TECAN

Interim Report

FIRST HALF YEAR 2011

About Tecan

Tecan (www.tecan.com) is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The company specializes in the development, production and distribution of automated workflow 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 (OEM), Tecan is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries. In 2010, Tecan generated sales of CHF 371 million (USD 356 million; EUR 269 million). Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TK: TECN/Reuters: TECZn.S/ISIN: 12100191).

Vision

Tecan will be the preferred supplier for leading life science companies and laboratories on all continents, whenever they source their current and future needs for state-of-the-art workflow solutions. Tecan will be present in every laboratory.

Mission

To delight our customers by exceeding their expectations, aiming for the highest customer satisfaction and retention in our industry. To contribute to the quality of life of humankind by enabling our customers to make the world and our community a healthier and safer place. We create continuous, sustainable shareholder value and we are an employer of choice in our industry.

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Dear Shareholders

The Tecan Group closed the first half of 2011 with double-digit sales growth in local currencies and a solid operating result. The strong sales figures achieved in the first half-year were driven by both business segments. Following a period of declining sales in the end-customer business, we again achieved significant growth. Also in the OEM business we were able to further increase sales despite a high base, and we concluded two new development and supply agreements, including a significant OEM contract. Despite increased research and development spending coupled with major negative currency effects, we reported solid profitability for the first half-year. We even made company history by setting a new record for earnings per share. Sales and order entry have exceeded our expectations for the first half of 2011. We are therefore revising the growth forecast upwards for the full-year 2011 and confirming the profitability target, despite the strong negative currency effects.

Sales increased by 2.2 % to CHF 181.9 million in the first half of 2011 (H1 2010: CHF 178.0 million) and were 12.3 % above those of the prior-year period in local currency terms. The growth was broad-based, encompassing both of Tecan's business segments, Life Sciences Business (end-customer business) and Partnering Business (OEM business). Order entry increased by 1.3 % to CHF 196.0 million in the first half of 2011 (H1 2010: CHF 193.4 million), which corresponds to growth of 12.0 % in local currency terms.

The operating profit margin was solid at 11.5 % (H1 2010: 13.0 %), although Tecan increased its research and development spending by 2.5 % of sales and recorded additional negative currency effects of 2.2 percentage points. Assuming constant exchange rates, the operating profit margin was above the prior-year level at 13.7 %. In the first six months of 2011, Tecan achieved an operating profit (EBIT) of CHF 20.8 million (H1 2010: CHF 23.1 million). Net profit increased to CHF 23.3 million thanks to a better financial result, which was largely attributable to gains from currency hedging (H1 2010: CHF 15.6 million). At 12.8 % of sales,

Key figures first half year

CHF million	2010*	2011	in %	in % (LC)
Group Sales	178.0	181.9	2.2 %	12.3 %
Life Sciences Business	99.3	102.3	3.1 %	18.1 %
Partnering Business	78.8	79.5	1.0 %	5.7 %
Gross Profit	88.8	90.8	2.2 %	
in % of sales	*49.9 %*	*49.9 %*		
R&D	18.3	23.2	27.3 %	
in % of sales	*10.3 %*	*12.8 %*		
OPEX	66.0	70.0	6.0 %	
in % of sales	*37.1 %*	*38.5 %*		
Operating profit / EBIT	23.1	20.8	–9.8 %	
in % of sales	*13.0 %*	*11.5 %*		
Net profit	15.6	23.3	49.4 %	
in % of sales	*8.8 %*	*12.8 %*		
EPS (CHF)	1.50	2.17	44.7 %	

* H1 2010 results from continuing operations only
LC = in local currencies

the profit margin was significantly above the prior-year level (H1 2010: 8.8 %). Tecan's earnings per share of CHF 2.17 have set a new company record (H1 2010: CHF 1.50).

Due to the pre-financing of an OEM development project amounting to CHF 12.6 million, cash flow from operating activities was down versus the prior-year period to CHF 18.0 million (H1 2010: CHF 20.8 million).

Regional development and additional information

In Europe, sales in Swiss francs increased by 6.0 %, continuing to be negatively impacted by the exchange rate movements of the euro versus the Swiss franc. The average exchange rate of the euro fell by 11.6 % against the Swiss franc during the reporting period. In Europe, sales in local currencies increased by 11.5 % compared to the prior-year period. This increase is primarily due to significant improvements in the Life Sciences Business (end-customer business).

In North America, Tecan achieved sales growth of 3.3 % in Swiss francs. This key performance figure was also negatively impacted by the exchange rate development of the US dollar versus the Swiss franc. Compared with the prior-year period, the average exchange rate of the US dollar fell by 16.5 % against the Swiss franc in the first six months of 2011. In local currencies, sales in North America rose by 20.6%. The growth in this region was also predominantly achieved thanks to the strong performance of the Life Sciences Business (end-customer business).

In Asia, sales in Swiss francs and local currencies were down by 15.2 % and 6.2 % respectively against the prior-year period. Sales fell in Japan, but saw double-digit growth in China.

Recurring sales of consumables and services increased by 13.7 % in local currency terms and accounted for 32.2 % of total sales (H1 2010: 32.4 %). As part of this figure, sales of consumables in local currencies grew by 19.7 % compared with the previous year, to a share of 8.2 % of total sales (H1 2010: 7.7 %).

As previously announced, Tecan is increasing its investment in research and development in 2011 and 2012. In the first half of 2011, research and development spending increased from 10.3 % to 12.8 % of sales, or CHF 23.2 million (H1 2010: CHF 18.3 million). Research and development activities amounted to a total of CHF 42.4 million gross (H1 2010: CHF 22.3 million). This figure also includes the development costs capitalized in the balance sheet (CHF 1.8 million gross) and development costs for OEM partners (CHF 18.4 million).

Information by business segment

Tecan has been working under a new organizational structure since January 1, 2011. The new structure is focused on the two customer groups, end customers and OEM customers, and divided into the two business segments Life Sciences Business (end-customer business) and Partnering Business (OEM business). The Tecan Group's financial reporting is based on the two new business segments for the first time in the 2011 Interim Report. The comparative figures for the first half of 2010 and full-year 2010 have been restated accordingly.

Life Sciences Business (end-customer business)

Sales in the Life Sciences Business segment rose by 3.1 % to CHF 102.3 million in the first half of 2011 (H1 2010: CHF 99.3 million). In local currencies, the Life Sciences Business reported strong growth of 18.1 %. The share of end-customer business increased slightly to a level where it now constitutes 56.3 % of total Group sales (H1 2010: 55.8 %). The strong sales growth was primarily generated through liquid handling platforms for customers in the fields of biopharmaceuticals and forensics in Europe and North America. The Life Sciences Business reported double-digit growth in order entry in local currency terms. In Swiss francs this growth was well above the actual sales figures achieved during the reporting period.

At CHF 2.4 million, operating profit of the Life Sciences Business segment was down compared to the prior-year period (H1 2010: CHF 3.7 million), with an operating profit margin of 2.1 % of sales in the first six months of 2011 (H1 2010: 3.5 %). Assuming currencies in line with the prior-year period, this corresponds to an operating profit margin of 6.5 % of sales. The substantially increased investment in research and development was predominantly incurred by the Life Sciences Business segment, which had an additional negative impact of 6.9 percentage points on the operating profit margin.

Additional information about the full-year 2010 (restated)

In 2010 the Life Sciences Business segment reported sales of CHF 230.4 million. The operating profit margin was 10.9 % of sales and operating profit stood at CHF 26.3 million.

Partnering Business (OEM business)

The Partnering Business segment generated sales of CHF 79.5 million during the reporting period (H1 2010: CHF 78.8 million). Despite the high base in the prior-year period, sales increased by 1.0 % in Swiss francs and by 5.7 % in local currencies. The OEM business accounted for 43.7 % of total Group sales (H1 2010: 44.3 %). In the first half of 2011, the Partnering Business benefited in particular from the strong growth in sales of spare parts. This positive development was due in particular to the fact that the installed instrument base has been significantly increased in recent years. The growth in spare parts was also boosted by the inventory restocking carried out by a number of OEM customers. Sales of OEM instruments were slightly down, although it should be borne in mind that the high sales in the prior-year period were bolstered by special orders. Component sales were down versus the prior-year in Swiss francs, and unchanged in local currency terms. The Partnering Business also reported double-digit growth in order entry in local currencies, which was also above the level of sales generated in Swiss francs in the first half of the year.

The Partnering Business segment achieved an operating profit margin of 28.6 % of sales in the first six months of 2011 (H1 2010: 28.8 %). The majority of the Partnering Business' sales are not subject to any direct currency effects and the operating profit margin is about similar, assuming constant exchange rates. At CHF 23.4 million, operating profit was slightly up compared with the prior-year period (H1 2010: CHF 23.3 million).

Additional information about the full-year 2010 (restated)

In 2010, the Partnering Business segment reported sales of CHF 140.2 million. The operating profit margin was 25.3 % of sales and operating profit stood at CHF 36.8 million.

Strong balance sheet – high equity ratio

Tecan's equity ratio increased slightly during the reporting period and reached 67.9 % at June 30, 2011 (December 31, 2010: 67.4 %). Net liquidity (cash and cash equivalents minus bank liabilities and loans) rose to CHF 137.4 million despite increased investment and dividend payments in the first half of the year (December 31, 2010: CHF 135.4 million). The Company's share capital stood at CHF 1,144,458 at the reporting date (June 30, 2011), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

At the Tecan Group Annual General Meeting on April 19, 2011, shareholders approved an unchanged dividend on the previous year of CHF 1.00 per registered share. The dividend was paid out from the available capital contribution reserve and is therefore not subject to withholding tax. The payout took place on April 28, 2011.

Outlook

Until now, we had expected sales growth for the full-year 2011 to be in the mid-single-digit percentage range in local currencies. In the first six months of 2011, however, both sales and order entry were significantly up on the same period last year. On account of this positive performance, we now expect sales growth in local currencies to be in the high-single-digit percentage range for the full-year 2011.

The higher sales volumes are helping to compensate for the negative currency effects on Tecan's profitability, which intensified considerably in the period under review. We continue to anticipate an operating profit margin of 12 to 13 % for 2011 as a whole. This expectation is based on a significantly lower average exchange rate forecast for the full-year 2011 of one euro equaling CHF 1.20 and one US dollar equaling CHF 0.85.

Assuming exchange rates in line with 2010, the anticipated operating profit margin equates to between 14.5 and 15.5 % of sales.

Männedorf, August 16, 2011

Rolf A. Classon
Chairman of the Board
of Directors

Thomas Bachmann
Chief Executive Officer

Interim consolidated balance sheet

Assets

CHF 1,000	Notes	31.12.2010	30.6.2011
Cash and cash equivalents		118,040	88,404
Current loans and derivatives		30,195	69,548
Trade accounts receivable		65,516	57,820
Other accounts receivable		13,173	15,296
Inventories	6	43,084	52,437
Income tax receivable		1,305	1,849
Prepaid expenses		3,447	2,674
Current assets		**274,760**	**288,028**
Non-current financial assets		3,206	3,104
Property, plant and equipment		13,672	12,975
Intangible assets		37,315	37,821
Deferred tax assets	11	9,548	10,084
Non-current assets		**63,741**	**63,984**
Assets		**338,501**	**352,012**

Liabilities and equity

CHF 1,000	Notes	31.12.2010	30.6.2011
Current bank liabilities and derivatives		6,332	9,185
Trade accounts payable		9,638	8,624
Other accounts payable		15,334	14,459
Deferred revenue		19,549	20,382
Income tax payable		7,458	8,039
Accrued expenses		30,441	28,861
Current provisions		9,917	11,259
Current liabilities		**98,669**	**100,809**
Non-current bank loans and derivatives		1,088	1,090
Liability for post-employment benefits		4,876	5,239
Non-current provisions		1,993	1,897
Deferred tax liabilities		3,835	3,836
Non-current liabilities		**11,792**	**12,062**
Total liabilities		**110,461**	**112,871**
Share capital		1,144	1,144
Capital reserve		13,114	11,701
Treasury shares		(32,039)	(29,334)
Retained earnings		273,599	287,608
Translation differences		(27,778)	(31,978)
Shareholders' equity	7	**228,040**	**239,141**
Liabilities and equity		**338,501**	**352,012**

Interim consolidated income statement

Continuing operations

January to June, CHF 1,000	Notes	2010	2011
Sales	**9**	**178,027**	**181,860**
Cost of sales		(89,180)	(91,077)
Gross profit		**88,847**	**90,783**
Sales and marketing		(29,841)	(28,268)
Research and development		(18,254)	(23,243)
General and administration		(17,938)	(18,454)
Other operating income		284	9
Operating profit	**9**	**23,098**	**20,827**
Financial income		392	1,264
Finance cost		(768)	(80)
Foreign exchange (losses)/gains		(3,595)	4,994
Financial result		***(3,971)***	***6,178***
Profit before taxes		**19,127**	**27,005**
Income taxes	11	(3,520)	(3,693)
Profit from continuing operations		**15,607**	**23,312**

Discontinued operation

Loss from discontinued operation, net of income taxes	5	(28,548)	–
(Loss)/profit for the period		**(12,941)**	**23,312**
Earnings per share from continuing operations			
Basic earnings per share (CHF/share)		1.50	2.17
Diluted earnings per share (CHF/share)		1.49	2.13
Earnings per share			
Basic earnings per share (CHF/share)		(1.25)	2.17
Diluted earnings per share (CHF/share)		(1.25)	2.13

Interim consolidated statement of comprehensive income

January to June, CHF 1,000	2010	2011
(Loss)/profit for the period	**(12,941)**	**23,312**
Translation differences	(1,320)	(4,200)
Other comprehensive income[1]	***(1,320)***	***(4,200)***
Total comprehensive income	**(14,261)**	**19,112**

[1] There were no income taxes and reclassification adjustments relating to components of other comprehensive income for the periods presented.

Interim consolidated statement of changes in equity

January to June, CHF 1,000	Share capital	Capital reserve	Treasury shares	Retained earnings	Translation differences	Total share-holders' equity
Balance at January 1, 2010	1,141	14,022	(55,531)	263,258	(19,957)	202,933
Loss for the period	–	–	–	(12,941)	–	(12,941)
Translation differences	–	–	–	–	(1,320)	(1,320)
Total comprehensive income	**–**	**–**	**–**	***(12,941)***	***(1,320)***	***(14,261)***
Dividends paid	–	–	–	(10,412)	–	(10,412)
New shares issued upon exercise of employee share options	1	649	–	–	–	650
Treasury shares issued based on employee participation plans	–	(2,930)	2,930	–	–	–
Share-based payments	–	–	–	2,466	–	2,466
Balance at June 30, 2010	**1,142**	**11,741**	**(52,601)**	**242,371**	**(21,277)**	**181,376**
Balance at January 1, 2011	1,144	13,114	(32,039)	273,599	(27,778)	228,040
Profit for the period	–	–	–	23,312	–	23,312
Translation differences	–	–	–	–	(4,200)	(4,200)
Total comprehensive income	**–**	**–**	**–**	***23,312***	***(4,200)***	***19,112***
Dividends paid[1]	–	–	–	(10,771)	–	(10,771)
New shares issued upon exercise of employee share options		285	–	–	–	285
Treasury shares issued based on employee participation plans	–	(1,698)	2,705	–	–	1,007
Share-based payments	–	–	–	1,468	–	1,468
Balance at June 30, 2011	**1,144**	**11,701**	**(29,334)**	**287,608**	**(31,978)**	**239,141**

[1] 2011: payout from capital contribution reserve (CHF 1.00 per share on 10,771,157 shares eligible for payout)

Interim consolidated cash flow statement

January to June, CHF 1,000	Notes	2010	2011
(Loss)/profit for the period		(12,941)	23,312
Adjustments for:			
Depreciation and amortization		4,561	4,446
Impairment losses on assets classified as held for sale	5	27,035	–
Change in provisions and liability for post-employment benefits		1,350	2,060
Interest income		(279)	(198)
Interest expenses		756	80
Income taxes		2,488	3,693
Equity-settled share-based payment transactions		2,466	1,468
Other non-cash items		909	426
Change in working capital:			
Trade accounts receivable		9,353	4,752
Inventories		(8,350)	(10,642)
Trade accounts payable		(1,905)	(898)
Other changes in working capital (net)		1,148	(5,685)
Income taxes paid		(5,764)	(4,786)
Cash inflows from operating activities		**20,827**	**18,028**
Investment in time deposits		–	(30,000)
Repayment of time deposits		29,134	–
Interest received		212	167
Purchase of property, plant and equipment		(2,628)	(2,772)
Proceeds from sales of property, plant and equipment		46	21
Investment in intangible assets		(2,554)	(2,005)
Cash in/(out)flows from investing activities		**24,210**	**(34,589)**
New shares issued upon exercise of employee share options		650	285
Dividends paid		(10,412)	(10,771)
Proceeds from sale of treasury shares		–	1,007
Change in current bank liabilities		(3,623)	(83)
Increase in bank loans		115	–
Repayment of bank loans		(36,000)	(507)
Interests paid		(756)	(68)
Cash outflows from financing activities		**(50,026)**	**(10,137)**
Translation differences		(1,296)	(1,904)
Decrease in cash and cash equivalents		**(6,285)**	**(28,602)**
Cash and cash equivalents at January 1		91,434	116,879
Cash and cash equivalents at June 30		**85,149**	**88,277**
Cash and cash equivalents as per cash flow statement comprise:			
Cash and cash equivalents as per balance sheet		76,505	88,404
Cash and cash equivalents reported in assets held for sale		9,366	–
./. Bank overdrafts under bank pooling arrangements		(722)	(127)
= Cash and cash equivalents as per cash flow statement		**85,149**	**88,277**

Notes to the interim consolidated financial statements

1 Reporting entity

These unaudited financial statements are the interim consolidated financial statements of Tecan Group Ltd., a company registered in Switzerland, and its subsidiaries (together referred to as the 'Group') for the six-month period ending June 30, 2011. The Group is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The company 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 company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The interim consolidated financial statements were authorised for issuance on August 16, 2011.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

The interim consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. They should be read in conjunction with the Group's annual financial statements as they provide an update of previously reported information.

The preparation of these interim 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 interim 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 period in which the circumstances change.

Income tax expense is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

2.2 Introduction of new and revised accounting standards and interpretations

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending December 31, 2010, except for the adoption of the following new and revised/amended standards and interpretations, effective as from January 1, 2011:

Standard/interpretation[1]
IAS 24 revised 'Related Party Disclosures'
IAS 32 amended 'Financial Instruments: Presentation' – Classification of Rights Issues
IFRIC 14 amended 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – Prepayment of a Minimum Funding Requirement
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
Improvements to IFRSs 2010

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

The adoption of these new, revised or amended standards and interpretations did not result in substantial changes to the Group's accounting polices.

2.3 New standards and interpretations not yet applied

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

Standard/interpretation[1]	Effective date for the Group
IFRS 7 amended 'Financial Instruments: Disclosures' – Transfers of Financial Assets	Reporting year 2012
IAS 12 amended 'Income taxes' – Deferred Tax: Recovery of Underlying Assets	Reporting year 2012
IFRS 9 'Financial Instruments'	Reporting year 2013
IFRS 10 'Consolidated Financial Statements'	Reporting year 2013
IFRS 11 'Joint Arrangements'	Reporting year 2013
IFRS 12 'Disclosure of Interests in Other Entities'	Reporting year 2013
IFRS 13 'Fair Value Measurement'	Reporting year 2013
IAS 1 amended 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income	Reporting year 2013
IAS 19 amended 'Employee Benefits'	Reporting year 2013
IAS 27 amended 'Separate Financial Statements'	Reporting year 2013
IAS 28 amended 'Investments in Associates and Joint Ventures'	Reporting year 2013

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

These changes are not expected to have a significant impact on the consolidated financial statements except for the amended version of IAS 19 'Employee Benefits'.

The amended version of IAS 19 'Employee Benefits' eliminates the corridor method that is currently applied by the Group. In the future, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets will be recognised in the financial statements immediately in the period they occur. The Group will apply this change in accounting policy retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', affecting both the net defined benefit liability in the balance sheet and the amounts recognised in profit of loss. At year-end 2010, the unrecognised net actuarial losses of the Group amounted to CHF 4.9 million.

In addition the amended standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognised in profit or loss, whereas the remeasurement of the defined benefit liability is recognised in other comprehensive income. Currently all recognisable changes are recognised in profit or loss.

2.4 Change in identification of reportable segments
As of January 1, 2011, the Group is operating in a new organizational and management structure that is focused on the two customer groups, end customers and OEM customers.

According to IFRS 8 'Operating Segments', the identification of the reportable operating segments must follow the management approach. Therefore the external segment reporting of the Group is based on the internal organizational and management structure as well as internal reports to the Chief Operating Decision Maker (CODM). The Group's CODM 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 (CODM). The business segment 'Sample Management' was disposed of September 1, 2010.

Due to the change in identification of reportable segments, goodwill 'Liquid Handling & Robotics' (December 31, 2010: CHF 26.8 million) was reallocated to the cash-generating unit 'Life Sciences Business'. The business segment 'Life Sciences Business' contains the sales, distribution and service platform that was thought to profit from the synergies represented by the goodwill.

Prior period segment information has been restated.

3 Principal exchange rates

		Balance sheet (Closing exchange rates)		Income statement (Average exchange rates Jan. to Jun.)	
CHF		31.12.2010	30.6.2011	2010	2011
EUR	1	1.25	1.22	1.44	1.27
USD	1	0.94	0.84	1.08	0.90

4 Change in scope of consolidation (acquisitions)

There has been no change in the scope of consolidation during the first half of 2010 and 2011.

5 Discontinued operation

On June 30, 2010 the Board of Directors decided to sell the business segment 'Sample Management', comprising the subsidiary Remp AG and specific assets and liabilities related to the business segment held by other subsidiaries. On July 15, 2010 a final share purchase agreement with Nexus Biosystems, Inc., based in Poway (California, USA), was signed. The closing of the transaction was on September 1, 2010.

Result from discontinued operation

January to June, CHF 1,000		2010
Revenue		10,206
Expenses		(12,700)
Operating profit		**(2,494)**
Financial result		(51)
Loss before taxes		**(2,545)**
Income taxes		(784)
Results from operating activities, net of income taxes		**(3,329)**
Measurement to fair value less costs to sell		(27,035)
Related income taxes		1,816
Loss from discontinued operation, net of income taxes		**(28,548)**
Earnings per share from discontinued operation		
Basic earnings per share (CHF/share)		(2.75)
Diluted earnings per share (CHF/share)		(2.75)

Cash inflows from discontinued operation

January to June, CHF 1,000		2010
Net cash inflow from operating activities		2,228
Net cash inflow from investing activities		18
Net cash flow from financing activities		–
Net cash inflow from discontinued operation		**2,246**

6 Inventories

In the previous year, the Group entered into an OEM agreement with a global diagnostics company. The agreement comprises the development and supply of a dedicated diagnostic instrument. The related customer-specific development costs are currently capitalized in the position inventories as part of the production costs and amounted to CHF 16.1 million at the end of June 2011 (December 31, 2010: CHF 3.5 million), which explains the increase in the position inventories during the first half of 2011. Once the instrument is launched and the customer calls the units with individual purchase orders, the corresponding development costs will be recognized in cost of sales.

7 Shareholders' equity and employee participation plans

7.1 Movements in shares outstanding

Number (each share has a nominal value of CHF 0.10)	Shares issued	Treasury shares	Shares outstanding
Balance at January 1, 2010	11,412,590	(1,009,210)	10,403,380
Issue of new shares from conditional share capital (exercise of employee share options)	11,617	–	11,617
Treasury shares issued based on employee participation plans	–	33,200	33,200
Balance at June 30, 2010	**11,424,207**	**(976,010)**	**10,448,197**
Balance at January 1, 2011	11,436,735	(691,322)	10,745,413
Issue of new shares from conditional share capital (exercise of employee share options)	7,841	–	7,841
Treasury shares issued based on employee participation plans	–	45,558	45,558
Balance at June 30, 2011	**11,444,576**	**(645,764)**	**10,798,812**

7.2 Movements in employee share options and SARs

Employee share options	2010	2011
Balance at January 1	455,376	442,208
Exercised	(11,617)	(25,183)
Forfeited or expired	(20,901)	(41,020)
Balance at June 30	**422,858**	**376,005**
Thereof vested at period-end	194,865	208,660

The exercise of employee share options and SARs during the first six months of 2011 resulted in a share capital increase of CHF 0.0 million (2010: 0.0 million) and a cash inflow of CHF 0.3 million (2010: 0.6 million). As from February 2011, the Group is delivering treasury shares instead of new shares from conditional share capital.

7.3 Employee share plans

Performance share matching plan 2011

The terms and conditions of the grants are as follows, whereby all shares are delivered physically and free of charge (except for mandatory investment):

Arrangement	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Initial grant	Extended Management Board on February 28, 2011	22,114 shares	CHF 78.95	Graded vesting from January 1, 2011 to December 31, 2013[1]	Three years of service
Mandatory investment Annual bonus 2010 in excess of 100% of the target cash bonus was granted in form of shares	Extended Management Board on February 28, 2011	264 shares	CHF 78.95	Immediate vesting[1]	None
Matching shares	Extended Management Board on February 28, 2011	58,040 shares (maximum of potential shares granted)	CHF 75.95	January 1, 2011 to December 31, 2013	Three years of service and performance target

[1] Vested shares are blocked until the end of the performance period (December 31, 2013).

In addition to the grants listed above, the management was entitled to invest voluntarily up to 50 % of its target cash bonus 2010 in Tecan shares at a price of CHF 74.37 per unit (average market value from January 1 to April 30, 2011).The voluntary investment could not exceed the realized cash bonus. The shares are blocked until the end of the performance period and are included in the calculation of the matching shares.

The number of matching shares is determined based on the following formula: number of shares from initial grant (22,114 shares) plus number of shares from mandatory (264 shares) and voluntary (838 shares) investments times the matching share factor. The matching share factor is dependent on the achievement of specific economic profit targets. In any case, the matching share factor will not be lower than 0.0 and not higher than 2.5.

Movements in employee shares

Employee shares (excluding voluntary investments)	2010	2011
Balance at January 1	–	123,600
Granted	132,500	80,418
Forfeited	–	–
Deblocked	–	(5,000)
Balance at June 30	**132,500**	**199,018**
Thereof vested, but blocked until the end of the performance period	4,744	19,893

8 Contingencies and commitments

There have been no significant changes for contingencies and commitments.

9 Interim segment information

9.1 Segment information by business segments

Comparative information for 2010 has been restated due to the new segmentation structure described in note 2.4.

	Life Sciences Business		Partnering Business		Sample Management (discontinued)		Corporate/ consolidation		Group	
January to June, CHF 1,000	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Sales third	99,262	102,322	78,765	79,538	9,867	–	–	–	187,894	181,860
Intersegment sales[1]	6,092	9,005	2,148	2,281	339	–	(8,579)	(11,286)	–	–
Total sales	**105,354**	**111,327**	**80,913**	**81,819**	**10,206**	**–**	**(8,579)**	**(11,286)**	**187,894**	**181,860**
Operating profit	**3,720**	**2,355**	**23,325**	**23,365**	**(2,494)**	**–**	**(3,947)**	**(4,893)**	**20,604**	**20,827**
Depreciation and amortization[2]	(2,461)	(3,072)	(1,106)	(1,374)	(994)	–	–	–	(4,561)	(4,446)
Impairment losses[3]	–	–	–	–	(27,035)	–	–	–	(27,035)	–

[1] Intersegment transactions are conducted at arm's length.
[2] No significant non-cash items other than depreciation of property, plant and equipment and amortization of intangible assets were incurred.
[3] Not included in operating profil (see note 5)

January to June, CHF 1,000	2010	2011
Reconciliation of reportable segment sales:		
Total sales for reportable segments	196,473	193,146
Elimination of discontinued operation (see note 5)	(10,206)	–
Elimination of intersegment sales	(8,240)	(11,286)
Total consolidated sales of continuing operations	**178,027**	**181,860**
Reconciliation of reportable segment profit:		
Total profit for reportable segments	24,551	25,720
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(3,947)	(4,893)
Elimination of discontinued operation (see note 5)	2,494	–
Financial result	3,971	6,178
Total consolidated profit before taxes from continuing operations	**19,127**	**27,005**

9.2 Entity-wide disclosures

Products and services

January to June, CHF 1,000	2010	2011
Products	120,431	123,341
Services	57,596	58,519
Total sales third of continuing operations	**178,027**	**181,860**

Sales by regions (by location of customers)

January to June, CHF 1,000	2010	2011
Switzerland	2,615	5,396
Other Europe	84,979	87,437
North America	64,936	67,090
Asia	19,714	16,717
Others	5,783	5,220
Total sales third of continuing operations	**178,027**	**181,860**

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

	Property, plant and equipment		Intangible assets	
CHF 1,000	31.12.2010	30.6.2011	31.12.2010	30.6.2011
Switzerland	7,529	7,288	35,869	36,412
Other Europe	3,648	3,128	1,446	1,409
United States	2,207	2,312	–	–
Asia	288	247	–	–
Total	**13,672**	**12,975**	**37,315**	**37,821**

Information about major customers

There are sales to one individual customer (CHF 24.3 million) in the first half of 2011 that accumulated exceeded 10 % of total sales (first half of 2010: two individual customers with sales of CHF 21.8 million and CHF 19.0 million respectively).

10 Operating expenses by nature

January to June, CHF 1,000	2010	2011
Material costs	54,383	59,463
Personnel expenses	64,130	65,177
Depreciation of property, plant and equipment	2,935	2,984
Amortization of intangible assets	632	1,462
Other operating income and expenses (net)	34,989	46,331
Total operating costs of continuing operations incurred (gross)	**157,069**	**175,417**
Capitalization of development costs in position inventories (see note 6)	–	(12,581)
Capitalization of development costs in position intangible assets	(2,140)	(1,803)
Total operating expenses of continuing operations, according to income statement	**154,929**	**161,033**

11 Income taxes

At the end of June 2011, the Group capitalized tax benefits from disputed accumulated former tax losses in the amount of CHF 1.3 million. This change in recognition of tax losses reduces the tax expense reported in the income statement.

12 Events after the reporting period

There were no significant events after the reporting period.

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