

## **Tecan announces financial results for the first half of 2014 as well as successes in product and corporate development**

### **Financial results**

- **Order entry of CHF 196.6 million (H1 2013: CHF 189.2 million)**
  - Growth of 6.8% in local currencies or 3.9% in Swiss francs
  - Double-digit order growth in Life Sciences Business
  - Order backlog with double-digit increase for the Group
- **Sales of CHF 172.0 million (H1 2013: CHF 181.8 million)**
  - Sales 2.7% below prior-year figure in local currencies or -5.4% in Swiss francs
  - Strong growth in the Life Sciences Business
  - Lower sales in the Partnering Business mainly due to delays in order placement from two OEM customers
- **Operating profit (EBIT) of CHF 22.3 million (H1 2013: CHF 23.1 million)**
  - Improvement of 30 basis points in EBIT margin to 13.0% (H1 2013: 12.7%)
  - EBIT margin of 13.6%, assuming constant exchange rates
- **Net profit of CHF 18.6 million (H1 2013: CHF 16.5 million); increase of 12.8%**
  - Improvement of 170 basis points in net profit margin to 10.8% (H1 2013: 9.1%)
  - Earnings per share increased by 11.3% to CHF 1.68 (H1 2013: CHF 1.51)
- **Cash flow from operating activities: CHF 16.2 million (H1 2013: CHF 5.5 million)**
  - Cash flow from operating activities, excluding prefinancing of an OEM development project, of CHF 28.9 million (H1 2013: CHF 28.4 million)
- **Outlook for full-year 2014 confirmed**

### **Operating highlights and other important information**

- **Launch of Fluent™ laboratory automation family, Tecan's next generation liquid handling platform in the Life Sciences Business**
- **Sales and delivery ramp-up of Dako Omnis in the first half-year as expected**
- **After close of reporting period: acquisition of IBL International, a leading immunoassay company for specialty diagnostics, to support Tecan's evolution into a solutions business**
  - Transaction successfully closed on July 31, 2014

**Männedorf, Switzerland, August 13, 2014** – The Tecan Group (SIX Swiss Exchange: TECN) today announced its financial results for the first half of 2014 as well as successes in product and corporate development.

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

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

### **Financial results first half of 2014**

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

Operating profit (EBIT) reached CHF 22.3 million in the first half of 2014 (H1 2013: CHF 23.1 million). The operating profit margin improved by 30 basis points to 13.0% of sales (H1 2013: 12.7%), helped by lower net research and development expenses mainly due to increased capitalization of costs as projects near market launch. Exchange rate movements in major currencies versus the Swiss franc had a negative impact on the operating result. Assuming exchange rates in line with the prior-year period, the operating profit would have reached CHF 24.1 million while the operating profit margin would have stood at 13.6% of sales. Net profit increased by 12.8% and amounted to CHF 18.6 million (H1 2013: CHF 16.5 million) in the first six months of the year. The net profit margin improved by 170 basis points to 10.8% of sales (H1 2013: 9.1%). Earnings per share increased to CHF 1.68 (H1 2013: CHF 1.51). Cash flow from operating

activities rose to CHF 16.2 million (H1 2013: CHF 5.5 million). Excluding an OEM development project that Tecan is prefinancing, cash flow from operating activities amounted to CHF 28.9 million (H1 2013: CHF 28.4 million).

## **Information by business segments**

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

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

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

### ***Partnering Business (OEM business)***

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

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

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

## **Additional information**

### ***Regional development***

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

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

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

### ***Recurring sales of services and consumables***

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

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

### ***Research and development***

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

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

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

### **Strong balance sheet – high equity ratio**

Tecan's equity ratio reached 70.9% as of June 30, 2014 (December 31, 2013: 72.0%). Net liquidity (cash and cash equivalents less bank liabilities and loans) amounted to CHF 130.0 million (December 31, 2013: CHF 143.4 million). The Company's share capital remained unchanged at CHF 1,144,458 at the reporting date (June 30, 2014), consisting of 11,444,576 registered shares with a nominal value of CHF 0.10 each.

At the Tecan Group Annual General Meeting on April 14, 2014, shareholders approved an unchanged dividend versus the previous year of CHF 1.50 per registered share. The payout of dividends of CHF 16.7 million in total took place on April 23, 2014.

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

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

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

from August 1, 2014, IBL International will be included in the consolidated financial statements of the Tecan Group.

### **Outlook for full-year 2014 confirmed**

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

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

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

### **Financial Report and Webcast**

The full 2014 Interim Report can be accessed on the company website [www.tecan.com](http://www.tecan.com) under Investor Relations. An iPad App for the Tecan Financial Reports is available from the App Store.

A conference call discussing the results in the first half of 2014 will take place today at 10 a.m. (CEST). The presentation will also be relayed by live audio webcast, which interested parties can access at [www.tecan.com](http://www.tecan.com). A link to the webcast will be provided immediately prior to the event.

The dial-in numbers for the conference call are as follows:

For participants from Europe: +41 91 610 5600 or +44 203 059 5862 (UK)

For participants from the US: +1 (1) 866 291 4166

Participants should if possible dial in 15 minutes before the start of the event.

### **Key upcoming dates**

- A Capital Market Day for analysts and institutional investors will take place on September 18, 2014, in Männedorf/Zurich.
- The 2014 full-year financial results will be published on March 18, 2015.



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- The Annual General Meeting of Tecan's shareholders will take place in Zurich on April 16, 2015.

#### **About Tecan**

Tecan ([www.tecan.com](http://www.tecan.com)) is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The company specializes in the development, production and distribution of automated workflow solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, and forensic and diagnostic laboratories. As an original equipment manufacturer (OEM), Tecan is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries. In 2013, Tecan generated sales of CHF 388 million (USD 419 million; EUR 316 million). Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191).

#### **For further information:**

##### **Tecan Group**

Dr. Rudolf Eugster  
Chief Financial Officer

[investor@tecan.com](mailto:investor@tecan.com)  
[www.tecan.com](http://www.tecan.com)

Martin Brändle  
Head of Corporate Communications &  
Investor Relations  
Tel. +41 (0) 44 922 84 30  
Fax +41 (0) 44 922 88 89

**- Financial tables on following pages -**

## Tecan Group – Financial reporting

Interim consolidated financial statements as of June 30, 2014

(Key figures, unaudited)

### Consolidated statement of profit or loss

January to June, CHF 1'000	2014	2013	Δ in %
<b>Sales</b>	<b>172'002</b>	<b>181'810</b>	<b>-5.4%</b>
Cost of sales	(84'670)	(93'173)	-9.1%
<b>Gross profit</b>	<b>87'332</b>	<b>88'637</b>	<b>-1.5%</b>
<i>In % of sales</i>	50.8%	48.8%	
Sales and marketing	(29'561)	(28'001)	5.6%
Research and development	(17'220)	(21'342)	-19.3%
General and administration	(18'474)	(16'500)	12.0%
Other operating income	243	328	-25.9%
<b>Operating profit</b>	<b>22'320</b>	<b>23'122</b>	<b>-3.5%</b>
<i>In % of sales</i>	13.0%	12.7%	
Financial result	95	(2'706)	n.a.
<b>Profit before taxes</b>	<b>22'415</b>	<b>20'416</b>	<b>9.8%</b>
Income taxes	(3'833)	(3'936)	-2.6%
<b>Profit for the period</b>	<b>18'582</b>	<b>16'480</b>	<b>12.8%</b>
<i>In % of sales</i>	10.8%	9.1%	

<b>Basic earnings per share (CHF/share)</b>	<b>1.68</b>	<b>1.51</b>	<b>11.3%</b>
<b>Diluted earnings per share (CHF/share)</b>	<b>1.65</b>	<b>1.49</b>	<b>10.7%</b>

### Order entry

January to June, CHF 1'000	2014	2013	Δ in % (CHF)	Δ in % (LC)
<b>Order entry</b>	<b>196'592</b>	<b>189'180</b>	<b>3.9%</b>	<b>6.8%</b>

### Segment information by business segments

#### Sales to third parties

January to June, CHF 1'000	2014	2013	Δ in % (CHF)	Δ in % (LC)
Life Sciences Business	100'920	97'605	3.4%	7.2%
Partnering Business	71'082	84'205	-15.6%	-13.9%
<b>Total sales</b>	<b>172'002</b>	<b>181'810</b>	<b>-5.4%</b>	<b>-2.7%</b>

#### Segment information 2014

January to June, CHF 1'000	Life Sciences Business	Partnering Business	Corporate / Consolidation	Group
Sales to third parties	100'920	71'082	-	<b>172'002</b>
Intersegment sales	4'948	1'584	(6'532)	-
<b>Total sales</b>	<b>105'868</b>	<b>72'666</b>	<b>(6'532)</b>	<b>172'002</b>
<b>Operating profit</b>	<b>14'825</b>	<b>11'277</b>	<b>(3'782)</b>	<b>22'320</b>
<i>In % of sales</i>	14.0%	15.5%		13.0%

#### Segment information 2013

January to June, CHF 1'000	Life Sciences Business	Partnering Business	Corporate / Consolidation	Group
Sales to third parties	97'605	84'205	-	<b>181'810</b>
Intersegment sales	6'382	1'426	(7'808)	-
<b>Total sales</b>	<b>103'987</b>	<b>85'631</b>	<b>(7'808)</b>	<b>181'810</b>
<b>Operating profit</b>	<b>1'083</b>	<b>25'017</b>	<b>(2'978)</b>	<b>23'122</b>
<i>In % of sales</i>	1.0%	29.2%		12.7%

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

January to June, CHF 1'000	2014	2013	Δ in % (CHF)	Δ in % (LC)
Switzerland	4'530	4'178	8.4%	8.5%
Other Europe	71'443	73'983	-3.4%	-3.0%
North America	69'752	76'006	-8.2%	-4.4%
Asia	21'257	22'776	-6.7%	0.5%
Others	5'020	4'867	3.1%	4.4%
<b>Total sales</b>	<b>172'002</b>	<b>181'810</b>	<b>-5.4%</b>	<b>-2.7%</b>

### Consolidated balance sheet

CHF 1'000	30.06.2014	31.12.2013	Δ in %
<b>Assets</b>			
Current assets	388'124	387'571	0.1%
Non-current assets	88'452	79'078	11.9%
<b>Assets</b>	<b>476'576</b>	<b>466'649</b>	<b>2.1%</b>
<b>Liabilities and equity</b>			
Current liabilities	107'460	105'312	2.0%
Non-current liabilities	30'992	25'135	23.3%
<i>Total liabilities</i>	<i>138'452</i>	<i>130'447</i>	<i>6.1%</i>
Shareholders' equity	338'124	336'202	0.6%
<b>Liabilities and equity</b>	<b>476'576</b>	<b>466'649</b>	<b>2.1%</b>

### Consolidated statement of cash flows

January to June, CHF 1'000	2014	2013	Δ in %
Cash inflows from operating activities	16'178	5'488	194.8%
Cash outflows from investing activities	(14'756)	(6'920)	113.2%
Cash outflows from financing activities	(14'778)	(5'516)	167.9%
Translation differences	(108)	147	n.a.
<b>Decrease in cash and cash equivalents</b>	<b>(13'464)</b>	<b>(6'801)</b>	<b>98.0%</b>
<b>Cash and cash equivalents as per cash flow statement:</b>			
At January 1	150'377	144'520	4.1%
At June 30	136'913	137'719	-0.6%

### Consolidated statement of changes in equity

January to June, CHF 1'000	2014	2013	Δ in %
<b>Shareholders' equity at January 1</b>	<b>336'202</b>	<b>293'613</b>	<b>14.5%</b>
Profit for the period	18'582	16'480	12.8%
Other comprehensive income for the period	(4'674)	4'832	n.a.
Dividends paid	(16'651)	(16'488)	1.0%
Share-based payments	2'776	933	197.5%
Treasury shares issued based on employee participation plans	1'875	4'539	-58.7%
Other sale of treasury shares	14	2'286	-99.4%
<b>Shareholders' equity at June 30</b>	<b>338'124</b>	<b>306'195</b>	<b>10.4%</b>