RISK FACTORS

*Tecan Group Ltd. (together with its consolidated subsidiaries, the "**Group**") believes that the factors described below represent material risks in relation to the Group and its business, but the inability of the Group to perform or otherwise fulfil its obligations, if any, may occur for other reasons that may not be considered material risks by the Group based on information currently available to it or that it may not currently anticipate. Careful consideration should be given to the following risks. The information is not intended to be an exhaustive list of all potential risks associated with the Group or its business.*

The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Risks relating to the Group and its business

The Group's business is exposed to risks associated with the COVID-19 pandemic

The coronavirus (COVID-19) pandemic has had, and continues to have, a significant impact on the global economy including on demand for products, operational predictability and continuity, the movement of people and products across borders and the cost of capital.

The COVID-19 pandemic caused certain bottlenecks in the Group's supply chain, such as for example supply of electronic components, materials or resins, which are expected to remain in place in 2021 and potentially also in 2022 (see "—*A significant disruption of supply or deficient supplier performance could adversely affect the Group's business*"). While the Group has taken and continues to implement measures to ensure workplace safety and the health of its employees, including through, inter alia, home-office policies, mandated safe distancing and mask use, the ultimate extent to which the COVID-19 pandemic impacts the Group's business, financial condition and results of operations will depend on future developments, which are uncertain and cannot be predicted with confidence. The current uncertainties that will influence the ongoing impact of the COVID-19 pandemic include the availability and effectiveness of vaccines, future mutations of the COVID-19 virus and any resulting impact on the effectiveness of vaccines, the duration and extent of the pandemic and waves of infection, travel restrictions and social distancing, the duration and extent of current and future lock-downs, business closures and business disruptions and the effectiveness of actions taken to contain, treat and prevent the pandemic.

The Group's business is exposed to risks associated with a volatile global economic environment and political conditions as well as the cyclical nature of some of its customers' end-markets

The Group's business is exposed to risks associated with a volatile global economic environment and political conditions, as well as the cyclical nature of some of its customers' end-markets. Adverse changes in economic or political conditions, particularly in locations where the Group's customers or operations are located, as well as concerns about global trade, global health crises, climate change and developments in raw material prices or customs duties could have a material adverse effect on the demand for the Group's products and services and, in turn, the Group's business, financial condition and results of operations.

The Group's customers principally operate in the life sciences, diagnostics and medical devices sectors, all of which can experience significant declines in sales from time to time, particularly as a result of changing economic and political conditions. In addition, public capital spending, government funding and reimbursement policies could change.

The occurrence of any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's international operations are subject to the risks of doing business abroad and managing and expanding into developing markets, managing unpredictable changes in international governmental policies, regulatory controls, public policy, international events, sanctions and other adverse circumstances

The Group has substantial international operations that are subject to risks including rapidly changing regional economic conditions, differing systems of taxation and regulation, restrictions on the transfer of funds and/or the repatriation of profits, the imposition of duties and tariffs, import and export controls, changes in regulatory requirements and other governmental policies, political and economic instability and disruptions, arbitrary or inconsistent governmental action, transportation delays and interruptions, labor unrest, and the risk of possible nationalization or other expropriation of assets. Unexpected or significant changes in these or other local conditions in the regions in which the Group operates could result in funds blocked in such countries, loss or restrictions in use of or access to assets, increase in its production costs, reduced demand for its products or services, a decrease of the prices at which the Group can sell its products or offer its services or otherwise have an adverse effect on its competitive position.

In addition, the Group is subject to the risks that its business operations in or with certain countries may be adversely affected by trade tariffs, trade or economic sanctions or other restrictions imposed on these countries, including, in recent years, as a result of the trade tensions between the United States, Russia and China and the evolution of agreements between Switzerland and the European Union. These could lead to increased costs for the Group or for its customers or limit its ability to do business in or with certain countries. If any countries where or with whom the Group does business are subject to such sanctions or restrictions, the Group's business may be impacted.

The occurrence of any of the above factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's success depends on its ability to continue to successfully identify and capitalize on changes in technological trends, develop and market innovative products and services and invest in research and development

Life sciences, diagnostics and medical devices industries are characterized by ongoing technological change, as well as by enhancements and new developments in products. To a substantial extent, the Group's economic success is dependent upon its ability to bring enhanced or new products and services to the market on a timely basis and at competitive conditions. Therefore, a key element of the Group's business strategy in all its segments is to continue to introduce new and innovative products and services. The success of the Group's innovation strategy is dependent on its ability to anticipate customer needs, develop and market new products and services and differentiate its product and service offerings from those of its competitors. The introduction of new products and services may be less successful than the Group expects due to low levels of customer acceptance, costs associated with research and development, costs associated with the introduction, delays in bringing products to market, lower than anticipated sales prices, higher than anticipated manufacturing costs or quality issues. Changes in customer requirements and preferences, frequent product and service introductions and the emergence of new substitute technologies or evolving industry standards and practices could render the Group's existing products and services obsolete or less attractive.

There can be no assurance that the Group will be able to anticipate and respond to the demand for new products, services and technologies in a timely and cost-effective manner, adapt to technological advances, fulfil customer expectations, or correctly determine the amount of investments required to maintain future technological advantages. A failure to preserve the Group's technological advantages or to use those advantages to manufacture marketable new products in the event of substantial technological changes or the introduction of superior products by one or more of its competitors could also lead to impairment charges. The occurrence of any of the above factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in highly competitive and consolidating industries

The Group operates in highly competitive markets and its success depends on its ability to compete successfully with other companies that have similar products and services offerings. If new competitors enter the markets served by the Group's businesses, or if its current competitors – some of which are significantly larger than the Group - enhance their products and services or related support services, gain superior brand recognition or lower their prices or otherwise alter the conditions for competing products or services (including as a result of a consolidation in markets in which the Group operates), the Group could suffer reduced sales, lower margins and/or loss of market share. Indeed, certain markets that the Group serves could also experience overcapacity, which could exert further pressure on margins as well as lead to a decline in sales. In order to compete successfully, the Group must maintain a high degree of innovation and close relationships with its customers and financial resources for investments. If it fails to do so, the Group may not be able to increase or maintain its current market position in the segments in which it operates.

The Group's customer base is, to a certain degree, undergoing consolidation. Consolidation within certain of the Group's customers' industries could affect the Group's customers and their relationships with the Group. If one of the Group's competitors' customers acquires any of the Group's customers, the Group may lose that business. Additionally, as the Group's customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including the Group. If the Group was to lose market share or customers or face pricing pressure due to consolidation of its customers or as a result of the other factors described above, any of these circumstances could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could lose one or more key customers and its customers may reduce or cancel orders, or could fail to pay for the Group's products and services

If the Group was to experience the loss of one or more of its key customers, a substantial cancellation of existing product orders or the failure of one or more such customers to make payments in respect of an important contract or contracts, the Group could experience a material loss of sales and would potentially have to write-down existing inventories and receivables or reverse "percentage of completion" sales and margins, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

See also "*—Customers or other contractual counterparties may delay or fail to fulfill their payment or other obligations as agreed*".

The Group may be negatively affected by quality issues or defects of its products and solutions, which may lead to costly corrective measures, product liability claims or decline in demand for the Group’s products and damage its reputation.

The Group's products and solutions may have defects resulting from improper design, manufacturing, software used in the products as well as from improper installation of the equipment at customers' sites. If any such defects are identified prior to delivery or ramp-up of the products and solutions, corrective measures may cause delivery delays or even lead to the cancellation of orders. Moreover, the Group may also discover defects in its products or solutions only after they have been shipped to customers and installed at their sites.

If a defect were to affect the products' safety or regulatory compliance, the Group may be required to recall the defective products and become subject to product liability claims. Depending on the nature of the defect and the number of products already delivered, the Group could incur substantial additional manufacturing costs and/or contractual warranty obligations. If the Group were to incur a very large product liability claim, the Group's insurance protection might not be adequate or sufficient to cover such a claim, including for paying any awards or settlements, and/or paying for the Group's defense costs. Further, some claims may be outside the scope of the Group's insurance coverage. Additionally, a well-publicized actual or perceived issue relating to us or the Group's products could adversely affect the Group's market reputation, which could result in a decline in demand for the Group's products. The occurrence of any of the above factors could have a material adverse effect on the Group's business, financial condition and results of operations. See also "*—The Group's solutions often incorporate advanced technologies, and may contain defects or hazardous materials that could result in product liability, legal and contractual claims and financial and reputations/ damages*".

The Group may fail in adjusting its production capacity to customer demand

Depending on global or local market developments, any of the Group's production plants could experience significant overcapacities or capacity shortages at any period in time. Therefore, the appropriate capacity planning of production facilities is essential to the Group's continued success. However, there is no assurance that the Group will be successful in adjusting its production capacities to actual customer demand, and therefore the Group is exposed to significant strategic risks. Incorrect strategic decisions may result in loss of market share and market position, damage of reputation, reduced sales and margins, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Acquisitions involve a number of significant risks, challenges and uncertainties

In implementing the Group's growth strategy, the Group expects that it will continue to evaluate potential acquisitions. The Group cannot assure that this strategy will be successful. A successful acquisition strategy depends on a variety of factors, including the ability to identify, attract and successfully execute suitable acquisition opportunities and partnerships. However, many factors critical to the success of this strategy are beyond the Group's control.

Significant risks and uncertainties associated with acquisitions can include:

- the need to use cash resources and/or incur debt and contingent liabilities to fund an acquisition, thereby limiting the availability of cash for other purposes, including the service of existing debt;
- amortization expense related to acquired intangible assets and other adverse accounting consequences, including changes in fair value of contingent consideration;
- impairment of goodwill or other intangible assets, such as trademarks or other intellectual property;
- expected and unexpected costs incurred in pursuing acquisitions, including identifying and performing due diligence on potential acquisition targets that may or may not be successful;
- challenges relating to the structure of an investment, such as governance, accountability and decision-making conflicts that may arise in the context of a joint venture;
- impairment of relationships with employees, suppliers and affiliates of the Group's businesses and the acquired business;
- the assumption of known and unknown debt and liabilities of the acquired company;
- failure to generate adequate returns on acquisitions and investments, or returns in excess of alternative uses of capital;
- challenges associated with assessing business plan of the targets and the corresponding valuation of the acquired companies, in an uncertain and volatile economic environment overpaying for targets amidst competitive auction processes, high market uncertainty and high sell-side value expectations;
- significant diligence risks (e. g., overestimating business plan and synergies, underestimating potential obligations acquired with an acquisition, lack of time and resources to perform detailed due diligence across all business and administrative functions);
- failure to successfully implement, or generate benefits from, a venture strategy to partner and invest in small innovative companies with large growth potential; and
- entrance into markets in which the Group has no direct prior experience.

The occurrence of any of the above factors could have a material adverse effect on the Group's business, financial condition and results of operations.

If the Group does not integrate acquired businesses successfully, it could fail to gain the benefits it had sought to achieve through the acquisition and could face increased costs and reduced efficiencies

Acquisitions are an important component of the Group's strategy to increase medium- to long-term growth through, among others, targeted acquisitions of companies and technologies. On 23 June 2021, the Group announced and on 2 August 2021 closed the acquisition of Paramit Corporation, a US-based OEM developer and manufacturer of medical devices and life science instruments, and its affiliates (Paramit). The acquisition of Paramit is by far the largest acquisition made by the Group so far. With medical devices, Tecan will add a new business vertical. The Group can give no assurance that it will succeed in integrating Paramit or any other acquisition targets.

Integrating an acquired business presents a variety of significant management, administrative and financial challenges. These challenges include:

- integrating management information and financial control systems, marketing, technologies, customer service and product offerings;
- managing outstanding legal, regulatory, contractual, labor and similar issues;
- succeeding at cross-selling activities;
- integrating and optimizing supply chain management;
- managing routes to markets;
- managing and integrating logistics and transportation;
- succeeding at plant and footprint optimization;
- succeeding in the realization of synergies;
- increased financial indebtedness to finance the acquisition;
- increased or additional capital expenditure requirements;
- risk of acquiring unidentified liabilities without insurance protection or recourse to the seller;
- retention of customers;
- integration of differing company and management cultures;
- retention, hiring and training of key personnel; and
- underestimation of costs and resources for proper integration across all functions.

In addition, the integration process may create operating difficulties and require expenditures that may not be currently foreseen. As a result, the Group may fail to realize synergies that it had expected to achieve through the acquisition. If the Group does not successfully integrate any acquired business, including Paramit, or the Group's future acquisitions do not deliver the expected performance for other reasons, the Group will fail to realize all or part of the benefits it had sought to achieve. In addition, the Group could incur substantial expenses while at the same time suffering from the decreased efficiencies and burden arising from unsuccessfully integrated acquisition(s). As a result, an unsuccessful integration could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business strategy may in the future include making strategic divestitures and there can be no assurance that any divestitures will provide business benefit

The Group's strategy may in the future include divesting certain non-core businesses. The divestiture of an existing business could reduce the Group's future profits and operating cash flows and make its financial results more volatile. The Group may also retain certain obligations or grant warranties and indemnities in connection with a divestment. The Group may also retain certain dis-synergies in connection with a divestment that may have a material impact on business profitability. The Group may not find suitable purchasers for its non-core businesses and may continue to pay operating costs associated with these businesses. Failed attempts to divest non-core businesses may distract management's attention from other business activities, erode employee morale and customers' confidence, and harm the Group's business. If the Group does not successfully manage the risks associated with a divestiture, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could experience production problems and disruptions at its manufacturing facilities

The Group relies upon its manufacturing operations to produce many of the products it sells and its warehouse facilities to store products, pending sale. Any significant disruption of those operations for any reason, such as strikes or other labor unrest, power interruptions, earthquakes (e.g. in California), fire, hurricanes, floods, tsunamis, pandemics, epidemics, terror, nuclear power plant disasters or other events beyond the Group’s control could adversely affect the Group’s sales and customer relationships and therefore adversely affect its business. Although most, but not all, of the Group’s raw materials and components are available from a number of potential suppliers (see "— *A significant disruption of supply or deficient supplier performance could adversely affect the Group's business*"), the Group’s operations also depend upon its ability to obtain raw materials and components at reasonable prices. If the Group is unable to obtain the raw materials and components it needs at a reasonable price, it may not be able to produce certain products or it may not be able to produce certain of these products at a marketable price, which could have an adverse effect on the results of operations.

If operations at one or more of its production facilities were to be disrupted as a result of equipment failures, natural disasters, work stoppages, power outages, IT failures or other reasons, the Group's business, financial condition and results of operations could be adversely affected.

The Group's relevant insurance policies may be insufficient to compensate it adequately in the event of a major disruption. Any significant interruption or impairment of the Group's production capabilities could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's solutions often incorporate advanced technologies, and may contain defects or hazardous materials that could result in product liability, legal and contractual claims and financial and reputational damage

While the Group manufactures its products in accordance with appropriate quality-control standards, the products may nevertheless be defective or be the subject of a recall or cause product liability or other claims. The Group also relies on third-party technology that is integrated into some of its products.

Such third-party technology may lead to unforeseen or undetected defects in the Group's products. Product defects or other claims in relation to the Group's products and services could result in reduced sales, recalls, injury or consequential damages to customers or third parties, or harm to its reputation. In particular, the Group may be subject to significant product liability claims in the event that the use of its products, or the exposure to its products or their raw materials or components, is alleged to have resulted in injury (including personal injuries with fatal consequences) or other adverse effects.

The Group currently maintains product liability insurance coverage, but it cannot ensure that in the future the Group will be able to obtain such insurance on commercially reasonable terms or at all or that any such insurance will provide adequate coverage against potential claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of their merits and ultimate outcome. An unsuccessful product liability defense could have a material adverse effect on the Group's business, financial condition or results of operations. In addition, the Group's business depends on the strong brand reputation it has developed. In the event that this reputation is damaged as a result of a product liability claim, the Group may face difficulty in maintaining its pricing positions, its strong customer relations and market share with respect to some of its products. Any of these consequences could have a material adverse effect on the Group's business, financial condition and results of operations.

A significant disruption of supply or deficient supplier performance could adversely affect the Group's business

A substantial portion of the Group's sales result from the sale of finished goods that require third-party input, and the Group is dependent on the availability of essential materials, components, commodities, outsourced services and parts that the Group purchases from its suppliers, some of which may be available only from a limited number of sources, or in few cases, from a single source only.

The Group cooperates with a wide range of different suppliers. Its suppliers may want to extend delivery times, raise prices and limit supply due to their own shortages or changing business and product strategies. Especially in times of economic turmoil, supply chains, credit access and financial stability of the Group's suppliers may be negatively affected. In addition, natural disasters, acts of terrorism or other disruptive and unforeseen events could adversely affect the ability of suppliers to provide supplies of goods and services to the Group. If the Group's suppliers fail to deliver quality products and services in a timely manner, the ensuing disruptions in the Group's supply chain could adversely affect the Group's business and operations.

As a result, the Group is subject to the risk of delivery bottlenecks and interruptions in supply due to restricted supplier capacity or, in limited cases, single source supply. The risk that the Group may not be able to obtain components, commodities, outsourced services and parts is increased by the COVID-19 pandemic (see "*—The Group's business is exposed to risks associated with the COVID-19 pandemic*"). If one of the Group's suppliers were unable to provide the Group with components, commodities, outsourced services and parts it needs, its ability to manufacture some of its products could be adversely affected until it is able to establish a new supply arrangement. The Group may not be able to enter into agreements with replacement suppliers within a short time and such replacement suppliers may not deliver parts or components at commercially reasonable conditions or in the required quality.

If the Group encounters supply problems, its production costs could increase or the Group could experience delays and/or reductions in production, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business is subject to changes in raw material prices and freight costs

The Group's business operations depend on adequate supplies of raw materials and availability of freight capacities at commercially reasonable terms. Thus, changes in the availability of raw materials, commodities or freight capacities could adversely affect the Group's profitability. Any increased volatility on raw materials prices or freight costs could impact the Group's profitability if the Group is not able to fully and/or immediately pass on an increase in raw material prices or freight costs to its customers. At the same time, any such increase may lead to a product no longer being cost effective to produce. As a result, any of these circumstances may have a material impact on the Group's business, financial condition and results of operations.

Increased information technology (IT) security threats and more sophisticated cyber-attacks could pose a risk to the Group's systems, networks, products, solutions and services

There is a global increase in IT security threats and more sophisticated cyber-attacks, which pose a risk to the Group's IT security systems and networks. To safeguard the confidentiality, availability and integrity of data stored and transmitted, systems and networks are regularly monitored and tested (penetration tests). Despite the Group's efforts to address these risks, the Group may in the future be susceptible to successful phishing, cyber-attacks, malware (any virus, worm, trap door, back door, snoopware, spyware, ransomware, malicious logic, Trojan horse, time bomb or other malicious functionality that is designed to erase or alter data, programs or equipment or render any of them or entire systems unusable, inoperable or incapable of being normally used) or similar attacks, which may result in significant costs.

Globally, a continuing increase in cyber-attacks is also being observed more often on industrial control systems as well as on those systems of the Group's customers. The risk of attacks via connected third-companies (e.g. customers) is therefore increasing the risks to the Group as well. Other IT risks include, but are not limited to, the following:

- future accidental or targeted attacks that may have various negative effects on the Group's business (e.g., compromising confidential information);
- fraud against the Group or its customers;
- disruption of the Group's business;
- misuse or failure of its systems and networks;
- tampering with systems delivered to customers/defective products;

- loss of intellectual property;
- reputational damage; and
- production failures and delivery bottlenecks.

While the Group currently maintains certain cyber insurance coverage, the Group's cyber insurance coverage may not be sufficient to cover all costs related to successful cyber-security attacks or resulting disruptions. The Group may not maintain cyber insurance coverage in the future. Due to the everchanging nature of cyber-attacks, the scope and impact of any future incident cannot be predicted. Overall, cyber-attacks may affect the Group's profitably, result in additional costs and lead to reputational damage. The occurrence of such an event could have a material adverse effect on the Group's business, financial position and results of operations.

If the Group is unable to attract and retain qualified management and personnel its business could suffer

The Group's success depends on its ability to attract, hire, train and retain experienced management and personnel, in particular in the areas of senior management, research and development and field engineering. Experienced senior management personnel are instrumental for the success of the Group and continuity of their service is crucial for the implementation of the Group's strategy.

As a high-tech manufacturer of complex products, the Group is also particularly dependent on qualified research and development and engineering personnel. Although the Group has entered into employment agreements with its management and with other employees, these employees can terminate their employment with the Group at any time within the agreed-upon notice period. If the Group were to lose the services of one or more of its executives or other key employees, or of a substantial number of its highly qualified field engineers or other technical staff, the Group's business could be materially adversely affected.

A failure to hire and retain experienced management and other key qualified personnel could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the financial and accounting situation of the Group

The Group's financing agreements contain certain covenants and a breach thereof could lead to an acceleration of the payment obligations thereunder or additional payment obligations

In June 2021, Tecan Group Ltd. entered into an unsecured bridge term loan facility for an aggregate principal amount of up to CHF 925 million (the "**Bridge Facility**") in relation to the acquisition of Paramit. The Bridge Facility comprises a term loan with a one-year term and an uncommitted six-months extension option. As a result, the final maturity of the Bridge Facility is June 2022 or, if extended by the maximum of six months, December 2022. There can be no assurance that the Bridge Facility will be renewed or refinanced upon maturity. The Bridge Facility contains several customary covenants.

The Group's compliance with the covenants in its financial agreements depends on a number of factors, some of which are beyond its control. A deterioration of the industries and markets in which the Group operates or a deviation from the assumptions contained in its business plan and technology roadmap may have a material adverse effect on its earnings, which could affect the Group's ability to comply with the covenants. The breach of any covenants or failure to meet obligations under any of the agreements governing the Group's debt may result in a default. Any default could lead to a significant increase in financing costs or an immediate requirement to repay the related debt in whole or in part. Furthermore, such a default could represent an automatic event of default under other debt agreements or instruments, which in turn would become immediately due for repayment. Therefore, any default under the Group's debt agreements could have a material adverse effect on the Group's liquidity, financial condition and results of operations and could ultimately endanger the existence of the Group.

A downgrading of the Group's credit rating may make it more difficult or impossible for the Group to obtain further financing at favorable terms or at all

The Group's credit rating is subject to periodic credit reviews by the banks that maintain a rating. In the future, the Group's credit rating may be subject to downgrading. As a result of any such downgrade, it may be more difficult for the Group to obtain financing at favorable terms and conditions, and the costs of refinancing may be higher. The Group may even not be able to obtain financing or to refinance its debt at all. The higher costs of refinancing or the inability of the Group to obtain refinancing could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Customers or other contractual counterparties may delay or fail to fulfil their payment or other obligations as agreed

The Group is exposed to the risk that its customers or other contractual counterparties (including financial institutions acting as hedge counterparties or banks that hold the Group's cash deposits) do not promptly or completely fulfil their payment or contractual obligations, as the case may be. Generally, non-payment, late payments or other defaults may occur as a result of a customer's or counterparty's insolvency or bankruptcy, short-term events or specific customer situations.

If the Group's customers are in financial distress, they may not be able to pay, or may delay payment of, the amounts they owe the Group. Customers with liquidity issues may require the Group to recognize additional bad debt charges in any given period. The Group is also subject to the risk that the counterparties to the Group's credit agreements and hedging transactions may become insolvent and go bankrupt. Delays in payments or performance of contractual obligations could have the effect of delaying incoming cash flows.

The Group operates in international markets. As such it is exposed to the credit risk of commercial and financial counterparties in cross-border transactions and activities. Accordingly, the Group may face greater difficulties in the recovery of outstanding payments in countries where legal remedies take more time or may be less effective and with which the Group has overall less experience. Such circumstances may make it impossible or difficult to protect legal or contractual rights of the Group, and consequently to obtain payments due. The failure of the Group's customers or other contractual counterparties to fulfill their payment or contractual obligations could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

The Group is significantly exposed to currency exchange rate risks

The Group manufactures and sells products and offers services all around the world. Therefore, a substantial portion of its assets and liabilities are located, and its operations, purchases of raw materials and sales are conducted, in various countries outside Switzerland and in various currencies other than the Swiss franc (CHF). In particular, a substantial amount of Group's sales in 2020 and in the first half of 2021, as well as related expenses, were denominated in U.S. dollar (USD), Chinese renminbi yuan (CNY), British Pound (GBP), Euro (EUR), Japanese Yen (JPY), Australian Dollar (AUD) and Swedish Krona (SEK) and several other currencies. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To a certain extent, the Group attempts to achieve natural hedges through costing its manufacturing processes and purchasing supplies in the same currency as those in which its sales are generated. The Group also makes use of derivative financial instruments, such as forward contracts, to hedge anticipated receipts or payment obligations in foreign currencies against fluctuations in the respective currencies. However, natural hedging and hedging through derivative financial instruments may not be fully effective in offsetting adverse currency fluctuations, such as fluctuations with respect to the USD/CHF, CHF/CNY, GBP/CHF, EUR/CHF, JPY/CHF, AUD/CHF and SEK/CHF exchange rates. In addition, the Group faces counterparty risks, i.e. the risk that a hedge counterparty (including financial institutions acting as hedge counterparties) fails to comply with its obligations under such financial instruments which could result in write-offs of the Group's receivables, losses due to ineffectiveness of the Group's hedging arrangements or other losses.

At Group level, the reporting currency is CHF. The Group's material subsidiaries report their results in a range of currencies, including CHF, USD, CNY, GBP, EUR, JPY, AUD and SEK. As a result of the necessary translation for consolidation of the Group's subsidiaries' financial statements into the Group's consolidated financial statements, the Group has been in the past, and is likely to continue to be, affected by the translation risks associated with currency fluctuations, which could have a material adverse effect on the Group's results of operations.

The Group is exposed to fluctuation in interest rates that could have a material adverse effect on its financial position

The Group is exposed to interest rate risk in relation to its liquid funds that are placed at variable rates or held as short-term investments. Part of the Group's financial liabilities are subject to floating interest rates (particularly LIBOR, EURIBOR and the risk free rates replacing such reference rates (e.g. SARON, SONIA, SOFR etc.)). The Group believes that it undertakes adequate measures to manage the risks regarding the variable part of these interest rates. However, such measures may not be sufficient or the Group may not be able to enter into interest rate swaps or similar hedging instruments in the future on commercially reasonable terms or at all. In addition, the Group faces counterparty risks (i.e., the risk that a hedge counterparty fails to comply with its obligations under such financial instruments). The current negative interest rate environment may also result in additional costs to the Group on any additional liquidity held in negative interest-bearing accounts (including as a result of the proceeds from the Offering to the extent that the Group is not fully able to invest or utilize the full amount raised for any reason). Any of these factors or events could have a material adverse effect on the Group's business, financial condition and results of operations.

The value of the Group's intangible assets, in particular goodwill, could become impaired

The Group's balance sheet includes goodwill as a result of acquisitions it made and other intangible assets. The Group conducts an impairment test of the asset value annually at the balance sheet date or earlier on the occurrence of a triggering event. In particular, as of 30 June 2021, the Group had intangible assets and goodwill of CHF 218.2 million (as of 31 December 2020, goodwill alone (i.e. without intangible assets) of CHF 136.1 million. The goodwill will substantially increase in the context of the acquisition of Paramit. A future deterioration of the economic environment negatively affecting expected future profitability or adverse development in the cost of capital or growth rate may result in impairments in the value of goodwill or other intangible assets, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be forced to make write-downs

In case of deterioration of the Group's markets or obsolescence of its products or demand changes for its products due to manufacturing and product design, the Group may be required to make extraordinary write-downs on obsolete inventory, which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group has long-term projects in respect of which revenue is recorded using the over-time method. However, due to the complexity of such long-term projects there is a risk that these projects are not properly estimated as at the date of the balance sheet. In case adjustments to such estimates are required, the Group may be required to make extraordinary write-downs.

Legal and Regulatory risks

The Group may not be able to protect its intellectual property and proprietary information

The Group's intellectual property and other proprietary information may not be effectively protected. For example, the Group's pending patent applications may not result in issued patents, and/or its existing and future patents or other intellectual property rights and contractual protections may be challenged. Laws and contractual protections may not prevent misappropriation of the Group's technologies and other proprietary information or deter others from developing similar technologies. Policing unauthorized use of the Group's intellectual property is difficult, expensive and time-consuming, and the Group may be unable to determine the extent of any unauthorized use. In addition, effective intellectual property enforcement may be unavailable or limited in some countries, such as countries in the Asia/Pacific region, which may limit or deny protection of the Group's patents, copyrights, trademarks, trade secrets or other intellectual property rights. Furthermore, the Group could lose intellectual property rights due to successful cyber-attacks or other IT security breaches.

If the Group is unable to protect its intellectual property and other proprietary information, third parties may benefit from its technologies and brand names without compensating the Group for doing so, and its competitive position and market share could be severely harmed. In addition, any subsequent litigation could result in significant costs to the Group and distraction of its management. The occurrence of any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may become subject to claims that it has infringed patents or other intellectual property rights of third parties

Claims to the effect that the Group or its business partners have infringed upon third-party intellectual property rights or breached licenses could significantly harm the Group's business and reputation. In addition, the Group may not have validly obtained patents for innovations developed by its employees or may fail to do so in the future. Any claims or allegations that the Group has infringed upon third-party intellectual property rights could be costly, could divert the efforts and attention of its management and technical personnel and could adversely affect its reputation, regardless of the merit of such claims. Given the complex technical issues and uncertainties inherent in intellectual property litigation, the Group cannot assure that it would prevail in the case of any such claims. In the event of an adverse outcome of any such litigation, the Group could be required to pay substantial damages and/or additional license fees, cease the manufacture, use or sale of infringing products, processes or technologies, expend significant resources to develop non-infringing technology and/or license technology from the third-party claiming infringement, which may not be available on commercially reasonable terms or at all. The occurrence of any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could face increased costs or liabilities as a result of non-compliance with environmental, health and safety laws and regulations

The Group generates non-hazardous and hazardous wastes in the normal course of its manufacturing operations. As a result, it is subject to a wide range of national, regional and local environmental, health and safety laws and regulations in the countries in which it operates. Many of the Group's sites require various permits and licenses to conduct its operations. If Group sites were found not to be in compliance with local environmental, health and safety laws or otherwise not in compliance with applicable permits or licenses or were found to have operated without the necessary permits or licenses, then the Group could be subject to substantial fines and other liabilities.

Environmental, health and safety laws and regulations generally provide onerous requirements for companies that are found to be responsible for violations, often irrespective of actual fault. As a result, the Group or its managers could be subject to future claims, investigations or proceedings that may impose fines or remedial obligations on it in respect of existing or future pollution, hazardous wastes or other environmental issues at the sites at which it operates. In addition, the Group could be affected by business interruptions due to authorities closing entire facilities or parts thereof. If the Group or its managers become subject to one or more such environmental liabilities, this could have a negative impact on the Group's reputation as well as a material adverse effect on its business, financial condition and results of operations.

The Group could be affected by future laws or regulations enacted to address climate change or environmental concerns as well as the physical effects of climate change or the environment

Existing or pending laws and regulations intended to address climate change or environmental concerns could impact the Group in the future. The Group may need to incur additional costs to comply with these laws and regulations and any non-compliance could adversely affect the Group's reputation and result in fines. The Group could also be affected indirectly by increased prices for goods or services provided to the Group by companies that are directly affected by these laws and regulations and pass their increased costs through to their customers. The Group could also be affected by the physical consequences of climate change or environmental concerns itself. Any material changes to laws and regulations to address climate change or environmental concerns could have a material adverse effect on the Group's business, financial condition and results of operations.

Illegal behavior by any of the Group's employees or agents could have a material adverse impact on the Group's results as well as on the Group's reputation and the Group's ability to do business

Even though the Group has a robust and industry standard compliance program covering all relevant aspects such as anti-corruption, anti-bribery and antitrust topics, certain of the Group's employees or agents may take actions that violate or are alleged to violate the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"), legislation promulgated pursuant to the 1997 Organization for Economic Cooperation and Development ("OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, applicable anti- trust laws and other applicable laws or regulations. Furthermore, treasury employees could collude in criminal activities and commit appropriation of Group funds. Such actions could result in governmental investigations, enforcement actions, civil and criminal penalties, including monetary penalties and other sanctions, and civil litigation. It is possible that any governmental investigation or enforcement action arising from such matters could conclude that a violation of applicable law has occurred, and the consequences of any such investigation or enforcement action may have a material adverse impact on the Group's consolidated operating results, cash flows and financial position. In addition, such actions, whether actual or alleged, could damage the Group's reputation and ability to do business. Further, detecting, investigating and resolving such actions could be expensive and could consume significant time and attention of the Group's senior management. While the Group is committed to conducting business in a legal and ethical manner, and while the Group has implemented a robust industry standard compliance program covering all relevant aspects, the Group's internal control systems at times may not be completely effective to prevent and detect such improper and criminal activities by the Group's employees and agents. The occurrence of any of the above could have a material adverse effect on the Group's reputation and its business, financial condition and results of operations.

Failure to comply with evolving data privacy and data protection laws and regulations or to otherwise protect personal data, may adversely impact the Group's business and financial results

The Group is subject to many rapidly evolving privacy and data protection laws and regulations around the world, including the General Data Protection Regulation ("GDPR") in Europe as well as in other jurisdictions where the Group operates. Specifically, the emerging data protection and cybersecurity laws across Asia and Latin America combined with the data localization trends in many jurisdictions are increasing the complexity of compliance and associated costs therewith. Indeed, the Group operates in a complex environment where there are significant constraints on how the Group can process personal data across the Group's business. Breaches of privacy and data protection laws and regulations, including the GDPR, could result in substantial fines, In addition, a breach of data privacy or data protection laws or regulations could result in regulatory investigations, reputational damage, orders to cease/change the Group's use of data, enforcement notices, as well as potential civil claims including class action type litigation. The Group has set up processes, policies and notices in order to comply with GDPR and EU/EEA and Swiss entities have now their own register of data processing activities. Despite all the measures in place there is no assurance that any such actions will be sufficient to prevent personal data security breaches to occur or the Group to be subject to any risk of fines, penalties, litigation and reputational harm. The occurrence of any of the above, including any violation of GDPR and any security breach, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to various laws, rules and regulations, as well as any changes in connection therewith, in the various countries in which it operates or sells its products and services, which creates certain compliance risks and **could have a significant adverse effect on the results of its business operations**

The life sciences, in-vitro diagnostic and medical devices industries are subject to extensive and frequently changing international and local laws and regulations, e.g. the In Vitro Diagnostics Regulation (EU) 2017/746 or the Medical Device Regulation (EU) 2017/745 (MDR). In addition, legislative provisions relating to healthcare fraud and abuse, patient privacy violations and misconduct involving government insurance programs provide enforcement personnel with substantial powers and remedies to pursue suspected violations. The Group believes that its business will continue to be subject to increasing regulation, the scope and effect of which cannot be predicted. If the Group fails to comply with applicable laws and regulations, the Group could be required to make significant changes to its operations, could suffer civil and criminal damages, fines and penalties, exclusion from participation in governmental healthcare programs, and the loss of various licenses, certificates and authorizations necessary to operate its business, as well as incur liabilities from third-party claims, all of which could have a significant adverse effect on the Group’s business, financial condition and results of operations.

The Group is also subject to a variety of local and international laws and regulations that govern, among other things, the sale and distribution of its products and services, the importation and exportation of products, the handling, transportation and manufacture of substances that could be classified as hazardous, and its business practices in Switzerland and abroad. Furthermore, the Group is exposed to changes in applicable laws and changes in the application of certain laws by authorities. Such changes may have adverse and retroactive effects. The Group is subject to tax audits by Swiss and foreign tax authorities. Any such audit could lead to demands for additional tax, interest on such tax, and penalties for non-compliance with tax laws.

In addition, the Group is subject to inspections by regulatory authorities. Failure by the Group or by its customers to comply with the requirements of these regulatory authorities, including without limitation, remediating any inspectional observations to the satisfaction of these regulatory authorities, could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on its operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. In addition, such a failure could expose the Group to contractual or product liability claims, contractual claims from its customers as well as ongoing remediation and increased compliance costs, any or all of which could be significant. The Group is the sole manufacturer of a number of products or solutions for many of its customers and a negative regulatory event could impact its customers' ability to provide products to their customers.

Even though the Group has implemented robust processes to ensure compliance with all national, European or international laws, rules and regulations applicable to its operations (including but not limited to labor, health and safety, competition and antitrust, criminal and anti-corruption and tax laws, including tax rules relating to income tax, VAT, sales taxes and other taxes and transfer pricing rules), the Group cannot exclude that investigations, demands or claims by any regulatory authority may occur, including as a result of future changes to applicable laws, rules and regulations.

Any failure in the past or future to fully comply with applicable laws, rules and regulations, including tax laws, or the failure to maintain, renew or obtain necessary permits and licenses could have a material adverse effect on the Group's business, financial condition and results of operations.

Any deterioration in the trade relationship between Switzerland and the European Union may negatively affect the Group's business

Switzerland has aborted the negotiation of an institutional framework agreement with the European Union governing features of the future relationship between the European Union and Switzerland. Without the institutional framework agreement, the future relationship between Switzerland and the European Union and Switzerland's access to the European market for cross-border trade are uncertain. Any potential deterioration of Switzerland's trade relationship with the European Union could have a material adverse effect on the Group's business, financial condition and results of operations.

The United Kingdom's new relationship with the European Union and its impact on the relationship between Switzerland and both the United Kingdom and the European Union may have a negative effect on cross-border trade and the Group's business

The United Kingdom has withdrawn from the European Union and has negotiated the terms of such departure (the UK-EU Trade and Cooperation Agreement or "TCA"). The TCA came into effect on 1 May 2021 and has been applied provisionally since 1 January 2021. The TCA may influence discussions on open trade and political matters between Switzerland and the European Union (see "*—Any deterioration in the trade relationship between Switzerland and the European Union may negatively affect the Group's business*"). The United Kingdom’s departure from the European Union has terminated the free movement of goods between Switzerland and the United Kingdom. Even though the Group has taken all necessary actions to avoid and / or mitigate any negative impact of the United Kingdom’s withdrawal from the European Union on the Group's business, such withdrawal could lead to trade disruptions resulting in reduced sales and could have a material adverse effect on the Group's business, financial condition and results of operations.

Application of existing tax laws, rules and regulations is subject to interpretation by taxing authorities

The Group is subject to taxes in numerous jurisdictions, including those in which the Group transacts business, owns property or resides. In computing the Group's obligations under tax laws, rules and regulations, the Group is required to take various tax accounting and reporting positions on complex matters that are not entirely free from doubt and for which the Group has not received rulings from the governing authorities. Although the Group believes that its tax positions are reasonable, it cannot be assured that the applicable taxing authorities will agree with the chosen positions. The final determination of tax audits could be materially different from the Group's historical tax provisions and accruals, in which case the Group may be subject to additional tax liabilities, possibly including interest and penalties, which may be material and could adversely affect the Group's business, financial condition and results of operations.

Changes in tax laws and regulations in countries in which the Group operates could increase the Group’s effective income tax rate, thus reducing its profitability

Taxes payable by the Group in many of the countries in which the Group operates are substantial. The Group's consolidated effective income tax rate could be materially adversely affected by several factors, including: changing tax laws, regulations and treaties, or the interpretation thereof; tax policy initiatives and reforms under consideration and the practices of tax authorities in jurisdictions in which we operate. Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or (in the specific context of withholding tax) dividends paid.

It is possible that tax authorities in the countries in which the Group operates will introduce additional revenue raising measures.

One of such proposals is the "Made in America Tax Plan" proposed by the current US presidential administration on 31 March 2021. The "Made in America Tax Plan" intends to increase the US federal corporate income rate from 21% to 28%. In addition, it is planned to tighten the tax rules for internationally operating businesses that were introduced with the Tax Cuts and Jobs Act. If enacted, the "Made in America Tax Plan" would increase the amount of federal corporate income taxes payable by the Group in the US, thus reducing its profitability.

The Group may also become subject to increased taxation in the countries in which it operates as a result of the OECD's plan on "Base erosion and profit shifting (BEPS)". In 2015, the OECD published its final series of BEPS reports. The actions recommended in the BEPS report include an examination of the definition of a "permanent establishment" and the rules for attributing profits to a permanent establishment, tightening up transfer pricing rules to ensure that outcomes are in line with value creation, neutralizing the effect of hybrid financial instruments, limiting the deductibility of interest costs for tax purposes and preventing double tax treaty abuse.

In May 2019, the OECD published a "Programme of Work" divided into two pillars. Pillar One addresses the broader challenge of a digitalized economy and focuses on the allocation of group profits among taxing jurisdictions based on a market-based concept rather than historical “permanent establishment” concepts. Pillar Two addresses the remaining BEPS risk of profit shifting to entities in low tax jurisdictions by introducing a global minimum tax and a proposed tax on base eroding payments, which would operate through a denial of a deduction or imposition of source-based taxation (including withholding tax) on certain payments. The OECD published detailed blueprints of its proposals on 14 October 2020. In June 2021, the finance ministers of the G7 nations gave further support to the OECD’s “Programme of Work” by announcing an agreement on the principles of the two pillar solution to tackle the challenges of taxing a digitalized economy. Following the G7 announcement, the OECD/G20

Inclusive Framework announced on 1 July 2021 broad agreement on the two pillars. The announcement indicates that Pillar One shall initially be limited to multinational enterprises with a global turnover above € 20 billion (with a possible revision down to €10 billion threshold after a 7-year period) and profitability above 10% on a profit before tax basis. Pillar One is therefore unlikely to apply to the Group's activities. The announcement also provided that the proposals under Pillar Two would apply to multinational groups with revenues exceeding € 750 million and would consist of a globally coordinated set of rules, including an Income Inclusion Rule, Undertaxed Payment Rule and Subject to Tax Rule which would operate with reference to a minimum tax rate of at least 15%. Countries are also free to apply the Income Inclusion Rule to multinational groups headquartered in their country even if they do not meet the threshold. Based on these rules, the right to tax the delta between the new global minimum tax and a lower actual tax levied in a jurisdiction is allocated to either a parent jurisdiction or to countries which make payments to group entities that are low taxed. Switzerland conditionally supports the key parameters of the proposal. It is currently unclear how and to what extent the proposal will be implemented in Switzerland and/or in other countries in which the Group operates its business.

Any changes in the tax law of a country in response to the BEPS reports and recommendations and/or the "Programme of Work" could subject the Group to additional taxes and increase the complexity and cost of tax compliance. Any such additional tax exposure could have an adverse effect on the Group’s financial condition and results of operations.

Litigation, administrative proceedings and similar claims could have a material adverse effect on the Group

From time to time, the Group is involved in lawsuits, administrative proceedings and similar matters incidental to the ordinary operations of its business. Any court or administrative proceeding could result in the Group's obligation to pay the claimed amounts or fines. Alternatively, authorities could impose other sanctions on the Group such as restrictions on its business activities. Any such judgment or order could have a material adverse effect on the Group's business, financial condition and results of operations.

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