Tecan Interim Report 2021

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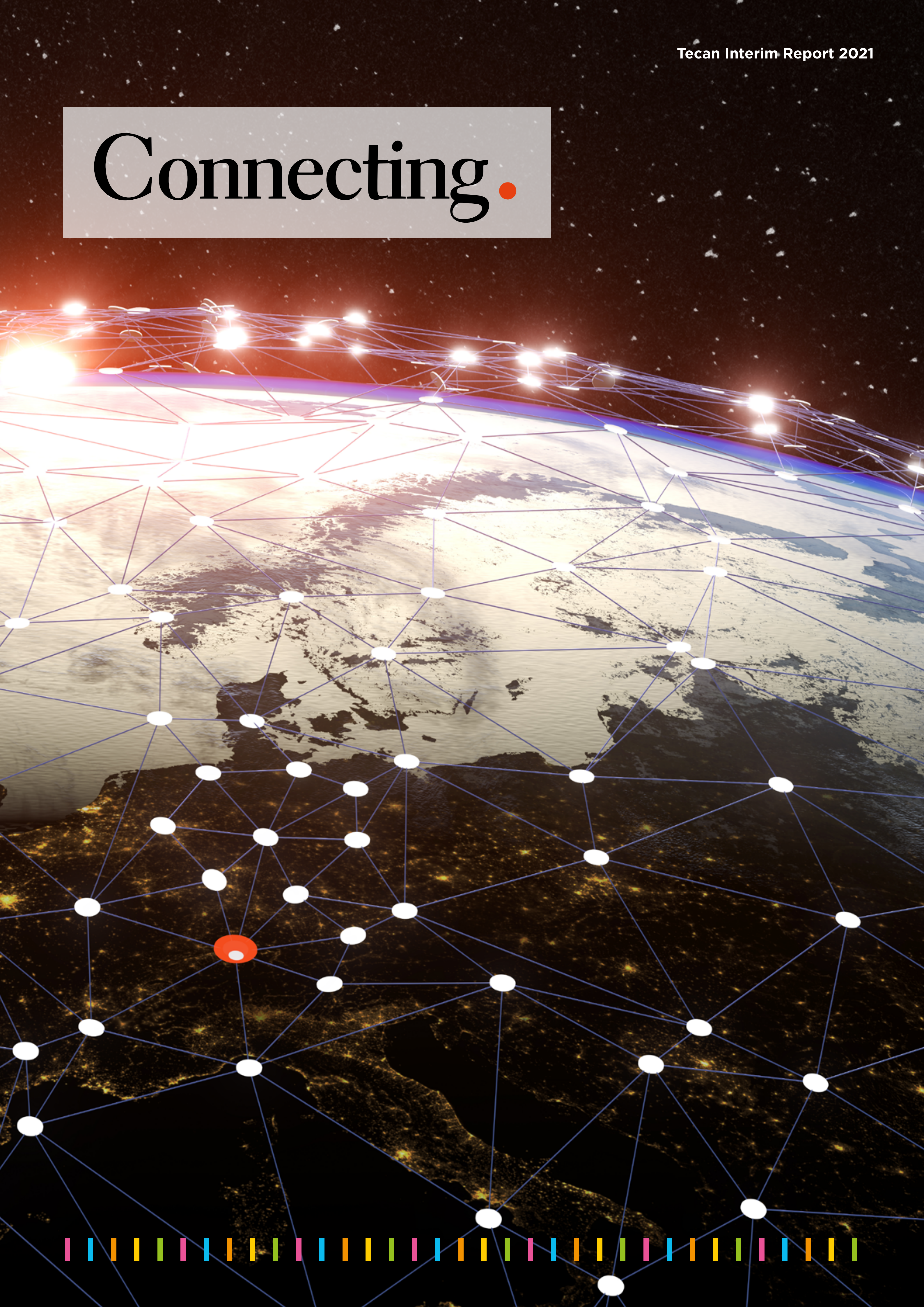

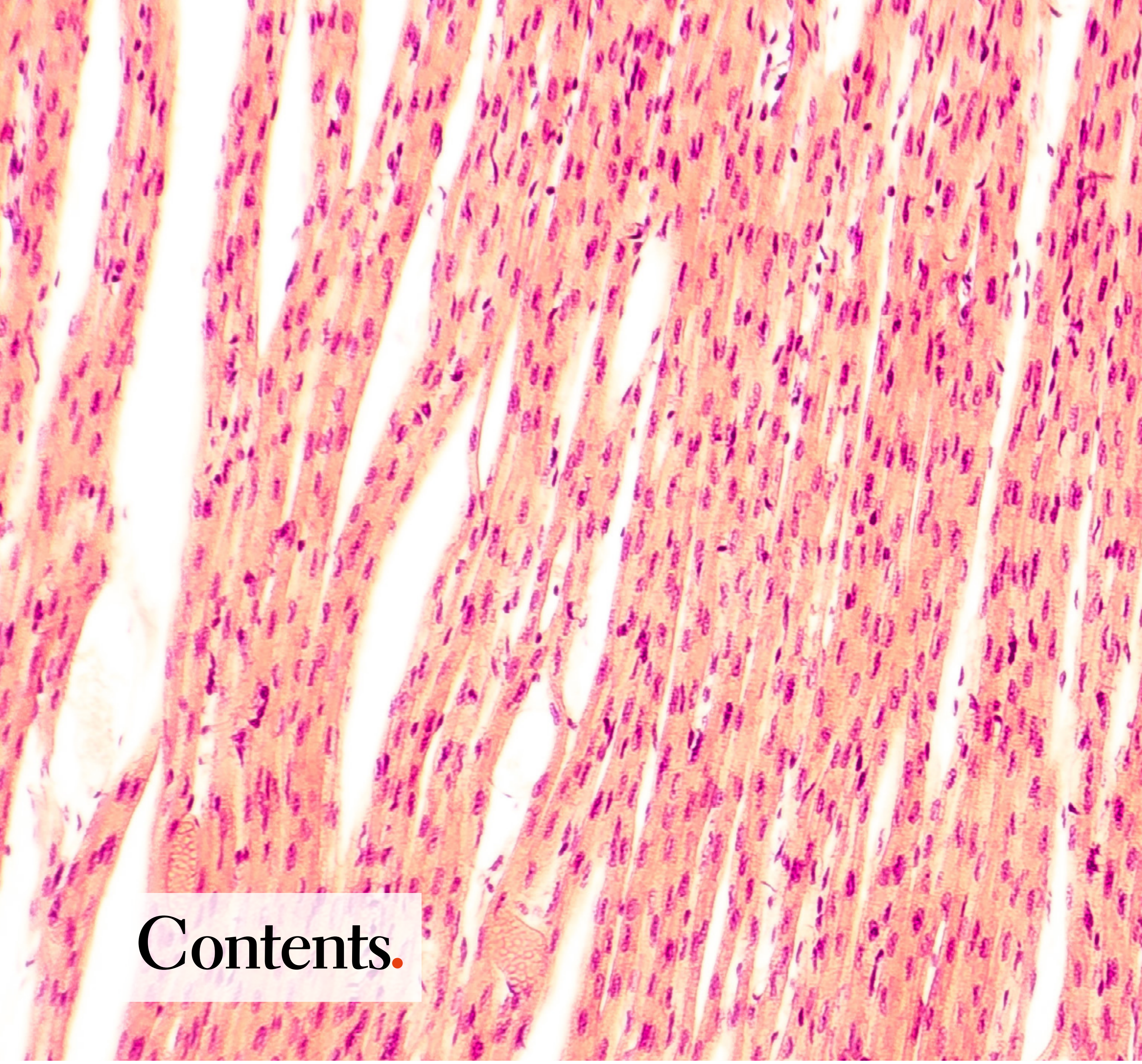

Contents.

Dear Shareholders

Tecan achieved a substantial double-digit increase in sales and more than a doubling in net profit in the first half of 2021. This builds on an already strong performance in the prior-year period. We are incredibly proud of our employees, who support our customers with great commitment and passion. We still saw a strong sales contribution from product lines helping with the global response to COVID-19. However, in terms of order entry, this was outpaced by demand for products for other research and clinical applications. In particular, we are seeing strong momentum in automation systems as customers — in a reaction to the pandemic — seem to be placing more emphasis on keeping labs operational also in a hybrid working model with fewer personnel. This new aspect complements productivity and reproducibility, the traditional main advantages and value propositions of automation.

With the acquisition of Paramit Corporation successfully closed early August 2021, we look forward to working alongside our new colleagues at Paramit to scale innovation from research and diagnostics now all the way to the clinic.

FINANCIAL RESULTS FOR THE FIRST HALF OF 2021

Order entry increased by 20.9% in local currencies or 20.2% in Swiss francs to CHF 449.6 million in the first six months of the year (H1 2020: CHF 374.0 million). The company continued to see strong order entry for consumables to support the global fight against the coronavirus pandemic and, as expected, to a lesser extent for new instruments used for COVID-19 testing. In contrast to the two previous 6-month reporting periods, orders for products for other research and clinical applications were at a significantly higher level and exceeded pandemic-related orders.

Sales climbed by 47.5% in local currencies or 46.5% in Swiss francs to CHF 454.0 million in the first half of the year (H1 2020: CHF 310.0 million). Based on the high order backlog at year-end 2020 and new orders, Tecan continued to book significant pandemic-related sales for instruments, components and consumables. As with order entry, sales in the first half of 2021 also benefited significantly from a recovery and a more positive market environment in areas that were negatively impacted by the pandemic, such as life science research, pharma and non-COVID-19 diagnostic testing. Both business segments contributed almost equally to the overall sales growth in the first six months of the year.

Recurring sales of services, consumables and reagents increased in the first half of 2021 by 37.6% in local currencies and 35.4% in Swiss francs. With even higher growth rates for instruments, recurring sales accounted for 43.1% of total sales compared to 46.6% in the same period last year.

The reported operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose to CHF 115.0 million in the reporting period (H1 2020: CHF 60.2 million). With an increase of 91.1%, reported EBITDA grew significantly faster than sales, mainly driven by benefits of scale due to the significantly increased volumes and a favorable product mix of instruments as well as a higher contribution from consumables and spare parts. The results development was also helped by a one-time positive effect from an adjustment of the Swiss pension plan (CHF 7.0 million). However, the company is assessing alternative pension schemes that could require a reversal of this gain in the second half of the year.

The reported EBITDA margin grew correspondingly by 590 basis points to 25.3% of sales (H1 2020: 19.4%).

Reported net profit in the first half of 2021 more than doubled to CHF 82.6 million (H1 2020: CHF 36.0 million). Reported net profit increased in line with operating profit (earnings before interest and taxes; EBIT). The reported net profit margin amounted to

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

DR. ACHIM VON LEOPRECHTING
Chief Executive Office

18.2% of sales (H1 2020: 11.6%), while basic earnings per share rose to CHF 6.88 (H1 2020: CHF 3.02).

Cash flow from operating activities increased by 34.5% to CHF 111.4 million in the first half of 2021 (H1 2020: CHF 82.8 million), corresponding to 24.5% of sales (H1 2020: 26.7%).

INFORMATION BY BUSINESS SEGMENT

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Sales in the Life Sciences Business increased by 47.8% to CHF 250.4 million (H1 2020: CHF 169.4 million) in the first half of the year and were 49.5% above the prior-year period in local currencies. Based on the high order backlog at year-end 2020, the Life Sciences Business continued to see a strong revenue contribution from products supporting the COVID-19 response, mainly liquid handling and automation workstations and associated disposable pipette tips. Segment sales in the first half of 2021 also benefited significantly from a recovery in areas that were negatively impacted by the pandemic, including liquid handling and automation workstations for various life science research applications, detection instruments and research reagents for next-generation sequencing (NGS).

Order entry in the Life Sciences Business grew with a strong double-digit rate in the first half of the year. The increase in order entry was mainly driven by strong momentum in automation systems for a wide variety of applications, detection instruments as well as continued substantial demand for consumables used for COVID-19 testing.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) rose by 180.9% to CHF 63.1 million (H1 2020: CHF 22.5 million). The operating profit margin increased to 22.8% of sales (H1 2020: 12.6%). This positive performance is primarily a result of sales growth as well as a strong margin contribution from the consumables business.

PARTNERING BUSINESS (OEM BUSINESS)

The Partnering Business generated sales of CHF 203.7 million in the period under review (H1 2020: CHF 140.6 million), which corresponds to an increase of 44.8% in Swiss francs and 45.1% in local currencies. Similar patterns to the Life Sciences Business were observed in the Partnering Business, with automation platforms, OEM components and disposable pipette tips supporting COVID-19 testing contributing strongly to sales as orders were converted from the high backlog into sales. Sales to customers in other areas of in-vitro diagnostics, which were negatively affected during the pandemic, also showed positive momentum again.

With the shift in order entry from COVID-driven applications to non-infectious disease customers, order entry in the Partnering Business also grew at a strong double-digit rate.

Operating profit in this segment (earnings before interest and taxes; EBIT) increased by 86.9% to CHF 49.2 million (H1 2020: CHF 26.3 million), while the operating profit margin grew to 24.0% of sales (H1 2020: 18.6%). Main drivers for the increase in profitability were benefits of scale due to the significantly higher volumes and a favorable product mix.

ADDITIONAL INFORMATION

REGIONAL DEVELOPMENT

In Europe, Tecan's sales in the first six months of 2021 increased by 36.1% in local currencies and by 38.3% in Swiss francs. Both business segments grew with a double-digit rate, the Partnering Business with 13.4% in local currencies and the Life Sciences Business with 59.0%.

In North America, sales rose by 69.4% in local currencies and by 62.0% in Swiss francs. The Life Sciences Business increased sales in the first six months of 2021 by 61.1% in local currencies. In the Partnering Business sales rose by 80.8%, despite the high comparative basis from the prior-year period.

In Asia, Tecan generated an increase in sales of 30.9% in local currencies and 33.7% in Swiss francs. Both segments contributed to the sales growth in the region with double-digit rates, the Life Sciences Business with growth in local currencies of 8.6% and the Partnering Business with 59.7%. In the first half of this year, the Chinese market environment returned to normal levels. Business in China had already benefited significantly from pandemic-related sales growth in the prior-year period. Tecan continued to record solid sales growth in the first half of 2021, although this was lower than in the Asia region as a whole due to the high comparison base.

OPERATING HIGHLIGHTS IN THE FIRST HALF OF 2021

To further drive its application-focused strategy, Tecan continued to launch new variants of the leading Fluent Automation Workstation for key research and diagnostic applications. The Fluent Mix and Pierce Workstation provides end-to-end automation for whole blood pipetting in clinical environments. This newly developed instrument configuration is intended to standardize pre-analytical sample handling and mixing for consistent and scalable blood sampling and reduces the risk of laboratory staff coming into contact with infectious materials. Another example is the Frida Reader™ for Fluent that was launched earlier this year. It offers researchers the ability to quantify nucleic acids without sample loss. This unique solution performs UV absorbance-based quantification and purity assessment in a hanging drop, avoiding the consumption of rare and precious samples following nucleic acid purification (NAP).

Tecan also introduced new important reagent and digital offerings. New reagent kits for example enable end-to-end processing of human samples to allow complete viral RNA-Seq library preparation in a single day. New offerings in Tecan's growing digital ecosystem include the development of a fully integrated, sample-to-result solution for PCR workflows together with laboratory software specialist UgenTec and the FluentControl Scheduler for the Fluent Automation Workstation. The FluentControl Scheduler is a new software that offers a number of features designed to simplify day-to-day laboratory automation for significantly increased throughput and workflow efficiency, streamlining workflows for laboratories that run various assays and processes in parallel.

At the beginning of the year, Tecan has become one of the first companies to meet the requirements of the European Union's In Vitro Diagnostic Regulation (IVDR) 2017/746 (Annex IX, Chapter I and III), successfully completing certification of its IBL International DHEA Saliva ELISA diagnostic assay kit through BSI Notified Body 2797. The valuable insights gained from this process will now be applied to the registration of Tecan's complete portfolio of specialty IVD products – as well as to help its OEM partners ensure they are "IVDR ready" – ahead of the May 2022 transition deadline. The new IVDR represents a major regulatory overhaul, requiring reclassification and certification of all EU-registered IVD assays and devices.

Tecan firmly believes that a trust-based, purpose-driven, diverse and inclusive workplace culture makes a crucial difference in helping the company to become an even more successful business in the long term. In order to continue to improve in a targeted manner, for the first time in 2020 Tecan conducted the TrustIndex™ employee survey by the international research and consulting company Great Place to Work®. As a result of this survey and an additional in-depth Culture Audit™, Tecan has been officially certified as a Great Place to Work in January. Moreover, Tecan was ranked one of Switzerland's Best Workplaces in the Large Company category (more than 250 employees) in May.

ACQUISITION OF PARAMIT CORPORATION

On June 23, Tecan announced that it had entered into a definitive agreement to acquire US-based Paramit Corporation and its affiliates ("Paramit") for a total purchase consideration of USD 1.0 billion (CHF 920 million). Paramit, headquartered in Morgan Hill (CA), US, is a leading OEM developer and manufacturer of medical devices and life sciences instruments. With the addition of approximately USD 300 million in revenues (CHF 276 million) expected in 2022, the acquisition will further extend Tecan's position in solutions for life sciences and in-vitro diagnostics (IVD). It will also add a new business vertical in the attractive and fast-growing market for medical devices. The acquisition will bring significant engineering as well as cost-competitive manufacturing capabilities, both in North America and in the APAC region. Equipped with proprietary computer-directed assembly technology, these facilities deliver ultra-flexible production planning, while reducing the potential for errors ("zero-defect manufacturing").

The acquisition of Paramit was successfully completed on August 2, 2021.

STRONG BALANCE SHEET – HIGH EQUITY RATIO

Tecan's equity ratio was 69.6% as of June 30, 2021 (December 31, 2020: 66.2%). Net liquidity (cash and cash equivalents plus short-term time deposits minus bank liabilities and loans) increased to CHF 534.4 million (June 30, 2020: CHF 354.0 million; December 31, 2020: CHF 467.7 million).

At the Tecan Group Annual General Meeting on April 13, 2021, shareholders approved an increase in the dividend from CHF 2.20 to CHF 2.30 per registered share. Half of the dividend, i.e., CHF 1.15, was paid out from the available capital contribution reserve and was therefore not subject to withholding tax.

ORGANIC OUTLOOK FOR FULL-YEAR 2021 RAISED

Based on the positive business performance in the first six months of 2021, as well as on the continued high order backlog and the anticipated demand in the second half of the year, we raised the organic outlook for full-year 2021. Tecan continues to benefit from exceptional demand for COVID-19 related products and demand trends for these products remain subject to greater uncertainty.

We now forecast organic sales growth for full-year 2021 to be in the low to mid-teens percentage range in local currencies (previously "mid single-digit to mid-teens percentage range").

At the same time, excluding acquisition-related effects, we now expect a reported EBITDA margin in fiscal year 2021 of at least 23% of sales (previously "at least at the 2020 level of 21.8% of sales").

The expectations regarding profitability are based on an average exchange rate forecast for full year 2021 of one euro equaling CHF 1.08 (unchanged) and one US dollar equaling CHF 0.90 (unchanged).

IMPACT OF THE ACQUISITION OF PARAMIT CORPORATION ON TECAN'S 2021 FINANCIAL RESULTS

The acquisition of Paramit Corporation was successfully completed and from August 1, 2021, Paramit will be included in the consolidated financial statements of the Tecan Group as a part of the Partnering Business segment.

We expect that Paramit will generate additional sales of around CHF 100 million and an additional EBITDA, before acquisition-related costs, of about CHF 18 million in the five months of August to December 2021.

Initial integration and transaction costs (including hedging costs and various fees) are expected to amount to approximately CHF 20 million in 2021.

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DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June, CHF 1,000	Notes	2020	2021
Sales	4, 5	**310,004**	**454,043**
Cost of sales		(163,900)	(229,544)
Gross profit		**146,104**	**224,499**
Sales and marketing		(48,593)	(52,721)
Research and development		(25,322)	(31,114)
General and administration		(29,560)	(44,408)
Other operating income		247	1,556
Other operating expenses		(252)	(20)
Operating profit	5	**42,624**	**97,792**
Financial income		16	16
Finance cost		(656)	(1,949)
Net foreign exchange losses		(650)	(828)
Financial result		**(1,290)**	**(2,761)**
Profit before taxes		**41,334**	**95,031**
Income taxes	7	(5,296)	(12,468)
Profit for the period, attributable to owners of the parent		**36,038**	**82,563**
Earnings per share			
Basic earnings per share (CHF/share)		3.02	6.88
Diluted earnings per share (CHF/share)		3.01	6.85

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January to June, CHF 1,000	Notes	2020	2021
Profit for the period		**36,038**	**82,563**
Other comprehensive income			
Sale and change in fair value of unquoted equity instruments designated at fair value through other comprehensive income	12.4	1,588	63
Related income taxes		(318)	-
Remeasurement of net defined benefit liability		(1,196)	14,830
Related income taxes		223	(2,769)
Items that will not be reclassified to profit or loss, net of income taxes		**297**	**12,124**
Net gain on cash flow hedges	12.3	-	3,577
Related income taxes		-	(668)
Translation differences	11	(3,951)	5,525
Related income taxes		61	(44)
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(3,890)**	**8,390**
Other comprehensive income, net of income taxes		*(3,593)*	*20,514*
Total comprehensive income for the period, attributable to owners of the parent		**32,445**	**103,007**

INTERIM CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2020	30.06.2021
Cash and cash equivalents		148,440	215,146
Other current financial assets	12	322,478	322,201
Trade accounts receivable		122,800	110,921
Contract assets		548	564
Other accounts receivable		12,647	16,447
Inventories	8	159,453	164,694
Income tax receivables		2,266	4,138
Prepaid expenses		6,189	7,245
Assets held for sale	3	3,165	-
Current assets		**777,986**	**841,356**
Non-current financial assets	12	5,351	5,469
Property, plant and equipment	9	42,139	47,789
Right-of-use assets		37,082	33,450
Intangible assets and goodwill		213,908	218,243
Deferred tax assets		32,161	31,804
Non-current assets		**330,641**	**336,755**
Assets		**1,108,627**	**1,178,111**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2020	30.06.2021
Current financial liabilities	12	11,110	12,504
Trade accounts payable		11,858	11,979
Other accounts payable		17,245	19,200
Current contract liabilities		62,359	56,141
Current government grants	2.2	465	2,917
Income tax payables		20,206	26,720
Accrued expenses		76,478	71,061
Current provisions	2.2	25,297	33,181
Current liabilities		**225,018**	**233,703**
Non-current financial liabilities	12	28,309	24,373
Non-current contract liabilities		23,015	19,273
Non-current government grants	2.2	16,411	17,184
Liability for post-employment benefits		70,870	48,952
Non-current provisions		6,980	10,219
Deferred tax liabilities		4,373	4,753
Non-current liabilities		**149,958**	**124,754**
Total liabilities		**374,976**	**358,457**
Share capital		1,196	1,202
Capital reserve		47,999	49,742
Retained earnings		730,553	806,354
Cash flow hedge reserve	12.3	-	2,909
Translation differences		(46,097)	(40,553)
Shareholders' equity	10	**733,651**	**819,654**
Liabilities and equity		**1,108,627**	**1,178,111**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

January to June, CHF 1,000	Notes	2020	2021
Profit for the period		**36,038**	**82,563**
Adjustments for			
Depreciation and amortization		17,542	17,195
Change in government grants, liability for post-employment benefits and provisions		(1,042)	3,683
Interest income		(16)	(16)
Interest expenses		456	846
Income taxes		5,296	12,468
Equity-settled share-based payment transactions		8,030	8,558
Other non-cash items		1,649	(3,797)
Change in working capital			
Trade accounts receivable		23,432	14,323
Inventories	8	(12,251)	(2,912)
Trade accounts payable		6,703	(143)
Contract liabilities		8,687	(11,434)
Other changes in working capital (net)		(3,723)	(91)
Income taxes paid		(7,959)	(9,828)
Cash inflows from operating activities		**82,842**	**111,415**
Investment in time deposits		(120,000)	(50,000)
Repayment of time deposits		-	50,000
Acquisition of an unquoted equity investment		-	(4,367)
Sale of an unquoted equity investment		4,588	-
Interest received		14	12
Purchase of property, plant and equipment		(4,972)	(9,699)
Proceeds from sale of property Hombrechtikon	3	-	4,195
Proceeds from sale of other property, plant and equipment		5	28
Investment in intangible assets		(10,242)	(6,247)
Receipt of government grants		-	2,437
Cash outflows from investing activities		**(130,607)**	**(13,641)**
Proceeds from employee participation plans		2,108	1,749
Dividends paid	10.2	(26,242)	(27,612)
Payment of lease liabilities		(5,217)	(5,336)
Increase in/repayment of short-term credit facilities		3,001	49
Increase in bank loans		239	-
Repayment of bank loans		(1,397)	(54)
Interest paid		(454)	(842)
Cash outflows from financing activities		**(27,962)**	**(32,046)**
Effect of exchange rate fluctuations on cash held		(870)	978
(Decrease)/increase in cash and cash equivalents		**(76,597)**	**66,706**
Cash and cash equivalents at January 1		266,274	148,440
Cash and cash equivalents at June 30		**189,677**	**215,146**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June, CHF 1,000	Notes	Share capital	Capital reserve	Retained earnings	Cash flow hedge reserve	Translation differences	Total share-holders' equity
Balance at January 1, 2020		**1,187**	**43,434**	**650,085**	-	**(35,639)**	**659,067**
Profit for the period		-	-	36,038	-	-	36,038
Other comprehensive income, net of income taxes		-	-	297	-	(3,890)	(3,593)
Total comprehensive income for the period		**-**	**-**	**36,335**	-	**(3,890)**	**32,445**
Dividends paid	10.2	-	-	(26,242)	-	-	(26,242)
New shares issued based on employee participation plans	10.3	7	2,101	-	-	-	2,108
Share-based payments, net of income taxes	10.4/5	-	-	8,599	-	-	8,599
Balance at June 30, 2020		**1,194**	**45,535**	**668,777**	-	**(39,529)**	**675,977**
Balance at January 1, 2021		**1,196**	**47,999**	**730,553**	-	**(46,097)**	**733,651**
Profit for the period		-	-	82,563	-	-	82,563
Other comprehensive income, net of income taxes		-	-	12,061	2,909	5,544	20,514
Total comprehensive income for the period		**-**	**-**	**94,624**	**2,909**	**5,544**	**103,077**
Dividends paid	10.2	-	-	(27,612)	-	-	(27,612)
New shares issued based on employee participation plans	10.3	6	1,743	-	-	-	1,749
Share-based payments, net of income taxes	10.4/5	-	-	8,789	-	-	8,789
Balance at June 30, 2021		**1,202**	**49,742**	**806,354**	**2,909**	**(40,553)**	**819,654**

Notes to the interim condensed consolidated financial statements

1 REPORTING ENTITY

The Tecan Group is a global provider of automated laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The Group specializes in the development, production, marketing and support 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, 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 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, 2021. The financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and should be read in conjunction with the consolidated financial statements 2020 as they provide an update of previously reported information. The interim condensed consolidated financial statements were authorized for issue on August 12, 2021.

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 condensed consolidated 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 COVID-19 PANDEMIC

In October 2020 the U.S. Department of Defense and the U.S. Department of Health and Human Services awarded a government grant of USD 32.9 million (CHF 30.4 million) to support the build-up of U.S. pipette tip manufacturing for COVID-19 testing. Disposable pipette tips are key components for molecular tests for SARS-CoV-2 and other assays performed on fully automated, high throughput systems. The funding enables the Group to launch new production capacity in the U.S. and to increase the domestic supply for critical medical resources.

Due to a build up of safety stock as well as the slowing COVID related demand for consumables, provisions for supplier obligations (onerous contracts) in the amount of CHF 5.2 million had to be recognized in the first half of 2021.

Overall, the Group continues to benefit from a positive COVID-19 tailwind, driven by the high order backlog at year-end 2020 and new order entry in the first half of 2021. Furthermore, the non-COVID business has started to recover and normalize again.

2.3 INTRODUCTION OF NEW AND REVISED/AMENDED 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 consolidated financial statements 2020, except for the adoption of the following new or revised/amended standards and interpretations, effective as from January 1, 2021:

Standard/interpretation[1]
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
IFRS 16 'Leases' amended – Covid-19 Related Rent Concessions beyond June 30, 2021

[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 the amended standards did not result in substantial changes to the Group's accounting policies.

3 DISPOSAL GROUP HELD FOR SALE 'PROPERTY HOMBRECHTIKON'

In December 2020 the management entered into sales negotiations with a potential buyer for the property in Hombrechtikon. Consequently, land and building were classified as held for sale at year-end. In January 2021, the Group signed a final purchase agreement with a total consideration of CHF 4.2 million. The gain of this transaction (CHF 1.0 million) was recognized in other operating income of 2021.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			Total 2020		
January to June, 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	61,231	508	61,739	63,843	-	63,843	125,074	508	125,582
Americas	72,425	-	72,425	51,437	-	51,437	123,862	-	123,862
Asia	31,014	-	31,014	23,981	-	23,981	54,995	-	54,995
Others	4,183	-	4,183	1,382	-	1,382	5,565	-	5,565
Total	**168,853**	**508**	**169,361**	**140,643**	**-**	**140,643**	**309,496**	**508**	**310,004**
By products and services									
Products	131,225	-	131,225	115,574	-	115,574	246,799	-	246,799
Services	37,628	-	37,628	25,069	-	25,069	62,697	-	62,697
Leases	-	508	508	-	-	-	-	508	508
Total	**168,853**	**508**	**169,361**	**140,643**	**-**	**140,643**	**309,496**	**508**	**310,004**
By timing of revenue recognition									
Transferred at a point in time	142,666	-	142,666	132,831	-	132,831	275,497	-	275,497
Transferred over time	26,187	-	26,187	7,812	-	7,812	33,999	-	33,999
Leases	-	508	508	-	-	-	-	508	508
Total	**168,853**	**508**	**169,361**	**140,643**	**-**	**140,643**	**309,496**	**508**	**310,004**

	Life Sciences Business			Partnering Business			**Total 2021**		
January to June, 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	100,622	388	101,010	72,674	-	72,674	173,296	388	173,684
Americas	109,718	-	109,718	90,909	-	90,909	200,627	-	200,627
Asia	34,293	-	34,293	39,254	-	39,254	73,547	-	73,547
Others	5,353	-	5,353	832	-	832	6,185	-	6,185
Total	**249,986**	**388**	**250,374**	**203,669**	**-**	**203,669**	**453,655**	**388**	**454,043**
By products and services									
Products	205,109	-	205,109	161,926	-	161,926	367,035	-	367,035
Services	44,877	-	44,877	41,743	-	41,743	86,620	-	86,620
Leases	-	388	388	-	-	-	-	388	388
Total	**249,986**	**388**	**250,374**	**203,669**	**-**	**203,669**	**453,655**	**388**	**454,043**
By timing of revenue recognition									
Transferred at a point in time	222,460	-	222,460	195,690	-	195,690	418,150	-	418,150
Transferred over time	27,526	-	27,526	7,979	-	7,979	35,505	-	35,505
Leases	-	388	388	-	-	-	-	388	388
Total	**249,986**	**388**	**250,374**	**203,669**	**-**	**203,669**	**453,655**	**388**	**454,043**

5 SEGMENT INFORMATION

5.1 SEGMENT INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/ consolidation		Group	
January to June, CHF 1,000	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
Sales to third parties	169,361	250,374	140,643	203,669	-	-	310,004	454,043
Intersegment sales	9,379	26,943	745	862	(10,124)	(27,805)	-	-
Total sales	**178,740**	**277,317**	**141,388**	**204,531**	**(10,124)**	**(27,805)**	**310,004**	**454,043**
Operating profit	**22,466**	**63,112**	**26,316**	**49,189**	**(6,158)**	**(14,509)**	**42,624**	**97,792**
Depreciation and amortization	(11,179)	(11,152)	(6,363)	(6,043)	-	-	(17,542)	(17,195)

January to June, CHF 1,000	2020	**2021**
Reconciliation of reportable segment sales		
Total sales for reportable segments	320,128	481,848
Elimination of intersegment sales	(10,124)	(27,805)
Total consolidated sales	**310,004**	**454,043**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	48,782	112,301
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(6,158)	(14,509)
Financial result	(1,290)	(2,761)
Total consolidated profit before taxes	**41,334**	**95,031**

5.2 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	31.12.2020	**30.06.2021**	31.12.2020	**30.06.2021**	31.12.2020	**30.06.2021**
Switzerland	17,473	18,782	19,865	18,338	104,275	104,253
Other Europe	5,338	5,621	5,609	5,030	6,607	6,212
North America	17,387	21,487	8,820	7,763	103,026	107,778
Asia	1,941	1,899	2,788	2,319	-	-
Total	**42,139**	**47,789**	**37,082**	**33,450**	**213,908**	**218,243**

Information about major customers

There are no sales to one individual customer that in aggregate exceeded 10% of total sales in the first half of 2021 (first half of 2020: one individual customer [CHF 32.6 million] relating to the business segment Partnering Business that in aggregate exceeded 10% of total sales).

6 OPERATING EXPENSES BY NATURE

January to June, CHF 1,000	2020	2021
Material costs	101,724	163,020
Personnel costs	121,121	137,785
Depreciation of property, plant and equipment	4,729	4,964
Depreciation of right-of-use assets	5,457	5,407
Amortization of intangible assets	7,356	6,823
Other operating costs	37,755	45,500
Total operating cost incurred (gross)	**278,142**	**363,499**
Capitalization of development costs in position inventories	(1,225)	(669)
Capitalization of development costs in position intangible assets	(9,290)	(5,023)
Other operating income	(247)	(1,556)
Total operating expenses, according to statement of profit or loss	**267,380**	**356,251**

In April 2020 as well as in April 2021 the Swiss pension plan was adjusted. The conversion rates used to calculate the pension annuity relating to the mandatory and supplementary portion of the retirement savings will be reduced, starting from January 1, 2022 and 2023, respectively. These modifications have been considered as plan amendments. The resulting income from past service costs in the amount of CHF 7.0 million (2020: CHF 2.2 million) was recognized immediately in profit or loss and is included in the personnel expenses.

7 INCOME TAXES – 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.

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 started to capitalize corresponding deferred tax assets in 2019.

Deferred tax assets capitalized in connection with the step-up amount:

CHF 1,000	2020	2021
Balance at January 1	3,635	5'328
Write-off deferred tax asset for corresponding tax benefits received in current period	(363)	(377)
Recognition of deferred tax assets for tax benefits in future periods (non-recurring)	1,817	2'087
Balance at June 30	**5'089**	**7'038**

The calculation of the deferred tax assets related to the Swiss tax reform required management to make significant estimates and assumptions. The final outcome is still uncertain and might lead to adjustments in future years.

8 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 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 amounted to CHF 46.1 million at the end of June 2021 (December 31, 2020: CHF 54.5 million).

Further information regarding this critical accounting estimate and judgment can be found in note 2.2.4 of the consolidated financial statements 2020.

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (machines) include payments of CHF 16.5 million (December 31, 2020: CHF 10.8 million) for production lines that are under construction and not yet ready for use. Thereof CHF 12.6 million (December 31, 2020: CHF 9.0 million) are related to a government grant (see note 2.2). At June 30, 2021, the outstanding purchase commitments for these production lines amounted to CHF 13.1 million.

10 SHAREHOLDERS' EQUITY AND EMPLOYEE PARTICIPATION PLANS

10.1 MOVEMENTS IN SHARES OUTSTANDING

Shares (each share has a nominal value of CHF 0.10)	2020	**2021**
Balance at January 1	11,870,912	11,958,845
New shares issued based on employee participation plans	74,720	58,734
Balance at June 30	**11,945,632**	**12,017,579**

10.2 DIVIDENDS PAID

	2020	**2021**
Number of shares eligible for dividend and payout	11,927,914	12,005,310
Dividends paid (CHF/share)	1.10	1.15
Payout from statutory capital contribution reserve (CHF/share)	1.10	1.15

10.3 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2020	**2021**
Balance at January 1	432,300	344,367
New shares issued based on employee participation plans	(74,420)	(58,734)
Balance at June 30	**357,880**	**285,633**
Maximum of employee share options and employee shares outstanding	184,109	158,031

10.4 EMPLOYEE SHARE OPTION PLANS

(See note 12.4.1 of the consolidated financial statements 2020 for the terms and principal conditions)

Movements in employee share options:

Employee share options	2020	2021
Balance at January 1	91'524	71'745
Exercised	(12'745)	(8'945)
Forfeited or expired	(1'615)	(1'724)
Balance at June 30	**77'164**	**61'076**
Thereof exercisable at period-end	25'016	27'351

10.5 EMPLOYEE SHARE PLANS (PERFORMANCE SHARE MATCHING PLANS [PSMP] AND OTHER SHARE PLANS)

(See note 12.4.2 of the consolidated financial statements 2020 for the terms and principal conditions)

Movements in employee shares:

Employee shares			2020	2021
Balance at January 1			169,744	137,333
PSMP Management	Plan 2017 and 2018	Matching shares vested and transferred	(47,356)	(39,680)
PSMP Management	Plan 2020 and 2021	Initial shares granted and transferred (blocked)	12,733	8,768
PSMP Management	Plan 2020 and 2021	Maximum of matching shares granted	30,088	21,920
PSMP Management	All plans	Matching shares forfeited	(10,758)	(154)
PSMP Management	All plans	Shares deblocked	(78)	(78)
Board of Directors	Plan 2019 and 2020	Shares vested and transferred	(1,586)	(1,341)
Board of Directors	Plan 2020 and 2021	Shares granted	1,323	795
Balance at June 30			**154,110**	**127,563**
Thereof vested and transferred, but blocked until the end of the performance period			47,165	30,608

11 PRINCIPAL EXCHANGE RATES

		Closing exchange rates		Average exchange rates January to June	
CHF		31.12.2020	**30.06.2021**	2020	**2021**
EUR	1	1.08	1.10	1.06	1.09
USD	1	0.89	0.93	0.97	0.91

12 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

12.1 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 2020**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2020**
Derivatives not designated as hedging instruments									
Currency forwards	-	2,478	-	-	**2,478**	(694)	-	-	**(694)**
Financial instruments measured at fair value through OCI (FVOCI)									
Unquoted equity investment	-	-	-	4,325	**4,325**	-	-	-	**-**
Financial instruments measured at amortized costs[1]									
Cash and cash equivalents	128,440	-	-	-	**128,440**	-	-	-	**-**
Time deposits	20,000	320,000	-	-	**340,000**	-	-	-	**-**
Receivables	-	-	122,911	-	**122,911**	-	-	-	**-**
Rent and other deposits	-	-	600	1,026	**1,626**	-	-	-	**-**
Bank loans	-	-	-	-	**-**	-	-	(734)	**(734)**
Payables and accrued expenses	-	-	-	-	**-**	-	(88,600)	-	**(88,600)**
Other									
Lease liabilities	-	-	-	-	**-**	(10,416)	-	(27,575)	**(37,991)**
Total financial instruments	**148,440**	**322,478**	**123,511**	**5,351**	**599,780**	**(11,110)**	**(88,600)**	**(28,309)**	**(128,019)**
Reconciling items[2]	-	-	11,936	-	**11,936**	-	(16,981)	-	**(16,981)**
Balance at December 31, 2020	**148,440**	**322,478**	**135,447**	**5,351**	**611,716**	**(11,110)**	**(105,581)**	**(28,309)**	**(145,000)**

[1] The carrying amount of financial instruments measured at amortized costs 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 (fair value of TCHF 722).

[2] 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 2021**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2021**
Derivatives not designated as hedging instruments									
Currency forwards	-	152	-	-	**152**	(1,639)	-	(38)	**(1,677)**
Derivatives designated as hedging instruments									
Currency forwards	-	319	-	-	**319**	-	-	-	**-**
Deal contingent forward	-	1,730	-	-	**1,730**	-	-	-	**-**
Financial instruments measured at fair value through OCI (FVOCI)									
Unquoted equity investment	-	-	-	4,388	**4,388**	-	-	-	**-**
Financial instruments measured at amortized costs[1]									
Cash and cash equivalents	195,146	-	-	-	**195,146**	-	-	-	**-**
Time deposits	20,000	320,000	-	-	**340,000**	-	-	-	**-**
Receivables	-	-	110,987	-	**110,987**	-	-	-	**-**
Rent and other deposits	-	-	533	1,081	**1,614**	-	-	-	**-**
Current bank liabilities	-	-	-	-	**-**	(49)	-	-	**(49)**
Bank loans	-	-	-	-	**-**	-	-	(691)	**(691)**
Payables and accrued expenses	-	-	-	-	**-**	-	(83,283)	-	**(83,283)**
Other									
Lease liabilities	-	-	-	-	**-**	(10,816)	-	(23,644)	**(34,460)**
Total financial instruments	**215,146**	**322,201**	**111,520**	**5,469**	**654,336**	**(12,504)**	**(83,283)**	**(24,373)**	**(120,160)**
Reconciling items[2]	-	-	15,848	-	**15,848**	-	(18,957)	-	**(18,957)**
Balance at June 30, 2021	**215,146**	**322,201**	**127,368**	**5,469**	**670,184**	**(12,504)**	**(102,240)**	**(24,373)**	**(139,117)**

[1] The carrying amount of financial instruments measured at amortized costs 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 (fair value of TCHF 688).

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

12.2 FAIR VALUE HIERARCHY (LEVEL) AND VALUATION TECHNIQUES USED

Position	Note	Level	Data source	Model
Currency forwards		Level 2	Financial data vendor	(Forward rate - [spot rate +/- SWAP points]) * amount in foreign currency
Deal contingent forward	12.3	Level 3	Financial data vendor plus contractual contingent charge (0.00224)	([Forward rate + contingent charge] - [spot rate +/- SWAP points]) * amount in foreign currency
Unquoted equity investment	12.4	Level 3	n/a	Market sales multiples
Bank loans	12.1/2	Level 2	Financial data vendor	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

There have been no transfers between the levels in 2020 and 2021.

12.3 HEDGE ACCOUNTING

In connection with the acquisition of Paramit, the Group entered into a deal contingent forward agreement to purchase USD 677 million and into a normal plain vanilla forward to purchase another USD 150 million (total USD 827 million, representing about 91% of the estimated purchase price without contingent consideration). The hedging agreements with an average forward rate of 0.9201 CHF/USD have matured at the day of the closing of the acquisition (after the balance sheet date on August 2, 2021). At this day the purchase price in USD was transferred to the seller and a bridge loan in CHF was granted by a bank to the Group until the final financing structure of the transaction would be ready.

As the targeted transaction was considered as highly probable at June 30, 2021 and all other conditions were met, the Group is applying cash flow hedge accounting. The proportion of the gain or loss on the hedging instrument that is determined to be effective is recognized in other comprehensive income and allocated to the cash flow hedge reserve. Upon the closing of the transaction the amount of the cash flow hedge reserve is added or deducted from the goodwill. Any remaining gain or loss of the hedging instrument is hedge ineffectiveness (mainly the contingent charge of the deal contingent forward) that is recognized immediately in profit or loss. The ineffective part relating to the cash flow hedge amounts to CHF 1.5 million and is included in finance cost.

12.4 UNQUOTED EQUITY INVESTMENT (LEVEL 3)

End of 2020, the Group acquired an unquoted equity instrument for CHF 4.3 million. Total changes in fair value recognized during the period in other comprehensive income amount to CHF 0.1 million. A decrease in the forecasted sales of 10% would adversely impact the fair value by estimated CHF 0.4 million.

13 SUBSEQUENT EVENTS

13.1 ACQUISITION OF PARAMIT GROUP

On June 23, 2021 the Group announced that it signed an agreement to acquire 100% of Paramit Group. The closing of the transaction was on August 2, 2021. As from this date (acquisition date), Paramit will be consolidated into Tecan Group.

The Paramit Group consists of the following entities:

Company	Domicile	Participation in %	Activities
Paramit Acquisition Corp.		100%	S
Paramit Corp.	Morgan Hill, CA (US)	100%	P/D
Paramit Product Development – Silicon Valley, Inc.	Morgan Hill, CA (US)	100%	R/D
Emphysys Holdings, Inc.		100%	S
Emphysys, Inc.	Boston, MA (US)	100%	R/D
Paramit Malaysia Sdn. Bhd.	Penang (MY)	100%	P/D

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

Paramit develops and manufactures medical devices and life sciences instruments. The acquired Group provides its customers with fully integrated engineering, initial product design, prototype development, commercial scale manufacturing, test solutions and assembly services. Paramit employs about 1,000 employees. The acquisition will further extend the Group's position in solutions for life sciences and in-vitro diagnostics (IVD). It will also add a new business vertical in the attractive and fast-growing market for medical devices. The acquisition will bring significant engineering as well as cost-competitive manufacturing capabilities, both in North America and in the APAC region.

The consideration to be transferred is estimated at USD 911 million (CHF 847 million) plus a maximum contingent consideration (earn-out) of USD 80 million (CHF 74 million). The purchase price is paid in cash, financed with a bridge loan that is granted by a bank. Later, the bridge loan will be partially replaced by an authorized share capital increase and the issuance of a bond. The earn-out period ends on September 30, 2021 and the contingent payment is based on EBITDA-defined milestones.

For timing reasons not all information to prepare the valuation of the assets acquired and liabilities assumed was available before these interim condensed consolidated financial statements were authorized for issue. The purchase price allocation is yet to be performed. For 2022 a revenue of USD 300 million (CHF 276 million) is expected.

The acquisition-related costs of CHF 6.0 million are included in General & Administration expenses of the first half of 2021.

13.2 OTHER SUBSEQUENT EVENTS

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

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