Then and now:
40 years of human discovery.

Empowering 40 years of progress.

Tecan began its journey 40 years ago, and in that time the world of science and healthcare has changed immensely. We have had the privilege to be involved in the greatest scientific revolution of our time: uncovering biological insights to benefit human health.

During the last four decades of Tecan's engagement we have entered the Century of Biology. We have seen the human genome fully mapped, the birth of the first cloned animal, and genome editing techniques that hold the promise to revolutionize medicine. Many diseases that were a death sentence 40 years ago are now cured or manageable through advanced diagnostics and novel treatments.

Tecan has helped empower researchers all around the world to make discoveries and to bring these discoveries to the clinic. Now diagnosis is faster and more accurate giving patients individual answers they need, along with a clear path to treatment and recovery that had not previously existed.

Looking back over the past 40 years, and looking at Tecan today, it is clear that our journey has only just begun. The medical field has achieved some momentous milestones and now faces new opportunities and challenges. Research reveals new depths of complexity for genetic disorders, infectious diseases can rapidly become global pandemics, and more data than we could ever have imagined enable but sometimes also obscure the potential medical breakthroughs hidden within. These challenges are the challenges of researchers, clinicians and most importantly patients around the world. Helping overcome these challenges is Tecan's mission.

We will continue to serve the scientific and clinical communities. We will take their challenges and drive towards new solutions with our passion for innovation and with the highest standards. That much has not changed in 40 years and will not change moving forward. We live the promise to our customers, we are "always there for you".

We look forward to the next 40 years of this wildly exciting journey – 40 years of enabling innovation, curing diseases, and improving the lives of patients. Thank you for the part that you have played in this journey, and for shaping the future of Tecan.

Dr. Achim von Leoprechting
Chief Executive Officer

1983

PCR

Polymerase chain reaction was developed as a technique to amplify DNA. PCR technology has fundamentally changed the field of molecular biology.

1984

mAb

Over the last three decades, monoclonal antibodies (mAbs) have made a dramatic transformation from scientific tools to powerful human therapeutics.

1989

WWW

The World Wide Web was developed at CERN in Switzerland and has been central to the development of the Information Age.

2003

HGP

The Human Genome Project was completed after 13 years which helped us to understand diseases and design new and more predictable treatments.

Genetic Disease.

Diagnosing the previously undiagnosable, one patient at a time

Back in the 80s, the only way to diagnose a genetic disease was to peer down a microscope at chromosomes to try to detect a genetic defect by eye or by linking the inheritance of genetic markers with clinical traits that could easily be observed. But being limited by what you can see down a microscope is like having a low power telescope pointed at the heavens.

Clinical geneticist Professor Angus Clarke from Cardiff University is a fellow of The Royal College of Pediatrics and Child Health and has spent his career working on genetic disorders such as Huntington's Disease and Rett syndrome. Looking back on his early career, Prof. Clarke recalled, "I've got a recollection of how basic linkage analysis was. Getting to direct mutation testing gave us a huge boost."

The ability to determine point mutations using sequencing technologies had profound impacts for diseases such as Duchenne Muscular Dystrophy (DMD). Prof. Clarke remarked that as the disease was sex linked, some mothers would opt to terminate male pregnancies, sometimes multiple times. "As soon as the mutations were identified that practice ended," explained Prof. Clarke.

Identifying point mutations was the start of our ability to diagnose genetic diseases; this has been revolutionized by Next Generation Sequencing (NGS) over recent years. We now have the ability to sequence every base in the human genome and compare the sequence of DNA in every patient so that known and unknown mutations can be identified and verified. However, this requires the ability to process, analyze and interpret vast amounts of genetic data.

One of the companies taking on this challenge is Ambry Genetics; a company on a mission to understand human disease on a genetic level.

Today, Ambry Genetics operates the pioneering Super Lab, which is powered by Tecan's automation and liquid handling technology. The goal is clear: to get accurate diagnostics into the hands of the clinicians and patients as quickly as possible. Automation of the genomic workflows is the basis of making the benefits of genetic medicine a reality for more patients than ever before.

The implementation of advanced genomics into the clinical space is just beginning. The hard work of companies like Ambry Genetics is bringing us closer to delivering reliable clinical decisions based on genetic mutations, so that every patient is diagnosed and treated appropriately.

Addressing the unmet needs of patients

The diagnosis of multiple myeloma is a real challenge. A cure remains to be discovered, but this potentially fatal type of blood cancer that mainly affects the elderly population can be managed. The key is to diagnose early to improve patient survival and quality of life by providing care at the earliest possible stage.

Multiple myeloma is a cancer involving plasma cells, a type of white blood cell that produces antibodies to fight infections. In myeloma, abnormal plasma cells produce large amounts of a single type of antibody which has no useful function. The cells accumulate in the bone marrow, crowding out healthy blood cells and disrupting normal antibody production.

Patients often have nonspecific symptoms, such as fatigue, frequent infections and/or bone pain, which makes timely diagnosis challenging. Back in 1980, a new group of patients were identified with "smoldering multiple myeloma", a preclinical stage for which treatment leads to better survival – if the patient can be diagnosed in time.

Up to now, clinicians are mostly dependent on a slow, laborious and insensitive technique called electrophoresis to detect the abnormal antibodies of multiple myeloma. As a result, patients often have a heavy burden of cancer cells well before the cancer is detected, resulting in a high proportion of disease related complications and a poor prognosis.

Enter the mass spectrometer, an instrument that is highly sensitive in detecting the abnormal plasma cell antibodies. The researchers at the Mayo Clinic, USA who developed this technique, used mass spectrometry to analyze samples collected from the 1960s and onwards to investigate an asymptomatic condition called MGUS that can lead to multiple myeloma. The power of their new method was demonstrated when they detected antibodies involved in MGUS in half the individuals originally identified as negative and who later developed multiple myeloma. Earlier detection of preclinical disease by mass spectrometry may ultimately lead to earlier intervention, reduced complications and longer survival.

UK-based company The Binding Site, a leader in specialized medical diagnostics that aims to improve the diagnosis and management of blood cancers and immune system disorders, decided to bring the mass spectrometry method to the routine clinical testing lab in collaboration with the Mayo Clinic. One of the most difficult steps was the preparation of patient samples for analysis, and this led to collaboration with Tecan Partnering to automate the process in the clinical testing environment. The aim is for patients' primary unprocessed samples to be prepared for mass spectrometry in a robust and reproducible process leading to high accuracy, precision and resolution. Together, we are now working towards the detection of multiple myeloma much sooner to ensure that the right treatment can be prescribed earlier.

This is one example of how lab automation can enable the transfer of powerful new analytical methods into the clinical lab. The result is improved diagnosis and support to clinicians in making informed decisions that radically improve patient outcomes.

HIV from discovery to surveillance in Kenya, a role model for other countries

In 1981 a mysterious new affliction baffled the medical community. Previously healthy young men were contracting rare and aggressive forms of pneumonia and cancer usually found only in severely immunosuppressed patients. Those first sporadic cases of what is now known as Acquired Immunodeficiency Syndrome (AIDS) turned out to be the start of a global epidemic that has since claimed the lives of over 32 million people worldwide and has become one of the greatest public health challenges in history.

In the first decade of the epidemic, AIDS was shrouded in mystery and the life expectancy after diagnosis was just 10 to 12 years. By the 1990s, treatment regimens had become complex, with patients taking up to 20 pills a day. Today, thanks to significant advances in research and medical science, Human Immunodeficiency Virus (HIV), the retrovirus that causes AIDS, is now well understood. Most people with HIV take only two tablets each day to keep the virus in check, and many patients can expect to live into their 70s.

But the AIDS crisis is far from over. In 2018 over 770,000 people died of HIV-related illnesses and today over 40 million are living with HIV worldwide. In some regions of the world the number of new infections continues to rise. Early and reliable HIV detection is fundamental to achieving ambitious global targets for 2020 and beyond. HIV misdiagnosis can be disastrous at the personal level as well has having a significant negative impact on public health.

In Africa, Kenya's Ministry of Health has led the way in tackling the problem of misdiagnosis by implementing a national HIV proficiency testing (PT) scheme. The National Public Health Laboratory (NPHL) in Nairobi coordinates two PT cycles annually, using blinded methods to check how reliably healthcare workers are able to obtain correct results using the frontline rapid HIV test. The results help NPHL to quickly identify poor performers, so that problems with equipment and methodology are corrected as soon as possible.

Automation has been critical in helping the NPHL cope with a dramatic increase in demand for PT across the country. Before PT was rolled out to individual service providers, the number of participants was under 3,000. "Today our team of just seven people produces PT panels for over 20,000 participants," says NPHL Production Manager Sophie Mwanyumba. "This level of scale-up initially meant long working hours for staff and a high risk of errors. With automated dispensing we have cut our turnaround time down from three months to one."

Kenya's approach is a true success story that neighboring countries are keen to emulate. Sophie Mwanyumba's vision for the future? "I'd like to take the spirit of quality improvement global, starting with neighboring countries like Uganda and Tanzania," she says. And if the challenges of AIDS/HIV have taught us anything over the past four decades, it's that when medical professionals and technologists unite in a common cause, there is no limit to what can be achieved.

Pediatric Leukemia.

Speeding up research into rare forms of cancer

“Essentially, we are translating our pipeline from bench to bedside in a much shorter timeframe.” Professor Giovanni Roti, Dept. of Medicine and Surgery, University of Parma, Italy.

Children who suffer from acute myeloid leukemia (AML) or T-cell lymphoid leukemia (TLL) present clinicians with a major challenge: not only are the diseases aggressive and deadly, but developing new treatments is very difficult. With only 10 cases in 100,000 people each year in Europe, clinical samples for testing are rare. Consequently, there is a scarcity of primary patient samples on which to test new drugs.

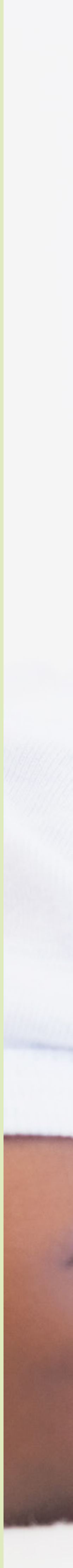
The Dana-Farber Institute in Boston, MA, where Prof. Roti worked for several years, was instrumental in the first treatment of child leukemia. The devastating symptoms of leukemia have established a sense of urgency to move research into the clinic as fast as possible. Prof. Roti's research continues this mission.

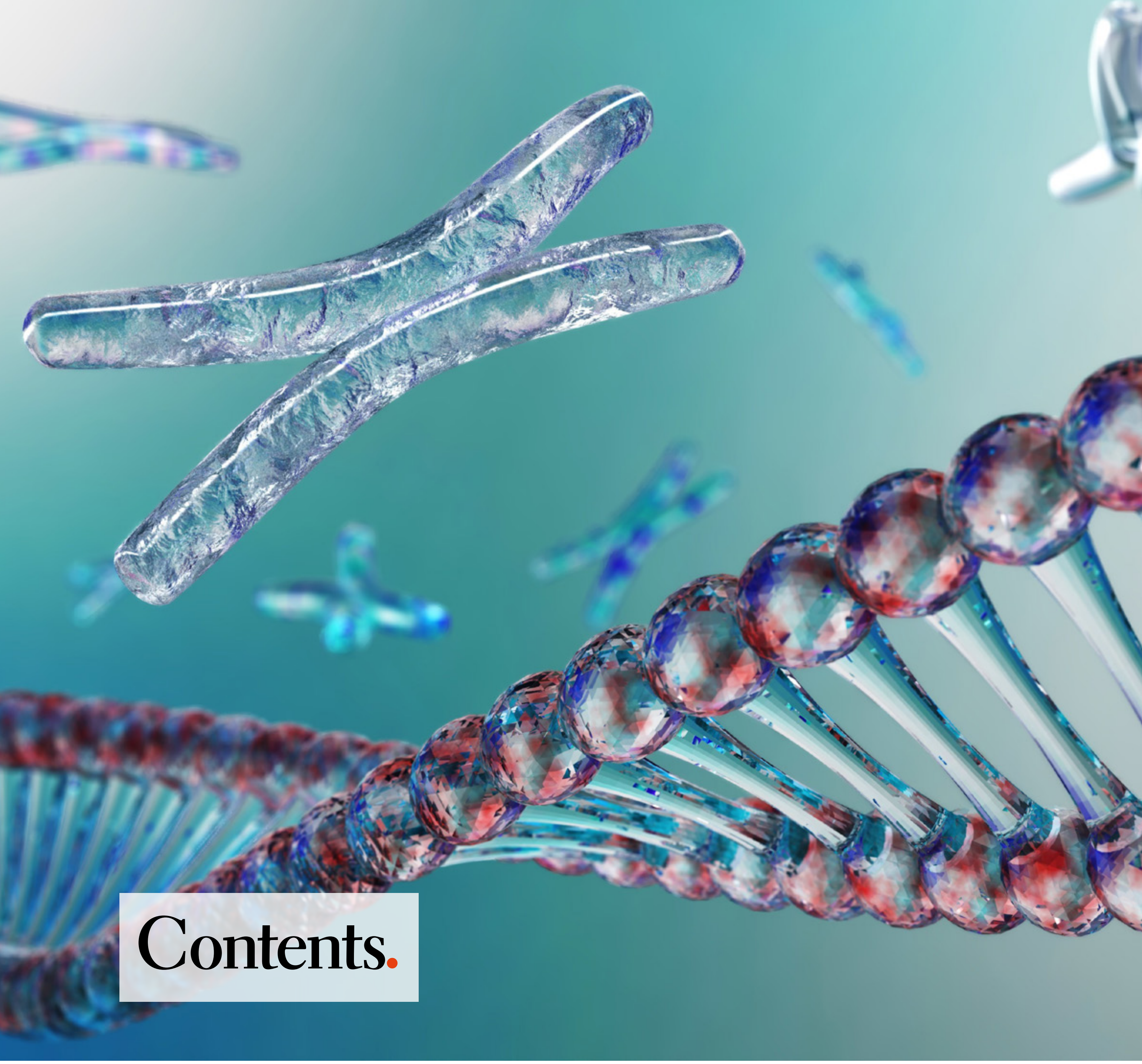
Prof. Roti's lab meets the problem head-on by focusing on investigating pediatric cancers with chemogenics – the application of small molecule libraries to identify new targets and drugs to attack the diseases. By screening libraries of chemical entities on the rare clinical samples, Prof. Roti is able to identify the targets and drugs worth investigating. None of this would be possible without the automation of micro-dispensing of the drugs provided by Tecan.

As well as traditional drug discovery, cell therapies show great promise for the future treatment of several types of leukemia. Recently, a CAR-T cell therapy was approved by the FDA for acute lymphoblastic leukemia (ALL). T-cells taken from a patient are engineered in the laboratory to aggressively destroy their cancer cells.

Though promising, CAR-T therapies have limitations. Life threatening symptoms of patients can worsen while they wait for the therapeutic T-cells to be prepared in a lab and new CAR-T treatments for other forms of leukemia are slow to gain regulatory approval. The labor-intensive processes to produce the therapies have also led to a single treatment costing hundreds of thousands of US dollars.

The challenges facing emerging treatments for pediatric leukemia need the technological solutions in which Tecan specializes. Once taken from the patient, T-cells needed for the therapy must spend as little time in the lab as possible before they are returned to the patient’s bloodstream. Through automation, miniaturization, and streamlining lab processes, the therapeutic T-cells can be processed faster than ever. Therapies can be produced quickly and tailored to the individual patient to maximize their effectiveness while limiting dangerous side effects. Automation will inevitably bring lower costs as less time and labor are needed for each CAR-T therapy. As the time for the journey from “bench to bedside” decreases, more and more children suffering from pediatric leukemia are given a chance to recover from a cruel disease and live full and symptom-free lives.





Contents.

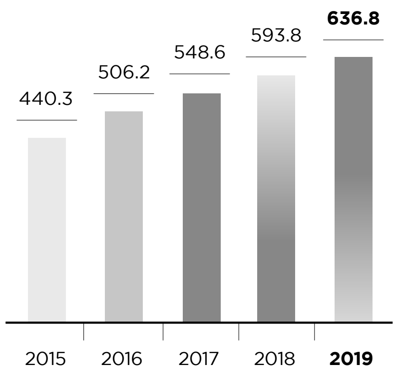
2019 at a glance

KEY FIGURES

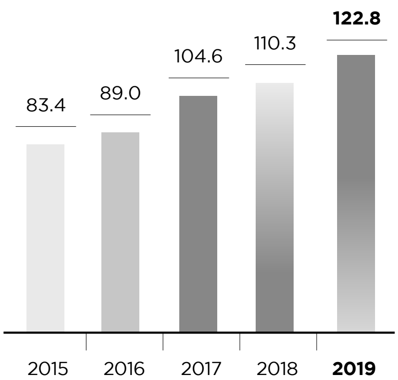
CHF million	2018	2019	Δ in %
Order Entry	627.0	638.6	+1.9%
Sales	593.8	636.8	+7.2%
Sales in local currencies	589.5	636.8	+8.0%
Gross profit	278.3	297.3	+6.8%
in % of sales	46.9%	46.7%	
EBIT	88.6	88.7	+0.2%
in % of sales	14.9%	13.9%	
EBITDA	110.3	122.8	+11.3%
in % of sales	18.6%	19.3%	
Net profit	70.7	73.2	+3.5%
in % of sales	11.9%	11.5%	
EPS (CHF)	6.02	6.18	+2.7%

FINANCIAL SUMMARY

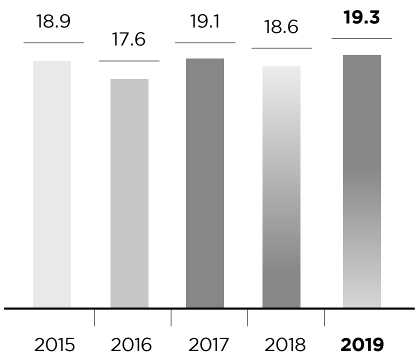
SALES
(CHF million)



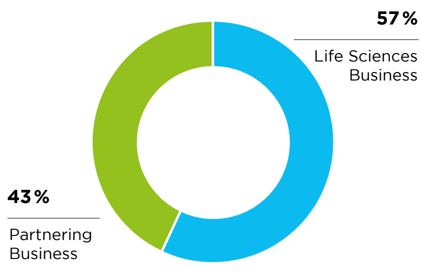
EBITDA
(CHF million)



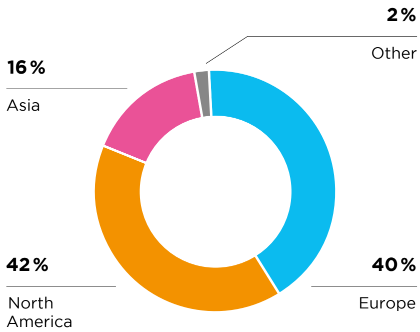
EBITDA MARGIN
(in % of sales)



SALES BY BUSINESS SEGMENTS
(in % of sales)



SALES BY REGIONS
(in % of sales)



Dear Shareholders

Tecan remains on its growth track. We can look back on another very successful fiscal year, in which we again achieved a significant increase in sales. In the year under review this was in particular driven by strong growth in the Life Sciences Business. We were also able to increase our net profit thanks to a strong development in the margin in the traditional core business.

This year Tecan is celebrating the company's 40th anniversary. As a pioneer in laboratory automation, Tecan has been instrumental in enabling many of the advances in life science research since its foundation in 1980. Today we are in an excellent position to significantly help shape future developments as well in the market segments we serve. Therefore we will continue to gear our activities consistently towards the core applications, which are based on particularly strong growth drivers. We aim to achieve continued growth above the market average going forward as well.

FINANCIAL RESULTS FULL-YEAR AND SECOND HALF OF 2019

In the year under review, Tecan grew its order entry by 1.9% to CHF 638.6 million (2018: CHF 627.0 million), or by 2.5% in local currencies. The growth was not as strong as in 2018, when order entry benefited in the second half of the year from a large order in the Life Sciences Business for customized solutions and grew correspondingly at a double-digit rate. Adjusted for this effect, order entry in the Life Sciences Business grew at a good mid-single-digit growth rate, leading to a solid underlying growth at Group level as well.

Order backlog, an important indicator for the current financial year, grew again to reach a record level as at 31 December 2019.

Sales for fiscal year 2019 grew by 7.2% to CHF 636.8 million (2018: CHF 593.8 million), corresponding to growth of 8.0% in local currencies. On an organic basis, adjusted for acquisition effects, sales grew by 5.3% in Swiss francs and by 6.0% in local currencies. The growth trend continued in the second half of the year as well, with sales increasing by 6.4% in Swiss francs and 7.7% in local currencies. On an organic basis, sales rose by 5.8% in local currencies in the second half of the year.

Recurring sales of services and consumables increased in fiscal year 2019 by 5.9% in local currencies and 6.5% in Swiss francs, and therefore amounted to a relatively unchanged 41.3% of total sales (2018: 41.8%).

Reported operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 11.3% to CHF 122.8 million in the fiscal year 2019 (2018: CHF 110.3 million). This EBITDA as reported includes influencing factors that reduced the overall result: the net impact of acquisition-related costs amounting to around CHF 10 million as well as, to a far lesser extent, the non-recurring additional costs of the CEO change during the fiscal year. These two effects were more than offset by a strong margin trend in the traditional core business (without newly acquired companies) as well as by a positive recurring profit contribution resulting from the adoption of the new IFRS 16 accounting standard (Leases).

The reported EBITDA margin grew correspondingly by 70 basis points to 19.3% of sales (2018: 18.6%).

Reported net profit for the year 2019 rose by 3.5% to CHF 73.2 million (2018: CHF 70.7 million). Thanks to a lower tax rate in connection with the tax reform in Switzerland, net profit increased by more than operating profit (earnings before interest and taxes; EBIT). The net profit margin amounted to 11.5% of sales (2018: 11.9%), while earnings per share rose to a new high of CHF 6.18 (2018: CHF 6.02)

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

DR. ACHIM VON LEOPRECHTING
Chief Executive Officer (since April 2019)

Cash flow from operating activities increased to CHF 98.8 million (2018: CHF 92.7 million), which corresponds to 15.5% of sales.

Details on the course of business of the Life Sciences Business and Partnering Business segments can be found in the relevant sections on pages 30 and 38. Details regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 104.

STRONG BALANCE SHEET – HIGH EQUITY RATIO

Tecan's equity ratio reached 70.1% as of December 31, 2019 (December 31, 2018: 71.4%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 312.4 million (June 30, 2019: CHF 264.5 million; December 31, 2018: CHF 289.6 million). The purchase consideration for the acquisition of a supplier was paid fully in cash in the first half of the year (net cash outflow of CHF 20.8 million).

On the basis of the further increase of net profit in 2019 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 2.10 to CHF 2.20 per share. Half of the dividend, i.e. CHF 1.10, will be paid out from the available capital contribution reserve and is therefore not subject to withholding tax.

STRATEGIC ORIENTATION AND PRIORITIES

THE CENTURY OF BIOLOGY

Since Tecan's foundation in 1980, enormous progress in life science research and healthcare have been made. For example, in the 1990s work was carried out on decoding the human genome for the first time. At that time this was a monumental undertaking in which numerous research institutes around the world were involved. It took a total of 13 years and the cost ran to several billion US dollars. The result was the mapping of the sequence of a single human genome. Today, gene sequencing is a daily routine in numerous laboratories around the world. It helps in the detection of hereditary diseases, in cancer diagnostics and in non-invasive prenatal diagnostics – within a few days and at costs of less than 1,000 US dollars per sequencing. Some experts in the field anticipate that in future, most people in developed nations will undergo gene sequencing at least once in their life. This means that we have truly arrived in the "Century of Biology", and the world's laboratories generate more biological data within just a few months than has ever been produced in human history. In addition to genomics, protein and cell analysis are for us essential applications that provide complementary data for decoding biological issues, the development of effective drugs and increasing personalized diagnosis of patients.

Over the last four decades, Tecan has helped drive progress in life science research. How will the company continue to be this driving force in the future?

FOCUS ON CORE APPLICATIONS

We cover a large number of different application areas in research and diagnostics thanks to our two divisions, the Life Sciences Business and the Partnering Business. We will continue to do this in future as well. However, we intend to focus especially on three core applications that are based on particularly strong growth drivers:

- Genomics
- Protein analysis, particularly workflows of mass spectrometry
- Cell and tissue analysis

These three applications are generally used in life science research as well as in in-vitro diagnostics. Both business segments therefore offer growth potential for Tecan. In the three core applications, we want to increasingly offer complete solutions, i.e. not only instruments but also selected reagents and consumables.

FOCUS ON THE EMPLOYEES

Founded in a barn by Lake Zurich, today Tecan has an international workforce of around 2,000 employees from 50 nations and is increasingly present in all regions of the world. Our employees are the foundation for the company's successful development, and each day they contribute to progress in life science research and diagnostics. This contribution, providing a positive impact on people's well-being and health is an important part of Tecan's corporate culture. We have grown strongly in recent years and we wish to continue growing in future. This means that the number of employees will continue to rise globally in the coming years. It is therefore of particular importance that our own talents are developed and promoted. With this in mind, we have also started a global talent management program for the first time, entitled "NextGen Tecan". Tecan is an attractive employer for whom diversity and inclusion in the workforce are key values of the personnel policy. Changes in society due to demographics may in future also mean a shortage of talent and specialists on international labor markets. In order to be able to address the best specialists as an attractive employer in future, too, active staff promotion and further development of the corporate culture are therefore also other points of focus for our corporate practices.

FOCUS ON THE CUSTOMERS

For Tecan, customer centricity is the most important guiding principle and the basis for a sustainably successful business model. Our central customer promise is "Always There For You" – all of the company's activities are geared toward its customers. The satisfaction of our customers is a decisive factor for the successful and sustainable development of the company. Open communication is essential in order to guarantee high satisfaction levels over the long term, which also boosts loyalty to Tecan. We actively seek constructive criticism and have integrated this into continuous improvement programs. The expansion of our broadly supported customer satisfaction program and implementation of measures leading to an improved customer experience represented key points in the year under review, and will continue to be a priority in future.

FOCUS ON EFFICIENCY AND SCALABILITY

Tecan has had a continuous improvement process in place for several years. The production system has been consistently aligned to the principles of lean manufacturing. A continuous improvement process is also being implemented in areas other than production, such as sales, service and support processes. This is done partly on the basis of customer surveys and ideas from the workforce. Driven by the strong growth of the past few years, a greater significance will be given to standardizing processes in future. We have thus begun to define the processes, methods and tools we use, and to continuously analyze the relevant key figures and measure progress: The Tecan Way!

In addition, we continue to work on more efficient processes in procurement and logistics, as well as on reducing material and production costs. We have made great progress in this area in recent years. We have also succeeded in achieving a leading position in the field of R&D, in order to ensure a continuing high level of innovative output with more efficient development cycles in coming years. For this purpose we have developed modular platforms that we can increasingly build on, in both hardware and software. Thus for example hardware components and software code can be re-used to create new configurations – without having to start from scratch. This makes it possible to offer faster time to market, reduced life cycle management cost, and the ability to use the modular platforms in a variety of different applications. At Tecan, digitalization technologies have already found their way into many work and product areas. Also in the future, we will focus developments on the effective use of digital technologies from sales through product development and product operation to service.

FOCUS ON SUSTAINABLE DEVELOPMENT

A company can only prosper and secure its existence in the long term if it pursues ecologically and socially sustainable principles in addition to economic ones. Sustainability must be deeply embedded as a mindset in the business, its structures and procedures – in other words, in its corporate culture. Therefore sustainability is more than just a series of individual measures. This is the case at Tecan. Regarding this we refer you to the 2019 Sustainability Report, p. 44. We have included a great deal of additional information on topics that are of particular relevance to us.

OUTLOOK 2020

Current developments in the various end markets indicate a continued healthy market environment and a further positive growth trend. We therefore once again forecast sales growth for the full-year 2020 to be in the mid- to high single-digit percentage range in local currencies, as in the previous year. We are assuming an even higher share from organic growth compared to 2019.

After already reporting a very positive margin trend in the traditional core business in 2019, we anticipate a further increase in the reported EBITDA margin in fiscal year 2020 to around 19.6% of sales.

Any impact on the full-year business performance of the outbreak of the new Coronavirus (COVID-19) cannot be predicted at present.

The 2020 outlook does not take account of potential acquisitions during the course of the year.

EXPRESSION OF THANKS

We can look back on 2019 as yet another highly successful financial year. This success 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 colleagues around the world for their personal contributions.

On the occasion of our 40th anniversary, we would also like to thank all former employees who built up Tecan and made it the company it is today. And last but not least, our respect and recognition go to the founders of Tecan for their bold and visionary foresight in setting up this enterprise in 1980 on the banks of Lake Zurich as a pioneer in laboratory automation.

Finally, we would like to express our thanks to our customers for their cooperation and loyalty, and to our shareholders and business partners for the trust they have placed in us. We look forward to working together in the future.

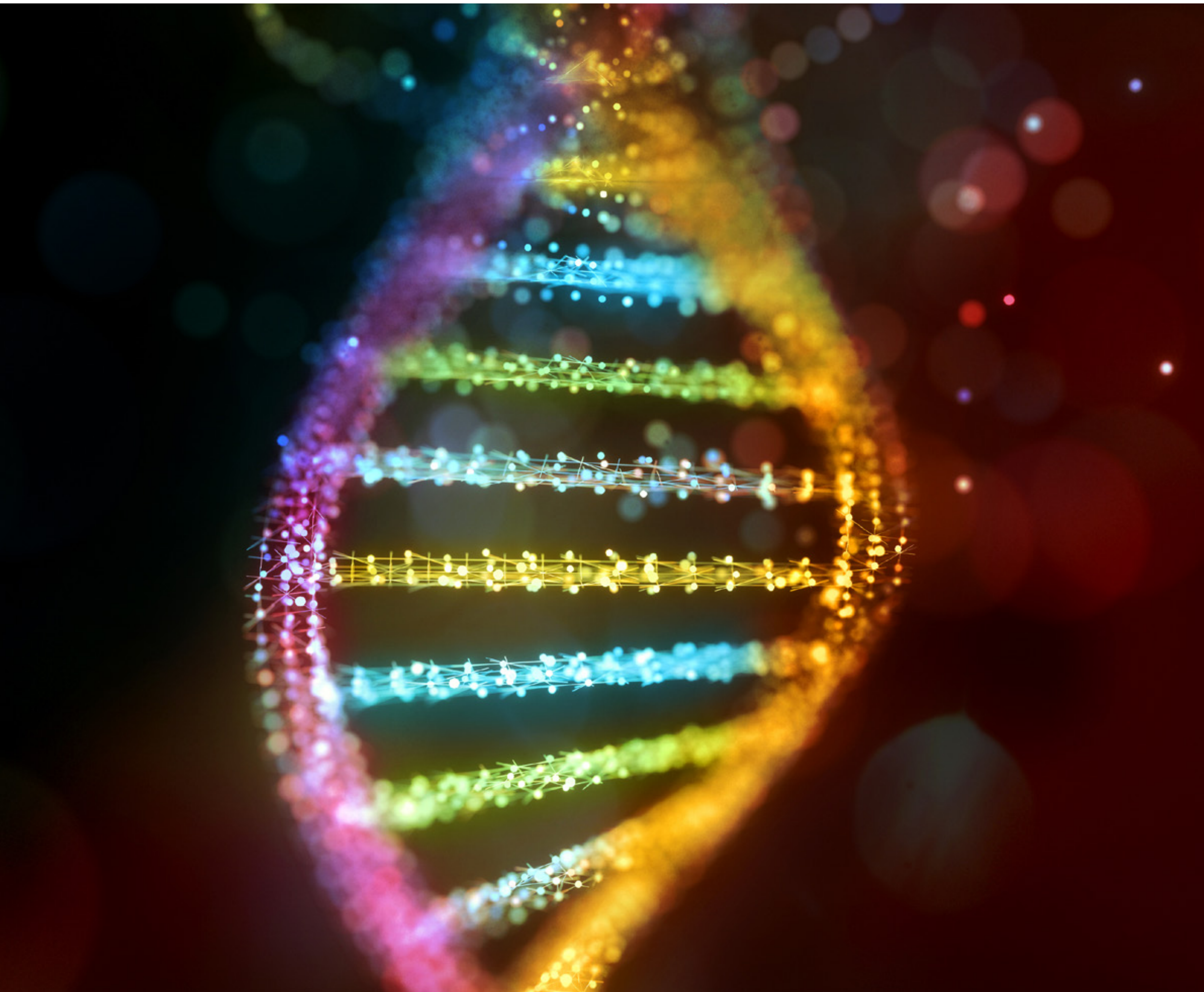
Männedorf, 5. March 2020

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

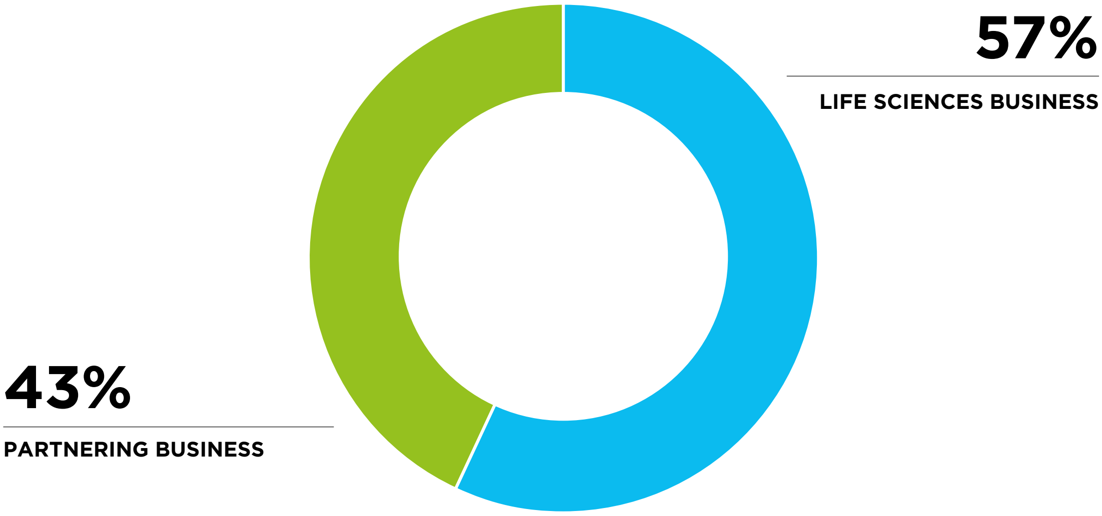
DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

Markets and strategy

Tecan is a pioneer and has been the market leader in laboratory automation for 40 years. 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 – from basic science to prevention, diagnosis and treatment of diseases. 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 innovation and 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. It is only through automation that complex biological work processes become robust and human error sources are eliminated. 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 appropriate reagents and functional consumables.

UNIQUE POSITION WITH TWO STRONG PILLARS

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 that complement each other and achieve a position for that Company that is unique in such depth on the market. Tecan can offer the complete spectrum for different customer groups, from benchtop devices for basic research to sample-to-result solutions for in-vitro diagnostics companies.

The life science research area is highly innovative and is where most new technologies are developed and initially employed as a matter of routine. Traditionally Tecan has a strong position in life science research thanks to its own end-customer business, covering a broad range of applications with modular and configurable instrument platforms.

Many of these technologies here also have great potential for diagnostic application. In the last few years, for example, next-generation sequencing has proved to be of great benefit, such as in identifying inheritable diseases, in cancer diagnostics or in non-invasive prenatal diagnostics.

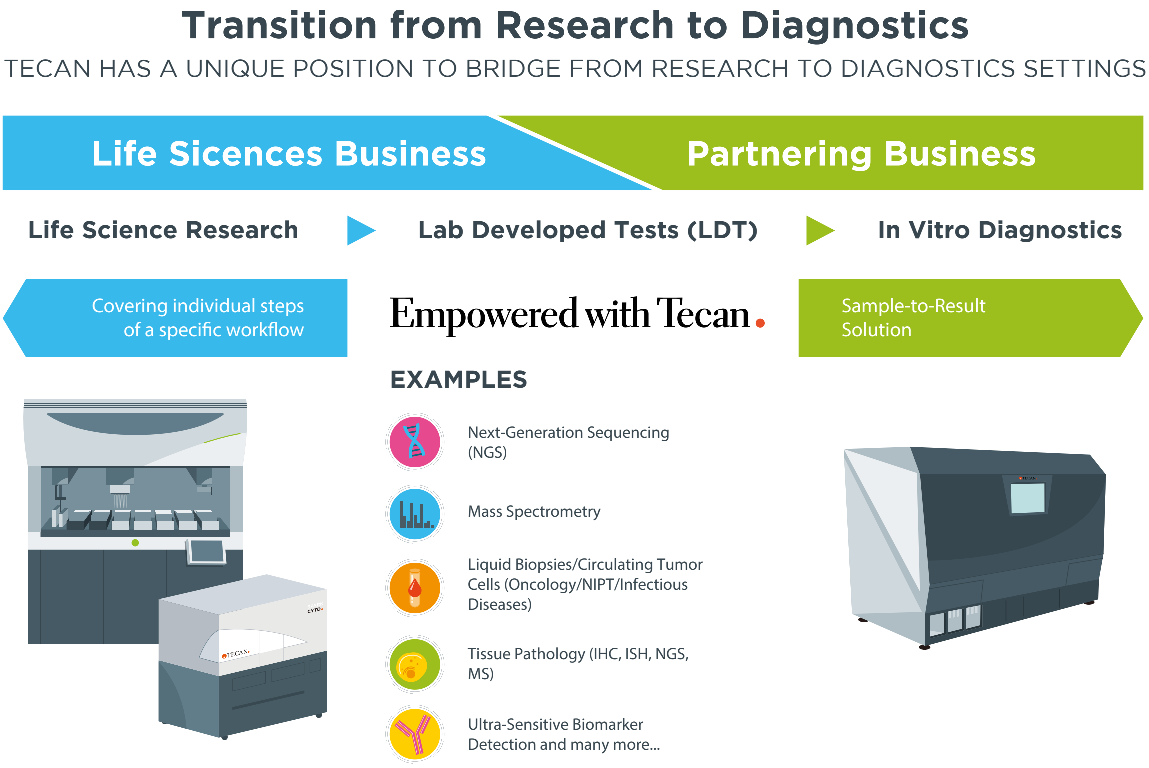
New types of tests are normally carried out after an initial transition to diagnostic application, at first in large or special laboratories. As demand rises and the processing of many samples is centralized in a small number of locations, automation solutions are mostly required for a high throughput. As in life science research, most individual work steps of a workflow are separately optimized and carried out in succession. As lab developed tests, the test procedures are internally developed and validated by the laboratories in this regulated market segment. The application is scaled and industrialized. Tecan has already gained significant experience in new types of technologies and can now make this available to clinical laboratories. Through its life science business, Tecan often has application-specific platforms that are permitted for use in the regulated area. For example, the Fluent Gx platform variant has been successfully registered as a Class I medical device in the US. Its specific functionalities facilitate greater process security, traceability of samples and stricter user management.

For further transition to routine clinical application, diagnostics companies mostly develop a range of special tests based on new kinds of technologies. Together with these tests, the automation platform specially designed for this purpose is then offered by diagnostics companies as a complete solution. This type of solution is very popular, even with less specialized laboratories. For companies in the in-vitro diagnostics sector, Tecan is the preferred partner for these automation systems through the partnering business. For example, Fluent Gx can be adapted for a partner company's specific test and workflow. A diagnostics company can benefit from Tecan's expertise and platform availability, leading to cost-efficient development and quicker market entry. Based on this strategic orientation, collaboration with different partners enables Tecan in turn to benefit from the growth potential in a range of different types of technologies and tests for numerous therapeutic areas and other special parameters.

As a technology becomes increasingly mature, demand from decentralized clinical laboratories for the new types of test procedures also rises, such as in hospitals. These laboratories typically have other requirements for a total solution: The tests should be developed by a diagnostics company as ready-made reagent kits and the licensing authorities should have granted a license. Furthermore, the dedicated automation platform designed for a specific functionality should be very easy to use and all work steps necessary for carrying out the test covered in one instrument (sample in, result out).

Here the sample volume is normally lower, therefore less value is placed on a high throughput. However, other requirements often take priority. For example, particularly urgent cases should be rapidly processed by loading samples into the instrument on the fly, allowing for prioritization. Despite these different requirements, the fundamental technologies are very similar for the automation of work steps compared to previous solutions. By choosing to partner with Tecan as OEM customers, diagnostics companies get access to all the Company's previously developed technologies and platforms, all modules and software solutions as well as its expertise in system integration and regulatory and quality-related processes.

At the moment, different technologies are in a transition phase towards increased deployment in in-vitro diagnostics, such as next-generation sequencing (NGS), mass spectrometry or the use of liquid biopsies, such as for cancer diagnostics.



MARKET DEVELOPMENT AND STRUCTURE AS THE BASIS FOR CORPORATE STRATEGY

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

The majority of end-users originate 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. Research and development as well as the Operations division are organized across the Group in order to better leverage synergies through various locations.

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 names, combined with their own reagents as a total solution, such as hospitals, major diagnostic laboratories and blood banks.

In its Life Sciences Business segment, Tecan distributes open automation platforms, mainly to major diagnostics laboratories. For example, these extract the DNA from patient samples for subsequent molecular diagnostic tests or prepare blood samples for next-generation sequencing. ELISA technology is another popular application, for example, to determine specialty diagnostic parameters, such as evidence of rare infectious diseases or to verify certain hormone levels. In this specialty diagnostics area, Tecan has also been offering a portfolio of test kits as well as dedicated automation platforms since acquiring IBL International in 2014. Overall, just over a third of sales in the Life Sciences Business are generated in regulated markets such as clinical diagnostics.

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 generates approximately half of the sales in this market segment. It also represents the largest product area for instruments at Tecan. Detection instruments, the second largest instrument group at Tecan, account for more than one-quarter of the market segment.

SPECIAL FOCUS ON THREE APPLICATION AREAS

Tecan covers a large number of different application areas thanks to its two divisions of Life Sciences Business and Partnering Business. Special focus is placed on three applications to achieve continued growth that outstrips the market average. Particularly strong growth drivers form the basis of them:
- Genomics
- Protein analysis, particularly workflows of mass spectrometry
- Cell and tissue analysis

These three applications are generally used in life science research as well as in in-vitro diagnostics. Both business segments therefore offer growth potential for Tecan.

Genomics

Genomics is the systematic analysis of the genome, e.g. a cell, tissue, organ or complete organism. A genome is the complete DNA sequence of an organism, including all its genes. Genomics is now a basic application in life science research. In in-vitro diagnostics, for example, techniques of molecular diagnostics are used to prove the DNA of a pathogen in the blood. The whole genomics market has since grown to more than USD 20 billion. Some of the subsegments are developing here at an average single-digit rate, others such as next-generation sequencing (NGS) at a double-digit rate.

NGS workflows are composed of multiple complex steps, most of which need to be performed prior to loading samples in the actual sequencer. The crucial step prior to sequencing is library preparation, which is a particularly attractive market segment and a focus of Tecan's area of work. But even with other work steps of the various genomics workflows, starting with the basic step of DNA extraction, Tecan is extremely well positioned.

Protein analysis

All proteins in an organism, tissue or cell are called proteomes. Unlike with the genome, the composition of a proteome changes all the time. These changes are crucially affected by the environment and diseases, but also by drugs, for example. In order to research and analyze proteins, a range of techniques is available, notably mass spectrometry.

The market for all areas of mass spectrometry is worth around USD 5 billion. The sub-segment of sample preparation, which is particularly attractive for Tecan, has grown at an average rate in the high single-digit range to some USD 0.7 billion. The key growth driver here is the increasing number of biopharmaceuticals, a class of compounds produced using biotechnology resources and genetically modified organisms. Analyses based on mass spectrometry are also increasingly applied in in-vitro diagnostics in addition to their traditional use in life science research.

The focus of Tecan's work area is mainly on sample preparation for mass spectrometry, but also on analysis methods, such as immunoassays. Tecan is also extremely well positioned for other common work steps, such as protein purification.

Cell and tissue analysis

Cells are independent biological functional units and the starting point for many studies. Biological processes can be understood and clarified at cellular level thanks to cell analysis. Researchers offer trials a more realistic model with cells or groups of cells for transferring findings on organisms. For example, cell assays are increasingly used to develop new drugs.

The size of the overall cell analysis market, i.e. the various areas of cell biology and imaging, is estimated to be around USD 10 billion. Here market growth is in the mid-single digit percent range.

In cell analysis, Tecan offers innovative detection and imaging solutions, but also a broad portfolio of automation solutions for different work steps.

Through its partnering business, Tecan also supplies leading diagnostics companies in the areas of tissue analysis for cancer diagnostics, flow cytometry and other applications.

STRATEGY FOR PROFITABLE GROWTH

The structure of both main markets of life science research and in-vitro diagnostics plus the core applications of genomics, protein analysis and cell analysis form the basis of the corporate strategy. It follows three vectors to ensure sustainable profitable growth.

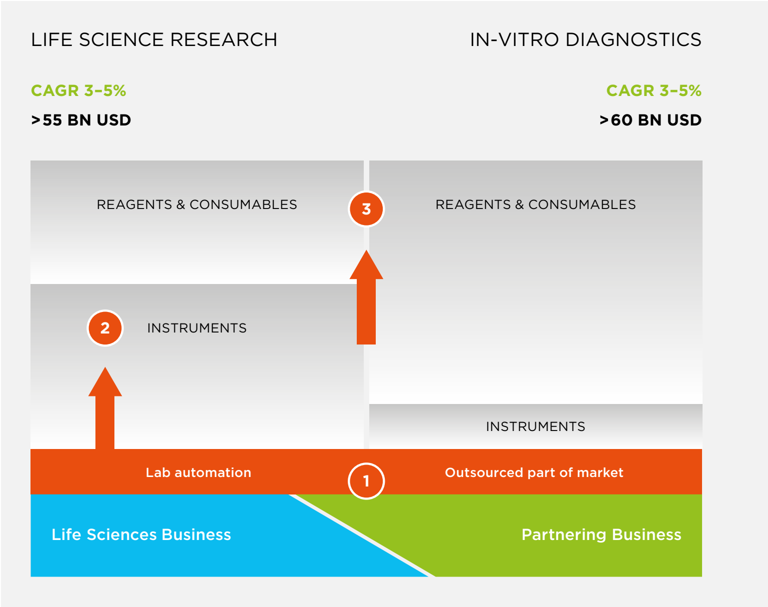
1 In both main markets, the aim is to further consolidate core business and gain market share by launching new products and expanding geographically. In Life Sciences, the market-leading position in laboratory automation will be further increased primarily by launching innovative new products. Tecan has introduced innovative next-generation platforms in both of its largest product lines and continuously introduced additional platform variants in recent years. Several new launches are also continually planned for the forthcoming years.

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.

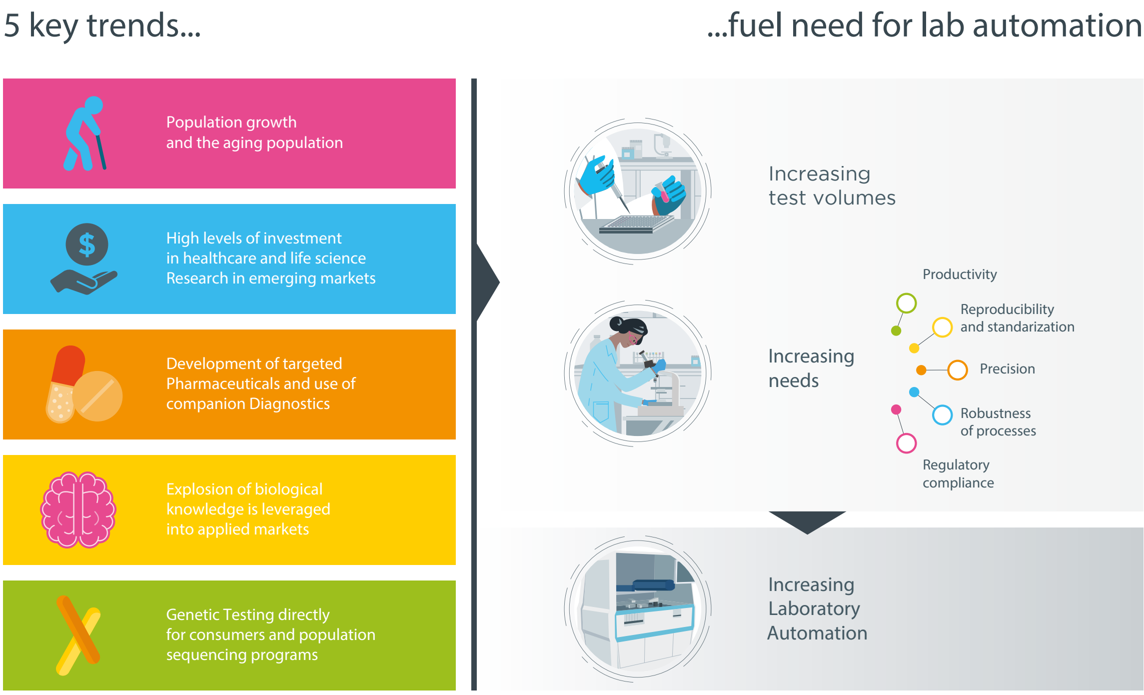
As already implemented in the last few years, it is also intended to further expand market share in the core business of both business segments through acquisitions. The addressed market segments are still relatively fragmented and therefore offer opportunities for further consolidation.

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. One example for implementation of this strategy is the adoption of SPEware in 2016 (now known as Tecan SP). Since then, Tecan has been able to offer its customers dedicated instruments in sample processing for mass spectronomy. As part of its comprehensive genomics strategy, Tecan is also working on developing its own dedicated automation platforms for this area of application.

MARKET STRUCTURE



Tecan is Benefitting from Multiple Megatrends



3 The third vector focuses on expanding recurring revenues in Tecan's two main markets, life science research and in-vitro diagnostics. The Company also wants to supply more reagents and consumables for select applications 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. For a long time, Tecan has been offering a broad portfolio of consumables, most of which are pipette tips used on liquid handling platforms. 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 and functional consumables on these platforms. Thanks to several acquisitions, the Company can now offer complete solutions in three areas:

- Immunoassays for the specialty diagnostics market segment
- Sample preparation for mass spectrometry
- Sample preparation for next-generation sequencing (NGS).

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 depict far-reaching social and technological changes. The markets in which Tecan is active are positively influenced by a number of megatrends. They also result in increased sample volume and a significant rise in tests carried out. This requires higher laboratory productivity. The tests must be reproducible and accurate, the processes standardized and robust. Strict regulatory standards must also be complied with. Tecan has systematically focused its corporate strategy on these markets and requirements and can therefore 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 48 new drugs in the year under review. Last year, new registrations had risen to a record 59. The new drugs that have been approved in the last few 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 ground-breaking 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 significantly below that of 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 food industry, special products are being developed that counteract disorders of the intestinal flora. In these laboratories too, state-of-the-art automation solutions from Tecan improve efficiency.
Genetic testing for large parts of the population and consumers	Another trend that Tecan is benefiting from is the **fast-growing and increasingly popular market for genetic testing**. This development was made possible by the rapidly declining costs of gene sequencing and other technologies. In various research programs, some of which are state-funded, the DNA of several million people is to be analyzed to increase the diagnosis rate of rare and sometimes inheritable diseases. Analysts assume that in future, most people in developed nations will undergo **gene sequencing** at least once in their life. At the same time, a highly relevant market segment has emerged, mainly in the US, where millions of consumers on the internet apply for genetic testing, for example, tests for inheritable diseases or for genealogical research. Various work steps are being automated in large laboratories using Tecan instruments.

Tecan Competences Empowering the Century of Biology

FROM DISCOVERY OF NOVEL MEDICATIONS ALL THE WAY TO BETTER DIAGNOSIS OF DISEASES

Healthcare use

Better...

- **understand**
- **diagnose**
- and **treat**

Applications

- Genomics
- Protein analysis
- Cell & tissue analysis

Detection & assay technologies

- Sequencing
- PCR
- Mass Spectrometry
- Immunoassays
- Imaging
- Advanced Staining

and many more

Tecan's enabling competences

- Applications and Workflows
- Robotics and Automation
- Software and Informatics
- Precision Handling of Liquids
- Reagents and Consumables

All built on a robust foundation of:

- Product Development and Systems Integration Expertise
- Quality Management System
- Regulatory Expertise
- Efficient Operations

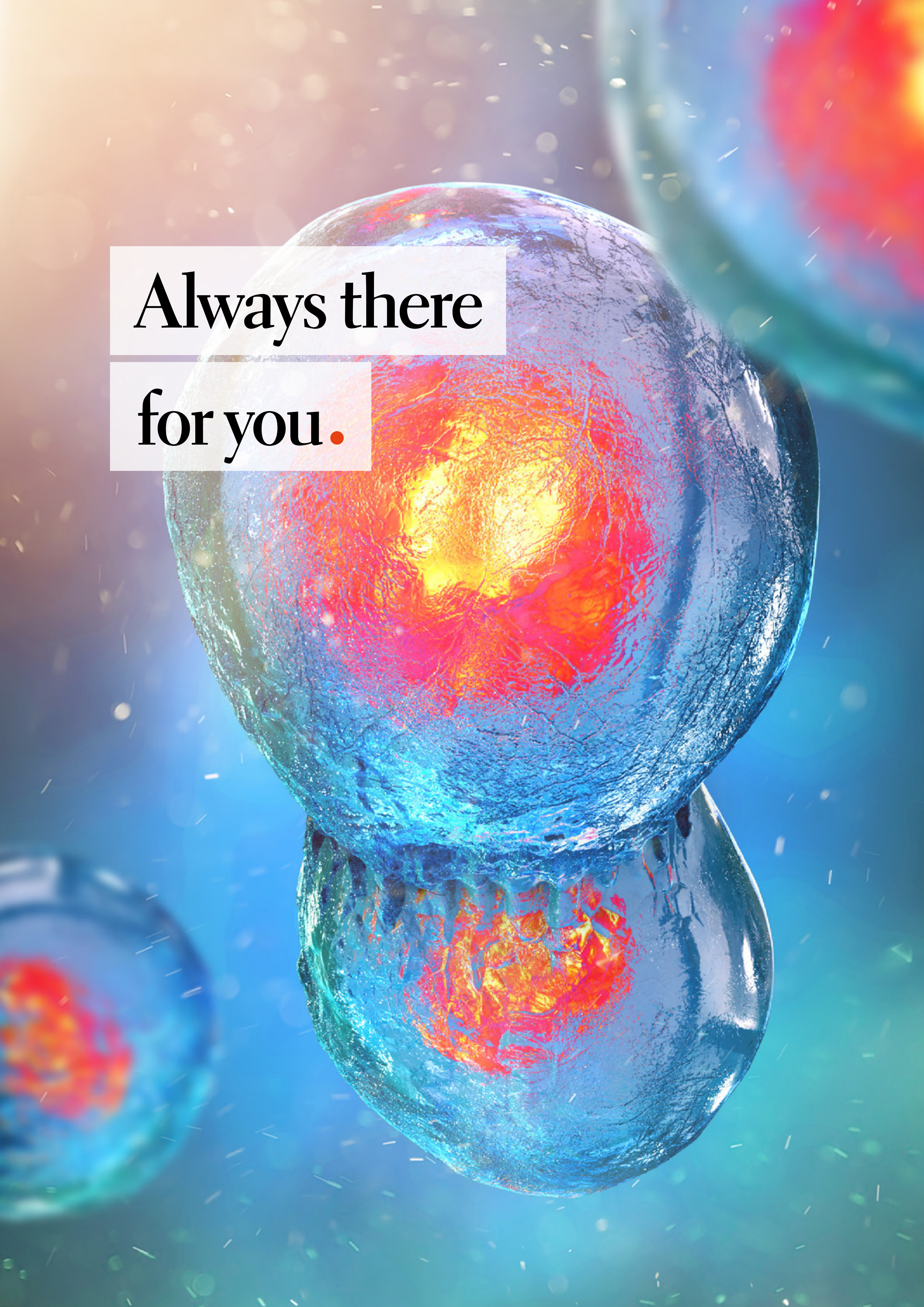
CORE COMPETENCES

Tecan's success is based on core competencies 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 competencies in system integration as well as 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 competencies 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 typically range from milliliters to microliters. Some applications require the handling of even smaller quantities, for which Tecan can also provide technologies. 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 competencies 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 can take place, for example, with fluorescence, luminescence, absorption methods or through imaging technologies. 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.

Beyond technical expertise, Tecan has significant application know-how in the various disciplines of life science research and clinical diagnostics. One of the Company's unique selling points and core competencies is its ability to bridge the gap between research and the strictly regulated diagnostics market for its customers and partner firms. 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 competencies and invested in regulatory compliance for years.

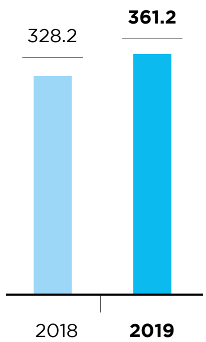

Always there
for you.

Life Sciences Business

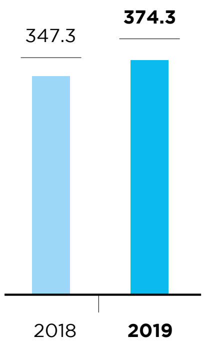
(end-customer business)

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, diagnostics laboratories, and scientists from numerous applied markets for 40 years. In 2019, the Life Sciences Business segment represented 57% of total sales of the Tecan Group.

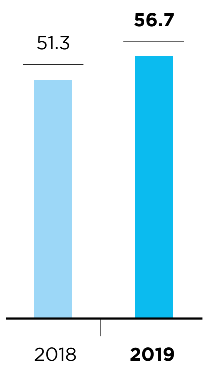
SALES TO THIRD PARTIES LIFE SCIENCES BUSINESS
(CHF million)



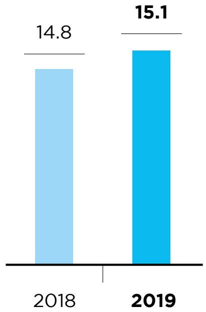
TOTAL SALES[1] LIFE SCIENCES BUSINESS
(CHF million)



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 segment grew strongly by 10.0% to CHF 361.2 million in 2019 (2018: CHF 328.2 million). This equates to a rise of 11.2% in local currencies. On an organic basis (excluding sales from Tecan Genomics/NuGEN for the first eight months), sales in 2019 rose by 9.1% in local currencies. Sales growth in local currencies remained on a high level of 7.8% in the second half of the year as well, despite the high comparative basis from the prior-year period. On an organic basis, this corresponds to growth of 6.9% in local currency terms in the second half of the year.

The instrument business in particular was the growth driver in 2019, due above all to sales of the Fluent automation platform and various detection devices. But strong growth in the service business and of consumables also contributed to the good result.

Adjusted for a large order for customized solutions in the prior-year period, underlying order entry in the Life Sciences Business grew at a good mid-single-digit rate.

Despite acquisition-related costs, reported operating profit in this segment (earnings before interest and taxes; EBIT) rose to CHF 56.7 million (2018: CHF 51.3 million). The operating profit margin reached 15.1% of sales (2018: 14.8%). This positive performance is primarily a result of sales growth as well as a strong margin in the traditional core business.

HIGHLIGHTS OF 2019

- Launch of DreamPrep™ NGS, a fully automated sample preparation solution for next-generation sequencing (NGS)
- New offers and continued focus on recurring sales generated from reagents and consumables in key applications
- Launch of Spark® Cyto reader platform with imaging capabilities for applications in cell biology

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.

Key application areas for the Life Sciences Business are:
- Genomics
- Protein analysis, particularly workflows of mass spectrometry
- Cell and tissue analysis

These three applications are generally used in life science research as well as in regulated settings.

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 the three core application areas, Tecan increasingly offers complete solutions, i.e. not only instruments but also selected 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.

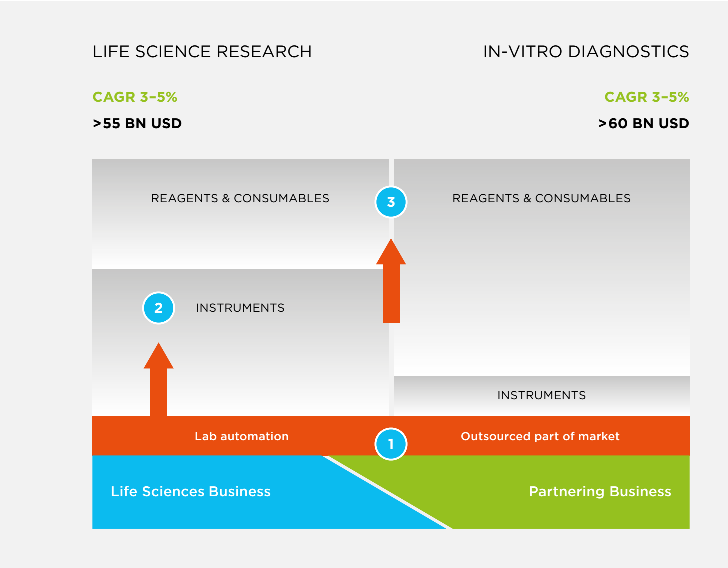
High-definition liquid handling ensures precision and accuracy over a wide range of volumes, from sub-microliter to several milliliters. The patented Adaptive Signal Technology™ detects even small volumes of liquid with precision, allowing for the use of smaller reagent and sample volumes for significant 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.

In year under review, Tecan Group Ltd. and QIAGEN N.V. announced a collaboration to improve the sample processing of QIAGEN's QuantiFERON-TB Gold Plus (QFT-Plus) diagnostic test. QIAGEN is a leading global provider of Sample to Insight solutions for molecular diagnostics and life sciences. As part of this collaboration, Tecan's Fluent automation solution will be utilized to aliquot samples for the optional Lithium Heparin single-tube workflow. The Fluent instruments will be supplied directly to laboratories through Tecan's Life Sciences Business.

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 launched the Spark® Cyto reader platform for cell biology applications. Thanks to its additional imaging capabilities, the Spark Cyto multimode microplate reader enables life science research laboratories to track the development of cells in real time over an extended period, with complete control of all environmental parameters. Another special feature of this innovative instrument is that measurements can be carried out automatically for predefined events and further processes automated on the basis of the evaluated image data, such as the addition of chemical substances, which influence cell behavior or survival.

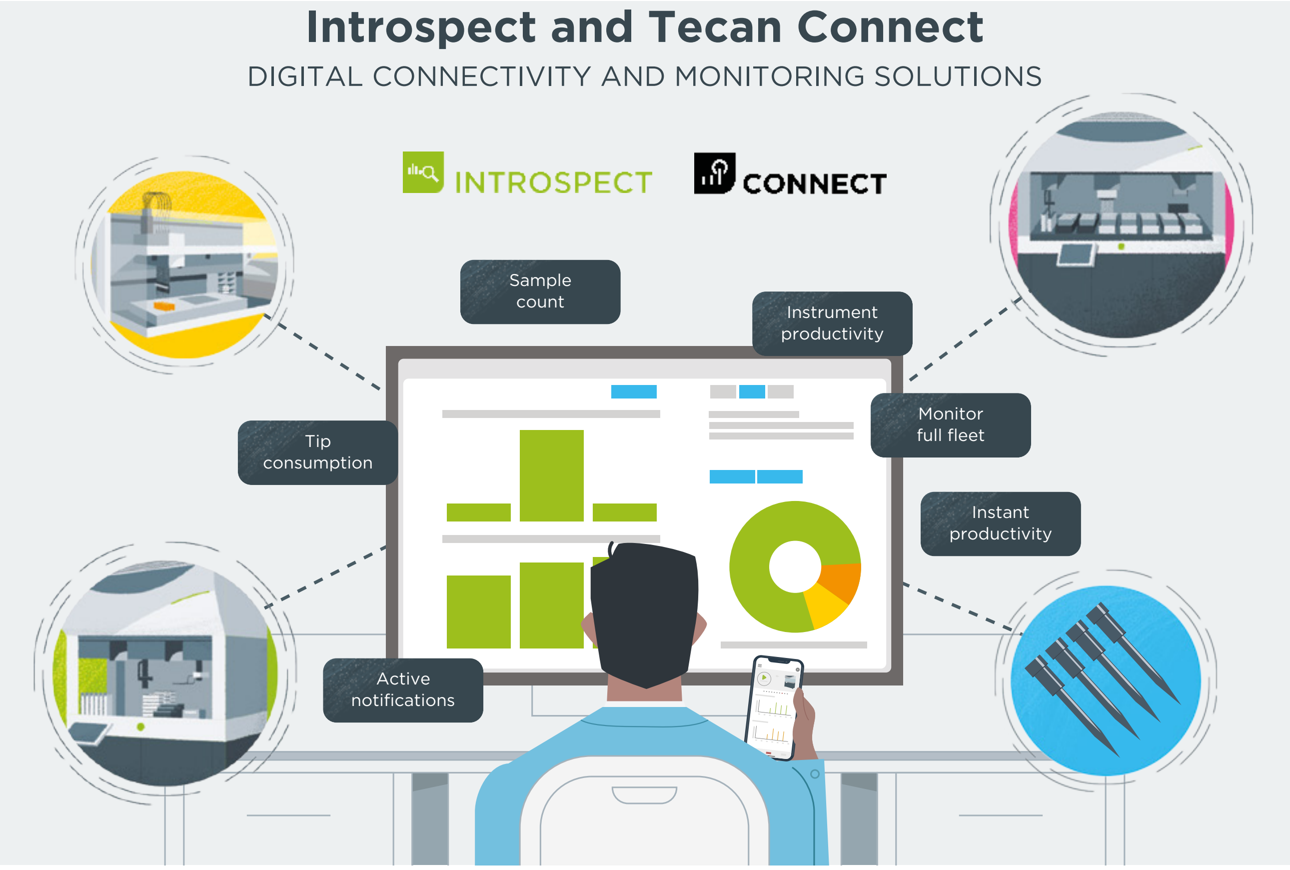
In order to also provide research laboratories with a more cost-effective entry into state-of-the-art reader technology, Tecan offers the highly popular Infinite® 200 PRO series of multimode microplate readers. This proven, reliable reader platform has already been cited in more than 1,800 scientific 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 products. 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™, DETAIL



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.

To help laboratories to increase their productivity with unparalleled insights, Tecan offers Introspect™. 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 more than 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. From a headcount perspective, China already is 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 Tecan SP (former SPEware) in 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. To enable all process steps of a workflow to be automated, it is also possible to integrate the Resolvex A200 positive pressure workstation 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 Tecan Genomics in September 2018 (formerly NuGEN Technologies), Tecan launched the DreamPrep NGS, 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. DreamPrep NGS 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. The use of this innovative solution can help double the typical sample throughput in a laboratory. In the year under review, the reagent portfolio for NGS sample preparation was also expanded and further kits adapted for use on DreamPrep NGS.

The offering of dedicated workstations was expanded early 2020 with the launch of the DreamPrep NAP to cover the additional workflow steps around nucleic acid purification.

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 diagnostics 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 more than 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.

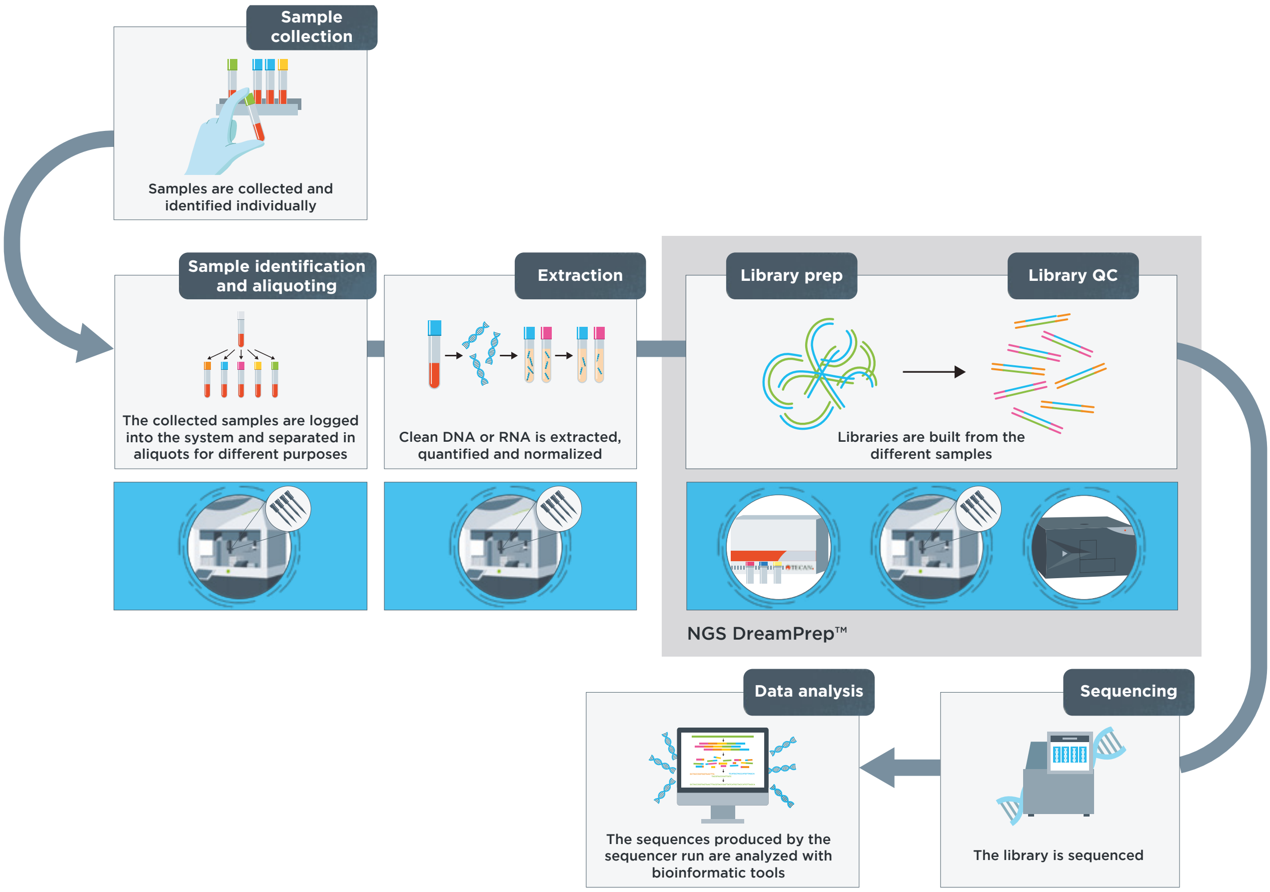
With the acquisition of the US-based SPEware Corporation (Tecan SP), Tecan expanded its offer of dedicated total solutions to a new market segment in the autumn of 2016. Tecan SP is a leading provider of sample preparation solutions for mass spectrometry, previously with a focus on the North American 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). The business now benefits from Tecan's global presence, customer base and strong position serving the market with automation platforms optimized for NGS sample preparation.

Tecan now provides 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 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 40 years ago. The share of this business segment in the total sales of the Tecan Group was 43% in 2019.

SALES TO THIRD PARTIES PARTNERING BUSINESS

(CHF million)

TOTAL SALES[1] PARTNERING BUSINESS

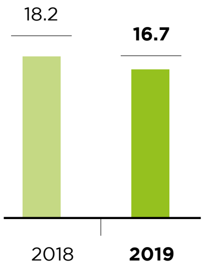
(CHF million)

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 275.7 million during the year under review (2018: CHF 265.6 million), which corresponds to an increase of 4.1% in local currencies and 3.8% in Swiss francs. On an organic basis, excluding sales of the supplier consolidated in the Partnering Business since June 1, 2019, sales in 2019 rose by 2.2% in local currencies.

After a moderate start to the year, based on a high comparative basis from the prior-year period, sales in the Partnering Business accelerated significantly in the second half and were 7.7% above the prior-year period in local currencies. On an organic basis, this equates to a rise of 4.3% in local currencies. The components business in particular reported strong growth in fiscal year 2019. Underlying order entry in the Partnering Business increased approximately at the same rate as sales.

Operating profit in this segment (earnings before interest and taxes; EBIT) was CHF 46.2 million (2018: CHF 48.6 million). The operating profit margin declined to 16.7% of sales (2018: 18.2%), due in particular to increased research and development expenses for new innovative customer-specific projects and a temporary change in the product mix.

HIGHLIGHTS OF 2019

- Several launches of new instruments in the Partnering Business, good progress made with important development projects
- Acquisition of a supplier of key parts successfully completed

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 Cavro® pumps for precision handling of fluids in different sequencers.

In the year under review, Tecan broadened the components portfolio through the acquisition of a long-term supplier of key parts, also vertically integrating the manufacturing of critical precision-machined parts. With two manufacturing sites, one in California (USA) and another in Ben Cat Town (Vietnam), Tecan is benefiting from the long-term supply of high-quality precision-machined parts and realizing cost savings by internalizing their supply.

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

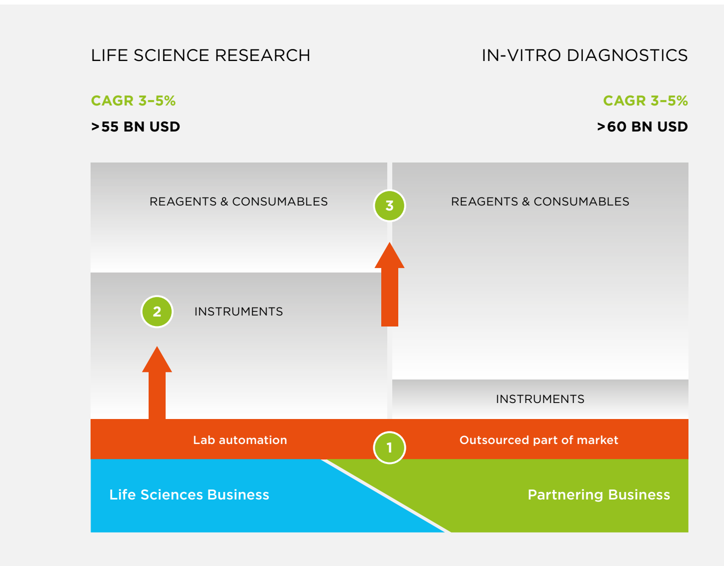
When an OEM customer is looking for a specific product, designed and manufactured to a specific functionality and cost, a dedicated system development can be the most suitable answer. Dedicated systems are usually most appropriate for products with a longer life cycle and when the specific functionality 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.
Key application areas for the Partnering Business are:
- Genomics workflows (Molecular Diagnostics, Next-Generation Sequencing)
- Protein analysis, particularly workflows of mass spectrometry and immunoassays
- Cell analysis (e.g. flow cytometry)
- Tissue analysis (e.g. advanced staining)
- Blood typing



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.

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 2019. 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.

In year under review, for example an ongoing development program with The Binding Site Group (Birmingham, UK) was announced for the first time. The two companies are jointly developing an automated solution for The Binding Site, based on Tecan's Fluent platform, using mass spectrometry to diagnose blood cancers.

To continuously fill the development pipeline, Tecan is currently discussing a range of projects with potential future partners. It is the richest 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.

Various new instruments were launched by the respective partners in 2019.

One such example is the PS-10 Sample Prep System for Japan-based Sysmex Corporation. This new instrument platform was developed on the basis of Tecan's 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.

Also, the Biosciences unit of Lonza Group launched the PyroTec™ Pro Robotic Solution, the first-ever fully automated, plate-based robotic solution for endotoxin detection. Using Tecan's Freedom Evo platform, 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.

For 2020, again several additional market launches are expected.

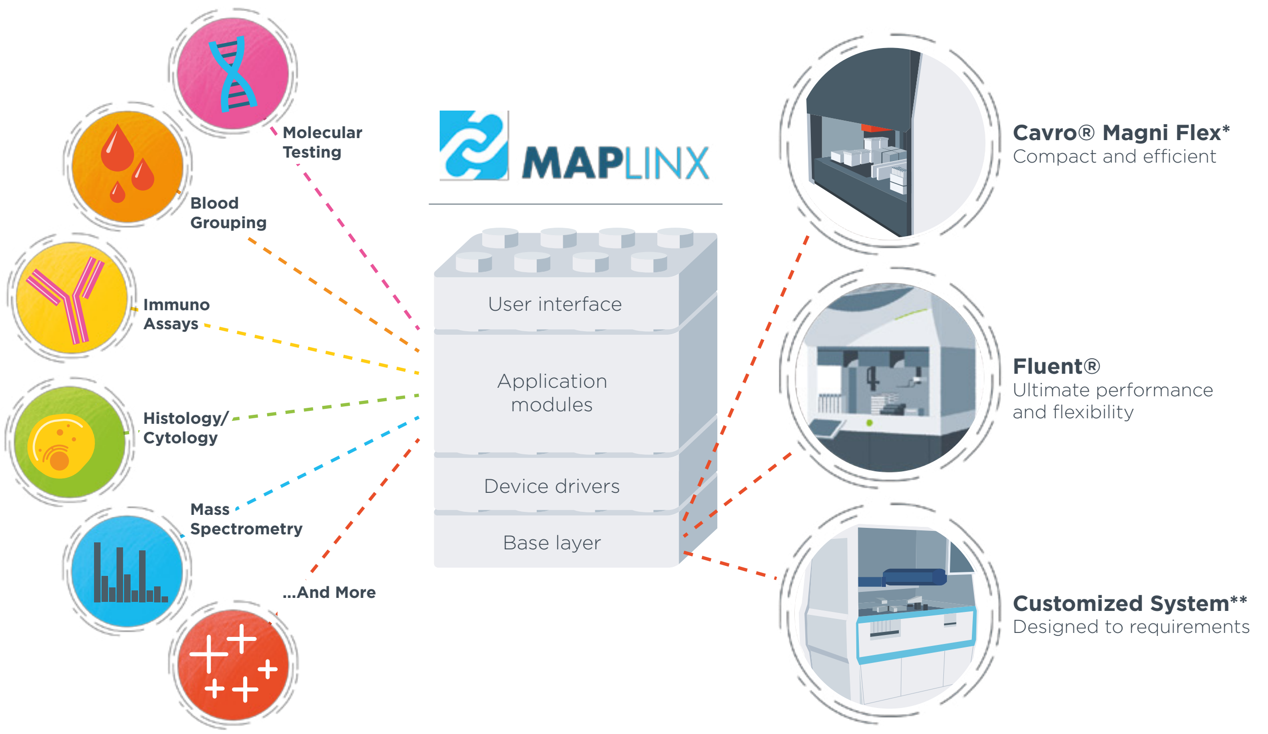
NEW GROUNDBREAKING SOFTWARE PLATFORM AS BASIS FOR FUTURE PROJECTS

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. Several 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.

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 accounted for around 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.

Message from the CEO

DEAR READERS

What issue could be more important for a business than sustainable development? It is only by following ecologically and socially sustainable principles as well as economic ones that a company can prosper and secure its long-term existence. Sustainability in this context is a mindset and therefore much more than a series of individual measures. This mindset must be deeply embedded in the business, its structures and procedures – in other words, in its corporate culture. This is the case at Tecan.

Given our fields of activity, our company is in a privileged situation. Our products enable us to bridge the gap between life science research and clinical diagnostics. We support our clients in researching the biology of diseases, the development of effective drugs through to implementation of improved and personalized diagnosis procedures.

As such, we directly support the Sustainable Development Goals (SDGs) as defined by the United Nations, which are aimed at improving the living standards of people alive today as well as of future generations. Nearly all of Tecan's sales are generated in areas defined in the individual SDGs. For us, this is not only our corporate purpose, but it also spurs us on every day to do everything we can to stand up for these goals.

We are in a favorable position when it comes to climate protection. From the very beginning, we have been part of a group of companies that emit relatively few greenhouse gases thanks to our area of activity and business model. Our facilities therefore do not emit any greenhouse gases during the production process. At a number of locations, direct emissions are generated solely by the burning of natural gas for heating purposes. This means that the largest proportion of our emissions – which are generally low – stems indirectly from the energy we buy and consume in the form of electricity. And yet we can do better here and so have taken further measures.

Tecan has long encouraged the use of modern and energy-efficient technologies. As our largest development and production site worldwide, the head office building we moved into in 2000 was fitted with pioneering technologies during the construction process. For example, the main building has hot and cold water lines in the ceiling as a source of heating and cooling. Processed wastewater from the local wastewater treatment plant supplies the heat pumps with energy. In the last few years, we put more energy-saving measures in place, such as installing several thousand LED lights in an effort to reduce our future energy consumption too. We also plan to install photovoltaic panels on the roof of our main building in 2020; this should help us cover around 10% of our future annual electricity consumption on site ourselves.

We agree that greater attention should be paid in the public domain to environmental and climate protection issues, as we believe that companies must take responsibility here. This is the only way that global targets can be achieved, as defined, for example, in the Paris Climate Agreement (COP21).

Apart from various measures that have already been implemented or introduced, we have therefore also set ourselves real quantitative reduction targets for the first time to encourage us to purposefully continue along this path. In an initial step, we are looking to reduce by at least one third our absolute direct and indirect emissions (Scope 1+2 on a comparable basis) in the next three years (2020-2022).

Some activities that are necessary for our business operations, such as flying, also generate greenhouse gas emissions (Scope 3). Here too, we are working on reducing them, such as increasing the use of videoconferencing for discussions across different locations. We are aiming to compensate for the climate-damaging effect of the remaining travel that is necessary. We have therefore chosen two specific projects to offset the overall climate effect of all long-haul flights, originated in Switzerland, taken by us in 2019, for which we are working with an internationally recognized organization. The projects ensure that we not only offset the direct effect of burning fuel, but also the intensifying effect produced by other gases and by the reflection of rising heat on the cirrus clouds produced. In one of these selected projects, we promote the installation of biogas units in Nepal that provide private households with environmentally-friendly energy. In a second project, we support the procurement of highly efficient cook stoves in Rwanda, which help make an 80% saving in the amount of firewood previously consumed.

In addition to business travel, the freight transport division also represents a significant source of emissions. This applies to both the transportation of unfinished materials and components of supplier companies to Tecan as well as to the conveyance of finished products to our customers. Here too, we began to offset the emissions generated for a proportion of all transport in October 2019.

As a company, we are aiming to become climate-neutral over the medium term. We hope to achieve this through a reduction in our greenhouse gas emissions and by offsetting the remaining negative effect. To do this, we are working on a series of measures and evaluating whether, how and when we can achieve and implement this aim.

In other environment-relevant areas, we are also continually doing all we can to reduce our footprint, either by recycling materials, avoiding waste at our sites or through innovative products and packaging.

Social responsibility

Apart from environmental and climate issues, compliance with social principles and awareness of social responsibility are also very important for sustainable development. This applies to everyone involved in the value creation chain of our products and business processes, but also very specifically to our own employees and customers.

At Tecan, we foster an open culture based on dealing with one another respectfully as well as on high demands for innovation and significance of our products and quality of our customer relationships. As a global company, we believe deeply in the need for a diverse and inclusive corporate culture with equal rights and opportunities. As such, origin, gender, religion or personal ideology, disability, age or sexual orientation play no role in our recruitment process and in careers in the company. For us, clear acknowledgement of diversity and equality is a basis for success and progress.

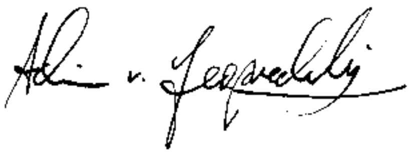
By signing the UN Global Compact in 2018, Tecan committed to supporting and implementing, within our sphere of influence, the ten fundamental principles relating to human rights, labor standards, the environment and the fight against corruption: At the end of 2019, we submitted a summary of our activities and published it on our website as part of our annual Communication on Progress.

In 2019, we invested further in the development opportunities for our employees by expanding and restructuring the range of internal and external professional training measures. We also started a global talent management program for the first time entitled NextGen Tecan. The first next-generation managers of this one-year program will come through in 2020.

In order to attach particular importance to employee and talent development activities, key elements were also adopted as a criterion for management's variable remuneration.

Another key factor for successful and sustainable company development is customer satisfaction. Open communication is essential in order to guarantee high satisfaction levels over the long term, which also boosts loyalty to Tecan. We actively seek constructive criticism and have integrated this into continual improvement programs to form the basis for ongoing improvements. The expansion of our broadly supported customer satisfaction program and implementation of measures leading to an improved customer experience represented a key point in the year under review. As a result, we have also adopted relevant figures on customer satisfaction for 2020 as another component of management's variable remuneration.

We have added topics to this 2019 Sustainability Report by including a great deal of information that is particularly relevant to us. Sustainability is a mindset! We hope that Tecan can demonstrate this to you over the next few pages.



DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

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.

PRODUCT RANGE AND COMPLIANCE WITH THE SUSTAINABILITY GOALS 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 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 Pacific, for example. The individual end markets and areas of application as well as the fundamental trends and the Company's strategic orientation are described in more detail in the "Markets and Strategy" section (p. 20).

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.

However, 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 Tecan's 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 Tecan instruments are not specifically designed for research using embryonic stem cells, human fetal tissue or cell lines, customers could adapt and use them for such purposes, e.g. in preclinical 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.

CLIENT FOCUS

For Tecan, client focus is the most important guiding principle and the basis for a sustainably successful business model. Tecan is synonymous with innovation and a high level of reliability. Every day around the world, Tecan products are used in life science labs, as well as in daily operations in diagnostic labs that carry out investigations that are critical for human lives.

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 measure whether the customer promise is also met at company level beyond individual examples, Tecan regularly carries out comprehensive, international customer surveys. In these major surveys, existing customers who have bought Tecan products in the past few years are asked about their satisfaction levels and other aspects of the collaboration in the different business areas and regions. The surveys show that the vast majority of customers are satisfied with Tecan's products and services, with most describing themselves as "very satisfied" or even "completely satisfied". A large proportion of customers would also recommend Tecan to someone else – both within and outside of their own organization.

Open communication and implementation of continual improvements are essential in order to guarantee high satisfaction levels over the long term which also boosts loyalty to Tecan. Customer feedback forms an important basis in this regard. Further measures were taken or already implemented in the year under review that should help continue to improve the overall customer experience. Customer satisfaction is also continually measured as an additional important pillar in the customer satisfaction program and to consolidate customer focus. Since 2018, customers have also been surveyed directly after transactions, service interventions or at set intervals. This feedback also forms the basis for ongoing improvements.

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. Clear positioning, consistent communication and a convincing profile in electronic media as well as at traditional trade fairs are important components of successful brand management.

Tecan also has a clearly identifiable visual signature, including a five-color barcode. The red dot reinforces the design of the Tecan corporate logo; it appears as a unique sign-off at the end of headlines and after the product name on instruments.

PATENTS AND PROTECTION OF INTELLECTUAL PROPERTY

Tecan is a pioneer and has been the market leader in laboratory automation for 40 years. Tecan's success is based on core competencies that the Company has systematically acquired and expanded over the years. Tecan makes above-average investments in research and development to maintain and reinforce its position as market leader. Protecting its intellectual property is also 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 Fluent liquid handling platform and the Spark reader platform, many 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 also arranged for key branding elements of the new design to be protected and applied for brand registration.

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 many 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 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.

SUSTAINABLE DEVELOPMENT GOALS (SDG's)*

1 NO POVERTY: End poverty in all its forms everywhere

2 ZERO HUNGER: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

3 GOOD HEALTH AND WELL-BEING: Ensure healthy lives and promote well-being for all at all ages

4 QUALITY EDUCATION: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

5 GENDER EQUALITY: Achieve gender equality and empower all women and girls

6 CLEAN WATER AND SANITATION: Ensure availability and sustainable management of water and sanitation for all

7 AFFORDABLE AND CLEAN ENERGY: Ensure access to affordable, reliable, sustainable and modern energy for all

8 DECENT WORK AND ECONOMIC GROWTH: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

10 REDUCED INEQUALITIES: Reduce inequality within and among countries

11 SUSTAINABLE CITIES AND COMMUNITIES: Make cities and human settlements inclusive, safe, resilient and sustainable

12 RESPONSIBLE CONSUMPTION AND PRODUCTION: Ensure sustainable consumption and production patterns

13 CLIMATE ACTION: Take urgent action to combat climate change and its impacts

14 LIFE BELOW WATER: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

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

16 PEACE, JUSTICE AND STRONG INSTITUTIONS: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

17 PARTNERSHIPS FOR THE GOALS: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

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

STAFF RESTAURANT PROMOTING SUSTAINABILITY?

Little noticed areas often make an important contribution towards a company's overall sustainability too. Some also symbolically stand for the basic approach to this issue.

Climate protection, health, Fairtrade and animal welfare

Food production is responsible for a large part of the overall global emission of greenhouse gases. With a staff restaurant, a company can make an important contribution towards climate protection while at the same time promoting the health and performance of its employees, standing up for animal welfare and supporting smallholders in developing nations. At Tecan, we made a conscious decision to work together with an operator bound by these sustainable principles.

Many years ago, Tecan found such a partner in SV Schweiz for its staff restaurant at its headquarters and largest site. SV Schweiz's ONE TWO WE sustainability program contains various measures for climate-friendly catering and more.

ONE TWO WE aims to protect the climate and promote animal welfare. Optimized supply chains with short transport channels plus seasonal and vegetarian food reduce CO_2 emissions. Very few air-freighted goods are used. The company also aims to reduce meat consumption by offering attractive vegetarian food. Half of the menu does not feature any meat or fish. Only high-quality meat sourced almost exclusively from Switzerland is offered. The proportion of meat from animal-friendly sources (BTS and RAUS guidelines) is around 75% in the Tecan restaurant, with the proportion of fish caught using environmentally friendly fishing practices even higher (MSC and ASC label).

To be able to offer climate-friendly vegetables even in the winter, various types of vegetables and salads are sourced from greenhouses not heated with fossil fuels.

Not every ingredient can be sourced locally, but exotic products bear the Max Havelaar Fairtrade label. This way, smallholders are supported in developing nations.

The sustainability program implemented in the Tecan staff restaurant contributes to the sustainability goals defined by the United Nations (SDGs) 2, 3,12, 13, 14, 15 and 17.

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 to 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.

A continual improvement process is also being implemented in areas other than production. For example, sales, service or support processes are continually optimized, including on the basis of customer surveys. Driven by the strong growth of the past few years, greater significance will be given to standardizing processes in future.

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, direct suppliers in the affected region are examined, and information gathered on their subcontractors. The aim is to ensure Tecan's ability to supply, even in this type of exceptional situation. The Board of Directors reviews annually whether the risk assessment of business activities is appropriate and whether it takes into account both internal and external changes. Where necessary, new measures to mitigate risk are implemented. Tecan's risk management system is also regularly audited by a key insurer, who attests to the instrument's high standard, enabling a premium reduction. Some of the Company's employees hold risk management certification. Tecan attaches great importance to 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.

Consequences and dangers that could be linked to climate change are also part of risk management. For example, the consequences of flooding, fire, storms or extreme weather conditions are evaluated. 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 climate change itself or from regulatory requirements on climate change. In terms of climate change, new business opportunities are therefore not expected to arise that could make a relevant contribution to business growth.

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 as a company puts into 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 who 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 the year under review, the Audit Committee and Head of Internal Audit also held several 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 as a company 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% and 80% of Tecan's purchase volume is 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.

At the end of 2019 Tecan submitted – and published on its website – the annual Communication on Progress, which is a summary of the various activities in relation to the UN Global Compact.

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 2019, 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. The production site for immunoassays in Hamburg (Germany) was already successfully certified for the Medical Device Single Audit Program (MDSAP). 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, 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. Furthermore, Tecan is building up strong, regulatory partnerships in order to guarantee successful marketing beyond market launch during the entire product life cycle.

SAFETY AND REGULATORY REQUIREMENTS

Tecan has a central Quality & Regulatory organization at Group level to ensure ongoing improvements in the high quality standards worldwide.

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. The quality systems at acquired companies are also being transitioned to the Tecan standard. For example, the now renamed Tecan SP in California, which was acquired in the fall of 2016, was already certified to ISO 13485:2016 with no observations in 2018. 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 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 of 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. The Company 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 online, 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 of instruments – 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 neither emit CO_2, methane nor other greenhouse gases (Scope 1 emissions) during the actual 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). On a comparable basis, these were further reduced by 4.3% in the year under review thanks to additional saving measures. Despite the significant growth, total emissions (direct and indirect) also fell by 4.3%, which corresponds to a reduction of more than 45 tons of CO_2 equivalents (t CO_2-eq). The emissions table also includes total emissions, including those of Tecan Genomics (formerly NuGen Technologies) which was acquired in fall 2018.

Overall, Tecan is committed to taking responsibility for climate protection and to making a contribution. Concrete quantitative reduction targets for CO_2 emissions have therefore also been set for the first time. In an initial step, Tecan is looking to reduce by at least one third the absolute direct and indirect emissions (Scope 1+2 on a comparable basis to 2019 in t CO_2-eq) in the next three years (2020-2022).

As a reduction target, for example, Tecan also plans to install new photovoltaic panels on the roof of the main building of company headquarters in 2020; this should help to cover around 10% of the annual electricity consumption on site ourselves in future. The remaining electricity consumption will also be gradually converted to renewable energies at the various locations.

The manufacturing process itself 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), Hamburg (Germany), Baldwin Park (USA) and for the first time Redwood City (USA). Due to changes in the reporting scope, these values are therefore not directly comparable to the previous years.

Some activities that are necessary for business operations, such as flying or freight transport, also generate greenhouse gas emissions (Scope 3). Tecan is also working on these areas to reduce emissions. The Company began to compensate for the climate-damaging effect of the remaining emissions in the year under review.

As a company, Tecan is aiming to become climate-neutral over the medium term. To do this,Tecan is working on a series of measures and evaluating whether, how and when the Company can achieve and implement this aim.

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

OFFSETTING CLIMATE-DAMAGING EFFECTS

Some of the activities required for Tecan's operations, such as business travel or freight transport, also generate greenhouse gas emissions (Scope 3). In these instances, it is impossible to reduce completely, but the company intends to at least offset the climate-damaging effects.

Offsetting business travel

Business travel is unavoidable for Tecan's operations which feature production sites, direct sales units and distribution relationships on six continents. In 2019, we offset for the first time the overall climate effect of all long-haul flights undertaken. In doing so, the aim was not only to compensate for the direct effect of burning fuel during flights, but also the intensifying effect produced by other gases and by the reflection of rising heat on the cirrus clouds produced (RFI or Radiative Forcing Index). To do this, Tecan sought a partner that develops and runs its own climate protection projects, guarantees the sustainable use of resources and meets the highest quality and transparency standards. The Company's partner atmosfair's two climate protection projects selected for the business year tangibly reduce emissions and bring great additional benefits for the population in the project country (e.g. fighting poverty, health protection, equality, jobs). They also offer crucial benefits compared to voluntary CO_2 compensation through funded forest projects. atmosfair has its climate protection projects certified both by the United Nations (CDM) and by the Gold Standard. This ensures that sustainable CO_2 savings are verified by independent external inspectors who guarantee every certified ton of CO_2. Both projects are supported by Tecan in equal measure.

PROJECT 1: ENERGY-EFFICIENT COOK STOVES FOR FAMILIES IN RWANDA

In poor countries such as Rwanda, many people still cook on an open fire. As a result, a great deal of heat is lost and the burning process is poorly ventilated. It also uses a great deal of wood and produces high levels of smoke through the incomplete burning of firewood. People in Rwanda mainly eat maize and beans, which take a long time to cook. In turn, this increases the demand for firewood. This high demand combined with inefficient usage contributes towards deforestation and rural poverty in Rwanda.

Through CO_2 offset, Tecan subsidizes the sale of highly efficient Save80 cook stoves, which means that poor households can afford them. These stoves use up to 80 percent less wood than the traditional three-stone fire. The project thus plays a key role in reducing deforestation problems in Rwanda.

If a coal stove is replaced by a Save80 cook stove, the wood savings are even greater, as nine kilos of wood are required to produce one kilo of coal. Rwanda's households can therefore make substantial savings, as charcoal prices have continually risen through strong demand, increased transport and higher production costs. These savings enable households to cover other financial outgoings. At the same time, potential conflicts for wood resources between refugees and neighboring communes are minimized.

The stove's optimum ventilation also ensures that smoke from open fires is largely avoided. According to figures from the World Health Organization (WHO), 4.3 million people die every year from indoor air pollution (IAP) because they are exposed to smoke from an open fire.

The project contributes to the sustainability goals defined by the United Nations (SDGs) 1, 2, 3, 4, 5, 7, 8, 11, 13, 15 and 17.

PROJECT 2: DOMESTIC BIOGAS UNITS FOR FAMILIES IN NEPAL

A second project in Nepal has a very similar aim to the project in Rwanda, but takes local conditions there into account. Rather than cook stoves, the focus here is on the construction of biogas units and is aimed at households that currently use firewood for cooking. The small biogas units are installed in households that own at least two head of cattle, buffalo or similar livestock. This ensures that enough dung is produced to operate the unit. The animal dung, together with fecal matter from latrines, is mixed with water and collected in a septic tank. Gas produced from anaerobic fermentation accumulates in the upper part of the unit and is fed to gas cookers through pipes. As a result, families with a biogas unit no longer need firewood to cook – this significantly reduces CO_2 emissions and protects the surrounding forests against deforestation. A biogas unit supplies enough gas for cooking for a family of five and on average, saves three tons of CO_2 per annum compared to using an open three-stone fire.

The project contributes to the sustainability goals defined by the United Nations (SDGs) 1, 2, 3, 4, 5, 6, 7, 8, 9,11, 13, 15 and 17.

Offsetting freight transport logistics

Freight transport logistics covers both the transport of unfinished materials and components of supplier companies to Tecan as well as the conveyance of finished products to customers. Since October 2019, transport emissions have been offset at a logistics company used for global transport. All types of transport are included in this, i.e. sea, air, rail and road transport. This program currently only covers a small proportion of all transport, but it will be continually expanded.

The methodology used to calculate the logistics company's emissions was verified by the multinational inspection company SGS SA. Furthermore, the Natural Capital Partners organization has verified that the methodology used is consistent with its published CarbonNeutral Protocol.

FOCUS ON ENERGY REDUCTION

Overall energy consumption on a comparable basis only increased marginally at 3.2% in the year under review despite the much higher production output and increased business activities. By contrast, the energy intensity, which is the total energy consumption in relation to sales, decreased by 3.7%.

Based on an energy consumption analysis, Tecan has replaced conventional lighting with energy-efficient LED technology. At its largest site in Männedorf (Switzerland), about 2,800 new LED lights were installed which should help save between 160,000 and 180,000 kilowatt hours on an annualized basis. At the development and production site in Austria, new LED lighting saves about 29,000 kilowatt hours every year. The San Jose (USA) site also switched over to LED lighting in the year under review. On a comparable basis, energy consumption rose by 3.9% due to the much higher production output.

Tecan continuously invests in measures aimed at further increasing energy efficiency. The Company already implemented various energy-saving measures such as the installation of new cold-water pumps, 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 public 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 staff 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 and the increased use of steam humidifiers. Per capita consumption increased from 6.8 to 7.6 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.

The areas used at the production sites consist exclusively of offices and rooms for assembling products, all of which are located in already developed commercial and industrial zones. Environmental considerations such as the impact on protected areas and biodiversity are therefore not relevant in the current circumstances. The net floor area was unchanged compared with the previous year. Due to the acquisition of Tecan Genomics, formerly NuGen Technologies, the overall net floor area rose by 6.2%.

Paper consumption compared to the previous year rose by 15.0%, which is roughly equivalent to the 2017 figure. Certain fluctuations on an annual comparative basis are also caused by greater inventory restocking at locations and not necessarily by the Company's own consumption.

Despite higher production output, total waste fell by 8.7% on a comparable basis. Of the total waste, recyclable waste and refuse again accounted for around 97%. 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.

ENVIRONMENTAL PERFORMANCE

	Unit	2017	2018	2019[1]	2019[2]
Net floor area	m²	28,249	31,409	31,409	33,357
Energy consumption					
Total energy consumption	Gigajoules	18,905.7	19,315.7	19,941.9	23,107.7
Total direct energy consumption	Gigajoules	3,908.8	3,598.9	3,449.0	4,609.0
Total fuel consumption	Gigajoules	0	0	0	0
Fuel consumption/m²	Gigajoules/m²	0	0	0	0
Total natural gas consumption	Gigajoules	3,908.8	3,598.9	3,449.0	4,609.0
Natural gas consumption/m²	Gigajoules/m²	0.1	0.1	0.1	0.1
Total indirect energy consumption	Gigajoules	14,996.9	15,716.8	16,492.9	18,498.7
Total consumption of electricity	Gigajoules	10,949.2	11,742.3	12,196.9	14,202.6
Consumption of electricity/m²	Gigajoules/m²	0.4	0.4	0.4	0.4
Total heating energy	Gigajoules	2,092.1	2,195.9	2,774.8	2,774.8
Heating energy/m²	Gigajoules/m²	0.1	0.1	0.1	0.1
Total cooling energy	Gigajoules	1,955.6	1,778.6	1,521.3	1,521.3
Cooling energy/m²	Gigajoules/m²	0.1	0.1	0.1	0.1
Total steam consumption	Gigajoules	0	0	0	0
Steam consumption/m²	Gigajoules/m²	0	0	0	0
Energy intensity (total energy/turnover)	Gigajoules/CHF million	34.5	32,5	n.a.	36.3
Water consumption					
Total water consumption	m³	6,576.2	9,133.4	10,336.9	10,925.3
Water consumption per head	m³/head	6.1	6.8	7.6	7.8
Paper consumption					
Total paper consumption	kg	25,484.0	22,535.4	25,919.5	26,391.2
Paper consumption per head	kg/head	23.6	16.8	19.1	18.7
Percentage of recycled paper	Percentage	68.8	67.8	71.4	71.4
Waste consumption					
Total waste	Ton	178.4	272.6	249.0	264.8
Normal waste	Ton	79.3	159.5	144.2	152.1
Recyclable waste	Ton	96.7	108.9	98.4	106.3
Hazardous waste	Ton	2.4	4.2	6.3	6.4

[1] Without Tecan Genomics (NuGen Technologies)

[2] Including Tecan Genomics (NuGen Technologies)

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, manage global air travel as well as a smaller share of its railway travel activities and thereby help contain overall business travel spending. The greenhouse gas emissions shown in the table arising from business flights and rail journeys for the year under review and in the prior year period were calculated by the external travel management company using the available booking data. They contain all greenhouse gas emissions, i.e. methane and nitrous oxide as well as carbon dioxide. Total emissions are calculated based on the recognized GHG conversion factors of DEFRA (Department for Environment, Food and Rural Affairs, GB) in tons of CO_2 equivalents (t CO_2-eq). Booking class is also taken into account as well as the actual kilometers flown.

In 2019, the CO_2 emissions from business flights and rail journeys booked through this provider were 2,501 t CO_2-eq. Compared to the prior year, the emissions were stable, despite the increased business activities with a higher number of employees (2018: 2,528 t CO_2-eq). Three regions together contributed with more than 90% of those travel-related emissions: about 50% originated from Tecan employees in Switzerland, 29% from employees in the US and another 12% from employees in China. The CO_2 emission intensity of business travel (expressed in t CO_2-eq/CHF million turnover decreased to 3.9 (from 4.3 in 2018).

As business air travel cannot be avoided, Tecan began to compensate for the overall climate effect of all long-haul flights in the year under review. All long-haul flights originated in Switzerland in 2019 were compensated for the first time (about half of all emissions). By doing so, not only was the direct effect of burning fuel during flights compensated, but also the intensifying effect produced by other gases and by the reflection of rising heat on the cirrus clouds produced (RFI or Radiative Forcing Index=2.7). More information on this and the projects selected for 2019 can be found on p. 56 and 57.

Tecan encourages the use of information and communication technologies, such as modern video conference systems to reduce the need for air travel. To do so, the technical infrastructure was improved in dedicated conference rooms in the year under review in order to increase acceptance. 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 administrative 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 own workforce while endorsing environmentally friendly mobility.

Tecan also supports employees at the Männedorf location in their use of electric vehicles. The Company therefore significantly expanded its provision of separate parking spaces with charging stations that can still be used for free. The new charging stations came into use in December 2019. Now more than 10% of all parking spaces are equipped with charging stations. With increasing demand, we have already made technical provision for expansion. However, most employees use public transport to get to work.

GREENHOUSE GAS EMISSIONS

	Unit	2017	2018*	2019[1]	2019[2]
Total direct CO_2 emissions (scope 1)	Ton (CO_2 equivalents)	198.92	184.1	176.43	235.77
Emissions via fuel consumption	Ton (CO_2 equivalents)	0	0	0	0
Emissions via natural gas consumption	Ton (CO_2 equivalents)	198.92	184.1	176.43	235.77
Total direct emissions of other greenhouse gases**	Ton	0	0	0	0
Total indirect CO_2 emissions via energy procurement (scope 2)	Ton (CO_2 equivalents)	615.24	877.37	839.59	1,108.69
Emissions via electricity procurement	Ton (CO_2 equivalents)	405.06	822.7	780.8	1,049.90
Emissions via heating energy	Ton (CO_2 equivalents)	205.7	49.26	53.26	53.26
Emissions via cooling energy	Ton (CO_2 equivalents)	4.48	5.42	5.54	5.54
Emission intensity (emissions/turnover)	Ton (CO_2 equivalents)/CHF million	1.48	1.79	n.a.	1.60

* Excluding NuGEN Technologies (now Tecan Genomics)
**Methane, nitrous oxide, sulfur hexafluoride, nitrogen trifluoride
[1] Without Tecan Genomics (NuGen Technologies)
[2] Including Tecan Genomics (NuGen Technologies)

	Unit	2017	2018	2019
Indirect CO_2 emissions via business travel (scope 3)				
Total emissions according to DEFRA[3]	Ton (CO_2 equivalents)	2,334.1	2,527.6	2,500.6
Emission intensity (emissions/turnover)	Ton (CO_2 equivalents)/CHF million	4.25	4.26	3.93
CO_2 emissions from flights originating in Switzerland				
According to VDR[1]	Ton (CO_2 equivalents)			1,289
According to GRI/GHG Protocol[2]	Ton (CO_2 equivalents)			1,622
According to DEFRA[3]	Ton (CO_2 equivalents)			1,243
According to ICAO[4]	Ton (CO_2 equivalents)			1,165
Compensation of emissions from flights originating in Switzerland				
Compensation of CO_2 emissions + RFI 2.7	Ton (CO_2 equivalents)			3,678

[1] Verband Deutsches Reisemanagement e.V.
[2] The Global Reporting Initiative, The Greenhouse Gas Protocol
[3] The UK Department for Environment, Food and Rural Affairs
[4] The International Civil Aviation Organization

FREIGHT

In addition to business travel, the freight transport division also represents another source of Scope 3 emissions. This applies to both the transportation of unfinished materials and components of supplier companies to Tecan as well as to the conveyance of finished products to customers. In the year under review, Tecan also began to offset the emissions generated for a proportion of all transport. The program currently only covers a small proportion of all transport, but it will be continually expanded. More information can be found in the separate article on p. 56 and 57 of this report.

MATERIALS AND THE ENVIRONMENTAL IMPACT OF PRODUCTS

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 Chinese 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.

The products manufactured by Tecan are used in laboratories for life science research, in applied markets and in clinical diagnostics. The largest product group here comprises laboratory instruments for the automation of different repetitive work steps. These automation platforms handle durable capital goods that can be used by customers over many years. The Tecan platforms can be very flexibly configured, which makes them highly durable, as they can be adapted to various requirements over time. This not only secures customers' investments, but also makes a contribution towards the sustainable use of resources.

Tecan customers mostly work in laboratories with biological agents, such as blood or possibly pathogens, and with chemical substances. This means that a circulatory system of material flows through recycling materials, as established in many industries, is only very limited or not possible at all. Depending on local legislation and the laboratory's biological protection level, i.e. hazard classification of biological agents, various disposal processes must be followed. Before leaving the protected area, the equipment must be fully decontaminated whenever possible. Tecan's customers often engage an external specialist company to do this and for ultimate special disposal.

Special consumables are also increasingly used for numerous work steps as part of automation. Even for applications involving genomics, many customers, for example, prefer to use disposable pipette tips for liquid transfers in order to avoid cross-contamination with other samples. Tecan also offers a broad portfolio of various consumables, such as disposable pipette tips, for differing volumes and areas of application. However, Tecan is one of the few suppliers to leave it up to the customer, depending on the application, as to whether steel needles are used for pipette steps. To do so, Tecan has two completely different technologies for liquid transfers. For applications where the risk of cross-contamination is only very minimal or even non-existent, it also makes sense to use steel needles for reasons of sustainability. The relevant areas of application are also the popular ELISA technology or immunoassays used in research and in diagnostics. A major OEM customer in the partnering business, market leader in immunohematology, also uses steel needles for determining blood groups and other important blood parameters.

After using disposable plastic pipette tips, laboratories are subject to the same fundamental guidelines as for the disposal of laboratory equipment. Depending on the application, they have to be decontaminated and properly disposed of. This means that recycling the plastic is only possible on a very limited basis and is sometimes impossible.

COUPLE PREPARING A FIRE WITH COOK STOVE IN RWANDA

FARMER USING BIOGAS UNIT IN NEPAL

Tecan therefore focuses on the production process and on reducing material quantities, especially secondary packaging. In the year under review, a new packaging was introduced for certain pipette tips which contains 45% less plastic compared to the previous one. As well as reducing the amount of plastic, the new boxes also take up less room, making transport more economical and environmentally friendly.

In general, Tecan also takes account of sustainability aspects in product design. For example, a lighter and more compact design of laboratory instruments means that CO_2 emissions arising from their transportation can be reduced. The use of LED lamps also allows a great deal of energy to be saved in comparison with predecessor technologies. Electricity consumption is also taken into account for the operation of instruments. For instance, the Fluent automation platforms go into standby mode if idle for more than five minutes.

Customer service staff use tools that enable completely paper-free processes. The operating instructions of equipment are also available electronically rather than in paper form with several hundred pages. The continual expansion of remote customer services and visualization of instruments in the customer laboratory by augmented reality increasingly replace some customer visits or transportation of instruments, which thus helps cut down on emissions.

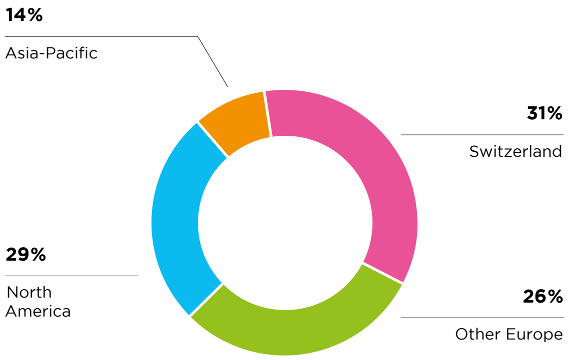
EMPLOYEES

Tecan is very aware of the enormous responsibility it bears for its employees. They are the foundation of a company's successful development, and each day they contribute to progress in life science research and diagnostics. This contribution, providing a positive influence on people's well-being and health is an important part of Tecan's corporate culture. The Company has grown strongly in recent years and wishes to continue growing in the coming years. This means that the number of employees will continue to rise significantly in the coming years. The changes in society resulting from demographics with a shortage of talent and specialists make an active personnel policy a focal point of corporate practices. In the year under review therefore, we initiated a new program to invest more specifically in development opportunities for our employees.

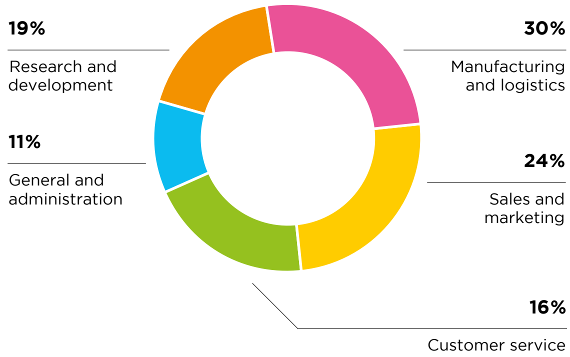
COMPLIANCE WITH FUNDAMENTAL LABOR RIGHTS

The basis for working with Tecan is an open, diverse and integrated culture that focuses on dealing with one another respectfully, with the same rights and opportunities for all employees. To guarantee this, strict personnel policies were established that are binding at all 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.

EMPLOYEES BY REGION



EMPLOYEES BY ACTIVITY



GROWING INTERNATIONAL WORKFORCE

Tecan has a very cosmopolitan workforce comprising employees from 50 countries, and is increasingly present in all global regions. In 2019, the total number of employees increased by 10.4% on a comparable basis. Including the supplier's workforce that Tecan took on in the year under review, the total number of employees rose by 20.9% to 1,932 full-time equivalents.

	Unit	2017	2018[1]	**2019[2]**	**2019[3]**
Number of employees					
Employees	Number FTE	1,482	1,598	1,932	1,764
New positions created	Number FTE	69	116	334	166
Employees by activity					
Manufacturing and logistics	Number FTE	404	415	583	
Sales and marketing	Number FTE	381	398	466	
Customer service	Number FTE	256	280	314	
Research and development	Number FTE	273	329	361	
General and administration	Number FTE	168	176	208	
Employees by region					
Switzerland	Number FTE	516	556	601	
Other Europe	Number FTE	453	484	501	
North America	Number FTE	371	408	555	
Asia-Pacific	Number FTE	142	150	275	

[1] Excluding Tecan Genomics (previously NuGEN Technologies)

[2] Including an acquisition from 2019

[3] Excluding an acquisition from 2019

LONG-TERM EMPLOYMENT RELATIONSHIPS AND STAFF RETENTION

Tecan's success is based on core competencies that the Company has systematically acquired and expanded over many years. This expertise and the competency of employees should be retained in the Company. The type of employment relationships therefore plays a role in this. At around 96%, the largest proportion of the workforce by far are permanent employees; those employed on a temporary and fixed-term basis account for only 3% of the workforce, which is insignificant. Tecan offers flexible working hours with options for full-time or part-time jobs to differing degrees in order to accommodate the various needs and private circumstances of its employees. The average number of years of service was unchanged at 7.4 years. At less than 10%, the rate of voluntary fluctuation remained at a healthy level in the year under review.

Contract Types (2019)

Employment Contract	Share in %
Fix employees	95.7%
Temporary and limited in time employees	3.1%
Apprentices, trainees, students	1.2%

Employment

	Einheit	2017	2018[1]	2019[2]
Full-time	in % of all employees	88.7%	88.9%	89.0%
Part-time	in % of all employees	11.3%	11.1%	11.0%

[1] Without Tecan Genomics (previously NuGEN Technologies)

[2] Without the acquisition from 2019

Flexible Work Options (2019)

Gender	Share in %
Men	
Full-time	93.6%
Part-time	6.4%
Women	
Full-time	79.9%
Part-time	20.1%

Age Group[1]	Share in %
under 30 years old	
Full-time	90.2%
Part-time	9.8%
30-50 years old	
Full-time	86.3%
Part-time	13.7%
over 50 years old	
Full-time	80.7%
Part-time	19.3%

[1] Without USA

Regions	Share in %
Switzerland	
Full-time	81.4%
Part-time	18.6%
Other Europe	
Full-time	85.9%
Part-time	14.1%
North America	
Full-time	98.7%
Part-time	1.3%
Asia-Pacific	
Full-time	98.8%
Part-time	1.2%

Staff Turnover and Retention

	Unit	2017	2018[1]	2019[2]
Turnover rate (total)		10.7%	13.8%	11.3%
Turnover rate (voluntary)		n.a.	n.a.	8.7%
Average number of years of service[3]	Years	7.7	7.4	7.4

[1] Without Tecan Genomics (previously NuGEN Technologies)

[2] Without the acquisition from 2019

[3] Data for Switzerlnd only

Staff Turnover Rate (2019)

Region	Staff Turnover Rate (total)	Staff Turnover Rate (voluntary)
Switzerland	7.9%	6.0%
Other Europe	9.7%	7.8%
North America	15.3%	11.6%
Asia-Pacific	17.0%	12.6%
Total	**11.3%**	**8.7%**

GENDER DIVERSITY AND INCLUSION OF ALL EMPLOYEES

Tecan openly supports diversity and equal opportunities. The respective origin, gender, religion or personal ideology, age or sexual orientation play no role in our recruitment process and in careers in the Company. The Company also supports chronically ill employees and those with a disability, taking efforts to ensure they remain integrated in the workplace as far as possible.

The proportion of women in the workforce increased again to 35.7% (2018: 33.8%). The proportion of female managers was virtually unchanged at 22.2%. Two of seven positions on the Board of Directors continue to be occupied by women.

Gender diversity

	Unit	2017	2018[1]	2019[2]
Men	in % of all employees	33.0%	33.8%	35.7%
Women	in % of all employees	67.0%	66.2%	64.3%
Women in management positions	in % of all managers	22.8%	22.4%	25.5%
Women in the Board of Directors	No.	2	2	2
Women in the Board of Directors	in % of all members	28.6%	28.6%	28.6%

[1] Without Tecan Genomics (previously NuGEN Technologies)

[2] Without the acquisition from 2019

Management per Category (2019)

Management by Gender	Share of Employees in %
Men	
Employee	64.7%
Management	35.3%
Women	
Employee	77.8%
Management	22.2%

Management by Gender and Region	Share of Employees in %
Switzerland	
Men	**72.2%**
Employee	48.7%
Management	51.3%
Women	**27.8%**
Employee	60.9%
Management	39.1%
Other Europe	
Men	**60.4%**
Employee	77.6%
Management	22.4%
Women	**39.6%**
Employee	87.7%
Management	12.3%
North America	
Men	**57.7%**
Employee	77.5%
Management	22.5%
Women	**42.3%**
Employee	81.4%
Management	18.6%
Asia-Pacific	
Men	**67.1%**
Employee	65.7%
Management	34.3%
Women	**32.9%**
Employee	81.1%
Management	18.9%

Age Groups (2019)

Age Group	Share in %[1]
under 30 years old	12.5%
30-50 years old	64.2%
over 50 years old	23.3%

Age Group	Share in %[1]
Men	
under 30 years old	11.3%
30-50 years old	62.3%
over 50 years old	26.4%
Women	
under 30 years old	15.1%
30-50 years old	67.3%
over 50 years old	17.6%

[1] Without USA

NEW HIRES

Tecan is an appealing employer. The Company offers solutions that help contribute to people's well-being. The end markets benefit from structural growth drivers, the Company is established globally, is of a good size and therefore offers excellent career prospects. The number of employees increased sharply in the past few years, by at least 20% overall in the year under review. This includes the expansion of the workforce through the acquisition of a company with locations in the USA and Vietnam. Most employees in 2019 were employed in North America and Europe, but employee growth was still at least 15% in Asia. More than 40% of new hires were women, which means that the proportion of women in the workforce will continue to expand.

Continued strong growth is also expected in the next few years, which is why the topics of employee recruitment and development as well as employer branding will continue to gain in importance.

New Hire Report (2019)

By Age Group	New Hires in %[1]
under 30 years old	30.1%
30-50 years old	65.1%
over 50 years old	4.8%

[1] Without USA

By Regions	New Hires in %
Switzerland	21.9%
Other Europe	31.9%
North America	30.6%
Asia-Pacific	15.6%

By Gender	New Hires in %
Men	59.5%
Women	40.5%

WELL-BEING AND HEALTH

Tecan concentrates in its production on the final assembly of laboratory instruments and sub-components for equipment. The risk of accidents is extremely low through this type of production. Additional preventive measures on occupational safety reduce the risk further. This applies to the production processes for both reagents and consumables. Major accidents are therefore an absolute exception. So far there have been no work-related deaths. Most employees do not work in production, but in sales, customer service and various office functions.

The absenteeism rate was also below 3% again in the year under review. This includes days lost through all accidents, i.e. also non-work-related, as well as all absences due to illness.

Tecan also offers a wide range of healthcare initiatives for its employees, including medical courses and vaccinations. For physical complaints, suitably equipped work stations are provided, such as height-adjustable desks. There is also a wide range of sporting opportunities on offer at various locations.

Employee Well-Being (2019)[2]

Absence	Days per Employee	Absence rate
Accidents	1.1	0.4%
Sickness	6.1	2.4%
Grand Total	**7.2**	**2.8%**

Type of Accidents	Days per Employee	Absence rate
Accidents (not work-related)	1.0	0.4%
Accidents (work-related)	0.1	0.0%
Grand Total	**1.1**	**0.4%**

[2] Data for Switzerland only

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 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.

EMPLOYEE SATISFACTION

Tecan measures and analyzes the satisfaction of its employees on a regular basis by means of an anonymous, Internet-based survey. Regular surveys enable Tecan to ascertain whether its business parameters, processes and structures are appropriate and gauge how motivated and committed its staff are. In this way, Tecan can ensure that it is employing the right staff in the best possible way. The results also help management gain a better understanding of what constitutes employee satisfaction and how staff can be motivated. The survey results also form the basis for further cultural development activities. In previous surveys, 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.

CAREER DEVELOPMENT, 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.

In the year under review, Tecan invested further in development opportunities for employees, specifically by training its managers. The range of internal and external professional training measures was expanded and restructured. 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.

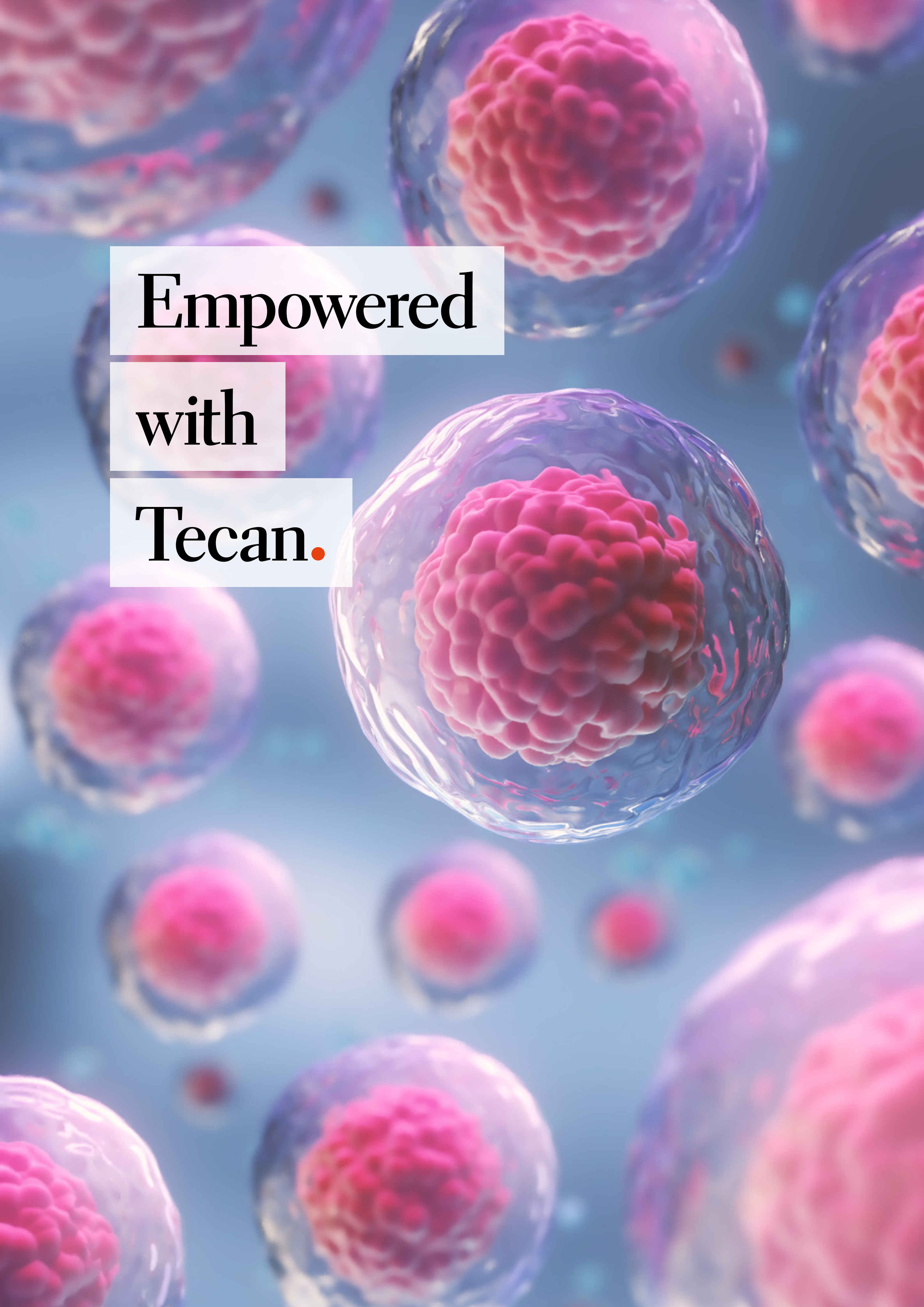
Tecan also started a global talent management program for the first time entitled NextGen Tecan. The first next-generation managers of this one-year program will come through in 2020.
The Te-Wiki is a tool available to Tecan employees for the purpose of exchanging information and experience. This platform 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.

Investments in basic and continuing training

	Unit	2017	2018[1]	2019[1]
Investments in basic and continuing training[1]	CHF	481,694	574,971	642,109
Investments in basic and continuing training[1]	CHF per employee	981	1,083	1,095

[1] Data for Switzerland only


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 at December 31, 2019, the Company's market capitalization was CHF 3,229 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.

SIGNIFICANT SHAREHOLDERS (DISCLOSURE UNDER ART. 120 SWISS FINANCIAL MARKET INFRASTRUCTURE ACT [FINFRAG])

As of December 31, 2019, the following shareholders held more than 3% of Tecan's shares:

	31.12.2018		**31.12.2019**	
	Shares	%	Shares	%
Chase Nominees Ltd., London (UK)	1,546,910	13.1%	1,546,910	13.0%
NN Group N.V., Amsterdam (NL)	848,426	7.2%	848,426	7.1%
Invesco Ltd., Atlanta, GA (US)	–	<3%	660,914	5.6%
UBS Fund Management (Switzerland) AG, Basel (CH)	575,537	4.9%	575,537	4.8%
BlackRock Inc., New York, NY (US)	575,116	4.9%	575,116	4.8%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	572,926	4.9%	572,926	4.8%
Norges Bank (the Central Bank of Norway), Oslo (NO)	345,939	2.9%	345,939	2.9%
Pictet Funds SA, Geneva (CH)	344,811	2.9%	344,811	2.9%
Massachusetts Mutual Life Insurance Company, Springfield, MA (US)	677,766	5.8%	–	<3%
T. Rowe Price Associates, Baltimore, MD (US)	348,302	3.0%	–	<3%

For further information: www.six-exchange-regulation.com/de/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

	2017	2018	2019
Shares	11,664,872	11,766,372	11,870,912
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,166,487	1,176,637	1,187,091
Legal reserves (CHF)	36,385,751	56,032,468	79,824,359
Net retained earnings (CHF)	231,404,950	226,779,641	216,324,538
Shareholders' equity (CHF)	**268,957,188**	**283,988,746**	**297,335,988**
Conditional share capital			
Reserved for employee participation plans			
Shares	638,340	536,840	432,300
CHF	63,834	53,684	43,230
Reserved for future business development			
Shares	1,800,000	1,800,000	1,800,000
CHF	180,000	180,000	180,000
Authorized share capital			
Expiring on April 17, 2020			
Shares	2,200,000	2,300,000	2,300,000
CHF	220,000	230,000	230,000

As of December 31, 2019, the Company's share capital was CHF 1,187,901 and was divided into 11,870,912 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 12 "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 32,365 options (share option plans) were exercised and 72,275 shares (share plans) were transferred, increasing the Company's share capital by CHF 10,454 and decreasing the Company's conditional capital by 104,540 shares (fiscal year 2018: exercise of 24,487 options, transfer of 77,013 shares, increase of share capital by CHF 10,150 and decrease of conditional capital by 101,500 shares). As of December 31, 2019, 91,524 shares of the conditional share capital were reserved for outstanding employee stock options and 135,233 for outstanding employee shares. These shares correspond to a share capital of CHF 22,676.

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. Furthermore, article 3c paragraph 2 of the Articles of Incorporation authorize 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 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 based on article 3b of the Articles of Incorporation (conditional capital increase), the right of the Board of Directors to increase the share capital based on article 3c paragraph 1 of the Articles of Incorporation (authorized capital increase while maintaining subscription 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 subscription 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 in the Compensation Report.

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. If this is the case, then there are no registration or voting right restrictions under the Articles of Incorporation. 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 four and six hours. As a general rule, the CEO and CFO attend the Board meetings and other members of the Management Board or senior management invited by the Chairman attend for certain portions. At each meeting, the Chairman reserves some time for discussion between the members of the board and the CEO and some time for discussion amongst the Board members only. 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 in writing unless a member requests oral deliberation. Five Board of Directors' meetings were held in the year under review. Four meetings or conference calls of the Audit Committee lasting about two to three 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. In the year under review, all members of the Board of Directors took part in all Board of Directors' meetings and the committee members attended all of their respective committee meetings, apart from one member of the Compensation Committee was excused from one Compensation Committee meeting.

Board of Directors

DR. LUKAS BRAUNSCHWEILER

Chairman of the Board
Chairman of the Nomination and Governance Committee

Since 2018, elected until 2020
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

Since 2007, elected until 2020
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

Financial Expertise:
CEO of Saurer Group between 1996 and 2007; Master in Business Administration and Finance (University of Zurich, Switzerland)

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 2020
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

DR. KAREN HÜBSCHER

Chairwoman of the Audit Committee

Since 2012, elected until 2020
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 2006 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

Financial Expertise:
CEO of Solvias AG;
Head Investor Relations Group, Novartis from 2000 to 2006, reporting directly to CFO and Head of Treasury, Member of the Disclosure Committee Novartis

Other activities:
SMG (Swiss Management Association), Member of the Board

DR. DANIEL R. MARSHAK

Since 2018, elected until 2020
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 2020
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

LARS HOLMQVIST

Since 2015, elected until 2020
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

Financial Expertise:
CEO of Dako Denmark A/S between 2009 and 2012; Chairman of the audit committee at ALK Abello A/S (publ.) 2010 to 2013; Member of the audit committee at H Lundbeck A/S (publ.) 2015 to 2019; Member of the audit comm at BPL Ltd (private) 2016 to 2019; Member of the audit committee Vitrolife AB (publ.) 2018 to 2019; Member of the audit committee Biovica AB (publ.) 2019

Other activities:
Lundbeck Foundation, Denmark, Member of the board of trustees and of the investment committee;
H. Lundbeck A/S, Valby, Denmark, Member of the board and of the Audit Committee; ALK-Abelló A/S, Denmark, Member of the board and of the Remuneration Committee; Naga UK TopCo Limited, Hertfordshire, UK, Member of the Board and of the audit and nomination committee; Member of Board of Directors and of the Audit Committee at Vitrolife AB (publ.), Sweden; Chairman of the Board of Directors at Biovica International AB (publ.)

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. 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	Member		Member
Dr. Oliver Fetzer		Member	
Lars Holmqvist	Member		
Dr. Karen Hübscher	Chairwoman		
Dr. Christa Kreuzburg		Chairwoman	Member
Daniel R. Marshak	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. The experience in financial matters of members of the Audit Committee are set out on pages 76 and 77.

COMPENSATION COMMITTEE

The majority of members of the Compensation Committee must be non-executive and independent members of the Board of Directors. The role and responsibilities of the Compensation Committee are described in the Compensation Report on page 86 to 100.

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 performance review and 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 annually 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 | DR. ACHIM VON LEOPRECHTING

Chief Executive Officer (CEO)
Head of the Partnering Business division a.i.

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:
Analytical, Life Science and Diagnostics Association (ALDA), Member of the Board

2 | ULRICH KANTER

Executive Vice President
Head of the Division Development and Operations

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

Professional background:
1995 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

3 | 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 the Lonza Group, most recently as a Senior Project Manager, 2007 to 2011 Director Business Development at Danaher Group (Leica Microsystems); 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

4 | TANIA MICKI

Chief Financial Officer (CFO)

Member since 2020
Joining Tecan in 2020
1971
French and Swiss citizen
MBA General Management (INSEAD, Fontainebleau, France)
Graduated ESCP (École Supérieure de Commerce de Paris) in Paris, France with major Finance/Audit/Accounting
BA in Russian (University Paris Nanterre, France)

Professional background:
1999 to 2006 various financial positions at General Mills; 2006 to 2009 Vice President Finance, Planning and Analysis Europe, Gate Group; 2009 to 2010 Seed Supply Finance Lead EMEA, Monsanto; 2010 to 2020 variety of positions at Sulzer AG, most recently as Chief Risk Officer and Group Internal Audit Head, other positions included CFO Global Markets in a group-wide function

Other activities:
None

5 | DR. WAEL YARED

**Executive Vice President
Chief Technology Officer (CTO)
Head Research and
Development**

Member since 2019
Joining Tecan in 2019
1962
US citizen
PhD in Robotics (Massachusetts Institute of Technology), Cambridge, MA, USA

Professional background:
1995 to 2002 Different positions at Arthur D. Little, Inc. and Cambridge Strategic Management Group; 2003 to 2010 Vice President, Research & Development at VisEn Medical, Inc., today part of PerkinElmer; 2010 to 2016 Vice President, Research & Development at PerkinElmer Life Sciences & Technology; 2016 to 2018 Chief Technology Officer & Vice President, Corporate Development at BioAnalytix, Inc.

Other activities:
None

6 | 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

7 | 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:
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
(until January 2020)

8 | ANDREAS WILHELM

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

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

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

Other activities:
None

MEMBERS WHO LEFT TECAN

DR. DAVID MARTYR
Chief Executive Officer

until March 2019

DR. RUDOLF EUGSTER
Chief Financial Officer

until February 2020

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 2019.

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.

The Compensation Report contains information on the structure of compensation and stock option plans as well as on actual compensation in 2019 and motions proposed to the Annual General Meeting that relate to the prospective approval of compensation of the Board of Directors and Management Board.

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 in the Articles of Incorporation were expanded 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 , 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	2018	2019
Total auditing fees of the Group auditor	595	684
Total tax consulting fees of the Group auditor	187	–
Total other consulting fees of the Group auditor	52	45

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. To do so, Tecan regularly published 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 every year with members of the international financial community. Individual company publications are also available in printed form on request. They can also be downloaded from the Tecan website.

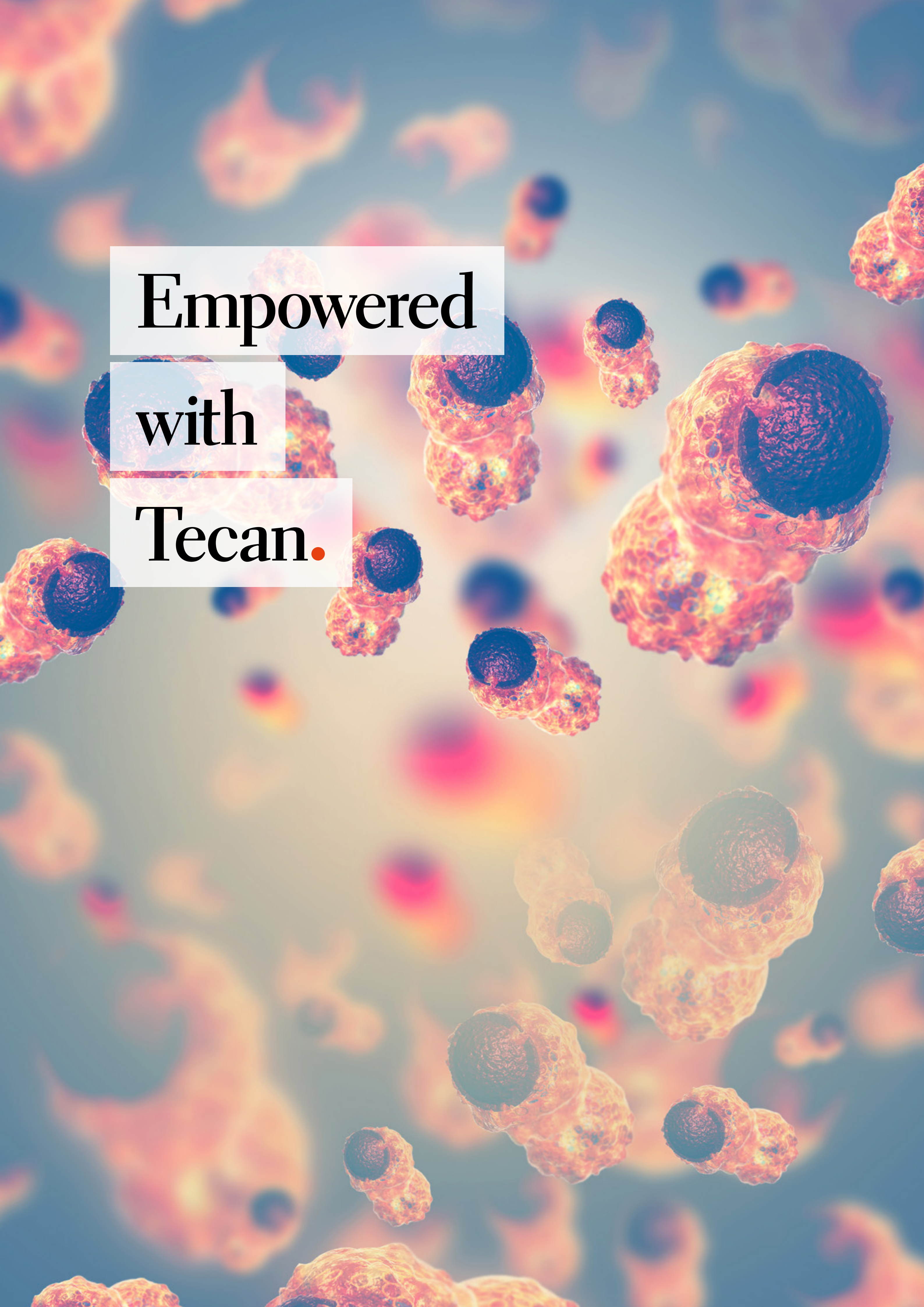
IMPORTANT DATES FOR INVESTORS

Date	Location	Event
March 17, 2020	Zurich	Full Year Results 2019, Press Briefing on Annual Results and Analysts' Conference
April 7, 2020	Pfäffikon, SZ	Annual General Meeting
August 12, 2020	Conference Call/ Webcast	Half Year Results 2020

FOR MAIL OR PHONE INQUIRIES, PLEASE CONTACT

Tecan Group Ltd.
Martin Brändle
VP, Communications & Investor Relations
Seestrasse 103
CH-8708 Männedorf
Switzerland

T +41 44 922 84 30
F +41 44 922 88 89
investor@tecan.com
www.tecan.com


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. (Tecan). It is written in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations, the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss national federation economiesuisse.

CONTENTS

MESSAGE FROM THE CHAIR OF THE COMPENSATION COMMITTEE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors and the Compensation Committee, I am pleased to present the 2019 Compensation Report.

During 2019, Tecan recorded another very successful business year with strong financial results. The report illustrates how Tecan's performance was reflected in the payments made under the incentive plans. The principles and instruments of the Management Compensation have remained the same.

In 2019, the Compensation Committee performed its regular activities, such as the performance goal setting at the beginning of the year and the corresponding performance assessment of the Management Board at year end, the determination of the compensation of the members of the Management Board and of the Board of Directors, as well as the preparation of the Compensation Report and of the say-on-pay vote for the Annual General Meeting.

In addition, the Compensation Committee decided to further improve disclosure in the Compensation Report, taking into account direct shareholder feedback, as well as acknowledging a desire to further improve shareholder support in the advisory votes. The following elements are described in a greater level of detail in this report:

- The governance around compensation decisions, including the role of the shareholders, the Compensation Committee and external advisors;
- The compensation model of the Board of Directors, including the split between the fixed basic fee and the committee fees;
- The compensation model of the Management Board, including a description of the performance criteria in the incentive plans, their weighting and a performance assessment at the end of the respective performance periods;
- The compensation table of the Management Board, including the compensation granted (and the compensation realized) in the reporting year.

The Compensation Committee trusts that these enhancements will further improve transparency around the compensation system and the compensation awarded to the Board of Directors and the Management Board.

This Compensation Report will be submitted to an advisory vote at the upcoming Annual General Meeting. Shareholders will also be asked to vote on the maximum aggregate amount of compensation of the Board of Directors for the term of office from the 2020 until the 2021 Annual General Meeting, and on the maximum aggregate amount of compensation of the Management Board for the fiscal year 2021.

DR. CHRISTA KREUZBURG
Chair of the Compensation Committee

GOVERNANCE

ARTICLES OF INCORPORATION

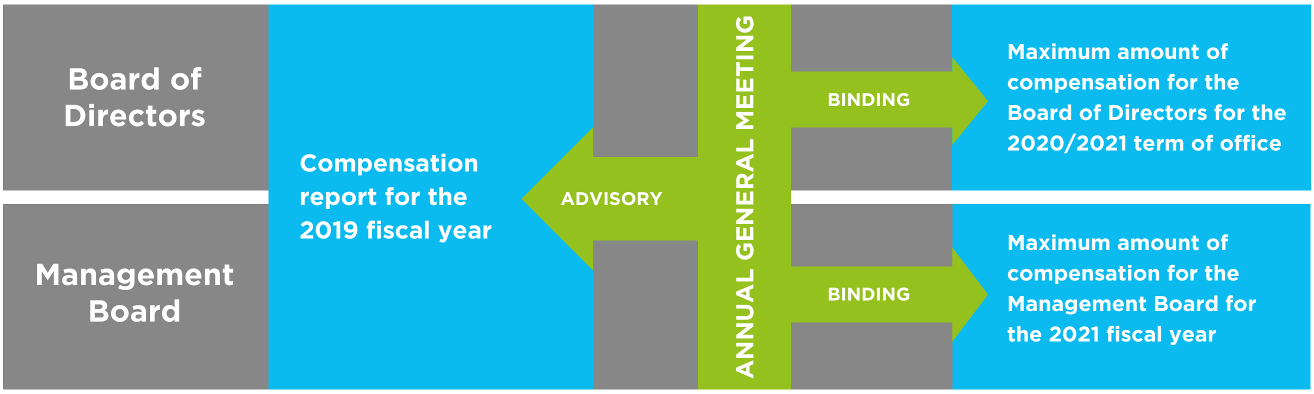
The Articles of Incorporation of Tecan contain provisions on compensation, which are described in the Governance Report on page 72 and are available on the corporate website (www.tecan.com/tecan-corporate-policies). Those provisions relate to the role and responsibilities of the Compensation Committee (article 17), the compensation principles applicable to the Board of Directors and the Management Board (articles 18 and 23), the shareholders' voting modalities on compensation motions at the Annual General Meeting, including the additional amount for members of the Management Board who were nominated after the shareholders' approval on the maximum compensation amount (article 18), provisions around credits and loans to the Board of Directors and the Management Board (article 20), the maximum permissible number of external mandates for members of the Board of Directors and the Management Board (article 21), as well as provisions related to the contractual agreements with members of the Board of Directors and the Management Board (article 22).

ROLE OF SHAREHOLDERS ON COMPENSATION

The Ordinance against Excessive Compensation in Listed Companies (OeEC) took effect on January 1, 2014. The compensation and approval mechanism at Tecan was amended accordingly in 2015 and is set out in the company's Articles of Incorporation.

Each year, the Board of Directors proposes to the shareholders at the Annual General Meeting for its approval the maximum aggregate 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, the Board of Directors presents the Compensation Report at the Annual General Meeting for its retrospective, advisory approval, by the shareholders as shown in illustration [1]. For further details on the compensation votes at the upcoming 2020 Annual General Meeting, please refer to the section "Outlook and Motions on Compensation at the Annual General Meeting".

ILLUSTRATION [1]: COMPENSATION AND APPROVAL MECHANISM



COMPENSATION COMMITTEE

The Board of Directors is supported by a Compensation Committee that is acting as preparatory body on all relevant compensation matters related to the Board of Directors and Management Board. In accordance with the Articles of Incorporation and the Organizational Regulations of Tecan, the Compensation Committee is composed of at least two members of the Board of Directors who are elected individually by the Annual General Meeting for a period of one year. At the 2019 Annual General Meeting, the shareholders confirmed Christa Kreuzburg (Chair), Oliver Fetzer and Dan Marshak as members of the Compensation Committee. 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 and are available to all members of the Board of Directors. The Chair of the Compensation Committee reports to the Board of Directors regularily on the activities of the Committee. In the year under review, the Compensation Committee held four meetings in total, in three meetings all members were present and in one meeting one member could not attend.

The Compensation Committee acts in a preparatory capacity and proposes motions to the Board of Directors for approval. The Board of Directors approves the compensation policies for the entire Group as well as the general conditions of employment for members of the Management Board. The Compensation Committee proposes the compensation amounts to be paid to the members of the Management Board. The Board of Directors reviews and approves the performance achievement of the members of the Management Board and the actual variable compensation to be paid out to them. The amount and type of compensation to be paid to the Board of Directors is reviewed annually by the Compensation Committee and submitted to the Board of Directors for approval. The approval and authority levels of the different bodies on compensation matters are detailed in illustration [2] below.

ILLUSTRATION [2]: DECISION AUTHORITIES IN COMPENSATION MATTERS

	CEO	Compensation Committee	Board of Directors	Annual General Meeting
Group compensation policy and principles		Proposes	Approves	
Maximum aggregate amount of compensation for the Board of Directors		Proposes	Reviews	Approves
Individual compensation of Board members		Proposes	Approves	
Maximum aggregate amount of compensation for the Management Board		Proposes	Reviews	Approves
Performance target setting and assessment of CEO		Proposes	Approves	
Performance target setting and assessment of other members of the Management Board	Proposes	Approves	Reviews	
CEO compensation		Proposes	Approves	
Individual compensation of other members of the Management Board	Proposes	Reviews	Approves	
Compensation report	Proposes	Reviews	Approves	Advisory vote

BENCHMARKING AND EXTERNAL ADVISORS

The Compensation Committee may appoint external compensation advisors to provide services relating to executive compensation matters. In 2019 and 2018, two external consulting companies provided benchmarking services to the Compensation Committee as described below. These companies do not have other mandates with Tecan.

Every two years, alternately, the compensation of the Board of Directors and of the Management Board is benchmarked against prevalent market practice by independent external specialists and, if necessary, adjustments are proposed.

In 2019, a benchmarking analysis of the structure and level of the Board compensation was conducted. For this purpose, a peer group of Swiss companies listed on the SIX Swiss Exchange, excluding financial services, was selected. This peer group consisted of Also, Bachem, Belimo, Bell, Bucher Industries, Conzzeta, Dätwyler, Dormakaba, Forbo, Galenica, Idorsia, Landis+Gyr, SFS, Siegfried, Sulzer, VAT and Ypsomed. It was well balanced in terms of market capitalization, revenue size, and headcount. This analysis showed that while the compensation structure was broadly in line with prevalent market practice, the compensation levels were slightly below market. Based on this analysis and after several years with no adjustments, the compensation levels for the members of the Board of Directors will be adjusted accordingly from the 2020 Annual General Meeting, as described in the section "Outlook and Motions on Compensation at the Annual General Meeting" at the end of this report.

Regarding the compensation of the Management Board, a benchmarking analysis was conducted in 2018. The compensation levels and structure were evaluated in comparison with three different peer groups: 1. selected firms listed on the SIX Swiss Exchange that have a market capitalization between CHF 1.4 and 4.3 billion and revenues between CHF 200 million and CHF 1 billion; 2. selected firms listed on the London Stock Exchange with a market capitalization between CHF 1.4 and CHF 3.7 billion and revenues between CHF 450 and CHF 600 million; and 3. firms from the life science tools and services sector with a market capitalization between CHF 260 million and CHF 5.2 billion and revenues up to CHF 1.8 billion. As a general outcome, the compensation paid to individual members of the Management Board was in line with market practice, except for two roles for which the compensation levels were identified as below market and were adjusted since. The analysis showed, as in earlier benchmarking exercises, that the compensation system at Tecan is more weighted towards the long-term incentive, while short-term compensation is less competitive compared to the peer groups.

COMPENSATION PRINCIPLES

Tecan has a set of uniform compensation policies, which are systematic, transparent and have a long-term focus.

In line with good corporate principles, the compensation of the Board of Directors is fixed and does not contain any performance-based elements in order to guarantee the Board's independence in exercising its duties. The compensation is delivered in cash and in shares to strengthen the alignment with shareholders' interests.

The compensation of the Members of the Management Board is determined on the basis of four factors: financial performance of the Company, individual performance, position held and labor market situation. The ultimate goal of the compensation system is to attract highly qualified and motivated talents, to ensure their long-term loyalty to the Company, incentivize performance and to align their interests with those of the shareholders. The fixed and variable compensation programs are designed to cover the basic requirements, with the stock ownership plan aligning total compensation with the long-term financial success of the Group and the value creation for shareholders of the Company.

COMPENSATION SYSTEM OF THE BOARD OF DIRECTORS

In order to ensure their independence in their duties, members of the Board of Directors receive fixed compensation only. There is no performance-based compensation and members of the Board of Directors are not insured in the Company pension plan. The fixed compensation consists of a fee for services to the Board paid in cash and in restricted share units (RSU), as well as additional committee fees paid in cash. The cash compensation is paid in two settlements in May and November, while the RSUs are allocated annually at the beginning of the term of office on the basis of the Tecan share's average closing price on the SIX Swiss Exchange during the first four months of the relevant fiscal year. The RSUs fully vest upon completion of the annual term, or pro rata in the event of an early exit.

ILLUSTRATION [3]: COMPENSATION OF THE BOARD OF DIRECTORS

In CHF per year (gross)	Chair of the Board	Vice-chair of the Board	Member of the Board
Fixed basic fee (cash)	200,000	85,000	75,000
Fixed basic fee (shares)	100,000	50,000	40,000

	Committee Chair	Committee Member
Audit Committee	20,000	10,000
Compensation Committee	15,000	10,000
Nomination and Governance Committee	7,500	5,000

In addition, members of the Board of Directors receive committee fees for ad-hoc committee meeting participation. They receive reimbursement for business travel expenditures incurred, and a travel fee (for members located in the US only).

COMPENSATION SYSTEM OF THE MANAGEMENT BOARD

The compensation system for members of the Management Board did not change compared to the previous year. The system is based on three pillars:

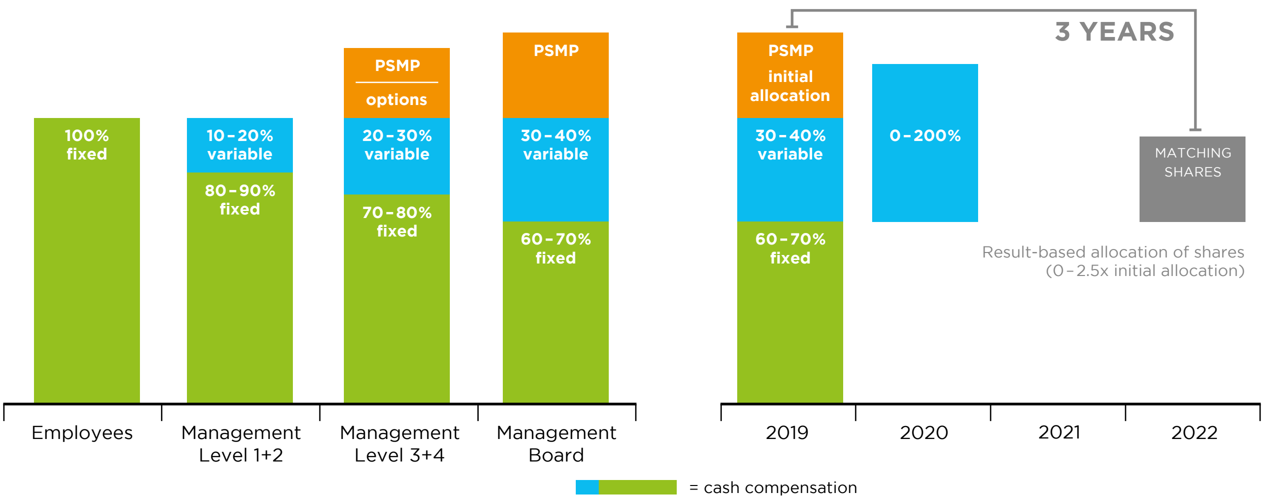
- a fixed remuneration including base salary and benefits
- a short-term variable compensation
- a fixed monetary amount, which is converted into shares and serves as initial grant for the long-term stock ownership plan, the Performance Share Matching Plan (PSMP).

ILLUSTRATION [4]: COMPENSATION OF THE MANAGEMENT BOARD

	Vehicle	Purpose	Plan period	Performance measured
Fixed base salary	Monthly salary in cash	Attract and retain	Continuous	
Short-term variable compensation	Annual bonus in cash	Reward annual performance	1 year	sales growth EBITDA margin strategic corporate goals achievement
Stock ownership plan - PSMP	Grant of initial shares and matching shares	Reward long-term performance Align with shareholders' interests	3 year	sales growth EBITDA margin

STRUCTURE OF THE COMPENSATION SYSTEM

STRUCTURE OF THE COMPENSATION SYSTEM MANAGEMENT BOARD



The compensation structure is based on the Variable Pay Policies adopted by the Board of Directors, which provide for a total target cash compensation determined individually, consisting of a fixed base salary and a short-term variable compensation component. For members of the Management Board, the total target cash compensation (assuming 100% performance achievement under the short-term variable compensation) consists of the following elements:

- CEO: 60% fixed base salary and 40% short-term variable compensation;
- Other members of the Management Board: 70% fixed base salary and 30% short-term variable compensation.

In addition, members of the Management Board are eligible to an annual grant under the stock ownership plan PSMP.

FIXED BASE SALARY

The fixed base salary is a component of compensation paid in cash, typically monthly. It reflects the scope and key responsibilities of the role as well as the qualification and skills required to perform the role, along with the employee's skill set and experience.

Fixed base salaries of the Management Board are reviewed annually, taking into consideration the benchmark information, market movement, economic environment, and individual performance.

In addition, the members of the Management Board participate in the pension and insurance plans of Tecan which are also offered to all employees in Switzerland. Benefits consist mainly of retirement and insurance plans that are designed to provide a reasonable level of protection for employees and their dependents with respect to the risk of retirement, disability, death, and illness. Management Board Members are also provided with a company car. The monetary value of that and other elements of compensation is evaluated at fair value and is included in the compensation table in illustration [8] below.

SHORT-TERM VARIABLE COMPENSATION

The short-term variable compensation is an annual variable incentive designed to reward the performance of the Group over a time horizon of one year.

The short-term variable compensation target (i.e. at 100% achievement of the performance objectives) is expressed as a proportion of the total target cash compensation, as explained above, i.e. 40% of the total target cash compensation for the CEO and 30% for the other members of the Management Board.

The short-term variable compensation is based on the achievement of Group financial performance objectives and other strategic corporate goals. The highly ambitious growth and profitability targets are set annually before the beginning of the financial year by the Board of Directors. For 2019, the financial performance indicators were the same as in previous years: sales growth and EBITDA margin of the Group, which are equally weighted and account for 60% to 80% of the short-term variable compensation. The strategic goals amount to 20% to 40% of the short-term variable compensation and include (but are not limited to) growth initiatives, product quality, customer satisfaction, compliance, diverse corporate culture and talent management. For each performance objective, the Board of Directors determines a threshold level of performance below which the payout is 0%, a target level of performance corresponding to a 100% payout and a maximum level of performance, above which the payout is capped at 200%. The payout level between those points is calculated by linear interpolation.

In addition, the Articles of Incorporation stipulate that the short-term variable compensation may not exceed 150% of the fixed salary for the CEO and 100% for the other Management Board members. The description and respective weight of the performance objectives is included in illustration [5].

ILLUSTRATION [5]: PERFORMANCE TARGETS FOR THE SHORT-TERM VARIABLE COMPENSATION

2019 objectives	Rationale/driver	Weighting
Sales growth (Group)	To drive the top-line growth of Tecan	30-40%
EBITDA margin (Group)	To drive the bottom-line profitability of Tecan	30-40%
Strategic corporate objectives	To drive strategic initiatives that foster growth, product quality, customer satisfaction, compliance, corporate culture and talent management	20-40%
Total		**100%**

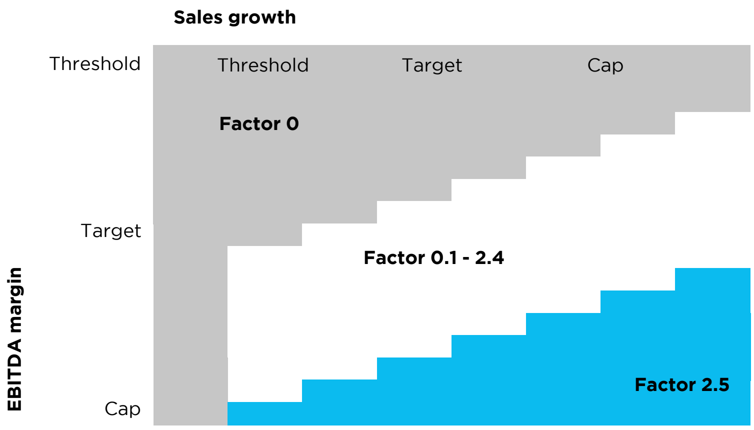
LONG-TERM STOCK OWNERSHIP PLAN (PSMP)

In addition to the cash compensation, the members of the Management Board participate in a long-term stock ownership plan, the PSMP (Performance Share Matching Plan or Performance Share Unit). The PSMP consists of an initial grant of registered shares and a potential subsequent allocation of matching shares based on the achievement of performance objectives during the three-year plan period.

The target amount of the initial grant is expressed as a fixed monetary amount, which is converted into shares 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 shares are blocked for three years – starting in the grant year as "year 1". For each granted share, participants are eligible to receive additional shares ("matching shares") if certain performance objectives are reached. This mechanism ensures that the interests of the Management Board are aligned with those of the shareholders.

Depending on the performance achievement during the three-year period, Management Board members may receive from 0 up to 2.5 matching shares for each share granted initially. The performance is assessed using a payout matrix based on two performance criteria: sales growth in local currencies and EBITDA margin. The matrix combines the performance of each of the criteria to calculate the payout, thus providing for a balanced focus on both top-line and bottom-line achievements. A payout factor of 2.5 would require an achievement significantly above the defined mid-term targets on the two performance criteria. An achievement level below a certain threshold on any of the criteria results in no additional matching shares. Different combinations of sales growth and EBITDA margin achievements within those ranges lead to payouts between a factor of 0 and a factor of 2.5. The sales growth component has been given a higher weighting, and accounts for two-thirds for the purposes of calculating the matching share payout factor. The parameter grid is specified each year on a forward-looking basis for the coming three-year period (i.e. financial objectives are pre-determined upfront). In case of resignation, the entitlement to any matching shares forfeit. In case of death, invalidity or change of control, the initially granted shares deblock immediately with an allocation of matching shares.

ILLUSTRATION [6]: PERFORMANCE OBJECTIVES FOR THE PERFORMANCE MATCHING SHARES (EXAMPLES)

Performance objectives	Sales growth	EBITDA
Driver/rationale	To drive top-line growth of the company	To drive the bottom-line profitability of the company
Weighting	Two-thirds	One-third
Payout matrix (illustrative)		

Payout matrix (examples of sales growth and EBITDA margin combination for a payout factor of 1)	Sales growth (CAGR)	EBITDA margin
	5.5%	21%
	11%	19.25%
	15.5%	17.75%

Payout matrix (examples of sales growth and EBITDA margin combination for a payout factor of 2.5)	Sales growth (CAGR)	EBITDA margin
	5.5%	24.25%
	11%	22%
	15.5%	20.25%

EMPLOYMENT CONTRACTS

Members of the Management Board are employed under employment contracts of unlimited duration. The employment contract of the CEO is subject to a notice period of 12 months, while all other employment contracts of the Members of the Management Board are subject to a notice period of 6 months. They are not contractually entitled to any severance payments, or any change of control provisions. Their contracts do not contain non-competition provisions.

COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

COMPENSATION TO THE BOARD OF DIRECTORS (AUDITED)

ILLUSTRATION [7]: COMPENSATION TO THE BOARD OF DIRECTORS IN 2019 AND 2018

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
Dr. Lukas Braunschweiler (Chairman) (since 01.05.2018)	2019	200	8	208	26	454	104	338
	2018	133	7	140	11	491	108	259
Heinrich Fischer (Vice Chairman)	2019	85	22	107	4	227	52	163
	2018	85	28	113	4	246	54	171
Dr. Oliver S. Fetzer	2019	75	20	95	-	181	41	136
	2018	75	23	98	-	196	43	141
Lars Holmqvist	2019	75	10	85	-	181	41	126
	2018	75	10	85	-	196	43	128
Dr. Karen Hübscher	2019	75	13	88	11	181	41	140
	2018	75	10	85	11	196	43	139
Dr. Christa Kreuzburg	2019	75	20	95	11	181	41	147
	2018	75	20	95	12	196	43	150
Daniel R. Marshak (since 01.05.2018)	2019	75	20	95	-	181	41	136
	2018	50	13	63	-	196	43	106
Rolf Classon[4] (Chairman) (till 30.04.2018)	2019	-	-	-	-	-	-	-
	2018	50	7	57	-	-	-	57
Gérard Vaillant[5] (till 30.04.2018)	2019	-	-	-	-	-	-	-
	2018	25	7	32	-	-	-	32
Total	**2019**	**660**	**113**	**773**	**52**	**1.586**	**362**	**1.187**
	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, 2018 to April 30, 2019 (Share Plan BoD 2018) and from May 1, 2019 to April 30, 2020 (Share Plan BoD 2019). Vested shares are transferred at the end of the service period (April 30, 2019 and April 30, 2020, respectively). The shares are fully included in the amount of fair value of shares granted.

[3]Formula for 2018: Shares granted in 2018* fair value at grant (CHF 220.20) and formula for 2019: Shares granted in 2019 * fair value at grant (CHF 228.40).

[4]Parting gift not included in the total compensation; worth CHF 9'500 (2018).

[5]Parting gift not included in the total compensation; worth CHF 1'500 (2018).

At the 2018 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 1,450,000 for the Board of Directors for the compensation period from the 2018 Annual General Meeting until the 2019 Annual General Meeting. The actual compensation paid to the Board of Directors for this term was CHF 1,187,000 and is therefore within the approved limits.

At the 2019 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 1,450,000 for the Board for the term from the 2019 Annual General Meeting until the 2020 Annual General Meeting. This compensation period is not completed yet and a conclusive assessment will be provided in the 2020 Compensation Report.

COMPENSATION TO THE MANAGEMENT BOARD (AUDITED)

COMPENSATION AT GRANT VALUE

The illustration [8] shows the compensation of the CEO and the other members of the Management Board granted in the reporting year.

ILLUSTRATION [8]: GRANTED COMPENSATION

									Number of granted / awarded shares		
CHF 1,000 (gross amounts)	Year	Fixed Base Salary	Taxable fringe benefits[1]	Social benefits[2]	Short-term variable compensation[3]	Fair value of PSMP initial shares (in the year of grant)[4]	Fair value of PSMP matching shares (in the year of grant)[5]	**Total compensation (granted)**	PSMP: number of shares initial grant	PSMP: number of shares initial grant	PSMP: number of matching shares (at maximum)
Dr. Achim von Leoprechting (CEO as of April 1, 2019)	**2019**	**526**	**8**	**269**	**329**	**518**	**648**	**2.298**	**2.268**	**2.835**	**5.670**
	2018										
Dr. Rudolf Eugster (CFO)[7]	**2019**	**359**	**3**	**227**	**152**	**377**	**471**	**1.589**	**1.651**	**2.064**	**4.128**
	2018	357	6	228	211	394	492	1.688	1.788	2.235	4.470
Other members of the Management Board[8]	**2019**	**1.506**	**188**	**843**	**645**	**1.648**	**2.060**	**6.891**	**7.217**	**9.021**	**18.043**
	2018	1.640	193	944	903	1.775	2.218	7.673	8.059	10.074	20.148
Dr. David Martyr (CEO until March 31, 2019)[6]	**2019**	**690**	**11**	**443**	**437**	**764**	**956**	**3.301**	**3.347**	**4.184**	**8.368**
	2018	690	11	432	623	798	998	3.552	3.625	4.531	9.063
Total	**2019**	**3.081**	**210**	**1.782**	**1.563**	**3.308**	**4.135**	**14.079**	**14.483**	**18.104**	**36.208**
	2018	2.687	210	1.604	1.737	2.967	3.708	12.913	13.472	16.840	33.680

[1] Including the third third of the special payment to a new MB member for lost LTI as well as the relocation costs for a new MB member

[2] Employer's contribution to social security and contributions to post-employment benfit plans (including social security on shares transferred during the reporting period)

[3] Payment will be made in the following year

[4] Formula for 2018: Shares granted in 2018 * fair value at grant (CHF 220.20); Formula for 2019: Shares granted in 2019 * fair value at grant (CHF 228.40)

[5] Formula for 2018: Shares granted in 2018*fair value at grant (CHF 220.20)*1.25; Formula for 2019: Shares granted in 2019*fair value at grant (CHF 228.40)*1.25. The disclosed amount corresponds to the fair value of the matching shares at the time of grant (e.g. based on performance achievement at target). This value may differ from the value of the accruals disclosed under IFRS reporting, as those are based on a best-estimate at the end of the reporting year.

[6] Member of the Management Board with the highest compensation in 2018 and 2019

[7] Member of the Management Board with the second highest compensation in 2018 and 2019

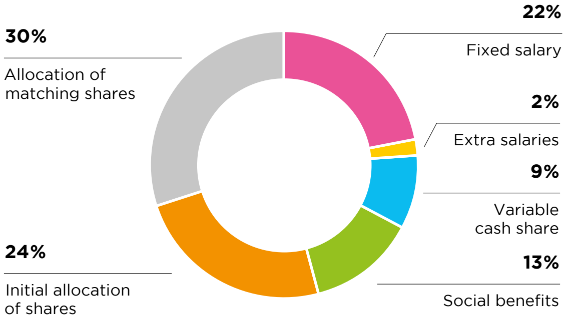
[8] 2018: Total six members; 2019: Total six members (entry of a member August 3; one member becomes CEO on April 1)

Explanatory comments on the compensation table

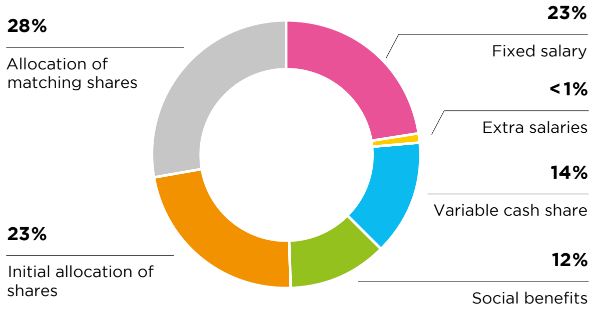
- The achievement of targets for short-term variable compensation was lower in 2019 than in 2018, details of which are given below.
- The allotment value of the long-term stock ownership program increased by 9.8% compared to the previous year. The reasons for this was the addition of a further Management Board member and the succession of the CEO.

ILLUSTRATION [9]: COMPENSATION MIX

SALARY STRUCTURE MANAGEMENT BOARD (WITHOUT CEO)



SALARY STRUCTURE CEO



At the 2018 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 18,500,000 for the Management Board for the fiscal year 2019. The actual compensation awarded to the Management Board in 2019 was CHF 14,079,000 and is therefore within the approved limits.

PERFORMANCE IN 2019

In the year under review, the Group sales growth, the EBITDA margin, as well as the corporate strategic objectives were in line with expectations. Consequently, the overall short-term variable compensation payout amounted for the CEO slightly below 100% and all other members of the Management Board around 100%. In the year under review, the 2017 to 2019 PSMP cycle came to an end. The performance achievement over the performance period resulted in a matching share factor of 2.23.

COMPENSATION TO FORMER MEMBERS OF GOVERNING BODIES

No compensation was paid to former members of the Board of Directors or the Management Board in 2019 after the end of their term of office or contract with Tecan, respectively.

RELATED PARTY COMPENSATION

No compensation was paid in 2019 or the previous year to parties related to present or former members of the Board of Directors or the Management Board.

LOANS AND CREDITS

CURRENT AND FORMER MEMBERS OF GOVERNING BODIES

Neither in 2019 nor in the previous year were any loans or credits extended to current or former members of the Board or the Management Board that remained outstanding at the end of the year.

RELATED PARTIES

Neither in 2019 nor in the previous year were any loans or credits extended to related parties of current or former members of the Board of Directors or the Management Board that remained outstanding at the end of the year.

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD IN 2019

Information regarding participations of the Board of Directors and Group Management in Tecan Group Ltd. can be found in the Notes to the financial statements of Tecan Group Ltd. (Note 12.2 on pages 174-175 of the Annual Report).

EQUITY OVERHANG AND DILUTION AS OF DECEMBER 31, 2019

In total as of December 31, 2019, the equity overhang granted to all Board of Directors and Management Board Members, defined as the total number of blocked shares and matching shares outstanding divided by the total number of outstanding shares (11,870,912 registered shares) amounts to 226,757 shares, which corresponds to 1.91% equity overhang.

The number of equities (shares and matching shares) granted in 2019 (83191 shares) divided by the total number of common shares outstanding equals 0.70%.

OUTLOOK AND MOTIONS ON COMPENSATION AT THE ANNUAL GENERAL MEETING

At the 2020 Annual General Meeting, the Board of Directors will propose:

- the maximum aggregate compensation amount for the Board of Directors, for the next term of office (binding vote);
- the maximum aggregate compensation amount for the Management Board, for the fiscal year 2021 (binding vote);
- the 2019 Compensation Report (retrospective advisory vote).

MAXIMUM AGGREGATE COMPENSATION AMOUNT FOR THE BOARD OF DIRECTORS

The maximum aggregate compensation amount to the Board of Directors for the term of office between the 2020 and the 2021 Annual General Meeting submitted to vote is based on the following elements:

- Seven members of the Board of Directors;
- Fixed basic fee paid in cash and restricted share unit;
- Committee fees paid in cash;
- Additional committee fees for ad-hoc committees and travel fee (for members located in the US only).

Following the benchmarking analysis conducted in 2019, the level of the fixed basic fee and the committee fees will be adjusted as of the 2020 Annual General Meeting as shown in illustration [12].

ILLUSTRATION [12]: COMPENSATION OF THE BOARD OF DIRECTORS (AGM 2020 – AGM 2021)

In CHF per year (gross)	Chair of the Board	Vice-chair of the Board	Member of the Board
Fixed basic fee (cash)	200,000	90,000	80,000
Fixed basic fee (shares)	100,000	55,000	45,000

	Committee Chair	Committee Member
Committee fees (cash)	30,000	10,000

MAXIMUM AGGREGATE COMPENSATION AMOUNT FOR THE MANAGEMENT BOARD

The maximum aggregate compensation amount to the Management Board for the fiscal year 2021 submitted to vote is based on the following elements:

- Nine members of the Management Board;
- Short-term variable compensation: the maximum amount assumes that the defined performance targets are significantly exceeded and that the short-term variable compensation payout amounts to 200% (maximum);
- Long-term stock ownership plan (PSMP): the maximum amount is based on a matching share factor of 2.5 (maximum). A possible share price appreciation during the three-year vesting period is not considered.

The compensation system for the Management Board is expected to remain unchanged. The weighting of the performance criteria starting in fiscal year 2020 will include ESG (environment, social, governance) objectives for all members of the Management Board, mainly around targets for customer satisfaction and loyalty as well as employee engagement and talent development. The split between the financial criteria and the ESG criteria will be 80-20.

Illustration [14] below shows a comparison between the maximum aggregate compensation amounts approved and the compensation effectively awarded in recent years.

ILLUSTRATION [14]: COMPENSATION APPROVED VERSUS AWARDED (MANAGEMENT BOARD)

In CHF per year (gross)	Fiscal year 2021[1]	Fiscal year 2020	Fiscal year 2019	Fiscal year 2018
Approved compensation amount	n.a.	18,500,000	18,500,000	18,500,000
Compensation awarded	n.a.	n.a.[2]	14,079,000	12,913,000

[1] to be proposed to the 2020 Annual General Meeting

[2] compensation period not yet completed

Note: The approved compensation amount is based on the assumption that all performance indicators under both the short-term variable compensation and the PSMP will be significantly overachieved and that the payout factor will be at the maximum possible level. The approved compensation amount does not account for any share price appreciation over the three-year period of the PSMP. The awarded compensation amount is based on the short-term variable compensation effectively paid and on the fair value of the initial shares and of the matching shares granted under the PSMP in the respective year.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 5 March 2020

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 2019. 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 in the sections “Compensation to the Board of Directors”, “Compensation to the Management Board”, “Compensation to former members of governing bodies”, “Related party compensation” and “Loans and credits” on pages 96 to 98 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.

Building a better working world

Opinion
In our opinion, the remuneration report for the year ended 31 December 2019 of Tecan Group Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

Financial Report 2019.

Chief Financial Officer's Report

DR. RUDOLF EUGSTER
Chief Financial Officer
(until February 29, 2020)

Reported net profit for the year 2019 rose to CHF 73.2 million.

ORDER ENTRY AND SALES

In the year under review, Tecan grew its order entry by 1.9% to CHF 638.6 million (2018: CHF 627.0 million), or by 2.5% in local currencies. The growth was not as strong as in 2018, when order entry benefited in the second half of the year from a large order in the Life Sciences Business for customized solutions and grew correspondingly at a double-digit rate. Adjusted for this effect, order entry in the Life Sciences Business grew at a good mid-single-digit growth rate, leading to a solid underlying growth at Group level as well.

Order backlog, an important indicator for the current financial year, grew again to reach a record level as at 31 December 2019.

Sales for fiscal year 2019 grew by 7.2% to CHF 636.8 million (2018: CHF 593.8 million), corresponding to growth of 8.0% in local currencies. On an organic basis, adjusted for acquisition effects, sales grew by 5.3% in Swiss francs and by 6.0% in local currencies. The growth trend continued in the second half of the year as well, with sales increasing by 6.4% in Swiss francs and 7.7% in local currencies. On an organic basis, sales rose by 5.8% in local currencies in the second half of the year.

Recurring sales of services and consumables increased in fiscal year 2019 by 5.9% in local currencies and 6.5% in Swiss francs, and therefore amounted to a relatively unchanged 41.3% of total sales (2018: 41.8%).

REGIONAL DEVELOPMENT

In Europe, Tecan's full-year sales increased by 8.4% in local currencies and by 6.4% in Swiss francs, with both business segments performing well. After moderate growth in the first half of the year, the sales growth in local currencies accelerated in the second half of the year to 13.5%. The increase in sales was driven primarily by higher double-digit growth from the Partnering Business. But the Life Sciences Business also recorded solid growth again in the second half of the year.

In North America, sales grew by 8.2% in local currencies and 9.5% in Swiss francs in 2019. The Life Sciences Business performed particularly well, with sales growth of 15.6% in local currencies in this region (organic 12.8%). Sales in local currencies increased by a further 3.9% in the second half of the year despite the high comparative basis from the prior-year period.

In Asia, Tecan generated an increase in sales of 14.6% in local currencies and 11.9% in Swiss francs. Both segments contributed to the sales growth in the region with good performances, the Life Sciences Business with growth in local currencies of 18.5% and the Partnering Business with 8.0%. With a slightly higher growth rate, sales growth in China was even a bit more dynamic as in the entire Asia region. Growth in Asia in local currencies accelerated in the second half of the year to 17.0%.

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 297.3 million Swiss Francs (2018: CHF 278.3 million), which was 18.9 million or 6.8% above the prior-year figure. The reported gross profit margin was at 46.9% – 20 basis points below the prior year (2018: 46.9%).

Several factors impacted the gross profit margin level:

- (-) Impact from acquisitions
- (-) Product and divisional mix
- (+) Price
- (+) Exchange rate impact
- (+) Material cost savings
- (+) Less non-standard cost of sales

OPERATING EXPENSES LESS COST OF SALES

In 2019, operating expenses grew more than sales and totaled CHF 209.4 million or 32.9% of sales, due to acquisition-related costs (2018: CHF 192.6 million or 32.4% of sales). Acquisition-related costs were mostly pre-investments in R&D and the development of sales channels for Tecan Genomics (former NuGen Technologies).

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

At an absolute level, net research and development expenses increased to CHF 59.9 million (2018: CHF 51.1 million). As a percentage of sales, they reached 9.4% of sales (2018: 8.6%). Overall R&D activities and gross expenses ("gross R&D") were also higher compared to the prior-year period, including customer funding of OEM projects. Gross R&D was at CHF 77.8 million or 12.2% of sales (2018: CHF 72.1 million or 12.2% of sales).

General and administration expenses also increased more than sales, mainly due to acquisition-related costs and the non-recurring additional costs of the CEO change during the fiscal year.

OPERATING PROFIT

Reported operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 11.3% to CHF 122.8 million in the fiscal year 2019 (2018: CHF 110.3 million). This EBITDA as reported includes influencing factors that reduced the overall result: the net impact of acquisition-related costs amounting to around CHF 10 million as well as, to a far lesser extent, the non-recurring additional costs of the CEO change during the fiscal year. These two effects were more than offset by a strong margin trend in the traditional core business (without newly acquired companies) as well as by a positive recurring profit contribution resulting from the adoption of the new IFRS 16 accounting standard (Leases).

The reported EBITDA margin grew correspondingly by 70 basis points to 19.3% of sales (2018: 18.6%).

The profit before interest and taxes, EBIT, was more or less unchanged at CHF 88.7 million, due to acquisition-related costs and the non-recurring additional costs of the CEO change during the fiscal year (2018: CHF 88.6 million).

NET PROFIT AND EARNINGS PER SHARE

Reported net profit for the year 2019 rose by 3.5% to CHF 73.2 million (2018: CHF 70.7 million). Thanks to a lower tax rate in connection with the tax reform in Switzerland, net profit increased by more than operating profit (earnings before interest and taxes; EBIT). The net profit margin amounted to 11.5% of sales (2018: 11.9%), while earnings per share rose to a new high of CHF 6.18 (2018: CHF 6.02).

BALANCE SHEET AND EQUITY RATIO

Tecan's equity ratio reached 70.1% as of December 31, 2019 (December 31, 2018: 71.4%).

CASH FLOW

Cash flow from operating activities increased to CHF 98.8 million (2018: CHF 92.7 million), which corresponds to 15.5% of sales.

Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 312.4 million (June 30, 2019: CHF 264.5 million; December 31, 2018: CHF 289.6 million). The purchase consideration for the acquisition of a supplier was paid fully in cash in the first half of the year (net cash outflow of CHF 21.2 million).

DR. RUDOLF EUGSTER
Chief Financial Officer (until February 29, 2020)

FIVE-YEAR CONSOLIDATED DATA

CHF 1,000	2015	2016	2017 (Restated)[1]	2018	**2019**
Statement of profit or loss					
Sales	440,295	506,227	548,559	593,795	636,819
EBITDA	83,401	89,031	104,625	110,322	122,761
Operating profit (EBIT)	66,949	68,137	79,796	88,553	88,699
Financial result	(942)	(2,709)	(804)	(5,155)	(5,959)
Income taxes	(8,860)	(10,886)	(13,062)	(12,702)	(9,571)
Profit for the period	57,147	54,542	65,930	70,696	73,169
Research and development, gross	(39,857)	(47,090)	(51,069)	(51,086)	(59,857)
Personnel expenses	(149,813)	(174,217)	(187,451)	(197,320)	(220,254)
Depreciation of property, plant and equipment	(6,213)	(6,750)	(6,969)	(7,699)	(8,786)
Depreciation of right-of-use assets[2]	–	–	–	–	(10,513)
Amortization of intangible assets	(10,239)	(14,144)	(16,723)	(14,070)	(14,541)
Impairment losses	–	–	(1,137)	–	–
Balance sheet					
Current assets	492,353	534,290	602,194	596,048	615,499
Non-current assets	149,129	201,871	201,767	261,623	324,274
Total assets	641,482	736,161	803,961	857,671	939,773
Current liabilities	137,843	141,956	153,142	163,470	157,286
Non-current liabilities	62,966	107,120	100,698	81,792	123,420
Total liabilities	200,809	249,076	253,840	245,262	280,706
Shareholders' equity	440,673	487,085	550,121	612,409	659,067
Statement of cash flows					
Cash inflows from operating activities	99,128	118,801	99,428	92,702	98,804
Capital expenditure in property, plant and equipment and intangible assets	(14,723)	(14,322)	(19,641)	(26,193)	(23,937)
Acquisition of DCPM/PMAS[3]	–	–	–	–	(20,846)
Acquisition of NuGEN Technologies, Inc.[3]	–	–	–	(43,805)	–
Acquisition of Pulssar Technologies S.A.S.[3]	–	–	(2,895)	–	–
Acquisition of SPEware Group[3]	–	(40,390)	–	(4,546)	(4,200)
Acquisition of SIAS – Xiril Group[3]	(18,899)	–	–	–	–
Change in treasury shares (net)	32,437	–	–	–	–
Dividends paid	(16,857)	(20,122)	(20,315)	(23,462)	(24,835)
Other information					
Number of employees (end of period)	1,368	1,447	1,482	1,662	1,932
Number of employees (average)	1,368	1,368	1,469	1,562	1,818
Research and development in % of sales	9.1%	9.3%	9.3%	8.6%	9.4%
Sales per employee	322	370	373	380	350
Information per share					
Basic earnings per share (CHF)	5.05	4.74	5.67	6.02	6.18
Gross dividend (CHF)[4]	1.75	1.75	2.00	2.10	1.10 [5]
Payout from statutory capital contribution reserve (CHF)[4]	0.00	0.00	0.00	0.00	1.10 [5]
Total payout (CHF)[4]	1.75	1.75	2.00	2.10	2.20 [5]
Total payout ratio	34.7%	36.9%	35.3%	34.9%	35.6%

[1] Restated due to introduction of IFRS 15

[2] IFRS 16 introduced in 2019 (modified retrospective method)

[3] Net of cash acquired

[4] Payment is made in following year

[5] Proposal to the Annual General Meeting of Shareholders on April 7, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2018	2019
Sales	4/5/6	**593,795**	**636,819**
Cost of sales		(315,472)	(339,552)
Gross profit		**278,323**	**297,267**
Sales and marketing		(89,072)	(92,888)
Research and development	8	(51,086)	(59,857)
General and administration		(52,376)	(56,649)
Other operating income	9	3,436	1,327
Other operating expenses	9	(672)	(501)
Operating profit	6	**88,553**	**88,699**
Financial income		44	23
Finance cost		(735)	(1,426)
Net foreign exchange losses		(4,464)	(4,556)
Financial result	10	**(5,155)**	**(5,959)**
Profit before taxes		**83,398**	**82,740**
Income taxes	13	(12,702)	(9,571)
Profit for the period, attributable to owners of the parent		**70,696**	**73,169**
Earnings per share			
Basic earnings per share (CHF/share)	11	6.02	6.18
Diluted earnings per share (CHF/share)	11	5.96	6.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2018	2019
Profit for the period		**70,696**	**73,169**
Other comprehensive income			
Change in fair value of unquoted equity instrument		–	(1,167)
Related income taxes		–	91
Remeasurement of net defined benefit liability	12.3	3,377	(16,625)
Related income taxes		(539)	3,547
Items that will not be reclassified to profit or loss, net of income taxes		**2,838**	**(14,154)**
Translation differences		(1,521)	(5,287)
Related income taxes		111	97
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(1,410)**	**(5,190)**
Other comprehensive income/(loss), net of income taxes		*1,428*	*(19,344)*
Total comprehensive income for the period, attributable to owners of the parent		**72,124**	**53,825**

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2018	**31.12.2019**
Cash and cash equivalents	14	296,845	266,274
Other current financial assets	15	977	50,500
Trade accounts receivable	16	105,443	121,517
Contract assets		2,405	468
Other accounts receivable		13,304	12,159
Inventories	17	171,709	151,947
Income tax receivables	13	1,467	3,098
Prepaid expenses		3,898	6,536
Assets held for sale	3.3	–	3,000
Current assets		**596,048**	**615,499**
Non-current financial assets	18	5,105	1,173
Investment property	3.3	3,650	3,428
Property, plant and equipment	19	25,053	29,393
Right-of-use assets	20	–	43,428
Intangible assets and goodwill	21	209,126	222,965
Deferred tax assets	13	18,689	23,887
Non-current assets		**261,623**	**324,274**
Assets		**857,671**	**939,773**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2018	**31.12.2019**
Current financial liabilities	22	9,945	14,682
Trade accounts payable		14,385	10,403
Other accounts payable		15,130	16,717
Current contract liabilities	23	37,392	36,222
Income tax payables	13	15,474	14,404
Accrued expenses		51,833	45,153
Current provisions	24	19,311	19,705
Current liabilities		**163,470**	**157,286**
Non-current financial liabilities	22	1,588	34,484
Non-current contract liabilities	23	34,799	25,947
Liability for post-employment benefits	12,3	34,091	51,881
Non-current provisions	24	4,721	5,301
Deferred tax liabilities	13	6,593	5,807
Non-current liabilities		**81,792**	**123,420**
Total liabilities		**245,262**	**280,706**
Share capital		1,177	1,187
Capital reserve		38,861	43,434
Retained earnings		602,820	650,085
Translation differences		(30,449)	(35,639)
Shareholders' equity	25	**612,409**	**659,067**
Liabilities and equity		**857,671**	**939,773**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2018	2019
Profit for the period		**70,696**	**73,169**
Adjustments for			
Depreciation and amortization	19/20/21	21,769	34,062
Change in provisions and liability for post-employment benefits	12.3/24	2,625	1,691
Interest income	10	(44)	(23)
Interest expenses	10	400	1,008
Income taxes	13	12,702	9,571
Equity-settled share-based payment transactions	12.4	11,153	12,046
Fair value adjustment of contingent consideration	9	(1,894)	–
Other non-cash items		15	1,215
Change in working capital			
Trade accounts receivable	16	6,657	(16,625)
Inventories	17	(7,944)	21,828
Trade accounts payable		(3,575)	(4,019)
Contract liabilities	23	(3,940)	(9,335)
Other changes in working capital (net)		(1,332)	(9,205)
Settlement of contingent consideration	22	(290)	(800)
Income taxes paid		(14,296)	(15,779)
Cash inflows from operating activities		**92,702**	**98,804**
Acquisition of an unquoted equity investment	18	(4,000)	(167)
Investment in time deposits		–	(50,000)
Interest received		40	23
Acquisition of DCPM/PMAS, net of cash acquired	3.2	–	(20,846)
Acquisition of NuGEN Technologies, Inc., net of cash acquired	3.2	(43,805)	–
Settlement of contingent consideration	22	(4,546)	(4,200)
Purchase of property, plant and equipment	19	(11,800)	(9,407)
Proceeds from sale of property, plant and equipment	19	68	71
Investment in intangible assets	21	(14,393)	(14,530)
Cash outflows from investing activities		**(78,436)**	**(99,056)**
Proceeds from employee participation plans	12.4	2,454	4,583
Dividends paid	25	(23,462)	(24,835)
Payment of lease liabilities	22	–	(9,960)
Increase in/repayment of short-term credit facilities	22	(3,209)	1,033
Increase in bank loans	22	–	640
Repayment of mortgage and settlement of interest derivative (held for sale)	3.3	(1,537)	–
Interest paid		(397)	(856)
Cash outflows from financing activities		**(26,151)**	**(29,395)**
Effect of exchange rate fluctuations on cash held		(691)	(915)
Decrease in cash and cash equivalents		**(12,576)**	**(30,562)**
Cash and cash equivalents, net of bank overdrafts at January 1		309,412	296,836
Cash and cash equivalents, net of bank overdrafts at December 31	14	**296,836**	**266,274**

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, 2018		**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	25	–	–	(23,462)	–	(23,462)
New shares issued based on employee participation plans	12.4/25	11	2,443	–	–	2,454
Share-based payments, net of income taxes	12.4	–	–	11,172	–	11,172
Total contributions by and distributions to owners		**11**	**2,443**	**(12,290)**	**–**	**(9,836)**
Balance at December 31, 2018 as previously reported		**1,177**	**38,861**	**602,820**	**(30,449)**	**612,409**
Adjustment from adoption of IFRS 16, net of income taxes	2.3.1	–	–	p.m.	–	–
Adjusted balance at January 1, 2019		**1,177**	**38,861**	**602,820**	**(30,449)**	**612,409**
Profit for the period		–	–	73,169	–	73,169
Other comprehensive loss, net of income taxes		–	–	(14,154)	(5,190)	(19,344)
Total comprehensive income for the period		**–**	**–**	**59,015**	**(5,190)**	**53,825**
Dividends paid	25	–	–	(24,835)	–	(24,835)
New shares issued based on employee participation plans	12.4/25	10	4,573	–	–	4,583
Share-based payments, net of income taxes	12.4	–	–	13,085	–	13,085
Total contributions by and distributions to owners		**10**	**4,573**	**(11,750)**	**–**	**(7,167)**
Balance at December 31, 2019		**1,187**	**43,434**	**650,085**	**(35,639)**	**659,067**

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, 2019. 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, one investment in an unquoted equity instrument and contingent considerations in connection with business combinations, which are stated at their fair value.

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2020. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 7, 2020.

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 23 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 that qualify for matching shares, 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 note 12.4 for more details.

2.2.3 Income taxes

At December 31, 2019, the net liability for current income taxes was CHF 11.3 million and the net asset for deferred taxes was CHF 18.1 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 Swiss tax reform, see note 13.2.3 for more details), changing interpretations of existing tax laws or regulations (particularly in relation to the acceptance of intragroup 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 fulfilment of the individual purchase orders. The remaining balance of capitalized development costs as of December 31, 2019 amounted to CHF 65.3 million.

At December 31, 2019, 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 2019, the Group has capitalized development costs in the amount of CHF 32.5 million as disclosed in note 21.

2.2.6 Impairment test on goodwill

At December 31, 2019 total goodwill amounted to CHF 142.7 million. The Group performed the mandatory annual impairment tests at the end of June for goodwill Partnering Business and 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 21.

2.2.7 Lease liabilities and right-of-use assets

The application of IFRS 16 'Leases' requires the Group to make judgments that affect the valuation of the lease liabilities (see note 22) and the valuation of right-of-use assets (see note 20). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The extent to which options have been included in the valuation is shown in Note 20.2.

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, 2019:

Standard/interpretation[1]
IAS 19 amended 'Employee benefits' – Curtailment or Settlement
IAS 28 amended 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures
IFRS 9 amended 'Financial Instruments' – Prepayment Features with Negative Compensation
IFRS 16 'Leases'
IFRIC 23 'Uncertainty over Income Tax Treatments'
Annual Improvements to IFRSs 2015 – 2017

[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 16 'Leases'

a) Impact of adopting the new standard

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has adopted IFRS 16 using the modified retrospective method, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 'Leases' and related interpretations. The details of changes in accounting policies are disclosed below.

CHF 1,000	
Total operating lease commitments disclosed under IAS 17 at December 31, 2018 (refer to note 27.2 of the annual report 2018)	**32,686**
Explanation of difference between disclosed and recognized:	
Discounting using the incremental borrowing rate at January 1, 2019	(1,655)
Less recognition exemption for short-term leases	(26)
Adjustments as a result of a different treatment of extension and termination options	17,622
Total lease liabilities recognized according to IFRS 16 at January 1, 2019	**48,627**
Thereof included in position:	
Current financial liabilities	9,496
Non-current financial liabilities	39,130
Right-of-use assets	
Property	45,313
Office equipment	61
Motor vehicles	3,253
Total right-of-use assets recognized according to IFRS 16 at January 1, 2019	**48,627**

At the initial application date of IFRS 16 the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.1%. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

b) New accounting policies

Accounting policies applied for leases: see note 2.7.12

2.3.2 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
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 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 de-recognizes 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 fulfilment 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 future dividend distributions from subsidiary companies (non-recoverable withholding taxes).

2.7.8 Financial instruments

2.7.8.1 Cash and cash equivalents, time deposits 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.

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 Right-of-use assets and related lease liabilities

Commencement date, lease term and options – The Group recognizes a right-of-use asset and a lease liability at the date the underlying asset is available for use (lease commencement date). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For this purpose, the non-cancellable lease term is compared with an internal benchmark lease term. An optional term that begins after the benchmark lease term is generally not considered. For option events that take place earlier, management assesses the circumstances on a case-by-case basis.

Right-of-use assets – Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred, and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities – At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments (excluding any non-lease components) to be made over the lease term. The lease payments include fixed payments less any incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimated of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or renewal option is reasonable certain to be exercised or a termination option is reasonably certain not to be exercised.

Discount rate – In calculating the present value of the lease liability the Group is using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate.

Short-term leases – The Group applies the short-term lease recognition exemption to its short-term leases of property. These leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

2.7.13 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	7–20 years

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

2.7.14 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.

2.7.15 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.

2.7.16 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.

2.7.17 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.	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
• Valvex Enterprises, Inc. – doing business as DC Precision Machining (DCPM)	Morgan Hill, CA (US)	100%	58	USD	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
PMAS Co., Ltd	Ben Cat Town, Binh Duong Province (VN)	100%	10,367	VND	P
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	31.08.2018 NuGEN	**31.05.2019** DCPM/PMAS
Cash and cash equivalents	4,413	297
Trade accounts receivable	1,516	1,106
Inventories	3,892	3,225
Other current assets	727	427
Non-current financial assets	322	–
Property, plant and equipment	233	4,670
Right-of-use assets	–	2,961
Intangible assets	12,722	5,599
Deferred tax assets	6,167	53
Assets	**29,992**	**18,338**
Current financial liabilities	(279)	(448)
Trade and other accounts payable	(10,514)	(2,799)
Income tax payables	(122)	(10)
Accrued expenses and current provisions	(2,529)	(850)
Non-current financial liabilities	–	(2,513)
Other non-current liabilities	(22)	–
Deferred tax liabilities	(526)	(2,096)
Liabilities	**(13,992)**	**(8,716)**
Total identifiable net assets at fair value	**16,000**	**9,622**
Goodwill arising on acquisition	32,218	11,521
Consideration transferred for the business combination	**48,218**	**21,143**
Cash acquired	(4,413)	(297)
Net cash outflow (including holdback)	**43,805**	**20,846**

Trade accounts receivable comprise gross contractual amounts due of CHF 1.1 million (2018: CHF 1.9 million), of which CHF 0.0 million (2018: CHF 0.4 million) was expected to be uncollectable at the acquisition date.

The initial accounting for the acquisition of DCPM/PMAS was based on the assumption that the Group would take the election pursuant to section 338(h)(10) of the US tax law, under which a legal share deal is treated as an asset deal for tax purposes. Consequently, no deferred tax liabilities were recognized for the US entity in the interim report 2019. However, after a detailed analysis, it was concluded that the election would not be advantageous for the Group. Accordingly, the opening balance of DCPM was adjusted for deferred tax liabilities of CHF 2.1 million in the second half of 2019. The purchase price allocation is still provisional.

3.2.2 Acquisition on May 31, 2019: DCPM/PMAS

The Group acquired 100% of the voting rights of a long-term supplier to vertically integrate the manufacturing of critical precision-machined parts of its liquid handling pump portfolio. The acquisition comprises two manufacturing sites:

Company	Registered office	Participation in % (capital and votes)	Activities
Valvex Enterprises, Inc. – doing business as DC Precision Machining (DCPM)	Morgan Hill, CA (US)	100%	P/D
PMAS Co., Ltd	Ben Cat Town, Binh Duong Province (VN)	100%	P

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

The consideration transferred for the business combination includes a holdback of USD 3.0 million. The holdback was paid into an escrow bank account and is triggered upon the achievement of a sales-defined milestone in 2020. The business plan underlying the acquisition indicates that the entire holdback will be payable.

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

The purchase price allocation process for the acquisition of NuGEN Technologies, Inc., which was considered provisional at year-end 2018 for the valuation of trade accounts receivable and capitalized tax-loss carry-forwards, has been completed without any adjustments.

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

The second and final instalment of the contingent consideration in the amount of USD 5.0 million was paid at the beginning of 2019.

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

CHF 1,000	2018	**2019**
Contribution of acquired companies from the date of acquisition		
Months	4	7
Sales	3,119	4,993
Operating profit	(4,520)	829
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period		
Sales	602,234	640,370
Operating profit[1/2]	80,330	89,670
Acquisition-related legal fees and due diligence costs, included in 'general and administration'	952	1,045

[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, 2018 and 2019, respectively.

[2]The pre-acquisition period of NuGEN Tecnologies, Inc. from January to August 2018 includes several million Swiss Francs in non-recurring expenses for projects (including acquisition related costs) that the former owners had undertaken.

3.3 DISPOSAL GROUPS HELD FOR SALE

3.3.1 Disposal group 'property Hombrechtikon'

In the second half of 2016, management committed to a plan to sell the 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. In the first half of 2018, the mortgage was repaid and the related interest derivative settled. Efforts to sell the facility continued. However, a sale in the next 12 months was no longer considered highly probable. At year-end 2018, the facility was classified as an investment property and valued at cost less accumulated depreciation (cost model).

3.3.2 Disposal group 'unquoted equity investment'

Management has started sales negotiations for the unquoted equity investment. Therefore, the financial asset of CHF 3.0 million is classified as held for sale at year-end 2019. The Group continues to measure the investment at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 using the discounted cash flow method with level 3 inputs of the fair value hierarchy.

Total changes in the fair value recognized during 2019 in other comprehensive income amount to CHF 1.2 million. A further decrease in the forecasted cash flows of 10% would adversely impact the fair value by estimated CHF 1.0 million. No dividend was paid either in 2018 or in 2019.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			Total 2018		
CHF 1,000	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers	Leases	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**

CHF 1,000	Life Sciences Business			Partnering Business			Total 2019		
	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers	Leases	Total sales
By regions (location of customer)									
Europe	118,655	–	118,655	134,726	–	134,726	253,381	–	253,381
Americas	166,585	–	166,585	102,587	–	102,587	269,172	–	269,172
Asia	67,577	–	67,577	35,976	–	35,976	103,553	–	103,553
Others	7,422	920	8,342	2,371	–	2,371	9,793	920	10,713
Total	**360,239**	**920**	**361,159**	**275,660**	**–**	**275,660**	**635,899**	**920**	**636,819**
By products and services									
Products	284,482	–	284,482	224,259	–	224,259	508,741	–	508,741
Services	75,757	–	75,757	51,401	–	51,401	127,158	–	127,158
Leases	–	920	920	–	–	–	–	920	920
Total	**360,239**	**920**	**361,159**	**275,660**	**–**	**275,660**	**635,899**	**920**	**636,819**
By timing of revenue recognition									
Point in time	310,098	–	310,098	260,495	–	260,495	570,593	–	570,593
Over time	50,141	–	50,141	15,165	–	15,165	65,306	–	65,306
Leases	–	920	920	–	–	–	–	920	920
Total	**360,239**	**920**	**361,159**	**275,660**	**–**	**275,660**	**635,899**	**920**	**636,819**

4.2 CONTRACT BALANCES

CHF 1,000	31.12.2018	**31.12.2019**
Trade accounts receivable (see note 16)	105,443	121,517
Contract assets	2,405	468
Current contract liabilities (see note 23)	(37,392)	(36,222)
Non-current contract liabilities (see note 23)	(34,799)	(25,947)

Trade accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days. In 2019, CHF 2.0 million (2018: CHF 3.5 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 fulfil 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. In 2019, CHF 0.4 million (2018: none) was recognized as allowance for expected credit losses.

Set out below is the amount of revenue recognized from

CHF 1,000	2018	**2019**
Amounts included in contract liabilities at the beginning of the year	36,953	38,044
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:

	31.12.2018			31.12.2019		
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	37,392	109,340	146,732	36,222	122,424	158,646
More than one year	34,799	30,095	64,894	25,947	20,674	46,621
Total transaction price allocated	**72,191**	**139,435**	**211,626**	**62,169**	**143,098**	**205,267**

5 SALES FROM OPERATING LEASE ARRANGEMENTS (GROUP AS LESSOR)

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 Group did not enter into any finance lease contracts.

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

CHF 1,000	31.12.2018	31.12.2019
Due date		
Within one year	824	1,036
In 1 to 3 years	1,454	1,694
In 3 to 5 years	561	792
After 5 years	–	123
Total future minimum lease receivables	**2,839**	**3,645**

In financial year 2019, CHF 0.9 million (2018: CHF 0.8 million) were recognized as sales from leases in the consolidated statement of profit or loss.

6 SEGMENT INFORMATION

6.1 INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/ consolidation		Group	
CHF 1,000	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Sales third	328,234	361,159	265,561	275,660	–	–	593,795	636,819
Intersegment sales	19,030	13,176	2,029	1,367	(21,059)	(14,543)	–	–
Total sales	**347,264**	**374,335**	**267,590**	**277,027**	**(21,059)**	**(14,543)**	**593,795**	**636,819**
Operating profit	**51,262**	**56,690**	**48,617**	**46,179**	**(11,326)**	**(14,170)**	**88,553**	**88,699**
Depreciation and amortization	(14,055)	(22,778)	(7,714)	(11,284)	–	–	(21,769)	(34,062)

CHF 1,000	2018	**2019**
Reconciliation of reportable segment sales		
Total sales for reportable segments	614,854	651,362
Elimination of intersegment sales	(21,059)	(14,543)
Total consolidated sales	**593,795**	**636,819**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	99,879	102,869
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(11,326)	(14,170)
Financial result	(5,155)	(5,959)
Total consolidated profit before taxes	**83,398**	**82,740**

6.2 ENTITY-WIDE DISCLOSURES

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

	Property, plant and equipment		Right-of-use assets		Intangible assets	
CHF 1,000	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**
Switzerland	13,692	14,402	–	19,828	99,620	104,130
Other Europe	5,810	5,605	–	7,352	8,994	7,651
North America	4,909	7,124	–	13,075	100,512	111,184
Asia	642	2,262	–	3,173	–	–
Total	**25,053**	**29,393**	**–**	**43,428**	**209,126**	**222,965**

Information about major customers

There are sales to one individual customer (CHF 78.7 million) relating to the business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in 2019 (2018: one individual customer (CHF 66.0 million) relating to the business segment 'Partnering Business').

7 OPERATING EXPENSES BY NATURE

CHF 1,000	2018	2019
Material costs	211,044	219,914
Personnel costs	197,320	220,254
Depreciation of investment property	–	222
Depreciation of property, plant and equipment	7,699	8,786
Depreciation of right-of-use assets	–	10,513
Amortization of intangible assets	14,070	14,541
Other operating costs	97,532	91,550
Total operating costs incurred (gross)	**527,665**	**565,780**
Capitalization of development costs in position inventories	(6,153)	(3,945)
Capitalization of development costs in position intangible assets (see note 21)	(12,834)	(12,388)
Other operating income	(3,436)	(1,327)
Total operating expenses, according to statement of profit or loss	**505,242**	**548,120**

8 RESEARCH AND DEVELOPMENT

CHF 1,000	2018	2019
Gross research and development costs incurred[1]	72,159	77,788
Reclassification of development costs related to engineering services to cost of sales	(12,573)	(12,547)
Capitalization of development costs in position inventories	(6,153)	(3,945)
Capitalization of development costs in position intangible assets (see note 21)	(12,834)	(12,388)
Amortization of development costs and acquired technology	10,487	10,949
Total research and development (gross), according to statement of profit or loss	**51,086**	**59,857**
Government research subsidies	(1,039)	(1,077)
Total research and development (net)	50,047	58,780

[1]The amount includes the cost of materials, external services, personnel, temporary employees and overhead.

Costs for research and the development of new products (gross) amounted to 9.4% of sales (2018: 8.6%).

9 OTHER OPERATING RESULT

CHF 1,000	2018	2019
Government research subsidies	1,039	1,077
Rental income from investment property Hombrechtikon	91	141
Derecognition contingent consideration Pulssar S.A.S.	2,203	–
Other operating income (miscellaneous)	103	109
Total other operating income	**3,436**	**1,327**

CHF 1,000	2018	2019
Maintenance cost for investment property Hombrechtikon	(304)	(279)
Depreciation of investment property Hombrechtikon	–	(222)
Change in fair value of contingent consideration	(365)	–
Other operating expenses (miscellaneous)	(3)	–
Total other operating expenses	**(672)**	**(501)**

10 FINANCIAL RESULT

CHF 1,000	2018	2019
Financial income		
Interest income	44	23
Subtotal financial income	**44**	**23**
Finance cost		
Interest expenses	(400)	(396)
Interest cost on lease liabilities	–	(612)
Net interest expense on liability for post-employment benefits	(258)	(308)
Other	(77)	(110)
Subtotal finance cost	**(735)**	**(1,426)**
Net foreign exchange gains/(losses)		
Result from derivatives (net)	(3,109)	(3,220)
Other net foreign exchange losses	(1,355)	(1,336)
Subtotal net foreign exchange losses	**(4,464)**	**(4,556)**
Total financial result	**(5,155)**	**(5,959)**

11 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.

	2018		2019	
Average number of shares outstanding		**11,740,655**		**11,836,588**
Basic earnings per share (CHF/share)		**6.02**		**6.18**
Employee share option plans				
Average number of shares under option total	81,261		91,524	
Average number of shares under option dilutive	52,963		89,034	
Average adjusted exercise price	130,64		198,86	
Number of shares that would have been issued at market price	(36,262)		(65,094)	
Adjustment for dilutive share options		16,701		23,939
Employee share plans				
Adjustment for not vested shares (PSMP/initial grant and other share plans)		1,767		1,630
Adjustment for contingently issuable shares (PSMP/matching shares)		111,840		73,813
Average number of shares outstanding after dilution		**11,870,963**		**11,935,970**
Diluted earnings per share (CHF/share)		**5.96**		**6.13**

12 EMPLOYEE BENEFITS

12.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2018	2019
Employees – year-end	1,662	1,932
Employees – average	1,562	1,818

12.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2018	2019
Salaries and wages		153,470	170,177
Social security		19,522	22,994
Post-employment benefits			
Defined contribution plans		1,746	2,523
Defined benefit plans	12.3	6,607	7,232
Share-based payment	12.4	11,153	12,046
Other personnel expenses		4,822	5,282
Total personnel expenses		**197,320**	**220,254**

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

12.3.1 Characteristics of defined benefit plans and risks associated with them

	31.12.2018			31.12.2019		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	5	3	8	5	3	8
Actives						
Number	552	100	652	592	100	692
Defined benefit obligation (CHF 1,000)	125,261	4,393	129,654	162,254	4,850	167,104
Weighted average duration in years	20.1	10.0	19.8	21.1	10.0	20.5
Retirees						
Number	6	–	6	9	–	9
Defined benefit obligation (CHF 1,000)	6,008	–	6,008	3,767	–	3,767
Weighted average duration in years	17.8	–	17.8	7.8	–	7.8
Total						
Number	558	100	658	601	100	701

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 85,320 (amount in 2019) 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 24,885 and CHF 85,320 are age-dependent and range from 8% to 19%. The saving credits for the part of the annual salary above CHF 85,320 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 2018 and 2019.
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.

12.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	31.12.2018	**31.12.2019**
Swiss plans		
Present value of obligations arising from retirement benefit plans (funded)	131,269	166,021
Related fair value of plan assets	(101,612)	(118,990)
Deficit Swiss plans	**29,657**	**47,031**
International plans		
Present value of obligations arising from retirement benefit plans (unfunded)	1,101	1,179
Present value of obligations arising from long-service leave benefit plans (unfunded)	3,333	3,671
Deficit International plans	**4,434**	**4,850**
Total liability for post-employment benefits	**34,091**	**51,881**

The components of defined benefit cost are as follows:

CHF 1,000	2018 Swiss plans	2018 International plans	2018 Total	2019 Swiss plans	2019 International plans	2019 Total
Current service cost	7,271	291	7,562	6,927	305	7,232
Past service cost (plan amendment)	(955)	–	(955)	–	–	–
Defined benefit cost included in operating profit	**6,316**	**291**	**6,607**	**6,927**	**305**	**7,232**
Net interest cost on liability for post-employment benefits	198	60	258	257	51	308
Defined benefit cost included in finance cost	**198**	**60**	**258**	**257**	**51**	**308**
Total defined benefit cost included in profit or loss	**6,514**	**351**	**6,865**	**7,184**	**356**	**7,540**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	–	(65)	(65)	–	36	36
Changes in financial assumptions	(5,395)	201	(5,194)	14,839	251	15,090
Experience adjustments	2,066	(254)	1,812	2,356	48	2,404
Return on plan assets (excluding interest income)	70	–	70	(905)	–	(905)
Remeasurement (gain)/loss included in other comprehensive income	**(3,259)**	**(118)**	**(3,377)**	**16,290**	**335**	**16,625**
Translation differences included in other comprehensive income	–	(127)	(127)	–	(152)	(152)
Total defined benefit cost recognized	**3,255**	**106**	**3,361**	**23,474**	**539**	**24,013**

The Group expects to contribute CHF 5.5 million to its defined benefit plans in 2020.

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

CHF 1,000	2018 Swiss plans	2018 International plans	2018 Total	2019 Swiss plans	2019 International plans	2019 Total
Balance at January 1	126,056	4,541	130,597	131,269	4,434	135,703
Current service cost	7,271	291	7,562	6,927	305	7,232
Past service cost	(955)	–	(955)	–	–	–
Employee contributions	3,733	–	3,733	4,125	–	4,125
Insurance premiums	(1,598)	–	(1,598)	(1,724)	–	(1,724)
Benefits paid	(788)	(214)	(1,002)	6,921	(123)	6,798
Interest expense	879	60	939	1,308	51	1,359
Actuarial (gains)/losses	(3,329)	(117)	(3,446)	17,195	335	17,530
Translation differences	–	(127)	(127)	–	(152)	(152)
Balance at December 31	**131,269**	**4,434**	**135,703**	**166,021**	**4,850**	**170,871**

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

CHF 1,000	2018 Swiss plans	2018 International plans	2018 Total	2019 Swiss plans	2019 International plans	2019 Total
Balance at January 1	94,085	–	94,085	101,612	–	101,612
Employer contributions	5,569	–	5,569	6,100	–	6,100
Employee contributions	3,733	–	3,733	4,125	–	4,125
Insurance premiums	(1,598)	–	(1,598)	(1,724)	–	(1,724)
Benefits paid	(788)	–	(788)	6,921	–	6,921
Interest income	680	–	680	1,051	–	1,051
Return on plan assets (excluding interest income)	(69)	–	(69)	905	–	905
Balance at December 31	**101,612**	**–**	**101,612**	**118,990**	**–**	**118,990**

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

12.3.3 Actuarial assumptions and sensitivity analysis

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

	31.12.2018 Swiss plans	31.12.2018 International plans	31.12.2019 Swiss plans	31.12.2019 International plans
Discount rates	1.00%	1.17%	0.35%	1.14%
Rate of future salary increases	1.75%	2.80%	1.75%	2.43%
Rate of future pension increases	0.00%	0.00%	0.00%	0.00%
Rates for the projection of savings capital[1]	1.00%	n/a	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	31.12.2018 Swiss plans	31.12.2018 International plans	31.12.2018 Total	31.12.2019 Swiss plans	31.12.2019 International plans	31.12.2019 Total
Discount rates	- 25 basis points	5,474	72	5,546	6,794	75	6,869
	+ 25 basis points	(4,532)	(144)	(4,676)	(6,359)	(148)	(6,507)
Rate of future salary increases	- 25 basis points	(857)	(136)	(993)	(1,170)	(140)	(1,310)
	+ 25 basis points	864	65	929	1,183	68	1,251
Life expectancy	- 1 year	(1,890)	(9)	(1,899)	(2,917)	(14)	(2,931)
	+ 1 year	1,920	17	1,937	2,951	14	2,965

(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.

12.4 EMPLOYEE PARTICIPATION PLANS - SHARE-BASED PAYMENT (IFRS 2)

12.4.1 Employee share option plans

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

Plan	Plan terms				31.12.2018		31.12.2019	
	Grant date	Expiry date	Number granted	Exercise price	Remaining contractual life (years)	Number outstanding	Remaining contractual life (years)	Number outstanding
Plan 2013	02.11.12	02.11.19	40,953	69.6	0.8	3,201	–	–
Plan 2014	02.11.13	02.11.20	35,112	95.0	1.8	3,976	0.8	1,539
Plan 2015	02.11.14	02.11.21	34,260	100.4	2.8	7,585	1.8	4,461
Plan 2016	02.11.15	02.11.22	23,569	135.0	3.8	10,865	2.8	5,615
Plan 2017	02.11.16	02.11.23	23,907	162.8	4.8	18,756	3.8	7,113
Plan 2018	02.11.17	02.11.24	22,071	212.1	5.8	21,736	4.8	15,102
Plan 2019	02.11.18	02.11.25	23,921	228.7	6.8	23,921	5.8	34,360
Plan 2020	02.11.19	02.11.26	23,334	236.0	–	–	6.8	23,334
Total					**5.0**	**90,040**	**5.3**	**91,524**
Thereof exercisable at December 31						40,818		37,761

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:

	2018 Weighted average exercise price (CHF)	Number	2019 Weighted average exercise price (CHF)	Number
Balance at January 1	144.14	94,984	177.29	90,040
Granted	228.70	23,921	233.40	36,234
Exercised	108.01	(24,487)	149.21	(32,265)
Forfeited	148.52	(2,610)	212.43	(2,485)
Expired	93.91	(1,768)	–	–
Balance at December 31	**177.29**	**90,040**	**208.45**	**91,524**

The weighted average share price at the date of exercise was CHF 222.08 in 2018 and CHF 246.99 in 2019.

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 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**
Plan 2020	CHF 236.00	CHF 236.00	24.43%	7.0 years	0.74%	(0.40%)	**CHF 52.32**

[1]Historic volatility with an underlying period that depends on the option life
Data source: Bloomberg

12.4.2 Employee share plans

12.4.2.1 Performance share matching plans (PSMP)

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically (equity-settled) 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) 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		
Performance share matching plan (PSMP) 2019					
Initial grant	Extended Management Board on March 6, 2019	13,013 shares	CHF 225.30	Immediate vesting[1]	None
	Other management on May 2, 2019	1,816 shares	CHF 226.30		
Matching shares	Extended Management Board on March 6 , 2019	32,533 shares (maximum of potential shares granted)	CHF 221.10	January 1, 2019 to December 31, 2021	Three years of service and performance target
	Other management on May 2, 2019	4,540 shares (maximum of potential shares granted)	CHF 222.10		

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

[2]Matching share factor capped at 0.43.

Number of shares outstanding at December 31:

Employee shares	2018	2019
Balance at January 1	211,671	190,695
Granted	59,813	58,271
Deblocked and available to the participants	(79,378)	(79,710)
Forfeited	(1,411)	(1,098)
Balance at December 31	**190,695**	**168,158**
Thereof vested, but blocked until the end of the performance period	43,662	34,510

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 that qualify for matching shares, 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, 2019:

Plan	Total base shares[1]	Matching share factor applied	Matching shares expected to vest[2]
PSMP 2017	19,886	2.25	44,744
PSMP 2017/CEO	7,000	0.43	3,000
PSMP 2018	16,674	1.53	25,511
PSMP 2019	15,698	1.56	24,489

[1]Only shares that qualify for matching shares

[2]Not adjusted for expected fluctuation

12.4.2.2 Other share plans

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

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Share plan 2019 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 16, 2019	1,586 shares	CHF 227.30	Graded vesting from May 1, 2019 to April 30, 2020	One year of service

12.4.3 Total expenses recognized

CHF 1,000	2018	**2019**
Expenses arising from equity-settled share option plans	852	1,325
Expenses arising from equity-settled performance share matching plans	9,966	10,342
Expenses arising from equity-settled other share plans	335	379
Total expenses recognized	**11,153**	**12,046**

13 INCOME TAXES

13.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2018	2019
Current income taxes	16,537	13,849
Deferred income taxes	(3,835)	(4,278)
Total income taxes	**12,702**	**9,571**

The income tax expense can be analyzed as follows:

CHF 1,000	2018	2019
Profit before taxes	83,398	82,740
Tax expense based on the Group's weighted average rate of 19.81% (2018: 20.82%)	**17,360**	**16,387**
Non-deductible expenses and additional taxable income	609	322
Tax-free income and tax reductions	(5,021)	(5,514)
Tax-deductible impairments of investments in subsidiaries (including reversal)	(91)	346
Impact of acquisitions	(540)	–
Effect of tax rate change on opening deferred taxes	(377)	209
Impact of tax losses	260	1,134
Impact of Swiss tax reform	–	(3,945)
Unrecoverable withholding tax	216	5
Underprovided in prior years	286	627
Tax expense reported	**12,702**	**9,571**

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 2019 decreased to 19.81%.

13.2 DEFERRED INCOME TAXES

13.2.1 Amounts recognized in the financial statements

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	31.12.2018	31.12.2019
Deferred tax assets	18,689	23,887
Deferred tax liabilities	(6,593)	(5,807)
Total net deferred tax assets	**12,096**	**18,080**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	31.12.2018	Change 2019	31.12.2019
Net deferred tax assets arising from temporary differences			
Receivables and contract assets	(153)	(434)	(587)
Inventories	5,632	522	6,154
Property, plant and equipment	(45)	(399)	(444)
Right-of-use assets	–	(9,503)	(9,503)
Intangible assets	(10,085)	(772)	(10,857)
Liabilities and accrued expenses	9,175	12,920	22,095
Provisions	1,905	(197)	1,708
Other	(225)	(61)	(286)
Subtotal net deferred tax assets arising from temporary differences	**6,204**	**2,076**	**8,280**
Deferred taxes provided on expected dividends from subsidiaries	(1,879)	(5)	(1,884)
Potential tax benefits from tax loss carry-forwards	7,771	278	8,049
Potential tax benefits from the Swiss tax reform	–	3,635	3,635
Total net deferred tax assets	**12,096**	**5,984**	**18,080**
Deferred taxes recognized in profit or loss	3,835		4,279
Deferred taxes recognized in other comprehensive income	(539)		3,547
Deferred taxes recognized in equity	(625)		425
Acquisition through business combination	5,641		(2,043)
Translation differences	3		(224)
Total change compared with previous year	**8,315**		**5,984**

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

13.2.2 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	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Expiring in				
1st – 5th year			876	1,048
6th year or beyond			5,939	5,654
Unlimited			956	1,347
Tax loss carry-forwards capitalized			**7,771**	**8,049**
Expiring in				
1st – 5th year	–	–	–	–
6th year or beyond	21,816	42,429	1,312	2,860
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**21,816**	**42,429**	**1,312**	**2,860**
Total tax loss carry-forwards	**21,816**	**42,429**	**9,083**	**10,909**

13.2.3 Potential tax benefits from the Swiss tax reform

On May 19, 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). The tax reform abolishes the tax regimes for holding, domiciliary and mixed companies as of January 1, 2020 and introduces new tax measures. To the extent that the tax reform requires cantonal and communal tax law changes, these have to be implemented through modification of the cantonal tax law. On September 1, 2019, in a public vote, the electorate of the canton of Zurich accepted the respective revision of the cantonal tax law. The relevant changes to the Group include a decrease in the statutory income tax rate in the canton of Zurich, effective as from January 1, 2021. Therefore, the Group has revalued its Swiss deferred tax positions which resulted in a non-recurring deferred tax benefit (CHF 0.3 million) and a positive non-recurring effect on both other comprehensive income (CHF 0.4 million) and equity (CHF 0.1 million).

As part of the TRAF and cantonal tax practice, transitional measures were introduced in order to ease the transition from the current reliefs to the new tax measures. For the Group, these measures allow amongst others the tax-effective amortization of a step-up amount over a period of up to 10 years. As a consequence the Group capitalized deferred tax assets in the amount of CHF 3.6 million with a corresponding non-recurring deferred tax benefit in financial year 2019. The calculation of the deferred tax assets required management to make significant estimates and assumptions. The final outcome is still uncertain and might lead to adjustments in future years. At year-end 2019, potential tax benefits from the transition regime amounting to CHF 67.5 million (gross value of CHF 48 million for federal tax and CHF 546 million for cantonal tax) were not capitalized due to this uncertainty.

13.2.4 Unrecognized deferred tax liabilities

At December 31, 2019, there were temporary differences of CHF 377.2 million (2018: 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.

14 CASH AND CASH EQUIVALENTS

CHF 1,000	31.12.2018	**31.12.2019**
Bank balances		
Denominated in CHF	260,646	225,492
Denominated in EUR	12,532	20,707
Denominated in GBP	569	867
Denominated in USD	14,665	9,756
Denominated in CNY	6,221	5,853
Denominated in JPY	538	989
Denominated in other currencies	1,674	2,610
Total cash and cash equivalents	**296,845**	**266,274**
Effective interest rate	(0.09%)	(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'.

15 OTHER CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2018	31.12.2019
Time deposits with a term of three months or more from the date of acquisition	–	50,000
Current derivatives	977	500
Total other current financial assets	**977**	**50,500**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 27.

The time deposit with a bank is non-interest-bearing and the parties can terminate the contract at any time with a notice period of six months.

16 TRADE ACCOUNTS RECEIVABLE

CHF 1,000	31.12.2018	31.12.2019
Trade accounts receivable		
Denominated in CHF	26,765	32,293
Denominated in EUR	21,322	22,463
Denominated in GBP	2,963	4,527
Denominated in USD	45,978	51,661
Denominated in CNY	2,502	3,290
Denominated in JPY	3,190	3,392
Denominated in other currencies	6,269	5,869
Subtotal trade accounts receivable	**108,989**	**123,495**
Allowance for expected credit losses		
Individual impairment allowance account	(1,107)	(430)
Collective impairment allowance account	(2,439)	(1,548)
Subtotal allowance for expected credit losses	**(3,546)**	**(1,978)**
Total trade accounts receivable	**105,443**	**121,517**
(Decrease)/increase	(6,657)	16,625
Acquisition through business combination	1,516	1,106
Translation differences	(977)	(1,657)
Total change compared with previous year	**(6,118)**	**16,074**

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

CHF 1,000	31.12.2018	31.12.2019
Switzerland (domestic)	9,242	4,537
Euro-zone countries	30,599	39,266
Other European countries	2,630	4,026
North America	54,244	61,723
Asia	10,087	12,949
Other	2,187	994
Total trade accounts receivable (excluding allowances)	**108,989**	**123,495**

The Group's most significant customer accounts for 9.4% of the trade accounts receivable carrying amount at December 31, 2019 (December 31, 2018: 7.6%).

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

CHF 1,000	2018	2019
Individual impairment allowance account		
Balance at January 1	(3,033)	(1,107)
Change in impairment losses	1,481	(80)
Write-offs	430	756
Translation differences	15	1
Balance at December 31	**(1,107)**	**(430)**
Amount of trade accounts receivable with individual impairment (gross)	47,342	58,904
Collective impairment allowance account		
Balance at January 1	(533)	(2,439)
Change in impairment losses	(1,927)	865
Translation differences	21	26
Balance at December 31	**(2,439)**	**(1,548)**

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

	31.12.2018		**31.12.2019**	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	41,881	(103)	45,714	(82)
Past due 1 – 30 days	11,600	(63)	9,415	(56)
Past due 31 – 90 days	4,867	(167)	6,785	(193)
Past due 91 – 180 days	1,407	(390)	2,159	(541)
Past due more than 180 days	1,892	(1,716)	518	(676)
Total	**61,647**	**(2,439)**	**64,591**	**(1,548)**

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 2018 and 2019 represents less than 1% of sales.

17 INVENTORIES

CHF 1,000	31.12.2018	31.12.2019
Raw materials, semi-finished and finished goods	90,813	95,454
Allowance for slow-moving inventories	(12,389)	(15,225)
Work in progress	4,639	4,837
Capitalized customer-specific development costs	88,646	66,881
Total inventories	**171,709**	**151,947**
Increase/(decrease)	7,944	(21,828)
Acquisition through business combination	3,892	3,225
Reclassifications	101	–
Translation differences	(446)	(1,159)
Total change compared with previous year	**11,491**	**(19,762)**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss	3,046	3,444

18 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2018	31.12.2019
Non-current derivatives	90	149
Rent and other deposits	1,015	1,024
Unquoted equity investment (FVOCI)	4,000	–
Total non-current financial assets	**5,105**	**1,173**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 27.

At year-end 2019, the unquoted equity investment is classified as held-for-sale (see note 3.3).

19 PROPERTY, PLANT AND EQUIPMENT

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 5

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	**Total 2019**
At cost						
Balance at January 1, 2019	11,546	14,404	48,453	21,805	2,093	98,301
Acquisition through business combination	14	24	4,632	–	–	4,670
Additions	1,202	921	4,237	2,358	689	9,407
Disposals	(160)	(1,259)	(2,447)	(3,457)	(38)	(7,361)
Translation differences	(106)	(172)	(866)	(300)	(140)	(1,584)
Balance at December 31, 2019	**12,496**	**13,918**	**54,009**	**20,406**	**2,604**	**103,433**
Accumulated depreciation and impairment losses						
Balance at January 1, 2019	9,465	12,458	32,696	17,657	972	73,248
Annual depreciation	739	653	4,885	2,134	375	8,786
Disposals	(158)	(1,244)	(2,100)	(3,401)	(8)	(6,911)
Translation differences	(89)	(134)	(544)	(257)	(59)	(1,083)
Balance at December 31, 2019	**9,957**	**11,733**	**34,937**	**16,133**	**1,280**	**74,040**
Net book value	**2,539**	**2,185**	**19,072**	**4,273**	**1,324**	**29,393**

[1]See note 5

There were no material purchase commitments at year-end 2019.

20 RIGHT-OF-USE ASSETS (GROUP AS LESSEE)

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor see note 5.

20.1 AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS

The amounts recognized in the balance sheet are as follows:

CHF 1,000	Property	Office equipment	Motor vehicles	Total
Balance at January 1, 2019	45,313	61	3,253	48,627
Acquisition through business combination	2,961	–	–	2,961
Additions and subsequent measurement	1,729	(1)	1,180	2,908
Depreciation	(8,775)	(23)	(1,715)	(10,513)
Disposals	–	–	(3)	(3)
Translation differences	(495)	(1)	(56)	(552)
Balance at December 31, 2019	**40,733**	**36**	**2,659**	**43,428**

The related lease liabilities are disclosed in note 22.

The amounts recognized in the statement of profit or loss are as follows:

CHF 1,000	2019
Depreciation expense of right-of-use assets	10,513
Expense related to short-term leases	73
Interest cost on lease liabilities (included in finance cost)	612
Total amount recognized in profit or loss	**11,198**

In financial year 2019, the Group paid a total amount of CHF 10.6 million to its lessors.

20.2 ADDITIONAL DISCLOSURES

The Group has several property lease contracts that include renewal and termination options. Where useful, the Group aims to incorporate options into its leases in order to maximize operational flexibility. Normally, these options are exercisable only by the lessee and not by the lessors. For the main locations, the undiscounted potential future rental payments relating to periods following the exercise date of the options are estimated at CHF 43.2 million, of which CHF 15.1 million, particularly the headquarters in Switzerland, are considered in the valuation of the right-of-use assets as at December 31, 2019.

At year-end 2019, there was one material new lease commitment amounting to CHF 2.8 million with commencement date after the balance sheet date.

20.3 INFORMATION FOR PRIOR YEAR 2018 REPORTED UNDER THE OLD STANDARD IAS 17 'LEASES'

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

CHF 1,000	31.12.2018
Due date	
Within one year	9,976
In 1 to 3 years	14,363
In 3 to 5 years	6,839
After 5 years	1,508
Total future minimum lease payments (payables)	**32,686**

The commitments arising from operating leases are largely rental payments for buildings and are reported off-balance sheet. In financial year 2018, CHF 10.9 million were recognized as expenses for leases in the consolidated statement of profit or loss.

21 INTANGIBLE ASSETS AND GOODWILL

21.1 AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS

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
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**

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	**Total 2019**
At cost								
Balance at January 1, 2019	30,729	77,721	355	6,146	21,273	24,973	133,498	294,695
Acquisition through business combination	–	–	–	–	1,400	4,199	11,521	17,120
Internally developed	2,142	12,388	–	–	–	–	–	14,530
Disposal	(429)	–	–	–	–	(526)	–	(955)
Translation differences	(20)	(68)	(3)	(119)	(409)	(597)	(2,290)	(3,506)
Balance at December 31, 2019	**32,422**	**90,041**	**352**	**6,027**	**22,264**	**28,049**	**142,729**	**321,884**
Accumulated amortization and impairment losses								
Balance at January 1, 2019	25,859	48,933	276	714	4,292	5,495	–	85,569
Annual amortization	1,187	8,599	60	546	2,290	1,859	–	14,541
Disposal	(328)	–	–	–	–	(526)	–	(854)
Translation differences	(13)	(10)	(4)	(34)	(137)	(139)	–	(337)
Balance at December 31, 2019	**26,705**	**57,522**	**332**	**1,226**	**6,445**	**6,689**	**–**	**98,919**
Net book value	**5,717**	**32,519**	**20**	**4,801**	**15,819**	**21,360**	**142,729**	**222,965**

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

CHF 1,000	2018	2019
Sales and marketing	2,106	2,405
Research and development	10,487	10,949
General and administration	1,477	1,187
Total amortization	**14,070**	**14,541**

21.2 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.

21.2.1 Financial year 2019

The Group performed impairment tests on cash-generating units containing goodwill in June 2019, 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	115,776	June 2019	Value in use	9.9%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	26,953	June 2019	Value in use	9.9%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market, on August 31, 2019.

Based on the impairment tests 2019, 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.

21.2.2 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.

22 FINANCIAL LIABILITIES

CHF 1,000	Short-term credit facilities and bank overdrafts	Derivatives[1]	Bank loans	Contingent consideration[2]	**Total 2018**
Balance at January 1, 2018	4,329	1,283	1,229	11,639	18,480
Cash flows					
Change	(3,209)	–	–	–	(3,209)
Settlement	–	–	–	(4,836)	(4,836)
Non-cash changes					
Change in fair value	–	3,023	–	(1,894)	1,129
Change in bank overdrafts	9	–	–	–	9
Translation differences	–	–	(47)	7	(40)
Balance at December 31, 2018	**1,129**	**4,306**	**1,182**	**4,916**	**11,533**
Thereof current	1,129	3,900	–	4,916	9,945
Thereof non-current	–	406	1,182	–	1,588
Analysis by currency					
Denominated in CHF					9
Denominated in EUR					1,182
Denominated in USD					9,222
Denominated in other currencies					1,120
Total					**11,533**
Analysis by interest rate					
Interest-free					4,306
Variable interest rates depending on LIBOR					9
Fixed interest rate					
0% – 2%					2,302
2% – 4%					–
4% – 6%					–
WACC					4,916
Total					**11,533**

[1] See note 27

[2] See note 3.2

CHF 1,000	Short-term credit facilities and bank overdrafts	Derivatives[1]	Bank loans	Contingent consideration[2]	Leases	Total 2019
Balance at December 31, 2018	1,129	4,306	1,182	4,916	–	11,533
Adjustment from adoption of IFRS 16	–	–	–	–	48,627	48,627
Adjusted balance at January 1, 2019	**1,129**	**4,306**	**1,182**	**4,916**	**48,627**	**60,160**
Cash flows						
Change	1,033	–	640	–	–	1,673
Settlement	–	–	–	(5,000)	–	(5,000)
Payments to lessors	–	–	–	–	(10,572)	(10,572)
Non-cash changes						
Acquisition through business combination	–	–	–	–	2,961	2,961
Change in fair value	–	(3,024)	–	–	–	(3,024)
New leases	–	–	–	–	2,908	2,908
Accretion of interest	–	–	–	–	612	612
Change in bank overdrafts	(9)	–	–	–	–	(9)
Translation differences	–	–	(58)	84	(569)	(543)
Balance at December 31, 2019	**2,153**	**1,282**	**1,764**	**–**	**43,967**	**49,166**
Thereof current	2,153	1,274	1,425	–	9,830	14,682
Thereof non-current	–	8	339	–	34,137	34,484
Analysis by currency						
Denominated in CHF						19,912
Denominated in EUR						7,832
Denominated in USD						14,775
Denominated in other currencies						6,647
Total						**49,166**
Analysis by interest rate						
Interest-free						1,282
Variable interest rates depending on LIBOR						2,153
Fixed interest rate						
0%–2%						31,739
2%–4%						13,174
4%–6%						818
Total						**49,166**

[1]See note 27

[2]See note 3.2

In 2019, the average interest rate paid on bank loans was 0.8% (2018: 0.8%).

23 CONTRACT LIABILITIES

CHF 1,000	31.12.2018 Current	31.12.2018 Non-current	31.12.2019 Current	31.12.2019 Non-current
Timing of revenue recognition: point in time				
Advances for products	15,399	31,783	14,349	22,667
Timing of revenue recognition: over time				
Advances for products	1,428	–	990	–
Service contracts, including service-type warranties	20,565	3,016	20,883	3,280
Total contract liabilities	**37,392**	**34,799**	**36,222**	**25,947**
Decrease		(3,940)		(9,335)
Translation differences		(512)		(687)
Total change (current and non-current) compared with previous year		**(4,452)**		**(10,022)**

24 PROVISIONS

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)

CHF 1,000	Onerous contracts	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2019**
Balance at January 1, 2019	2,828	13,799	1,152	227	6,026	24,032
Acquisition through business combination	–	210	–	–	640	850
Provisions made	2,376	16,569	111	–	969	20,025
Provisions used	(105)	(15,227)	(5)	–	(551)	(15,888)
Provisions reversed	(1,960)	(410)	–	(82)	(1,311)	(3,763)
Reclassification	–	–	1	–	(1)	–
Translation differences	(6)	(140)	(39)	(6)	(59)	(250)
Balance at December 31, 2019	**3,133**	**14,801**	**1,220**	**139**	**5,713**	**25,006**
Thereof current	3,133	14,801	–	139	1,632	19,705
Thereof non-current	–	–	1,220	–	4,081	5,301

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

The provision for legal cases (2019: CHF 0.1 million and 2018: CHF 0.2 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 (2019: CHF 3.8 million and 2018: CHF 3.2 million), to controversial sales and use tax positions (2019: CHF 1.0 million and 2018: CHF 2.2 million) and to several minor items (2019: CHF 0.8 million and 2018: CHF 0.6 million).

25 SHAREHOLDERS' EQUITY

25.1 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).

25.2 NATURE AND PURPOSE OF THE EQUITY RESERVES

25.2.1 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.

25.2.2 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).

25.3 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, 2018	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**
New shares issued based on employee participation plans	104,540	–	104,540
Balance at December 31, 2019	**11,870,912**	**–**	**11,870,912**

25.4 DIVIDENDS PAID

	2018	**2019**	2020 Proposed
Number of shares eligible for dividend	11,731,033	11,826,232	11,870,912
Dividends paid (CHF/share)	2.00	2.10	1.10
Payout from statutory capital contribution reserve (CHF/share)	–	–	1.10

25.5 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2018	2019
Balance at January 1	638,340	536,840
New shares issued based on employee participation plans	(101,500)	(104,540)
Balance at December 31	**536,840**	**432,300**
Employee share options and employee shares, not yet delivered	238,692	226,757

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

	31.12.2018	31.12.2019
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	17.04.2020	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,300,000	2,300,000
CHF	230,000	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.

25.7 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 2019: 70.1% and 2018: 71.0%), which limits the level of borrowings. Changes to this target are subject to the Board of Directors' approval. In addition, all covenants relating to bank liabilities must be satisfied at any time.

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

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

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

26 FOREIGN EXCHANGE RATES

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

		Closing exchange rates		Average exchange rates January to December	
CHF		31.12.2018	**31.12.2019**	2018	**2019**
EUR	1	1.13	1.09	1.15	1.11
GBP	1	1.25	1.27	1.31	1.27
SEK	100	11.08	10.33	11.26	10.51
USD	1	0.98	0.97	0.98	0.99
SGD	1	0.72	0.72	0.73	0.73
CNY	1	0.14	0.14	0.15	0.14
JPY	100	0.90	0.89	0.89	0.91
AUD	1	0.69	0.68	0.73	0.69

27 FINANCIAL RISK MANAGEMENT (IFRS 7)

27.1 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.

27.2 CLASSES OF FINANCIAL INSTRUMENTS

CHF 1,000	Cash and cash equivalents	Other current financial assets	Trade and other receivables	Non-current financial assets	**Total assets 2018**	Current financial liabilities	Trade and other payables/accrued expenses	Non-current financial liabilities	**Total liabilities 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 measured 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.

CHF 1,000	Cash and cash equivalents	Other current financial assets	Trade and other receivables	Non-current financial assets	**Total assets 2019**	Current financial liabilities	Trade and other payables/accrued expenses	Non-current financial liabilities	**Total liabilities 2019**
Financial instruments measured at fair value through P&L (FVTPL)									
Currency forwards and options	–	500	–	149	**649**	(1,274)	–	(8)	**(1,282)**
Financial instruments measured at amortized costs									
Cash and cash equivalents	266,274	–	–	–	**266,274**	–	–	–	**–**
Time deposits	–	50,000	–	–	**50,000**				**–**
Receivables	–	–	121,775	–	**121,775**	–	–	–	**–**
Rent and other deposits	–	–	656	1,024	**1,680**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	(2,153)	–	–	**(2,153)**
Bank loans	–	–	–	–	**–**	(1,425)	–	(339)	**(1,764)**
Payables and accrued expenses	–	–	–	–	**–**	–	(55,893)	–	**(55,893)**
Other									
Lease liabilities	–	–	–	–	**–**	(9,830)	–	(34,137)	**(43,967)**
Total financial instruments	**266,274**	**50,500**	**122,431**	**1,173**	**440,378**	**(14,682)**	**(55,893)**	**(34,484)**	**(105,059)**
Reconciling items[1]	–	–	11,245	–	**11,245**	–	(16,380)	–	**(16,380)**
Balance at December 31, 2019	**266,274**	**50,500**	**133,676**	**1,173**	**451,623**	**(14,682)**	**(72,273)**	**(34,484)**	**(121,439)**

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

27.3 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 16) 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.

27.4 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.

27.4.1 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 22.

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, 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been CHF 0.8 million (2018: CHF 1.0 million) higher/lower, mainly as a result of cash positions held at variable rates.

27.4.2 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	31.12.2018 CHF	EUR	USD	Other	**31.12.2019** CHF	EUR	USD	Other
Derivatives	–	–	(3,276)	37	–	–	(688)	55
Cash and cash equivalents	821	2,300	3,133	3,682	943	5,239	2,537	1,448
Receivables	83	1,213	2,045	2,120	76	1,097	4,481	2,913
Rent and other deposits	–	42	–	–	–	54	–	–
Current bank liabilities	–	–	–	(1,120)	–	–	–	(2,153)
Bank loans	–	–	–	–	–	–	–	–
Payables and accrued expenses	(100)	(5,452)	(2,286)	(569)	(145)	(3,337)	(790)	(701)
Lease liabilities	–	–	–	–	–	–	–	(19)
Total net exposure to currency	**804**	**(1,897)**	**(384)**	**4,150**	**874**	**3,053**	**5,540**	**1,543**

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	31.12.2018 higher/(lower)	**31.12.2019** higher/(lower)
If CHF had weakened against EUR by 10%	(201)	234
If CHF had strengthened against EUR by 10%	201	(234)
If CHF had weakened against USD by 10%	(11,601)	(4,624)
If CHF had strengthened against USD by 10%	10,517	4,270

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:

	Fair value		Contract value			
	Positive	Negative	Total	Due within		
CHF 1,000				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**

	Fair value		Contract value			
	Positive	Negative	Total	Due within		
CHF 1,000				1 and 90 days	91 and 360 days	1 and 2 years
Foreign currency forwards						
Sell USD	418	(1,057)	75,901	33,358	30,747	11,796
Buy USD	83	(224)	(27,363)	(14,793)	(12,570)	–
Sell GBP	48	–	2,866	2,866	–	–
Sell SEK	7	–	516	516	–	–
Foreign currency options						
Sell USD	93	–	1,934	1,160	774	–
Buy USD	–	(1)	(4,834)	(2,900)	(1,934)	–
Balance at December 31, 2019	**649**	**(1,282)**	**49,020**	**20,207**	**17,017**	**11,796**

27.5 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	**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	–	–	–
Bank loans	1,182	1,193	–	9	1,184	–
Payables and accrued expenses[1]	66,700	66,700	45,346	21,354	–	–
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 27.2)

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	**1,281**					
Outflow		65,113	28,219	34,960	1,934	–
Inflow		(63,587)	(27,370)	(34,346)	(1,871)	–
Foreign currency options	**1**					
Outflow		–	–	–	–	–
Inflow		–	–	–	–	–
Non-derivative financial liabilities						
Current bank liabilities	2,153	2,153	2,153	–	–	–
Bank loans	1,764	1,777	1,428	3	3	343
Payables and accrued expenses[1]	55,893	55,893	32,485	23,408	–	–
Lease liabilities	43,967	45,550	2,678	7,767	9,736	25,369
Balance at December 31, 2019	**105,059**	**106,899**	**39,593**	**31,792**	**9,802**	**25,712**

[1]Excluding reconciling items (see note 27.2)

Unused lines of credit amounting to CHF 437.8 million were available to the Group at December 31, 2019 (2018: CHF 143.9 million). In addition, the Group had uncommitted lines of credit amounting to CHF 94.9 million for the purpose of financing possible future business combinations.

28 FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 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 2018 and 2019.

28.2 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
	31.12.2018	**31.12.2019**				
Currency forwards	(3,351)	(725)	Level 2	Bloomberg	(forward rate - [spot rate +/- forward points]) * amount in foreign currency	Financial result
Currency options	112	92	Level 2	Bloomberg	Black-Scholes model	Financial result
Contingent consideration	(4,916)	-	Level 3	n/a	Discounted cash flow method see note 3.2	Other operating result

28.3 FAIR VALUE DISCLOSURES FOR FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The carrying amount of financial instruments measured at amortized costs (see note 27.2) 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
	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**			
Bank loans	(1,182)	(1,764)	(1,182)	(1,757)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

28.4 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
	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**			
Land and building in Hombrechtikon (investment property)	3,650	3,428	3,650	3,867	Level 3	n/a	Net rental method See note 3.3

Land and building in 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.

29 CONTINGENT LIABILITIES, ENCUMBRANCE OF ASSETS AND OTHER COMMITMENTS

At December 31, 2018 and 2019, 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.

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, 2019, the purchase commitments amounted to CHF 109.4 million.

30 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	2018	**2019**
Short-term employee benefits	6,572	6,911
Post-employment benefits	471	549
Share-based payment[1]	8,591	8,459
Total compensation	**15,634**	**15,919**

[1]See note 12.4 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.

In connection with the acquisition of DCPM/PMAS, the Group entered into lease arrangements with related parties comprising minimum commitments of CHF 2.7 million for a lease term of five years.

31 SUBSEQUENT EVENTS

There were no events subsequent to the balance sheet date which would require adjustments to or disclosures in these consolidated financial statements, except for the following event:

In January 2020, the Group signed a share purchase agreement for the unquoted equity investment (FVOCI) classified as held for sale. The selling price is estimated to be approximately CHF 5 million. The gain from this transaction will be recognized in other comprehensive income of 2020.

32 GROUP RISK MANAGEMENT

32.1 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 co-ordinated by the CFO; however, the ultimate responsibility is with the Board of Directors.

32.2 RISK ASSESSMENT CYCLE

32.2.1 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

32.2.2 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

32.2.3 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.

32.2.4 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.

32.2.5 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.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 5 March 2020

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 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 109 to 163) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 109 to 163).

Revenue recognition

Area of focus	The Group's revenues amounted to CHF 637 million for the year ended 31 December 2019. 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 2019, the Group reported CHF 142.7 million in goodwill (representing 15.2% of the Group's total assets and 21.7% 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 2.7.15 (Impairment) and 21 (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.

Building a better working world

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.

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.

ASSETS

CHF 1,000	Notes	31.12.2018	**31.12.2019**
Cash and cash equivalents		125,142	128,454
Current loans to subsidiaries		34,400	16,846
Other accounts receivable from third parties		10	79
Other accounts receivable from subsidiaries		2,607	3,278
Prepaid expenses		7	13
Current assets		**162,166**	**148,670**
Investments in subsidiaries	3	116,769	144,568
Financial investments	4	4,000	3,000
Non-current loans to subsidiaries		32,000	32,000
Property, plant and equipment		1	1
Non-current assets		**152,770**	**179,569**
Assets		**314,936**	**328,239**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2018	**31.12.2019**
Other accounts payable to third parties		141	70
Other accounts payable to subsidiaries		7	18
Income tax payables		117	157
Accrued expenses		598	568
Current liabilities		**863**	**813**
Provision for general business risks	5	30,000	30,000
Other non-current provisions		84	90
Non-current liabilities		**30,084**	**30,090**
Total liabilities		**30,947**	**30,903**
Share capital		1,177	1,187
Legal capital reserve (capital contribution reserve)		55,032	78,824
General legal retained earnings		1,000	1,000
Voluntary retained earnings		226,780	216,325
Shareholders' equity	6	**283,989**	**297,336**
Liabilities and equity		**314,936**	**328,239**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	2018	**2019**
Royalties from subsidiaries	2,123	1,852
Sale of Tecan brands[1]	–	p.m.
Dividend income from subsidiaries	18,396	13,202
Interest income from subsidiaries	714	780
Foreign exchange gains, net	–	247
Operating income	**21,233**	**16,081**
Personnel expenses	(908)	(1,190)
Other operating expenses	(1,205)	(1,333)
Depreciation of property, plant and equipment	(1)	(1)
Interest expense to third parties	(124)	(292)
Foreign exchange losses, net	(38)	–
Operating expenses	**(2,276)**	**(2,816)**
Operating profit	**18,957**	**13,265**
Reversal of impairments on investments in subsidiaries	–	2,439
Impairment on financial investments	–	(1,167)
Extraordinary, non-recurring or prior-period income and expenses	**–**	**1,272**
Profit before taxes	**18,957**	**14,537**
Income taxes	(120)	(157)
Profit for the period	**18,837**	**14,380**

[1]Tecan brands were sold to subsidiary Tecan Trading AG on December 31, 2019 for CHF 1.-.

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 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 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, 2018 and December 31, 2019, 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.	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
• Valvex Enterprises, Inc. – doing business as DC Precision Machining (DCPM)	Morgan Hill, CA (US)	100%	58	USD	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
PMAS Co., Ltd	Ben Cat Town, Binh Duong Province (VN)	100%	10,367	VND	P
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 NuGEN Technologies, Inc. on August 31, 2018 and 100% of the voting rights of DC Precision Machining on May 31, 2019, both indirectly via its subsidiary Tecan US Group, Inc. In the current year, with the same transaction as its subsidiary, the Company acquired 100% of the voting rights of PMAS Co., Ltd. directly. To finance the acquisitions of its subsidiary, capital contributions amounting to USD 55 m in 2018 and USD 19 m in 2019 were 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. In 2019, the investment was impaired by CHF 1.2 million.

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, 2018	**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**
Net profit	–	–	–	14,380	14,380
Dividend paid	–	–	–	(24,835)	(24,835)
New shares issued based on employee participation plans	10	23,792	–	–	23,802
Balance at December 31, 2019	**1,187**	**78,824**	**1,000**	**216,325**	**297,336**

The Company's share capital is CHF 1,187,091.20, consisting of 11,870,912 registered shares with a nominal value of CHF 0.10 each (2018: share capital of CHF 1,176,637.20 consisting of 11,766,372 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 2019 a total of 32,265 options (share option plans) were exercised and 72,275 shares transferred (share plans), increasing the Company's share capital by CHF 10,454 and decreasing the Company's conditional share capital by 104,540 shares (2018: a total of 24,487 options were exercised and 77,013 shares transferred, increasing the share capital by CHF 10,150 and decreasing the conditional share capital by 101,500 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.

	2018	2019
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	536,840	432,300
CHF	53,684	43,230
Employee share options and employee shares, not yet delivered	238,692	226,757
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	17.04.2020	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,300,000	2,300,000
CHF	230,000	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)	31.12.2018	31.12.2019
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:

	2018		2019	
	Number	Value (CHF 1,000)	Number	Value (CHF 1,000)
Board of Directors				
Shares	1,717	358	1,586	360
Employees				
Shares	2,391	451	2,205	490
Total	**4,108**	**809**	**3,791**	**850**

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 87.1 million at December 31, 2019 (2018: CHF 89.2 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	31.12.2018	31.12.2019
Liabilities from lease arrangements	22	6

11 SUBSEQUENT EVENTS

In January 2020, the Company signed a share purchase agreement for the financial investment Andrew Alliance SA. The selling price is estimated to be approximately CHF 5 million. The gain from this transaction will be recognized in the income statement of 2020.

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

12.1 SIGNIFICANT SHAREHOLDERS

According to the information available to the Board of Directors, the following shareholders have reached or exceeded 5% of the share capital of Tecan Group Ltd:[1]

	31.12.2018	31.12.2019
Chase Nominees Ltd., London (UK)[2]	16.8%	18.5%
The Bank of New York Mellon SA/NV (BE)[2]	12.0%	12.0%
Nortrust Nominees Ltd., London (UK)[2]	6.1%	7.2%
NN Group N.V., Amsterdam (NL)	5.5%	5.7%

[1]Percentages are based on the actual share capital at the end of the reporting period.

[2]Nominee status - voting rights limited to 2% in accordance with article 5 of the atricles of incorporation.

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

For details of the employee participation plans please refer to note 12.4 of the consolidated financial statements.

12.2.1 Share and option ownership of the Board of Directors

Number	Year	Total options	Total shares
Dr. Lukas Braunschweiler (Chairman)	2018	–	–
	2019	–	491
Heinrich Fischer (Vice Chairman)	2018	–	16,550
	2019	–	16,796
Dr. Oliver S. Fetzer	2018	–	2,498
	2019	–	2,694
Lars Holmqvist	2018	–	875
	2019	–	471
Dr. Karen Hübscher	2018	–	875
	2019	–	421
Dr. Christa Kreuzburg	2018	–	1,724
	2019	–	1,000
Dr. Daniel R. Marshak	2018	–	–
	2019	–	196
Balance at December 31, 2018		–	**22,522**
Balance at December 31, 2019		–	**22,069**

12.2.2 Share and option ownership of the Management Board

Number	Year	Total options	Total shares
Dr. Achim von Leoprechting (CEO)	2018	–	**5,393**
	2019	–	**5,619**
Dr. David Martyr (until March 2019)[2]	2018	–	**20,268**
	2019	–	**–**
Dr. Rudolf Eugster (CFO)	2018	–	**11,199**
	2019	–	**5,718**
Ulrich Kanter	2018	–	**5,232**
	2019	–	**4,571**
Dr. Klaus Lun	2018	–	**5,053**
	2019	–	**4,712**
Erik Norström	2018	–	**1,358**
	2019	–	**2,492**
Markus Schmid	2018	–	**4,495**
	2019	–	**3,927**
Andreas Wilhelm	2018	–	**4,495**
	2019	–	**3,927**
Dr. Wael Yared (since August 2019)[1]	2018	–	**–**
	2019	–	**1,134**
Balance at December 31, 2018		–	**57,493**
Balance at December 31, 2019		–	**32,100**

[1]Shares and share options in 2018 are not disclosed, because the member of the Board joined after year-end 2018.

[2]Shares and share options in 2019 are not disclosed, because the member of the Board stepped down before year-end 2019.

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 7, 2020 to allocate the voluntary retained earnings as follows:

CHF 1,000	31.12.2018 Approved	**31.12.2019** Proposed
Carried forward from previous year	207,943	201,945
Net profit	18,837	14,380
Available retained earnings	**226,780**	**216,325**
Dividend paid as approved by the annual general meeting of shareholders on April 16, 2019: CHF 2.10 per share with a nominal value of CHF 0.10 each (total 11,826,232 shares eligible for dividend)	(24,835)	
Dividend proposed: CHF 1.10 per share with a nominal value of CHF 0.10 each (total 11,870,912 shares eligible for dividend)[1]		(13,058)
Balance to be carried forward	**201,945**	**203,267**

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

CHF 1,000	31.12.2018 Approved	**31.12.2019** Proposed
Carried forward from previous year	35,386	55,032
New shares issued based on employee participation plans	19,646	23,792
Available capital contribution reserve	**55,032**	**78,824**
Allocation to free reverse and payout (exempt from Swiss withholding tax) proposed: CHF 1.10 per share with a nominal value of CHF 0.10 each (total 11,870,912 shares eligible for payout)[1]		(13,058)
Balance to be carried forward	**55,032**	**65,766**

[1]These numbers are based on the outstanding share capital at December 31, 2019. The number of shares eligible for dividend and payout may change due to the repurchase or sale of treasury shares and the issuance of up to 90'477 new shares from the conditional share capital reserved for employee participation plans.

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Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 5 March 2020

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 168 to 175), for the year ended 31 December 2019.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company’s articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2019 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 168 to 175).

Valuation of investments in subsidiaries

Area of focus	As at 31 December 2019, investments in subsidiaries of the Company amounted to CHF 144.6 million and represent 44% 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 Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Performance of the Tecan share in 2019

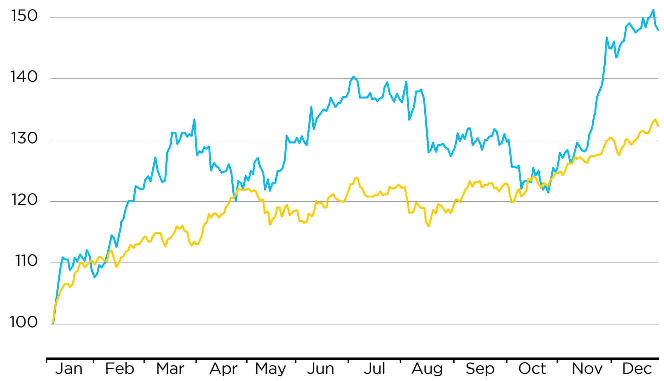
After declining equity markets in 2018, markets recovered significantly in 2019. The SMI, which covers Swiss blue-chip stocks, advanced by about 30% for the year. The SPI Extra, which encompasses small and mid-cap companies on the SIX Swiss Exchange, even surged by 30.4%.

At CHF 272.80, shares of Tecan finished the year at the highest closing price at year end (taking into consideration stock splits). Tecan's shares value increased by 42.6% in the year under review, markedly outperforming the relevant indices.

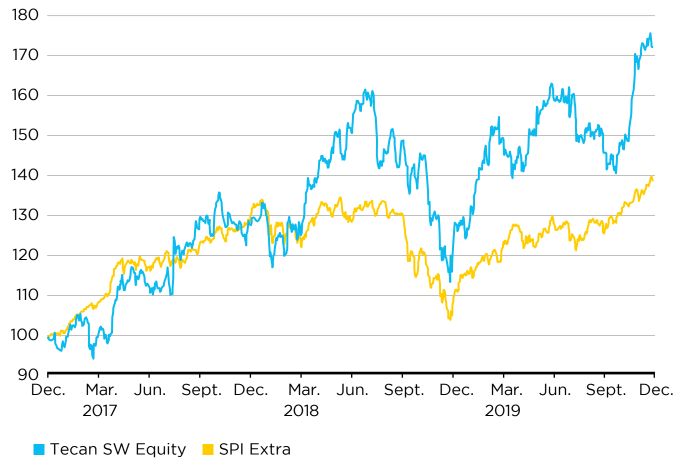
SHARE INFORMATION

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

SHARE PRICE PERFORMANCE BETWEEN 31.12.2018 AND 31.12.2019



SHARE PRICE PERFORMANCE BETWEEN 2017 AND 2019



TECAN SHARE

	2017	2018	2019
Numbers of shares issued	11,664,872	11,766,372	11,870,912
Number of treasury shares	0	0	0
Number of shares outstanding at December 31	11,664,872	11,766,372	11,870,912
Average number of shares outstanding	11,622,365	11,740,655	11,836,588
Share price at December 31 (CHF)	202.70	190.80	272.00
High (CHF)	217.80	255.80	277.80
Low (CHF)	148.80	180.00	190.80
Average number of traded shares per day[1]	20,879	22,129	20,854
Average trading volume per day (CHF)[1]	3,781,813	4,863,069	4,934,473

INFORMATION PER SHARE

	2017	2018	2019
Basic earnings per share (CHF/share)	5.67	6.02	6.18
Shareholder‚s equity at December 31 (CHF 1,000)	550,121	612,409	659,067
Dividend (CHF)	2.00	2.10	2.20[2]
Dividend yield (%)[3]	1.00 %	1.10%	0.81%

FINANCIAL RATIOS

	2017	2018	2019
Market capitalization (CHF million)[4]	2,364.5	2,245.0	3,228.9
Enterprise Value (CHF million)[5]	2,073.8	1,955.4	2,916.5
Price Earnings Ratio[6]	35.75	31.69	44.01

[1] Including off-exchange trading

[2] Proposal to the Annual General Meeting of Shareholders on April 7, 2020

[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.

Sales office
R&D and manufacturing site
Countries served by distributors

TECAN GROUP

Corporate Headquarters
Tecan Group Ltd.
Seestrasse 103
CH-8708 Männedorf
Switzerland
T +41 44 922 88 88
F +41 44 922 88 89

SALES AND SERVICE LOCATIONS

Australia +61 7 3897 1616
Austria +43 62 46 89 330
Belgium +32 15 42 13 19
China +86 21 2898 6333
France +33 4 72 76 04 80
Germany +49 79 51 94 170
Italy +39 02 92 44 790
Japan +81 44 556 73 11

Netherlands +31 18 34 48 17 4
Singapore +65 644 41 886
Spain +34 93 490 01 74
Sweden +46 31 75 44 000
Switzerland +41 44 922 81 11
UK +44 118 9300 300
USA +1 919 361 5200
ROW +41 44 922 81 25

MANUFACTURING AND DEVELOPMENT SITES

Tecan Switzerland Ltd.
Seestrasse 103
CH-8708 Männedorf
Switzerland
T +41 44 922 81 11
F +41 44 922 81 12

Tecan Austria GmbH
Untersbergstrasse 1a
A-5082 Grödig/
Salzburg, Austria
T +43 62 46 89 330
F +43 62 46 72 770

Tecan Systems, Inc.
2450 Zanker Road
San Jose
CA 95131, USA
T +1 408 953 3100
F +1 408 953 3101

IBL International GmbH
Flughafenstr. 52a
D-22335 Hamburg
Germany
T +49 40 532 891 0
F +49 40 532 891 11

DCPM Co. Ltd.
Lot A-2A-CN
My Phuoc 3 Indust
Ben Cat Town
Binh Duong
Vietnam

DCPM Inc.
885 Jarvis drive
Morgan Hill
CA 95037, USA

Tecan SP, Inc.
PO Box 1608
Baldwin Park
CA 91706, USA
T +1 626 962 0010
F +1 626 962 5574

Tecan Genomics, Inc.
900 Chesapeake Drive
Redwood City
CA 94063, USA
T +1 888 654 6544

IMPRINT

Publisher
Tecan Group Ltd.
Seestrasse 103
CH-8708 Männedorf
Switzerland
T +41 44 922 84 30
F +41 44 922 88 89
investor(at)tecan.com
www.tecan.com

Project Lead/Editorial Team
Tecan Group Ltd., Männedorf
Martin Brändle
Vice President, Communications
& Investor Relations

Design Concept and Realization
W4 Marketing AG, Switzerland
UP THERE, EVERYWHERE, Sweden

Images
Tecan Group Ltd., Switzerland
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Printlink AG,
Switzerland

Tecan Group Ltd.
Seestrasse 103
CH-8708 Männedorf
Switzerland
www.tecan.com