TECAN.

# Interim Report

First half year 2014

# About Tecan

For more than 30 years, Tecan has been investing its expertise in developing and improving automated workflow solutions for laboratories in the life sciences sector.

Adding value for the customer is the driving force behind everything we do at Tecan every day in research and development, production, distribution and service.

Whether in Europe, Asia, America or elsewhere in the world, our goal is always the same: to contribute to the quality of life of humankind by enabling our customers to make our community a healthier and safer place.

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Available on the App Store

# Dear Shareholders,

The first half of 2014 has again been a busy period with an important product launch and negotiation of our first acquisition. From a financial results point of view we have seen mixed results and the performance of our two business segments differed considerably.

We have seen a strong recovery in our Life Sciences Business with a good start into the year in the established markets in Europe and North America – markets that suffered from austerity measures and budget cuts in 2013. Our sales in Partnering Business were disappointing in the first half of the year, mostly due to delays in order placement from two large customer accounts for unrelated reasons. Overall we finished the first half with the highest level in order backlog in at least the last five years.

We achieved important progress in our development programs. A particular highlight was the launch of Fluent, the next generation of liquid handling platforms in our Life Sciences Business. After close of the reporting period, we were able to successfully complete the acquisition of IBL International. As part of our strategy, this acquisition marks an important step towards offering fully integrated solutions, including reagents, and thereby adding a new source of recurring revenues.

## Financial results first half of 2014

Order entry increased by 6.8% in local currencies to CHF 196.6 million (H1 2013: CHF 189.2 million) in the first six months of the year, corresponding to growth of 3.9% in Swiss francs. Growth in order entry was driven by a double-digit increase in the Life Sciences Business. As a result, order backlog at the end of the reporting period recorded a double-digit increase for the Group. Sales reached CHF 172.0 million (H1 2013: CHF 181.8 million) and were therefore 2.7% below the prior-year level in local currency terms and 5.4% lower in Swiss francs. The performance of the two business segments again differed considerably. While sales in the Life Sciences Business recovered strongly and increased by 7.2% in local currencies, those in the Partnering Business were 13.9% below the prior-year level due to the timing of orders from two large corporate customers and a slowdown in Components sales versus a tough comparison from the first half of 2013.

Operating profit (EBIT) reached CHF 22.3 million in the first half of 2013 (H1 2013: CHF 23.1 million). The operating profit margin improved by 30 basis points to 13.0% of sales (H1 2013: 12.7%), helped by lower research and development expenses as projects near market launch. Exchange rate movements in major currencies versus the Swiss franc had a negative impact on the operating result. Assuming exchange rates in line with the prior-year period, the operating profit would have reached CHF 24.1 million while the operating profit margin would have stood at 13.6% of sales. Net profit increased by 12.8% and amounted to CHF 18.6 million (H1 2013: CHF 16.5 million) in the first six months of the year. The net profit margin improved by 170 basis points to 10.8% of sales (H1 2013: 9.1%). Earnings per share increased to CHF 1.68 (H1 2013: CHF 1.51). Cash flow from operating activities rose to CHF 16.2 million (H1 2013: CHF 5.5 million). Excluding an OEM development project that Tecan is pre-financing, cash flow from operating activities amounted to CHF 28.9 million (H1 2013: CHF 28.4 million).

## Information by business segments

### Life Sciences Business (end-customer business)

Sales in the Life Sciences Business segment increased by 7.2% in local currencies to CHF 100.9 million (H1 2013: CHF 97.6 million), while, sales were 3.4% higher than in the prior-year period in Swiss francs. The business segment benefitted from a general improvement of the economic and funding environment in Europe and North America. Sales of liquid handling platforms, which suffered the most from austerity measures and budget cuts in 2013, recovered strongly and recorded double-digit growth. Overall, order entry in the Life Sciences Business exceeded sales considerably, resulting in a significant increase in order backlog.

The segment's operating profit in the first half of 2014 increased markedly to CHF 14.8 million (H1 2013: CHF 1.1 million). The increase is primarily the result of the higher sales volumes and lower research and development spending. The profit margin grew to 14.0% of sales (H1 2012: 1.0%).

### Partnering Business (OEM business)

The Partnering Business segment generated sales of CHF 71.1 million during the reporting period (H1 2013: CHF 84.2 million), which corresponds to a decrease of 13.9% in local currencies and 15.6% in Swiss francs. This decline was due to fewer instrument shipments to two corporate customers and lower sales in the Components business, which had recorded significant growth in the prior-year period. Sales of instruments declined, as one partner saw a change in ownership at the end of Tecan's reporting period. As a result, order placements were delayed in the first six months of the year and sales booked only at a significantly reduced level. Another corporate customer was impacted by the timing of tenders in emerging markets, with a publically stated expectation of an improvement in the second half of the year.

Order entry in the Partnering Business increased slightly in the first half of the year, leading to a significantly higher order backlog at the end of the reporting period.

The segment's operating profit in the first half of 2014 was CHF 11.3 million (H1 2013: CHF 25.0 million). The decline is principally the result of lower sales. The profit margin reached 15.5% of sales (H1 2013: 29.2%).

## Additional information

### Regional development

In Europe, sales in the Life Sciences Business recovered strongly and were growing with a double-digit rate. Despite a ramp up of sales from instrument deliveries to Dako, sales in the Partnering Business declined as they were impacted by the delay in orders from two large corporate customers. Overall, sales in Europe were 2.4% below the prior-year period in local currencies and decreased by 2.8% in Swiss francs.

In North America, the Life Sciences Business was benefitting from an improved funding environment and recorded good sales growth. In the Partnering Business, sales declined for instruments and the components business. Total sales in North America were down by 4.4% in local currencies. Sales in Swiss francs were negatively impacted by the exchange rate development of the US dollar versus the Swiss franc and were 8.2% below the prior-year period.

China has seen delays in government tenders and in academic spending as widely noted in the industry, which also provided a drag to Tecan's Life Sciences Business sales in Asia. A normalization of spending patterns is expected for the second half of the year. By contrast, sales in the Partnering Business were growing strongly in China and Asia overall. Total sales in Asia grew by 0.5% in local currencies and including a negative exchange rate impact were 6.7% below the prior-year period in Swiss francs.

### Recurring sales of services and consumables

Sales of consumables increased by 9.2% in local currencies and by 6.3% in Swiss francs to a share of 12.6% of total sales (H1 2013: 11.2%). Service revenues experienced a slowdown due to lower spare part revenues mainly linked to the mentioned delays noted in Partnering Business and were down by 1.4% in local currencies and by 4.2% in Swiss francs.

Overall, recurring sales of services and consumables increased by 2.0% in local currency terms in the first half of 2014 and were 0.8% below the prior-year period in Swiss francs. They accounted for 36.8% of total sales (H1 2013: 35.1%).

### Research and development

In the first half of 2014, research and development spending was at 10.0% of sales (H1 2013: 11.7%) or CHF 17.2 million (H1 2013: CHF 21.3 million). All told, research and development activities amounted to CHF 47.6 million gross (H1 2013: CHF 54.0 million), out of which CHF 18.5 million are development costs for OEM instrument customers in Partnering Business. This total figure also includes the development costs capitalized in the balance sheet of CHF 12.7 million gross, an increase of CHF 8.5 million over the first half of 2013 as development projects progressed and are nearing product launch.

In June, Tecan announced the launch of the Fluent™ laboratory automation family as the latest addition to its extensive liquid handling portfolio. This next generation of liquid handling platforms has been a major development program for Tecan. Fluent is a unique automation concept built around the application-specific needs of laboratories, delivering more capacity and increased speed. The first Fluent solutions are designed to meet the needs of the strongly growing cell biology market. Fluent has been well received by end users in the market and product shipments are expected within the coming weeks.

In the Partnering Business Tecan continues to develop ORTHO Vision™ Max, the second instrument variant of a next generation diagnostics instrument used for blood typing and to determine other important blood parameters. In the meantime, the first instrument variant ORTHO Vision™ continues in validation and in recent weeks, the first series instruments have been delivered to the customer.

## Strong balance sheet – high equity ratio

Tecan's equity ratio reached 70.9% as of June 30, 2013 (December 31, 2013: 72.0%). Net liquidity (cash and cash equivalents less bank liabilities and loans) amounted to CHF 130.0 million (December 31, 2013: CHF 143.4 million). The Company's share capital remained unchanged at CHF 1,144,458 at the reporting date (June 30, 2014), 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 14, 2014, shareholders approved an unchanged dividend versus the previous year of CHF 1.50 per registered share. The payout of dividends of CHF 16.7 million in total took take place on April 23, 2014.

## Acquisition of IBL International to offer integrated solution for specialty diagnostics

On July 30, 2014, Tecan has announced the acquisition of IBL International as an important strategic step to support Tecan's evolution into a solutions business with a higher share of recurring revenues. IBL International is a leading company in the field of microtiter plate based immunoassays with one of the widest ranges of tests for specialty diagnostics to be used in research and clinical laboratories. IBL International will become a part of Tecan's Life Sciences Business, leveraging Tecan's global presence and long tradition serving the clinical market with instruments optimized for immunoassay processing.

The purchase consideration of EUR 29.0 million (CHF 35.2 million) was fully paid in cash and represents a valuation of 1.8 times fiscal year 2013 sales of IBL International. The transaction is expected to be accretive to earnings per share (EPS) before transaction-related amortization in the second full year after closing. The transaction was successfully completed on July 31, 2014 and from August 1, 2014, IBL International will be included in the consolidated financial statements of the Tecan Group.

## Outlook for full-year 2014 confirmed

For financial year 2014, Tecan continues to expect Group sales in local currencies to grow at least in the mid single-digit percentage range and for the operating profit margin a further increase of around 50 basis points compared to 2013.

The expectation regarding operating profit margin is based on an average exchange rate forecast for full-year 2014 of one euro equaling CHF 1.21 and one US dollar equaling CHF 0.92.

This financial year 2014 outlook does not include contributions from the acquisition of IBL International. Currently, Tecan expects a mid single-digit million Swiss franc sales contribution for the remaining five months that IBL International will be included in the consolidated financial statements 2014 of the Tecan Group. The negative impact on the absolute operating profit in Swiss francs is expected to be up to CHF 2 million, due to purchase price amortization and initial integration costs.

Männedorf, August 11, 2014

**Rolf A. Classon**
Chairman of the Board

**Dr. David Martyr**
Chief Executive Officer

# Interim consolidated statement of profit or loss

| January to June, CHF 1,000 | Notes | 2013 | 2014 |
|---|---|---|---|
| **Sales** | 4 | **181,810** | **172,002** |
| | | | |
| Cost of sales | | (93,173) | (84,670) |
| | | | |
| **Gross profit** | | **88,637** | **87,332** |
| | | | |
| Sales and marketing | | (28,001) | (29,561) |
| Research and development | | (21,342) | (17,220) |
| General and administration | | (16,500) | (18,474) |
| Other operating income | | 328 | 243 |
| | | | |
| **Operating profit** | 4 | **23,122** | **22,320** |
| | | | |
| Financial income | | 51 | 11 |
| Finance cost | | (278) | (233) |
| Foreign exchange (losses)/gains, net | | (2,479) | 317 |
| ***Financial result*** | | ***(2,706)*** | ***95*** |
| | | | |
| **Profit before taxes** | | **20,416** | **22,415** |
| | | | |
| Income taxes | | (3,936) | (3,833) |
| | | | |
| **Profit for the period, attributable to owners of the parent** | | **16,480** | **18,582** |
| | | | |
| *Earnings per share* | | | |
| Basic earnings per share (CHF/share) | | 1.51 | 1.68 |
| Diluted earnings per share (CHF/share) | | 1.49 | 1.65 |

# Interim consolidated statement of profit or loss and other comprehensive income

| January to June, CHF 1,000 | 2013 | 2014 |
|---|---|---|
| **Profit for the period** | **16,480** | **18,582** |
| | | |
| ***Other comprehensive income*** | | |
| | | |
| Remeasurement of defined benefit obligation | 4,200 | (4,978) |
| Related income taxes | (708) | 802 |
| **Items that will not be reclassified to profit or loss, net of income taxes** | **3,492** | **(4,176)** |
| | | |
| Translation differences | 1,340 | (498) |
| **Items that may be reclassified subsequently to profit or loss, net of income taxes** | **1,340** | **(498)** |
| | | |
| ***Other comprehensive income/(loss), net of income taxes*** | **4,832** | **(4,674)** |
| | | |
| **Total comprehensive income for the period, attributable to owners of the parent** | **21,312** | **13,908** |

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

# Interim consolidated balance sheet

## Assets

| CHF 1,000 | Notes | 31.12.2013 | 30.06.2014 |
|---|---|---|---|
| Cash and cash equivalents | | 150,377 | 136,913 |
| Current loans and derivatives | | 2,599 | 2,614 |
| Trade accounts receivable | | 74,652 | 62,267 |
| Other accounts receivable | | 10,591 | 14,393 |
| Inventories | 6 | 145,693 | 165,700 |
| Income tax receivables | | 1,393 | 2,922 |
| Prepaid expenses | | 2,266 | 3,315 |
| | | | |
| **Current assets** | | **387,571** | **388,124** |
| | | | |
| Non-current financial assets | | 1,489 | 751 |
| Property, plant and equipment | | 19,855 | 17,862 |
| Intangible assets | | 48,571 | 60,409 |
| Deferred tax assets | | 9,163 | 9,430 |
| | | | |
| **Non-current assets** | | **79,078** | **88,452** |
| | | | |
| **Assets** | | **466,649** | **476,576** |

## Liabilities and equity

| CHF 1,000 | Notes | 31.12.2013 | 30.06.2014 |
|---|---|---|---|
| Current bank liabilities and derivatives | | 5,588 | 5,079 |
| Trade accounts payable | | 10,292 | 10,145 |
| Other accounts payable | | 15,101 | 19,796 |
| Deferred revenue | | 18,739 | 24,181 |
| Income tax payables | | 8,221 | 8,956 |
| Accrued expenses | | 32,967 | 27,567 |
| Current provisions | | 14,404 | 11,736 |
| | | | |
| **Current liabilities** | | **105,312** | **107,460** |
| | | | |
| Non-current bank liabilities and derivatives | | 2,013 | 2,048 |
| Liability for post-employment benefits | | 16,773 | 22,692 |
| Non-current provisions | | 2,480 | 2,284 |
| Deferred tax liabilities | | 3,869 | 3,968 |
| | | | |
| **Non-current liabilities** | | **25,135** | **30,992** |
| | | | |
| **Total liabilities** | | **130,447** | **138,452** |
| | | | |
| Share capital | | 1,144 | 1,144 |
| Capital reserve | | 9,301 | 9,334 |
| Treasury shares | | (13,151) | (11,295) |
| Retained earnings | | 369,977 | 370,508 |
| Translation differences | | (31,069) | (31,567) |
| | | | |
| **Shareholders' equity** | 7 | **336,202** | **338,124** |
| | | | |
| **Liabilities and equity** | | **466,649** | **476,576** |

# Interim consolidated statement of cash flows

| January to June, CHF 1,000 | Notes | 2013 | 2014 |
|---|---|---|---|
| Profit for the period | | 16,480 | 18,582 |
| | | | |
| *Adjustments for* | | | |
| Depreciation and amortization | | 5,160 | 4,517 |
| Change in provisions and liability for post-employment benefits | | 1,522 | (1,882) |
| Interest income | | (51) | (11) |
| Interest expenses | | 64 | 62 |
| Income taxes | | 3,936 | 3,833 |
| Equity-settled share-based payment transactions | | 933 | 2,776 |
| Other non-cash items | | 728 | (163) |
| | | | |
| *Change in working capital* | | | |
| Trade accounts receivable | | 18,702 | 12,086 |
| Inventories | 6 | (23,189) | (19,893) |
| Trade accounts payable | | (1,148) | (121) |
| Other changes in working capital (net) | | (8,665) | 414 |
| | | | |
| Income taxes paid | | (8,984) | (4,022) |
| | | | |
| **Cash inflows from operating activities** | | **5,488** | **16,178** |
| | | | |
| Interest received | | 50 | 11 |
| Acquisition of Tecan Australia Pty Ltd., earn-out paid | | (145) | (119) |
| Purchase of property, plant and equipment | | (2,059) | (1,520) |
| Proceeds from sale of property, plant and equipment | | 40 | 179 |
| Investment in intangible assets | | (4,806) | (13,307) |
| | | | |
| **Cash outflows from investing activities** | | **(6,920)** | **(14,756)** |
| | | | |
| Dividends paid | | (16,488) | (16,651) |
| Proceeds from sale of treasury shares | | 6,825 | 1,889 |
| Change in current bank liabilities | | 3,977 | 47 |
| Increase in bank loans | | 234 | – |
| Interest paid | | (64) | (63) |
| | | | |
| **Cash outflows from financing activities** | | **(5,516)** | **(14,778)** |
| | | | |
| Effect of exchange rate fluctuations on cash held | | 147 | (108) |
| | | | |
| **Decrease in cash and cash equivalents** | | **(6,801)** | **(13,464)** |
| | | | |
| Cash and cash equivalents at January 1 | | 144,520 | 150,337 |
| | | | |
| **Cash and cash equivalents at June 30** | | **137,719** | **136,913** |
| | | | |
| ***Cash and cash equivalents as per cash flow statement comprise*** | | | |
| Cash and cash equivalents as per balance sheet | | 137,719 | 136,913 |
| ./. Bank overdrafts under bank pooling arrangements | | – | – |
| **= Cash and cash equivalents as per cash flow statement** | | **137,719** | **136,913** |

# Interim consolidated statement of changes in equity

| January to June, CHF 1,000 | Notes | Share capital | Capital reserve | Treasury shares | Retained earnings | Translation differences | Total share-holders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2013** | | **1,144** | **9,359** | **(23,527)** | **336,438** | **(29,801)** | **293,613** |
| | | | | | | | |
| Profit for the period, | | – | – | – | 16,480 | – | 16,480 |
| Other comprehensive income, net of income taxes | | – | – | – | 3,492 | 1,340 | 4,832 |
| ***Total comprehensive income for the period*** | | **–** | **–** | **–** | ***19,972*** | ***1,340*** | ***21,312*** |
| | | | | | | | |
| Dividends paid | | – | – | – | (16,488) | – | (16,488) |
| Share-based payments | | – | – | – | 933 | – | 933 |
| Treasury shares issued based on employee participation plans | | – | (1,329) | 5,868 | – | – | 4,539 |
| Other sale of treasury shares | | – | 488 | 1,798 | – | – | 2,286 |
| ***Total contributions by and distributions to owners*** | 7 | **–** | ***(841)*** | ***7,666*** | ***(15,555)*** | **–** | ***(8,730)*** |
| | | | | | | | |
| **Balance at June 30, 2013** | | **1,144** | **8,518** | **(15,861)** | **340,855** | **(28,461)** | **306,195** |
| | | | | | | | |
| **Balance at January 1, 2014** | | **1,144** | **9,301** | **(13,151)** | **369,977** | **(31,069)** | **336,202** |
| | | | | | | | |
| Profit for the period | | – | – | – | 18,582 | – | 18,582 |
| Other comprehensive loss, net of income taxes | | – | – | – | (4,176) | (498) | (4,674) |
| ***Total comprehensive income for the period*** | | **–** | **–** | **–** | ***14,406*** | ***(498)*** | ***13,908*** |
| | | | | | | | |
| Dividends paid | | – | – | – | (16,651) | – | (16,651) |
| Share-based payments | | – | – | – | 2,776 | – | 2,776 |
| Treasury shares issued based on employee participation plans | | – | 26 | 1,849 | – | – | 1,875 |
| Other sale of treasury shares | | – | 7 | 7 | – | – | 14 |
| ***Total contributions by and distributions to owners*** | 7 | **–** | ***33*** | ***1,856*** | ***(13,875)*** | **–** | ***(11,986)*** |
| | | | | | | | |
| **Balance at June 30, 2014** | | **1,144** | **9,334** | **(11,295)** | **370,508** | **(31,567)** | **338,124** |

# Notes to the interim condensed consolidated financial statements

## 1 Reporting entity

The Tecan Group is a global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The Group specializes in the development, production and distribution of automation solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, forensic and diagnostic laboratories. As an original equipment manufacturer, the Group also develops and manufactures OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the Group has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The ultimate parent company is Tecan Group Ltd., a limited liability company incorporated in Switzerland, whose shares are publicly traded. Tecan Group Ltd.'s registered office is located at Seestrasse 103, 8708 Männedorf, Switzerland.

## 2 Basis of preparation and significant accounting policies

### 2.1 Basis of preparation

These unaudited financial statements are the interim condensed consolidated financial statements of Tecan Group Ltd. and its subsidiaries (together referred to as the "Group") for the six-month period ending June 30, 2014. The financial statements are prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and should be read in conjunction with the Group's annual financial statements as they provide an update of previously reported information. The interim condensed consolidated financial statements were authorized for issue on August 11, 2014.

The preparation of these interim condensed 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.

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

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

### 2.2 Introduction of new and revised/amended accounting standards and interpretations

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending December 31, 2013, except for the adoption of the following new or revised/amended standards and interpretations, effective as from January 1, 2014:

| Standard/interpretation[1] |
|---|
| Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) |
| IAS 32 amended 'Financial Instruments: Presentation' – Offsetting Financial Assets and Liabilities |
| IAS 39 amended 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting |
| IIFRIC 21 'Levies' |

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

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

### 2.3 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 interim condensed consolidated financial statements:

| Standard/interpretation[1] | Effective date for the Group |
|---|---|
| IAS 19 amended 'Employee Benefits' – Defined Benefit Plans: Employee Contributions | Reporting year 2015 |
| Annual Improvements to IFRSs 2010-2012 Cycle | Reporting year 2015 |
| Annual improvements to IFRSs 2011-2013 Cycle | Reporting year 2015 |
| IFRS 11 amended 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations | Reporting year 2016 |
| IAS 16 amended 'Property, Plant and Equipment' and IAS 38 amended 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortization | Reporting year 2016 |
| IFRS 15 'Revenue from Contracts with Customers' | Reporting year 2017 |
| IFRS 9 'Financial Instruments' | Not yet determined |

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

These changes are not expected to have a significant impact on the consolidated financial statements except for IFRS 15 'Revenue from Contracts with Customers'. However, a comprehensive and profound analysis is yet to be performed.

## 3 Change in scope of consolidation

There has been no change in the scope of the consolidation since December 31, 2013.

## 4 Interim segment information

### 4.1 Segment information by business segments

| | Life Sciences Business | | Partnering Business | | Corporate / consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|
| January to June, CHF 1,000 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Sales third | 97,605 | 100,920 | 84,205 | 71,082 | – | – | 181,810 | 172,002 |
| Intersegment sales[1] | 6,382 | 4,948 | 1,426 | 1,584 | (7,808) | (6,532) | – | – |
| **Total sales** | **103,987** | **105,868** | **85,631** | **72,666** | **(7,808)** | **(6,532)** | **181,810** | **172,002** |
| | | | | | | | | |
| **Operating profit** | **1,083** | **14,825** | **25,017** | **11,277** | **(2,978)** | **(3,782)** | **23,122** | **22,320** |
| | | | | | | | | |
| Depreciation and amortization[2] | (3,325) | (2,804) | (1,835) | (1,713) | – | – | (5,160) | (4,517) |
| Impairment losses | – | – | – | – | – | – | – | – |

[1] Intersegment transactions are conducted at arm's length.

[2] No significant non-cash items other than depreciation of property, plant and equipment and amortization of intangible assets were incurred.

| January to June, CHF 1,000 | 2013 | 2014 |
|---|---|---|
| *Reconciliation of reportable segment sales* | | |
| Total sales for reportable segments | 189,618 | 178,534 |
| Elimination of intersegment sales | (7,808) | (6,532) |
| **Total consolidated sales** | **181,810** | **172,002** |
| | | |
| *Reconciliation of reportable segment profit* | | |
| Total operating profit for reportable segments | 26,100 | 26,102 |
| Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries | (2,978) | (3,782) |
| Financial result | (2,706) | 95 |
| **Total consolidated profit before taxes** | **20,416** | **22,415** |

### 4.2 Entity-wide disclosures

#### *Products and services*

| January to June, CHF 1,000 | 2013 | 2014 |
|---|---|---|
| Products | 118,041 | 108,774 |
| Services | 63,769 | 63,228 |
| | | |
| **Total sales third** | **181,810** | **172,002** |

#### *Sales by regions (by location of customers)*

| January to June, CHF 1,000 | 2013 | 2014 |
|---|---|---|
| Switzerland | 4,178 | 4,530 |
| Other Europe | 73,983 | 71,443 |
| North America | 76,006 | 69,752 |
| Asia | 22,776 | 21,257 |
| Others | 4,867 | 5,020 |
| | | |
| **Total sales third** | **181,810** | **172,002** |

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

| | Property, plant and equipment | | Intangible assets | |
|---|---|---|---|---|
| CHF 1,000 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 |
| Switzerland | 10,721 | 9,323 | 46,720 | 58,596 |
| Other Europe | 4,884 | 4,527 | 1,419 | 1,404 |
| United States | 3,814 | 3,588 | – | – |
| Asia | 436 | 424 | 432 | 409 |
| **Total** | **19,855** | **17,862** | **48,571** | **60,409** |

### *Information about major customers*

There are no sales to individual customers in the first half of 2013 and 2014 that accumulated exceeded 10% of total sales.

## 5 Operating expenses by nature

| January to June, CHF 1,000 | 2013 | 2014 |
|---|---|---|
| Material costs | 55,115 | 48,209 |
| Personnel costs | 70,262 | 72,147 |
| Depreciation of property, plant and equipment | 3,162 | 3,042 |
| Amortization of intangible assets | 1,998 | 1,475 |
| Other operating costs (net) | 55,264 | 50,313 |
| **Total operating cost incurred (gross)** | **185,801** | **175,186** |
| Capitalization of development costs in position inventories (see note 6) | (22,897) | (12,762) |
| Capitalization of development costs in position intangible assets | (4,216) | (12,742) |
| **Total operating expenses, according to statement of profit or loss** | **158,688** | **149,682** |

## 6 Inventories

In 2010, the Group entered into an OEM agreement with a global diagnostics company. The agreement comprises the development and supply of a dedicated diagnostic instrument. The related customer-specific development costs are currently capitalized in the position inventories as part of the production costs and amounted to CHF 123.0 million at the end of June 2014 (December 31, 2013: CHF 110.4 million). 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.

Further information regarding this critical accounting estimate and judgment can be found in note 2.2.4 of the consolidated financial statements 2013.

## 7 Shareholders' equity and employee participation plans

### 7.1 Dividends paid

| | 2013 | 2014 |
|---|---|---|
| Number of shares eligible for dividend and payout | 10,991,802 | 11,098,831 |
| Dividends paid (CHF/share) | 0.50 | 1.50 |
| Payout from statutory capital contribution reserve (CHF/share) | 1.00 | – |

## 7.2 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, 2013 | 11,444,576 | (546,590) | 10,897,986 |
| Treasury shares issued based on employee participation plans | – | 90,874 | 90,874 |
| Sale of treasury shares | – | 26,025 | 26,025 |
| | | | |
| **Balance at June 30, 2013** | **11,444,576** | **(429,691)** | **11,014,885** |
| | | | |
| Balance at January 1, 2014 | 11,444,576 | (362,840) | 11,081,736 |
| Treasury shares issued based on employee participation plans | – | 51,408 | 51,408 |
| Sale of treasury shares | – | 125 | 125 |
| | | | |
| **Balance at June 30, 2014** | **11,444,576** | **(311,307)** | **11,133,269** |

## 7.3 Employee share option plans

(See note 10.4.1 of the consolidated financial statements 2013 for the terms and principal conditions)

### Movements in employee share options

| Employee share options | 2013 | 2014 |
|---|---|---|
| Balance at January 1 | 264,769 | 148,704 |
| Exercised | (70,615) | (23,505) |
| Forfeited and expired | (5,400) | (5,638) |
| | | |
| **Balance at June 30** | **188,754** | **119,561** |
| | | |
| Thereof vested at period-end | 99,045 | 46,242 |

## 7.4 Employee share plans (Performance Share Matching Plans [PSMP] and other share plans)

(See note 10.4.2 of the consolidated financial statements 2013 for the terms and principal conditions)

### Movements in employee shares

| Employee shares (excluding voluntary investments) | 2013 | 2014 |
|---|---|---|
| Balance at January 1 | 222,660 | 223,527 |
| Share plan - Board of Directors – shares granted | – | 3,151 |
| PSMP – extended Management Board – initial shares granted | 17,742 | 17,394 |
| PSMP – extended Management Board – maximum of matching shares granted | 50,648 | 52,870 |
| PSMP – other Management – initial shares granted | – | 2,902 |
| PSMP – other Management – maximum of matching shares granted | – | 7,255 |
| Matching shares forfeited | (64,710) | (40,772) |
| Shares deblocked and available to the participants | (353) | (7,085) |
| | | |
| **Balance at June 30** | **225,987** | **259,242** |
| | | |
| Thereof vested, but blocked until the end of the performance period | 41,919 | 43,514 |

## 8 Principal exchange rates

| | | Closing exchange rates | | Average exchange rates January to June | |
|---|---|---|---|---|---|
| CHF | | 31.12.2013 | 30.06.2014 | 2013 | 2014 |
| EUR | 1 | 1.23 | 1.21 | 1.23 | 1.22 |
| USD | 1 | 0.89 | 0.89 | 0.95 | 0.89 |

## 9 Fair value measurement and disclosures

(See note 25 of the consolidated financial statements 2013 for definitions and the valuation techniques used)

### 9.1 Assets and liabilities measured at fair value on a recurring basis after initial recognition

| CHF 1,000 | Fair value hierarchy | Net carrying amount in balance sheet measured at fair value | |
|---|---|---|---|
| Position | | 31.12.2013 | 30.06.2014 |
| Currency forwards | Level 2 | 2,739 | 2,529 |
| Currency options | Level 2 | (70) | – |

There have bee no transfers between the levels in 2013 and 2014.

### 9.2 Fair value disclosures of assets and liabilities measured at amortized cost

| CHF 1,000 | Fair value hierarchy | Net carrying amount in balance sheet measured at amortized cost | | Fair value disclosure | |
|---|---|---|---|---|---|
| Position | | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 |
| Receivables | n/a | 75,798 | 62,300 | 75,798 | 62,300 |
| Payables | n/a | 10,301 | 10,155 | 10,301 | 10,155 |
| Bank loans | Level 2 | 4,824 | 4,772 | 4,741 | 4,742 |

## 10 Contingencies and commitments

There have been no significant changes for contingencies and commitments.

## 11 Events after the reporting period

### Acquisition of IBL International Group

The Tecan Group acquired 100% of the voting rights of IBL International Group as of July 31, 2014 (closing date) consisting of the following companies:

| Company | Domicile | Participation in % | Activities |
|---|---|---|---|
| IBL International Holding B.V. | Deventer (NL) | 100% | S |
| • IBL International GmbH | Hamburg (DE) | 100% | R/P/D |
| • IBL International B.V. | Nijkerk (NL) | 100% | D |
| • IBL International Corp. | Toronto (CA) | 100% | D |

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

The IBL International Group develops, manufactures and offers a comprehensive portfolio of immunoassays for the life science research and routine clinical diagnostics. The acquired Group will become part of Tecan's Life Sciences Business, leveraging Tecan's global presence and strong position in immunoassay instruments.

Established over 30 years ago, the IBL International Group employs staff of over 80 and has its main operations located in Hamburg, Germany. Further, the Group has dedicated sales teams in Germany, North America and the Benelux as well as an extensive distributor network. In 2013, the IBL International

Group generated total sales of approximately EUR 16 million (CHF 20 million) with an EBITDA margin at a similar level to the Tecan Group.

The provisional consideration was EUR 29.0 million (CHF 35.2 million) on a cash- and debt-free basis. The initial purchase price was paid in cash and is subject to final adjustments based on completion statements that are prepared within the next weeks after the closing. Financial statements of the acquired Group in accordance with IFRS are currently not available and the purchase price allocation is yet to be performed.

# Tecan locations

- ● Tecan sales office
- ○ R&D and manufacturing site

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Germany +49 79 51 94 170
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**Design Concept and Realization**
W4 Marketing AG, Zurich

**Translation**
CLS Communication AG, Zurich/Basel

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This Interim Report is available in English and German and can also be found at the website www.tecan.com. The English report is the authoritative version.

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