		**(15,158)**	**(26,151)**
Effect of exchange rate fluctuations on cash held		807	(691)
Increase/(decrease) in cash and cash equivalents		**62,668**	**(12,576)**
Cash and cash equivalents, net of bank overdrafts at January 1		246,744	309,412
Cash and cash equivalents, net of bank overdrafts at December 31	13	**309,412**	**296,836**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1,000	Notes	Share capital	Capital reserve	Retained earnings	Translation differences	Total share-holders' equity
Balance at January 1, 2017, as previously reported		**1,154**	**33,061**	**485,230**	**(32,360)**	**487,085**
Adjustment from adoption of IFRS 15, net of income taxes	2.3.1	–	–	397	–	397
Adjustment from adoption of IFRS 9, net of income taxes	2.3.2	–	–	p.m.	–	–
Restated balance at January 1, 2017		**1,154**	**33,061**	**485,627**	**(32,360)**	**487,482**
Profit for the period		–	–	65,930	–	65,930
Other comprehensive gain, net of income taxes		–	–	(3,293)	3,321	28
Total comprehensive income for the period		**–**	**–**	**62,637**	**3,321**	**65,958**
Dividends paid	23	–	–	(20,315)	–	(20,315)
New shares issued based on employee participation plans	11/23	12	3,357	–	–	3,369
Share-based payments, net of income taxes	11	–	–	13,627	–	13,627
Total contributions by and distributions to owners		**12**	**3,357**	**(6,688)**	**–**	**(3,319)**
Restated balance at December 31, 2017		**1,166**	**36,418**	**541,576**	**(29,039)**	**550,121**
Profit for the period		–	–	70,696	–	70,696
Other comprehensive gain, net of income taxes		–	–	2,838	(1,410)	1,428
Total comprehensive income for the period		**–**	**–**	**73,534**	**(1,410)**	**72,124**
Dividends paid	23	–	–	(23,462)	–	(23,462)
New shares issued based on employee participation plans	11/23	11	2,443	–	–	2,454
Share-based payments, net of income taxes	11	–	–	11,172	–	11,172
Total contributions by and distributions to owners		**11**	**2,443**	**(12,290)**	**–**	**(9,836)**
Balance at December 31, 2018		**1,177**	**38,861**	**602,820**	**(30,449)**	**612,409**

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, 2018. 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 7, 2019. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 16, 2019.

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 – performance obligations satisfied over time

The Group applies the cost-to-cost method in accounting for performance obligations satisfied over time as outlined in the accounting and valuation principles (see note 2.7.1). The use of the cost-to-cost method requires 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. 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 4 and 21 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 multiplied by 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 the current period, will impact the results of future periods. See note11 for more details.

2.2.3 Income taxes

At December 31, 2018, the net liability for current income taxes was CHF 14.0 million and the net asset for deferred taxes was CHF 12.1 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 (particularly in relation to the US tax reform), 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 instruments, which takes place over a period of more than 10 years, started in October 2014. The customer requests 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, 2018 amounted to CHF 83.3 million.

At December 31, 2018, 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 2018, the Group has capitalized development costs in the amount of CHF 28.8 million as disclosed in note 19.

2.2.6 Impairment test on goodwill

At December 31, 2018 total goodwill amounted to CHF 133.5 million. The Group performed the mandatory annual impairment tests at the end of June for goodwill for Partnering Business and end of December for Life Sciences Business. 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 19.

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, 2018:

Standard/interpretation[1]
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
IAS 40 amended 'Investment Properties' – Transfers of Investment Properties
IFRS 2 amended 'Share-based Payment' – Classification and Measurement of Share-based Payment Transactions
IFRS 9 'Financial Instruments'
IFRS 15 'Revenue from Contracts with Customers'

[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 impact of these changes on the consolidated financial statements is disclosed below:

2.3.1 IFRS 15 'Revenue from Contracts with Customers'

a) Impact of adopting the new standard

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. The new standard applies to all revenue arising from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method with the initial application as of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017. The adoption had the following impact:

CHF 1,000	Reported	Adjustment	Restated
Consolidated balance sheet at January 1, 2017			
Trade accounts receivable (construction contracts in progress)	2,058	(2,058)	–
Contract assets	–	1,885	1,885
Inventories	168,409	2,339	170,748
Current and non-current deferred revenue	(80,324)	80,324	–
Current and non-current contract liabilities	–	(82,051)	(82,051)
Accrued expenses	(40,294)	400	(39,894)
Current provisions	(21,596)	(400)	(21,996)
Deferred tax liabilities	(14,752)	(42)	(14,794)
Shareholder's equity (retained earnings)	**485,230**	**397**	**485,627**
Consolidated balance sheet at December 31, 2017			
Trade accounts receivable (construction contracts in progress)	1,514	(1,514)	–
Contract assets	–	1,123	1,123
Inventories	158,724	1,494	160,218
Current and non-current deferred revenue	(75,294)	75,294	–
Current and non-current contract liabilities	–	(76,643)	(76,643)
Accrued expenses	(45,176)	289	(44,887)
Current provisions	(15,056)	(289)	(15,345)
Deferred tax liabilities	(11,587)	26	(11,561)
Shareholder's equity (retained earnings)	**541,796**	**(220)**	**541,576**

CHF 1,000	Reported	Adjustment	Restated
Consolidated statement of profit or loss 2017			
Sales	548,399	160	548,559
Cost of sales	(282,832)	(845)	(283,677)
Operating profit	**80,481**	**(685)**	**79,796**
Income taxes	(13,130)	68	(13,062)
Profit for the period	**66,547**	**(617)**	**65,930**
Earnings per share			
Basic earnings per share (CHF/share)	5.73	(0.06)	5.67
Diluted earnings per share (CHF/share)	5.64	(0.05)	5.59

There was no material impact on the other comprehensive income or the statement of cash flows.

The adoption of IFRS 15 reduced the possibility to use the percentage of completion method and changed the timing of the revenue recognition for engineering services. In addition, the presentation in the balance sheet and certain disclosures were modified.

b) New accounting policies

Accounting policies applied for revenue from contracts with customers: see note 2.7.1.

2.3.2 IFRS 9 'Financial Instruments'

a) Impact of adopting the new standard

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for all periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting of financial instruments: classification and measurement, impairment and hedge accounting.

The Group applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

The introduction of IFRS 9 had no impact, neither on the balance sheets as at January 1 and December 31, 2017 nor on the statement of profit or loss and other comprehensive income 2017. The following table compares the original measurement categories under IAS 39 with the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at January 1, 2017 and December 31, 2017.

CHF 1,000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial asset classes				
Cash and cash equivalents	Loans and receivables	Amortized cost	246,744	246,744
Receivables	Loans and receivables	Amortized cost	95,763	95,763
Rent and other deposits	Loans and receivables	Amortized cost	997	997
Currency forwards	Derivatives	Mandatorily FVTPL	3,074	3,074
Balance at January 1, 2017			**346,578**	**346,578**
Financial liability classes				
Current bank liabilities	Other financial liabilities	Amortized cost	1,103	1,103
Payables and accrued expenses	Other financial liabilities	Amortized cost	49,929	49,929
Currency forwards	Derivatives	Mandatorily FVTPL	6,822	6,822
Bank loans	Other financial liabilities	Amortized cost	1,660	1,660
Contingent considerations	Fair value (IFRS 3)	FVTPL (IFRS 3)	9,273	9,273
Balance at January 1, 2017			**68,787**	**68,787**

CHF 1,000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial asset classes				
Cash and cash equivalents	Loans and receivables	Amortized cost	309,412	309,412
Receivables	Loans and receivables	Amortized cost	112,382	112,382
Rent and other deposits	Loans and receivables	Amortized cost	1,107	1,107
Currency forwards	Derivatives	Mandatorily FVTPL	1,174	1,174
Balance at December 31, 2017			**424,075**	**424,075**
Financial liability classes				
Current bank liabilities	Other financial liabilities	Amortized cost	4,329	4,329
Payables and accrued expenses	Other financial liabilities	Amortized cost	58,904	58,904
Currency forwards	Derivatives	Mandatorily FVTPL	1,283	1,283
Bank loans	Other financial liabilities	Amortized cost	1,229	1,229
Contingent considerations	Fair value (IFRS 3)	FVTPL (IFRS 3)	11,639	11,639
Balance at December 31, 2017			**77,384**	**77,384**

b) New accounting policies

Accounting policies applied for financial instruments: see note 2.7.8.

2.3.3 Other changes

The adoption of the new interpretation and amended standards did not result in substantial changes to the Group's accounting policies.

2.4 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

Standard/interpretation[1]	Effective date for the Group
IFRIC 23 'Uncertainty over Income Tax Treatments'	Reporting year 2019
IAS 19 amended 'Employee benefits' – Curtailment or Settlement	Reporting year 2019
IAS 28 amended 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures	Reporting year 2019
IFRS 9 amended 'Financial Instruments' – Prepayment Features with Negative Compensation	Reporting year 2019
IFRS 16 'Leases'	Reporting year 2019
Annual Improvements to IFRSs 2015–2017	Reporting year 2019
Conceptual Framework for Financial Reporting	Reporting year 2020
IAS 1 'Presentation of Financial Statements' amended and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' amended – Definition of Material	Reporting year 2020
IFRS 3 'Business Combinations' – Definition of a Business	Reporting year 2020
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)

The Group intends to adopt these standards, if applicable, when they become effective. The impact of these changes on the consolidated financial statements is disclosed below:

2.4.1 IFRS 16 'Leases'

IFRS 16 addresses the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (lease liability) and an asset representing the right of use of the underlying asset during the lease term (right-of-use asset). Lessees will be required to separately recognize the interest expense related to the lease liability and the depreciation expense related to the right-of-use asset.

In accordance with IAS 17, all operating lease arrangements are currently reported off-balance sheet (see note 27.2).

The Group will apply IFRS 16 on January 1, 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance as at January 1, 2019, with no restatement of comparative information.

Based on the numbers currently available, the Group estimates that it will recognize right-of-use assets (mainly for rental properties) of CHF 48.6 million and corresponding lease liabilities in the same amount as at January 1, 2019. The adoption of the standard will result in a portion of the costs currently recorded as operating lease expenses being recognized as interest expenses within the financial result. Given the current low interest rate environment, the Group does not expect the effects of the adoption IFRS 16 to have a material impact on the operating profit.

2.4.2 Other changes

Other changes, individually and in the aggregate, are not expected to have a significant impact on the balance sheet, results of operations and cash flows of the Group upon adoption.

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 upon 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 the 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 Revenue recognition, contract assets and liabilities

Sale of standard instruments and other goods such as spare parts, trade products, consumables or reagents – The sale of standard instruments and other goods is generally considered as one performance obligation. The Group recognizes revenue at the point in time, when control of the asset is transferred to the customer, generally upon delivery.

Sale of complex instruments – The sale of complex instruments generally follows the same principles as the sale of standard instruments. However, as the sale of a complex instrument requires significant installation and application work at the customer's site, control of the asset is only transferred and accordingly revenue recognized upon the written acceptance by the customer. For sales orders with multiple instruments and high integrations costs, the Group determines the number of performance obligations individually and assesses whether the performance obligation(s) is/are satisfied over time. For revenue to be recognized over time, the following criteria must be fulfilled cumulatively: The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Sale of customized instruments ('Partnering Business') – The sale of customized instruments comprises the development and supply of instruments with a customer-specific design. The development (adaption of existing Tecan-technology to the customer's specifications) and supply of the instruments is generally considered as one performance obligation due to the limited usability of and control over the pure development result for the customer. Therefore, the related customer-specific development costs are capitalized in the position inventories as part of the production costs. Once the development is completed, the customer requests the units with individual purchase orders. The Group recognizes the corresponding development costs in cost of sales upon fulfillment of the individual purchase orders.

Engineering services without delivery of instruments – Engineering services are generally considered as one performance obligation. Revenue is recognized upon finalization of the project (at a point in time). For larger engineering orders the Group assesses whether the performance obligation is satisfied over time. For revenue to be recognized over time, the following criteria must be fulfilled cumulatively: The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Performance obligations satisfied over time – method of revenue recognition and presentation (sale of complex instruments and engineering services) – The progress is generally measured by using a cost-to-cost approach: costs incurred for the work performed to date in proportion to the estimated total project costs. According to the progress, 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 'contract assets') or net liabilities (included in the position 'contract liabilities'). When it is probable that the total costs will exceed contract revenue, the rules of IAS 37 – 'Onerous Contracts' are applied.

Service contracts – Revenue from service contracts is recognized over time based on the time elapsed.

Warranty obligations – The Group provides standard warranties for the repair of defects that existed at the time of sale, as required by law. These warranties qualify as assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 'Provisions'. In addition, the Group offers warranty extensions to its customers. Such warranty extensions are accounted for as service-type warranties according to IFRS 15, representing separate performance obligations to which the Group allocates a portion of the consideration based on the relative stand-alone selling price. For these service-type warranties, revenue is recognized over time based on the time elapsed.

Bundles of goods and services – Typically, instruments are sold together with other goods and services. The sale of other goods such as spare parts or consumables and services such as additional training or application work that are part of the same contract with a customer (bundles of goods and services), but qualify for the identification of separate performance obligations, are recognized separately from the sale of the instrument as revenues. The consideration (including any discounts) is allocated in proportion to the relative stand-alone selling prices of the identified performance obligations.

2.7.2 Segment reporting

Segment information is presented in the same manner as in the internal reporting to the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance and for the allocation of resources to the segments, is the Board of Directors of Tecan Group Ltd.

The following reportable segments were identified:

- *Life Sciences Business (end-customer business):* The business segment 'Life Sciences Business' supplies end users with automated workflow solutions directly. These solutions include laboratory instruments, software packages, application know-how, services, consumables and spare parts.
- *Partnering Business (OEM business):* The business segment 'Partnering Business' develops and manufactures OEM instruments and components that are distributed by partner companies under their own names.

The operating segments are equivalent to the reportable segments. No operating segments have been aggregated. Segment assets, purchases of property, plant and equipment and intangible assets as well as segment liabilities are not reported to the chief operating decision maker.

2.7.3 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 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 forfeiture 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 trinomial 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 (non-recoverable withholding taxes).

2.7.8 Financial instruments

2.7.8.1 Cash and cash equivalents and receivables

Measurement category: Financial assets at amortized cost without significant financing component

These financial assets are initially measured at the transaction price (nominal value). Subsequently the transaction price is reduced by impairment losses (see below). Foreign exchange gains/losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Accounting for impairment losses on receivables: The Group recognizes an allowance for impairment that represents its estimate of lifetime expected credit losses, applying the simplified approach according to IFRS 9. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the economic environment.

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.

2.7.8.2 Rent and other deposits

Measurement category: Financial assets at amortized cost with significant financing component

These financial assets are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently the financial instrument is measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains/losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.7.8.3 Derivatives and contingent considerations

Measurement category: Financial assets and liabilities at fair value through profit or loss (FVTPL)

These financial assets and liabilities are initially measured at fair value without any transaction costs, the latter being directly expensed. Subsequently these financial instruments continue to be measured at fair value. Net gains and losses are recognized in profit or loss.

The Group uses derivative financial instruments to economically hedge certain exposures to foreign exchange rate risks. Hedge accounting is not applied.

2.7.8.4 Unquoted equity investment

Measurement category: Financial assets at fair value through other comprehensive income (FVOCI)

This category only includes equity instruments which the Group intends to hold for the foreseeable future. The classification is determined upon initial recognition on an investment-by-investment basis and is irrevocable.

The financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Subsequently the financial instrument continues to be measured at fair value. Net gains and losses are recognized in other comprehensive income and are not recycled to profit or loss on de-recognition. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

2.7.8.5 Current bank liabilities, payables and accrued expenses

Measurement category: Financial liabilities at amortized cost without significant financing component

These financial liabilities are Initially measured at the transaction price (nominal value). Subsequently these financial instruments continue to be measured at the transaction price. Foreign exchange gains/losses are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.7.8.6 Bank loans

Measurement category: Financial liabilities at amortized cost with significant financing component

These financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently these financial instruments are measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains/losses are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.7.9 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 (previous year: none).

2.7.10 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.

2.7.11 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 (previous year: 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.

2.7.12 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	2–13 years
Acquired technology	6–10 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.

2.7.13 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not capable of being individually identified and separately recognized as assets or liabilities.

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 goodwill might be impaired.

2.7.14 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.

2.7.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data.

2.7.16 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 following subsidiaries are included in the consolidated financial statements:

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/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
• Pulssar Technologies S.A.S	Paris (FR)	100%	400	EUR	inactive
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
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
• Tecan SP, Inc. (Ex SPEware Corp.)	Baldwin Park/Los Angeles, CA (US)	100%	472	USD	R/P/D
• Tecan Genomics, Inc. (Ex NuGEN Technologies, Inc.)	Redwood City, CA (US)	100%	0	USD	R/P/D
IBL International Corp.	Toronto (CA)	100%	0	USD	inactive
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	800	SGD	S
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 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	28.02.2017 Pulssar	**31.08.2018 NuGEN**
Cash and cash equivalents	6	4,413
Trade accounts receivable	–	1,516
Inventories	221	3,892
Other current assets	255	727
Non-current financial assets	–	322
Property, plant and equipment	37	233
Intangible assets	2,187	12,722
Deferred tax assets	–	6,167
Assets	**2,706**	**29,992**
Current financial liabilities	(500)	(279)
Trade and other accounts payable	(273)	(10,514)
Accrued expenses	(63)	(631)
Income tax payables	–	(122)
Provisions	–	(1,898)
Liability for post-employment benefits	(38)	–
Other non-current liabilities	–	(22)
Deferred tax liabilities	(209)	(526)
Liabilities	**(1,083)**	**(13,992)**
Total identifiable net assets at fair value	**1,623**	**16,000**
Goodwill arising on acquisition	3,021	32,218
Consideration transferred for the business combination	**4,644**	**48,218**
Cash acquired	(6)	(4,413)
Contingent consideration (earn-out)	(1,743)	–
Net cash outflow	**2,895**	**43,805**

Trade accounts receivable comprise gross contractual amounts due of CHF 1.9 million (2017: CHF 0.0 million), of which CHF 0.4 million (2017: CHF 0.0 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. Goodwill arising from these acquisitions is not expected to be tax deductible. The initial accounting for the acquisition in the current financial year is provisional and subject to change regarding the valuation of the trade accounts receivables and capitalized tax loss carry-forwards. Further analysis has to be performed in order to confirm the measurement.

3.2.2 Acquisition on August 31, 2018: NuGEN Technologies, Inc. (renamed to Tecan Genomics, Inc.)

The Group acquired 100% of the voting rights of NuGEN Technologies, Inc. (Redwood City/CA, US) on August 31, 2018. NuGEN is a provider for innovative next-generation sequencing (NGS) kits and genomic sample preparation solutions, with a focus on the North American market. The acquired company is part of the business segment 'Life Sciences Business'.

3.2.3 Acquisition on February 28, 2017: Pulssar Technologies S.A.S.

The Group acquired 100% of the voting rights of Pulssar Technologies S.A.S (Paris, France) on February 28, 2017 to increase the technology portfolio of its 'Partnering Business'.

At the acquisition date, the fair value of the contingent consideration was estimated to be CHF 1.7 million. The fair value was determined using the discounted cash flow method with a discount rate of 11%. One payment in the amount of EUR 2.0 million was agreed with the seller upon the achievement of a sales-defined milestone in 2019. The underlying business plan indicated that the entire amount will be payable. At year-end 2018, however, the sales target was considered no longer achievable und the full earn-out liability was derecognized.

3.2.4 Acquisition on September 30, 2016: SPEware Group (renamed to Tecan SP, Inc.)

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 indicated that the entire amount will be payable. There is no change to this assessment at year-end 2018. The first instalment in the amount of USD 5.0 million was paid at the beginning of 2018 and the remainder in the amount of USD 5.0 million is due in March 2019.

3.2.5 Contribution of acquired companies in the year of acquisition and consolidated numbers (unaudited)

CHF 1,000	2017	2018
Contribution of acquired companies from the date of acquisition		
Months	10	4
Sales	1,085	3,119
Operating profit	(570)	(4,520)
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period		
Sales	548,724	602,234
Operating profit[1/2]	80,492	80,330
Acquisition-related legal fees and due diligence costs, included in 'general and administration'	188	952

[1]In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same as if the acquisition had occurred on January 1, 2017 and 2018, respectively.

[2]The pre-acquisition period from January to August 2018 includes several million Sw iss Francs in non-recurring expenses for projects (including acquisition related costs) that the former ow ners had undertaken.

3.3 DISPOSAL GROUP HELD FOR SALE

At the end of December, the disposal group comprised the following assets and liabilities:

CHF 1,000	Notes	31.12.2017	31.12.2018
Land and buildings in Hombrechtikon, Zurich (CH)	17	3,650	–
Total assets held for sale		**3,650**	**–**
Mortgage	19	1,495	–
Interest derivative	19	45	–
Total liabilities held for sale		**1,540**	**–**

3.3.1 Situation in 2017

In the second half of 2016, management committed to a plan to sell its Hombrechtikon manufacturing facility after having transferred all business activities to Männedorf. Accordingly, the facility and the related mortgage were presented as a disposal group held for sale. Land and buildings were valued at the lower of their carrying amount and fair value less costs to sell. At year-end 2017, the Group recognized an impairment charge on buildings in the amount of CHF 0.5 million in accordance with IFRS 5.

3.3.2 Situation in 2018

In the first half of 2018, the mortgage was repaid and the interest derivative settled. Efforts to sell the facility continue. However, a sale in the next 12 months is no longer considered highly probable. Consequently, the facility is classified as an investment property and valued at cost less accumulated depreciation (cost model). Due to the impairment charge recognized in the previous year, a catch-up of depreciation is not required. The rental income and maintenance cost are reported in other operating result.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			Total 2017		
CHF 1,000	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers (Restated)	Leases	Sales Segment (Restated)	Revenue contracts with customers (Restated)	Leases	Total sales (Restated)
By regions (location of customer)									
Europe	101,084	722	101,806	107,142	–	107,142	208,226	722	208,948
Americas	133,100	–	133,100	102,743	–	102,743	235,843	–	235,843
Asia	59,847	–	59,847	28,958	–	28,958	88,805	–	88,805
Others	12,098	–	12,098	2,865	–	2,865	14,963	–	14,963
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**
By products and services									
Products	241,472	–	241,472	186,953	–	186,953	428,425	–	428,425
Services	64,657	–	64,657	54,755	–	54,755	119,412	–	119,412
Leases	–	722	722	–	–	–	–	722	722
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**
By timing of revenue recognition									
Point in time	259,885	–	259,885	228,483	–	228,483	488,368	–	488,368
Over time	46,244	–	46,244	13,225	–	13,225	59,469	–	59,469
Leases	–	722	722	–	–	–	–	722	722
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**

CHF 1,000	Life Sciences Business Revenue contracts with customers	Life Sciences Business Leases	Life Sciences Business Sales Segment	Partnering Business Revenue contracts with customers	Partnering Business Leases	Partnering Business Sales Segment	**Total 2018** Revenue contracts with customers	**Total 2018** Leases	**Total 2018** Total sales
By regions (location of customer)									
Europe	113,483	818	114,301	123,837	–	123,837	237,320	818	238,138
Americas	141,926	–	141,926	103,882	–	103,882	245,808	–	245,808
Asia	58,283	–	58,283	34,263	–	34,263	92,546	–	92,546
Others	13,724	–	13,724	3,579	–	3,579	17,303	–	17,303
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**
By products and services									
Products	256,949	–	256,949	214,777	–	214,777	471,726	–	471,726
Services	70,467	–	70,467	50,784	–	50,784	121,251	–	121,251
Leases	–	818	818	–	–	–	–	818	818
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**
By timing of revenue recognition									
Point in time	279,087	–	279,087	250,543	–	250,543	529,630	–	529,630
Over time	48,329	–	48,329	15,018	–	15,018	63,347	–	63,347
Leases	–	818	818	–	–	–	–	818	818
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**

4.2 CONTRACT BALANCES

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Trade accounts receivable (see note 15)	94,987	111,561	105,443
Contract assets	1,885	1,123	2,405
Current contract liabilities (see note 21)	(35,106)	(37,683)	(37,392)
Non-current contract liabilities (see note 21)	(46,945)	(38,960)	(34,799)

Trade accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days. In 2018, CHF 3.5 million (2017: CHF 3.6 million) was recognized as allowance for expected credit losses.

Contract assets are initially recognized for revenue earned for the installation of complex instruments and for engineering services without delivery of instruments, if the contracts fulfill the criteria for revenue recognition over time. The amounts recognized as contract assets are reclassified to trade accounts receivable to the extent they are billed to the customer. There was no allowance for expected credit losses in 2017 and 2018.

Set out below is the amount of revenue recognized from

CHF 1,000	2017	**2018**
Amounts included in contract liabilities at the beginning of the year	36,480	36,953
Performance obligations satisfied in previous years	–	–

4.3 PERFORMANCE OBLIGATIONS

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	31.12.2017			**31.12.2018**		
CHF 1,000	Contract liabilities	Performance obligations not yet billed	Total remaining performance obligations	Contract liabilities	Performance obligations not yet billed	Total remaining performance obligations
Expected to be recognized						
Within one year	37,683	88,636	126,319	37,392	109,340	146,732
More than one year	38,960	18,620	57,580	34,799	30,095	64,894
Total transaction price allocated	**76,643**	**107,256**	**183,899**	**72,191**	**139,435**	**211,626**

5 SEGMENT INFORMATION

5.1 INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/ consolidation		Group	
CHF 1,000	2017	**2018**	2017 (Restated)	**2018**	2017	**2018**	2017 (Restated)	**2018**
Sales third	306,851	328,234	241,708	265,561	–	–	548,559	593,795
Intersegment sales	11,738	19,030	1,772	2,029	(13,510)	(21,059)	–	–
Total sales	**318,589**	**347,264**	**243,480**	**267,590**	**(13,510)**	**(21,059)**	**548,559**	**593,795**
Operating profit	**50,528**	**51,262**	**41,953**	**48,617**	**(12,685)**	**(11,326)**	**79,796**	**88,553**
Depreciation and amortization	(14,886)	(14,055)	(8,806)	(7,714)	–	–	(23,692)	(21,769)
Impairment losses	(647)	–	(490)	–	–	–	(1,137)	–

CHF 1,000	2017 (Restated)	**2018**
Reconciliation of reportable segment sales		
Total sales for reportable segments	562,069	614,854
Elimination of intersegment sales	(13,510)	(21,059)
Total consolidated sales	**548,559**	**593,795**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	92,481	99,879
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(12,685)	(11,326)
Financial result	(804)	(5,155)
Total consolidated profit before taxes	**78,992**	**83,398**

5.2 Entity-wide disclosures

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

CHF 1,000	Property, plant and equipment 31.12.2017	Property, plant and equipment 31.12.2018	Intangible assets 31.12.2017	Intangible assets 31.12.2018
Switzerland	10,906	13,692	96,821	99,620
Other Europe	4,942	5,810	10,455	8,994
North America	5,053	4,909	56,945	100,512
Asia	390	642	82	–
Total	**21,291**	**25,053**	**164,303**	**209,126**

Information about major customers

There are sales to one individual customer (CHF 66.0 million) relating to the business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in 2018 (2017: one individual customer (CHF 71.4 million) relating to the business segment 'Partnering Business').

6 OPERATING EXPENSES BY NATURE

CHF 1,000	2017 (Restated)	2018
Material costs	188,967	211,044
Personnel costs	187,451	197,320
Depreciation of property, plant and equipment	6,969	7,699
Impairment loss on assets held-for-sale	490	–
Amortization of intangible assets	16,723	14,070
Impairment loss on capitalized development costs	647	–
Other operating costs	81,640	97,532
Total operating costs incurred (gross)	**482,887**	**527,665**
Capitalization of development costs in position inventories (see note 16)	(726)	(6,153)
Capitalization of development costs in position intangible assets (see note 19)	(10,074)	(12,834)
Other operating income	(3,324)	(3,436)
Total operating expenses, according to statement of profit or loss	**468,763**	**505,242**

7 RESEARCH AND DEVELOPMENT

CHF 1,000	2017	2018
Gross research and development costs incurred[1]	59,166	72,159
Reclassification of development costs related to engineering services to cost of sales	(11,254)	(12,573)
Capitalization of development costs in position inventories (see note 16)	(726)	(6,153)
Capitalization of development costs in position intangible assets (see note 19)	(10,074)	(12,834)
Amortization of development costs and acquired technology	13,310	10,487
Impairment loss on capitalized development costs	647	–
Total research and development (gross), according to statement of profit or loss	**51,069**	**51,086**
Government research subsidies	(1,073)	(1,039)
Total research and development (net)	49,996	50,047

[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 8.6% of sales (2017: 9.3%).

8 OTHER OPERATING RESULT

CHF 1,000	2017	2018
Government research subsidies	1,073	1,039
Replacement value of damaged inventory (in excess of manufacturing costs)	2,117	–
Rental income from property Hombrechtikon	51	91
Derecognition contingent consideration Pulssar S.A.S.	–	2,203
Other operating income (miscellaneous)	83	103
Total other operating income	**3,324**	**3,436**

CHF 1,000	2017	2018
Change in fair value of contingent consideration	(856)	(365)
Maintenance cost for property Hombrechtikon	(130)	(304)
Impairment loss on property Hombrechtikon	(490)	–
Other operating expenses (miscellaneous)	(156)	(3)
Total other operating expenses	**(1,632)**	**(672)**

9 FINANCIAL RESULT

CHF 1,000	2017	2018
Financial income		
Interest income	31	44
Other	17	–
Subtotal financial income	**48**	**44**
Finance cost		
Interest expenses	(471)	(400)
Net interest cost on liability for post-employment benefits	(217)	(258)
Other	–	(77)
Subtotal finance cost	**(688)**	**(735)**
Net foreign exchange gains/(losses)		
Result from derivatives (net)	1,582	(3,109)
Other net foreign exchange losses	(1,746)	(1,355)
Subtotal net foreign exchange losses	**(164)**	**(4,464)**
Total financial result	**(804)**	**(5,155)**

10 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.

	2017 (Restated)		2018	
Average number of shares outstanding		**11,622,365**		**11,740,655**
Basic earnings per share (CHF/share)		**5.67**		**6.02**
Employee share option plans				
Average number of shares under option total	93,108		81,261	
Average number of shares under option dilutive	87,590		52,963	
Average adjusted exercise price	122.48		130.64	
Number of shares that would have been issued at market price	(52,925)		(36,262)	
Adjustment for dilutive share options		34,665		16,701
Employee share plans				
Adjustment for not vested shares (PSMP/initial grant and other share plans)		5,396		1,767
Adjustment for contingently issuable shares (PSMP/matching shares)		141,049		111,840
Average number of shares outstanding after dilution		**11,803,475**		**11,870,963**
Diluted earnings per share (CHF/share)		**5.59**		**5.96**

11 EMPLOYEE BENEFITS

11.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	31.12.2017	**31.12.2018**
Employees – year-end	1,482	1,662
Employees – average	1,469	1,562

11.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2017	**2018**
Salaries and wages		141,856	153,470
Social security		18,461	19,522
Post-employment benefits			
Defined contribution plans		1,695	1,746
Defined benefit plans	11.3	7,644	6,607
Share-based payment	11.4	12,807	11,153
Other personnel expenses		4,988	4,822
Total personnel expenses		**187,451**	**197,320**

11.3 LIABILITY FOR POST-EMPLOYMENT BENEFITS: DEFINED BENEFIT PLANS (IAS 19)

11.3.1 Characteristics of defined benefit plans and risks associated with them

	31.12.2017			**31.12.2018**		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	5	3	8	5	3	8
Actives						
Number	493	96	589	552	100	652
Defined benefit obligation (CHF 1,000)	119,533	4,541	124,074	125,261	4,393	129,654
Weighted average duration in years	21.0	9.8	20.8	20.1	10.0	19.8
Retirees						
Number	31	–	31	36	–	36
Defined benefit obligation (CHF 1,000)	6,523	–	6,523	6,008	–	6,008
Weighted average duration in years	18.4	–	18.4	17.8	–	17.8
Total						
Number	524	96	620	588	100	688

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 2018) 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 2018 the board of trustees has decided to reduce the conversion rate for calculating the annuity relating to the exceeding part of the savings capital, starting from January 1, 2021. This modification is considered as a plan amendment. The resulting past service costs amounting to CHF 1.0 million were recognized immediately in profit or loss.

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 plan amendments, settlements or curtailments during the financial years 2017 and 2018.
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 was settled in 2017.

11.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	31.12.2017	**31.12.2018**
Swiss plans		
Present value of obligations arising from retirement benefit plans (funded)	126,056	131,269
Related fair value of plan assets	(94,085)	(101,612)
Deficit Swiss plans	**31,971**	**29,657**
International plans		
Present value of obligations arising from long-service leave benefit plans (unfunded)	3,409	3,333
Present value of obligations arising from retirement benefit plans (unfunded)	1,132	1,101
Deficit International plans	**4,541**	**4,434**
Total liability for post-employment benefits	**36,512**	**34,091**

The components of defined benefit cost are as follows:

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Current service cost	7,350	294	7,644	7,271	291	7,562
Past service cost (plan amendment)	–	–	–	(955)	–	(955)
Defined benefit cost included in operating profit	**7,350**	**294**	**7,644**	**6,316**	**291**	**6,607**
Net interest cost on liability for post-employment benefits	153	64	217	198	60	258
Defined benefit cost included in finance cost	**153**	**64**	**217**	**198**	**60**	**258**
Total defined benefit cost included in profit or loss	**7,503**	**358**	**7,861**	**6,514**	**351**	**6,865**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	(994)	(3)	(997)	–	(65)	(65)
Changes in financial assumptions	–	28	28	(5,395)	201	(5,194)
Experience adjustments	5,191	(458)	4,733	2,066	(254)	1,812
Return on plan assets (excluding interest income)	137	–	137	70	–	70
Remeasurement loss/(gain), included in other comprehensive income	**4,334**	**(433)**	**3,901**	**(3,259)**	**(118)**	**(3,377)**
Translation differences, included in other comprehensive income	–	331	331	–	(127)	(127)
Total defined benefit cost recognized	**11,837**	**256**	**12,093**	**3,255**	**106**	**3,361**

The Group expects to contribute CHF 5.8 million to its defined benefit plans in 2019.

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

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Balance at January 1	112,608	7,054	119,662	126,056	4,541	130,597
Acquisition through business combination	–	40	40	–	–	–
Current service cost	7,350	294	7,644	7,271	291	7,562
Past service cost	–	–	–	(955)	–	(955)
Employee contributions	3,595	–	3,595	3,733	–	3,733
Insurance premiums	(1,804)	–	(1,804)	(1,598)	–	(1,598)
Benefits paid	(7,202)	(239)	(7,441)	(788)	(214)	(1,002)
Settlement payments from plan assets	–	(2,482)	(2,482)	–	–	–
Interest expense	788	64	852	879	60	939
Actuarial losses/(gains)	4,198	(434)	3,764	(3,329)	(117)	(3,446)
Gross presentation disability benefits	6,523	–	6,523	–	–	–
Translation differences	–	244	244	–	(127)	(127)
Balance at December 31	**126,056**	**4,541**	**130,597**	**131,269**	**4,434**	**135,703**

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

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Balance at January 1	86,947	2,569	89,516	94,085	–	94,085
Acquisition through business combination	–	–	–	–	–	–
Employer contributions	5,528	–	5,528	5,569	–	5,569
Employee contributions	3,595	–	3,595	3,733	–	3,733
Insurance premiums	(1,804)	–	(1,804)	(1,598)	–	(1,598)
Benefits paid	(7,202)	–	(7,202)	(788)	–	(788)
Settlement payments from plan assets	–	(2,482)	(2,482)	–	–	–
Interest income	635	–	635	680	–	680
Return on plan assets (excluding interest income)	(137)	–	(137)	(69)	–	(69)
Gross presentation disability benefits	6,523	–	6,523	–	–	–
Translation differences	–	(87)	(87)	–	–	–
Balance at December 31	**94,085**	**–**	**94,085**	**101,612**	**–**	**101,612**

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

11.3.3 Actuarial assumptions and sensitivity analysis

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

	31.12.2017 Swiss plans	31.12.2017 International plans	31.12.2018 Swiss plans	31.12.2018 International plans
Discount rates	0.70%	1.39%	1.00%	1.17%
Rate of future salary increases	1.75%	2.51%	1.75%	2.80%
Rate of future pension increases	0.00%	0.00%	0.00%	0.00%
Rates for the projection of savings capital[1]	1.00%	0.00%	1.00%	n/a
Mortality tables[2]	BVG2015GT	various	BVG2015GT	various

[1]Swiss plans: the rate is only applied to the mandatory part

[2]Model 'Continuous Mortality Investigation (CMI)'

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	31.12.2017 Swiss plans	31.12.2017 International plans	31.12.2017 Total	31.12.2018 Swiss plans	31.12.2018 International plans	31.12.2018 Total
Discount rates	- 25 basis points	5,359	107	5,466	5,474	72	5,546
	+ 25 basis points	(4,900)	(110)	(5,010)	(4,532)	(144)	(4,676)
Rate of future salary increases	- 25 basis points	(821)	(106)	(927)	(857)	(136)	(993)
	+ 25 basis points	826	99	925	864	65	929
Life expectancy	- 1 year	(1,788)	(21)	(1,809)	(1,890)	(50)	(1,940)
	+ 1 year	1,820	10	1,830	1,920	(24)	1,896

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

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

11.4 EMPLOYEE PARTICIPATION PLANS – SHARE-BASED PAYMENT (IFRS 2)

11.4.1 Employee share option plans

The terms and conditions of the outstanding grants are as follows:

Plan	Plan terms				31.12.2017		31.12.2018	
	Grant date	Expiry date	Number granted	Exercise price	Remaining contractual life (years)	Number outstanding	Remaining contractual life (years)	Number outstanding
Plan 2012	02.11.2011	02.11.2018	59,998	57.2	0.8	3,691	–	–
Plan 2013	02.11.2012	02.11.2019	40,953	69.6	1.8	5,320	0.8	3,201
Plan 2014	02.11.2013	02.11.2020	35,112	95.0	2.8	7,492	1.8	3,976
Plan 2015	02.11.2014	02.11.2021	34,260	100.4	3.8	15,563	2.8	7,585
Plan 2016	02.11.2015	02.11.2022	23,569	135.0	4.8	17,831	3.8	10,865
Plan 2017	02.11.2016	02.11.2023	23,907	162.8	5.8	23,016	4.8	18,756
Plan 2018	02.11.2017	02.11.2024	22,071	212.1	6.8	22,071	5.8	21,736
Plan 2019	02.11.2018	02.11.2025	23,921	228.7	–	–	6.8	23,921
Total					**4.9**	**94,984**		**90,040**
Thereof exercisable at December 31						47,783		40,818

All plans are granted to members of the management level 3 and 4 and have a contractual life of 7 years. The vesting conditions are one/two/three years of service for 33%/33%/34% of options. One option grants the right to purchase one Tecan share with settlement by physical delivery (equity-settled). All outstanding options are fully covered by the conditional share capital.

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

	2017 Weighted average exercise price (CHF)	2017 Number	2018 Weighted average exercise price (CHF)	2018 Number
Balance at January 1	112.83	113,893	144.14	94,984
Granted	212.10	22,071	228.70	23,921
Exercised	92.99	(39,053)	108.01	(24,487)
Forfeited	125.63	(1,342)	148.52	(2,610)
Expired	69.18	(585)	93.91	(1,768)
Balance at December 31	**144.14**	**94,984**	**177.29**	**90,040**

The weighted average share price at the date of exercise was CHF 181.19 in 2017 and CHF 222.08 in 2018.

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 trinomial 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 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**
Plan 2018	CHF 212.10	CHF 212.10	22.73%	7.0 years	1.30%	(0.01%)	**CHF 42.37**
Plan 2019	CHF 228.70	CHF 228.70	20.89%	7.0 years	1.38%	0.21%	**CHF 42.59**

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

Data source: Bloomberg

11.4.2 Employee share plans

11.4.2.1 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:

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
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		
Performance share matching plan (PSMP) 2017					
Initial grant	Extended Management Board on March 9, 2017	17,859 shares	CHF 164.25	Immediate vesting[1]	None
	Additional grant CEO on April 11, 2017	7,000 shares	CHF 156.55		
	Other management on May 2, 2017	2,214 shares	CHF 169.55		
Matching shares	Extended Management Board on March 9, 2017	44,648 shares (maximum of potential shares granted)	CHF 160.75	January 1, 2017 to December 31, 2019	Three years of service and performance target
	Additional grant CEO on April 11, 2017	3,000 shares (maximum of potential shares granted)[2]	CHF 153.05		
	Other management on May 2, 2017	5,536 shares (maximum of potential shares granted)	CHF 166.05		
Performance share matching plan (PSMP) 2018					
Initial grant	Extended Management Board on March 7, 2018	15,137 shares	CHF 191.30	Immediate vesting[1]	None
	Other management on May 2, 2018	1,639 shares	CHF 218.20		
Matching shares	Extended Management Board on March 7, 2018	37,843 shares (maximum of potential shares granted)	CHF 187.30	January 1, 2018 to December 31, 2020	Three years of service and performance target
	Other management on May 2, 2018	4,098 shares (maximum of potential shares granted)	CHF 214.20		

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

[2]Matching share factor capped at 0.43 instead of 2.5

Number of shares outstanding at December 31:

Employee shares	2017	2018
Balance at January 1	223,879	211,671
Granted	79,161	59,813
Deblocked and available to the participants	(82,858)	(79,378)
Forfeited	(8,511)	(1,411)
Balance at December 31	**211,671**	**190,695**
Thereof vested, but blocked until the end of the performance period	48,034	43,662

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 multiplied by 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, 2018:

Plan	Total base shares[1]	Matching share factor applied	Matching shares expected to vest[2]
PSMP 2016	20,950	2.50	52,375
PSMP 2017	19,886	2.40	47,726
PSMP 2017/CEO	7,000	0.43	3,000
PSMP 2018	16,776	1.90	31,874

[1]Only shares that qualify for matching shares

[2]Not adjusted for expected fluctuation

11.4.2.2 Other share plans

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

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Share plan 2018 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 11, 2018	1,619 shares	CHF 208.60	Graded vesting from May 1, 2018 to April 30, 2019	One year of service

11.4.3 Total expenses recognized

CHF 1,000	2017	2018
Expenses arising from equity-settled share option plans	805	852
Expenses arising from performance share matching plans	11,679	9,966
Expenses arising from other share plans	323	335
Total expenses recognized	**12,807**	**11,153**

12 INCOME TAXES

12.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2017 (Restated)	2018
Current income taxes	14,763	16,537
Deferred income taxes	(1,701)	(3,835)
Total income taxes	**13,062**	**12,702**

The income tax expense can be analyzed as follows:

CHF 1,000	2017 (Restated)	2018
Profit before taxes	78,992	83,398
Tax expense based on the Group's weighted average rate of 20.82% (2017: 21.99%)	**17,373**	**17,360**
Non-deductible expenses and additional taxable income	260	609
Tax-free income and tax reductions	(5,375)	(5,021)
Potential tax assets not recognized	194	–
Tax-deductible impairments of investments in subsidiaries (including reversal)	(114)	(91)
Impact of acquisitions	794	(540)
Effect of US tax reform[1]	4	–
Effect of tax rate change on opening deferred taxes (2017 excluding US)	25	(377)
Impact of tax losses	(40)	260
Unrecoverable withholding tax	(91)	216
Underprovided in prior years	32	286
Tax expense reported	**13,062**	**12,702**

[1]Effect of adjusting the existing deferred taxes on the enactment date (December 22, 2017) and applying the new (lower) tax rate on changes in temporary differences after that date

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 2018 decreased to 20.82%.

12.2 DEFERRED INCOME TAXES

12.2.1 Overview

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	31.12.2018
Deferred tax assets	16,204	15,342	18,689
Deferred tax liabilities	(14,794)	(11,561)	(6,593)
Total net deferred tax assets	**1,410**	**3,781**	**12,096**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	Change 2018	**31.12.2018**
Net deferred tax assets arising from temporary differences				
Receivables and contract assets	(259)	(139)	(14)	(153)
Inventories	4,684	4,419	1,213	5,632
Property, plant and equipment	(1,098)	(453)	408	(45)
Intangible assets	(11,337)	(7,577)	(2,508)	(10,085)
Liabilities and accrued expenses	8,419	9,059	116	9,175
Provisions	3,025	1,087	818	1,905
Other	(590)	(1,073)	848	(225)
Subtotal net deferred tax assets arising from temporary differences	**2,844**	**5,323**	**881**	**6,204**
Deferred taxes provided on expected dividends from subsidiaries	(1,754)	(1,663)	(216)	(1,879)
Potential tax benefits from tax loss carry-forwards	320	121	7,650	7,771
Total net deferred tax assets	**1,410**	**3,781**	**8,315**	**12,096**
Deferred taxes recognized in profit or loss		1,701		3,835
Deferred taxes recognized in other comprehensive income		608		(539)
Deferred taxes recognized in equity		259		(625)
Acquisition through business combination		(218)		5,641
Translation differences		21		3
Total change compared with previous year		**2,371**		**8,315**

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

12.2.2 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	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**
Expiring in				
1st – 5th year			–	876
6th year or beyond			–	5,939
Unlimited			121	956
Tax loss carry-forwards capitalized			**121**	**7,771**
Expiring in				
1st – 5th year	–	–	–	–
6th year or beyond	–	21,816	–	1,312
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**–**	**21,816**	**–**	**1,312**
Total tax loss carry-forwards	**–**	**21,816**	**121**	**9,083**

12.2.3 Unrecognized deferred tax liabilities

At December 31, 2018, there were temporary differences of CHF 331.0 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.

13 CASH AND CASH EQUIVALENTS

CHF 1,000	31.12.2017	31.12.2018
Bank balances		
Denominated in CHF	270,969	260,646
Denominated in EUR	22,027	12,532
Denominated in GBP	318	569
Denominated in USD	8,122	14,665
Denominated in JPY	1,011	538
Denominated in other currencies	6,965	7,895
Total cash and cash equivalents	**309,412**	**296,845**
Effective interest rate	(0.07%)	(0.09%)

Cash and cash equivalents as per cash flow statement comprise cash and cash equivalents as per balance sheet and bank overdrafts that are included in the position 'current financial liabilities'.

14 CURRENT DERIVATIVES

CHF 1,000	31.12.2017	31.12.2018
Current derivatives	1,017	977
Total current derivatives	**1,017**	**977**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 25.

15 TRADE ACCOUNTS RECEIVABLE

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	31.12.2018
Trade accounts receivable			
Denominated in CHF	27,456	32,120	26,765
Denominated in EUR	19,533	23,256	21,322
Denominated in GBP	1,996	2,914	2,963
Denominated in USD	40,856	45,091	45,978
Denominated in JPY	2,369	4,012	3,190
Denominated in other currencies	4,988	7,734	8,771
Subtotal trade accounts receivable	**97,198**	**115,127**	**108,989**
Allowance for expected credit losses			
Individual impairment allowance account	(1,851)	(3,033)	(1,107)
Collective impairment allowance account	(360)	(533)	(2,439)
Subtotal allowance for expected credit losses	**(2,211)**	**(3,566)**	**(3,546)**
Total trade accounts receivable	**94,987**	**111,561**	**105,443**
Increase/(decrease)		16,196	(6,657)
Acquisition through business combination		–	1,516
Translation differences		378	(977)
Total change compared with previous year		**16,574**	**(6,118)**

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

CHF 1,000	31.12.2017	31.12.2018
Switzerland (domestic)	2,297	9,242
Euro-zone countries	33,908	30,599
Other European countries	5,540	2,630
North America	60,225	54,244
Asia	11,524	10,087
Other	1,633	2,187
Total trade accounts receivable (excluding allowances)	**115,127**	**108,989**

The Group's most significant customer accounts for 7.6% of the trade accounts receivable carrying amount at December 31, 2018 (December 31, 2017: 13.6%).

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

CHF 1,000	2017	2018
Individual impairment allowance account		
Balance at January 1	(1,851)	(3,033)
Change in impairment losses	(1,464)	1,481
Write-offs	288	430
Translation differences	(6)	15
Balance at December 31	**(3,033)**	**(1,107)**
Amount of trade accounts receivable with individual impairment (gross)	3,107	47,342
Collective impairment allowance account		
Balance at January 1	(360)	(533)
Change in impairment losses	(150)	(1,927)
Translation differences	(23)	21
Balance at December 31	**(533)**	**(2,439)**

The due dates of trade accounts receivable that are collectively impaired were:

	31.12.2017		31.12.2018	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	84,538	–	41,881	(103)
Past due 1–30 days	21,284	–	11,600	(63)
Past due 31–90 days	5,392	–	4,867	(167)
Past due 91–180 days	1,347	(523)	1,407	(390)
Past due more than 180 days	(541)	(10)	1,892	(1,716)
Balance at December 31	**112,020**	**(533)**	**61,647**	**(2,439)**

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 2017 and 2018 represents less than 1% of sales.

16 INVENTORIES

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Raw materials, semi-finished and finished goods	63,477	69,340	90,813
Allowance for slow-moving inventories	(10,458)	(11,505)	(12,389)
Work in progress	4,679	4,460	4,639
Capitalized customer-specific development costs	113,050	97,923	88,646
Total inventories	**170,748**	**160,218**	**171,709**
(Decrease)/increase		(11,174)	7,944
Acquisition through business combination		221	3,892
Reclassifications		–	101
Translation differences		423	(446)
Total change compared with previous year		**(10,530)**	**11,491**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss		2,141	3,046

17 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2017	**31.12.2018**
Non-current derivatives	157	90
Rent and other deposits	674	1,015
Unquoted equity investment (FVOCI)	–	4,000
Total non-current financial assets	**831**	**5,105**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 25.

18 PROPERTY, PLANT AND EQUIPMENT

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	Total 2017
At cost						
Balance at January 1, 2017	10,582	13,917	39,595	18,538	1,338	83,970
Acquisition through business combination	23	7	–	7	–	37
Additions	467	211	4,637	2,605	222	8,142
Disposals	(235)	(410)	(886)	(1,648)	–	(3,179)
Reclassification between the classes of PPE and from/to inventories	71	89	(432)	44	192	(36)
Translation differences	(47)	223	592	253	187	1,208
Balance at December 31, 2017	**10,861**	**14,037**	**43,506**	**19,799**	**1,939**	**90,142**
Accumulated depreciation and impairment losses						
Balance at January 1, 2017	8,670	11,587	26,622	16,436	365	63,680
Annual depreciation	606	717	3,881	1,486	279	6,969
Disposals	(236)	(398)	(651)	(1,443)	–	(2,728)
Reclassification between the classes of PPE and from/to inventories	71	52	(223)	30	50	(20)
Translation differences	(41)	184	538	213	56	950
Balance at December 31, 2017	**9,070**	**12,142**	**30,167**	**16,722**	**750**	**68,851**
Net book value	**1,791**	**1,895**	**13,339**	**3,077**	**1,189**	**21,291**

[1]See note 27.1

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	**Total 2018**
At cost						
Balance at January 1, 2018	10,861	14,037	43,506	19,799	1,939	90,142
Acquisition through business combination	1	1	199	32	–	233
Additions	1,156	1,058	6,417	2,841	328	11,800
Disposals	(456)	(545)	(1,250)	(682)	–	(2,933)
Reclassification between the classes of PPE and from/to inventories	2	(1)	(1)	1	(64)	(63)
Translation differences	(18)	(146)	(418)	(186)	(110)	(878)
Balance at December 31, 2018	**11,546**	**14,404**	**48,453**	**21,805**	**2,093**	**98,301**
Accumulated depreciation and impairment losses						
Balance at January 1, 2018	9,070	12,142	30,167	16,722	750	68,851
Annual depreciation	858	803	3,988	1,743	307	7,699
Disposals	(456)	(370)	(1,133)	(646)	–	(2,605)
Reclassification between the classes of PPE and from/to inventories	–	–	–	–	(45)	(45)
Translation differences	(7)	(117)	(326)	(162)	(40)	(652)
Balance at December 31, 2018	**9,465**	**12,458**	**32,696**	**17,657**	**972**	**73,248**
Net book value	**2,081**	**1,946**	**15,757**	**4,148**	**1,121**	**25,053**

[1]See note 27.1

There were no material purchase commitments at year-end 2017 and 2018.

19 INTANGIBLE ASSETS AND GOODWILL

19.1 OVERVIEW

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	Total 2017
At cost								
Balance at January 1, 2017	28,207	55,887	180	1,708	11,086	25,294	98,230	220,592
Acquisition through business combination	–	–	–	–	2,187	–	3,021	5,208
Additions	–	–	148	–	–	–	–	148
Internally developed	1,277	10,074	–	–	–	–	–	11,351
Disposal	(336)	(586)						(922)
Translation differences	39	44	(2)	63	165	(182)	363	490
Balance at December 31, 2017	**29,187**	**65,419**	**326**	**1,771**	**13,438**	**25,112**	**101,614**	**236,867**
Accumulated amortization and impairment losses								
Balance at January 1, 2017	23,470	28,683	62	458	1,349	1,885	–	55,907
Annual amortization	1,246	11,916	99	358	1,294	1,810	–	16,723
Impairment loss	–	647	–	–	–	–	–	647
Disposal	(336)	(586)	–	–	–	–	–	(922)
Translation differences	10	5	–	23	96	75	–	209
Balance at December 31, 2017	**24,390**	**40,665**	**161**	**839**	**2,739**	**3,770**	**–**	**72,564**
Net book value	**4,797**	**24,754**	**165**	**932**	**10,699**	**21,342**	**101,614**	**164,303**

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	**Total 2018**
At cost								
Balance at January 1, 2018	29,187	65,419	326	1,771	13,438	25,112	101,614	236,867
Acquisition through business combination	–	–	–	4,795	7,927	–	32,218	44,940
Additions	–	–	–	–	–	–	–	–
Internally developed	1,559	12,834	–	–	–	–	–	14,393
Disposal	–	(510)	–	(409)	–	–	–	(919)
Reclassification	–	–	28	–	–	–	–	28
Translation differences	(17)	(22)	1	(11)	(92)	(139)	(334)	(614)
Balance at December 31, 2018	**30,729**	**77,721**	**355**	**6,146**	**21,273**	**24,973**	**133,498**	**294,695**
Accumulated amortization and impairment losses								
Balance at January 1, 2018	24,390	40,665	161	839	2,739	3,770	–	72,564
Annual amortization	1,477	8,786	87	297	1,614	1,809	–	14,070
Disposal	–	(510)	–	(409)	–	–	–	(919)
Reclassification	–	–	28	–	–	–	–	28
Translation differences	(8)	(8)	–	(13)	(61)	(84)	–	(174)
Balance at December 31, 2018	**25,859**	**48,933**	**276**	**714**	**4,292**	**5,495**	**–**	**85,569**
Net book value	**4,870**	**28,788**	**79**	**5,432**	**16,981**	**19,478**	**133,498**	**209,126**

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

CHF 1,000	2017	2018
Cost of sales	–	–
Sales and marketing	2,168	2,106
Research and development		
Annual amortization	13,310	10,487
Impairment	647	–
General and administration	1,245	1,477
Total amortization	**17,370**	**14,070**

19.2 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.

19.2.1 Financial year 2018

The Group performed impairment tests on cash-generating units containing goodwill in June and December 2018, 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	117,781	December 2018	Value in use	10.1%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	15,717	June 2018	Value in use	10.2%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market, on August 31, 2018.

Based on the impairment tests 2018, 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.

19.2.2 Financial year 2017

The Group performed impairment tests on cash-generating units containing goodwill in June 2017, 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	85,897	June 2017	Value in use	10.2%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	15,717	June 2017	Value in use	10.2%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market, on August 31, 2017.

Based on the impairment tests 2017, there was no need for the recognition of any impairment. However, one development project of the business segment 'Life Science Business' was abandoned and the related capitalized development costs of CHF 0.6 million fully impaired during the second half of 2017.

20 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

CHF 1,000	Short-term credit facilities and bank overdrafts	Current maturities of non-current bank liabilities	Current derivatives[1]	Current contingent considera-tion[2]	**Total current 2017**	Bank loans	Non-current derivatives[1]	Non-current contingent considera-tion[2]	**Total non-current 2017**
Balance at January 1, 2017	1,103	956	5,721	–	**7,780**	704	1,101	9,273	**11,078**
Cash flows									
Change	3,216	–	–	–	**3,216**	–	–	–	**–**
Increase in loans	–	–	–	–	**–**	437	–	–	**437**
Repayment of loans	–	(1,503)	–	–	**(1,503)**	–	–	–	**–**
Non-cash changes									
Acquisition through business combination	–	500	–	–	**500**	–	–	1,743	**1,743**
Change in fair value	–	–	(4,772)		**(4,772)**	–	(767)	856	**89**
Transfer to current	–	–	–	4,923	**4,923**	–	–	(4,923)	**(4,923)**
Translation differences	10	47	–	(51)	**6**	88	–	(182)	**(94)**
Balance at December 31, 2017	**4,329**	**–**	**949**	**4,872**	**10,150**	**1,229**	**334**	**6,767**	**8,330**
Analysis by currency									
Denominated in EUR					7				3,319
Denominated in USD					5,789				5,011
Denominated in JPY					2,724				–
Denominated in AUD					1,598				–
Denominated in other currencies					32				–
Total					**10,150**				**8,330**
Analysis by interest rate									
Interest-free					949				334
Variable interest rates depending on LIBOR					–				–
Fixed interest rate									
0% – 2%					4,329				1,229
2% – 4%					–				–
4% – 6%					–				–
6% – 8%					–				–
WACC					4,872				6,767
Total					**10,150**				**8,330**

[1]See note 25

[2]See note 3.2

CHF 1,000	Short-term credit facilities and bank overdrafts	Current derivatives[1]	Current contingent consideration[2]	**Total current 2018**	Bank loans	Non-current derivatives[1]	Non-current contingent consideration[2]	**Total non-current 2018**
Balance at January 1, 2018	4,329	949	4,872	**10,150**	1,229	334	6,767	**8,330**
Cash flows								
Change	(3,209)	–	–	**(3,209)**	–	–	–	**–**
Settlement	–	–	(4,836)	**(4,836)**	–	–	–	**–**
Non-cash changes								
Change in fair value	–	2,951	(1,894)	**1,057**	–	72	–	**72**
Transfer to current			6,787	**6,787**			(6,787)	**(6,787)**
Change in bank overdrafts	9	–	–	**9**	–	–	–	**–**
Translation differences	–	–	(13)	**(13)**	(47)	–	20	**(27)**
Balance at December 31, 2018	**1,129**	**3,900**	**4,916**	**9,945**	**1,182**	**406**	**–**	**1,588**
Analysis by currency								
Denominated in CHF				9				–
Denominated in EUR				–				1,182
Denominated in USD				8,816				406
Denominated in JPY				1,120				–
Total				**9,945**				**1,588**
Analysis by interest rate								
Interest-free				3,900				406
Variable interest rates depending on LIBOR				9				–
Fixed interest rate								
0% – 2%				1,120				1,182
2% – 4%				–				–
4% – 6%				–				–
6% – 8%				–				–
WACC				4,916				–
Total				**9,945**				**1,588**

[1]See note 25

[2]See note 3.2

In 2018, the average interest rate paid on bank loans was 0.8% (2017: 0.8%).

21 CONTRACT LIABILITIES

CHF 1,000	01.01.2017 (Restated) Current	01.01.2017 (Restated) Non-current	31.12.2017 (Restated) Current	31.12.2017 (Restated) Non-current	**31.12.2018** Current	**31.12.2018** Non-current
Timing of revenue recognition: point in time						
Advances for products	13,871	46,945	14,596	38,960	15,399	31,783
Timing of revenue recognition: over time						
Advances for products	–	–	637	–	1,428	–
Service contracts, including service-type warranties	21,235	–	22,450	–	20,565	3,016
Total contract liabilities	**35,106**	**46,945**	**37,683**	**38,960**	**37,392**	**34,799**
Decrease				(5,688)		(3,940)
Translation differences				281		(512)
Total change (current and non-current)				**(5,407)**		**(4,452)**

22 PROVISIONS

CHF 1,000	Onerous contracts (Restated)	Warranties and returns	WEEE[1]	Legal cases	Other	Total 2017 (Restated)
Balance at January 1, 2017	5,300	11,923	978	161	7,833	26,195
Provisions made	593	13,031	77	74	1,664	15,439
Provisions used	–	(12,388)	(2)	–	(3,927)	(16,317)
Provisions reversed	(3,954)	(961)	1	–	(2)	(4,916)
Reclassification	–	–	–	–	73	73
Translation differences	–	101	85	19	1	206
Balance at December 31, 2017	**1,939**	**11,706**	**1,139**	**254**	**5,642**	**20,680**
Thereof current	1,939	11,706	–	254	1,446	15,345
Thereof non-current	–	–	1,139	–	4,196	5,335

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

CHF 1,000	Onerous contracts	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2018**
Balance at January 1, 2018	1,939	11,706	1,139	254	5,642	20,680
Acquisition through business combination	–	133	–	–	1,765	1,898
Provisions made	1,122	17,076	61	–	316	18,575
Provisions used	–	(12,975)	(1)	(17)	(1,310)	(14,303)
Provisions reversed	(316)	(2,070)	–	–	(345)	(2,731)
Reclassification	83	–	–	–	–	83
Translation differences	–	(71)	(47)	(10)	(42)	(170)
Balance at December 31, 2018	**2,828**	**13,799**	**1,152**	**227**	**6,026**	**24,032**
Thereof current	2,828	13,799	–	227	2,457	19,311
Thereof non-current	–	–	1,152	–	3,569	4,721

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

The provision for legal cases (2018: CHF 0.2 million and 2017: 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 (2018: CHF 3.2 million and 2017: CHF 3.7 million), to controversial transactional tax positions (2018: CHF 2.2 million and 2017: CHF 1.3 million) and to several minor items (2018: CHF 0.6 million and 2017: CHF 0.6 million).

23 SHAREHOLDERS' EQUITY

23.1 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).

23.2 NATURE AND PURPOSE OF THE EQUITY RESERVES

23.2.1 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.

23.2.2 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).

23.3 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, 2017	11,541,371	–	11,541,371
New shares issued based on employee participation plans	123,501	–	123,501
Balance at December 31, 2017	**11,664,872**	**–**	**11,664,872**
New shares issued based on employee participation plans	101,500	–	101,500
Balance at December 31, 2018	**11,766,372**	**–**	**11,766,372**

23.4 DIVIDENDS PAID

	2017	**2018**	2019 Proposed
Number of shares eligible for dividend	11,608,657	11,731,033	11,766,372
Dividends paid (CHF/share)	1.75	2.00	2.10

23.5 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2017	2018
Balance at January 1	761,841	638,340
New shares issued based on employee participation plans	(123,501)	(101,500)
Balance at December 31	**638,340**	**536,840**
Employee share options and employee shares, not yet delivered	260,685	238,692

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

	31.12.2017	31.12.2018
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	13.04.2018	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,300,000
CHF	220,000	230,000

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.

23.7 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 2018: 71.0% and 2017: 68.4%), which limits the level of borrowings. Changes to this target are subject to the Board of Directors' approval. In addition, all covenants relating to bank liabilities must be satisfied at any time.

The Board of Directors monitors both the earnings per share and the ability of the Group to undertake future business development. Amongst others it may initiate share buyback programs in order to rebalance the position of the Group in relation to these targets.

The level of dividend payments to shareholders shall be kept on a constant and ongoing level.

There were no changes in the Group's approach to capital management during the year.

24 FOREIGN EXCHANGE RATES

The following foreign exchange rates were used for the preparation of the consolidated financial statements:

CHF		Closing exchange rates 31.12.2017	Closing exchange rates 31.12.2018	Average exchange rates January to December 2017	Average exchange rates January to December 2018
EUR	1	1.17	1.13	1.11	1.15
GBP	1	1.32	1.25	1.27	1.31
SEK	100	11.90	11.08	11.54	11.26
USD	1	0.97	0.98	0.98	0.98
SGD	1	0.73	0.72	0.71	0.73
CNY	1	0.15	0.14	0.15	0.15
JPY	100	0.86	0.90	0.88	0.89
AUD	1	0.76	0.69	0.75	0.73

25 FINANCIAL RISK MANAGEMENT (IFRS 7)

25.1 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.

25.2 CLASSES OF FINANCIAL INSTRUMENTS

CHF 1,000	Cash and cash equiv-alents	Current derivatives	Trade and other receivables (Restated)	Non-current financial assets	**Total assets 31.12.2017**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 31.12.2017**
Financial instruments measured at fair value through P&L (FVTPL)									
Currency forwards	–	1,017	–	157	**1,174**	(949)	–	(334)	**(1,283)**
Contingent consideration	–	–	–	–	**–**	(4,872)	–	(6,767)	**(11,639)**
Financial instruments measured at amortized costs									
Cash and cash equivalents	309,412	–	–	–	**309,412**	–	–	–	**–**
Receivables	–	–	112,382	–	**112,382**	–	–	–	**–**
Rent and other deposits	–	–	433	674	**1,107**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	(4,329)	–	–	**(4,329)**
Bank loans	–	–	–	–	**–**	–	–	(1,229)	**(1,229)**
Payables and accrued expenses	–	–	–	–	**–**	–	(58,904)	–	**(58,904)**
Total financial instruments	**309,412**	**1,017**	**112,815**	**831**	**424,075**	**(10,150)**	**(58,904)**	**(8,330)**	**(77,384)**
Reconciling items[1]	–	–	10,364	–	**10,364**	–	(16,597)	–	**(16,597)**
Balance at December 31, 2017	**309,412**	**1,017**	**123,179**	**831**	**434,439**	**(10,150)**	**(75,501)**	**(8,330)**	**(93,981)**

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

CHF 1,000	Cash and cash equiv-alents	Current derivatives	Trade and other receivables	Non-current financial assets	**Total assets 31.12.2018**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 31.12.2018**
Financial instruments measured at fair value through P&L (FVTPL)									
Currency forwards and options	–	977	–	90	**1,067**	(3,900)	–	(406)	**(4,306)**
Contingent consideration	–	–	–	–	**–**	(4,916)	–	–	**(4,916)**
Financial instruments at fair value through OCI (FVOCI)									
Unquoted equity investment	–	–	–	4,000	**4,000**	–	–	–	**–**
Financial instruments measured at amortized costs									
Cash and cash equivalents	296,845	–	–	–	**296,845**	–	–	–	**–**
Receivables	–	–	105,811	–	**105,811**	–	–	–	**–**
Rent and other deposits	–	–	473	1,015	**1,488**	–	–	–	**–**
Current bank liabilities	–	–	–	–	–	(1,129)	–	–	**(1,129)**
Bank loans	–	–	–	–	–	–	–	(1,182)	**(1,182)**
Payables and accrued expenses	–	–	–	–	–	–	(66,700)	–	**(66,700)**
Total financial instruments	**296,845**	**977**	**106,284**	**5,105**	**409,211**	**(9,945)**	**(66,700)**	**(1,588)**	**(78,233)**
Reconciling items[1]	–	–	12,463	–	**12,463**	–	(14,648)	–	**(14,648)**
Balance at December 31, 2018	**296,845**	**977**	**118,747**	**5,105**	**421,674**	**(9,945)**	**(81,348)**	**(1,588)**	**(92,881)**

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

25.3 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 15) 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.

25.4 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.

25.4.1 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 20.

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, 2018, 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 1.0 million (2017: CHF 1.2 million) higher/lower, mainly as a result of cash positions held at variable rates.

25.4.2 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	31.12.2017 CHF	EUR	USD	Other	**31.12.2018** CHF	EUR	USD	Other
Derivatives	–	–	(79)	(30)	–	–	(3,276)	37
Contingent consideration	–	(2,090)	–	–	–	–	–	–
Cash and cash equivalents	568	9,336	2,009	687	821	2,300	3,133	3,682
Receivables	717	1,670	2,411	2,584	83	1,213	2,045	2,120
Rent and other deposits	–	42	–	–	–	42	–	–
Current bank liabilities	–	–	–	(4,322)	–	–	–	(1,120)
Bank loans	–	–	–	–	–	–	–	–
Payables and accrued expenses	(115)	(3,849)	(1,278)	(231)	(100)	(5,452)	(2,286)	(569)
Total net exposure to currency	**1,170**	**5,109**	**3,063**	**(1,312)**	**804**	**(1,897)**	**(384)**	**4,150**

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	31.12.2017 higher/(lower)	**31.12.2018 higher/(lower)**
If CHF had weakened against EUR by 10%	373	–
If CHF had strengthened against EUR by 10%	(373)	–
If CHF had weakened against USD by 10%	(8,131)	(13,381)
If CHF had strengthened against USD by 10%	8,194	12,097

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	Negative	Contract value Total	Due within 1 and 90 days	91 and 360 days	1 and 2 years
Foreign currency forwards						
Sell USD	760	(1,099)	134,941	49,202	50,177	35,562
Buy USD	413	(152)	(35,562)	(20,460)	(15,102)	–
Sell CNY	–	(32)	7,315	7,315	–	–
Buy CNY	1	–	(3,112)	(3,112)	–	–
Balance at December 31, 2017	**1,174**	**(1,283)**	**103,582**	**32,945**	**35,075**	**35,562**

CHF 1,000	Fair value Positive	Negative	Contract value Total	Due within 1 and 90 days	91 and 360 days	1 and 2 years
Foreign currency forwards						
Sell USD	392	(3,920)	162,937	64,196	65,566	33,175
Buy USD	332	(192)	(47,266)	(23,780)	(17,908)	(5,578)
Sell CNY	37	–	13,625	13,625	–	–
Foreign currency options						
Sell USD	306	–	6,654	1,174	4,893	587
Buy USD	–	(194)	(16,636)	(2,935)	(12,233)	(1,468)
Balance at December 31, 2018	**1,067**	**(4,306)**	**119,314**	**52,280**	**40,318**	**26,716**

25.5 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	**1,283**					
Outflow		77,465	27,776	29,229	20,460	–
Inflow		(74,939)	(27,108)	(28,386)	(19,445)	–
Non-derivative financial liabilities						
Current bank liabilities	4,329	4,329	4,329	–	–	–
Payables and accrued expenses[1]	58,904	58,904	36,257	22,647	–	–
Bank loans	1,229	1,275	3	19	22	1,231
Contingent consideration	11,639	12,040	4,850	–	7,190	–
Balance at December 31, 2017	**77,384**	**79,074**	**46,107**	**23,509**	**8,227**	**1,231**

[1]Excluding reconciling items (see note 25.2)

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	**4,112**					
Outflow		134,475	32,279	83,514	18,682	–
Inflow		(128,924)	(30,983)	(79,953)	(17,988)	–
Foreign currency options	**194**					
Outflow		–	–	–	–	–
Inflow		–	–	–	–	–
Non-derivative financial liabilities						
Current bank liabilities	1,129	1,129	1,129	–	–	–
Payables and accrued expenses[1]	66,700	66,700	45,346	21,354	–	–
Bank loans	1,182	1,193	–	9	1,184	–
Contingent consideration	4,916	4,916	4,916	–	–	–
Balance at December 31, 2018	**78,233**	**79,489**	**52,687**	**24,924**	**1,878**	**–**

[1]Excluding reconciling items (see note 25.2)

Unused lines of credit amounting to CHF 143.9 million were available to the Group at December 31, 2018 (2017: CHF 140.7 million). In addition, the Group had uncommitted lines of credit amounting to CHF 90.0 million for the purpose of financing possible future business combinations.

26 FAIR VALUE MEASUREMENT AND DISCLOSURES

26.1 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.

There have been no transfers between the levels in 2017 and 2018.

26.2 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	Change in fair value recognized in position
	31.12.2017	**31.12.2018**				
Currency forwards	(109)	(3,351)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points]) * amount in foreign currency	Financial result
Currency options	–	112	Level 2	Bloomberg	Black-Scholes model	Financial result
Unquoted equity investment	–	4,000	Level 3	n/a	Discounted cash flow method	Other comprehensive income (FVOCI)
Contingent consideration	(11,639)	(4,916)	Level 3	n/a	Discounted cash flow method See note 3.2	Other operating result

Unquoted equity investment – level 3 inputs: The Group acquired an unquoted equity instrument for CHF 4.0 million in the first half of 2018. The shares have a preferred status in the case of a potential liquidation. Therefore, a decrease in the forecasted cash flows of 10% would not adversely impact the fair value of the investment. Total changes in the fair value recognized during the period in other comprehensive income amount to CHF 0.0 million. No dividend was paid in 2018.

Contingent considerations – level 3 inputs: Beside of the WACCs that were used for discounting the expected payments, the underlying business plans are the most significant unobservable inputs.

26.3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS AFTER INITIAL RECOGNITION (IFRS 5)

Position	Net carrying amount in balance sheet measured according to IFRS 5 (CHF 1,000)		Fair value less costs to sell (CHF 1,000)		Level	Data source	Model	Impairment recognized in position
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**				
Land and buildings in Hombrechtikon (held for sale)	3'650	n/a	3'650	n/a	Level 3	n/a	Net rental method See note 3.3	Other operating result

Land and buildings Hombrechtikon – level 3 inputs: Beside of the discount rate, the expected future rental income is the most significant unobservable input. It is based on the highest and best use of the property that differs from the current use due to its change in purpose.

26.4 FAIR VALUE DISCLOSURES FOR FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The carrying amount of financial instruments measured at amortized costs (see note 25.2) is a reasonable approximation of their fair value due to their short-term nature. Bank 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
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**			
Bank loans	(1'229)	(1,182)	(1,235)	(1,182)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flow s at the current market interest rate that is available to the Group for similar financial instruments.

26.5 FAIR VALUE DISCLOSURES FOR INVESTMENT PROPERTY

Position	Net carrying amount in balance sheet measured at cost less depreciation (CHF 1,000)		Fair value disclosure (CHF 1,000)		Level	Data source	Model
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**			
Land and buildings in Hombrechtik on (investment property)	n/a	3,650	n/a	3,650	Level 3	n/a	Net rental method See note 3.3

Land and buildings Hombrechtikon – level 3 inputs: Beside of the discount rate, the expected future rental income is the most significant unobservable input. It is based on the highest and best use of the property that differs from the current use due to its change in purpose. The valuation was not prepared by an independent valuer.

27 FUTURE PAYMENTS UNDER OPERATING LEASE ARRANGEMENTS

The Group did not enter into any finance lease contracts.

27.1 THE GROUP AS A LESSOR IN OPERATING LEASE ARRANGEMENTS

The operating leases 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	31.12.2017	**31.12.2018**
Due date		
Within one year	714	824
In 1 to 3 years	1,061	1,454
In 3 to 5 years	395	561
After 5 years	–	–
Total future minimum lease payments (receivables)	**2,170**	**2,839**

In financial year 2018, CHF 0.8 million (2017: CHF 0.7 million) were recognized as revenue from leases in the consolidated statement of profit or loss.

27.2 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	31.12.2017	31.12.2018
Due date		
Within one year	8,296	9,976
In 1 to 3 years	13,208	14,363
In 3 to 5 years	7,319	6,839
After 5 years	1,388	1,508
Total future minimum lease payments (payables)	**30,211**	**32,686**

In financial year 2018, CHF 10.9 million (2017: CHF 8.9 million) were recognized as expenses for leases in the consolidated statement of profit or loss.

28 CONTINGENT LIABILITIES, ENCUMBRANCE OF ASSETS AND OTHER COMMITMENTS

At December 31, 2017 and 2018, 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	31.12.2017	31.12.2018
Pledged assets		
Land and buildings (classified as held for sale)	3,650	–

Purchase commitments – In the ordinary course of business, the Group regularly enters into relationships with suppliers whereby the Group commits itself to purchase certain minimum quantities of raw materials for the manufacturing of its products in order to benefit from better pricing conditions and a stable supply. Such commitments reflect normal business operations, are in line with the Group's manufacturing plans and product life cycles and are not in excess of current market prices. The Group recognizes a provision for onerous contracts if and to the extent such commitments exceed the Group's expected purchase quantities. At December 31, 2018, the purchase commitments amounted to CHF 105.7 million.

29 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	2017	2018
Short-term employee benefits	5,950	6,572
Post-employment benefits	455	471
Share-based payment[1]	9,985	8,591
Total compensation	**16,390**	**15,634**

[1]See note 11.4 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.

30 SUBSEQUENT EVENTS

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

31 GROUP RISK MANAGEMENT

31.1 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.

31.2 RISK ASSESSMENT CYCLE

31.2.1 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

31.2.2 Risk identification

The risk assessment team conducts periodic 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

31.2.3 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.

31.2.4 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.

31.2.5 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

Zurich, 7 March 2019

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 statement of profit or loss, consolidated statement of other comprehensive income, consolidated balance sheet, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 91 to 145) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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

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address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 91 to 145).

Revenue recognition

Area of focus	The Group's revenues amounted to CHF 594 million for the year ended 31 December 2018. For goods sold and services rendered, sales are recorded at the time when the customer receives control of the goods or services transferred. 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. Refer to note 2.7.1 (Accounting and valuation principles: Revenue recognition, contract assets and liabilities) in the consolidated financial statements for further details. Revenue recognition is significant to our audit as the Group generates revenues from different streams (goods sold and services rendered) and due to the risks that transactions may be recorded in the incorrect period.
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. Our audit procedures did not lead to any reservations concerning the recognition and measurement of revenue.

Carrying value of goodwill

Area of focus	As at 31 December 2018, the Group reported CHF 133.5 million in goodwill (representing 15.6% of the Group's total assets and 21.8% of the Group's total equity). 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 2.7.14 (Impairment) and 19 (Intangible assets and goodwill) in the consolidated financial statements for further details. The goodwill impairment test is significant to our audit due to the significance of the carrying value of goodwill and the complexity and judgment involved in performing the 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. Our audit procedures did not lead to any reservations relating to the carrying value of goodwill.

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. The Group is required to use significant judgment in estimating the appropriate amount to record in respect to uncertain income tax positions. Refer to note 2.2.3 (Critical accounting estimates and judgments: Income taxes) in the consolidated financial statements for further details. The accounting for uncertain income tax positions is significant to our audit due to the complexity and judgment involved in the Group's identification and determination of uncertain income tax positions.
Our audit response	Our audit procedures included evaluating the Group's judgments used in the determination of uncertain income 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. Our audit procedures did not lead to any reservations relating to the valuation of uncertain income tax positions.

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.

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.

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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

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

BALANCE SHEET OF TECAN GROUP LTD. AT DECEMBER 31

ASSETS

CHF 1,000	Notes	31.12.2017	31.12.2018
Cash and cash equivalents		145,873	125,142
Current loans to subsidiaries		57,000	34,400
Other accounts receivable from third parties		9	10
Other accounts receivable from subsidiaries		1,969	2,607
Prepaid expenses		12	7
Current assets		**204,863**	**162,166**
Investments in subsidiaries	3	63,479	116,769
Financial investments	4	–	4,000
Non-current loans to subsidiaries		32,000	32,000
Property, plant and equipment		2	1
Non-current assets		**95,481**	**152,770**
Assets		**300,344**	**314,936**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2017	31.12.2018
Other accounts payable to third parties		86	141
Other accounts payable to subsidiaries		9	7
Income tax payables		–	117
Accrued expenses		1,168	598
Current liabilities		**1,263**	**863**
Provision for general business risks	5	30,000	30,000
Other non-current provisions		124	84
Non-current liabilities		**30,124**	**30,084**
Total liabilities		**31,387**	**30,947**
Share capital		1,166	1,177
Legal capital reserve (capital contribution reserve)		35,386	55,032
General legal retained earnings		1,000	1,000
Voluntary retained earnings		231,405	226,780
Shareholders' equity	6	**268,957**	**283,989**
Liabilities and equity		**300,344**	**314,936**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	2017	2018
Royalties from subsidiaries	660	2,123
Dividend income from subsidiaries	5,000	18,396
Interest income from third parties	3	–
Interest income from subsidiaries	920	714
Foreign exchange gains, net	21	–
Operating income	**6,604**	**21,233**
Personnel expenses	(1,175)	(908)
Other operating expenses	(1,085)	(1,205)
Depreciation of property, plant and equipment	(1)	(1)
Interest expense to third parties	(26)	(124)
Foreign exchange losses, net	–	(38)
Operating expenses	**(2,287)**	**(2,276)**
Operating profit	**4,317**	**18,957**
Extraordinary, non-recurring or prior-period income and expenses	**–**	**–**
Profit before taxes	**4,317**	**18,957**
Income taxes	(1)	(120)
Profit for the period	**4,316**	**18,837**

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 91 through 145) 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 150 through 157) 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 adjusted for foreign currency translation differences and less any impairment of value.

2.2.2 Investments in subsidiaries

Investments are valued at historical costs less any impairment of value, applying the single-asset-valuation principle.

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.

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, 2017 and December 31, 2018, 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/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
• Pulssar Technologies S.A.S	Paris (FR)	100%	400	EUR	inactive
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
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
• Tecan SP, Inc. (Ex SPEware Corp.)	Baldwin Park/ Los Angeles, CA (US)	100%	472	USD	R/P/D
• Tecan Genomics, Inc. (Ex NuGEN Technologies, Inc.)	Redwood City, CA (US)	100%	0	USD	R/P/D
IBL International Corp.	Toronto (CA)	100%	0	USD	inactive
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	800	SGD	S
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 Pulssar Technologies S.A.S. (via its subsidiary Tecan Trading AG) on February 28, 2017 and 100% of the voting rights of NuGEN Technologies, Inc. (via its subsidiary Tecan US Group, Inc.) on August 31, 2018. To finance the acquisition of NuGEN, a capital contribution of USD 55 million was paid into Tecan US Group, Inc.

4 FINANCIAL INVESTMENTS

Company	Registered office	Participation in % (capital and votes)	Purpose
Andrew Alliance SA	Vernier/Geneva (CH)	6.1%	Development, production and marketing of scientific instruments for life sciences

In February 2018, the company acquired a minority interest of 6.1% in Andrew Alliance SA.

5 PROVISION FOR GENERAL BUSINESS RISKS

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

6 SHAREHOLDERS' EQUITY

6.1 CHANGES IN SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Legal capital reserve (capital contribution reserve)	General legal retained earnings	Voluntary retained earnings	Total share-holders' equity
Balance at January 1, 2017	**1,154**	**15,552**	**1,000**	**247,404**	**265,110**
Net profit	–	–	–	4,316	4,316
Dividend paid	–	–	–	(20,315)	(20,315)
New shares issued based on employee participation plans	12	19,834	–	–	19,846
Balance at December 31, 2017	**1,166**	**35,386**	**1,000**	**231,405**	**268,957**
Net profit	–	–	–	18,837	18,837
Dividend paid	–	–	–	(23,462)	(23,462)
New shares issued based on employee participation plans	11	19,646	–	–	19,657
Balance at December 31, 2018	**1,177**	**55,032**	**1,000**	**226,780**	**283,989**

The Company's share capital is CHF 1,176,637.20, consisting of 11,766,372 registered shares with a nominal value of CHF 0.10 each (2017: share capital of CHF 1,166,487 consisting of 11,664,872 registered shares with a nominal value of CHF 0.10 each).

The amount of the legal capital reserve (capital contribution reserve) is subject to review and confirmation by the Swiss federal tax authorities.

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 2018 a total of 24,487 options (share option plans) were exercised and 77,013 shares transferred (share plans), increasing the Company's share capital by CHF 10,150 and decreasing the Company's conditional share capital by 101,500 shares (2017: a total of 39,053 options were exercised and 84,448 shares transferred, increasing the share capital by CHF 12,350 and decreasing the conditional share capital by 123,501 shares).

On April 26, 2006 and on April 17, 2018, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2017	2018
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	638,340	536,840
CHF	63,834	53,684
Employee share options and employee shares, not yet delivered	260,685	238,692
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	13.04.2018	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,300,000
CHF	220,000	230,000

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.

7 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	31.12.2017	31.12.2018
Employees – average	1.0	1.0

8 NUMBER OF SHARES AND SHARE OPTIONS

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

	2017		2018	
	Number	Value (CHF 1,000)	Number	Value (CHF 1,000)
Board of Directors				
Shares	2,064	323	1,619	338
Employees				
Shares	3,045	493	2,391	451
Total	**5,109**	**816**	**4,010**	**789**

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.

9 GUARANTEES IN FAVOR OF THIRD PARTIES

The total amount of guarantees in favor of its subsidiaries was CHF 89.2 million at December 31, 2018 (2017: CHF 91.4 million). In addition, the Company is member of the VAT-group of Tecan Schweiz AG.

10 LIABILITIES FROM LEASE ARRANGEMENTS NOT INCLUDED IN THE BALANCE SHEET

The future minimum lease payments under non-cancellable leases are:

CHF 1,000	31.12.2017	31.12.2018
Liabilites from lease arrangements	45	31

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

11.1 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]

	31.12.2017	31.12.2018
Chase Nominees Ltd., London (UK)	13.3%	13.1%
NN Group N.V., Amsterdam (NL)	7.3%	7.2%
Massachusetts Mutual Life Insurance Company, Springfield MA (US)	4.9%	5.8%
UBS Fund Management (Switzerland) AG, Basel (CH)	4.9%	4.9%
BlackRock Inc., New York (US)	6.4%	4.9%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	4.9%	4.9%
T. Rowe Price Associates, Baltimore, MD (US)	<3.0%	3.0%
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.0%	2.9%
Pictet Funds SA, Geneva (CH)	3.0%	2.9%
Wellington Management Group LLP, Boston (US)	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.

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

For details of the employee participation plans please refer to note 11.4 of the consolidated financial statements.

11.2.1 Share and option ownership of the Board of Directors

Number	Year	Total options	Total shares
Dr. Lukas Braunschweiler	2017	–	–
(Chairman, since April 2018)[1]	2018	–	–
Rolf Classon	2017	–	**7,293**
(Chairman, until April 2018)[2]	2018	–	–
Heinrich Fischer	2017	–	**16,237**
(Vice Chairman)	2018	–	**16,550**
Dr. Oliver S. Fetzer	2017	–	**2,248**
	2018	–	**2,498**
Lars Holmqvist	2017	–	**625**
	2018	–	**875**
Dr. Karen Hübscher	2017	–	**625**
	2018	–	**875**
Dr. Christa Kreuzburg	2017	–	**1,474**
	2018	–	**1,724**
Dr. Daniel R. Marshak	2017	–	–
(since April 2018)[1]	2018	–	–
Gérard Vaillant	2017	–	**2,248**
(until April 2018)[2]	2018	–	–
Balance at December 31, 2017		–	**30,750**
Balance at December 31, 2018		–	**22,522**

[1]Shares and share options in 2017 are not disclosed, because the member of the Board joined after year-end 2017.

[2]Shares and share options in 2018 are not disclosed, because the member of the Board stepped down before year-end 2018.

11.2.2 Share and option ownership of the Management Board

Number	Year	Total options	Total shares
Dr. David Martyr (CEO)	2017	–	**21,930**
	2018	–	**20,268**
Dr. Rudolf Eugster (CFO)	2017	–	**7,776**
	2018	–	**11,199**
Ulrich Kanter	2017	–	**5,825**
	2018	–	**5,232**
Dr. Achim von Leoprechting	2017	–	**5,943**
	2018	–	**5,393**
Dr. Klaus Lun	2017	–	**5,512**
	2018	–	**5,053**
Erik Norström	2017	–	**130**
	2018	–	**1,358**
Markus Schmid	2017	–	**5,199**
	2018	–	**4,495**
Andreas Wilhelm	2017	–	**5,199**
	2018	–	**4,495**
Balance at December 31, 2017		–	**57,514**
Balance at December 31, 2018		–	**57,493**

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 16, 2019 to allocate the voluntary retained earnings as follows:

CHF 1,000	31.12.2017 Approved	**31.12.2018 Proposed**
Carried forward from previous year	227,089	207,943
Net profit	4,316	18,837
Available retained earnings	**231,405**	**226,780**
Dividend paid as approved by the annual general meeting of shareholders on April 17, 2018: CHF 2.00 per share with a nominal value of CHF 0.10 each (total 11,731,033 shares eligible for dividend)	(23,462)	
Dividend proposed: CHF 2.10 per share with a nominal value of CHF 0.10 each (total 11,766,372 shares eligible for dividend)[1]		(24,709)
Balance to be carried forward	**207,943**	**202,071**

[1] These numbers are based on the outstanding share capital at December 31, 2018. The number of shares eligible for dividend may change due to the repurchase or sale of treasury shares and the issuance of up to 93,194 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

Zurich, 7 March 2019

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 150 to 157), for the year ended 31 December 2018.

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 2018 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

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 150 to 157).

Valuation of investments in subsidiaries

Area of focus	As at 31 December 2018, investments in subsidiaries of the Company amounted to CHF 116.8 million and represent 37% 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. Our audit procedures did not lead to any reservations relating to the valuation of investments in subsidiaries.

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

Martin Mattes	Pascal Solèr
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Performance of the Tecan share in 2018

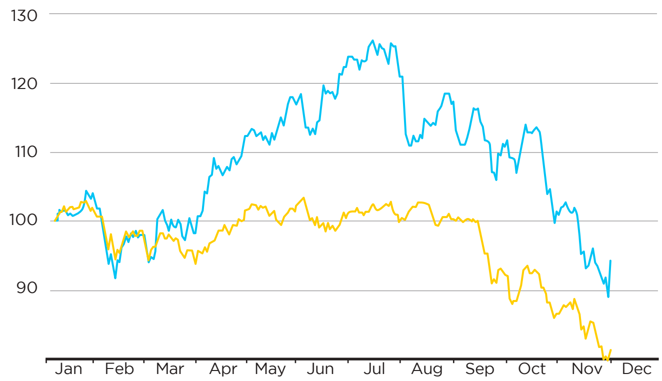
Until October 2018, the equity markets continued to perform strongly. However, after a sharp correction, they ended the year below the level of 2017. The SMI, which covers Swiss blue-chip stocks, lost 10.2% for the year. The SPI Extra, which encompasses small and mid-cap companies on the SIX Swiss Exchange, was down by 17.2%.

At CHF 190.80, shares of Tecan also ended the year below 2017. With a loss of 5.9% however, Tecan shares markedly outperformed the SPI Extra benchmark. The daily closing price high for the year was CHF 255.80 in July, and it was also an all-time high for Tecan shares (taking into consideration stock splits).

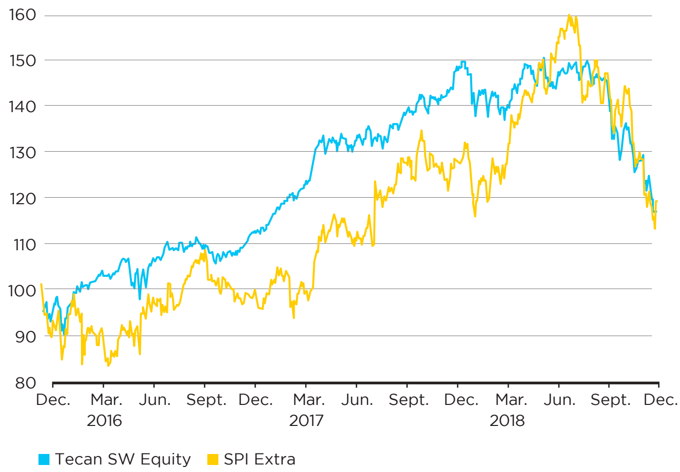
SHARE INFORMATION

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

SHARE PRICE PERFORMANCE BETWEEN 31.12.2017 AND 31.12.2018



SHARE PRICE PERFORMANCE BETWEEN 2016 AND 2018



TECAN SHARE

	2016	2017	2018
Numbers of shares issued	11,541,371	11,664,872	11,766,372
Number of treasury shares	0	0	0
Number of shares outstanding at December 31	11,541,371	11,664,872	11,766,372
Average number of shares outstanding	11,502,948	11,622,365	11,740,655
Share price at December 31 (CHF)	158.90	202.70	190.80
High (CHF)	174.90	217.80	255.80
Low (CHF)	126.10	148.80	180.00
Average number of traded shares per day[1]	21,814	20,879	22,129
Average trading volume per day (CHF)[1]	3,338,414	3,781,813	4,863,069

INFORMATION PER SHARE

	2016	2017	2018
Basic earnings per share (CHF/share)	4.74	5.67	6.02
Shareholder,s equity at December 31 (CHF 1,000)	487,085	550,121	612,409
Dividend (CHF)	1.75	2.00	2.10[2]
Dividend yield (%)[3]	1.10 %	1.00 %	1.10%

FINANCIAL RATIOS

	2016	2017	2018
Market capitalization (CHF million)[4]	1,833.9	2,364.5	2,245.0
Enterprise Value (CHF million)[5]	1,591.6	2,073.8	1,955.4
Price Earnings Ratio[6]	31.47	35.75	31.69

[1] Including off-exchange trading

[2] Proposal to the Annual General Meeting of Shareholders on April 16, 2019

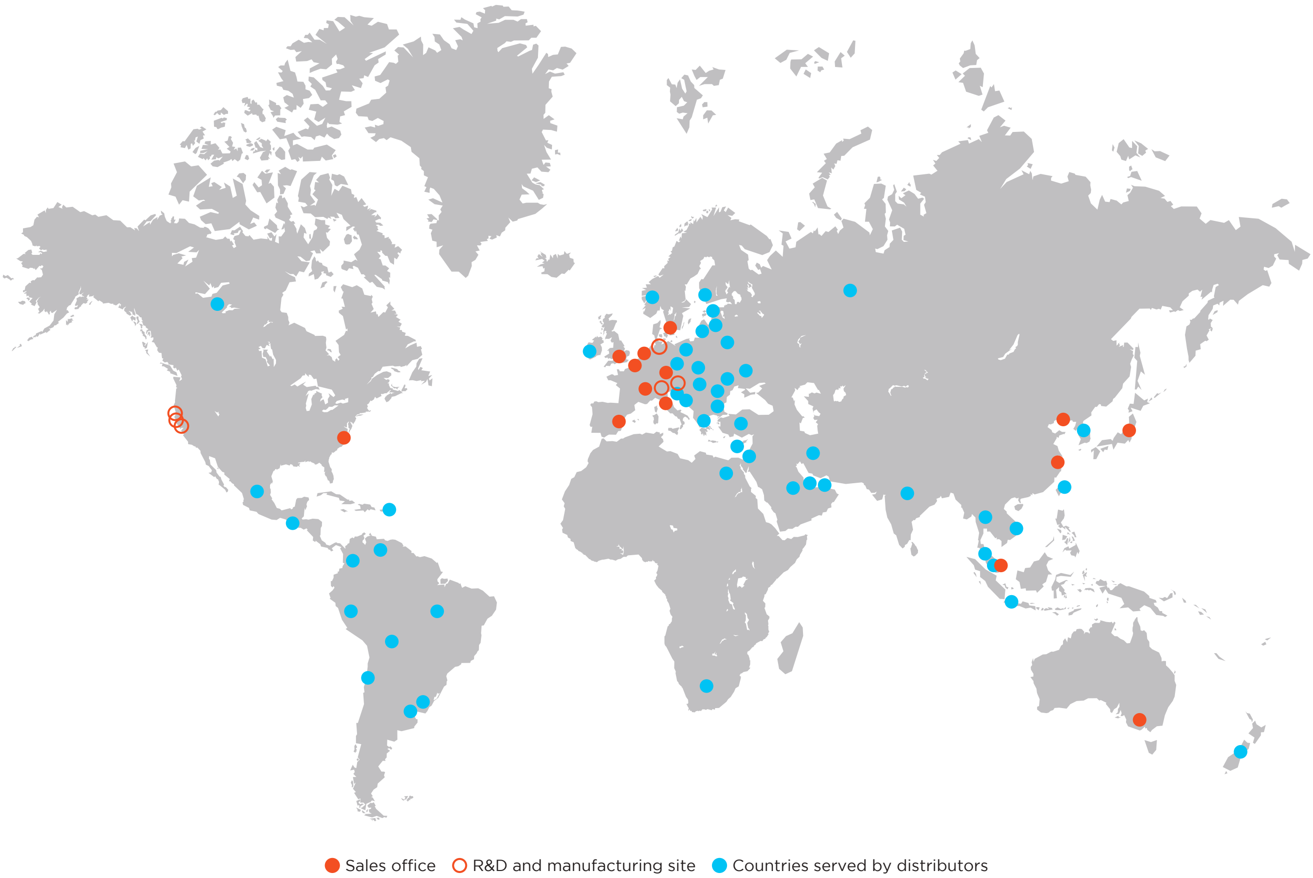
[3] At share price as of Dec 31

[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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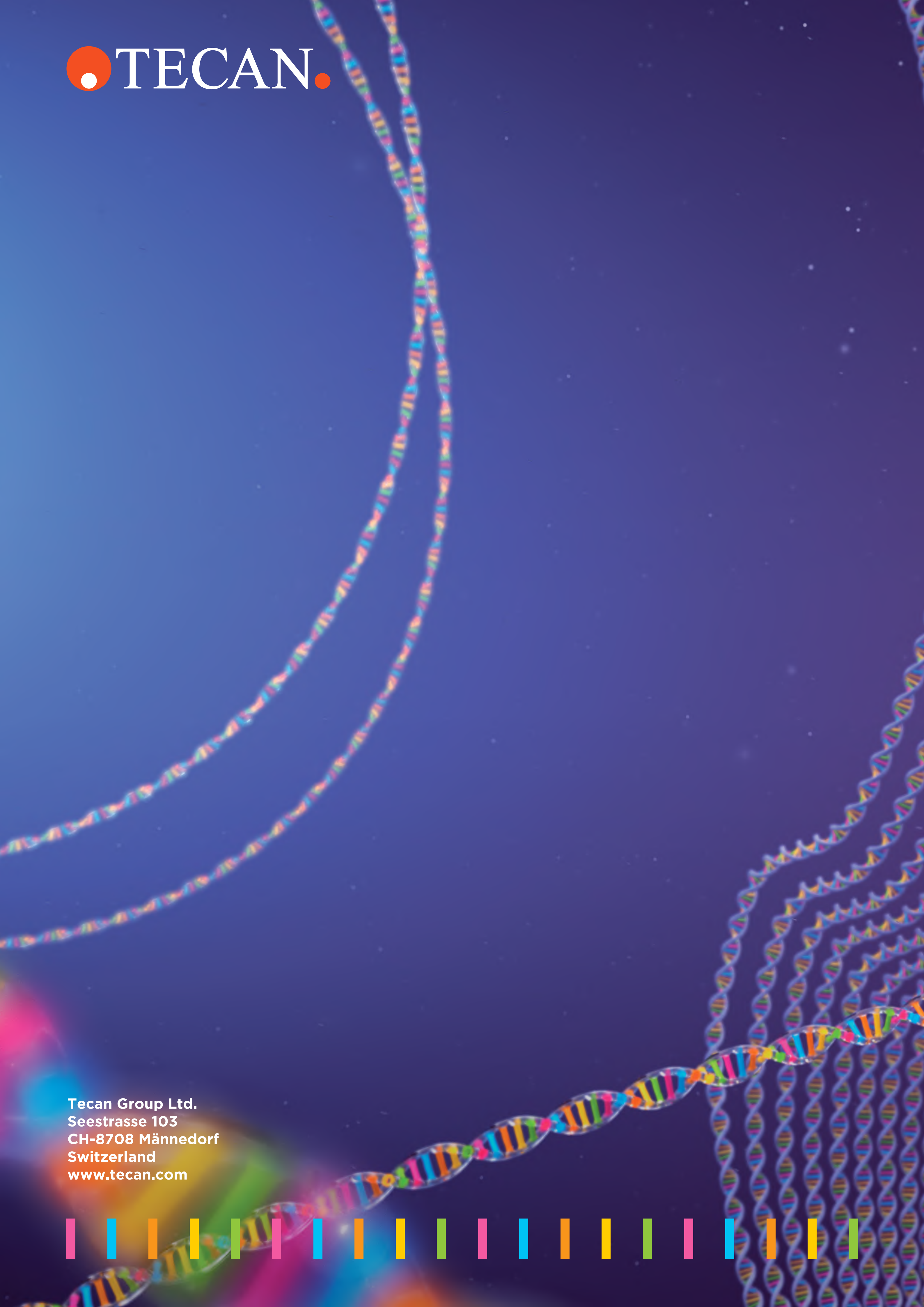

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