Tecan Interim Report 2022

Scaling healthcare innovation globally.





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Dear Shareholders

Tecan employees and partners around the world have made it possible for us to achieve another strong financial performance in the first half of this year. We are particularly pleased with the strong double-digit growth in applications that are not related to the COVID pandemic. It exceeds our earlier expectations that we were able to deliver organic sales growth in our Life Sciences Business segment already in the first half of the year, despite the extraordinarily high base from the prior-year period. This strong performance is based on high demand for our automation solutions in all major geographies, covering multiple customer segments and end applications. The Partnering Business also saw strong revenue growth for our Cavro components and experienced an upswing in demand for non-Covid routine diagnostic applications. The integration of Paramit is progressing well and the newly consolidated business delivered solid sales growth in line with expectations. Based on the positive business performance and momentum in the first six months, we are raising our revenue outlook for the full-year 2022.

FINANCIAL RESULTS THE FIRST HALF OF 2022

Order entry increased by 34.2% in local currencies or 33.6% in Swiss francs to CHF 600.5 million in the first six months of the year (H1 2021: CHF 449.6 million). On an organic basis, i.e. excluding acquired Paramit, order entry grew by 2.4% in local currencies, despite the substantial order entry achieved with COVID-related orders in the prior-year period.

Sales climbed by 29.0% in local currencies or 28.6% in Swiss francs to CHF 584.0 million in the first half of the year (H1 2021: CHF 454.0 million), with Paramit contributing revenues of CHF 151.0 million. Organic sales were down only 4.6% in Swiss francs and down 4.3% in local currencies, despite the high base from the prior-year period, in which sales increased by 47.5% in local currencies. In the first half of 2022, strong organic growth of non-COVID-related sales, estimated in the mid-teens percentage range, largely offset the substantial decline in COVID-related revenues recorded in the prior-year period. Estimated COVID-related sales in the first half of this year were around CHF 50 million, a substantial decline compared to the first half of 2021. COVID-related sales in the first half of 2022 were mainly from consumables and spare parts, but also included a major shipment of customized high-throughput systems already ordered in the first half of 2021. Organic sales development was driven by strong demand for automation solutions for non-COVID applications and was supported by the fulfilment and subsequent revenue recognition of the high order backlog from 2021. Overall revenue growth also benefitted from significant price increases for products and services as well as by the contractual pass-through of higher material costs at Paramit.

Adjusted operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) increased by 3.8% to CHF 119.1 million (H1 2021: CHF 114.7 million). The adjusted EBITDA margin amounted to 20.4% of sales. Excluding Paramit, it reached 22.1% of sales (H1 2021: 25.3%), with lower organic sales volumes, a post-COVID normalized operating cost base and higher material and freight cost being the main factors for the expected decrease.

Despite the significant inflationary impacts, the gross profit margin excluding Paramit reached 49.0% of sales and was only slightly below the prior-year period (H1 2021: 49.4%).

Adjusted net profit[1] amounted to CHF 80.6 million (H1 2021: CHF 84.3 million), while adjusted earnings per share[1] reached CHF 6.34 (H1 2021: CHF 7.03). Reported net profit for the first

[1] The calculation of adjusted net profit and adjusted earnings per share excludes integration costs (+3.3 million), one-time pension plan effects (+1.5 million) as well as the accumulated amortization of acquired intangible assets (+13.0 million) and they were calculated with the reported Group tax rate of 16.4%.



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half of 2022 was CHF 65.7 million (H1 2021: CHF 82.6 million). This figure includes integration-related costs in connection with the Paramit acquisition (CHF 3.3 million) as well as the accumulated amortization of acquired intangible assets (CHF 13.0 million).

Cash flow from operating activities reached CHF 70.3 million in the first half of 2022 (H1 2021: CHF 111.4 million). Increased inventories and safety stock to ensure delivery capability in times of tight material supply, as well as higher income tax payments, had a negative impact on cash flow. After a short period of net debt to partially refinance the Paramit acquisition, Tecan has already restored its net liquidity position to CHF 3.2 million (cash and cash equivalents plus short-term time deposits less bank liabilities, loans and the outstanding bond).

INFORMATION BY BUSINESS SEGMENT

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Sales in the Life Sciences Business increased by 3.5% to CHF 259.1 million (H1 2021: CHF 250.4 million) and were 4.3% above the prior-year period in local currencies, despite the high base from the prior-year period, in which revenues increased by 49.5% in local currencies. Sales growth of products in non-COVID related applications is estimated in the high-teens percentage range in local currencies and was driven by strong demand for non-COVID-related liquid handling and detection instruments as well as service and spare parts revenues.

Order entry in the Life Sciences Business was also up on the prior-year period and exceeded reported segment sales in the first half of the year, resulting in a further increase in the order backlog.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) reached CHF 53.2 million (H1 2021: CHF 63.1 million). The operating profit margin amounted to 19.5% of sales (H1 2021: 22.8%). Following a period of significant growth, substantial investment in the sales and service organization was required to support the larger installed base of instruments, resulting in a more normalized operating cost base again, whereas, supported by sustainable price increases, the gross profit margin increased notably compared to the same period last year.

PARTNERING BUSINESS (OEM BUSINESS)

The Partnering Business generated sales of CHF 324.9 million in the period under review (H1 2021: CHF 203.7 million), which corresponds to an increase of 59.5% in Swiss francs and 59.0% in local currencies. As expected, the "COVID effect" was more pronounced for the Partnering Business due to significantly lower COVID-related sales in the reporting period, resulting in organic sales declining by 14.6% in Swiss francs and 14.9% in local currencies. Demand for OEM components, on the other hand, was very strong, and sales to customers in other areas of in-vitro diagnostics, which were negatively affected during the pandemic, also showed positive momentum again. Sales growth of these products in non-COVID-related applications is estimated in the high single-digit percentage range in local currencies. Paramit also recorded strong sales results in the first half of the year, although the company suffered from some supply chain issues. Sales growth at Paramit was in the mid-teens percentage range when including the contractual pass-through of higher material costs, and in the mid single-digit percentage range when excluding this effect.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) amounted to CHF 35.5 million (H1 2021: CHF 49.2 million), while the operating profit margin reached 10.9% of sales (H1 2021: 24.0%). The integration costs and amortization of acquired intangible assets in connection with the acquisition of Paramit were recognized for the Group in the Partnering Business segment and had a notable effect on the reported operating result for the segment. Other factors negatively impacting segment margins were the mix effect with lower EBIT margins at Paramit, lower organic volumes with corresponding negative economies of scale, and the contractual pass-through of higher material costs without margin. At the same time, the negative effects, as expected, could not be offset by price increases, as price adjustments for the instrument business are contractually regulated and only take effect at the end of the calendar year.

ADDITIONAL INFORMATION

REGIONAL DEVELOPMENT

In Europe, Tecan's sales in the first six months of 2022 increased by 8.4% in Swiss francs and by 11.8% in local currencies. Organic sales development was significantly impacted by a pandemic-related surge in demand in the prior-year period, resulting in organic sales declining by 13.6% in Swiss francs and 10.9% in local currencies in the first half of this year. Against this high comparative basis, sales in the Life Sciences business were 10.5% lower than the previous year in local currencies, and in the Partnering business they declined organically by 11.4% in local currencies.

In North America, sales grew by 47.2% in Swiss francs and by 43.4% in local currencies. Similar to Europe, organic sales development in North America was affected by the COVID-related high comparison base, leading to a decline of revenues 5.7% in Swiss francs and 8.2% in local currencies. Due to the exceptionally high basis of comparison, organic sales of the Partnering Business segment decreased by 29.8% in local currencies. The Life Sciences business segment, on the other hand, reported a 9.3% increase in sales in local currencies, driven by strong demand for non-COVID-related instruments, more than replacing the significant COVID-related sales in the first half of 2021.

In Asia, Tecan recorded an increase in sales of 24.4% in Swiss francs and 26.4% in local currencies. On an organic basis, sales grew by 15.9% in Swiss francs and by 17.8% in local currencies, with organic sales development again particularly strong in Japan, but sales also returned to solid growth in China. Organic sales development was driven by both business segments, with the Life Sciences business recording growth of 25.5% in local currencies, while the Partnering business grew by 11.4% in local currencies.

OPERATING HIGHLIGHTS FOR THE FIRST HALF OF 2022

Tecan made significant progress in the integration of Paramit Corporation, an acquisition that was successfully completed on August 2, 2021. The common culture and values of the two companies have proven to be a strong basis for the ongoing integration of the teams and the complementary skills in operations and development have already shown their appeal to new customers. In the first half of the year, Tecan has also started moving its US site for Cavro components from San Jose, California, to the Paramit facility in Morgan Hill which is located only 30 minutes away. The additional transfer of production of certain products from San Jose to the Paramit facility in Penang, Malaysia, also progressed well, with the start of serial production planned before year end. This necessary expansion of production capacity for Tecan's Cavro OEM components will also allow the high and growing demand for these products to be met in the future.

A focus area throughout 2022 is to maintain resilient operations and to successfully mitigate supply chain and freight challenges in times of continued uncertainty. In the first half of the year, Tecan's global manufacturing and business operations teams continued to be effective in securing undisrupted support for our customers. By implementing various operational mitigation measures, they were able to ensure the availability of freight space and certain materials despite increased uncertainty in the demand mix.

In the first half of 2022, Tecan further expanded its automated genomics portfolio in both business segments. This included launches of innovative entry level and mid-range solutions for next-generation sequencing (NGS) library preparation in the Life Sciences Business, MagicPrep NGS and DreamPrep™ NGS Compact. MagicPrep NGS is an automated benchtop library preparation system that transforms time-consuming and error-prone procedures into a simple, robust experience. The MagicPrep NGS system performs true load-and-go DNA-Seq and mRNA-Seq library preparation. With proven liquid handling technology, all-inclusive reagent kits, and an intuitive user interface, a run for the MagicPrep NGS is set up in just 10 minutes.

The DreamPrep NGS Compact expands the proven DreamPrep family. This benchtop solution comes with an optimized configuration to run almost any NGS protocol. Compared to the larger DreamPrep NGS, it has a smaller footprint to fit in every lab and is the ideal solution for low-medium throughput.

During the first half of the year, Tecan also began the commercial supply of an advanced genomics platform for a customer in the Partnering Business that leverages Tecan's automation technology.

Tecan introduced various new reagent kits for mass spectrometry and genomics applications. This includes a Steroid Panel LC-MS kit to quickly and reliably determine 18 different and clinically relevant steroids with only one extraction process. In combination with the Resolvex® A200 instrument, it is the first CE-IVDD solution of its kind, combining Tecan reagents, consumables and automation systems to eliminate the bottleneck of laborious manual sample preparation.

Key reagent introductions for genomic applications were related to the launch of the MagicPrep NGS system. All reagents and consumables are provided pre-aliquoted in a single kit. Each kit includes all consumables necessary for a run, including master mixes, buffers, beads, adapters, tubes and tips which have been pre-packaged to set up DNA or mRNA library preparation.

In the first six months of the year, Tecan has been further building on its broad sustainability activities. At the beginning of the year, Tecan signed the commitment to the Science Based Targets initiative (SBTi) to reduce greenhouse gas emissions in line with climate science.

In June, Tecan was again officially certified as a Great Place to Work®. The certification follows independent Trust Index™ employee surveys conducted by the international research and consulting company Great Place to Work® that provide a clear and accurate picture of the workplace culture. The new certification is based on the second survey from 2021 that saw both higher participation rates and an even improved "Trust Index" score compared to the first survey in 2020.

The 2021 Sustainability Report provides a comprehensive overview of Tecan's sustainability program and was published on the corporate website in March.

SALES OUTLOOK FOR FULL-YEAR 2022 RAISED

Based on the positive business performance and momentum in the first six months of 2022, as well as on the continued high order backlog and the anticipated demand in the second half of the year, Tecan has raised its sales outlook for full-year 2022.

Tecan now forecasts sales growth for full-year 2022 to be in the mid- to high-teens percentage range in local currencies (previously "mid-teens percentage range").

Tecan continues to expect an adjusted EBITDA margin, excluding acquisition and integration-related costs, at around 20% of sales. The confirmed profitability expectation now offsets higher dilution from the contractual pass-through of increased material costs without margin.

Integration and acquisition-related costs are now expected to be in the low- to mid-teens of millions in Swiss francs in 2022 (previously "mid-teens of millions"), the accumulated amortization of all acquired intangible assets is expected to amount to CHF 20-25 million as communicated before.

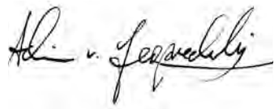
The full-year exchange rate forecast was updated to reflect the average exchange rates in the first half of 2022: one US dollar equaling CHF 0.94 (previously CHF 0.92) and one euro equaling CHF 1.03 (previously CHF 1.08).

The outlook 2022 does not take account of potential acquisitions during the course of the year or any unforeseen events.

Männedorf, August 11, 2022



DR. LUKAS BRAUNSCHWEILER
Chairman of the Board



DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June, CHF 1,000	Notes	2021	2022
Sales	4	**454,043**	**584,007**
Cost of sales		(229,544)	(351,150)
Gross profit		**224,499**	**232,857**
Sales and marketing		(52,721)	(69,550)
Research and development		(31,114)	(38,547)
General and administration		(44,408)	(44,941)
Other operating income		1,556	362
Other operating expenses		(20)	(1)
Operating profit	5	**97,792**	**80,180**
Financial income		16	16
Finance cost		(1,949)	(944)
Net foreign exchange losses		(828)	(687)
Financial result		**(2,761)**	**(1,615)**
Profit before taxes		**95,031**	**78,565**
Income taxes	6	(12,468)	(12,908)
Profit for the period, attributable to owners of the parent		**82,563**	**65,657**
Earnings per share			
Basic earnings per share (CHF/share)		6.88	5.17
Diluted earnings per share (CHF/share)		6.85	5.15

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January to June, CHF 1,000	Notes	2021	2022
Profit for the period		**82,563**	**65,657**
Other comprehensive income			
Change in fair value of an unquoted equity instrument designated at fair value through other comprehensive income	11.3	63	(149)
Remeasurement of liability for post-employment benefits		14,830	14,072
Related income taxes		(2,769)	(2,627)
Items that will not be reclassified to profit or loss, net of income taxes		**12,124**	**11,296**
Net gain on cash flow hedges	11.4	3,577	-
Related income taxes		(668)	-
Translation differences	10	5,525	46,757
Related income taxes		(44)	(3,740)
Items that may be reclassified subsequently to profit or loss, net of income taxes		**8,390**	**43,017**
Other comprehensive income, net of income taxes		*20,514*	*54,313*
Total comprehensive income for the period, attributable to owners of the parent		**103,077**	**119,970**

INTERIM CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2021	**30.06.2022**
Cash and cash equivalents		121,006	133,429
Other current financial assets	11	120,908	120,516
Trade accounts receivable		128,333	149,848
Contract assets		23,864	30,457
Other accounts receivable		13,163	19,725
Inventories	7	249,112	285,604
Income tax receivables		3,215	13,246
Prepaid expenses		12,258	12,145
Current assets		**671,859**	**764,970**
Non-current financial assets	11	5,543	5,475
Property, plant and equipment	8	87,787	91,441
Right-of-use assets		62,546	58,372
Intangible assets and goodwill		1,137,769	1,172,256
Deferred tax assets		30,681	25,832
Non-current assets		**1,324,326**	**1,353,376**
Assets		**1,996,185**	**2,118,346**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2021	**30.06.2022**
Current financial liabilities	11	13,615	15,720
Trade accounts payable		27,550	33,005
Other accounts payable		16,321	20,555
Current contract liabilities		85,018	102,986
Current government grants		3,661	4,309
Income tax payables		27,985	37,527
Accrued expenses		97,292	100,925
Current provisions		34,932	36,172
Current liabilities		**306,374**	**351,199**
Non-current financial liabilities	11	300,606	296,508
Non-current contract liabilities		16,185	17,061
Non-current government grants		18,730	23,465
Liability for post-employment benefits		49,094	36,584
Non-current provisions		10,340	10,555
Deferred tax liabilities		69,961	66,814
Non-current liabilities		**464,916**	**450,987**
Total liabilities		**771,290**	**802,186**
Share capital		1,268	1,272
Capital reserve		403,657	403,687
Retained earnings		858,925	907,288
Translation differences		(38,955)	3,913
Shareholders' equity	9	**1,224,895**	**1,316,160**
Liabilities and equity		**1,996,185**	**2,118,346**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

January to June, CHF 1,000	Notes	2021	**2022**
Profit for the period		**82,563**	**65,657**
Adjustments for			
Depreciation and amortization		17,195	34,101
Change in government grants, liability for post-employment benefits and provisions		3,683	6,442
Interest income		(16)	(16)
Interest expenses		846	822
Income taxes		12,468	12,908
Equity-settled share-based payment transactions		8,558	9,762
Other non-cash items		(3,797)	(5,183)
Change in working capital			
Trade accounts receivable		14,323	(19,394)
Inventories	7	(2,912)	(32,047)
Trade accounts payable		(143)	5,701
Contract liabilities		(11,434)	18,352
Other changes in working capital (net)		(91)	(2,894)
Income taxes paid		(9,828)	(23,924)
Cash inflows from operating activities		**111,415**	**70,287**
Investment in time deposits		(50,000)	(120,000)
Repayment of time deposits		50,000	120,000
Acquisition of an unquoted equity investment		(4,367)	-
Interest received		12	14
Purchase of property, plant and equipment		(9,699)	(9,411)
Proceeds from sale of property Hombrechtikon		4,195	-
Other proceeds from sale of property, plant and equipment		28	32
Investment in intangible assets		(6,247)	(6,429)
Receipt of government grants		2,437	716
Cash outflows from investing activities		**(13,641)**	**(15,078)**
Proceeds from employee participation plans		1,749	34
Dividends paid	9.2	(27,612)	(35,597)
Payment of lease liabilities		(5,336)	(6,922)
Increase in/repayment of short-term credit facilities		49	1
Repayment of bank loans		(54)	-
Interest paid		(842)	(686)
Cash outflows from financing activities		**(32,046)**	**(43,170)**
Effect of exchange rate fluctuations on cash held		978	384
increase in cash and cash equivalents		**66,706**	**12,423**
Cash and cash equivalents at January 1		148,440	121,006
Cash and cash equivalents at June 30		**215,146**	**133,429**

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, 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		-	-	12,124	2,909	5,481	20,514
Total comprehensive income for the period		**-**	**-**	**94,687**	**2,909**	**5,481**	**103,077**
Dividends paid	9.2	-	-	(27,612)	-	-	(27,612)
New shares issued based on employee participation plans	9.3	6	1,743	-	-	-	1,749
Share-based payments, net of income taxes	9.4/5	-	-	8,789	-	-	8,789
Balance at June 30, 2021		**1,202**	**49,742**	**806,417**	**2,909**	**(40,616)**	**819,654**
Balance at January 1, 2022		**1,268**	**403,657**	**858,925**	**-**	**(38,955)**	**1,224,895**
Profit for the period		-	-	65,657	-	-	65,657
Other comprehensive income, net of income taxes		-	-	11,445	-	42,686	54,313
Total comprehensive income for the period		**-**	**-**	**77,102**	**-**	**42,686**	**119,970**
Dividends paid	9.2	-	-	(35,597)	-	-	(35,597)
New shares issued based on employee participation plans	9.3	4	30	-	-	-	34
Share-based payments, net of income taxes	9.4/5	-	-	6,858	-	-	6,858
Balance at June 30, 2022		**1,272**	**403,687**	**907,288**	**-**	**3,913**	**1,316,160**

Notes to the interim condensed consolidated financial statements

1 REPORTING ENTITY

Tecan (www.tecan.com) improves people's lives and health by empowering customers to scale healthcare innovation globally from life science to the clinic. Tecan is a pioneer and global leader in laboratory automation. As an original equipment manufacturer (OEM), Tecan is also a leader in developing and manufacturing OEM instruments, components and medical devices that are then distributed by partner companies. Founded in Switzerland in 1980, the company has more than 3,000 employees, with manufacturing, research and development sites in Europe, North America and Asia, and maintains a sales and service network in over 70 countries.

The ultimate parent company is Tecan Group Ltd., a limited company incorporated in Switzerland, whose shares are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191). 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, 2022. 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 2021 as they provide an update of previously reported information. The interim condensed consolidated financial statements were authorized for issue on August 11, 2022.

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 PURCHASE PRICE ALLOCATION PARAMIT GROUP AS AT AUGUST 2ND, 2021

The accounting for the acquisition is final. No measurement adjustments were recognized in the first half of 2022.

2.3 COVID-19 PANDEMIC – LOCKDOWN SHANGHAI / GLOBAL SUPPLY CHAINS / WAR IN UKRAINE

COVID-19 pandemic - Although Tecan does not offer COVID-specific products, sales in 2020 and 2021 benefited significantly from instruments and consumables mainly used for PCR-based COVID-19 testing. However, by the second half of 2021, no significant contributions from COVID-related instruments were recorded. As expected, sales of consumables remained at a significantly lower level in the first half of 2022.

Lockdown Shanghai - Despite the delay of certain equipment installations, the COVID lockdown in Shanghai did not have a material impact on the sales performance in the first half of 2022 nor did it cause disruptions in the Group's ability to deliver products.

Global supply chains - Global supply chains face significant challenges in logistics and the timely availability of certain materials and parts, especially with regards to the supply chain for electronic components. Through various mitigation actions, Tecan was able to avoid any major disruption in its ability to produce and deliver products to customers. As one of these measures, Tecan has encouraged its suppliers on various tiers of the supply chains to increase their inventories of critical components and raw materials and has also increased its own inventory levels. Tecan also closely monitors the developments in global logistics to ensure sufficient transport capacity. In some cases and for certain product types, longer production and logistics times have extended usual delivery times, which could affect shipping and local installation dates.

War in Ukraine - In 2021, the revenues generated through distributors in Russia and Ukraine were only around 1%-2% of total sales. Tecan does also not expect any disruptions affecting the availability of its products, sub-assemblies or spare parts as a result of the conflict or the sanctions as the Group does not have direct material suppliers from Ukraine, Russia or Belarus.

2.4 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 2021, except for the adoption of the following new or revised/amended standards and interpretations, effective as from January 1, 2022:

Standard/interpretation[1]
IAS 16 'Property, Plant and Equipment' amended – Proceeds before Intended Use
IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' amended – Onerous Contracts (Cost of Fulfilling a Contract)
IFRS 3 'Business Combinations' amended – Reference to the Conceptual Framework
Annual Improvements to IFRS Standards 2018 - 2020

[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 REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	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**

	Life Sciences Business			Partnering Business			**Total 2022**		
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	85,531	533	86,064	102,237	-	102,237	187,768	533	188,301
Americas	124,648	-	124,648	170,745	-	170,745	295,393	-	295,393
Asia	41,569	-	41,569	49,929	-	49,929	91,498	-	91,498
Others	6,855	-	6,855	1,960	-	1,960	8,815	-	8,815
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**
By products and services									
Products	208,425	-	208,425	286,732	-	286,732	495,157	-	495,157
Services	50,178	-	50,178	38,139	-	38,139	88,317	-	88,317
Leases	-	533	533	-	-	-	-	533	533
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**
By timing of revenue recognition									
Transferred at a point in time	226,571	-	226,571	186,368	-	186,368	412,939	-	412,939
Transferred over time	32,032	-	32,032	138,503	-	138,503	170,535	-	170,535
Leases	-	533	533	-	-	-	-	533	533
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**

4 SEGMENT INFORMATION

4.1 SEGMENT INFORMATION BY BUSINESS SEGMENTS

January to June, CHF 1,000	Life Sciences Business 2021	Life Sciences Business **2022**	Partnering Business 2021	Partnering Business **2022**	Corporate/ consolidation 2021	Corporate/ consolidation **2022**	Group 2021	Group **2022**
Sales to third parties	250,374	259,136	203,669	324,871	-	-	454,043	584,007
Intersegment sales	26,943	12,955	862	749	(27,805)	(13,704)	-	-
Total sales	**277,317**	**272,091**	**204,531**	**325,620**	**(27,805)**	**(13,704)**	**454,043**	**584,007**
Operating profit	**63,112**	**53,187**	**49,189**	**35,451**	**(14,509)**	**(8,458)**	**97,792**	**80,180**
Depreciation and amortization	(11,152)	(10,761)	(6,043)	(23,340)	-	-	(17,195)	(34,101)

January to June, CHF 1,000	2021	**2022**
Reconciliation of reportable segment sales		
Total sales for reportable segments	481,848	597,711
Elimination of intersegment sales	(27,805)	(13,704)
Total consolidated sales	**454,043**	**584,007**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	112,301	88,638
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(14,509)	(8,458)
Financial result	(2,761)	(1,615)
Total consolidated profit before taxes	**95,031**	**78,565**

4.2 ENTITY-WIDE DISCLOSURES

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

CHF 1,000	Property, plant and equipment 31.12.2021	Property, plant and equipment **30.06.2022**	Right-of-use assets 31.12.2021	Right-of-use assets **30.06.2022**	Intangible assets 31.12.2021	Intangible assets **30.06.2022**
Switzerland	17,877	17,311	16,370	15,021	101,780	100,627
Other Europe	5,335	4,825	10,667	9,727	5,457	4,863
North America	40,651	45,030	33,229	31,827	976,823	1,012,589
Asia	23,924	24,275	2,280	1,797	53,709	54,177
Total	**87,787**	**91,441**	**62,546**	**58,372**	**1,137,769**	**1,172,256**

Information about major customers

There are sales to one individual customer (CHF 62.9 million) relating to the business segment Partnering Business that in aggregate exceeded 10% of total sales in the first half of 2022 (first half of 2021: no sales to one individual customer that in aggregate exceeded 10% of total sales).

5 OPERATING EXPENSES BY NATURE

January to June, CHF 1,000	2021	**2022**
Material costs	163,020	239,565
Personnel expenses	137,785	178,997
Depreciation of property, plant and equipment	4,964	8,098
Depreciation of right-of-use assets	5,407	7,148
Amortization of intangible assets	6,823	18,855
Other operating costs	45,500	57,982
Total operating cost incurred (gross)	**363,499**	**510,645**
Capitalization of development costs in position inventories	(669)	(736)
Capitalization of development costs in position intangible assets	(5,023)	(5,720)
Other operating income	(1,556)	(362)
Total operating expenses, according to statement of profit or loss	**356,251**	**503,827**

In April 2021 the Swiss pension plan was adjusted. The conversion rates used to calculate the pension annuity related to the mandatory and supplementary portion of the retirement savings will be reduced, starting from January 1, 2023. This modification was considered as a plan amendment. The resulting income from past service cost of CHF 7.0 million was recognized immediately in profit or loss and was included in the personnel expenses of the first half 2021.

In autumn of 2021, the employees of the Swiss entities decided to switch from the full insurance plan provided by Swiss Life Ltd. to a partial insurance plan provided by AXA Foundation. The new pension solution is effective as from January 1, 2022. The associated expense from past service cost (CHF 9.7 million) was already recognized at the end of the previous year. Further expenses from past service cost in the amount of CHF 1.5 million, caused by the possibility of additional voluntary contributions by employees, are included in the result of the first half 2022.

6 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 calculation principles. 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 calculation principles. 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	2021	**2022**
Balance at January 1	5,328	8,755
Write-off deferred tax asset for corresponding tax benefits received in current period	(377)	(312)
Recognition of deferred tax assets for tax benefits in future periods (non-recurring)	2,087	1,866
Balance at June 30	**7,038**	**10,309**

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.

7 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 35.3 million at the end of June 2022 (December 31, 2021: CHF 40.2 million).

Further information regarding this critical accounting estimate and judgment can be found in note 2.3.4 of the consolidated financial statements 2021.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (machines) include payments of CHF 30.6 million (December 31, 2021: CHF 22.0 million) for production lines that are under construction and not yet ready for use. Thereof CHF 25.2 million (December 31, 2021: CHF 17.2 million) are related to a government grant. At June 30, 2022, the outstanding purchase commitments for these production lines amounted to CHF 3.6 million.

9 SHAREHOLDERS' EQUITY AND EMPLOYEE PARTICIPATION PLANS

9.1 MOVEMENTS IN SHARES OUTSTANDING

Shares (each share has a nominal value of CHF 0.10)	2021	**2022**
Balance at January 1	11,958,845	12,678,108
New shares issued based on employee participation plans	58,734	42,299
Balance at June 30	**12,017,579**	**12,720,407**

9.2 DIVIDENDS PAID

	2021	**2022**
Number of shares eligible for dividend and payout	12,005,310	12'713'261
Dividends paid (CHF/share)	1.15	1.40
Payout from statutory capital contribution reserve (CHF/share)	1.15	1.40

9.3 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2021	**2022**
Balance at January 1	344,367	275,104
New shares issued based on employee participation plans	(58,734)	(42,299)
Balance at June 30	**285,633**	**232,805**
Maximum of employee share options and employee shares outstanding	158,031	132,653

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

	2021	**2022**
Conditional share capital		
Shares (with a nominal value of CHF 0.10 each)	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Expiry date	17.04.2022	-
Shares (with a nominal value of CHF 0.10 each)	2,300,000	-
CHF	230,000	-

9.5 EMPLOYEE SHARE OPTION PLANS

(See note 12.4.1 of the consolidated financial statements 2021 for the terms and principal conditions)

Movements in employee share options:

Employee share options	2021	**2022**
Balance at January 1	71,745	55,249
Exercised	(8,945)	(649)
Forfeited or expired	(1,724)	(703)
Balance at June 30	**61,076**	**53,897**
Thereof exercisable at period-end	27,351	34,844

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

(See note 12.4.2 of the consolidated financial statements 2021 for the terms and principal conditions)

Movements in employee shares:

Employee shares			2021	**2022**
Balance at January 1			137,333	109,765
PSMP Management	Plan 2018 and 2019	Matching shares vested and transferred	(39,680)	(34,648)
PSMP Management	Plan 2021 and 2022	Initial shares granted and transferred (blocked)	8,768	10,207
PSMP Management	Plan 2021 and 2022	Maximum of matching shares granted	21,920	25,518
PSMP Management	All plans	Matching shares forfeited	(154)	(183)
PSMP Management	All plans	Shares deblocked	(78)	-
Board of Directors	Plan 2020 and 2021	Shares vested and transferred	(1,341)	(795)
Board of Directors	Plan 2021 and 2022	Shares granted	795	972
Balance at June 30			**127,563**	**110,836**
Thereof vested and transferred, but blocked until the end of the performance period			30,608	32,080

10 PRINCIPAL EXCHANGE RATES

	Closing exchange rates		Average exchange rates January to June	
CHF	31.12.2021	**30.06.2022**	2021	**2022**
EUR 1	1.04	1.00	1.09	1.03
USD 1	0.91	0.96	0.91	0.94

11 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

11.1 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 2021**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2021**	Fair value disclosure
Derivatives not designated as hedging instruments										
Currency forwards	-	908	-	-	**908**	(562)	-	-	**(562)**	
Financial instruments measured at fair value through OCI (FVOCI)										
Unquoted equity investment	-	-	-	4,223	**4,223**	-	-	-	**-**	
Financial instruments measured at amortized costs[1]										
Cash and cash equivalents	121,006	-	-	-	**121,006**	-	-	-	**-**	
Time deposits	-	120,000	-	-	**120,000**	-	-	-	**-**	
Receivables	-	-	128,491	-	**128,491**	-	-	-	**-**	
Rent and other deposits	-	-	2,357	1,320	**3,677**	-	-	-	**-**	
Payables and accrued expenses	-	-	-	-	**-**	-	(124,924)	-	**(124,924)**	
Bank loans	-	-	-	-	**-**	-	-	(654)	**(654)**	(647)
Bond	-	-	-	-	**-**	-	-	(249,507)	**(249,507)**	(250,500)
Other										
Lease liabilities	-	-	-	-	**-**	(13,053)	-	(50,445)	**(63,498)**	
Total financial instruments	**121,006**	**120,908**	**130,848**	**5,543**	**378,305**	**(13,615)**	**(124,924)**	**(300,606)**	**(439,145)**	
Reconciling items[2]	-	-	10,648	-	**10,648**	-	(16,239)	-	**(16,239)**	
Balance at December 31, 2021	**121,006**	**120,908**	**141,496**	**5,543**	**388,953**	**(13,615)**	**(141,163)**	**(300,606)**	**(455,384)**	

[1] The carrying amount of f inancial instruments measured at amortized costs (except for bank loans and bond) is a reasonable approximation of their fair value due to their short-term nature.

[2] Receivables/payables arising f rom 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 2022**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2022**	Fair value disclosure
Derivatives not designated as hedging instruments										
Currency forwards	-	516	-	10	**526**	(2,378)	-	-	**(2,378)**	
Financial instruments measured at fair value through OCI (FVOCI)										
Unquoted equity investment	-	-	-	4,074	**4,074**	-	-	-	**-**	
Financial instruments measured at amortized costs[1]										
Cash and cash equivalents	133,429	-	-	-	**133,429**	-	-	-	**-**	
Time deposits	-	120,000	-	-	**120,000**	-	-	-	**-**	
Receivables	-	-	150,389	-	**150,389**	-	-	-	**-**	
Rent and other deposits	-	-	826	1,391	**2,217**	-	-	-	**-**	
Current bank liabilities	-	-	-	-	**-**	(1)	-	-	**(1)**	
Payables and accrued expenses	-	-	-	-	**-**	-	(133,944)	-	**(133,944)**	
Bank loans	-	-	-	-	**-**	-	-	(631)	**(631)**	(618)
Bond	-	-	-	-	**-**	-	-	(249,639)	**(249,639)**	(238,125)
Other										
Lease liabilities	-	-	-	-	**-**	(13,341)	-	(46,238)	**(59,579)**	
Total financial instruments	**133,429**	**120,516**	**151,215**	**5,475**	**410,635**	**(15,720)**	**(133,944)**	**(296,508)**	**(446,172)**	
Reconciling items[2]	-	-	18,358	-	**18,358**	-	(20,541)	-	**(20,541)**	
Balance at June 30, 2022	**133,429**	**120,516**	**169,573**	**5,475**	**428,993**	**(15,720)**	**(154,485)**	**(296,508)**	**(466,713)**	

[1] The carrying amount of f inancial instruments measured at amortized costs (except for bank loans and bond) is a reasonable approximation of their fair value due to their short-term nature.

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

11.2 FAIR VALUE MEASUREMENT AND DISCLOSURES

Position	Note	Level	Data source	Valuation technique used / model
Currency forwards	11.1	Level 2	Financial data supplier	(Forward rate - [spot rate +/- SWAP points]) * amount in foreign currency
Unquoted equity investment	11.3	Level 3	n/a	Market sales multiples
Bank loans	11.1	Level 2	Financial data supplier	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
Bond	11.1	Level 1	Financial data supplier	Market value available at SIX (security symbol TEC21)

There have been no transfers between the levels in 2021 and 2022.

11.3 UNQUOTED EQUITY INVESTMENT (LEVEL 3)

The 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.

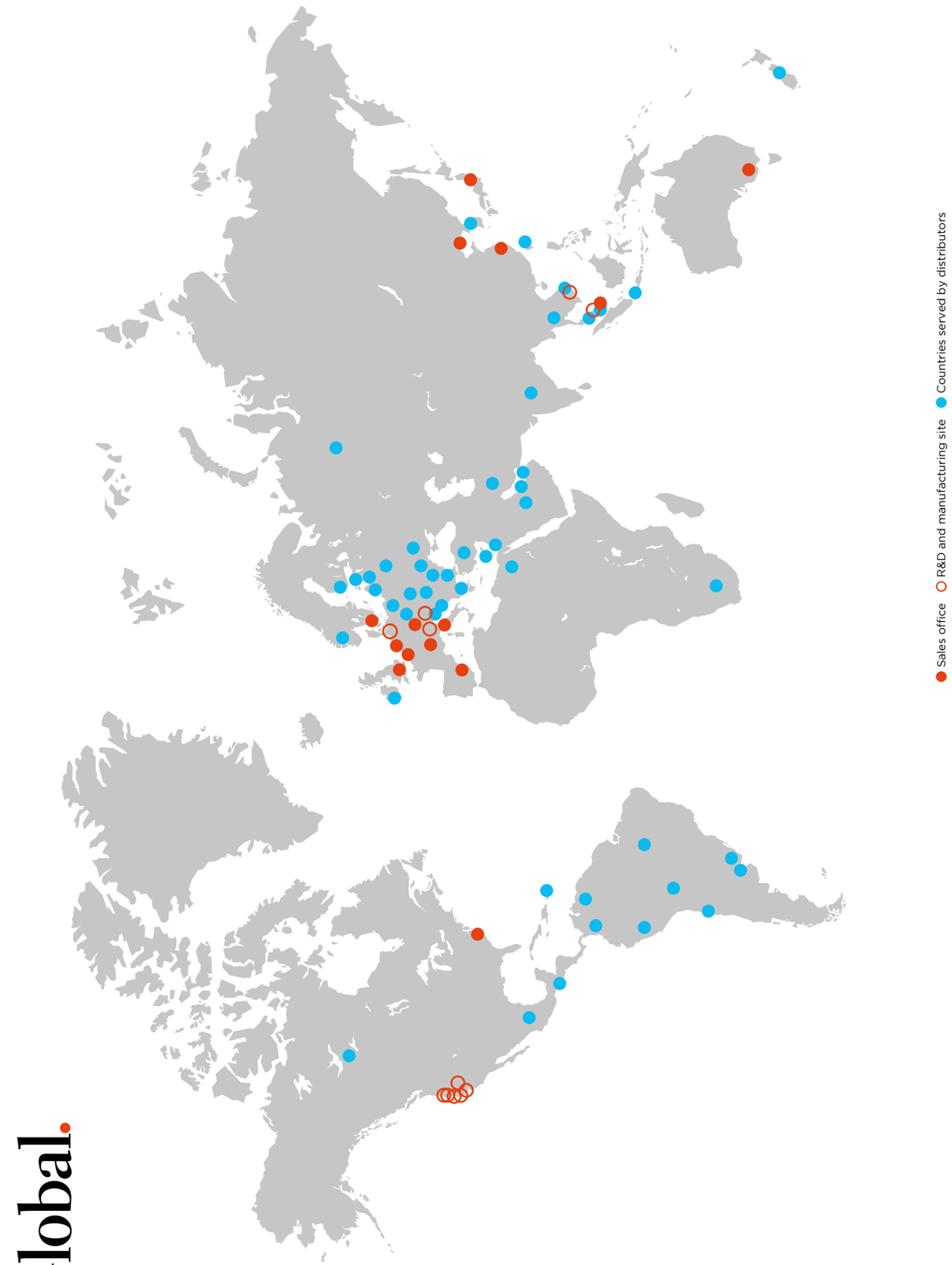
11.4 HEDGE ACCOUNTING END OF JUNE 2021

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 had matured at the day of the closing of the acquisition (after the balance sheet date on August 2, 2021). At that 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 have been ready.

As the targeted transaction was considered as highly probable at June 30, 2021 and all other conditions were met, the Group applied cash flow hedge accounting. The proportion of the gain or loss on the hedging instrument that was determined to be effective was recognized in other comprehensive income and allocated to the cash flow hedge reserve. The ineffective part of the cash flow hedge (mainly the contingent charge of the deal contingent forward) amounted to CHF 1.5 million and was reported in finance cost.

12 SUBSEQUENT EVENTS

There were no 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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