Tecan Annual Report 2022

The fight against cancer.

Tecan's role in fighting cancer: from research to clinic.

By the time you turn 40, chances are that someone close to you has had cancer. Too many of us are familiar with the consequences of a diagnosis coming at a late stage of the disease, or the right treatment not being received in time.

Even though cancer survival rates are improving, we still have a long way to go. In recent years, the medical community has gained many important insights that could greatly improve cancer treatment. Leading thinkers agree that it is all about getting the right diagnosis, and consequently the right treatment, to the right patient at the right time. That may sound like a truism, but the consequence of this thought has been a massive change in the way that cancer healthcare is now being designed and performed. We are moving on from the one-size-fits-all approach in favor of a precise focus on each individual patient's case. We are moving away from a curative, sick-care strategy towards more predictive, pre-emptive, and preventative strategies. This is a vast undertaking, implying that every individual in our growing, aging population needs to be assessed, diagnosed, and treated as an individual – and preferably well ahead of becoming ill.

This strategy still requires a massive rethink of our healthcare operation. It's not a question of more beds; when we get this right, there will be fewer patients with late-stage cancer to care for because the disease will be stopped before it starts or progresses to that stage. The massive healthcare costs associated with cancer treatment could be more easily managed – cancer would be treated much earlier, and cured, or cancer might not appear at all, due to effective prevention programs.

Our understanding of the causes of cancer is progressing every year. The missing link is the empowerment of healthcare systems so that we can scale our approaches to screening, early diagnosis, early treatment, surgical intervention, and eventually, prevention. This is the role that Tecan can play: enabling our customers to scale the research, diagnosis, and treatment in the global fight against cancer.

This year's annual report from Tecan focuses on our role in fighting cancer, from the very earliest research phase in the lab, to advanced robotic surgery, to the prevention of the disease altogether. As a stakeholder, you will know that Tecan plays in many adjacent fields, that we were a driving force in COVID-19 testing, pandemic surveillance and the development of mRNA vaccines, and we have equally important roles in addressing genetic, metabolic, neurological, and cardiovascular disease.

This year, the spotlight is on cancer. Read about how Tecan is involved in scaling healthcare innovation globally, playing a decisive role from basic research to late-stage treatment and early prevention. Tecan's contribution is key in the fight to rid the world of the devastation of this disease.

Many thanks for your continued support.

Dr. Achim von Leoprechting
Chief Executive Officer

Molecules, markers, mutations.

UNCOVERING THE DNA OF CANCER

An urgent need

The grim reality of cancer, with 10 million deaths in 2020 alone, accounting for 1 in 6 deaths worldwide, highlights the pressing need for a continued focus on research. In the US, 1.7 million people are diagnosed with cancer each year, costing USD 174 billion. As the population ages, the incidence of various cancers is increasing. Early diagnosis and effective treatment can improve outcomes, and up to 50% of cancers could be prevented by addressing risk factors and implementing preventative strategies. This has led to several "moonshot" initiatives being launched in the US to accelerate oncology research, for example, since 2016 with funding of USD 1.8 billion.

Driving innovations in oncology research

Innovations such as cell and gene therapies, stem cells, and antibodies are driving rapid developments. At the same time, the increasing complexity of novel drugs requires scalable, robust, and reproducible solutions. Integrating biomarker knowledge into research, clinical trials, and diagnostics will enhance success rates, but further advances in precision medicine are needed. By scaling healthcare innovation globally, Tecan plays an important role in enabling its customers' and partners' research, which eventually will improve outcomes for cancer patients.

Molecular testing plays a crucial role in every stage of a cancer patient's journey. To this end, Tecan is actively involved in all aspects of molecular oncology, from drug discovery and development to diagnostics, treatment, and prevention. One promising field is immuno-oncology, where whole genome sequencing, and "omics" studies are used to detect new cancer biomarkers, particularly in the cancer microenvironment. Key challenges in focus of today's research include the delivery of drugs to individual cells, the understanding of cancer recurrence many years after successful treatment, and the link between DNA mutations and cancer development.

Tecan's contributions to oncology research

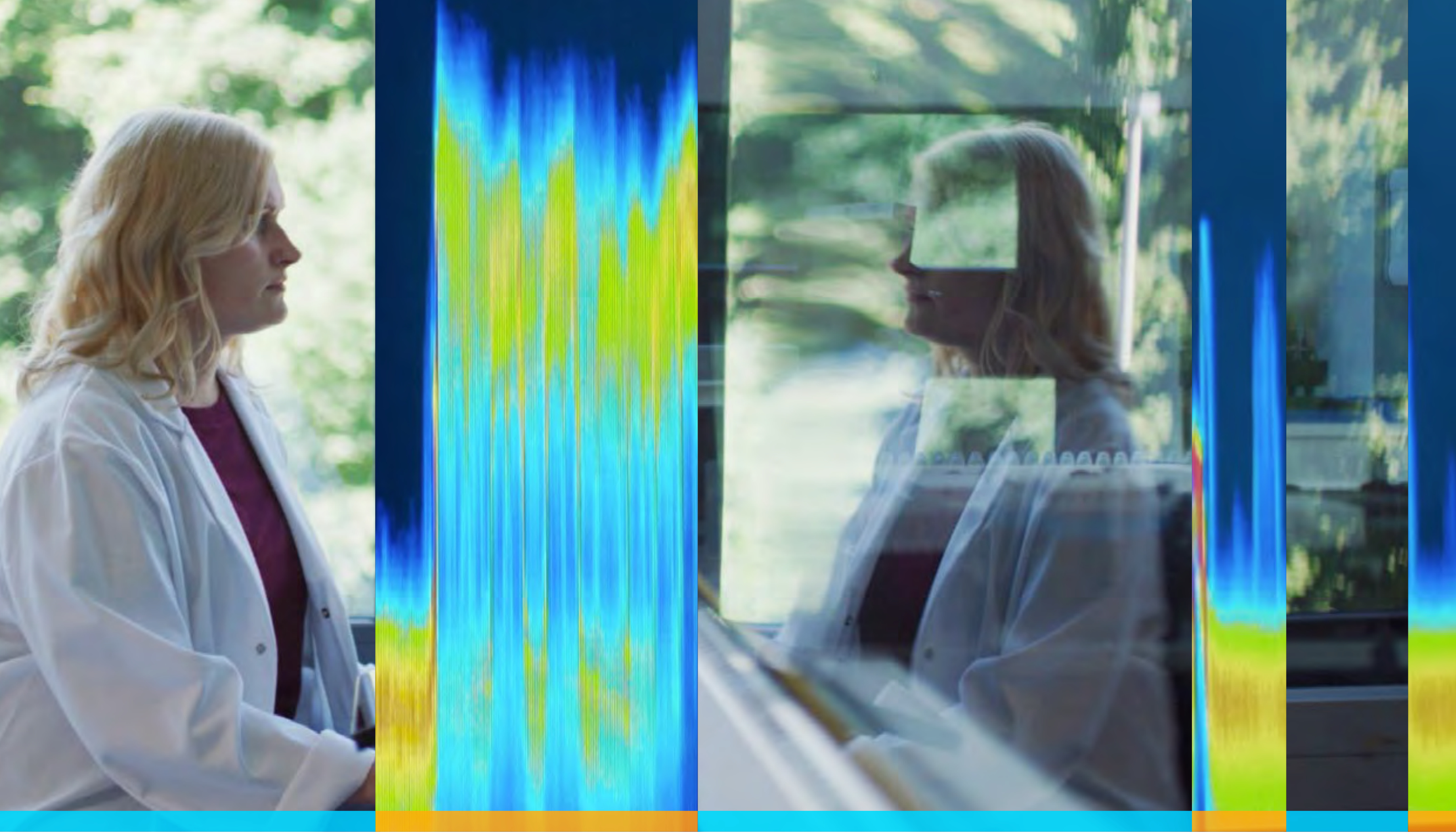
In oncology research, Tecan is enabling genomic and proteomic workflows as well as the analysis of cells and tissue. The advent of next-generation sequencing (NGS) is an especially promising area that has revolutionized cancer research. The process of generating raw sequencing data can often be laborious and error-prone, plagued by issues of reproducibility and burnout among lab staff. Tecan has addressed these challenges by offering a comprehensive range of products and solutions for NGS automation. These include products for mRNA sequencing library preparation and multimode plate readers with live cell imaging and real-time cytometry. Together, these products bring unparalleled efficiency and reproducibility to oncology research as they are easily integrated into fully automated, user-friendly workflows that minimize the need for manual intervention. Besides helping our end-users with Tecan-branded products directly, we are also helping our partners to scale healthcare innovation. For NGS, for example, we develop and supply the fluidic modules for many sequencers in the market. In addition, we accelerate oncology research through novel tools – for example, in spatial biology.

Tecan's NGS automation solutions democratize sequencing in oncology research by providing a scalable, fully automated, and reproducible workflow with hands-on time of just a few minutes. This makes them suitable even for lower throughput applications. Additionally, Tecan's multimode plate readers open new doors for cell-based research by allowing real-time analysis of cancer cell growth dynamics, drug response screening, and cell death studies. Rather than being stuck with tedious, manual tasks, researchers can focus on making breakthrough discoveries. More time for thinking means more progress for research, empowered by Tecan.

RELATED TECAN ARTICLES

The truth about NGS and library prep: Find out what is inflating your costs
tecan.com/blog/the-truth-about-ngs-and-library-prep-find-out-what-is-inflating-your-costs

Making NGS library prep practical for low-throughput labs
tecan.com/blog/making-ngs-library-prep-practical-for-low-throughput-labs



Drugs: discovery and development.

SHORTENING TIME FROM LEAD TO MARKET

Exploring the mysteries of cancer response to targeted therapies
After oncology research, which gives us insight into cancer's mechanisms and new ways we could fight it, comes the progress Tecan is enabling in cancer drug discovery and development. As this landscape continues to evolve, several trends have emerged. We are seeing an increased focus on rare cancer indications and innovative therapies such as gene and cell therapies, bispecific antibodies, viral vectors, and RNA therapy, as well as a push to speed up development through earlier and smarter clinical trials. Significant challenges include the complexity of developing drugs with novel modalities and the low success rate of bringing first-in-human drugs to market, especially for small patient populations with rare cancers. Despite all the progress, it is not clear why some patients respond very well to novel targeted therapies, but most patients do not.

Tecan's role in cancer drug discovery and development
Tecan is an enabler at the forefront of cancer drug development, supporting genomics, proteomics, cell and tissue studies. As an example of our expanding role, Tecan's recent acquisition of Paramit Corporation has enabled us to assist customers in discovering immuno-oncology drugs through the parallel screening of hundreds of antibody interactions. In effect, Paramit's technology helped design and develop a novel high throughput platform for characterizing monoclonal antibodies (mAbs) through the combination of

patented flow printing microfluidics and surface plasmon resonance (SPR) detection. The instrument allows the simultaneous screening of hundreds of antibody binding interactions in terms of binding kinetics, affinity, and epitope specificity, thereby helping to streamline mAb drug development by identifying the most promising leads in an antibody library.

Innovative solutions for cancer treatment

The custom solutions business at Tecan has enabled research for mRNA cancer vaccines through innovative industry projects that combine engineering, application knowledge, and a rigorous approach to project management. We recently provided a renowned global biotech company with multiple liquid handling systems and customized installations, enabling them to create personalized mRNA vaccines to treat various forms of cancer. These instruments also allowed our customer to rapidly develop a COVID-19 vaccine. All these examples demonstrate that Tecan's commitment to supporting cancer drug discovery and development continues unabated.

Improving production processes.

PRODUCING THE NEXT GENERATION OF CANCER DRUGS

Unlocking the potential of new cancer therapies

Processes for the production and manufacture of cancer drugs are evolving rapidly, driven by the advent of novel cancer therapies and drug modalities. Several trends are affecting the traditional drug production process, creating new challenges to its automation. Sensitive and complex new biological drugs and vaccines (also called biologics) are coming into the market, driving the subsequent need for sophisticated drug delivery systems, the growth of personalized therapies with batches as small as one, and generic manufacturing of biosimilars that need to be standardized, all of which contribute to increasing complexity in the production process.

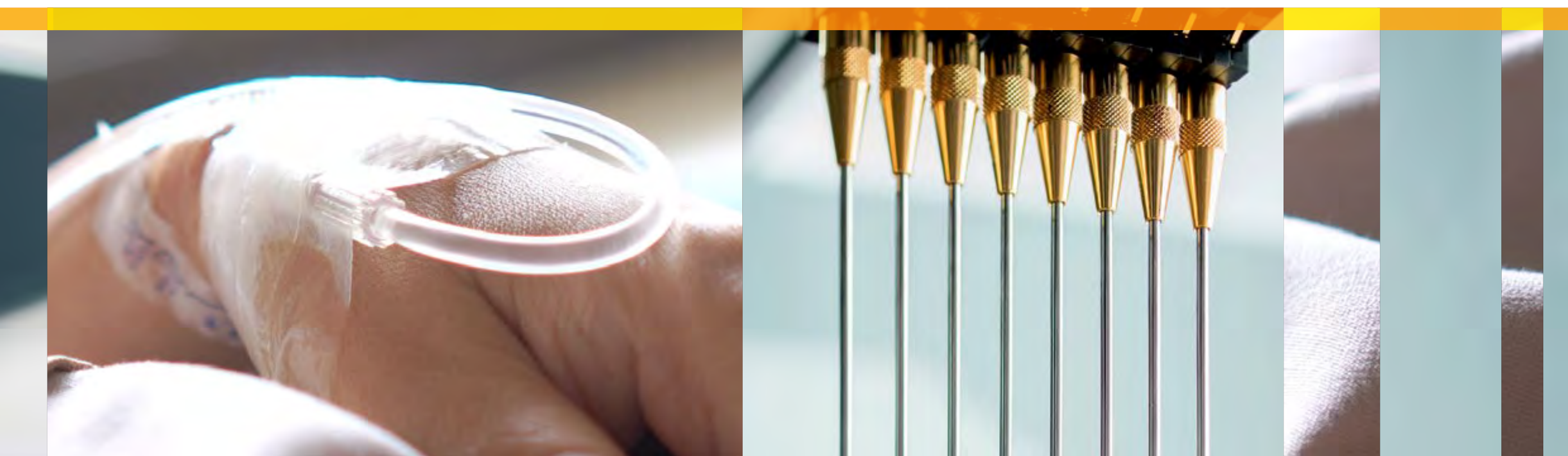
Enabling biopharma drug production with stringent quality control solutions

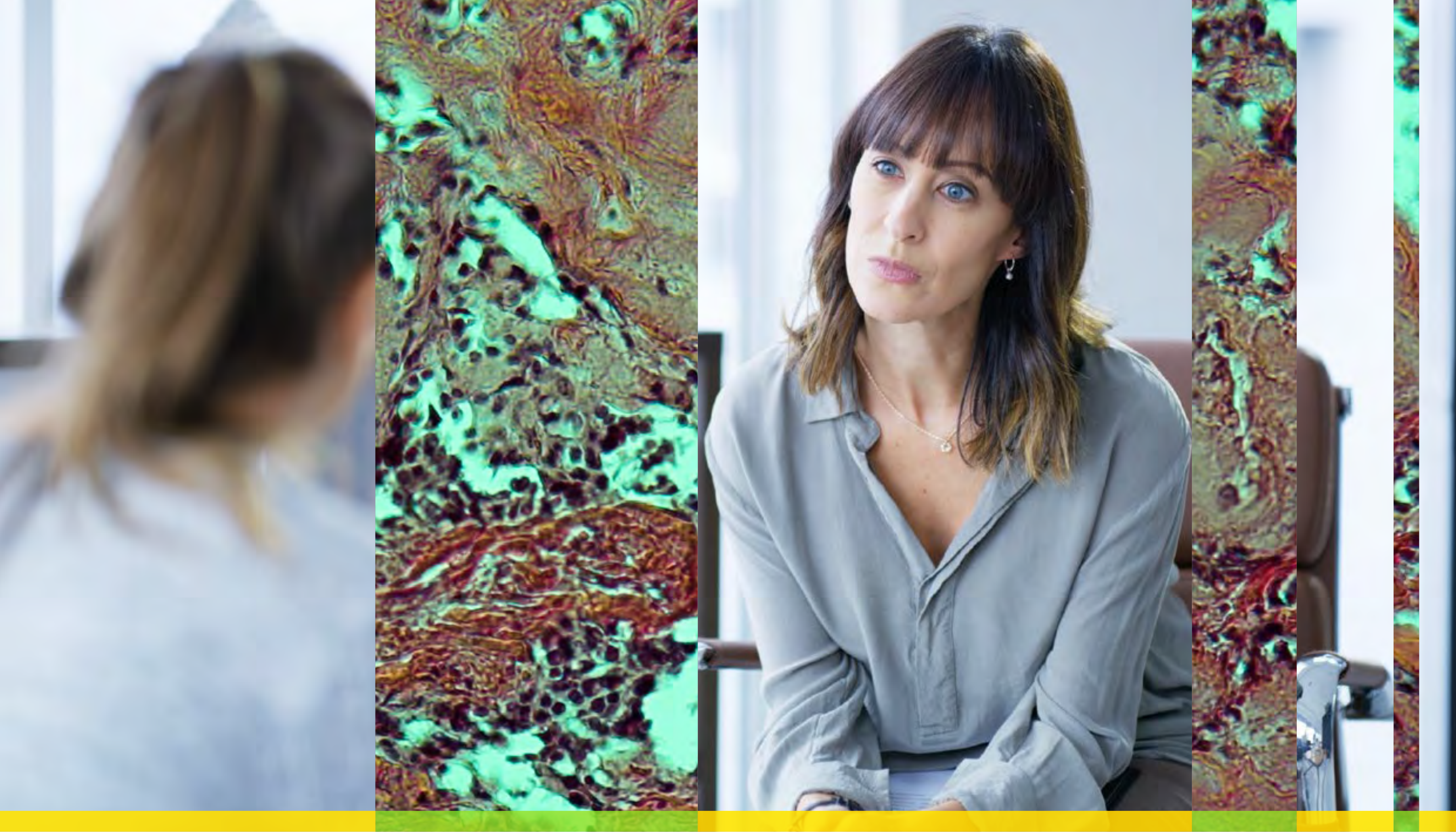
One way that Tecan helps address these challenges is by empowering biopharma drug production through more stringent quality control (QC) solutions that have enabled global pharmaceutical companies to perform small-scale purification of early drug candidates and QC assays in the bioprocessing workflow. We are also the automation partner of choice for a leading European analytical laboratory chain, helping them to implement automation capabilities for their cytotoxicity kit, which is used in QC for cancer drug production. We are taking on the challenge of automating small-scale production and enabling rapid scale-up for large-scale drug production. Before scaling up production in a large fermenter, for example for mAb production, a pharmaceutical company can test all the different parameters in the column on a small scale to optimize them before scaling-up, which is expensive.

Tecan leads the charge in efficient cancer drug production

Another of our partners in the Partnering Business has adapted Tecan's multimode readers to play a critical role in the production of injectable drugs. The instrument supports pyrogen and endotoxin testing of raw materials, in-process samples, and manufactured products, combining absorbance and fluorescence technology in a single, user-friendly instrument. This OEM product speeds up the production workflow while meeting regulatory requirements for injectable drugs and implantable medical products, including support for the new modalities used in modern vaccines and biologics. A complete automation solution for rapid endotoxin testing for pharmaceutical quality control is also available[1]. Although the entire cancer drug production process is ever more complex, the industry is rapidly responding. Tecan's solutions can help producers by scaling up critical steps, making the overall production process more efficient, more reliable and less costly.

1. partnering.tecan.com/customer-success-story/lonza-pyrotec-pro





Test in time.

DIAGNOSING THE DISEASE EARLIER

How Tecan helps diagnose cancer earlier

Early diagnosis of cancer remains a central challenge in effective disease management: the outlook for a patient with an early Stage 1 diagnosis is much more optimistic than a patient in late Stage 4. Late diagnosis is also an enormous drain on hard pressed healthcare budgets. Key trends include (1) precision, personalized medicine approaches that combine an individual diagnosis with tailored treatments that in some cases may even be genome-specific, (2) the addition of more advanced and automated staining methods, and (3) the improvements in liquid biopsy options to complement established tissue-based tests for non-invasive cancer detection and monitoring of the patient's response to treatment. Tecan's modular and flexible approach to automation and scale-up means we already play throughout these areas. Here are just a few examples.

Taking the pain out of biopsy sample prep

The liquid biopsy market was estimated to be over USD 4 billion in 2022[1], and is expected to grow significantly, rising to well over USD 10 billion by 2028[2]. At Tecan, we are already well-positioned to address this market with our off-the-shelf and customized modules and platforms for specific workflow steps in the liquid biopsy processing workflow, be that for sample prep, nucleic acid extraction, or NGS library prep. In the future, this modular workflow approach will result in more integrated platforms, encompassing several – or even all steps – in a single "sample-to-result" instrument.

Tecan's approach already enables nucleic acid extraction[3] and library prep[4] with its fully automated workstations. We take these capabilities to genetic testing labs that operate under LDT/CLIA regulations at the forefront of innovative cancer diagnostics, for example in hereditary cancer testing, or the genetic profiling of tumors. With this expertise and our existing platforms, we are the partner of choice for global diagnostics companies to de-risk and accelerate the development of more integrated systems to scale liquid biopsy workflows for hospitals. There, these systems can be used to detect minimal residual disease in patients, monitor cancer recurrence, or their response to a specific treatment, simply by checking for tumor DNA (cfDNA) in the patients' blood.

Speeding up the journey from biopsy to analysis

Tecan also plays a vital role in tissue-based diagnostics involving histochemistry and *in-situ* hybridization, activities that are essential yet notorious for being highly labor-intensive for pathology labs. Having designed an instrument that allows the automation of various advanced staining techniques, Tecan catapulted its partners from early development to full-on manufacture of instruments[5] that have finally succeeded in achieving the goal of the full automation of these processes, while fully meeting regulatory requirements. In another example, Tecan's Partnering Business is enabling an innovative approach to the diagnosis of multiple myeloma using mass spectrometry, in developing a Fluent-based solution[6] that is optimized to prepare MALDI slides with high precision and sensitivity. Patients' primary unprocessed samples can now be prepared for mass spectrometry in a robust, reproducible, and automated process in the clinical testing environment. In both examples, there is an immense impact on both speeding up the arrival of a patient diagnosis to the cancer clinician, at an earlier point in the disease, leading to better outcomes.

The ever-increasing rate of discovery regarding cancer mechanisms, pathways, and biomarkers has led to significant and ongoing advances in personalized treatments and methods for earlier diagnosis. At Tecan, we enable the automation of some of the most labor-intensive workflows in precision medicine. We can empower our customers to realize the key goal of cancer diagnosis: the accurate diagnosis of every patient as early as possible in the disease.

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Targeted treatments.

FOR EACH PATIENT, THE THERAPY THAT WORKS BEST

Treating the cancer patient as an individual
Following the diagnosis of their cancer, each patient will require a specific treatment regimen, depending on the stage of the disease as well as the cancer type. Treatment may take the form of surgery, radiotherapy, or systemic therapy, such as chemotherapy, hormone treatment, or various targeted biological therapies. The primary goal of cancer treatment is to cure, or at least prolong life, whilst also showing consideration for the patient's quality of life. Advances in diagnostics have resulted in marked improvements in survival rates for most tumor types. Some of the most common cancer types, including breast, cervical, oral, and colorectal, now have higher probabilities for good outcomes if detected early and treated according to best practice.

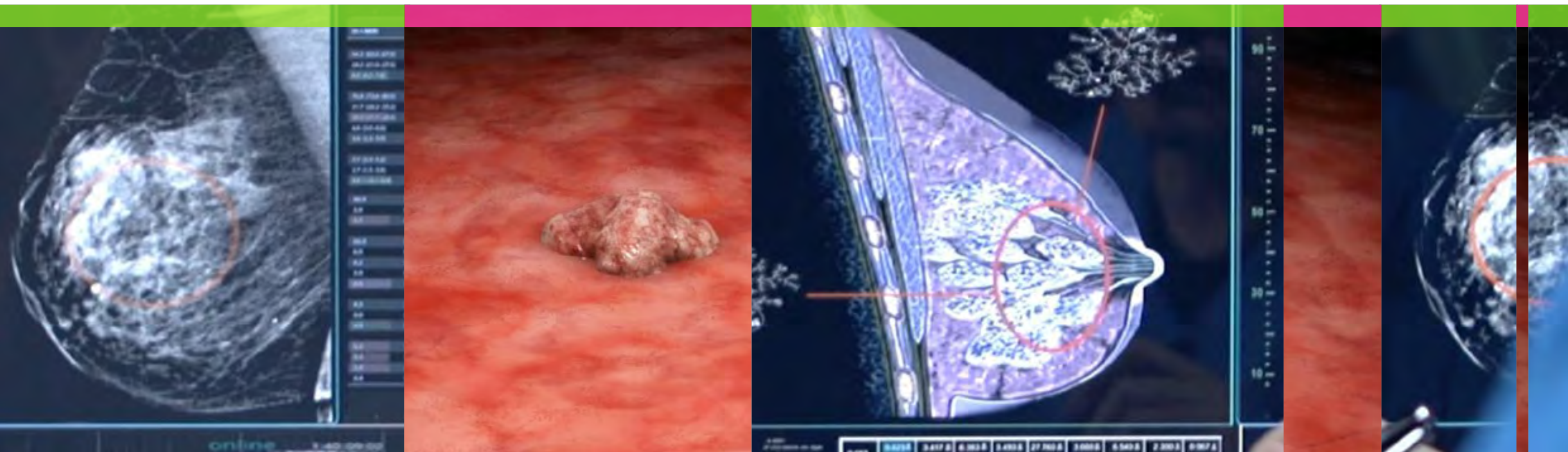
Optimizing the pathway from diagnosis to treatment
Another challenge lies in the complex logistics of developing novel therapies, such as personalized immunotherapy treatments, especially since time may be extremely limited. When considering the time-limited development of these individualized treatments, the ability to test multiple antibodies or drugs on one type of sample quickly, or to find and repair a particular DNA sequence, becomes key to patient survival. Once a candidate molecule or key DNA sequence is identified, Tecan's flexible approach means that time to production of a therapeutic molecule, or time to test a particular gene therapy, can be significantly shortened. In effect, Tecan's know-how and technology can take the pain out of the automation of the many processes required to take a particular therapy through the drug discovery process to production and delivery.

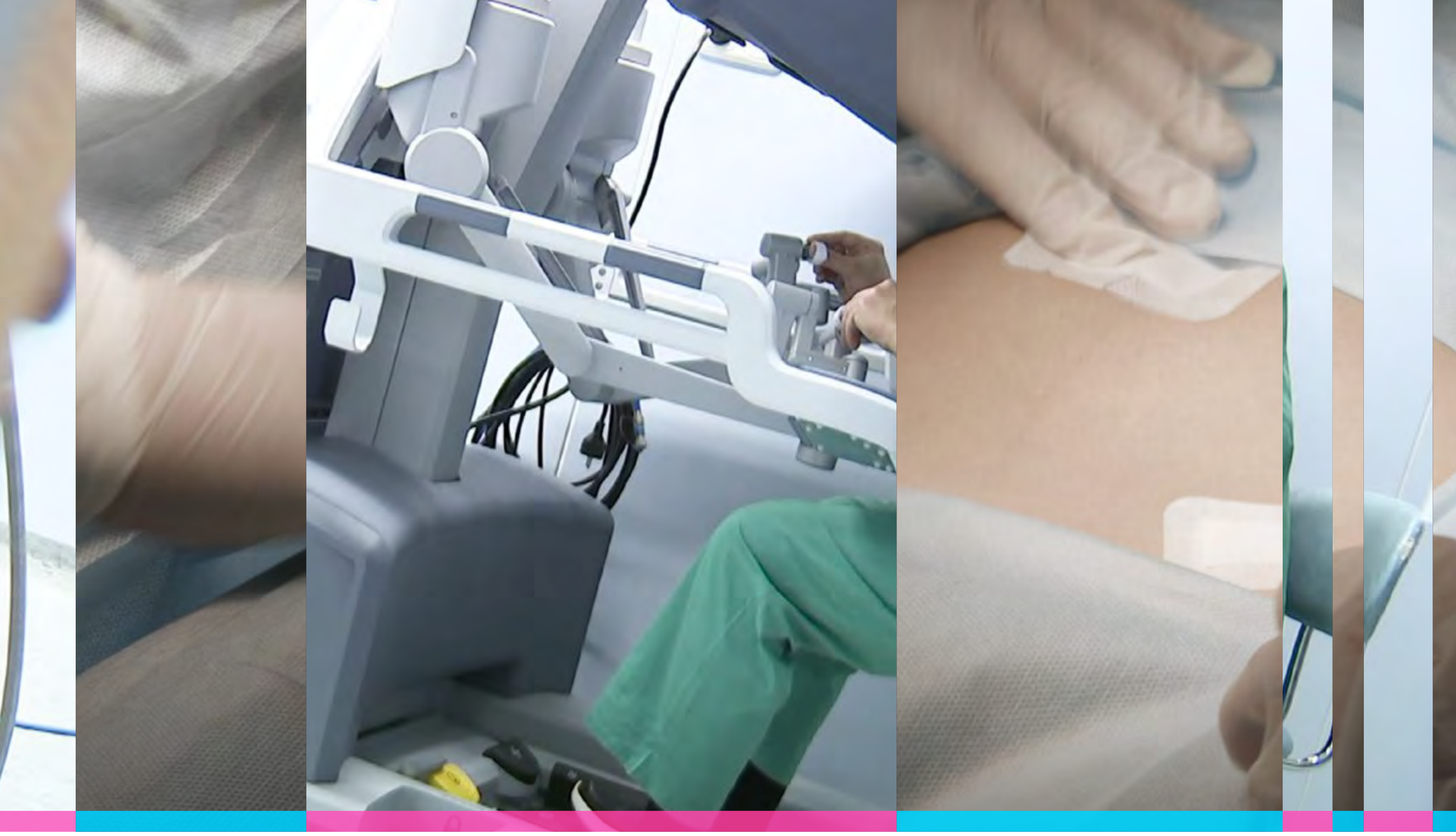
Decreasing time to market for novel therapies
Equally, when evaluating a potential cancer treatment across many patient samples as quickly as possible, Tecan's flexibility to scale-up automation means that empirical evidence can then be gathered and analyzed more effectively, decreasing time to market for a given therapy. Once a therapy has been found to work, Tecan, being uniquely positioned to bridge the gap between research and clinic, can then provide an optimized solution for its production.

Developing cancer drugs also involves finding out which combination of drugs works best: it is crucial to know how potential new therapies interact with the cocktail of other drugs in a given cancer treatment regimen. Tecan's expertise in this domain is already well-documented[1]. These sorts of protocols involve the generation of *in-vitro* and *in-vivo* models for different cancers, and the use of tumor cells for drug screening and preclinical testing, such as drug sensitivity assays. Many different samples may need to be analyzed, involving multiple dilutions of drugs from high to low concentrations in order to identify effective doses, a process which benefits hugely from automation.

Whether looking at developing personalized or broadly applicable therapies, the needs for these labs are for reliable, high throughput automation workstations. The modular scale-up and flexibility offered by Tecan makes it a true enabler of a lab's ability to commercialize new methods for the tailored and timely treatment of cancer patients.

1. tecan.com/tecan-journal/working_towards_cancer-free_childhoods





Secure precision surgery.

IMPROVING BIOPSY AND SURGICAL OUTCOMES

Shifting the curve towards cancer survival

Improved diagnosis and treatment, especially if the diagnosis is at an early stage of disease, or if the treatment is personalized, means that there is now a positive trend towards patients reverting from terminal to chronic illness, or even being completely cured, with shrinkage of tumors prior to a consequently less extensive surgery being required. However, survival rates for certain cancers, such as pancreatic, remain low, and there is a high variation in outcomes across the world[1].

The role of Tecan in precision cancer surgery

How can Tecan help with cancer treatment in the area of surgical intervention? One answer lies in the contract development and manufacture of various instruments and modules for the medical market by Paramit, acquired by Tecan in 2021. At the heart of Paramit's innovative zero-defect mechanical assembly process lies a computer-assisted proprietary manufacturing system known as vPoke, which controls all inputs and instructions, simplifying the assembly process. The vPoke system ensures each unit is built identically using the same sequences, tolerances, and parts – regardless of the operator. The team is also very conversant with the ways energy can be delivered to human tissue, and its effects on the body. For example, acoustic shockwave therapy has been shown to reduce scar tissue, and tissue heating has been used in a variety of different surgical applications.

Robot-assisted surgery improves recovery

In a striking example where Paramit technology has positively impacted cancer treatment, Paramit uses vPoke to manufacture key sub-modules for robotic-assisted surgical systems[2]. To date there are thousands of peer-reviewed publications using a leading robotic surgery system, also for general surgery. This system allows access to hard-to-reach cancers in the lung and other tissues, whether for treatment, or for the biopsies required during diagnosis. Equally importantly, the precision afforded by robot-assisted surgery improves patient safety and recovery time. For example, robotic-assisted lobectomy in lung cancer patients is associated with fewer postoperative complications[3] than open surgery, including bleeding and the need for blood transfusions. Put simply: more precise surgeries succeed more often.

1. gco.iarc.fr/today/home
2. intuitive.com/en-us/about-us/company/clinical-evidence
3. pubmed.ncbi.nlm.nih.gov/31372279/

From sick-care to well-care.

OPTIMIZING CANCER PREVENTION

The importance of early detection and prevention
Tecan clearly plays an enabling role in oncology research, in drug development, and in cancer diagnosis and treatment. What about preventing cancer altogether?

One out of every two men and one out of every three women will develop cancer during their lifetime[1]. Although earlier screening increases the detection of incidence, many cases go unnoticed until a symptom of sickness is detected in the patient[2].

What if we could pre-empt the presentation of the symptom? With an investment in so-called "well-care", the dividend could be very high.

"60% of our healthcare spend should be on well-care, compared to less than 20% today", says Rahul Mehendale of Deloitte. In 2021, Deloitte presented an actuarial study[3] that poses a future scenario where healthcare could collect a USD 3.5 trillion "well-being dividend" in 2040 if the industry succeeds in making the transition from sick-care to well-care.

Advances in Early Cancer Detection and Biomarker Analysis

It has long been known that mutations in two basic classes of genes – proto-oncogenes and tumor suppressor genes – can lead to cancer[4]. As the cost of sequencing an individual's entire genome is now falling well below USD 1,000[5], it is feasible that anyone can discover their potential mutations. Data from hereditary studies and consumer genomics (e.g., Ancestry.com and 23andMe) are already showing that there is a consumer-driven demand to find out more.

Closer to the clinic, currently, is the discovery and application of biomarkers for early cancer detection. These biological clues, such as a piece of a DNA molecule that might be secreted by a tumor, may be an early sign of when cancers occur. Many cancer drugs are developed closely with the analysis of biomarkers, resulting in companion diagnostics. This strategy, in combination with detection techniques like PCR and ELISA, has also launched the technology of the liquid biopsy, where a simple blood draw could become a future screening method for certain cancers.

The Role of Nutrition, Environment, and Lifestyle in Cancer Prevention

Nutrition quality and the elimination of pathogens and endotoxins has been indicated as an important step to reduce the causes of cancer. The term "foodomics" has been coined to refer to the application of "omics" technologies in food processing, nutrition, and food safety. In particular, the combination of metagenomics and metaproteomics holds great potential for the survey of food production, assessing food safety, authenticity, and quality[6]. Food research centers including those associated with large nutrition companies also run large sequencing operations.

Earlier detection, better nutrition, a cleaner environment, and a healthier lifestyle is today's mantra when it comes to cancer prevention. And there is further promise with cell and gene therapy – the manipulation of our cells and genes to permanently address the causes of cancer. Much research is ongoing to understand the fundamentals.

These trends mean that cancer labs are now dealing with much larger sample numbers, together with a significant rise in research and diagnostic testing, so higher levels of productivity must be achieved. This jump in productivity must happen whilst maintaining reproducible and accurate results, with standardized and robust processes that meet strict regulatory requirements. All those factors increase the need for the next-generation of technology in laboratory automation, life science instruments and medical procedures, where Tecan is a proven leader, innovator, and key partner in supporting its customers. At Tecan, we are focused on applying that leadership to the global fight against cancer.

1. American Cancer Society. Cancer Facts and Figures 2008.
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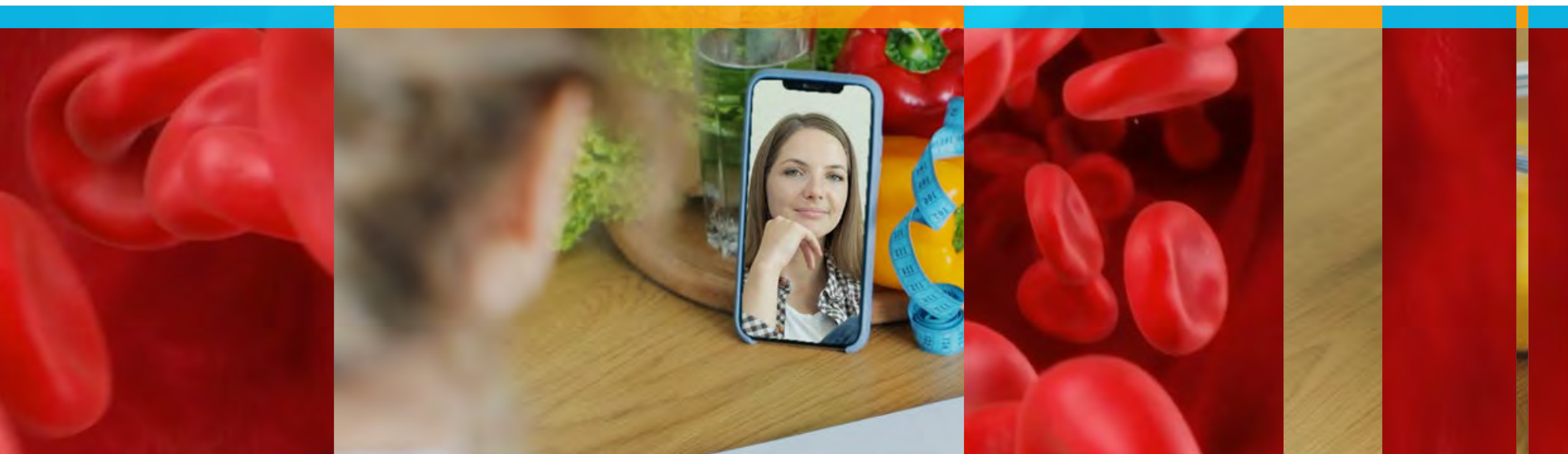

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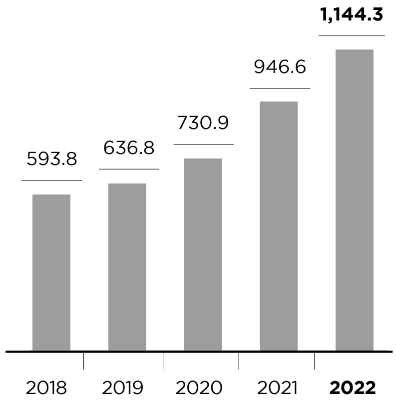
2022 at a glance

KEY FIGURES

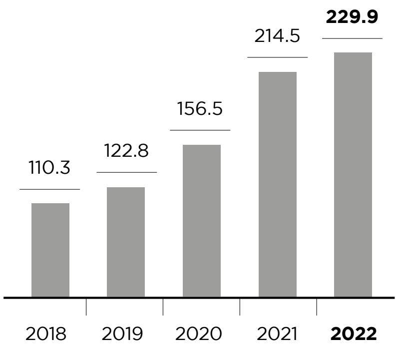
CHF million	2021	2022	Δ in %
Order Entry	965.4	1,132.9	+17.3%
Sales	946.6	1,144.3	+20.9%
Sales in local currencies	943.2	1,144.3	+21.3%
EBITDA	204.6	214.9	+5.0%
in % of sales	21.6%	18.8%	
Adjusted EBITDA	214.5	229.9	+7.2%
in % of sales	22.7%	20.1%	
Net profit	121.7	121.1	-0.4%
Adjusted net profit	152.1	154.4	+1.5%
EPS (CHF)	9.95	9.53	-4.2%
Adjusted EPS (CHF)	12.35	12.14	-1.7%

FINANCIAL SUMMARY

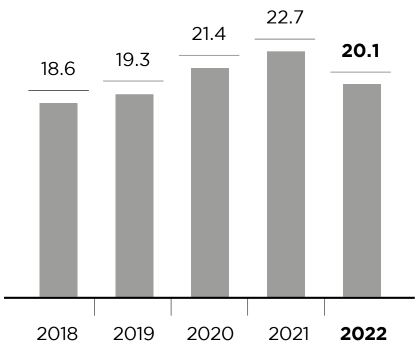
SALES
(CHF million)



EBITDA
(CHF million)

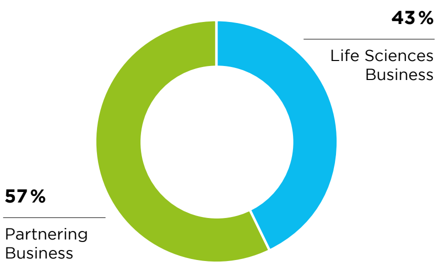


EBITDA MARGIN
(in % of sales)

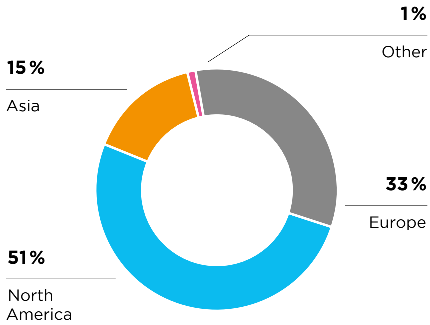


Adjusted EBITDA for 2020-2022

SALES BY BUSINESS SEGMENTS
(in % of sales)



SALES BY REGIONS
(in % of sales)



Dear Shareholders

2022 was another successful year for Tecan with strong double-digit sales growth driving sales well beyond CHF 1 billion. We are very pleased with the positive commercial dynamics, our high operational resilience and our overall financial performance, especially the growth of the underlying business. The direct and indirect effects of the COVID-19 pandemic reshaped many laboratory processes, leading to strong overall demand for automation in research, pharma and diagnostic laboratories. We've made inroads into many new accounts in the Life Sciences Business and gained numerous new partners in the Partnering Business, which position us well for continued future growth. We are also particularly pleased with the strong performance of Paramit, and the very good progress with the integration. The expanded capabilities we have as a company, together with Paramit, allow expansion into new markets and support growth opportunities on a broader scale. Underpinning this of course is Tecan's strong corporate culture, which is based on trust, ambition and highest standards. Our people are highly engaged and passionately support our existing and new customers, and it's very rewarding to see everyone's commitment to improving people's lives and health. On that basis we recorded a successful 2022, and look forward to continuing our positive momentum in 2023.

FINANCIAL RESULTS FULL-YEAR AND SECOND HALF OF 2022

Sales for fiscal year 2022 climbed by 20.9% to CHF 1,144.3 million (2021: CHF 946.6 million), corresponding to a growth of 21.3% in local currencies. Overall sales growth also benefited from the pass-through of higher material costs at Paramit that was recorded as part of revenues (around 3 percentage points growth contribution to total revenues). Organic sales increased by 1.8% in Swiss francs and by 2.2% in local currencies, thereby more than offsetting the substantial decline in COVID-related revenues recorded in the prior-year period. Estimated COVID-related sales in 2022 were around CHF 60 million, a substantial decline compared to the estimated CHF 150-170 million in 2021. Growth of non-COVID-related revenues in 2022 is estimated in the mid-teens percentage range in local currencies.

Sales in the second half rose by 13.7% in Swiss francs and by 13.8% in local currencies. Organic sales in the second half of the year increased by 7.8% in Swiss francs and by 8.2% in local currencies with no meaningful contribution from COVID-related revenues (estimated at only around CHF 10 million compared to an estimated CHF 30-40 million in the second half of 2021).

Adjusted operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) increased by 7.2% to CHF 229.9 million (2021: CHF 214.5 million). The adjusted EBITDA margin was 20.1% of sales (2021: 22.7%), in line with the communicated outlook of an adjusted EBITDA margin of "around 20% of sales". On an underlying basis, excluding the negative impact of the exceptionally high material-related costs and the pass-through of increased material costs without margin, the adjusted EBITDA margin would have reached 21.7%.

Adjusted net profit[1] amounted to CHF 154.4 million (2021: CHF 152.1 million), while adjusted earnings per share[1] reached CHF 12.14 (2021: CHF 12.35). Reported net profit for 2022 was CHF 121.1 million (2021: CHF 121.7 million). This figure includes integration-related costs in connection with the Paramit acquisition (CHF 13.6 million) as well as the accumulated amortization of acquired intangible assets (CHF 23.5 million).

Cash flow from operating activities reached CHF 128.3 million in 2022 (2021: CHF 169.9 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 41.2 million

DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

(cash and cash equivalents plus short-term time deposits less bank liabilities, loans and the outstanding bond).

Details on the course of business of the Life Sciences Business and Partnering Business segments and regarding the regional development of sales are discussed in the Chief Financial Officer's Report on page 105.

OPERATING HIGHLIGHTS 2022

Tecan made significant progress in the integration of Paramit Corporation, an acquisition that was successfully completed on August 2, 2021. With a common culture, closely aligned values and complementary capabilities in operations and development, the combined company has already proven its attractiveness to existing and new customers. The move of Tecan's site for Cavro components from San Jose, California, to the Paramit facility in Morgan Hill has progressed well. In addition, the transfer of series production of certain liquid handling components from San Jose to the Paramit plant in Penang, Malaysia, was successfully concluded in the second half of the year. This necessary expansion of production capacity for Tecan's Cavro OEM components will allow the high and growing demand for these products to be met in the future, with cost synergies expected from 2024 onwards.

A focus area throughout 2022 was to maintain resilient operations and to successfully mitigate supply chain and freight challenges in times of continued uncertainty. Tecan's global manufacturing and business operations teams continued to be effective in securing undisrupted supplies and support for customers. By implementing various operational mitigation measures across all sites, they were able to ensure the availability of cargo space and certain materials.

In 2022, Tecan launched various new products, further building on its application-focused product portfolio in both business segments. In particular, the automated genomics portfolio was significantly expanded. 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 with a setup time of only 10 minutes. The DreamPrep NGS Compact is a benchtop solution that 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. Key reagent introductions for genomic applications were related to the launch of the MagicPrep NGS system.

During 2022, Tecan successfully concluded several development projects and started commercial supplies for new customers in the Partnering Business. This included an advanced genomics system for a leading diagnostics company.

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. During 2022 the total carbon footprint calculation was completed, identifying the largest sources of emissions and enabling Tecan to develop a robust and credible emissions reduction plan.

In June, Tecan was again officially certified as a Great Place to Work®. The certification follows independent Trust Index™ em-

[1] Reconciliation of adjusted consolidated statement of profit or loss can be found on page 110.

ployee 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 even an improved "Trust Index" score compared to the first survey in 2020.

The new 2022 Sustainability Report provides a comprehensive overview of Tecan's sustainability program and is published as part of the Annual Report 2022.

FOCUS AREAS FOR 2023

Most of our focus areas for 2023 are a continuation from the previous year. For the most part, they involve the further consistent implementation of our successful strategy. However, we continue to evolve our planning and execution as we pay close attention to various customer segment developments and ongoing geopolitical challenges.

Our operational priorities for 2023 will again focus on staying resilient in continued times of uncertainty. It remains key to be effective in securing undisrupted supplies and support for customers as availability of certain materials, in particular electronic components such as microchips, continues to be a challenge. In view of the very positive integration progress of Paramit, we aim to successfully complete the transfer of production of Cavro components to the Paramit sites in Morgan Hill, California, and Penang, Malaysia, by mid-2023 and to close the Cavro production site in San Jose, California.

The integration of Paramit will also continue to be a focus from a commercial perspective. We receive very positive customer feedback that with our three synergistic product and service offerings in our Partnering Business we can indeed pursue a joint commercial strategy to achieve sales synergies and win new customers, especially in the USA. Increasingly, we will also take advantage of the expanded capabilities in research and development to bring an integrated approach to even more OEM customer projects from research to IVD and medical devices. In addition to serving new customers, we will also focus on supporting numerous Partnering Business customers in successfully launching their products on the market.

In the Life Sciences Business, we are focused on maintaining the strong momentum of the business and driving further market share gains and territory expansion programs, as well as leading the market with innovations in our key application areas of genomics and protein, cell and tissue analysis. We will continue to execute our digital strategy with the launch of enabling new digital solutions for enhanced usability and laboratory management as well as the further expansion of our eCommerce, remote product demonstration and customer service capabilities.

To support both of our businesses, we will continue to invest substantially in research and development to position the business for sustained accelerated growth. Our focus remains on the development of application-specific products for the defined core application areas, genomics, protein analysis and cell and tissue analysis as well as selected medical applications. We will continue to increase our modular systems offerings for complete solutions also with enabling reagents, functional consumables and innovative software products. Digitalization overall is an ever growing element of our R&D activities, which in this field include intelligent automation controls, cutting edge user interfaces, smart components, cloud-based application support and service digitalization.

As we approach the end of a successful integration of Paramit, we are also refocusing on inorganic growth through acquisitions. M&A remains a key element of our corporate strategy, to complement our own commercial and R&D activities and accelerate our overall positive development in our strategic focus areas.

These activities are also part of our broad focus on growing our business sustainably. It is a conviction for us that our products, services and business practices add value to society. The interest of our investors, customers and our own employees in how Tecan approaches environmental, social and governance topics and ensures a positive impact is higher now than ever before. We appreciate this interest and remain as ever committed to transparently describing our activities, through formal reporting channels such as CDP and S&P CSA, as well as in our own sustainability report – now in its 16th annual edition. Key highlights in 2022 included completing our total global carbon footprint to enable submission of greenhouse gas emissions reduction targets to the Science Based Targets initiative, and again achieving Great Place to Work™ certification in Switzerland. The activities enabling us to achieve this certification, and the surveys gathering feedback from our colleagues, are carried out globally and the high and increasing level of engagement is a success we value greatly.

In 2023, we will continue investing in our employees, scaling our leadership development program among our senior leaders, upskilling, and carrying out "pulse checks" to monitor the health of our organization and evolve accordingly. Our refreshed employer brand communications and thriving workplace culture enable us to attract talented individuals, facilitating Tecan's growth ambition.

These initiatives and further elements of our broader sustainability program are embedded in Tecan's group strategy as an integral part of our strategic initiatives. More details can be found in the Sustainability Report.

OUTLOOK

Tecan expects demand for life science research, diagnostics and medical technology solutions to remain solid in all relevant end markets despite ongoing global economic uncertainties. Tecan therefore forecasts organic sales growth in the high single-digit percentage range, excluding the negative impact of lower COVID-related sales (approximately -4 percentage points for the full year and mainly affecting H1-23) and the reduced pass-through of material costs (at least -1 percentage point). Including these effects, Tecan expects sales to increase in the low to mid single-digit percentage range in local currencies for the full year 2023.

Tecan expects an adjusted EBITDA margin, excluding acquisition and integration-related costs, at least at around 20% of sales. This outlook assumes lower integration costs in 2023 compared to 2022. In contrast, Tecan expects the reported EBITDA margin to increase by 20-30 basis points in 2023 despite ongoing inflationary pressures.

Tecan also reiterated its mid-term outlook, in which the company expects to continue to outperform the average growth rate of the underlying end markets with an average organic growth rate in the mid to high single-digit percentage range in local currencies, while continuously improving profitability.

The expectations regarding profitability are based on an average exchange rate forecast for full year 2023 of one euro equaling CHF 1.00 and one US dollar equaling CHF 0.92.

Integration and acquisition-related costs are expected to be in the low-teens of millions in Swiss francs in 2023, the accumulated amortization of all acquired intangible assets is expected to amount to around CHF 20 million.

As always, the outlook 2023 does not take account of potential acquisitions during the course of the year.

EXPRESSION OF THANKS

On behalf of the Board of Directors and the Management Board, we extend our thanks to our colleagues around the world for their consistently strong efforts, growing with Tecan and bringing us to this latest company milestone. We would also like to express our appreciation to our customers and shareholders for their ongoing trust, and we look forward to continuing to successfully steer Tecan's profitable growth in the year ahead.

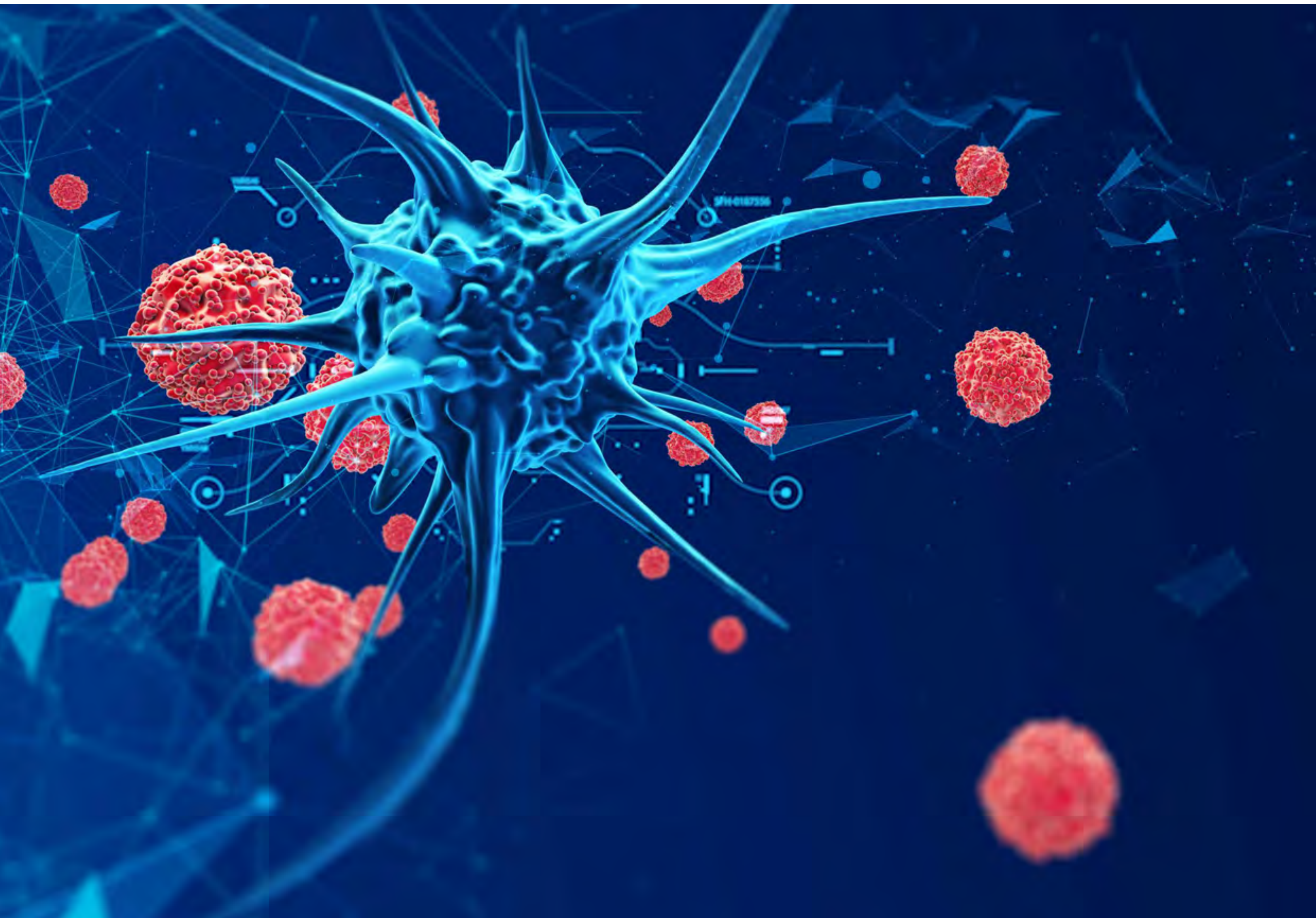
Männedorf, March 9, 2023

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

Markets and strategy

Tecan is a pioneer and market leader in laboratory automation and a healthcare enabler. The company is improving people's lives and health by empowering customers to scale healthcare innovation globally. Tecan enables customers to scale their innovation, whether in laboratory workflows for life science research, various applied markets and diagnostics or in product development and manufacturing for the medical market. Tecan delivers this broad range of healthcare products and services, directly to end users or with OEM partners.



BUSINESS SEGMENTS & MARKETS

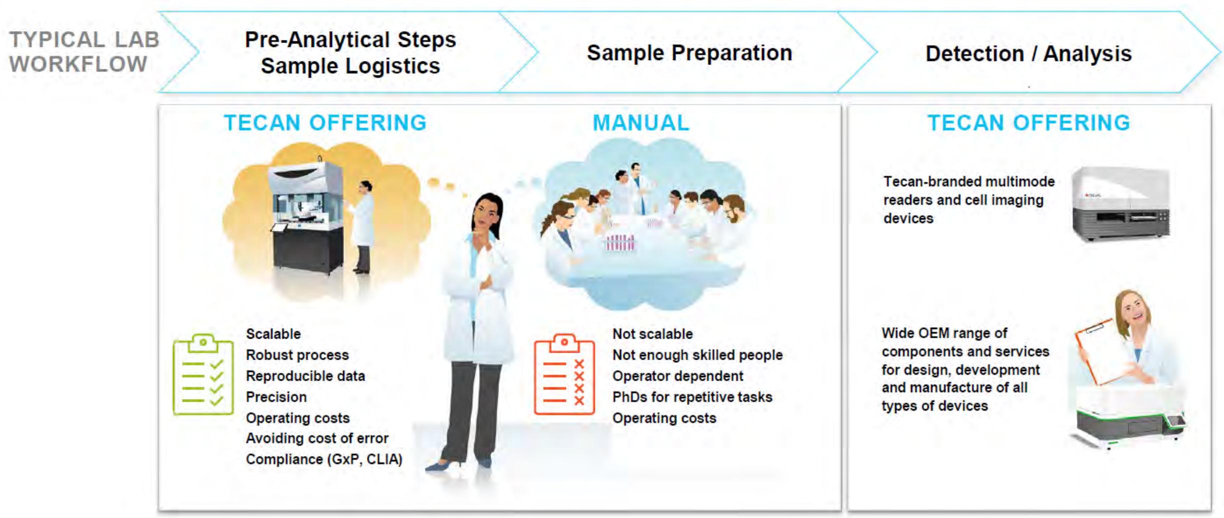
For laboratories, Tecan's solutions automate all types of repetitive work steps and make procedures more precise, more efficient and safer. These steps include many pre-analytical steps and sample logistics, as well as the various sample preparation steps in numerous application areas.

They pipette the smallest volumes of different fluids with optimum precision, for example. By automating these work steps, laboratories can significantly scale up the volume of samples they process, obtain test results sooner and ensure reproducible output. It is only through automation that complex biological work processes become robust and human error sources are eliminated. The instruments can also perform necessary work overnight without supervision, allowing laboratory personnel to evaluate the results or continue with the next steps upon returning the following morning.

Through the Partnering Business, automation solutions can be fully integrated solutions that cover all necessary steps to the result, i.e. sample in, result out. Partners bring these solutions to market under their own brand names together with the respective reagent kits.

SCALING LABORATORY WORKFLOWS

SIGNIFICANT ADVANTAGES IN PRODUCTIVITY, ROBUSTNESS AND REPRODUCIBILITY OF PROCESSES



Tecan also offers a wide range of own detection devices. This includes analytical devices such as microplate readers, which analyze reactions on a microtiter plate. For selected applications, Tecan also increasingly offers integrated total solutions, including appropriate reagents and functional consumables.

The company also develops and produces a whole range of OEM solutions for the detection step, which includes a number of very different instruments.

After the acquisition of Paramit, Tecan is able to provide an even more comprehensive value proposition for customers in the healthcare industry. Paramit has developed and/or manufactured several FDA-approved medical devices, including critical modules and systems for surgical robotics, point-of-care and personal testing devices. Paramit also works with life science companies developing and manufacturing high-precision instrumentation, including a range of products for genomics, proteomics and cell-analysis.

UNIQUE POSITION WITH TWO STRONG PILLARS

The Company serves some customers directly, but is also a leader in developing and manufacturing OEM instruments, components and modules that are distributed by partner companies. These are for example diagnostics companies that market the products under their own names as total solutions together with the relevant test kits. With the acquisition of Paramit Tecan has expanded its OEM business also in the area of medical devices.

These two segments, the Life Sciences Business (end-customer business) and Partnering Business (OEM business) complement each other and achieve a position that is unique in such depth on the market. Tecan can offer the complete spectrum for different customer groups, from benchtop devices for basic research to sample-to-result solutions for in-vitro diagnostics companies to modules and systems for surgical robotics and personal testing devices for medical technology companies. This puts Tecan in a unique position to combine insights from basic research with the requirements for solutions for routine clinical use.

The life science research area is highly innovative and is where most new technologies are developed and initially employed as a matter of routine. Traditionally Tecan has a strong position in life science research thanks to its own end-customer business, covering a broad range of applications with modular and configurable instrument platforms.

Many of these technologies here also have great potential for diagnostic application. In the last few years, for example, next-generation sequencing has proved to be of great benefit, such as in identifying inheritable diseases, in cancer diagnostics or in non-invasive prenatal diagnostics.

New types of tests are normally carried out after an initial transition to diagnostic application, at first in large or special laboratories. As demand rises and the processing of many samples is centralized in a small number of locations, automation solutions are mostly required to scale up throughput. As in life science research, most individual work steps of a workflow are separately optimized and carried out in succession. As lab developed tests, the test procedures are internally developed and validated by the laboratories in this regulated market segment. The application is scaled and industrialized. Tecan has already gained significant experience in new types of technologies and can now make this available to clinical testing laboratories. Through its Life Science Business, Tecan often has ap- plication-specific platforms that are approved for use in the regulat- ed area. For example, the Fluent Gx platform variant has been successfully registered as a Class I medical device in the US. Its specific functionalities facilitate greater process security, traceability of samples and stricter user management.

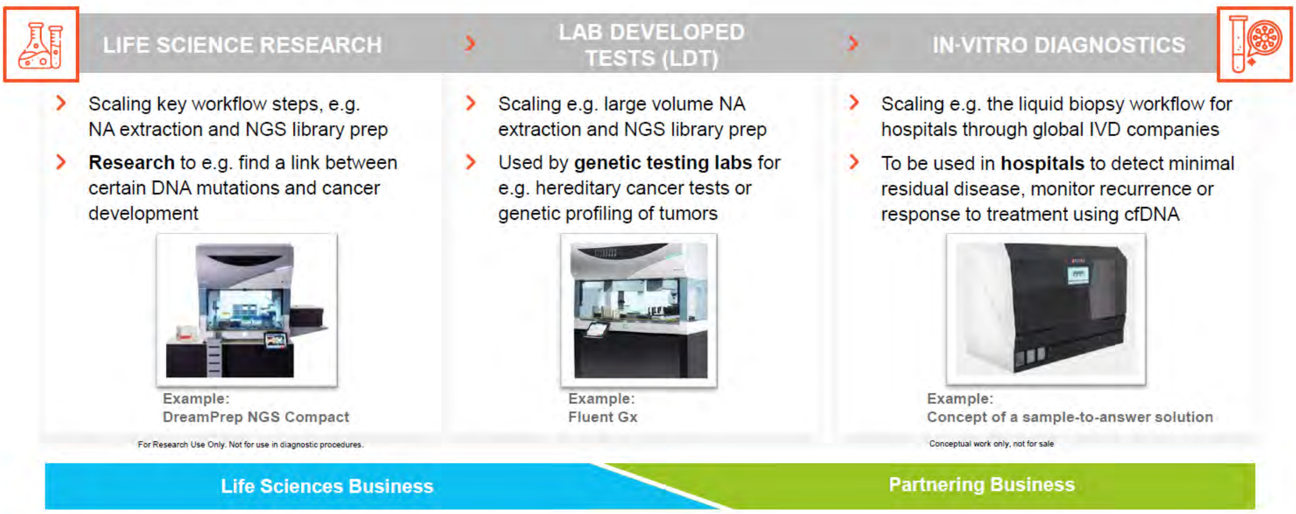
For further transition to routine clinical application, as a technology becomes increasingly mature, demand from decentralized clinical laboratories for the new types of test procedures also rises, such as in hospitals. These laboratories typically have other requirements for a total solution: The tests should be developed by a diagnostics company as ready-made reagent kits and the licensing authorities should have granted market authorization. Furthermore, the dedicated automation platform designed for a specific functionality should be very easy to use and all work steps necessary for carrying out the test are ideally covered in one instrument (sample in, result out).

For companies in the in-vitro diagnostics sector, Tecan is a preferred partner for these automation systems through the Partnering Business. For example, Fluent Gx can be adapted for a partner company's specific test and workflow. A diagnostics company can benefit from Tecan's expertise and platform availability, leading to cost-efficient development and quicker market entry. Based on this strategic orientation, collaboration with different partners enables Tecan in turn to benefit from the growth potential in a range of different types of technologies and tests for numerous therapeutic areas and other special parameters.

Despite different requirements, the fundamental technologies are very similar for the automation of work steps compared to previous solutions. By choosing to partner with Tecan as OEM customers, diagnostics companies get access to all the Company's previously developed technologies and platforms, all modules and software solutions as well as its expertise in system integration and regulatory and quality-related processes.

At the moment, different technologies are in a transition phase towards increased deployment in in-vitro diagnostics, such as next-generation sequencing (NGS), mass spectrometry or the use of liquid biopsies, such as for cancer diagnostics.

TECAN´S UNIQUE POSITION TO SCALE FROM RESEARCH TO THE CLINIC
EXAMPLE: NEXT-GENERATION SEQUENCING (NGS)



MARKET DEVELOPMENT AND STRUCTURE AS THE BASIS FOR CORPORATE STRATEGY

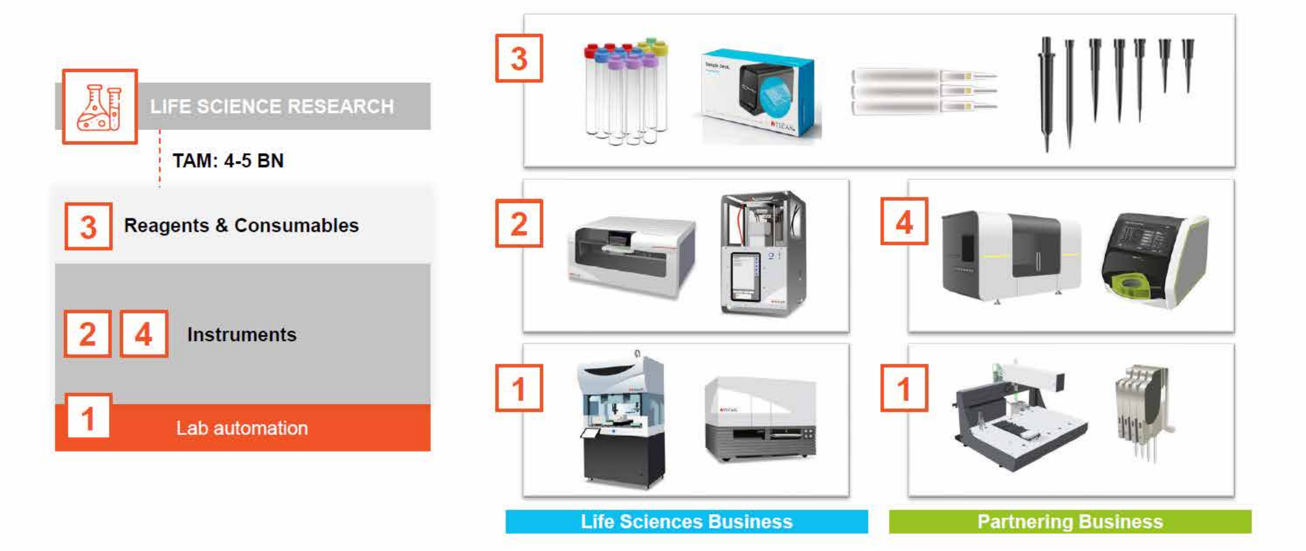
Traditionally, Tecan's two main markets were life science research and diagnostics. The acquisition of Paramit further extends Tecan's position in solutions for life sciences and in-vitro diagnostics (IVD). It also adds a new business vertical in the attractive and fast-growing market for medical devices. The structure of these end markets plus the focus on the core applications of genomics, protein analysis and cell analysis form the basis of the corporate strategy. It follows three vectors to ensure sustainable profitable growth. The Paramit acquisition added a vector 4 and 5.

Research and development as well as the Operations division are organized across the Group in order to better leverage synergies through various locations.

Medical devices are a new business vertical for Tecan.

SCALING LIFE SCIENCE RESEARCH INNOVATION

LEADING PROVIDER OF LAB AUTOMATION AND OEM SOLUTIONS FOR KEY APPLICATIONS



LIFE SCIENCE RESEARCH

The addressable market for Tecan in life science research is valued at USD 4-5 billion and is growing at an annual rate of 3% to 5%. Some two-thirds of sales come from instruments and about a third from reagents.

1. Laboratory automation, a field in which Tecan is active in mainly with the Life Sciences Business, is an important market segment within life science research. Slightly over half of the Life Sciences Business segment revenues are generated in life science research. Looking at the product groups, the Liquid Handling & Robotics category generates over USD 1.6 billion of the total revenue in this market segment with the initial systems.

   It also represents the largest product area for instruments at Tecan. Through the Partnering Business, Tecan also supplies other vendors in this market with off-the-shelf or custom components and platforms for life science instruments.

   The market for Tecan-branded detection instruments, another sub-segment of lab automation, accounts for about USD 0.6 billion.

3. In addition, Tecan participates in the aftermarket of the laboratory automation segment with consumables, service and spare parts. The market for consumables like pipette tips and other related products accounts for over USD 1 billion in addition to the initial systems. The service share is worth another USD 1.3 billion.

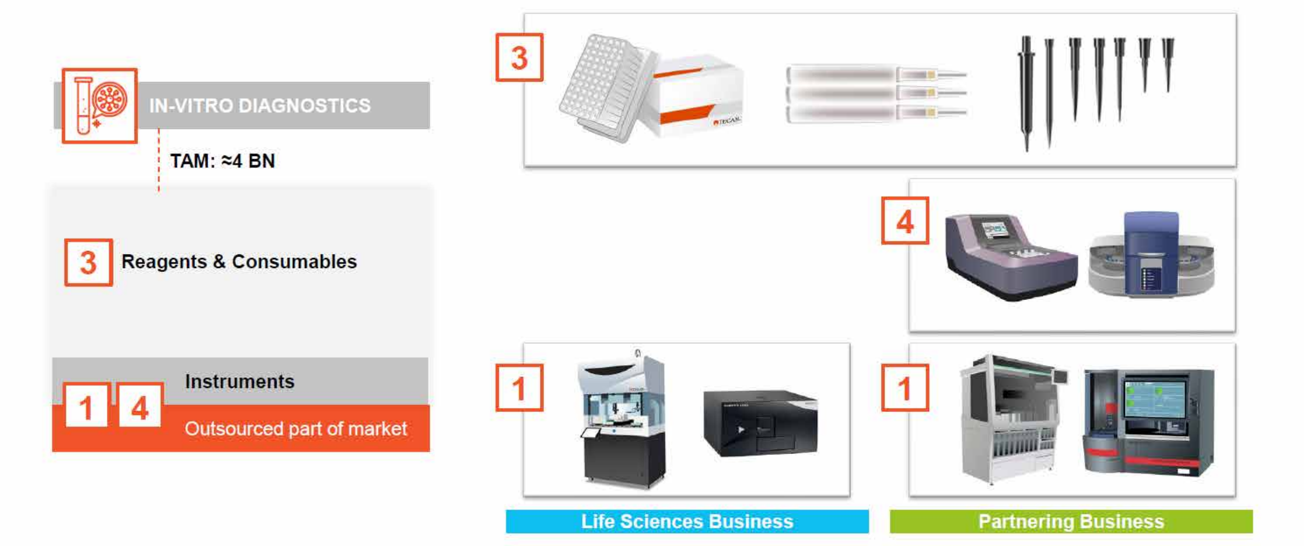
   Tecan has also expanded its offering of dedicated reagents. For example, the company provides innovative genomic sample preparation for NGS and microarrays for a broad range of sample types including RNA and DNA from whole tissues, preserved and prepared tissue samples, single cells and liquid biopsies such as from blood samples.

2. Tecan is also aiming to build up further pillars in the instrument market for life science research. For its Life Sciences Business, this applies in particular to areas beyond conventional, open and flexible robotics solutions for liquid handling and microplate readers. There are plenty of opportunities here, especially in dedicated instruments for sample preparation, e.g. the sample processing for mass spectrometry. This growth pillar also includes the newly introduced innovative entry level solutions for next-generation sequencing (NGS) library preparation, MagicPrep NGS. MagicPrep NGS is an automated benchtop library preparation system that transforms time-consuming and error-prone procedures into a simple, robust experience with a setup time of only 10 minutes.

4. Paramit now adds capabilities which allow Tecan to further strengthen its customer offering for the life sciences research through the Partnering Business – illustrated by vector 4. With its engineering as well as cost-competitive manufacturing capabilities, Paramit opens up new opportunities for a whole variety of benchtop size life science research instruments. These could be systems for genome mapping and sequencing, molecular antibody characterization, multiplex biomarker detection, single cell imaging, multiplex gene expression analysis and many more areas. In total, about 20% of the Partnering Business segment revenues are generated in life science research.

SCALING DIAGNOSTIC WORKFLOWS

LEADING PROVIDER FROM COMPONENTS, POINT-OF-CARE TO FULLY INTEGRATED CLINICAL ANALYZERS



IN-VITRO DIAGNOSTICS

The total addressable market for Tecan in in-vitro diagnostics is valued at around USD 4 billion and is comparable to the life science research market in terms of the average annual growth rate.

The market structure in general is dominated by the share of sales generated by diagnostics companies through the sale of reagents and consumables. These recurring sales make up about 80% of the market volume, while the remaining 20% of sales are generated with instruments.

1 The instruments in the in-vitro diagnostics market are only partly developed and produced by the diagnostics companies themselves, with an increasing share being outsourced to specialists such as Tecan. In this sub-sector of the market segment, which has a value of about USD 3.5 billion, Tecan supplies diagnostics companies with automation solutions through its Partnering Business segment. Customers then market these instruments under their own names, combined with their own reagents as a total solution, such as hospitals, major diagnostics laboratories and blood banks. Diagnostics is the largest end market for the Partnering Business, accounting for a bit below 50% of segment sales.

In its Life Sciences Business segment, Tecan sells open automation platforms, mainly to major diagnostics and genetic testing laboratories. Overall, slightly less than half of sales in the Life Sciences Business are generated in regulated markets such as clinical diagnostics.

For example, the Fluent Gx platform variant was developed for the automation of laboratory workflows in regulated markets. Here Fluent can be used for applications such as high throughput nucleic acid purification, quantification and normalization or as a scalable solution for PCR amplification. In the US, it is registered as a Class I medical device.

Tecan also offers detection devices that are used for absorbance-, fluorescence- and luminescence-based clinical immuno-assays.

4 Paramit expands the total addressable market for diagnostic instruments with capabilities around smaller near-patient or point-of-care testing devices. These are for example systems for performance capillary electrophoresis (HPCE), flow-through hybridization, molecular diagnostics and digital pathology.

3 Also in this market, Tecan participates in the aftermarket with reagents for specialty diagnostics, functional consumables for mass spectrometry, and again consumables like pipette tips.

ELISA technology is such an example of a popular application, which is used to determine specialty diagnostic parameters, such as evidence of rare infectious diseases or to verify certain hormone levels. In this specialty diagnostics area, Tecan is offering a portfolio of test kits as well as dedicated automation platforms .

SCALING MEDICAL INNOVATION TROUGH PARTNERSHIPS

LEVERAGING SAME OR SIMILAR TECHNICAL, MANUFACTURING AND REGULATORY COMPETENCIES

MEDICAL DEVICES (MEDICAL MECHATRONICS)

The addressable market of medical mechatronics products represents a significant opportunity of between USD 13-15 billion, thereby more than doubling Tecan's original total addressable market. Approximately one third of sales in the Partnering Business segment are generated in the medical mechatronics end market through Paramit.

5 With medical devices, the addition of Paramit's capabilities and customer portfolio adds an entirely new business and growth vertical to Tecan. The targeted medical mechatronics sub-segment is part of the broader medical device market and consists of instruments and mechanical and robotic modules that are controlled by custom electronics. The Paramit portfolio includes components, modules and systems, based on robotic, micro fluidics, optical, laser and radio frequency technologies for key applications, leveraging technical and regulatory core competencies that are very similar to Tecan's. Products include sub-modules for robotic surgery systems, energy based devices and platforms, cardiovascular controllers, portable defibrillators, home hemodialysis systems, patient monitoring and telemedicine devices, products that range from hand-held devices to larger cart-based systems.

In research and development, the team is also very conversant with the ways energy can be delivered to human tissue, and its effects on the body, for example to reduce scar tissue or applying it in a variety of different surgical applications.

SPECIAL FOCUS ON THREE APPLICATION AREAS

Tecan covers a large number of different application areas thanks to its two segments of Life Sciences Business and Partnering Business. Special focus is placed on three applications to achieve continued growth that outstrips the market average. Particularly strong growth drivers form the basis of them:

- Genomics
- Protein analysis, particularly workflows of mass spectrometry
- Cell and tissue analysis

These three applications are generally used in life science research as well as in in-vitro diagnostics. Both business segments therefore offer growth potential for Tecan. As screenings of genomic, proteomic, cellular and tissue assays have grown in sensitivity, breadth and sophistication, so have Tecan's underlying technology portfolio and product lines. A rationale driving researchers and clinical partners towards Tecan is its overarching integration of modular hardware and software building blocks across a variety of end applications. The company has pioneered the development and deployment of sophisticated architectures and libraries that can be configured rapidly and optimized for specific use cases.

GENOMICS

Genomics is the systematic analysis of the genome, e.g. a cell, tissue, organ or complete organism. A genome is the complete DNA sequence of an organism, including all its genes. Genomics is a fundamental application in life science research and is increasingly used in diagnostics.

Since 2020, polymerase chain reaction (PCR) became one of the most powerful weapons in the fight against the coronavirus pandemic. It provides a fast, specific and very sensitive way to detect invading pathogens, even when they are present in extremely low numbers.

Even before COVID-19, the whole genomics market has grown to more than USD 20 billion. Some of the subsegments are developing here at an average single-digit rate, others such as next-generation sequencing (NGS) even at a double-digit rate.

NGS workflows are composed of multiple complex steps, most of which need to be performed prior to loading samples in the actual sequencer. The crucial step prior to sequencing is library preparation, which is a particularly attractive market segment and a focus of Tecan's area of work. There are also growing needs in handling small volume samples and preparing libraries, especially when derived from challenging clinical samples. But even with other work steps of the various genomics workflows, starting with the basic step of DNA extraction, Tecan is well positioned.

Also, genomic needs in precision and personalized medicine, companion diagnostics, fast and sensitive multiplexed assays are a big growth driver. Increasingly, NGS for example is used for liquid biopsies to detect minimal residual disease in patients, monitor cancer recurrence, or their response to a specific treatment, simply by checking for tumor DNA (cfDNA) in the patients' blood.

PROTEIN ANALYSIS

All proteins in an organism, tissue or cell are called proteomes. Unlike with the genome, the composition of a proteome changes all the time. These changes are crucially affected by the environment and diseases, but also by drugs, for example. In order to research and analyze proteins, a range of techniques is available, notably mass spectrometry. The innovations that yield insights into the human proteome are still at an earlier stage but they are following in the footsteps of genomics.

The market for all areas of mass spectrometry is worth around USD 5 billion. The sub-segment of sample preparation, which is particularly attractive for Tecan, has grown at an average rate in the high single-digit range to some USD 0.7 billion. The key growth driver here is the increasing number of biopharmaceuticals, a class of compounds produced using biotechnology resources and genetically modified organisms. Analyses based on mass spectrometry are also increasingly applied in in-vitro diagnostics in addition to their traditional use in life science research. For example, Tecan is enabling to prepare MALDI slides with high precision and sensitivity in an innovative approach to diagnose multiple myeloma at an earlier point in the disease.

The focus of Tecan's work area is mainly on sample preparation for mass spectrometry. The ability to extract insights from mass spectrometry rests on the ability to purify samples, separating them from background noise. Tecan is also well positioned for other analysis methods, such as immunoassays or other common work steps, such as protein purification.

In more and more cases it is becoming increasingly important to combine genomic test information with other profiling assays, such as protein expression in integrated solutions.

CELL AND TISSUE ANALYSIS

Cells are independent biological functional units and the starting point for many studies. Biological processes can be understood and clarified at cellular level thanks to cell analysis. Researchers offer trials a more realistic model with cells or groups of cells for transferring findings on organisms. For example, cell assays are increasingly used to develop new drugs.

The size of the overall cell analysis market, i.e. the various areas of cell biology and imaging, is estimated to be around USD 10 billion. Here market growth is in the mid-single digit percent range.

In cell analysis, Tecan offers innovative detection and imaging solutions, but also a broad portfolio of automation solutions for different work steps. Cell lines and primary cells are widely used for the production of cell-derived biomolecules, as well as for cell-based assays. For example, Tecan provides sophisticated, modular automation solutions from 2D and 3D cell cultures with cloning, transfection and colony picking to the point of cell-based assays and cellular analysis.

Through its Partnering Business, Tecan also supplies leading diagnostics companies in the areas of tissue analysis for cancer diagnostics, flow cytometry and other applications.

TECAN BENEFITTING FROM VARIOUS MEGATRENDS

Megatrends are long-term transformation processes that depict far-reaching social and technological changes. The markets in which Tecan is active are positively influenced by a number of megatrends. They also result in increased sample volume and a significant rise in diagnostic tests as well as surgical procedures and other medical interventions that are carried out. This requires higher levels of productivity. The tests and procedures must be reproducible and accurate, the processes standardized and robust. Strict regulatory standards must also be complied with. Tecan has systematically focused its corporate strategy on these markets and requirements and can therefore obtain significant benefits from these transformation processes.

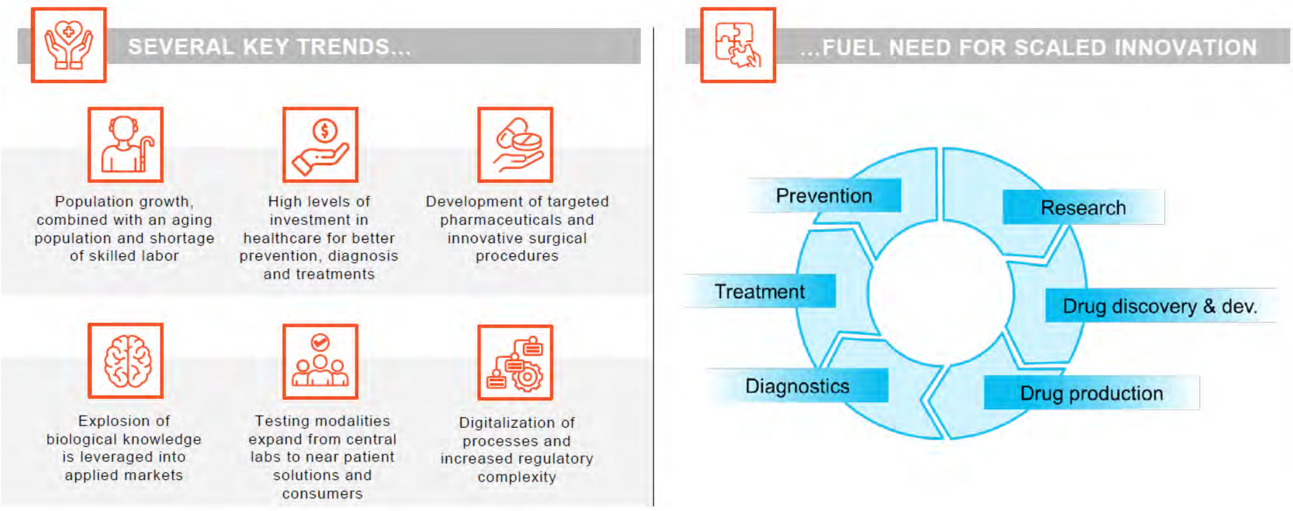
The 21st century has often been described as a century of biological discovery and development – the century of biology. It is estimated that, every six months, the world's laboratories generate more biological data than has ever been created in human history. The ensuing discoveries and their applications will change human life forever.

For example, with the COVID-19 pandemic, the scientific community reacted fast.

Researchers were able to decode its RNA sequence and identify the structures and made them available globally. Labs were able to develop rapid diagnostic tests and – crucially – pharmaceutical and biotechnology companies were able to develop vaccines within 10 months.

Also in other areas, for example in oncology, new anticancer drugs have been approved in the last few years with entirely novel mechanisms of action for treatment, such as the first products based on gene therapy approaches.

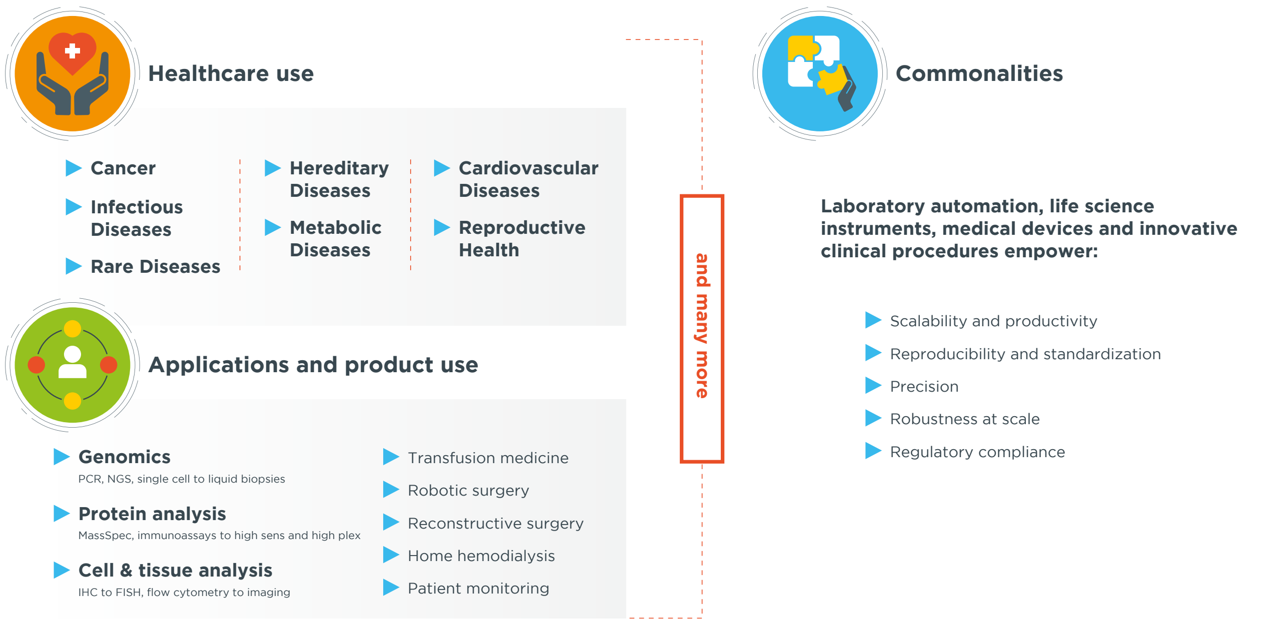
TECAN IS BENEFITTING FROM MULTIPLE MEGATRENDS



Megatrends	Positive effects on Tecan
Population growth and the aging population	**Many diseases**, such as cancer and cardiovascular diseases, are more prevalent in old age. Around the world, significant sums are being invested in the development of innovative drugs, medical devices and surgical procedures to improve treatments. Numerous novel drugs were approved in recent years, many of which are based on previously unused modes of action. The total volume of diagnostic tests that enable diseases to be identified is increasing and more tests are being carried out per person. **Increased demand for innovative medical devices:** these same underlying trends also increase the demand for medical devices such as cardiovascular controllers, home hemodialysis systems, patient monitoring and telemedicine devices or for surgical robots that make surgeries more effective and less invasive. **Shortage of skilled labor:** at the same time, the baby boomer generation that is retiring cannot be replaced, leading to a shortage of skilled workers and thus increasing the demand for automation. **As many diseases are being treated with increasing success**, people live longer, which increases the demand for automated solutions for diagnostic testing and medical devices, e.g. for patient monitoring.
High levels of investment in healthcare for better prevention, diagnosis and treatments, also in emerging markets	Overall, there is a **significant investment in health care**, with a focus on prevention and treatment monitoring in addition to immediate or acute diagnostics. **Growing levels of prosperity** also mean that the demand in the area of healthcare is rising continuously. China, for instance, is now one of the world's largest healthcare markets, although its spending per capita is still significantly below that of many western industrialized countries.
Development of targeted pharmaceuticals and innovative surgical procedures	**The growing use of personalized medicine** means that the biomolecular constitutions of individual patients are increasingly taken into account, allowing targeted drugs to be deployed. Tecan supports research into characteristic biological features (biomarkers) and the development of new active ingredients with automation solutions. Tecan solutions are also being used in companion diagnostics. Through its newly acquired Paramit business, Tecan also participates in market segments like robotic surgery and cardiovascular controllers.
An explosion of knowledge in the field of biological correlations and molecular processes – using these findings in applied markets	**Life science research** is coming up with new findings at an ever quicker pace. These are being increasingly used not only in drug development and human diagnostics, but also in numerous applied markets. **Some examples:** In forensics, criminals are being convicted based on DNA profiling. The same techniques and procedures used in human diagnostics are being employed in diagnostics for farm animals. In the food industry, special products are being developed that counteract disorders of the intestinal flora. In these laboratories too, state-of-the-art automation solutions from Tecan improve efficiency.
Digitalization of processes and increased regulatory complexity	The growing demand for automation is supported by an **increasing digitalization** of the laboratory environment, where Tecan is again a key innovator in digital solutions, both in terms of user interface and laboratory connectivity. The **ever increasing regulatory complexity** in clinical and medical markets requires more assistance with quality systems management or process validation, regulatory advice or enterprise risk management – an area Tecan is recognized as a global leader in quality and regulatory affairs.
Genetic testing for large parts of the population and directly to consumers	Another trend that Tecan is benefiting from is the **fast-growing and increasingly popular market for genetic testing**. This development was made possible by the rapidly declining costs of gene sequencing and other technologies. In various research programs, some of which are state-funded, the DNA of several million people is to be analyzed to increase the diagnosis rate of rare and sometimes inheritable diseases. Analysts assume that in future, most people in developed nations will undergo **gene sequencing** at least once in their life. At the same time, another market segment has emerged, mainly in the US, where millions of consumers on the internet apply for genetic testing, for example, tests for inheritable diseases or for genealogical research. Various work steps are being automated in large laboratories using Tecan instruments.

Commonalities in Key Applications and Product Use Cases

From discovery of novel medications to better diagnosis and treatments of diseases



CORE COMPETENCES AND COMMONALITIES

Tecan's success is based on core competencies that the Company has systematically acquired and expanded over the years. Tecan's core competence was built around the automation of complex processes in life science research laboratories and in the strictly regulated diagnostics market. This overall competence is made possible by core competencies in system integration as well as in individual aspects of an application's typical processes. In robotics, Tecan is the market leader in the automation of very diverse repetitive work steps that have to be conducted in laboratories. Its core competencies cover both instruments and the software packages needed for their operation as well as cloud-based software solutions that enable the connectivity of instruments. Tecan offers a wide-ranging portfolio of different modules to automate applications and work processes, such as examining DNA or cells.

Tecan expanded its capabilities and competences through the acquisition of Paramit.

Paramit is an expert at manufacturing complex electromechanical systems for the medical and life sciences industries. The company combines custom microfluidics, electronics, optics and motion control to help its clients create a range of products, from handheld or point-of-care devices to benchtop instruments and cart-based systems.

The acquisition also brings significant engineering as well as cost-competitive manufacturing capabilities, both in North America and in the APAC region.

Paramit's patented, computer-directed assembly technology, vPoke®, resolves complex mechanical assembly into tightly controlled assembly steps for medical device and life science instruments. The process generates a rich device history record, providing component traceability, while reducing the potential for errors ("zero-defect manufacturing").

There are many commonalities for the various key applications and product use cases of the combined Tecan/Paramit portfolio that cover a variety of healthcare uses, such as cancer, infectious diseases, metabolic diseases and many more. The product and service offering allows scalability of processes and workflows as well as the scaling of the manufacturing itself, it increases reproducibility and standardization of processes and procedures, delivers precision and robustness. As the majority of customers are working in a regulated environment like diagnostics or medical devices, regulatory compliance is a must in these areas.

Tecan has particular technical expertise in liquid handling and detection. Liquid handling involves the high-precision handling of fluids, even in the smallest quantities. This process includes the aspiration and dispensing of liquids with differing physical and chemical properties, such as reagents and blood (both whole blood and serum). The quantities of fluid involved can typically range from milliliters to microliters. Some applications require the handling of even smaller quantities, for which Tecan can also pro- vide technologies. Tecan also has the necessary sensor technology to monitor processes, for example, to ascertain whether a liquid transfer has actually taken place. One of the Company's particular competencies is the ability to make these often highly complex processes easy to perform through user-friendly software with an intuitive user interface.

To enable the entire workflow to be automated, Tecan also integrates third-party devices. Customers benefit from the enormous application know-how of Tecan specialists, even in strictly regulated areas such as clinical diagnostics.

In the area of detection, Tecan specializes in analytical devices that use a variety of optical methods to detect reactions in a test procedure, such as the binding of an antibody to a target molecule. This can take place, for example, with fluorescence, luminescence, absorption methods or through imaging technologies. Tecan also uses patented technologies here to lower the detection limit or reduce diffused light and thereby increase the sensitivity. Tecan detection instruments are able to process varying wavelengths quickly and flexibly, even in parallel.

Beyond technical expertise, Tecan has significant application know-how in the various disciplines of life science research and clinical diagnostics. One of the Company's unique selling points and core competences is its ability to bridge the gap between research and the strictly regulated diagnostics market for its customers and partner firms. The steady increase in regulatory requirements presents a major challenge, in particular for smaller companies and companies that are traditionally oriented only toward the research market. Tecan can benefit from these growing market barriers, as it has built up these core competences and invested in regulatory compliance for years.

Sustainability.

Message from the CEO

DEAR READERS

Tecan's corporate purpose is to improve people's lives and health, and we do this by empowering our customers to scale healthcare innovation globally from life science to the clinic. Underpinning Tecan's purpose and embedded into our group strategy is our sustainability promise: Our products add value to society, our business practices do, too. Including sustainability considerations in our business decisions is essential to Tecan's long-term success, and in keeping with our values of trust, highest standards and ambition: we want to continue to play our part in creating a better future. I'm pleased to bring you Tecan's 2022 Sustainability Report, setting out our sustainability strategy in more detail, our initiatives to implement this and our longer-term aspirations for the future.

Tecan has published a Sustainability Report annually since 2007, and the content has never generated so much feedback from our customers, investors and colleagues as we received in 2022. In the past year, many of our customers communicated to us their own sustainability goals, and how Tecan can support these. They were pleased to learn that Tecan committed to the Science Based Targets initiative in February 2022, that we have completed our total global carbon footprint calculation and that we are now in the process of implementing our greenhouse gas emissions reduction plan. As more and more organizations commit to science-based emissions reduction targets, working to decarbonize our business offers opportunities to strengthen relationships with our customers and suppliers, as we all start to pull together in this shared endeavour.

In 2022 we also set the foundation for measurable progress regarding both responsible sourcing and transitioning to a circular economy, two of our material topics. Embedding eco-design principles into Tecan's R&D process sets us up well to continue reducing waste and minimizing the energy consumption of our products. And working with the sustainable supply chain service provider EcoVadis we have been able to screen our suppliers and identify areas for follow-up regarding environmental impact as well as suppliers' own responsible sourcing efforts, to ensure our supply chain is adhering to strict human rights standards.

As a growing and global company we strive to continuously evolve our culture and working environment as the employer of choice in our industry. Tecan received Great Place To Work™ certification in Switzerland for the second time in 2022, which is a great testament to the trust our employees put into Tecan as an employer and the impact we have created to date with our employee-focussed activities. As we continue to pursue such activities at all our locations around the world, we will regularly collect our employees' direct feedback and suggestions for improvements. Such dialogue brought a great result in 2022, directly influencing our outreach to potential new employees. Listening to colleagues describe what it is like to work at Tecan, we were very excited to launch our new campaign, inviting current and prospective team members to "Stay unique and make it count." This message builds on the feedback we've received loud and clear in recent employee surveys: at Tecan, people feel secure to be themselves at work, and empowered to make their own unique contribution to bringing Tecan's purpose to life. We celebrate the diversity of our employees and endeavour to create opportunities for team members to connect, sharing learnings and experiences, an aim boosted in 2022 with the implementation of Tecan's new intranet, The Dot.

In 2023, we will ensure that our strong governance practices – already captured in internal documents – are increasingly reflected in our publicly available policies. We will work to align our reporting with standards such as TCFD (the Task Force on Climate-Related Financial Disclosures), and as we further develop our Responsible Sourcing program, we will identify additional indicators that will enable us to track annual progress in this area. Continuing our tradition of transparency and engagement, we invite you to provide your view of our sustainability work as part of this ongoing dialogue and thank you for your interest in our ongoing efforts.

Achim v. Leoprechting

DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

Sustainability

"Sustainability" recognizes that environmental health, social equity and economic vitality are interconnected, and all are critical in ensuring we create thriving, healthy, diverse and resilient communities for this generation and generations to come. To ensure that opportunities to carry out our business activities sustainably are identified and pursued, Tecan has a Sustainability Committee and a sustainability strategy that is integrated into the Group strategy. Integrating sustainability considerations into business decision-making equips Tecan for long-term success, and reflects our core values.

TECAN

Tecan is a pioneer and global leader in laboratory automation. Founded in Switzerland in 1980, the company has more than 3,400 employees: a full overview of Tecan's employee profile is included in the Social Impact section of this report. Tecan has manufacturing, research and development sites in Europe, North America and Asia, and maintains a sales and service network in over 70 countries. Tecan Group Ltd. is the parent company, and is a limited corporation incorporated in Switzerland, whose shares are publicly traded. Tecan Group Ltd.'s registered office is at Seestrasse 103, 8708 Männedorf, Switzerland. The entities included in Tecan's sustainability report are listed here.

Tecan's main business activities are the research, design and development of our products, the final assembly of these at our production sites, and the sales and service activities that enable us to live up to our customer promise, "Always there for you". The company markets products directly to end users and as an original equipment manufacturer (OEM), Tecan also develops and manufactures OEM instruments, components and sub-modules. The products manufactured by Tecan are used in laboratories for life science research, in applied markets, in clinical diagnostics, and include medical devices. The largest product group comprises laboratory instruments and instrument components for the automation of different repetitive work steps.

Tecan does not conduct animal testing, or participate in, or knowingly fund, any external studies that use embryonic stem cells, fetal tissue or cell lines. Clients include pharmaceutical, biotechnology and in-vitro diagnostic companies, university research departments, and diagnostic and other laboratories. As an original equipment manufacturer (OEM), Tecan also develops and manufactures OEM instruments and components that are then distributed by partner companies. Tecan's value chain also includes the distributor network and supply chain, which are described in this report.

SUSTAINABILITY AT TECAN

In 2021 Tecan created a sustainability committee, chaired by the CEO and made up of Management Board (MB) members responsible for specific ESG (environment, social and governance) areas, as well as Tecan's CFO, MB sustainability lead, and two subject matter experts who joined Tecan in Q3, 2021. The sustainability committee meets quarterly and sets Tecan's sustainability strategy and priorities, which are taken to the full MB for approval. Tecan's sustainability strategy is integrated into Tecan's Group strategy, and is reported on quarterly to the MB as part of the regular strategy cockpit reviews.

Tecan's Board of Directors is briefed on sustainability developments by the CEO and MB sustainability lead during their regular meetings, as described in the more detailed overview of the Board in the Corporate Governance section of Tecan's Annual Report. There is no separate committee at Board level for sustainability, activities are reviewed by the full Board, and management of social and environmental risks and impacts has been delegated by the Board to Tecan's Management and is integrated into Tecan's overall strategy. Sustainability topics are included in Tecan's regular annual strategy development and review process, and annual risk management process. Board members have varying levels of sustainability expertise, gained in their previous roles as CEOs or senior executives of companies with sustainability programs and in the case of one Board member, through actively working on a potential replacement for fossil fuels. A well-rounded understanding of business impacts is one of many criteria looked for in potential Board members; the opportunity to increase the visible diversity of Tecan's Board is also one of the many factors considered, and maintaining the gender balance of the Board is also a goal.

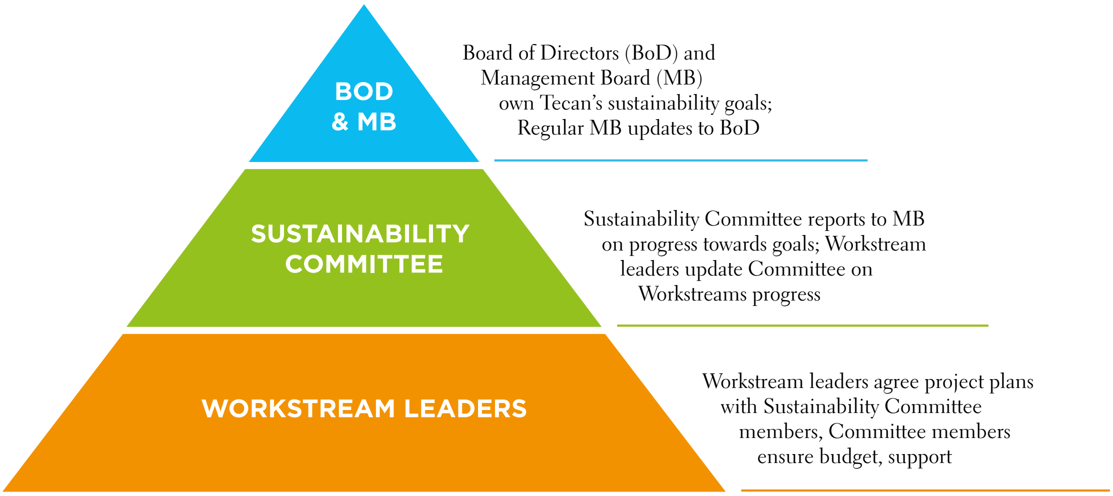
Tecan's CEO and sustainability committee members contribute to and review the annual Sustainability Report. Sustainability targets are included in the short-term variable pay compensation criteria of all Management Board members, and all Tecan colleagues who have a variable pay component to their compensation (see also Compensation report).

Throughout Tecan, management of social and environmental impacts is integrated into daily work. In addition, specific initiatives with a strong sustainability focus are tracked by Tecan's sustainability committee, as reflected in the "sustainability governance structure" pyramid. Current workstreams include working towards ISO 14001 certification of Headquarters, systematically increasing the assessment of suppliers' environmental and social impacts, and evaluating options to reduce the environmental impact of packaging and products. Sustainability committee members are responsible for updating the sustainability committee on the progress of workstreams within their area, and the Management Board (MB) sustainability lead presents a summary to the MB when key decisions are taken, along with any committee proposals that need MB approval.

Meet Tecan's Sustainability Committee members:

- Committee Chair: Achim von Leoprechting, CEO
- Management Board Sustainability Lead: Martin Braendle, Senior VP Corporate Communications & IR
- Sustainability Committee Secretary: Sarah Vowles, Associate Director Corporate Communications & Sustainability
- Marco Felicioni, Head of Environment, Health & Safety Office
- Ulrich Kanter, Head of Operations and IT
- Tania Micki, Chief Financial Officer
- Erik Norström, Head of Corporate Development
- Ingrid Pürgstaller, Chief People Officer
- Andreas Wilhelm, General Counsel and Secretary of the Board of Directors of Tecan Group Ltd.

TECAN'S SUSTAINABILITY GOVERNANCE STRUCTURE



TECAN'S SUSTAINABILITY STRATEGY

At Tecan we are driven to improve people's lives and health. We do this by empowering our customers to scale healthcare innovation globally from life science to the clinic. We collaborate with our customers in healthcare and the life sciences, from early-stage innovation through project implementation and beyond. We deliver the products, services and solutions that make lab processes and medical procedures precise, reproducible and compliant. This leads to scalable outcomes that are further reaching and ever more valuable to humankind. Tecan's sustainability strategy supports the Company's purpose, is integrated into Tecan's annual strategy development and review process, and was approved by the Board of Directors in 2022. This strategy enables Tecan to say, "Our products add value to society, our business practices do, too". Both a description of how Tecan operates today and an aspiration indicating the areas in which Tecan will strengthen processes on an ongoing basis, the strategy states:

From design through production to end-of-life, we maximize the positive impact of our products and business practices. Tecan's products enable innovative healthcare, consider eco-design, and are produced with responsibly sourced materials. Our sites are carefully managed to minimize negative environmental impacts and implement opportunities to have a positive environmental impact. We consistently demonstrate excellence in product quality and safety, governance, and risk management, and have a measurable positive impact as an employer and in our communities.

Implementation of this strategy is further described in the Environment, Social Impact, and Governance sections of this sustainability report.

SUPPORT FOR THE UNITED NATIONS GLOBAL COMPACT AND UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS)

Tecan joined the UN Global Compact (UNGC) in 2018, and in doing so committed to a precautionary approach to environmental challenges, along with key social impact and good governance principles derived from UN instruments such as the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Adherence to these principles is tracked by Tecan's sustainability Group Function and reported on annually via the UNGC reporting platform. Tecan's sustainability Group Function is made up of the sustainability Management Board lead and his direct report, Tecan's sustainability lead. Tecan's sustainability lead is the sustainability committee secretary, responsible for preparing the committee meetings and driving the sustainability agenda.

In 2022, timing of Tecan's UNGC reporting changed to align with the timing of Tecan's sustainability report publication, with the December UNGC Report instead being published after March, 2023.

Tecan supports the blueprint for a better future set out in the UN Sustainable Development Goals, and aligns in particular with goals 3, 5, 8 and 12.

SDG 3 Good Health and Wellbeing. Ensure healthy lives and promote well-being for all at all ages: Tecan's products and business purpose – improve people's lives and health, by empowering our customers to scale healthcare innovation globally from life science to the clinic – directly support this sustainable development goal.

SDG 5 Gender Equality. Achieve gender equality and empower all women and girls: As an employer, Tecan works to advance equal opportunities for women, and to ensure equal treatment in the workplace. Efforts in this regard are outlined in the social impact section of this report.

SDG 8 Decent work and economic growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all: Through ethical business practices and with an emphasis on creating a diverse, inclusive, positive work culture Tecan supports this goal.

SDG 12 Responsible consumption and production. Ensure sustainable consumption and production patterns: Tecan works to support UN SDG 12 by adopting sustainable practices and continuing to integrate sustainability information into the reporting cycle, as set out in this report.

Additional SDGs are supported through the work of Tecan's customers, and through research projects supported by Tecan. The majority of Tecan's customers focus on activities intended to ultimately benefit human health. Notable exceptions include:

Reducing Greenhouse gas emissions with alternatives to meat

Meat production causes vast amounts of greenhouse gas emissions in a number of ways, including deforestation and other land use change to produce animal feed and provide space for grazing, emissions from the animals themselves, and management of manure. A plant-based diet is one solution; cell-based meat is another. Cell-based meat is the focus of a number of start-up enterprises. In December 2020, Singapore spearheaded the industry, becoming the first country in the world to approve cell-cultured chicken. More recently, research and development in cell-based seafood products made from cultured fish or crustacean cell lines research has intensified. Companies are focused on the flavors, texture, and optimizing the cell culture media and condition to drive mass production at a competitive market price. Culture conditions such as temperature, pH and osmolality differ from typical mammalian cells as the fish and crustacean cells are cultured at lower temperatures within the range of 25–30°C.

Tecan's Spark Multifunctional Plate reader with Te-cool module allows growth analysis assays and monitoring to be conducted at consistent temperatures between 18 and 25°C in both kinetic and endpoint measurement. It circumvented the problem of the temperature deviation which could be up to +4 °C over ambient, due to the prolonged runs in kinetic assays and the heat emitted from the electronics within. As research in this area only grows, Tecan is delighted to enable the development of options that could lead to significant reductions in the production of greenhouse gas emissions.

Source: www.un.org/sustainabledevelopment/sustainable-development-goals/

Transforming the petroleum-based industry into a sustainable bioeconomy

To facilitate the transformation of the petroleum-based industry into a sustainable bioeconomy, genetically modified microbes are needed for the production of various bulk and fine chemicals. The AutoBiotech team at Forschungszentrum Jülich uses lab automation in combination with standardized molecular cloning workflows to accelerate the rational strain development. Robotic systems are used to automate the entire strain building process – from #plasmid design and assembly to transformation and propagation steps, isolation of enriched plasmids, and microbial phenotyping. Thanks to Tecan's Fluent® automation workstation, the liquid and plate handling eliminates all the tedious daily pipetting tasks, while Macherey-Nagel's automation-friendly plasmid purification solutions are integrated into the cloning and plasmid construction workflows. Together, the team has achieved great work in developing novel microbial cell factories.

Working to combat degenerative eye diseases

Tecan and the Centre for Eye Research Australia (CERA) have been granted a patent for technologies that support a hopeful vision: halting, or even reversing, the effects of common eye diseases using non-embryonic stem cell technologies.

Degenerative eye diseases affect millions of people around the world, causing progressive loss of vision and, in some cases, complete blindness. Researchers in Australia worked with Tecan to develop a tailored automation system that would enable them to scale their sample size and reduce variability in their process, saving time and detecting minute changes in cell behavior. The new capabilities of the approach, which uses a customized Freedom EVO®, have been recognized by the patent authorities in Germany, Australia, and now the US authorities.

Few labs in the world are equipped to perform the type of work that CERA carries out. It works on blinding diseases – such as glaucoma, age-related macular degeneration (AMD) and inherited retinal dystrophies – using induced pluripotent stem cells (iPSC) to generate cellular models of disease. The facility partnered with Tecan to cultivate large quantities of non-embryonic stem cells in a standardized manner using the Freedom EVO system that Marco Zalivani, a manager at Tecan's Labwerx division, helped to install. So, what are the unique features of CERA's machine? "The long robotic arm, the tilting carrier and the backwash system," Marco explains. "These are the parts that were customized for CERA and they can't easily be copied by other companies."

The related patent application was filed in spring 2017. Werner Hälg, Vice President, Global Intellectual Property at Tecan, notes that the patent process took an above-average length of time, but to compensate the delay by the US patent office, the term of the patent is extended for 322 days.

Alongside setting up the system, Marco also held training sessions in Melbourne, as automation was a step-change for the customer. The solution allowed an increase in sample size and reduction in variability during reprogramming or differentiation, as well as enabling medium to high-throughput analysis of human PSC and derivatives. Ultimately, this application shows the value of scaling healthcare innovation. As Associate Professor Alice Pébay explained after working with the machine, their ultimate goal is to pioneer vision regeneration programs to give hope to people who have lost their sight. "We hope that this approach will lead to new targets and novel therapies for the prevention and treatment of common and devastating diseases. It's very exciting."

STAKEHOLDER ENGAGEMENT

Tecan's stakeholders include customers, investors and employees. Customer satisfaction is a priority for Tecan, as described in more detail in the Customer focus section of this report. Customer surveys enable a structured engagement process, and complement the ongoing dialogue that can form between Tecan and customers based on the long life of Tecan products and associated service of products. Tecan has regular dialogue with investors as described in the Information policy section of this report. Tecan regularly responds to requests for information from customers and ratings agencies, and through these and the other interactions is able to assess what topics are of most importance to these stakeholders. Tecan's engagement with employees is described in the Social impact section of this report. Stakeholder engagement enables Tecan to calibrate its business decisions to ensure an optimum outcome.

Tecan is a member of associations including:

- ALDA (Analytical, Life Science & Diagnostics Association), a "non-profit industry trade association for global companies that develop and market products and services used in life science research, drug discovery, QA/QC and food testing, and clinical and molecular diagnostics"
- MedTech Europe, an industry association with the mission to "make innovative medical technology available to more people, while helping healthcare systems move towards a sustainable path"
- The Regulatory Affairs Professionals Society (RAPS), which is based in the US and is "the largest global organization of and for those involved with the regulation of healthcare and related products," including medical devices, pharmaceuticals, biologics and nutritional products."

BLUEPHA LAB

- Swiss MedTech, “the association of Swiss medical technology”, which represents approximately 700 companies, and is a member of the umbrella group MedTech Europe
- The United Nations Global Compact (UNGC), an initiative based on CEO commitments to sustainability principles, and to supporting United Nations’ goals
- WeAdvance, “the leading business association for gender equality in Switzerland” as described here.

Tecan is also working with My Green Lab to further increase the strong environmental management practices followed in our own labs.

Tecan enjoys building working relationships with professionals that share our values, such as this recently developed cooperation with Bluepha:

Accelerating developments in synthetic biology

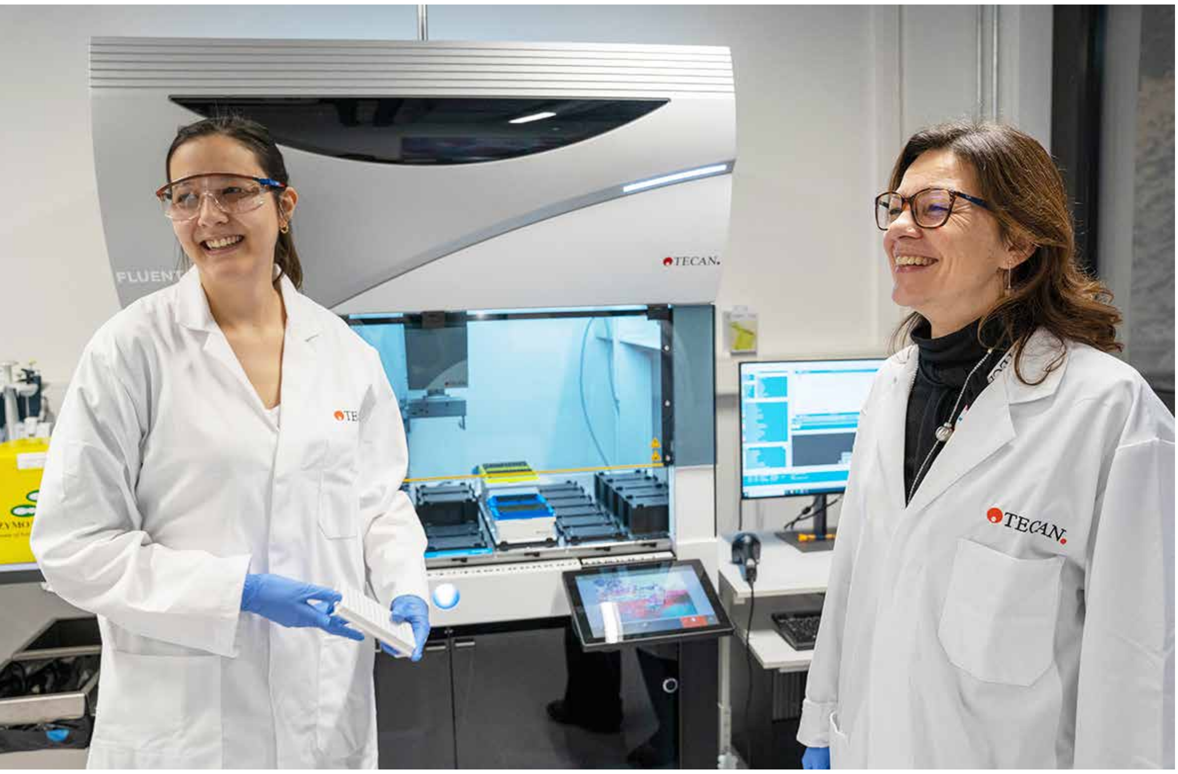
In July 2022, Tecan China and Bluepha signed a strategic cooperation agreement for joint development of a “synthetic biology platform for high-throughput organisms”. Bluepha, as a biomanufacturing and material innovation company, is committed to designing, developing, manufacturing and selling new bio-based polymer products, such as 100% bio-based, marine degradable biopolymer produced via a fermentation process instead of a petrochemical process. Under the cooperation agreement, Bluepha and Tecan will jointly develop smart software and hardware for the experimental process and create standardized workflows for high-throughput synthetic biology R&D experiments by drawing on Bluepha’s independently developed, automated, and data-based Synbio OS as well as Tecan’s automated smart hardware. In the future, Tecan will both also organize regular technical meetings to share information about innovation in synthetic biology laboratory automation, and expand areas of cooperation.

Bluepha and Tecan are both amongst the founding members of “Nature Matters,” a bio-economy industry accelerator platform. Adhering to the concept of “empowering the industry chain”, Tecan and Bluepha will first make the synthetic biology platform accessible to “Nature Matters” members after its completion to promote the adoption of a unified “working language” by upstream and downstream partners. Through this endeavor for industry-wide standardization, the overall R&D efficiency of the industry can be improved, and the commercialization of synthetic biotechnology and related products can be sped up.

TRANSPARENT REPORTING AND SUSTAINABILITY RATINGS

Tecan values transparency and invests a significant amount of time in completing voluntary reporting requests and responding to customer sustainability questionnaires. Below are the ratings Tecan received in 2021 and 2022 from the most well-known sustainability ratings organizations. In addition, in 2022 Tecan completed the Workforce Disclosure Initiative survey for the first time, and participated in a detailed Corporate Digital Responsibility survey.

Survey	2022 Rating	2021 Rating	Change ´21 - ´22
CDP	C	D	⇧
EcoVadis	Bronze, 48/100	Bronze, 45/100	⇧
ISS (Governance)	1/10, lowest risk	1/10, lowest risk	⇔
MSCI	AA	AA	⇔
S&P CSA	38/100	18/100	⇧
Sustainalytics	13.8 (low ESG risk)	14.81 (low ESG risk)	⇧
WDI	60/100	n/a	



SUSTAINABILITY FOCUS AREAS

Tecan set out its material topics in 2021 with input from stakeholders gained via customer surveys and queries, ratings agencies' questionnaires, participation in industry and other associations, and conversations with investors. This input clearly indicated the importance to our stakeholders of the topics Climate Impact, Responsible Sourcing, Diversity, Equity and Inclusion, and to a lesser extent, addressing plastic waste, which Tecan includes in the topic Circular Economy.

Input from Tecan colleagues was also gathered through structured opportunities such as breakout sessions during Tecan's annual Global Leadership Conference, as well as through internal communications channels such as the sustainability Yammer group, dedicated sustainability email address, and team meetings. From this input and the Sustainability Committee's own assessment of Tecan's impacts, Being the Employer of Choice, Community Engagement, Product Quality and Safety, and Governance and Ethics were also identified as topics material to Tecan. Stakeholders recognize that Tecan's business activities have a relatively small environmental impact and are at low risk of violating human rights. Material topics reflect areas in which Tecan's impacts are greatest, and in which Tecan works to have a positive impact. In 2022, assessments of environmental and social risks facing Tecan were deepened in the global risk assessment process, and a full double materiality assessment will be carried out in 2023.

Material topics:

Climate impact: Reducing the greenhouse gas emissions generated by Tecan's business activities, including energy consumption, integrating eco-design principles into product research and development.
Circular Economy: Transitioning from a linear economic model to a circular economy, e.g. by optimizing the percentage of recycled content in our products and packaging, optimizing product lifespan, integrating eco-design principles into product research and development, and reducing waste.
Diversity, Equity and Inclusion (DEI): Demonstrating equality of opportunity in business practices including hiring, training and promotions.
Being the employer of choice: Promoting employee health and safety, wellbeing, talent development, and a positive workplace culture.
Community engagement: Corporate volunteering and philanthropy in line with our business purpose.
Product quality and safety: Tecan strives to achieve the highest standards in product quality and safety, customer satisfaction and regulatory compliance.
Governance and ethics: Consistently demonstrating good business practices, including in areas such as anti-bribery and anti-corruption, data privacy and tax principles.
Responsible sourcing: Managing the social, governance and environmental impacts of our procurement activities.

Management of each material topic is described in the Environment, Social Impact and Governance sections of this report.

ENVIRONMENT

Tecan's main business activities are the design and development of innovative instruments, instrument components and modules, software, reagents and consumables for research, diagnostics and medical use and the execution of global sales and service activities. For instruments, components and sub-modules, the largest source of revenue contribution, focus is on the final assembly, testing and packaging. These activities have a relatively low environmental impact as they are not energy intensive, do not generate a large amount of waste and do not require significant water use – most of Tecan's water consumption is in the bathrooms and canteens. Nevertheless, Tecan aims to minimize any negative environmental impacts of its business activities and implement opportunities to have a positive environmental impact. In 2020, Tecan completed a product carbon footprint of our flagship Fluent™ automation workstation and has since then annually offset the emissions generated by production and shipping of the various models of the Fluent™ to create a certified climate neutral product. In 2021, the product carbon footprint of the Spark family of detection products was completed, with an annual offset of production and shipping emissions carried out since January 2022. The projects supporting this offsetting are independently verified gold standard projects described in more detail here. Tecan's Männedorf headquarters location has been certified carbon neutral annually since 2020, running on 100% renewable energy and generating renewable electricity via rooftop solar panels. Renewable energy use at Tecan is increasing worldwide, and solar panels are also in place at production facilities in Austria, and in Morgan Hill, California, where they meet approximately one-third of that location's electricity needs. In 2021, Climate Impact and Circular Economy were identified as sustainability focus areas for Tecan.

CLIMATE IMPACT

Tecan has reported environmental impact data in its Annual Report since 2007, and via CDP reporting since 2011, recognizing the importance of transparency. In 2019, Tecan set an ambition to reduce greenhouse gas emissions by one-third, by 2022. This goal has been reached, with a reduction of 47% achieved (see table).

As the reports of the International Panel on Climate Change make clear, rapid decarbonization is needed to keep global temperature raises below 1.5°C above pre-industrial levels. To demonstrate that Tecan takes seriously the responsibility we all have in this regard, in early 2022 Tecan signed the commitment to the Science Based Targets initiative. In 2022 the company's first total global footprint calculation was completed. Learnings from this extensive process were applied to the calculation of the 2022 total global footprint earlier this year. As is typical for manufacturing companies, the biggest sources of Tecan's greenhouse gas emissions are indirect sources, scope 3 in the Greenhouse Gas protocol, in particular 3(1) Purchased Goods and Services, and 3(11) Use of Sold Products. Tecan has identified emissions reductions initiatives and sent the following target to be validated by the SBTi:

- **Net zero**: Tecan commits to reach net-zero greenhouse gas emissions across the value chain (scopes 1, 2 and 3) by 2050 from a 2022 base year.
- **Scope 1+2**: Tecan commits to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year. In addition, Tecan aims to source 100% renewable electricity by 2025.
- **Scope 3**: Tecan also commits to reduce absolute scope 3 GHG emissions 42% by 2030 from a 2022 base year.

Tecan's greenhouse gas emissions are tracked and reported to the Management Board during each quarterly strategic review. In 2023 emissions reduction initiatives will be integrated into operational reviews at least twice a year, with a focus particularly on reduction in emissions in Tecan's supply chain. Tecan's deployment of the supplier assessment platform EcoVadis supports this effort. In 2022, Tecan participated in knowledge-sharing sessions with customers and peers, including giving feedback on sustainable design guidelines, and learning how companies incorporate emissions reduction advice into their product offerings. Such engagement supports Tecan's own greenhouse gas emissions reduction ambitions, as when customers and suppliers work to reduce their emissions this has a positive impact on Tecan's own efforts. In 2022, Tecan also investigated opportunities to reduce emissions through increased refurbishment offerings, and increased local production. The outcome of these efforts will be reported as part of Tecan's overall emissions reduction progress.

Eco-design

Eco-design provides Tecan with further opportunities to reduce its environmental impact. Tecan's Fluent™ Automation Workstation incorporates a number of eco-design features, including stand-by mode, which saves power when the system is not in use but allows it to be activated immediately, and "Zero-G", which reduces power to the motors when the system is on pause or within a run whenever an arm is not in use. The Fluent™ is an unusually quiet workstation, reflecting its efficient design: the field-orientated control protocol increases the efficiency of the motors by up to 80%. Waste segregation features allow for the separation and so optimal disposal of contaminated waste (plates and tips) versus clean waste (tip wafers and boxes), and efficient fixed tip washing protocols help to minimize the use of disposable tips. The Fluent™ is also a carbon neutral product, as described above.

Considering energy efficiency, materials, waste and the opportunity to have a positive environmental impact is part of Tecan's structured research and development process, with a dedicated section of Tecan's "milestones" R&D review process focused on alignment with Tecan's sustainability strategy. In 2022 Tecan's sustainability program was presented at an R&D Townhall meeting, giving colleagues the opportunity to ask questions and hear from Tecan's Chief Technology

Officer and Head of R&D how important it is to continue to look for eco-design opportunities, ensuring Tecan's products are future-fit.

Tecan's headquarters and site management

Tecan's Männedorf headquarters was an early example of a "green building", built with environmental impact in mind. It has a "living roof" which naturally reduces building energy consumption, as well as rooftop solar panels that generate around 10% of the building's electricity needs. LED lighting and automatic sunshades also reduce energy usage, and low-flow water systems ensure efficient water use. Charging stations powered by renewable energy are available free of charge for employees who have electric vehicles, and a subsidy for employees who commute using public transit also reduces overall environmental impact. For employees who need to travel between Tecan buildings or otherwise locally from Tecan's headquarters, hybrid vehicles are available. Impact is also managed at the employee canteen, which serves meals made from seasonal, local ingredients, always with a vegetarian option, and consciously avoids generating food waste. In 2020, the carbon footprint of Tecan's headquarters was measured and offset through projects managed by Climate Partner, and this has been repeated annually since then.

Ensuring facilities management best practices are shared among Tecan sites around the world is a priority for the short and midterm. Tecan's Environment, Health and Safety Office is reviewing the related site-specific management systems already in place, and will implement a global EHS Management System in all Tecan entities by 2023. This will be certified to ISO 14001 and ISO 45001 standards. The current systems have enabled Tecan to uphold its strict Product Environmental Compliance policy, and are also reflected in Tecan's Code of Conduct, both of which mandate that environmental legislative requirements are met and that employees work to minimize Tecan's environmental impact, and both of which are publicly available. The Product Environmental Compliance policy and facilities management systems and ambitions reflect Tecan's support of UN SDG 12.4, to "achieve the environmentally sound management of chemicals and all wastes throughout their life cycle…" and UN SDG 12.5, to "substantially reduce waste generation through prevention, reduction, recycling and reuse."

The Factory in the Forest

The acquisition of Paramit Corporation and its affiliates in August 2021 brought an exceptionally green building into Tecan's portfolio, the award-winning "Factory in the Forest." Consciously designed to connect the building's occupants to nature, the factory optimizes use of indigenous plant life to create a unique workplace that also maximizes energy efficiency, water efficiency and use of natural light. With trees surrounding and even inside the building, the greenery provides protection from the sun, and roof gardens as well as a courtyard linking the office and production areas enable employees to directly access this environment. As the building's architects have noted, "Forests, critical for both macro and micro-climates, are also vital for our psychological well-being", a concept further explored in a book about the building. Building technology includes an innovative chilled-water radiant floor cooling system that is twice as energy efficient as conventional air conditioning, and dimmable daylight-responsive LED lighting as well as individual task lighting, which complement the diffused natural light to ensure an evenly lit work environment. A louver canopy provides shade and reduces energy consumption, and rainwater is collected and used for landscape irrigation. The "Factory in the Forest" is certified to the ISO 14001 standard.

FACTORY IN THE FOREST

2022 ENVIRONMENTAL DATA

	2022		2021 (limited footprint)	2020 (limited footprint)
	Consumption	(tCO_2e)	(tCO_2e)	(tCO_2e)
Scope 1: Direct energy use per primary source		1,729.78	613.69	456.70
Stationary combustion		**952.6**	**383.28**	**311.70**
Diesel (liters)	350	0.89		
Natural gas (KWh)	4,510,766.35	823.48	383.28	311.70
Propane (liters)	507,280.00	128.23		
Mobile combustion		**671.30**	**154.91**	**104.80**
Diesel	116,720.00	300.35	77.37	
Hybrid				
Petrol	171,577.60	370.95	77.54	
Refrigerants (Kg)		**105.88**	**75.50**	**40.20**
Scope 2: Indirect energy use per primary source		6,574.92	696.46	1,418.70
Electricity (KWh)		**6,481.52**	**527.26**	**1,267.90**
Grid	11,985,126.18	6,481.52	527.26	
Renewable	6,300,240.50	0.00		
Electric vehicles	0	0		
Heating (KWh)		**93.40**	**169.20**	**150.80**
District heating	750,488.35	93.40	169.20	
Emission intensity (scope 1 + 2 emissions in tCO_2e/turnover in CHF millions)		7.26	1.38	2.57
Total Scope 1+2 (tCO_2e)		**8,304.7**	**1,310.15**	**1,875.40**
Scope 3: Other indirect emissions		**497,388.41**	**2,770.13**	**2,157.50**
Business travel (all sites)		**5,868.93**	**1,882.17**	**342.6**
Accommodation (nights)	561,780.26	833.19		
Air travel (pkm)	15,860,661.78	3,573.53	1,882.17	
Ground travel (km)	597,343.30	1,306.03		
Purchased goods and services		**227,521.00**	**18.15**	**27.3**
Employee commuting and teleworking		**2,050.72**	**393.05**	**1,399.40**
Waste generated in operations (tons)	702.10	**239.37**	**78.28**	**63.5**
Fuel and energy related activities		**1,920.82**	**398.48**	**305.50**
TOTAL Scope 1+2+3 (tCO_2e)		**505,693.10**	**4,080.29**	**4,032.70**

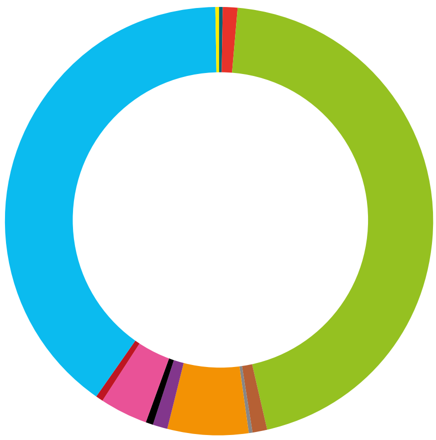
This table above shows Tecan's carbon emissions in a format consistent with that used in previous Sustainability Reports. Tecan has now calculated its total global carbon footprint, shown in the chart on the next page. In addition, Tecan reports for calendar year 2022 the following location based emissions: 7178.11 tCO_2e scope 2, and 5148.73 tCO_2e scope 3(3).

The table below shows Tecan's progress towards the first emissions reduction target, set in 2019. This target has been achieved and Tecan now pursues the science-based target set out in the previous pages.

	2019	2020	2021	2022	Delta 2022 to 2019
Scope 1	235.77	346.3	452.73	386.61	63.98%
Scope 2	1108.69	878.7	468.97	322.91	-70.87%
Total	**1344.46**	**1225.00**	**921.70**	**709.52**	**-47.23%**

Scope 1+2 data: 6 production sites included (Männedorf, Baldwin Park, Grödig, Hamburg, Redwood City, San Jose), no fleet data / mobile combustion included

Total tCO_2e 2022



	Scope	tCO_2e
	1	1729.78
	2	6574.92
	3.1 - Purchased goods and services	227521
	3.2 - Capital goods	4447.87
	3.3 - Fuel- and energy-related activities	1920.82
	3.4 - Upstream transportation and distribution	30785.07
	3.5 - Waste generated in operations	239.37
	3.6 - Business travel	5868.93
	3.7 - Employee commuting	2050.72
	3.9 - Downstream transportation and distribution	18200.02
	3.10 - Processing of sold products	3102.96
	3.11 - Use of sold products	201898.34
	3.12 - End-of-life treatment of sold products	1353.31

Calculated in accordance with the Greenhouse gas Protocol

Water and waste data, 2022

	2022	
	Consumption	(tCO_2e)
Water (cubic meters)	75,584	11.26
Waste generated in operations (tons)		
Incineration	103.09	53.59
Incineration hazardous	8.82	21.86
Landfill	263.08	120.40
Landfill hazardous	16.33	3.48
Recycling	289.25	6.03
Unspecified	18.81	8.69
Unspecified hazardous	2.43	6.02
Radioactive treatment	0.29	0.06
Water (cubic meters)	70,725.41	19.24

CIRCULAR ECONOMY

A circular economic model is one in which the creation of waste is avoided, in contrast to the linear “take-make-dispose” pattern of resource use seen more often today. Circular economy principles can be built into the design of products, as well as considered in their materials. The transition to renewable energy and materials underpins the approach. The need to transition to a circular economy is clear: every year, humanity uses more resources than the planet can regenerate, threatening the very ecosystems that enable life to flourish.

Tecan’s main business activities are the design and development of innovative instruments, instrument components and modules, software, reagents and consumables for research, diagnostics and medical use and the execution of global sales and service activities. For instruments and components, focus is on final assembly, testing and packaging. The materials sourced for this are a large contributor to Tecan’s scope 3 emissions; typical materials include steel, aluminum, plastic, small amounts of tin, and forestry products for packaging. Many of Tecan’s products are long-lasting, designed to be used for many years and this long product lifespan is supported by Tecan’s service offerings. Nonetheless, there are opportunities to reduce Tecan’s use of resources, for example by including a higher percentage of recycled content in the housing of some products, and in packaging. Currently it is assumed that the percentage of renewable materials used to produce Tecan’s products and packaging is 0%. Within Tecan, work is underway to identify product and process changes that can be made that would have a beneficial environmental impact, with the goal of setting a measurable target in this regard. These efforts support UN SDG 12.2, to “move towards a circular business model.”

Tecan’s products are highly regulated, which restricts what changes can be made to the content of products and can also restrict how these changes are made. These restrictions often apply also to the packaging that touches the product. There are also restrictions regarding product disposal, for example, plastics that have come into contact with certain medical samples are incinerated rather than recycled. Tecan’s “consumables” products, many of which come into contact with samples and by regulation cannot be reused and might even need to be treated as hazardous waste, are estimated to be Tecan’s biggest source of plastic waste and in 2022 a team dedicated to these products was formed, taking on the task of reducing the environment impact of this line of products. Tecan offers a broad portfolio of products including disposable pipette tips. However, Tecan is one of the few suppliers to leave it up to the customer, depending on the application, to decide whether steel needles are used for pipette steps. To do so, Tecan has two completely different technologies for liquid transfers. For applications where the risk of cross-contamination is only

CARBON OFFSETTING PROJECTS

Tecan's Climate Impact focus is on reducing carbon emissions throughout the value chain, as described in this report. In addition, Tecan supports a number of high-quality carbon offsetting setting projects, which empower others to reduce emissions and have a beneficial social impact.

Tecan's Männedorf headquarters and manufacturing site have been certified climate neutral since 2020, along with Tecan's flagship Fluent® workstation. Since 2021, Tecan's Spark® family of products has also been certified climate neutral. Before offsetting the related greenhouse gas emissions, steps were taken to reduce emissions, for example by increasing use of renewable energy, and incorporating ecodesign features into our products.

The offsetting projects that are supported by Tecan are provided by ClimatePartner, a leading provider offering companies climate action solutions.

TECAN HEADQUARTERS CERTIFIED AS CLIMATE NEUTRAL

Climate neutral
Company
ClimatePartner.com/14988-2102-1001

Offset Project 2022: Cookstoves for healthy people and forests in Rwanda

Nyungwe Forest National Park in the southwestern corner of Rwanda is the biggest mountain rain forest on this side of the African continent and the country's most important site for biodiversity. However, the growing population in areas around the park and their increasing use of firewood for cooking is putting more and more pressure on the unique rainforest ecosystem.

This project enables households to reduce their wood consumption. Traditionally, families here cook over an open three-stone fire. This is inefficient and also a serious threat to health due to the heavy smoke pollution. The project will introduce efficient cooking stoves made of local clay and sand. The so-called Canarumwe model is produced by a local co-operative and consumes two thirds less fuel than the three-stone fire. The stoves are offered at a subsidized price so that low-income households can afford them. Since women are usually responsible for the fire, they and their children benefit particularly from the project.

How do cookstoves help fight global warming?

In many of the world's poorer regions, families cook their meals over an open fire, often in enclosed spaces. This method of cooking is however not energy efficient, as large amounts of heat go to waste. Clean cooking stoves are often simple devices made from metal or clay that use energy more efficiently. Families can thus save fuel and cut down on carbon emissions. Sometimes the stoves are even used in small businesses.

HOW HEALTH AND CLIMATE BENEFIT FROM MICROCREDITS

Offset Project 2022: Social Impact, Nationwide, India

Over 700 million people in India cook over open fire. However, the smoke produced by this method of cooking has serious health implications. Our carbon offset project aims to counteract this problem: By granting microcredits, consumers are enabled to purchase efficient cookstoves and solar lights.

Families buy the products locally at market price – a best practice from the microfinance sector, as giving products away for free would hit the local economy and lower the value of the products. Buying the products locally strengthens small businesses, with the project additionally supporting suppliers with training and start-up capital. And the climate benefits: Using the efficient products saves an average of 100,000 tonnes of CO_2 per year.

How does climate action with social impact projects work?

Social Impact projects include one or more technologies that create direct social added value in addition to climate action. Such projects involve the distribution of efficient cooking stoves, solar-powered light sources or drinking water purification.

Efficient cooking stoves make better use of the energy supplied and reduce the smoke produced when cooking over an open fire. A similar problem exists when households do not have access to clean drinking water, as the water must be boiled over an open fire first before it can be used without hesitation. Remedies include the provision of drinking water treatment aids, such as filters, or access to groundwater from wells. In addition, solar lights help to illuminate the rooms and replace expensive paraffin lamps, which are a frequent cause of fire accidents.

Carbon neutral
Product Spark
ClimatePartner.com/14988-2202-1001

FOSSIL-FUEL PHASE-OUT IN A COAL PARADISE

Offset Project 2022: Biomass, Soacha, Colombia

Soacha is a fast-growing suburb in the metropolitan area of Bogotá. Young people from rural areas try their luck there; others had to leave their villages during the civil war. Countless simple mudbrick houses are being built, and brick kilns make a good living. Since coal is cheaply available in Colombia, nearly all of the region's 40 brickworks use it to fire their kilns.

Except for the Santander brickyard, that is. Its owner, Miguel Diaz, has converted his business so that it operates modern, energy-efficient kilns – and he also runs them with up to 80 percent renewable biomass. This way, the brickyard saves 18,000 tons of carbon emissions each year.

This exclusive ClimatePartner carbon offset project was the first project in Colombia to receive Gold Standard certification.

How do biomass projects help fight global warming?

Biomass projects involve energy being created from renewable biomass, which could be coconut shells, sawdust, wood chips, the residue of sugar cane processing, bamboo or wood from sustainable sources. No trees are felled, or fossil fuels burned, so no CO_2 is emitted. As an additional greenhouse gas reduction measure, such projects mostly involve preventing biomass from rotting in the open air, so that no methane (CH4) is released.

Offset Project 2023: Wind energy, Bhatel, India Promoting India's sustainable development through wind power

The climate project in Bhatel in the Indian state of Gujarat supplies electricity from renewable sources with the help of wind power. Here, 23 wind turbines with a total capacity of 50.6 MW supply the regional power grid with an average of 177,302 MWh per year. India's power grid is still heavily dominated by fossil and thermal power generation, so the project makes a valuable contribution to climate action – around 167,000 tonnes of CO_2 are saved each year through this emission-low power generation.

At the same time, it promotes sustainable development in India: the local population benefits from a more stable power grid and long-term employment contracts in a region where most jobs are temporary jobs in agriculture. Paying above the regional minimum wage also improves employees' living standards.

How wind energy contributes to climate action

As the name suggests, wind turbines use the power of the wind to generate energy. During this process, a generator located inside the wind turbine converts kinetic energy into electrical energy. As energy is still mainly generated from fossil fuels in many areas around the world, clean wind energy can replace some of this fossil, high-emission energy and verifiably save CO_2 emissions.

In most cases, the sustainably generated electricity from the wind power projects is fed into a regional power grid, which diversifies the power supply and improves energy security in regions that are frequently affected by power shortages and outages. A project often creates increased job opportunities for the local population and the area can be used for additional activities, such as agriculture. Wind power projects make an important contribution to a clean energy supply worldwide and contribute to sustainable development with respect to the UN Sustainable Development Goals (SDGs).

Carbon neutral
Product Fluent
ClimatePartner.com/14988-2101-1001

very minimal or even non-existent, it can make sense to use steel needles for reasons of sustainability, and some major customers choose to do this. In 2022, Tecan designed a "voice of customer" survey to explore additional options for reducing the environmental impact of consumables, and in 2023 the results will be analyzed, and changes implemented based on the feedback gathered.

SOCIAL IMPACT

Tecan is very aware of the enormous responsibility it bears for its employees, who are the foundation of the company's successful development. The basis for working with Tecan is an open, diverse and integrated culture that focuses on dealing with one another respectfully, with the same rights and opportunities for all employees. To ensure this, personnel policies are binding at all Tecan sites around the globe. National hiring rules ensure compliance with laws on, for example, gender equality and non-discrimination. Both Tecan managers and employees are also held to strict ethical guidelines. These ethical guidelines are firmly established in the Code of Conduct and form part of the training requirements for all employees. As part of fundamental labor rights, Tecan is also committed to observing international labor and social standards that are based on the defined standards of the United Nations' International Labour Organization (ILO). The four basic principles of the ILO are freedom of association and the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation. By signing the UN Global Compact, Tecan committed to these as well as to principles relating to human rights, business ethics and environmental responsibility. Tecan employees and external stakeholders are able to report potential events of misconduct over an independent, third party managed whistleblowing platform, which ensures the highest standards of confidentiality and anonymity.

In 2022, Tecan included social impact and governance targets in Management Board short-term variable cash compensation, as described in the Compensation Report. These targets also applied to all managers within Tecan who receive variable pay, in varying percentages. In 2023, social impact targets are again included for all senior leaders within the company, with ESG (environment, social and governance) targets linked directly to a total of 20% of the Management Board's short-term variable pay.

TECAN'S EMPLOYEES

Tecan's employee demographics are shown in the charts and tables below. Compared to year-end 2021, Tecan's employee headcount has grown from full-time equivalent (FTE) 2,155.45 to 3,377.61, representing 3,457 employees. This growth is mainly due to the integration of colleagues following the Paramit acquisition in August 2021. Paramit employee data was not included in the 2021 Annual Report. Excluding Paramit, Tecan's employee number increased to 2,410 employees in 2022, FTE 2,332.

Tecan's employee data by gender and contract type

Contract type	Female	Male	Not disclosed	**Total**
Total employees	1409	2037	11	3457
Permanent employees	1343	1937	8	3288
Temporary employees	66	100	3	169
Non-guaranteed hours employees	0	0	0	0
Full-time employees	1254	1941	11	3206
Part-time employees	155	96	0	251

Tecan offers high-quality employment, and does not use zero-hours contracts.

Tecan's employee data by region and contract type

Contract type	Asia Pacific	North America	Other Europe	Switzerland	**Total**
Total employees	959	1097	632	769	3457
Permanent employees	946	1003	621	718	3288
Temporary employees	13	94	11	51	169
Non-guaranteed hours employees	0	0	0	0	0
Full-time employees	951	1091	559	605	3206
Part-time employees	8	6	73	164	251

Tecan offers high-quality employment globally. Where positions are part-time, this is typically at the request of the employee.

Number of non-employees by contract type

Contract type	No. of workers on each contract type	Percentage (%) of workers within total workforce on each contract type
Contractors (independent, self-employed)	NA	NA
Agency workers (e.g. labor agency, recruitment agency workers)	719	17.22
Franchisee workers	NA	NA
Third party on site workers (e.g. subcontracted service workers, third-party workers)	NA	NA

The majority of Tecan's contractors work in Production and Logistics (31%) or General Administration (24%) and over 57% of contractors are hired in Switzerland. Tecan most commonly engages with non-employee workers indirectly through employment agencies.

Percentage of all employees covered by collective bargaining agreements

	% of employees covered by collective bargaining agreements
Total global operations	10.38%

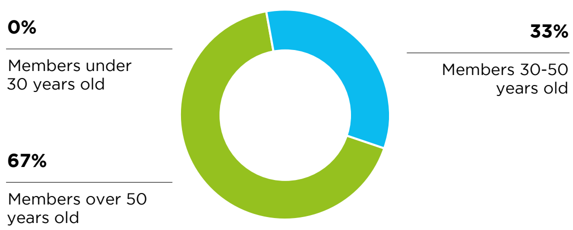
Age diversity of Tecan's Board of Directors

	% of employees
Members over 50 years old	100%

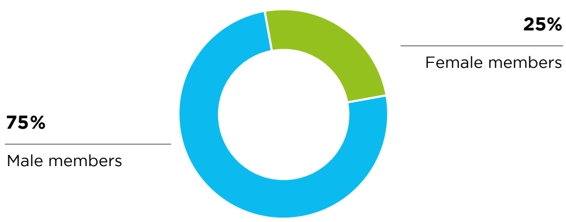
Gender diversity of Tecan's Board of Directors

Gender diversity of Tecan's Life Sciences Business Regional General Managers

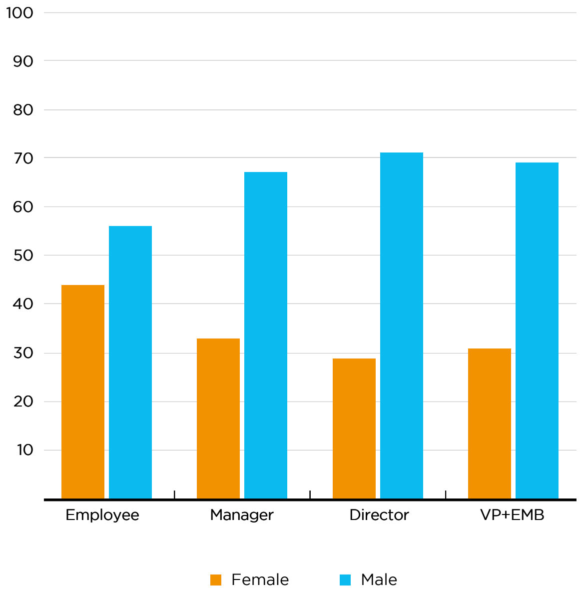
Age diversity of Tecan's Extended Management Board



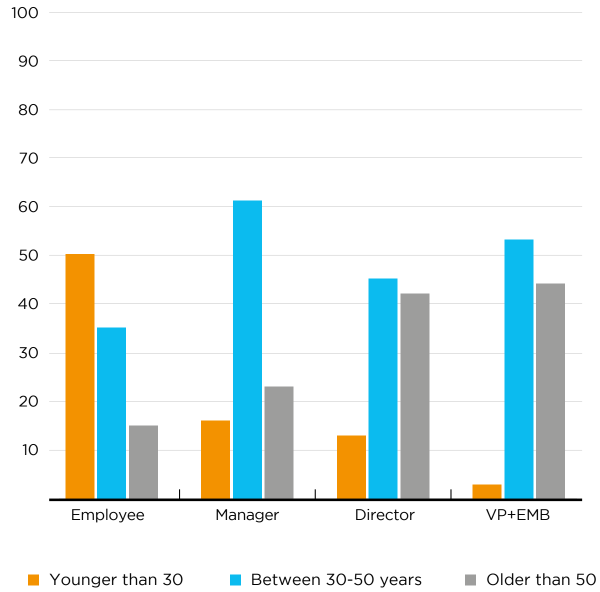
Gender diversity of Tecan's Extended Management Board



Gender diversity (%) of all employees globally by employee category



Age diversity (%) of all employees globally by employee category



Turnover rates, voluntary and involuntary, of all Tecan by region

Region of operations	Voluntary turnover rate (%)	Involuntary turnover rate (%)	Total turnover rate (%)	2021: voluntary %	2021: total %
Asia Pacific	18.87	3.44	22.31	24.71	28.05
North America	20.33	5.56	25.89	19.05	20.65
Other Europe	8.07	6.96	15.03	8.02	10.11
Switzerland	7.80	6.63	14.43	7.66	5.93
Total global employees	**14.9**	**5.47**	**20.36**	**12.6**	**14.63**

Turnover rates, voluntary and involuntary, of all Tecan by gender

Gender group	Voluntary turnover rate (%)	Involuntary turnover rate (%)	Total turnover rate (%)
Female employees	7.06	1.79	8.85
Male employees	7.81	3.67	11.48
Not disclosed gender	0.03	0.00	0.03
Total global employees	**14.9**	**5.47**	**20.36**

Employee Well-Being (2022)

Absence	Days per Employee	Absence rate (%)
Accidents	0.69	0.27
Sickness	6.02	2.41
Grand Total	**6.71**	**2.68**

Type of Absence	Days per Employee	Absence rate (%)
Accidents (not work-related)	0.67	0.27
Accidents (work-related)	0.02	0.01
Grand Total	**0.69**	**0.28**

*Data for Switzerland only

DIVERSITY, EQUITY AND INCLUSION

Tecan aims to offer a workplace free from discrimination, in which each employee has equal opportunity to reach their full potential. This is an essential element of a positive workplace culture, enabling Tecan to have a beneficial social impact and strengthening business performance. It is well-known that engaged and motivated employees are higher performers than those who are disenchanted or excluded from opportunities to flourish, and it is important to Tecan to offer high quality employment, another example of putting our corporate values into action. For these reasons, "Diversity, Equity and Inclusion" (DEI) is a sustainability focus area at Tecan.

Tecan's efforts as an employer support UN SDG 5.1, to "End all forms of discrimination against all women and girls everywhere" and contribute to UN SDG 5.5, "to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life". They also support UN SDG 8.5, "to achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."

Tecan conducted employee engagement surveys in 2020 and 2021 and attained particularly high scores on questions related to diversity and inclusion: over 90% of employees said that people at Tecan are treated fairly regardless of their race or ethnic origin, sexual orientation, disability, or their gender. Employee feedback provided the welcome confirmation that Tecan is succeeding in its aim to offer a positive culture and a workplace free from discrimination, in which each employee has equal opportunity to reach their full potential. The strong message from employees that they feel secure to be themselves at Tecan has been reflected in our employer branding, inviting prospective colleagues as well to "Stay unique and make it count."

Tecan's commitment to diversity and inclusion is incorporated in the Code of Conduct, Human Rights and Responsible Business Practices policy, and Supplier Code of Conduct, all of which are found on tecan.com, as well as in Tecan's internal Employment Principles. In cases where these policies are contravened, employees and other stakeholders can report this anonymously via Tecan's independent third party whistleblower service, as described in the Governance section of this report. In 2022, five whistleblower hotline reports were made covering various topics, investigations found no breaches in four instances and one investigation is continuing, on a topic outside of the scope of DEI.

Tecan aims for greater diversity in senior management, and in recent years initiatives have been introduced that are known to increase gender equality in this regard, including:

- Flex time, allowing employees wherever possible and subject to local law, to choose when their required worktime is completed
- Support of part time work, which encourages equal sharing of caregiver responsibilities
- Diversity mentoring, a global program designed to embrace, support and empower diversity by matching selected candidates with members of senior management who receive training for this program.

Tecan joined WeAdvance in 2020, and is therefore able to offer employees access to the WeAdvance cross-company exchange and mentoring program as well as to research and events offered by the association. The goal of WeAdvance is to "reach a sustainable minimum of 30% female representation at all management levels across all member companies by 2030."

An equal pay audit conducted in 2021 and verified by an independent third party auditor showed no gender-based inequality in pay at Tecan in Switzerland, and it is anticipated that the same audit will be carried out in additional Tecan locations in future.

In 2022, two Tecan managers participated in the United Nations Global Compact program "Target Gender Equality", an accelerator initiative structured around facilitated performance analysis, capacity building workshops, peer-to-peer learning and multi-stakeholder dialogue at the country level. Tecan participated in the sessions for Switzerland and Liechtenstein, and Tecan's CEO sponsored the participation as ambassador. The program results in a tailored action plan for participating companies, which is being developed for Tecan in Q1, 2023, and will be implemented from 2023 onwards.

In Tecan US, Employee Resource Groups (ERGs) provide new employees with welcoming communities of colleagues with shared interests and experiences, and these groups also highlight diversity within Tecan. Te-CAAP (Tecan Committee of African American Professionals), an ERG formed in 2020, continues to support a culture built on inclusion, awareness, and connections to each other. Te-CAAP's mission is "to champion a positive and inclusive environment for all African diaspora employees, and to foster education, discussion and dialogue among colleagues, inspiring awareness and growth within the company." Outreach and support for local communities is also an aim, as well as strengthening bonds and providing a change of pace through social events.

In 2022, Te-CAAP organized a Day of Service and a food bank drive in honor of Martin Luther King day, and throughout February noted Black History Month with a weekly awareness campaign highlighting the National Museum of African American History and Culture in Washington, D.C., the NAACP (National Association for the Advancement of Colored People), the connection between the quaint Swiss Alpine town of Saint-Maurice in the Canton of Valais and the Roman military leader of the same name from Egypt, and the Divine 9 of the US Historically Black Colleges and Universities. Juneteenth was also recognized, with a guest speaker providing an insightful perspective on Juneteenth – The Freedom to Be. "Journey to the Caribbean" combined a Caribbean-themed social event including Caribbean cuisine along with the chance to learn about the contribution Caribbean Americans have made to the US since its founding. The "On the Same Page" book club, launched jointly with the ERG Women Empowering Women, continues this dual approach with lively discussions about social justice-themed novels.

WEW (Women Empowering Women) was founded as an ERG in 2021, and has 23 US-based members. A monthly newsletter highlights "The Women of Tecan," and monthly mixers allow members to get to know each other better, network, and support one another. Events organized by WEW in 2022 included an International Women's Day Virtual Event sharing short videos around the year's theme "Break the Bias," and a celebration of Women's History Month, sponsoring a series of interactive internal social media posts centering on women pioneers throughout history. Along with the ERG Service Women Empowering Women, WEW co-hosted an International Women in Engineering Day virtual event with a Ted Talk by Debbie Sterling, the founder of Goldieblox, and Women's Equality Day was marked with a virtual event sharing a Ted Talk by Valerie Alexander on "How to Outsmart your own Unconscious Bias."

In 2022, WEW supported the global not-for-profit organization Dress for Success, which is dedicated to empowering women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and in life. Combining the drive for equality with community engagement WEW hosted a Dress for Success fundraiser, raising over $1300 for Dress for Success Worldwide through initiatives including collecting clothing in Tecan's North Carolina office, donating gift cards to the local NC Chapter of Dress for Success, and inspiring the donation of clothing directly to other local chapters by WEW members outside of North Carolina. As with Te-CAAP, WEW events are open to all Tecan colleagues and are playing a significant part in creating the positive workplace culture Tecan strives to uphold.

BEING THE EMPLOYER OF CHOICE

Tecan's team is comprised of experts from different fields and professions working together to fulfil Tecan's purpose: improving people's lives and health by empowering our customers to scale healthcare innovation globally, from life science to the clinic. The team is making their contribution count – not just as skilled professionals, but also as unique individuals who solve challenges and inspire others to follow their lead. To emphasize who we are and what makes us special as an employer, Tecan launched in 2022 the employer branding journey "Stay unique and make it count". Providing a positive workplace culture gives room to colleagues to experiment and grow, fostering innovation and therefore providing benefits to all our stakeholders.

Tecan goes beyond the ethical behavior expected of good employers, offering a range of benefits, trainings and development globally.

Incorporating feedback from employees

Appreciation of Tecan's efforts to nurture an inclusive, positive workplace culture has been reflected in the results of employee surveys carried out in 2020 and 2021, which led to Tecan's certification as a Great Place to Work™ in Switzerland; Tecan was re-certified in 2022. The certification follows independent, anonymous Trust Index™ surveys of all employees, providing a clear and accurate picture of the workplace culture. In these surveys, survey participation increased from 78% in 2020 to 86% in 2021, with 77% of employees stating that Tecan is a great place to work (an increase from 75%) and Tecan's overall Trust Index score improving from 69% to 73%.

In 2022, Tecan carried out a survey among our newly integrated colleagues who joined as a result of the 2021 acquisition of Paramit Corporation, asking about levels of satisfaction with career opportunities, leadership, pay and benefits, and communication at Tecan. Survey participation was high at our Morgan Hill, USA, site at 84%, but lower in Penang, Malaysia, at 38%, and this will be followed up on in 2023. Combined across the two sites the satisfaction rate was a very positive 89%, with 74% responding that they would refer family and friends to work at Tecan. Culture and Leadership workshops were carried out at both sites in 2022, and this engagement will continue.

A global survey of total employee rewards was held in 2022, seeking feedback from Tecan's three regions, Europe, the Americas, and Asia Pacific. This was conducted via digital focus groups with more than 1,000 employees worldwide participating, enabling us to better understand our teams' needs with respect to our compensation and benefits offering. It was clear from the survey that most employees are proud of working at Tecan and of the impact we have on the world. Flexible working hours and a positive working environment with good colleagues were also cited as important "reasons to remain" with Tecan. Areas noted for improvement included requests for a clearer, more structured approach to career progression and salary levels, technology and workplace processes, and more training in leadership, IT, and project management.

Follow-up actions to the surveys have been grouped into the areas: Re-thinking Leadership, Opportunities for Innovation, and Compen-

sation and Benefits. In response to employee feedback, the Management Board (MB) renewed its focus on Tecan's leadership principles: courage, curiosity, and respect and brutal honesty. Tecan's Chief People Officer and her guests have discussed the Leadership Principles in the "People Podcasts", and, as a result of survey feedback, these principles are included in the annual performance appraisal process and are part of the recently introduced mid-year review session. Outstanding leadership was celebrated at the 2022 Global Leadership Conference with Leadership Awards, to highlight the qualities Tecan expects from all senior managers. The MB also organized two days of leadership development for Tecan's most senior managers.

Based on survey results, it was also decided that the 2021 "fall forward" initiative will continue in 2022: employees are encouraged to take well-calculated risks, not to be afraid of failure but to learn from experience and move forward fast. Existing opportunities for innovation also include the "Time-boxed Innovations" initiative managed by the Research and Development team. Formed in 2014, more than 90 Time-boxed innovations have been successfully pursued or are still ongoing, covering areas such as liquid handling, sensors, mechanical design, software and process control. In addition to these, September 2022 saw the launch of the "Dream Big" ideation campaign by Tecan's CEO. This seeks to leverage the collective brain of Tecan and discover the next big breakthrough in our product and service offering. Close to 300 ideas were submitted, and these will be reviewed by our teams in the coming months. The most promising will be added to our innovation pipeline for further development.

The third 2022 MB initiative in response to employee feedback looks at how Tecan rewards employees for their work, going beyond simple, financial compensation and looking at the total rewards package. While this initiative continues, there were some milestone achievements in 2022. A significant change was in flexible working arrangements, designed to help employees to balance their professional and private responsibilities. The existing arrangements for flex time and part-time working remained unchanged, and two new pilots were launched: 10 days working from anywhere, and learning hours, as described in the Learning and Development section of this report, below.

Within Tecan, a "pulse check" survey was carried out late in 2022, asking one question: had the actions responding to the previous surveys been successful? More than one thousand employees answered, with 70% having felt a positive impact, 28% seeing no impact yet and 2.5% perceiving a negative impact. In future, employee surveys will be carried out globally every two years, with the goal that by 2025, increased engagement survey participation and trust level scores are achieved, compared to the 2022 baseline.

Health and well-being

To support employee's health and well-being, the Männedorf office space has height-adjustable ergonomic workstations, abundant natural light, free fresh fruit provided daily and free-of-charge standup paddleboards for use on Lake Zurich. Globally, a program to help colleagues strengthen resilience in difficult times was added to Tecan's online learning portal in 2021, and continued to be a resource in 2022. Colleagues in China, faced with an extended period of COVID-related lockdown, tapped into a series of online activities organized by local colleagues to combat isolation and keep spirits lifted.

Social activities

2022 saw celebrations both for the integration and rebranding of Paramit, and the 50th anniversary of an earlier Tecan acquisition, Cavro. Activities welcoming Paramit colleagues included bringing in an array of the Morgan Hill, California, area's best food trucks and a performance by Tecan's in-house rock band, The Dilutorz. Cavro's anniversary was celebrated with parties in San José, California, as well as Switzerland, Japan and China. Tecan's internal social media channel lit up with photos and stories shared, strengthening bonds around the world.

Internal communication

Transparent communication is valued at Tecan. Senior management team members are approachable and accessible, and the teams' best practices, learnings and successes are shared regularly through channels from newsletters to internal conferences, the internal social media platform, and in 2022, Tecan's newly launched intranet, The Dot. Communications are also facilitated with podcasts, and monthly video messages from Tecan's CEO, which often generate informal follow-up discussion on the internal social media platform. Tecan employees describe their experience working at Tecan on the tecan.com career pages.

Learning and development

One of Tecan's strategic initiatives is to build, empower and strengthen people in order to achieve their maximum potential. Via the Learning@Tecan program Tecan offers a wide range of trainings built upon its values of trust, highest standards and ambition. Trainings are offered both internally or externally and they are conducted in various forms such as instructor-led, virtual, and self-learning. Employees may choose from a variety of courses around topics like Leadership & Culture, Skills Learning and Exchange@Tecan. The Learning@Tecan Program constantly evolves to meet the changing needs of employees and the organization. It is also adapted to the local needs across the different sites and organizations around the globe. In 2022, Learning@Tecan launched a new interface to allow for scalability and facilitate the learning and engagement of all learners worldwide.

Tecan operates in highly regulated markets like the diagnostic sector. Therefore ongoing professional and continuing training is a key requirement critical to business. Due to strict industry-specific requirements, Tecan must comply with requirements and guidelines set forth by various supervisory authorities and must also demonstrate that its employees possess the required knowledge. Aided by an SAP-based system, Tecan ensures that training processes are carried out to a sufficient standard throughout the company. Each individual employee receives a personalized training profile, enabling employees and line managers to check and update the current training status. It also ensures that information on training levels is available electronically at all times for audits. Tecan is working continuously to develop and improve this learning system. It is intended to provide an effective performance record and offer employees the best possible training opportunities. In 2022, Tecan was able to extend training opportunities by offering all employees access to LinkedIn Learning, and 20 hours of paid working time in which to pursue this. Trainings conducted by Product Management, mandatory trainings assigned via the online Learning Services Organization platform, and external trainings organized and financed by line managers are also among the development opportunities provided at Tecan.

Tecan focuses on developing its top talent and future leaders through the global talent management program Next Gen Tecan, initiated in 2019. The aim of this 18-month long program is to offer nominated employees a broad experience within Tecan. In addition to workshops focused on different aspects of personal and professional development, it comprises a personal mentoring from one of the Management Board members. The second phase provides an opportunity to get to know Tecan better, including deep dives in different departments, sites and regions. The third phase focuses on concrete projects, each sponsored by members of the Management Board. Ten colleagues have completed this program and another 11 enrolled in 2021, continuing into 2023. The first ten participants worked together to successfully complete three projects, and some have since undertaken new roles within Tecan, including follow-on work to the successfully delivered projects.

To foster personal growth and career development, Tecan maintains a mentoring program that is available to all employees. In addition to the general program, special programs such as diversity mentoring are offered. The mentoring program can help employees in meeting their career goals, get practical advice, encouragement or support, and further develop capabilities and personal skills. Overall, it supports networking within the company and has a positive impact, improving leadership and social competencies.

Tecan's annual performance review process is offered to 100% of our employees, and in 2022 was carried out for 82.15%. Line managers are also encouraged to seek employee input and provide regular feedback regarding performance outside of the formal review process.

Tecan participates in providing high quality apprenticeships, to train future generations. There were 17 people enrolled in Tecan's Swiss apprenticeship program in 2022, contributing to UN SDG 8.6, to "substantially reduce the proportion of youth not in employment, education or training."

Excluding apprenticeships, on average Tecan employees enjoyed an estimated 33.51 hours of training per employee in 2022, with a total of more than 8,000 hours spent on Learning@Tecan courses, amongst 33 types of trainings.

Gender Group	Average hours of training provided per employee	Average hours of training provided per employee including 20 hours Tecan Learning
Per female employee	11.46	31.46
Per male employee	14.50	34.50
Per employee globally	**13.51**	**33.51**

Tecan Gives Back

In total, CHF 60,000 was donated in 2022 to the four charities highlighted here.

World Cancer Research Fund
The World Cancer Research Fund (WCRF) strives to ambitiously address preventable cancers around the world through research on the effects of diet, nutrition, body fatness and physical activity on cancer and cancer survival. WCRF's vision is a world in which no one develops a preventable cancer, and the organization support scaling research efforts to influence innovative public health policies to arrive at that vision.

Malaria Consortium
Malaria Consortium saves lives and improves health in Africa and Asia by combatting malaria – as well as pneumonia, dengue, malnutrition and diarrhea – through the promotion of universal health coverage. The charity explores beyond current practice, to try out innovative ways – through research, implementation and policy development – to achieve effective and sustainable management and control of malaria.

St. Jude Children's Research Hospital, Memphis, Tennessee
St. Jude works tirelessly to understand, treat and defeat childhood cancer and other life-threatening diseases. Enabling access for all children – no matter their family's means or background – the hospital has helped push the overall childhood cancer survival rate from 20% to more than 80% since it opened more than 50 years ago.

Sickle Cell Society
The Sickle Cell Society seeks to represent and improve the overall quality of life of those affected by sickle cell disease. People born with these disorders suffer anemia and bouts of severe pain, as well as running the risk of severe health complications. Sickle Cell Society strives to scale the impact of medical research. It works to make information and treatments available to the many.

COMMUNITY ENGAGEMENT

Tecan is committed to being a good corporate citizen, to have a positive social impact at locations around the world by offering high-quality employment and by engaging with the communities in which employees live and work through activities such as volunteering and financially supporting charitable organizations. This is one of the ways in which Tecan can live up to the sustainability promise "Our products add value to society, our business practices do, too."

Community Engagement activities are often organized by local teams, in line with Tecan's values but not shaped by specific policies or commitments. Engagement is non-political and voluntary, and the activities are typically described via Tecan's internal social media and intranet channels, giving participants the opportunity to highlight what they've done and who has benefitted. Fixed targets and key performance indicators to learn about the effectiveness of the efforts are generally not applied. There are no formal channels tracking the success of these efforts, as the resources required for this would be beyond the perceived benefits of the time needed. An exception to this general approach is the global engagement effort "Tecan Gives Back," which tracks engagement of participants and applies learnings with the aim of increasing engagement year on year. "Tecan Gives Back" is a month-long fund-raising and engagement campaign created in 2020, to celebrate Tecan's 40th anniversary. Now held annually, the campaign sponsors employees as they undertake fitness and wellness activities, as well as time spent volunteering and on restorative activities such as creative work, reading and playing a musical instrument. "Tecan Gives Back" combines several factors important to the company: support for charities, engagement with local communities, promotion of the health and well-being of Tecan colleagues, and promoting the opportunity for employees to engage with colleagues beyond their usual day to day network. Kilometers covered are tracked or assigned to time spent, and the related app enables progress to be followed on leaderboards, as well as allowing for team discussions and the sharing of stories and photos from Tecan colleagues around the world. The number of Tecan Gives Back participants increased in 2022, and the number of kilometers recorded was almost 40% higher than in 2021. This year, the campaign was also shared externally, promoting Tecan's support on social media and in partners' communication. Lessons learned from 2022's Tecan Gives Back include potentially carrying out the event in June in 2023, to increase participation and avoid overlapping with other events being highlighted by internal communications.

Local community engagement in 2022 included a total of CHF1,200 raised for the Swiss Cancer Foundation by Tecan's in-house rock band, The Dilutorz, through a raffle for copies of their newly released album. Paramit colleagues participated for the 10th consecutive year in a local holiday season gifts-and-food donation program, providing personalized contributions to almost 100 local children and their families. And in North Carolina, more than US$1,300 plus numerous donations of clothing were raised for Dress for Success Worldwide.

GOVERNANCE

PRODUCT QUALITY AND SAFETY

Tecan's main business activities are the research, design and development of our products, the final assembly of these at our production sites, and the sales and service activities that enable us to live up to our customer promise, "Always there for you". The company is marketing its products directly to end users and as an original equipment manufacturer (OEM), Tecan also develops and manufactures OEM instruments, components and sub-modules. The products manufactured by Tecan are used in laboratories for life science research, in applied markets, in clinical diagnostics, and include medical devices.

The largest product group comprises laboratory instruments and instrument components for the automation of different repetitive work steps. Customers depend on Tecan to produce instruments that facilitate reliable, reproducible results – the health of their own customers may depend on this. As a business-to-business rather than business-to-patient company, Tecan does not handle patient data or biological samples. Nonetheless, we never lose sight of the potential human impact at the end of the chain of activities we are a part of. Tecan's products are highly regulated, yet it is important to Tecan to go beyond legal requirements and strive for excellence in product quality and safety. This has been one of Tecan's core competencies since the company's founding, more than 40 years ago. The company's values: ambition, trust and highest standards, are embodied by Tecan's central Quality and Regulatory organization (QARA). Tecan's approach to product development is characterized by a deep understanding of quality and regulatory requirements globally. QARA colleagues collaborate with customers from an early stage, supporting the product development process in a series of structured stages that span the product's entire lifecycle, up to the point where it is withdrawn from the market. Tecan's commitment to quality is described at Tecan.com, with the Quality and Regulatory Solutions brochure at this link setting out the expertise that enables Tecan to build regulatory requirements into a product order and ensure optimal product quality.

Each year, Tecan facilities are subject to a number of audits conducted by regulatory authorities, testing, monitoring and certification agencies, customers, and Tecan's own specialist teams. These experts inspect whether Tecan's facilities comply with country-specific regulations and the Company's internal standards for product and occupational safety, as well as health and environmental protection. These inspections also cover measures that Tecan has to implement if it fails to meet any requirements. Audits by customers cover areas including quality management systems processes, product design, validation documentation and post-market product support. Customers recognize the high standards at Tecan with regard to the relevant requirements. Tecan is also subject to regular extensive audits by international authorities at its production sites. In the past seven years the US Food and Drug Administration (FDA), inspected Tecan's main production sites for instruments in Männedorf (Switzerland), Grödig (Austria) and San Jose (USA), as well as Tecan US, the Company's importer and sales and service arm for the Americas. All of these audits were successfully concluded with zero formal observations. In 2021, Tecan's newly acquired Paramit Corporation received an FDA pre-approval inspection for manufacturing activities for a Class 3 medical device; this was the first time Paramit had been audited by the FDA. This audit was also successfully concluded with zero formal observations. FDA audit findings are publicly available via the FDA's compliance database webpage.

Tecan participates in the Medical Device Single Audit Program (MDSAP), which sets out a catalog of requirements for manufacturers of medical devices, drawn up by a number of participating countries. MDSAP aims to ensure that audits are performed in a standardized manner, in addition to covering all country-specific regulatory requirements. Thus, manufacturers of medical devices can gain access to several markets by means of a single audit. All the Tecan production sites eligible to participate in MDSAP have been successfully certified.

Regulatory requirements are increasing around the world. To ensure that the current versions of these are understood and implemented everywhere, Tecan maintains a robust program of regulatory intelligence monitoring. Through this program Tecan identifies new and upcoming drafts of regulations, participates in industry forums and on regulatory committees, and is an early adopter of new regulatory requirements affecting Tecan product lines. An example is the readiness and implementation of the European Union's In Vitro Diagnostic Regulation (IVDR) 2017/746 (Annex IX, Chapter I and III), which Tecan was one of the first companies to meet the requirements of, successfully completing certification of its IBL International DHEA Saliva ELISA diagnostic assay kit through BSI Notified Body 2797. Prior to this, through a global project team Tecan internal experts translated and implemented the extensive requirements into the quality system fabric and as a result during early 2020, Tecan's IBL Hamburg facility successfully gained an IVDR quality system certificate well ahead of the required 2022 implementation date. This allowed IBL to begin submission and transfer of their IVD immunoassay reagent portfolio to the new IVDR regulatory certification standard. By the end of 2022, an additional 21 products, both Class B and Class C, had been certified to IVDR.

Another focal point in Tecan's regulatory efforts is the supporting of customers in the Partnering Business, with Tecan making key documentation available for authorization applications for new diagnostic instruments. Furthermore, Tecan is building up strong, regulatory partnerships in order to guarantee successful marketing beyond market launch during the entire product life cycle.

A major challenge post-market is maintaining the product to current standards. Tecan continues to be an early adopter of new or revised standards to ensure not only its own product lines but those through our OEM partners remain compliant and current. As an example, Tecan's product risk management standards meet the requirements of the internationally accepted ISO 14971 for medical devices. This standard has been revised multiple times over the past 20 years to reflect current risk management practices and regulatory expectations. Recently, the standard was revised in 2019 requiring review and update to legacy product lines to reflect new requirements covering the lifespan of a product. Tecan implemented and released new procedures to incorporate a product risk management process for medical devices that covers the entire lifespan of a product and evaluates all possible risks, especially those pertinent to patients and users. This is one example of Tecan living up to the company' core value of "highest standards". The Tecan parent company, all production sites and all sales subsidiaries are also ISO 13485:2016 and ISO 9001:2015 certified. Tecan QARA teams are continuing initiatives to address scalability of the Quality Management System based on scope of business at each Tecan entity and to harmonize processes for the digital age where appropriate. Additionally Tecan is well positioned to be ready for FDA's recognition of ISO 13485:2016 as the accepted quality system standard for medical device companies. As part of its ISO quality system certification strategy, Tecan obtained a matrix certificate based on ISO 13485 for Tecan sales and service entities. Tecan US gained this in addition to compliance with the FDA's 21 CFR820. Tecan wants to ensure that all market units worldwide work according to the same processes and strive together to continuously improve their products and services. The matrix certificate also accommodates the current and future Group structure with an increasing number of subsidiaries. In Europe, the sales subsidiary in Germany was awarded the main certificate, while subsidiaries in other countries received sub-certificates. This new method of coordinated certification has benefits for customers and Tecan alike: greater transparency; the possibility to systematically monitor processes worldwide; and harmonized, standardized systems that also accommodate differences in the markets. Tecan products must also satisfy the following important quality system regulations, among many others: US QSR (Quality System Regulation)/21 CFR 820, Canadian Medical Device Regulations SOR/98-282, PMD Act (Pharmaceutical and Medical Device Act) and CCC (Chinese Compulsory Certification). New opportunities are developing for Tecan in emerging markets, which will place additional requirements on the company. Tecan's quality system strategy positions the company well to serve a diverse geographic customer base.

Tecan follows a controlled process for product information and labeling that is mandatory for meeting a number of regulations and is described in the internal documents "Global Product Labeling SOP" and "Development of APL Material". These documents do not include information about sourcing of product components. The Global Product Labeling SOP does include:
- Internationally recognized hazard standards/symbols
- Required regulatory information based on product type and areas of commercialization
- Instructions for safe use of the product
- Proper disposal of the product

Tecan also has a post-market surveillance process that monitors and responds to input from regulatory bodies and any customer complaints or inquiries received. This is set out in the internal documents Customer Support: Helpdesk/Expertline and Complaint Handling Process SOPs.

QARA teams throughout Tecan ensure that the Global Labeling and Advertising SOPs and the post-market surveillance process are being adhered to, as part of their usual tasks. Customer concerns or questions regarding product information and labeling can also be addressed through customer sales contacts, Tecan's customer services, or Tecan's whistleblower hotline regarding environmental protection, handling of hazardous materials and their disposal, or endangering the health and safety of other persons. In 2022, no such complaints were made to the whistleblower hotline and there were no incidences of non-compliance with the Global Labeling SOP. The post-market surveillance process functioned as intended: Tecan detected and voluntarily issued corrections to two product labels in accordance with these post-market procedures. In 2022, no incidents of non-compliance with regulations concerning the health and safety impacts of products and services were identified.

Tecan's QARA team is organized at Group level to ensure ongoing improvements based on changes in regulations worldwide and monitoring of product quality, and for addressing any customer complaints. The Company performs a global management review every year in which relevant data from all Group companies are reviewed centrally. The process assesses whether quality management is still optimized and effective to the legal requirements and regulations for the products and services supplied by Tecan. Tecan undertakes this review with regard to the individual national markets as well as from a Group-level perspective, in this way, progress is evaluated.

GOVERNANCE AND ETHICS

Tecan's corporate values of trust, highest standards and ambition are the cornerstones of our business and provide the framework for Tecan's culture. Our customers, investors and other stakeholders trust Tecan to act responsibly and ethically as we meet our commitments to them, and our strong corporate governance processes ensures that this trust is honored. As well as reaching highest standards with our products, we work to provide reliable high-quality service to our stakeholders across all business areas, ensuring their data is secure, business risks are anticipated and proactively managed, and that any feedback provided is responded to appropriately.

Tecan's good governance and ethical practices are reflected in the Organizational Regulations and Tecan's Code of Conduct, all available on Tecan.com. Tecan's Code of Conduct is binding for all employees, managers and Board members. In this Code, Tecan undertakes to maintain the highest standards in its business activities and to respect ethical values. With the Code, Tecan aims to document internally and externally that the Company is a credible and reliable business partner and employer in all situations. The Code promotes compliance with standards on occupational health, safety and the environment, provides instructions on ensuring data protection and handling confidential information, and requires accurate and timely communication of information and careful logging of relevant meetings and processes by Tecan staff. The Code also stipulates compliance with competition law as well as national and international trade law for the import and export of products. It also includes a zero-tolerance policy toward bribery and corruption and guarantees anonymity for whistleblowers.

Line managers are responsible for ensuring that all their staff know and understand the content of the Code of Conduct. The Code is available in English and German as well as seven other languages, including Spanish, Chinese and Japanese. By providing these different language versions, Tecan wishes to ensure that this important document is understood by employees all around the world. All employees globally must attend and successfully complete a training course on the Code when joining Tecan, and then every two years following. As of 31 December 2022, 98.5% of all employees and 98.3% of all contractors at Tecan had completed the Code of Conduct training. For more advice and guidance on the Code of Conduct employees are encouraged to discuss with their line manager, and concerns can be raised anonymously via the whistleblower hotline.

Tecan has established several organizational control mechanisms with the aim of ensuring good governance and ethical behavior. The Internal Audit department has the task of periodically assessing the effectiveness of the internal control system. The internal control system consists of all organizational measures taken by the Company in order to maintain the effectiveness of its operations, protect the corporate resources, appropriately manage the risks and ensure compliance with laws and regulations, while always keeping a strong focus on the trustworthiness of the financial reporting. Internal Audit has the power to check and verify processes, systems, management activities, projects and contracts, acting as a supervisory body independent from operations and is reporting directly to the Audit Committee of the Board of Directors. In the year under review, the Audit Committee and Head of Internal Audit held several meetings. The Head of Internal Audit is a certified member of the Institute of Internal Auditors of Switzerland (SVIR), and the department is subject to the international standards for internal auditing.

As in previous years, Tecan has not been involved in any significant instances of non-compliance with laws and regulations during the reporting period, including legal cases, rulings or other events related to corruption, bribery, anti-competitive behavior, anti-trust, or monopoly practices.

Whistleblower hotline

Tecan employees and third parties can report possible events of misconduct via a third party-managed whistleblower hotline, accessible at tecan.com. This dedicated mailbox and multi-language telephone hotline is run by EQS, a specialized provider of compliance solutions. Reports can be filed anonymously if preferred and all complaints are reviewed by Internal Audit, discussed with top management and addressed as necessary. The EQS platform ensures the highest standards of confidentiality and anonymity as well as a secure communication between the whistleblower and the members of the Internal Audit department of Tecan in charge of investigating the issues reported. Tecan updated internal procedures and training modules in order to take into account opportunities and obligations related to the whistleblowing reports delivered over the EQS tool. Tecan received five reports via the whistleblower platform in 2022, which corresponded to five cases. Of these, four were investigated and found to be unsubstantiated, and one case is still under investigation. All cases involved internal parties only.

Risk management process

To ensure sustainable corporate growth, it is crucial that any risks that could compromise this growth be recognized early on, assessed in terms of likelihood and consequences, and mitigated through an appropriate plan of measures. Tecan has a well-established global risk management process for this purpose. The process encompasses, among other factors, strategic risks, product risks, market and customer risks, occupational safety risks, risks relating to Tecan's social and environmental impact and risks associated with the impacts of climate change. It also focuses on political and economic developments as well as the possible impacts certain events may have on external partners such as customers or suppliers. Tecan continuously adjusts its risk management system in line with changes to the environment and takes current events into account in its risk assessment. Business continuity planning is designed to ensure Tecan's ability to withstand supply chain interruptions. The Board of Directors reviews annually whether the risk assessment of business activities is appropriate and whether it takes into account both internal and external changes. Where necessary, new measures to mitigate risk are implemented. Tecan's risk management system is also regularly audited by a key insurer, who attests to the instrument's high standard, enabling a premium reduction. Some of the company's employees hold risk management certification, so the company does not have to depend exclusively on external experts.

Climate change related risks and opportunities

Assessing the consequences and dangers that could be linked to climate change is part of the global risk management process. For example, the consequences of flooding, fire, storms or other extreme weather conditions are evaluated. With Tecan's industry- and end-market exposure, product offering, and location of production sites, no significant risks with the potential to have a substantive financial or strategic impact on the business are expected to result from climate change itself or from regulatory requirements regarding climate change. Currently, climate change is not expected to lead to new business opportunities that could make a relevant contribution to Tecan's business growth. In 2023, Tecan plans to conduct scenario analyses to further test this assessment.

IT and Cybersecurity risks

Information systems and technology are still in focus of potential cyber security events. Not only large enterprises, but even more small and medium companies are getting targeted.

Tecan Global IT runs a solid enterprise application landscape with focus on an SAP core platform which integrates sales, customer service, production and the entire financial area in one platform and harmonizes processes. This platform also forms the basis for a “business intelligence reporting suite” with integrated planning modules, for instance for human resources or the budget process. A continuous lifecycle for updates ensures that Tecan always has the latest software versions, thus limiting outages and helping avoid large-scale, expensive update processes with long test phases.

In the financial area, an IT-based control system automatically recognizes and flags potential areas of conflict with regard to employees entrusted with a range of duties, which when combined could result in a risk of manipulation. Tecan also uses an internal, self-managed treasury system, executes all money transfers for all Group companies centrally, and manages their cash reserves. This has enabled Tecan to optimize the number of banks it uses in connection with its business activities, and transfer cash reserves to banks at lower risk of failure. The treasury system has also improved short-term financial planning and ensured an interest rate benefit compared with decentralized management.

All main IT infrastructure services offered by the group worldwide are outsourced and hosted to servers of an external service provider. The data is backed up redundantly, and the data centers are physically separated from one another and from the production sites. This enables Tecan to minimize the risk of critical data loss and increase data security. Global IT support is also available for Tecan sites in all regions, thereby reducing outages.

Tecan carries out regular cybersecurity audits, and related training is mandatory for all Tecan employees, with employees in key roles or demonstrating need receiving additional training.

Cybersecurity is key focus in relation to select Tecan products, as well as company operations. As the importance and benefits of global connectivity and open digital ecosystems become more widely appreciated, Tecan recognizes the cybersecurity vulnerabilities these initiatives inevitably introduce. At Tecan, end-to-end cybersecurity is factored in from the outset of system development, using a “zero trust” approach to ensure strict verification protocols are in place. The approach is extended all the way through to deployment and maintenance, with continual risk assessment and monitoring for all live software. With breaches as a potential risk in any industry, Tecan focuses on ensuring appropriate controls are in place to protect the confidentiality and integrity of customers’ data.

Anti-bribery and anti-corruption due diligence

Tecan carries out regular detailed screening of its distributors, and has established a separate process with the TMS (Tecan Management System) directive “Distributors and Intermediaries Anti Bribery Due Diligence” for this purpose. In particular, the TMS directive requires that all Tecan distribution partners and their owners, directors and employees refrain from bribing representatives of governments or state-owned or private enterprises, or from taking bribes. It does not matter whether bribery is prohibited, tolerated or allowed in the countries in which business is being done. Bribes are prohibited irrespective of whether a bribe is connected to a specific act or omission or is granted or received with a general view to the future execution of duties. Bribes do not only involve cash payments but also mean, for instance, lavish gifts, hospitality and entertainment. Distributors and intermediaries need to ensure that their representatives and their sales force are trained and adhere to Tecan’s standards of doing business. Internal Audit closely monitors the compliance of the business run through dealers and distributors. In particular, activity is focused on ensuring that all third party intermediaries explicitly commit to our Code of Conduct, demonstrate a sufficient understanding of it and pass background checks without issues of concerns (legal disputes, criminal investigations etc.) These steps are automated through the ethiXbase platform, which ensures a solid audit track of the checks performed. This platform allows a “real time” detection of unethical behaviors which may potentially have been reported regarding our dealers and distributors in the press or in the dedicated data banks.

Tecan has assessed all operations for risk related to corruption, and identified no significant risks. Tecan only generates a smaller portion of its sales in countries with an increased risk of corruption according to the criteria of the organization Transparency International.

Data privacy

Tecan is committed to handling all information (including personal, technical and commercial information) which employees, customers and other stakeholders entrust to it with due care, in compliance with applicable laws and solely for the purposes for which the information was provided or generated. When processing personal information, Tecan pays particular attention to the principles of transparency, lawfulness, proportionality and accountability. Tecan’s Data Protection Governance Structure includes a certified Group Data Protection Officer who directly reports to Tecan’s Management Board. Data protection is also supported by an online, easily accessible Data Subject Request Portal through which data subjects can invoke the rights they enjoy under applicable data protection laws.

Tecan's Tax Principles

At Tecan, our behavior is governed by strict adherence to our ethical code, respect for our environment, and full compliance to applicable laws and regulations in all the jurisdictions where we operate. This is not different when it comes to taxation, which is an integral element of our overall corporate social responsibility.

Our Tax Principles are in line with our core business values and are designed to support Tecan in delivering its strategic ambitions.

Principle 1 *Sustainability & Governance*
Tax is a core part of Tecan's sustainable business practices, in particular the sustainability focus area "Governance and Ethics". The Group's Tax Principles are in line with the goals of the OECD/G20 Base Erosion and Profit Shifting project and with its core principles, coherence, substance and transparency.

Our Tax Principles are mandatory and apply to all the entities and employees of the Group. The Tax Principles are owned by Tecan's CFO, who is a member of Tecan's Sustainability Committee.

Principle 2 *Compliance*
We comply with the tax legislation of the jurisdictions in which we operate, adhering to both, its letter and spirit, and pay the right amount of tax at the right time.

All tax returns, claims, elections, disclosures, and payments shall be made accurately and on time.

The Tecan Group Transfer Pricing Policy is defined and implemented based on the internationally accepted arm's length principle, as described by the international tax conventions and by the OECD Guidelines, and as implemented in local rules and regulations. Transfer pricing methods follow a thorough analysis of the functions, risks and assets of the parties to the transaction.

To ensure that the Group complies with local tax laws in the jurisdictions in which it operates and that solid and responsible tax planning is undertaken, we seek for adequate personnel, resources, up-to-date expertise, training and systems, and develop tax awareness across Tecan functions and businesses.

Principle 3 *Business structure driven by commercial considerations*
Our business structure is driven by commercial considerations, is aligned with business activity and has genuine substance.

Our tax planning is based on reasonable, solid interpretations of applicable law and is aligned with the substance of the economic and commercial activity of our business. We do not use tax havens or opaque corporate structures to hide or reduce the transparency of our activities.

Our Tax Principles extend to our relationships with employees, customers and suppliers. We do not engage in arrangements whose sole purpose is to create a tax benefit.

Principle 4 *Constructive and Professional Relationships with Tax Authorities*
It is the Group's aim to maintain constructive and professional relationships with local tax authorities, based on mutual respect, transparency and trust.

We are open and transparent with tax authorities, responding to relevant tax authority enquiries in a straightforward and timely manner to assist in the evaluation of tax liability.

Where there are misunderstandings of fact or law, we will seek to work with tax authorities, where possible, to identify the issues and explore options to resolve those misunderstandings or disagreements.

We will not bribe or otherwise induce tax officials, government officials or ministers with the aim of obtaining more beneficial outcomes with respect to tax matters.

Principle 5 *Transparency*
We strive for a regular information to our stakeholders, including investors, employees, civil society and the general public, about our approach to tax and taxes paid. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards such as IFRS.

Tax Policy

Tecan's strict adherence to the Company's ethical code, respect for the environment, and full compliance to applicable laws and regulations in all the jurisdictions where Tecan operates applies also to the company's approach to taxation. This is set out in the Tax Principles, shared here and also available at tecan.com. The Tax Principles are owned by Tecan's CFO, who is responsible for ensuring compliance with these principles. Risks associated with tax are included in Tecan's risk management process, described here, and concerns can be raised through the whistleblower hotline, described here.

Business processes

Business processes are an essential element in the organizational structure, and they are employed to understand, manage and coordinate business activities and form the basis of a successful development of the company. At Tecan, prudent corporate activity is an integral component of the daily routine of both employees and management. This requires clearly structured, transparent business processes.

It is important that Tecan employees are familiar with globally binding internal corporate guidelines, business processes, and country-specific laws and regulations. Employees can access the most up-to-date version of these documents at any time in the Tecan Management System (TMS). The documents also convey intangible values that form the guiding principles of the corporate culture. The TMS is rated as a model tool by customers and external partners alike. Tecan develops the TMS on a continuous basis.

Tecan has had a continual improvement process (CIP) in place for many years. Employees in all areas of the Company should identify potential improvements at a day-to-day level, put forward solutions and contribute to their rapid implementation. The aim of the CIP is to enhance efficiency as well as quality and occupational safety, improve internal collaboration and finally increase profitability. Where possible, the success of the CIP is measured by examining key performance indicators. For example, in production this is done by looking at productivity, throughput time and inventories.

As part of the existing lean production, a consistent one-piece flow approach – an "employee-linked workflow" – was adopted in the production system. The employees accompany the instrument along the entire production path to completion, with no interruptions between the various work steps. Not only does this production process shorten production times and further improve quality, it should also further increase employees' motivation levels.

In the production process, all employees have clearly defined responsibilities in the manufacturing process of the various product lines, and each product line is overseen by a production manager. Responsibility for the timely execution of orders, the procurement of materials and the observance of the agreed objectives is clearly allocated to individuals. Performance reviews are undertaken on the basis of key performance indicators. Each morning, the production manager discusses the next steps to be undertaken with the entire team before production gets underway. At Tecan's Paramit sites, a computer directed assembly process, vPoke®, developed by Paramit, drives high reliability and quality in the manufacturing of medical devices and life science instruments. vPoke® enables rapid scale of assemblies with hundreds of sequences, including those with fluidics, motion control, custom electronics, and optics.

Areas other than production, such as sales, service and support processes, are also continually optimized, including on the basis of customer surveys.

Customer focus

For Tecan, client focus is the basis for a sustainably successful business model. Tecan's central customer promise is "Always There For You" – all of the Company's activities are geared toward its customers. This promise is put into practice in an exemplary manner by numerous Tecan employees across the world in their daily dealings with customers and colleagues. To measure whether the customer promise is also met at company level beyond individual examples, Tecan regularly carries out comprehensive, international customer surveys. In these surveys, existing customers in different business areas and regions who have bought Tecan products in the past few years are asked about what matters most to them in the partnership, and their satisfaction levels. The surveys show that the vast majority of customers are satisfied with Tecan's products and services, with the majority describing themselves as "very satisfied" or even "completely satisfied".

Understanding what matters most to build trusted partnerships and driving long-term improvements is essential in order to guarantee high satisfaction levels over the long run, which also boosts loyalty to Tecan. Critical improvements have been identified through these surveys, and measures taken in 2022 as well as those previously implemented are expected to help continue to improve the overall customer experience. In addition to these comprehensive surveys, customer satisfaction is also continually measured as part of the broader customer satisfaction program, and to consolidate customer focus. Customers are also surveyed directly after transaction or at set intervals, with this feedback also providing the basis for continuous improvements.

Patents and protection of intellectual property

Tecan is a pioneer and has been the market leader in laboratory automation for 40 years. Tecan's success is based on core competencies that the Company has systematically acquired and expanded over the years. Tecan makes above-average investments in research and development to maintain and reinforce its position as market leader. Protecting its intellectual property is also of major importance in ensuring that the development of new products and technologies gives the Company a sustainable advantage in the market. Tecan registers patents on relevant developments for the most important markets in a timely manner. The Company has several hundred patents in various patent families. Once again, numerous new patents were granted in the year under review.

Patents strengthen Tecan's competitive position in a variety of products and applications. Numerous patents were also registered for the Fluent liquid handling platform and the Spark reader platform, many of which have already been granted. These patent registrations relate to a variety of basic inventions in the fields of both hardware and software that were made during the development of the platforms.
An overview of the various patents has been published on Tecan's website. The overall strategy to protect intellectual property includes patents, trademark registrations of the names of product platforms, registering designs to protect Tecan products from copycat products and protecting individual graphic software elements by means of design rights and trademark rights. Tecan also arranged for key branding elements of the new design to be protected and applied for brand registration.

RESPONSIBLE SOURCING

Tecan's main business activities are the research, design and development of our products, the final assembly of these at our production sites, and the sales and service activities that enable us to live up to our customer promise, "Always there for you". The products manufactured by Tecan are used in laboratories for life science research, in applied markets and in clinical diagnostics. The largest product group comprises laboratory instruments and instrument components for the automation of different repetitive work steps. Our products add value to society, and as described in the Social Impact section of this report, we also add value in our role as an employer. In 2022, Tecan took steps to ensure that we have positive impacts, and avoid any negative impacts, through our supply chain. Tecan published a Human Rights and Responsible Business Practices policy in 2022, reiterating our commitment to the principles of the United Nations Global Compact (UNGC), including the protection of internationally proclaimed human rights, the elimination of all forms of forced and compulsory labor, and the effective abolition of child labor. Potential negative impacts in the supply chain include breaches of the UNGC principles, either by Tecan suppliers or stakeholders our suppliers work with.

Tecan products tend to be associated with specific Tecan production sites, and the sourcing for those sites is led by the site manager. In spending terms, between 60% and 80% of Tecan's purchase volume is typically sourced in the same region as the production site. As well as facilitating the development of trusted business relationships, this proximity enables Tecan to better manage cost efficiency, inventory needs, just-in-time delivery, freight cost, and quality aspects.

Direct suppliers are required to commit to the “Tecan Supplier Code of Conduct”, which reflects the principles in Tecan’s employee Code of Conduct and defines the minimum requirements by which all suppliers must abide. These refer to internationally recognized ethical standards relating to human rights, labor and the environment, as well as business practices.

It is important to Tecan to prevent the use of conflict minerals (gold, tin, tantalum, or tungsten) that are linked to human rights abuses, while supporting the necessary use of materials from legitimate sources. Tecan is committed to supporting its customers in complying with the US Dodd Frank Act and adheres to the applicable elements of the OECD Due Diligence Guidance for responsible sourcing of minerals from conflict affected and high-risk areas. Tecan is working together with suppliers on these areas and requires a Declaration of Conformity that human rights are respected as part of supply agreements, as noted in the policy statement on tecan.com.

In 2022, Tecan began working with EcoVadis to assess risks and increase sustainability throughout our supply chain. Already a participant in the EcoVadis assessment process in our role as a supplier, Tecan now extends this assessment process to our own suppliers. An initial screening of 1,722 existing suppliers provided valuable insight into areas to prioritize for follow-up. This screening also enabled Tecan to meet its 2022 target of completing an ESG (environment, social and governance) assessment of critical suppliers, one of four ESG targets linked directly to a total of 20% of the Management Board’s short-term variable pay. Based on their location and business focus, 143 suppliers were identified as being potentially at higher risk of having negative impacts in the areas of environment, labor and human rights, ethics, or sustainable procurement. Where an ongoing business relationship existed, these suppliers were prioritized for follow-up assessments, beginning with suppliers assessed as being both high risk and critical to Tecan’s business operations. Follow up has included requesting suppliers to commit to Tecan’s 2021 Supplier Code of Conduct, and in some cases, to complete a detailed supplier survey, distributed via the EcoVadis platform. While further assessments were still underway, 0% of existing suppliers had been asked to commit to improvement actions and 0% of supplier relationships had been terminated by the end of 2022. No breaches of Tecan’s Supplier Code of Conduct or Human Rights and Responsible Business policy were reported in 2022. In 2023, Tecan will publish a Supply Chain policy and describe the process followed if any issues are detected, either via reports of policy or Code breaches, through supplier surveys, via our direct supplier engagement, or otherwise. The screening process carried out in 2022 will be applied to 100% of new suppliers. Opportunities to promote responsible environmental management as well as diversity, equity and inclusion in the supply chain will be assessed, sustainability criteria will be included in the supplier qualification process, and metrics to measure the success of the responsible sourcing program will be developed.

SUSTAINABILITY REPORTING

Tecan has pursued responsible business practices since its earliest days, and has specifically described these in the annual sustainability report since 2007. This annual sustainability report covers the calendar year 2022, and contains no restatements of information. Currently, the sustainability report does not receive external assurance, and is reviewed as described.

For further information contact sustainability@tecan.com or sarah.vowles@tecan.com.

GRI content index

Tecan has reported in accordance with the GRI Standards for the period January 1, 2022 to December 31, 2022.

GRI Standard	Disclosure	Location	Omission		
			Require-ment(s) omitted	Reason	Explanation
GRI 1: 2021	Foundation				
GRI 2: 2021	General Disclosures				
The organization and its reporting practices					
GRI 2: General Disclosures 2021	2-1 Organizational details	37			
	2-2 Entities included in the organization's sustainability reporting	37			
	2-3 Reporting period, frequency and contact point	66			
	2-4 Restatements of information	66			
	2-5 External assurance	66			
Activities and workers					
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	37			
	2-7 Employees	50			
	2-8 Workers who are not employees	50, 51			
Governance					
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	74ff			
	2-10 Nomination and selection of the highest governance body	74			
	2-11 Chair of the highest governance body	74ff			
	2-12 Role of the highest governance body in overseeing the management of impacts	37			
	2-13 Delegation of responsibility for managing impacts	37			
	2-14 Role of the highest governance body in sustainability reporting	38			
	2-15 Conflicts of interest	74			
	2-16 Communication of critical concerns	77			
	2-17 Collective knowledge of the highest governance body	37			
	2-18 Evaluation of the performance of the highest governance body	77			
	2-19 Remuneration policies	38, 88ff			
	2-20 Process to determine remuneration	88ff			
	2-21 Annual total compensation ratio	21-1 a,b,c			Withheld for reasons of business confidentiality
Strategy, policies and practices					
GRI 2: General Disclosures 2021	2-22 Statement on sustainable development strategy	36			
	2-23 Policy commitments	39			
	2-24 Embedding policy commitments	39			
	2-25 Processes to remediate negative impacts	61			
	2-26 Mechanisms for seeking advice and raising concerns	61			
	2-27 Compliance with laws and regulations	61			
	2-28 Membership associations	41			
Stakeholder engagement					
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	41			
	2-30 Collective bargaining agreements	51			

GRI 3: 2021	Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	43	
	3-2 List of material topics	43	
Governance and ethics			
	3-3 Management of material topics	60	
GRI 205 Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	62	
	205-3 Confirmed incidents of corruption and actions taken	62	
GRI 207 Tax 2019	207-1 Approach to tax	64	
	207-2 Tax governance, control, and risk management	64	
	207-3 Stakeholder engagement and management of concerns related to tax	64	
Climate impact			
	3-3 Management of material topics	44	
GRI 302: Energy-2016	302-1 Energy consumption within the organization	46	
GRI 305: Emissions-2016	305-1 Direct (Scope 1) GHG emissions	46	
	305-2 Energy indirect (Scope 2) GHG emissions	46	
	305-3 Other indirect (Scope 3) GHG emission	46	
	305-4 GHG emissions intensity	46	
Circular economy			
	3-3 Management of material topics	47	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	301-1 ai-aii	Unavailable due to the complexity of the materials
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	47	
	306-2 Management of significant waste-related impacts	47	
	306-3 Waste generated	46	
Being the employer of choice			
	3-3 Management of material topics	54	
GRI 401 Employment 2016	401-1 New employee hires and employee turnover	52	
GRI 404 Training and Education 2016	404-1 Average hours of training per year per employee	56	
	404-2 Programs for upgrading employee skills and transition assistance programs	56	
	404-3 Percentage of employees receiving regular performance and career development reviews	56	
Diversity, Equity and Inclusion (DEI)			
	3-3 Management of material topics	53	
GRI 405: Diversity & Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	51	
Responsible sourcing			
	3-3 Management of material topics	65	
GRI 414 Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	66	

Product quality and safety		
	3-3 Management of material topics	58
GRI 416 Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	60
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	58
GRI 417 Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	59

Community engagement		
	3-3 Management of material topics	57


Always
there
for you.

Corporate Governance

Information pursuant to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

1 GROUP STRUCTURE AND SHAREHOLDERS

GROUP STRUCTURE

Tecan Group Ltd. (the Company), Seestrasse 103, 8708 Männedorf, Zurich, Switzerland, is the ultimate parent company of the Tecan Group.

The Company is listed on the SIX Swiss Exchange.

Security symbol:	TECN
Security number:	1 210 019
ISIN:	CH0012100191
Telekurs Financial:	TECN
Bloomberg:	TECN SW
Reuters:	TECN.S

As of December 31, 2022, the Company's market capitalization was CHF 5,250 million (shares outstanding). The list of consolidated subsidiaries, none of which is publicly listed, is presented in the financial section of this Annual Report. The operational Group structure is based on a customer-oriented division into the business segments Life Sciences Business (end-customers) and Partnering Business (OEM customers). The segment reporting based on structure is presented in the financial section of this Annual Report.

SIGNIFICANT SHAREHOLDERS (DISCLOSURE UNDER ART. 120 SWISS FINANCIAL MARKET INFRASTRUCTURE ACT [FINFRAG])

As of December 31, 2022, the following shareholders held more than 3% of Tecan's shares:

	31.12.2021		**31.12.2022**	
	Shares	%	Shares	%
Chase Nominees Ltd., London (UK)	1,546,910	12.2%	1,546,910	12.2%
BlackRock Inc., New York, NY (US)	575,116	4.5%	577,347	4.5%
UBS Fund Management (Switzerland) AG, Basel (CH)	575,537	4.5%	575,537	4.5%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	572,926	4.5%	572,926	4.5%
Wellington Management Group LLP, Boston (US)		<3%	398,868	3.1%
Norges Bank (the Central Bank of Norway), Oslo (NO)	391,724	3.1%	391,724	3.1%
Credit Suisse Funds AG, Zürich (CH)	384,926	3.0%	384,926	3.0%
Candriam Luxembourg, Strassen (LU)		<3%	384,223	3.0%
Swisscanto Fondsleitung AG, Zürich (CH)		<3%	383,060	3.0%
NN Group N.V., Amsterdam (NL)	848,426	6,7%	-	<3%

For further information: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

Numbers of shares according to the most recent shareholder notifications to SIX; the percentages are adjusted to the actual share capital as at the end of the reporting period. The Company does not have any cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

2 CAPITAL STRUCTURE

	2020	2021	2022
Shares	11,958,845	12,678,108	12,731,441
Nominal value per share (CHF)	0.10	0.10	0.10
Share capital (CHF)	1,195,885	1,267,811	1,273,144
Legal reserves (CHF)	91,121,487	456,865,297	455,909,782
Net retained earnings (CHF)	224,053,720	228,738,249	237,856,979
Shareholders' equity (CHF)	**316,371,092**	**686,871,357**	**695,039,905**
Conditional share capital			
Reserved for employee participation plans			
Shares	344,367	275,104	221,771
CHF	34,437	27,510	22,177
Reserved for future business development			
Shares	1,800,000	1,800,000	1,800,000
CHF	180,000	180,000	180,000
Authorized share capital			
Expiring on April 17, 2022			
Shares	2,300,000	1,650,000	-
CHF	230,000	165,000	-

As of December 31, 2022, the Company's share capital was CHF 1,273,144 and was divided into 12,731,441 registered shares with a nominal value of CHF 0.10 each. Each share is entitled to dividend payments whenever the shareholders approve a profit distribution. The Company does not have any bearer shares, participation certificates or bonus certificates outstanding.

CONDITIONAL SHARE CAPITAL – CHANGES IN CAPITAL

In 1997, the Company's shareholders approved the creation of conditional share capital of CHF 130,000 (consisting of 1,300,000 registered shares with a nominal value of CHF 0.10 each) for the purpose of employee stock options (article 3a of the Articles of Incorporation). Several employee stock option plans were adopted based on this conditional share capital. Details of these plans are given in the consolidated financial statements under Note 12 "Employee benefits". Since 2011, the Company has serviced the options exercised and share transfers from its own shares. As of December 31, 2022, 221,771 shares in the total nominal amount of CHF 22,177 were left under article 3a of the Articles of incorporation and 56,219 shares of the conditional share capital were reserved for outstanding employee stock options and 79,086 for outstanding employee shares. These shares correspond to a share capital of CHF 13,531.

The Articles of Incorporation provides for an additional conditional share capital (article 3b of the Articles of Incorporation); the Company's share capital may be increased by a maximum of CHF 180,000 through the issue of a maximum of 1,800,000 registered shares to be paid in full with a nominal value of CHF 0.10 each. This increase shall be achieved through the exercise of conversion or option rights granted in connection with bonds or similar instruments issued by the Company or Group companies or through the exercise of option rights granted to shareholders. Shareholders' pre-emptive rights are excluded. The acquisition of registered shares through the exercise of conversion or option rights and any further transfer of registered shares is subject to the restrictions specified in Article 5 of the Articles of Incorporation. In the case of convertible bonds or warrant-linked bonds, the preferred pre-emptive rights of the shareholders may be restricted or excluded by resolution of the Board of Directors 1) in order to finance or refinance the acquisition of companies, parts of companies or equity investments, or 2) to issue warrant-linked or convertible bonds on international capital markets. If preferred pre-emptive rights are excluded, then 1) the bonds must be placed at market conditions; 2) the exercise period for warrants must be limited to five years and the exercise period for conversion rights must be limited to ten years from the date the bond was issued; and 3) the conversion or exercise price for the new shares must be set at least in line with the market conditions prevailing on the bond issue date. The Articles of Incorporation are available for consultation at www. tecan.com/tecan-corporate-policies.

AUTHORIZED SHARE CAPITAL

On April 17, 2020, the shareholders approved the creation of authorized share capital in article 3c paragraph 1 of the Articles of Incorporation, which authorizes the Board of Directors to increase the share capital at any time up to April 17, 2022, by a maximum of CHF 115,000 through the issue of not more than 1,150,000 registered shares to be paid in full with a nominal value of CHF 0.10, while preserving the pre-emptive rights of shareholders. Furthermore, article 3c paragraph 2 of the Articles of Incorporation authorize the Board of Directors to increase the share capital at any time up to April 17, 2022 by a maximum of CHF 115,000 through the additional issue of up to 1,150,000 registered shares to be paid in full with a nominal value of CHF 0.10, whereby the pre-emptive rights of the shareholders may be restricted, excluded and allocated to third parties by resolution of the Board of Directors if the new shares are intended to be used 1) to pay for the acquisition of companies, parts of companies or equity investments; 2) to finance or re-finance the acquisition of companies, parts of companies or equity investments; or 3) for an international placement of shares. Shares for which pre-emptive rights were granted but not exercised must be used by the Board of Directors in the interest of the Company.

The following applies in both cases: Partial increases are permitted. The respective issue amount, the dividend entitlement date, the type of contributions and potential acquisitions of tangible assets will be determined by the Board of Directors. Following acquisition, the new registered shares are subject to the restrictions specified in Article 5 of the Company's Articles of Incorporation.

In September 2021, the Board of Directors approved the creation of 650,000 new shares under the authorized capital in connection with a share placement for the partial financing of the acquisition of Paramit Corporation, CA. Consequently, the possibility to issue up to 1,150,000 registered shares with the right to restrict the pre-emptive rights of the shareholders according to article 3c paragraph 2 of the Articles of Incorporation was reduced to 500,000 shares and article 3c paragraph 2 of the Articles of Incorporation was adjusted accordingly.

The remaining authorized share capital expired in April 2022 without renewal.

ENTRY IN THE SHARE REGISTER AND NOMINEE REGULATIONS

Registration of voting rights in the Company's share register is conditional on shareholders declaring that they have acquired the shares in their own name and for their own account. If this is the case, then there are no registration or voting right restrictions under the Articles of Incorporation. The Company's Board of Directors may register nominees for not more than 2% of the share capital as shareholders with voting rights in the share register. Nominees are shareholders who do not explicitly declare in the registration application that they hold the shares for their own account and with whom the Company has entered into a corresponding agreement. In addition, for shares in excess of 2% of the share capital, the Board of Directors may register nominees with voting rights in the share register if such nominees disclose the names, addresses, nationalities and shareholdings of those persons for whose account they hold 2% or more of the share capital. Legal entities and companies that are linked to one another in terms of capital and voting power through uniform management or otherwise, as well as individuals, legal entities or companies coordinating their actions to circumvent the registration limitations, are considered to be one person. The Board of Directors is entitled to grant exceptions to the registration limitations in special cases. No such exceptions were granted in the year under review. The procedures and conditions for cancelling these limitations on transferability are described in section 6.

3 BOARD OF DIRECTORS

INDEPENDENCE AND RULES REGARDING OUTSIDE MANDATES

All the members of the Board of Directors are non-executive members. None of the Board members was formerly a member of the Management Board of Tecan Group Ltd. or any Group company during the period under review or the three preceding periods. According to the Articles of Incorporation the permitted number of other mandates of the members of the Board of Directors in the highest executive management or bodies of legal entities outside of the Company's group is limited to six mandates in listed and six mandates in non-listed companies, foundations and other legal entities that are registered in the commercial register. Mandates in different legal entities of the same group (including in joint ventures directly or indirectly owned by such a group or the Company that are not consolidated) are counted as one mandate per group, but may not exceed the number of 20 additional mandates if counted separately. Short-term transgressions of these maximum numbers by a maximum of two mandates per category are permitted during a maximum period of six months. Mandates held by members of the Board of Directors by order of the Company shall not be subject to the limitations set out above. Conflicts of interest are prohibited by article 7 of the Articles of Incorporation. Adherence to the Articles of Incorporation is monitored by the Board Secretary, Tecan's General Counsel. No Conflicts of Interest have been identified in 2022 or previous years. Should a conflict of interest be detected, it would be addressed and if deemed material, reported to shareholders. Tecan completes external sustainability reporting and is highly rated by agencies including MSCI and ISS for its strong governance practices.

ELECTION, TERM OF OFFICE, ORGANIZATION, MEETINGS AND ATTENDANCE

Pursuant to the Company's Articles of Incorporation, the Board of Directors is composed of a minimum of one and a maximum of seven members, who are elected for a term of one year. Re-election after the end of the term is permitted. The Chair of the Board of Directors is elected by the General Meeting. The Board of Directors is responsible for the ultimate supervision and management of the Company, including the development of general strategies and guidelines, and for all other duties that are non-transferable under applicable law. To the extent permitted by law and provided that there is no conflict with the Company's Articles of Incorporation and the Organizational Regulations adopted by the Board of Directors, management of the Company's affairs is delegated to the Management Board pursuant to the Organizational Regulations. The Board's performance is reviewed by the Nomination Committee as described in that section of this report; adherence to Tecan's Articles of Incorporation is monitored by the Board Secretary, Tecan's General Counsel. Tecan's shareholders vote to approve the appointment of Board members or the continuation of their term in office at Tecan's Annual General Meeting. Otherwise, performance is not formally evaluated. Any report made via Tecan's independent, third-party operated whistleblower hotline regarding the Board would be investigated by Tecan's internal audit function, as described previously. The Board of Directors meets as often as business matters require but at least five times a year upon invitation of the Chair or, in their absence, upon invitation of another Board member. Any member of the Board of Directors may call a meeting by specifying the reasons for the meeting. The meetings usually last between four and six hours. As a general rule, the CEO and CFO attend the Board meetings and other members of the Management Board or senior management invited by the Chair attend for certain portions. At each meeting, the Chair reserves some time for discussion between the members of the board and the CEO and some time for discussion amongst the Board members only. Meetings may also be held by videoconference or by telephone. The Board of Directors passes its resolutions by an absolute majority of votes of Board members present. In the event of a tie, the Chair of the Board has the deciding vote. Resolutions may be passed in writing unless a member requests oral deliberation. In the year 2021 most of the meetings of the Board of Directors and of its Committees were conducted as videoconferences. Five Board of Directors' meetings were held in the year under review. Three meetings of the Audit Committee lasting about two to three hours each were also held. In addition, there were three meetings of the Compensation Committee and several telephone conferences of the Nomination & Governance Committee. In the year under review, all members of the Board of Directors took part in all Board of Directors' meetings and the committee members attended all of their respective committee meetings.

Board of Directors

DR. LUKAS BRAUNSCHWEILER

Chair of the Board and of the Nomination and Governance Committee

Since 2018, elected until 2023
1956
Swiss citizen
PhD in physical Chemistry, Swiss Federal Institute of Technology, Zurich (ETH Zurich) Switzerland

Professional background:
1985 to 1995 various management positions at Wild Leitz Heerbrugg AG (today Leica Geosystems), Switzerland; Huber + Suhner AG, Switzerland; Saurer Group Holding AG, Switzerland; and Landis+Gyr AG (today Siemens AG), Switzerland; 1995 to 2002 Member of the Group Executive Board and Group Vice President, Mettler-Toledo International, Inc. USA/Switzerland; 2002 to 2009 President and CEO, Member of the Board of Directors, Dionex Corporation, USA; 2009 to 2011 CEO, RUAG Holding AG, Switzerland; 2011 to March 2018 CEO, Sonova Holding AG, Switzerland

Other activities:
Sonova Holding AG[1], Member of the Board of Directors; BURU Holding[2], Member of the Board of Directors

HEINRICH FISCHER

Vice Chair of the Board

Since 2007, elected until 2023
1950
Swiss citizen
Master of Applied Physics & Electrical Engineering (ETH Zurich), MBA (University of Zurich)

Professional background:
Four years R&D in electronics (ETH Zurich, IBM); 1980 to 1990 Director of Staff Technology and Executive Vice President, Balzers Division of Oerlikon-Bührle Group; 1991 to 1996 Executive Vice President, Corporate Development, Oerlikon-Bührle Group; 1994 to 2005 Co-founder and Chairman of ISE (Integrated Systems Engineering); 1996 to 2007 Delegate of the Board and Chief Executive Officer, Saurer Group; since 2007 DiamondScull AG, owner and Chairman of the Board

Financial Expertise:
CEO of Saurer Group between 1996 and 2007; Master in Business Administration and Finance (University of Zurich, Switzerland)

Other activities:
CAMOX Fund[2], Member of the Board

DR. CHRISTA KREUZBURG

Chair of the Compensation Committee

Since 2013, elected until 2023
1959
German citizen
Diploma and Ph.D. in Physical Chemistry, Duisburg University, Chemical Faculty

Professional background:
1990 to 1994 Laboratory Head, Central Research at Bayer AG, Germany; 1994 to 1996 Departmental Head, Central Research at Bayer AG, Germany; 1997 to 1999 Strategy Consultant, Corporate Strategic Planning at Bayer AG, Germany; 2000 to 2002 Head of Corporate Strategic Planning, in addition from 2001, leading the restructuring project of division Pharmaceuticals after the withdrawal of Lipobay® at Bayer AG, Germany; 2002 to 2005 Head of Pharma Japan (from 2004)/Europe/MERA and member of the Pharma Management Committee at Bayer HealthCare, Germany; 2006 to 2007 Head of Pharma Primary Care/International Operations and member of the Pharma Management Committee at Bayer HealthCare, Germany; 2007 to 2008 Head of Bayer Schering Pharma Europe/Canada and member of the Executive Committee. Integration of Bayer and Schering in the region at Bayer HealthCare, Germany; 2009 to today consulting projects for small and mid-size healthcare companies

Other activities:
Catalent Inc.[1], Member of the Board

DR. KAREN HÜBSCHER

Chair of the Audit Committee

Since 2012, elected until 2023
1963
Swiss and British citizen
MBA, IMD Lausanne; Ph.D. Natural sciences, ETH Zurich and Master's degree, Animal Sciences, ETH Zurich

Professional background:
1995 to 2000 various positions with increasing responsibility in Research and Finance at CIBA Geigy and Novartis; 2000 to 2006 Novartis, Global Head Investor Relations; 2006 to 2009 Member of the Global Executive Committee and Global Innovation Board, Novartis Vaccines & Diagnostics with headquarters in the U.S., in charge of Business Development/Mergers and Acquisitions; 2009 to 2011 Member of the European Commercial Operations Leadership Team and Site Head Novartis Vaccines & Diagnostics, Basel. Head Public Health and Market Access Europe (Marketing & Sales). Board Member European Vaccines Manufacturers' association in Brussels; since 2012 Founder and Managing Director of Fibula Medical AG; 2013 Member of the Board Solvias Group, 2014 - 12/2021 CEO Solvias Group2, Headquarter in Kaiseraugst, Switzerland

Financial Expertise:
CEO of Solvias Group[2]; Head Investor Relations Group, Novartis from 2000 to 2006, reporting directly to CFO and Head of Treasury, Member of the Disclosure Committee Novartis, Head Mergers and Acquisitions, Division Vaccines & Diagnostics, Novartis

Other activities:
BBI Group[2], Member of the Board
Nonprofit organizations: SMG (Swiss Management Association)[2], Member of the Board; IMD Foundation[2], Member of the Board

[1] Public company
[2] Private company

DR. DANIEL R. MARSHAK

Since 2018, elected until 2023
1957
US citizen
Ph.D in Biochemistry and Cell Biology, The Rockefeller University, New York, USA; Bachelor in Biochemical Sciences, Harvard University, Cambridge, USA

Professional background:
1984 to 1986 Staff Fellow, National Institutes of Health, USA; 1986 to 1995 Sr. Staff Investigator, Cold Spring Harbor Laboratory, USA; 1994 to 2000 Sr. Vice President and Chief Scientific Officer, Osiris Therapeutics, Inc.; 2000 to 2006 Vice President and Chief Technology Officer, Biotechnology and Vice President Research and Development, Biosciences, Cambrex Corporation, USA; 2006 to 2014 his last role Senior Vice President and Chief Scientific Officer, additional positions: President, Emerging Diagnostics, Waltham, USA and Shanghai, China; President, Greater China, Shanghai, China; PerkinElmer, Inc., USA; 2014 to present Consultancy for various companies in the Life Sciences, Bio-Pharmaceutical, and Diagnostics industry. Consultant to RADx program of US Government DHHS/NIH/NIBIB for COVID-19 diagnostics.

Other activities:
RareCyte, Inc.[2], Member of the Board of Directors; InVivo Therapeutics Corp[1], Member of the Board of Directors; Elevian Inc.[2], Member of the Board of Directors.

DR. OLIVER FETZER

Since 2011, elected until 2023
1964
US citizen
MBA, Carnegie Mellon University, Pittsburgh, USA, Ph.D. Pharmaceutical Sciences, Medical University of South Carolina, USA

Professional background:
1993 to 2002 The Boston Consulting Group, USA, between 2000 and 2002 Managing Director and Partner; 2002 to 2007 Cubist Pharmaceuticals USA, various management positions, including Senior Vice President, Corporate Development and Research and Development; 2007 to 2008 Sabbatical; 2009 to 2014 President and Chief Executive Officer, member of the Board of Directors of Cerulean Pharma Inc., USA; since 2014 CEO and member of the board Viridos

Financial Expertise:
More than ten years of experience as CEO, including taking company public. MS in Industrial Administration (MBA) from Carnegie Mellon. 9 years at the Boston Consulting Group including Partner and Managing Director. Former public company board member at NASDAQ listed companies Arena Pharmaceuticals, Auxilium Pharmaceuticals, and Cerulean Pharmaceuticals.

Other activities:
Viridos[2], member of the Board

MYRA ESKES

Since 2022, elected until 2023
1971
Dutch citizen
Master Degree in Macro Economics, University of Groningen, Groningen, The Netherlands

Professional background:
1995 to 2005 various management positions at General Electric Company, The Netherlands & USA including General Manager Diagnostic Imaging Equipment Manufacturing; 2005 to 2008 Vice President Business Operations, Universal Pictures International Entertainment, UK; 2009 to 2019 various management positions at General Electric Company, Singapore & Turkey including President and CEO Southeast Asia, Korea, Australia and New Zealand; 2019 to present President Asia Pacific, Smith & Nephew Plc, Singapore

Other activities:
None

[1] Public company
[2] Private company

COMMITTEES

The Board of Directors has appointed committees composed of members of the Board to prepare and implement its resolutions and to exercise its supervisory function. The Committees are assigned with specific duties and responsibilities. All other duties and responsibilities remain with the full Board of Directors, for instance the review of the Company's ESG approach, activities and risks and Cyber Security risks. The committees meet upon invitation of the respective chair and as often as business requires, but at least twice a year. Committee resolutions and proposals for consideration by the entire Board of Directors are passed by a majority of votes cast, provided that there is a quorum of at least two committee members present. Resolutions may also be passed by postal vote. For specific topics (for example in connection with M&A discussions) the Board of Directors forms ad-hoc committees. Several conference calls of ad-hoc committees were held in the year under review. The Board of Directors has established three committees that are composed as follows:

	Audit Committee	Compensation Committee	Nomination and Governance Committee
Dr. Lukas Braunschweiler			Chair
Heinrich Fischer	Member		Member
Dr. Oliver Fetzer	Member	Member	
Dr. Karen Hübscher	Chair		Member
Dr. Christa Kreuzburg		Chair	Member
Daniel R. Marshak		Member	
Myra Eskes		Member	

AUDIT COMMITTEE

The Audit Committee is composed of at least two members. The Committee's principal duties and responsibilities are to form an opinion regarding internal and external audits and to monitor cooperation between the external statutory auditors and the Company; to assess the quality of internal audits and compliance; to review the annual financial statements (both consolidated and single-entity) and interim financial statements destined for publication and report on them to the full Board of Directors; to make recommendations to the full Board of Directors, especially with regard to the approval of annual and interim financial statements; and to monitor the independence, performance and fees of the statutory auditors and propose that they be appointed or reappointed by vote of the Annual General Meeting. This Commitee is also charged with monitoring the risk management of the Company. Representatives of the external statutory auditors and the internal auditor may attend meetings of this Committee at the invitation of the Chair. The experience in financial matters of members of the Audit Committee are set out on pages 80 and 81.

COMPENSATION COMMITTEE

The majority of members of the Compensation Committee must be non-executive and independent members of the Board of Directors. The role and responsibilities of the Compensation Committee are described in the Compensation Report on page 90 to 104.

NOMINATION AND GOVERNANCE COMMITTEE

The majority of members of the Nomination and Governance Committee must be independent and non-executive members of the Board of Directors. The Committee consists of three members. It is chaired by the Chair of the Board. The most important duties of this Committee include performance review and succession planning at the level of the Board of Directors and the Management Board; defining the selection criteria for members of the Board of Directors and the Management Board; and regularly reviewing the performance of the Board of Directors, its committees and its individual members based on a set of overall competencies of the Board required for the Company. This Committee is also charged with monitoring risk management and corporate governance.

INFORMATION AND CONTROL INSTRUMENTS

The members of the Management Board are actively involved in the various committees of the Board of Directors. The CEO, CFO, the General Counsel and the internal auditors and sometimes the external statutory auditors attend the meetings of the Audit Committee, for example. In addition, members of the Management Board meet with individual Board members on an ad-hoc basis to discuss and delve more deeply into specific topics. Through these meetings, critical concerns could be raised. No critical concerns impacting stakeholders were raised in 2022.

The Board of Directors receives monthly reports from the Group's management information system so that it can monitor financial and operational performance. All relevant guidelines are presented to the Board of Directors or the appropriate committees for approval to ensure shared responsibility for all major decisions.

Internal Audit: Since the internal auditors report to the Audit Committee, their independence is assured. All companies are audited every three years on the basis of a risk analysis. The annual audit plan consists of audits of all major companies and is approved by the Audit Committee. A summary of significant findings and recommendations is submitted directly to the Audit Committee with copies to the CEO, the CFO and the General Counsel. The reports are also made available to the external statutory auditors. During the year under review, Internal Audit focused its efforts on strengthening the internal control system for financial reporting and compliance. Other areas audited include compliance with laws and standards; the compliance, efficiency and effectiveness of business processes; improved cyber security measures; and the implementation of recommendations made by the internal auditors. Additional information on risk management is given in Note 30 to the consolidated financial statements.

4 MANAGEMENT

MANAGEMENT CONTRACTS AND RULES REGARDING OUTSIDE MANDATES

No agreements between the Company and third parties that are not part of the Tecan Group were entered into or renewed in the year under review for the purpose of delegating management responsibilities.

According to the Articles of Incorporation, the permitted number of other mandates of the members of the Management Board in the highest executive management or bodies of legal entities outside of the Company's group is limited to two mandates in listed and four mandates in non-listed companies, foundations and other legal entities that are registered in the commercial register. Mandates in different legal entities of the same group (including in joint ventures directly or indirectly owned by such a group or the Company that are not consolidated) are counted as one mandate per group, but may not exceed the number of 20 additional mandates if counted separately. Short-term transgressions of these maximum numbers by a maximum of two mandates per category are permitted during a maximum period of six months. Mandates held by members of the Management Board by order of the Company shall not be subject to the limitations set out above.

Management Board

1 | DR. ACHIM VON LEOPRECHTING

Chief Executive Officer (CEO)

Member since 2013
Joining Tecan in 2013
1968
German citizen
PhD in Biology (University of Freiburg, Germany)

Professional background:
1999 to 2002 Different positions in product management at Packard Bioscience, today part of PerkinElmer; 2002 to 2013 Several management positions and professional positions at PerkinElmer Inc. (NYSE: PKI), including Vice President and General Manager In Vitro Solutions

Other activities:
Analytical, Life Science and Diagnostics Association (ALDA), Member of the Board

2 I TANIA MICKI

Chief Financial Officer (CFO)

Member since 2020
Joining Tecan in 2020
1971
French and Swiss citizen
MBA General Management (INSEAD, Fontainebleau, France), graduated ESCP (École Supérieure de Commerce de Paris) in Paris, France with major Finance/Audit/Accounting, BA in Russian (University Paris Nanterre, France)

Professional background:
1996 to 2006 various financial positions at General Mills; 2006 to 2009 Vice President Finance, Planning and Analysis Europe, Gate Group; 2009 to 2010 Seed Supply Finance Lead EMEA, Monsanto; 2010 to 2020 variety of positions at Sulzer AG, most recently as Chief Risk Officer and Group Internal Audit Head, other positions included CFO Global Markets in a group-wide function

Other activities:
EHL Holding SA, member of the Board of Directors and the Board of Trustees of the EHL Foundation

3 I RALF GRIEBEL

**Executive Vice President
Head of the Partnering Business division**

Member since 2020
Joining Tecan in 2020
1972
German citizen
Graduate Engineer in Electrical Engineering and Computer Engineering (TH Mittelhessen University of Applied Sciences, Friedberg, Germany)

Professional background:
1994 to 1996 R&D Engineer, AT&T Istel; 1997 to 2002 different positions in Applications and Business Development at Packard Bioscience, today part of PerkinElmer; 2002 to 2003 Technology Manager Europe, PerkinElmer LifeSciences in Cambridge (UK); 2003 to 2006 Technology Manager Integrated Solutions – Germany, Austria, Switzerland, PerkinElmer Life and Analytical Sciences; 2006 to 2013 Strategic Program Manager, STRATEC Biomedical AG; 2013 to 2014 Vice President Partnering Business, STRATEC Biomedical AG; 2014 to 2016 Senior Vice President Partnering Business, STRATEC SE; 2016 to 2020 Senior Vice President Partnering Business, STRATEC SE and Managing Director, Diatron MI

Other activities:
None

4 I ULRICH KANTER

**Executive Vice President
Global Head of Operations & IT**

Member since 2014
Joining Tecan in 2014
1963
German citizen
Mechanical Engineer (Berufsakademie Mannheim, Germany) and Diploma in Business Administration (Verwaltungs- und Wirtschaftsakademie at the J.W. Goethe University Frankfurt, Germany)

Professional background:
1995 to 2000 Vice President, Operations and Global Supply Chain Manager at AVL Medizintechnik (acquired by Roche Diagnostics in 2000); 2000 to 2014 diverse positions with increasing management responsibility at Roche Diagnostics, most recently as General Manager and Head of Research & Development in Graz, Austria

Other activities:
Toolpoint for Lab Science, member of the Board

5 I DR. KLAUS LUN

**Executive Vice President
Head of the Life Sciences Business division**

Member since 2013
Joining Tecan in 2013
1972
Italian citizen
M.Sc. Biology (University of Tübingen, Germany), Dr. rer. nat. in Neurobiology (equiv. Ph.D., University of Heidelberg, Germany), MBA (University of Mannheim, Germany)

Professional background:
2002 to 2007 Variety of positions at the Lonza Group, most recently as a Senior Project Manager; 2007 to 2011 Director Business Development at Danaher Group (Leica Microsystems); 2011 to 2013 Several management positions at Molecular Devices Inc. (Danaher Group), most recently as Vice President Drug Discovery and Bioresearch und Vice President Global Product Marketing; 2013 to 2017 Executive Vice President, Head of Corporate Development, Tecan Group

Other activities:
None

6 I ERIK NORSTRÖM

Executive Vice President
Head of Corporate Development

Member since 2017
Joining Tecan in 2017
1973
Swedish and Swiss citizen
M.Sc. in Chemical Engineering (Chalmers University of Technology, Göteborg, Sweden) B.Sc. in Business Administration (Göteborg University of Economics and Commercial Law, Sweden)

Professional background:
2001 to 2008 Corporate Development Director at F. Hoffmann-La Roche AG, Basel; 2008 to 2012 Head of M&A and alliances at Nobel Biocare AG, Zürich; 2012 to 2015 Head of Corporate Development and M&A Member of the Corporate Leadership Team at Nobel Biocare AG, Zürich; 2015 to 2017 Corporate Vice President strategic development and M&A Member of the Corporate Leadership team at Chr. Hansen a/s, Copenhagen, Denmark

Other activities:
Labforward GmbH, member of the Board

7 I INGRID PÜRGSTALLER

Chief People Officer (CPO)

Member since 2020
Joining Tecan in 2011
1980
Italian citizen
Master Graduate in Psychology (University of Salzburg, Austria). Executive Master's Degree in Human Resources Development (Scuola Romana di Psicologia del Lavoro, Rome

Professional background:
2006 to 2008 Staff of the Italian Parliament, Italy; 2008 to 2010 HR Recruiting and Training at Merck Serono; 2010 – 2011 Consultant at Manres AG; 2011 – 2020 Various human resources positions at Tecan; since 2019 responsible for worldwide talent management

Other activities:
None

8 I ANDREAS WILHELM

Executive Vice President
General Counsel and Secretary of the Board of Directors of Tecan Group Ltd.

Member since 2012
Joining Tecan in 2004
1969
Swiss citizen
Studies of law (University Berne, Switzerland), Master of Law Program (Boston University, USA), Admitted to the Swiss Bar

Professional background:
1993 Judicial Clerk at District Court of Nidau; 1994 to 1995 Legal Internship at Notter & Partner in Berne; 1996 to 1999 Attorney-at-law at Grüninger Hunziker Roth Rechtsanwälte in Berne; 2000 to 2004 Attorney-at-law at Bär & Karrer in Zurich; since 2004 Head Legal Affairs and Secretary of the Board of Directors of Tecan Group Ltd.

Other activities:
None

9 I DR. WAEL YARED

Executive Vice President
Chief Technology Officer (CTO)
Head Research and Development

Member since 2019
Joining Tecan in 2019
1962
US citizen
PhD in Robotics (Massachusetts Institute of Technology), Cambridge, MA, USA

Professional background:
1995 to 2002 Different positions at Arthur D. Little, Inc. and Cambridge Strategic Management Group; 2003 to 2010 Vice President, Research & Development at VisEn Medical, Inc., today part of PerkinElmer; 2010 to 2016 Vice President, Research & Development at PerkinElmer Life Sciences & Technology; 2016 to 2018 Chief Technology Officer & Vice President, Corporate Development at BioAnalytix, Inc.

Other activities:
None

5 CONTENT AND METHOD OF DETERMINING COMPENSATION AND STOCK OPTION PLANS

Pursuant to the Articles of Incorporation, each year the Compensation Report for the completed business year is submitted to the Annual General Meeting for a non-binding consultative vote. The process for the prospective approval of the compensation of the Board of Directors and of the Management Board as well as the statutory additional amount for further members of the Management Board are described in the Compensation Report.

Pursuant to the Articles of Incorporation, any loans, credits or securities granted to a member of the Board of Directors or the Management Board may not exceed an amount corresponding to 50% of such member's base salary. No such loans, credits or securities were outstanding at the end of 2021.

The Articles of Incorporation are available for consultation at www.tecan.com/tecan-corporate-policies. The provisions of the Articles of Incorporation regarding the compensation policy (article 18, sections 3, 4, 6 and 7) read as follows:

- For work performed in the interest of the Company, the members of the Board of Directors shall receive, in addition to reimbursements of costs and expenses, a compensation, the maximum amount of which must be approved by the Annual General Meeting. The compensation of the members of the Board of Directors may consist of an annual compensation and further non-performance-related compensation (such as remunerations for the membership in committees or the performance of special tasks or assignments) plus the employer's social security contributions and contributions to pension plans. The compensation may be paid in cash and partly in shares in the Company.
- For work performed in the interest of the Company, the members of the Management Board shall receive, in addition to reimbursements of costs and expenses, a compensation, the maximum amount of which must be approved by the Annual General Meeting. The compensation of the members of the Management Board may consist of (a) an annual base salary and further non-performance-related compensation plus the employer's social security contributions and contributions to pension plans, (b) performance-related cash compensation, and (c) compensation under the long-term participation plan, each plus the employer's social security contributions and contributions to pension plans, if applicable.
- The variable cash compensation shall be determined on the basis of financial targets of the Company's group and (quantitative and qualitative) personal targets (hereinafter referred to as "performance-related cash compensation"). The targets shall be defined by the Board of Directors at the beginning of each year upon motion of the Compensation Committee. The performance-related cash compensation of the CEO may not exceed 150% of the base salary and the performance-related cash compensation of the other members of the Management Board may not exceed 100% of the base salary. The performance-related cash compensation is generally paid out in cash but may also be paid in the form of shares or other types of benefits.
- Within the scope of the long-term participation plan, the compensation of the members of the Management Board shall be determined on the basis of the Company's strategic and/or financial targets, which shall be measured over a period of at least three years. The targets shall be defined by the Board of Directors upon motion of the Compensation Committee. In addition, the members of the Management Board may be allowed to participate in the long-term participation plan on a voluntary basis. The compensation may be paid in the form of shares, entitlements to additional shares (matching shares), options, cash or other types of benefit as determined by the Board of Directors upon motion of the Compensation Committee. The Board of Directors upon motion of the Compensation Committee shall determine the conditions that apply to grants, vesting and blocking periods as well as the circumstances triggering accelerated vesting or deblocking or forfeiture of any grants (e.g. in the event of death, invalidity, change of control, termination of employment contract). The Board of Directors upon motion of the Compensation Committee shall determine the maximum amount of compensation under the long-term participation plan in the compensation and participation plans or regulations.

The provisions of the Articles of Incorporation on pensions read as follows (article 20):

- The Company may establish one or more independent pension funds for occupational pension plans or may join existing pension funds. Contributions by the employer to such pension funds, as opposed to the regulated benefits paid by such pension funds, are a component of the compensation. Pension benefits directly accrued or paid by the employer due to country-specific regulations for occupational benefits shall be treated the same way as contributions to and benefits by pension funds. Under special circumstances, the Company may make payments for social security purposes outside the statutory social security system, including payments by the Company to the pension fund to finance a transitional pension in the event of early retirement. The value of such payments per member of the Management Board may not exceed the total amount of the last annual compensation paid to this very member. The value of the pension is determined in accordance with generally recognized actuarial rules.

The Compensation Report contains information on the structure of compensation and stock option plans as well as on actual compensation in 2022 and motions proposed to the Annual General Meeting that relate to the prospective approval of compensation of the Board of Directors and Management Board.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

Each share entitles the bearer to one vote. Shareholders may only be represented at the Annual General Meeting by their legal representative, another shareholder with voting rights or the independent proxy. Proxy representation requires a written power of attorney that is only valid for the meeting for which it is issued. Article 13 paragraph 2 of the Company's Articles of Incorporation stipulates the matters for which a majority greater than that prescribed by law is required in order to pass a shareholders' resolution, namely a qualified majority of at least two-thirds of the votes represented and an absolute majority of the nominal stock value represented.

The types of transaction covered by this provision are as follows:

- The conversion of registered shares into bearer shares;
- The cancellation or modification of transferability restrictions (article 5 of the Articles of Incorporation);
- The dissolution and liquidation of the Company and the removal of article 13 paragraph 2 itself from the Articles of Incorporation, and the elimination or modification of the quorum specified in this provision.

Shareholders who together hold shares of at least 1% of the share capital may request in writing no later than 56 days prior to a General Meeting that a specific item be included on the agenda. Shareholders who together represent at least 10% of the share capital may request that a General Meeting be convened. Shareholders registered as having voting rights are informed by mail of the convening of a General Meeting at least 20 days prior to the meeting. The notice is also published in the Swiss Official Gazette of Commerce. As a rule, the share register is closed for new entries from around ten days before the day of the General Meeting until the day of the General Meeting. In connection with the implementation of the requirements of the Ordinance Against Excessive Compensation in Listed Companies, the responsibilities of the General Meeting were expanded in the Articles of Incorporation to include the responsibilities relating to the compensation of the Board of Directors and the Management Board.

7 CHANGE OF CONTROL AND DEFENSE MEASURES

The Company's Articles of Incorporation do not contain any rules on opting-out or opting-up in order to cancel or restrict the obligation to submit an offer pursuant to the Federal Act on Stock Exchanges and Securities Trading. One-third of the options issued in conjunction with ESOP (for details see consolidated financial statements, Note 10.4 "Share-Based Payment") vest each year (vesting period). During this vesting period, these options generally cannot be exercised. When there is a change of control (and the related change of the employment relationship), these options vest immediately and may be exercised immediately (accelerated vesting period). In the event of a change of control (and the related change of the employment relationship), the three-year blocking period for the shares allotted under PSMP will be lifted and the matching shares will be allocated before the usual time (see "Employee participation plans" in the Compensation Report). There are otherwise no change-of-control clauses included in agreements or compensation plans that benefit members of the Board of Directors, the Company's Management Board, or the Tecan Group.

8 STATUTORY AUDITORS

Date on which Ernst & Young AG (EY) took over the existing auditing mandate	April 13, 2016
Year in which the lead auditor took up his position	2018

FEES PAID

CHF 1,000	2021	2022
Total auditing fees of the Group auditor	948	1,182
Total tax and legal consulting fees of the Group auditor	70	34
Total other consulting fees of the Group auditor	30	-

The auditors are appointed by vote of the Annual General Meeting of Shareholders for a one-year term. The external audit is reviewed by the Audit Committee. The auditors attend the meetings of the Audit Committee at which the annual and semi-annual financial statements are discussed and preparations are made for approval by the Board of Directors. The auditors report on the audit focus and summarize the audit findings. The auditors submit recommendations regarding the scope of the audit and its focus for the upcoming audit period. At year's end, the Audit Committee reviews the performance of the auditors as well as the audit costs and submits a proposal to the Board of Directors regarding reappointment of the auditors. As a rule, the Company issues a new request for audit proposals every four years. The lead auditor must be changed every seven years.

9 INFORMATION POLICY

Tecan informs shareholders and the financial community on a continuous basis about significant developments in the Company. To do so, Tecan regularly publishes press releases, interim and annual reports, and information provided on the Company's website (www.tecan.com). In addition, the Company gives regular presentations to institutional investors at its headquarters and at several conferences and holds numerous individual and group meetings every year with members of the international financial community. Individual company publications are also available in printed form on request. They can also be downloaded from the Tecan website.

10 BLACKOUT PERIODS

The Insider Trading Policy of the Company defines two ordinary close periods (blackout periods). They begin on the close of trading on December 20 (as regard the full year results) and/or on June 20 (as regard the half year results) of each year and end at the opening of the SIX Swiss Exchange on the third trading day after Tecan's financial results for the full year and/or the half year have been released to the press. Tecan's CEO and CFO jointly shall declare extraordinary Closed Periods where appropriate. This rule applies certain defined functions and individuals who are potentially exposed to critical information. This group includes but is not limited to the members of the Management Board and of the Board of Directors.

IMPORTANT DATES FOR INVESTORS

Date	Location	Event
March 14, 2023	Conference Call/ Webcast	Full Year Results 2022, Press Briefing on Annual Results and Analysts
April 18, 2023	Pfäffikon, SZ	Annual General Meeting
August 15, 2023	Conference Call/ Webcast	Half Year Results 2023

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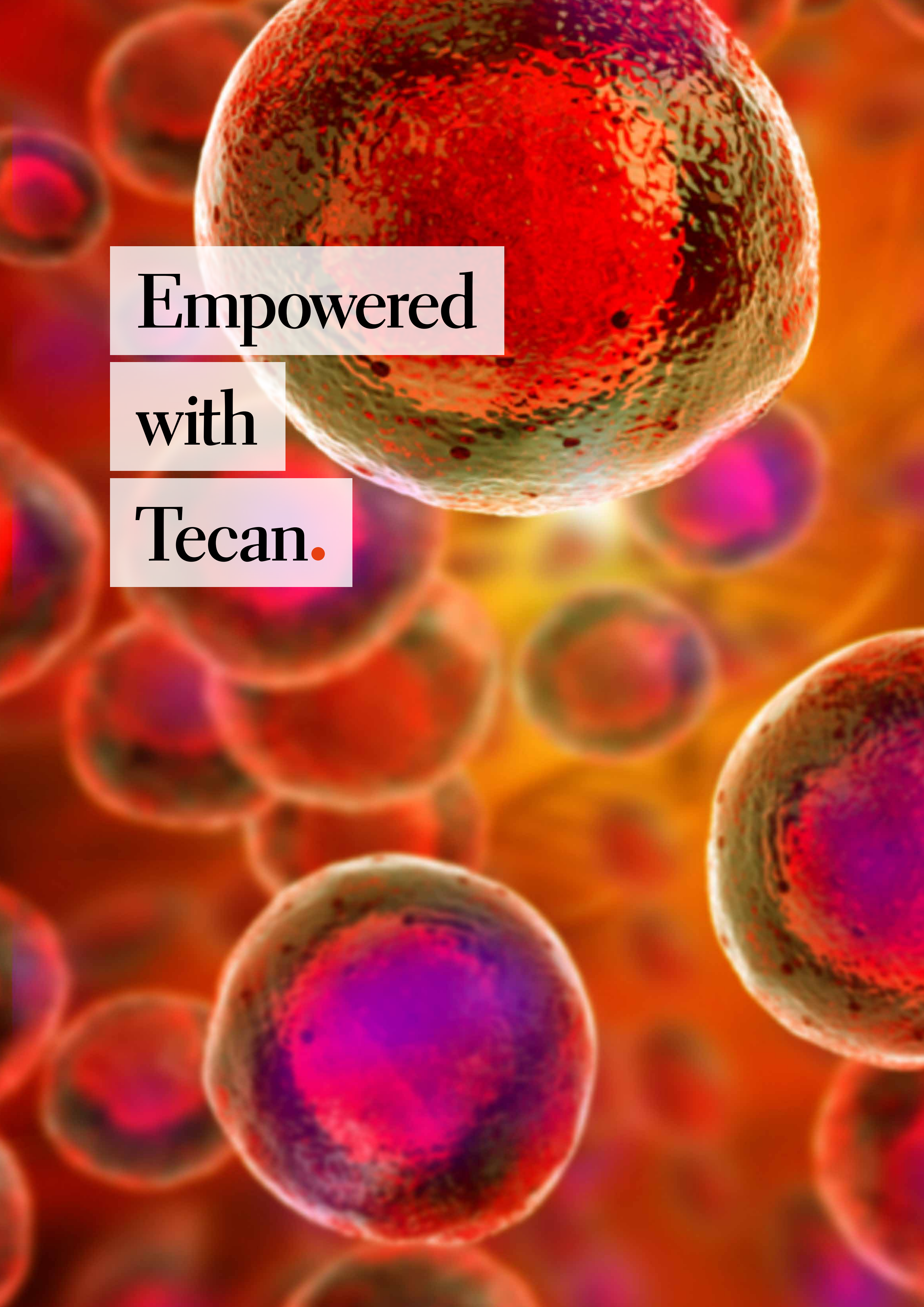
Empowered
with
Tecan.

Compensation Report

Our goal is to be the employer of choice in our industry in order to retain and attract the best talent in the market. This is a prerequisite for also continuously creating sustainable value for our shareholders. The demand for qualified personnel on the labor market is very high in this respect and competition for talent has intensified further and must therefore remain in focus to support Tecan's future growth globally.

As an attractive employer, we must offer competitive compensation with the right performance incentives. We have created an effective basis in recent years, but we want to continuously improve our compensation system. To this end, in the reporting year we also directly involved our employees. In digital focus groups evaluating our compensation concept, we received direct feedback from our employees on general compensation issues and potential additional benefits. We will now incorporate these insights into our continuous benchmarking.

However, a key factor in retaining and attracting the best talent is our corporate purpose: Scaling Healthcare Innovation to improve People's Lives and Health. We are an important enabler for healthcare. Our contribution to scale testing for Sars-Cov-2 during the pandemic as well as our contributions to the fields of oncology, metabolic disorders, other infectious diseases and many more, illustrate our purpose statement tangibly to all colleagues working at Tecan. Being able to contribute to the well-being of others is important to many people. At Tecan, we make this possible. We also place a high value on our corporate culture, which is guided by the corporate values of trust, highest standards, and ambition, together with the leadership principles of courage, curiosity, and respect in combination with brutal honesty. In 2022, we again focused on developing our corporate culture and our leaders with various activities:

We introduced our new employer branding concept to create greater brand awareness in the labor market relevant to us and attract the best talent.

We invested in leadership development to enhance our leadership capabilities, and we continued to work on our Great Place to Work initiatives to continue the positive evolution of our work culture based on direct employee feedback.

The encouraging results of an internal pulse survey on the impact of our cultural activities confirmed that we are making continuous progress to be the employer of choice.

This Compensation Report describes Tecan's compensation principles and system. It provides information about the method of determining compensation and discloses the compensation awarded during 2022 to the members of the Board of Directors and the Management Board. It complies with the Ordinance against Excessive Compensation in Listed Stock Companies (OeEC), the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss national federation economiesuisse.

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MESSAGE FROM THE CHAIR OF THE COMPENSATION COMMITTEE

DR. CHRISTA KREUZBURG

Chair of the Compensation Committee

DEAR SHAREHOLDERS

I am pleased to present Tecan's Compensation Report for the financial year 2022.

With this report, we would like to give you an insight into our compensation principles and our compensation system. With both, we aim to achieve our goal of being the employer of choice in our industry and to attract and retain the best talent. Our compensation system is designed to encourage excellence, combined with exemplary behavior in line with our values: trust, highest standards, and ambition. Our compensation principles and system are designed to reward outstanding performance in line with the interests of our shareholders.

In 2022, global macroeconomic challenges once again set the context. A higher inflation rate than experienced for decades, an unstable supply chain and material shortages made 2022 another exceptionally challenging year for Tecan and for the wider world. After 2020 and 2021, when Tecan focused on contributing to the fight against Covid-19, the company had to deal with these heightened aspects of uncertainty and complexity in 2022. The labor market also intensified due to a persistently high demand for talent. Tecan has therefore made targeted investments and defined global as well as local activities to invest in its existing workforce, and to gain better brand awareness among potential future employees. The goal is to increase Tecan´s visibility both within and outside of our direct industry to attract the best talent globally. I am proud that the team continues to successfully navigate through this challenging environment. In addition to managing the external spheres of influence, we have made significant progress in integrating Paramit Corporation, which we acquired in 2021. We invested significant time and resources to build bridges between the two companies, to learn from each other and create a common Tecan culture. The initiatives have been very productive, collaborative, open and transparent and have led to a shared understanding of who we are as Tecan, as well as a valuable understanding of how great the opportunities are for the newly formed group of companies and for the workforce.

This is now the third year of exceptional efforts due to Covid. "Working together" is our strength and drives the commitment and dedication of everyone at Tecan to improve people's lives and health. The pulse survey we conducted among our entire workforce in the fourth quarter of 2022 reassured us that we are in good shape and on the right track to continue guiding the commitment and passion of all our employees to meet our goal.

Despite the macroeconomic challenges and a demanding labor market, we were able to grow our revenue organically by 2.2% in local currencies. As a result, we recorded an adjusted EBITDA margin of 20.1% of sales for Tecan. This report explains how the company results drove the compensation awarded to members of the Management Board under the incentive plans.

We continued our path with a harmonized short-term incentive plan with a standard set of group-wide strategic targets for all our senior management. This incentive plan has proven to be a great vehicle to foster collaboration and to incentivize high performance across the entire company while creating a healthy and open work culture.

The Compensation Committee performed its regular activities during 2022. It included performance goal setting at the beginning of the year, the corresponding performance assessment of the Management Board at year end, the determination of the compensation for the members of the Management Board and for the Board of Directors, as well as the preparation of the Compensation Report and the "say-on-pay" vote for the Annual General Meeting of Shareholders (Annual General Meeting).

We are committed to sharing detailed information regarding the compensation system and the compensation awarded to the Board of Directors and the Management Board. Specifically, we provide details regarding:

- Governance: compensation decisions, including the role of shareholders, the Compensation Committee, and external advisors
- Compensation model of the Board of Directors: the split between the fixed basic fee and the committee fees
- Compensation model of the Management Board: a description of the incentive plan performance criteria, their weights, and a performance assessment at the end of the respective performance period
- Compensation table of the Management Board: including the compensation granted (and the compensation realized) in the reporting year

This Compensation Report will be submitted to an advisory vote at the upcoming Annual General Meeting. Shareholders will also be asked to vote on the maximum aggregate amount of compensation for the Board of Directors for the term of office from the 2023 Annual General Meeting until the 2024 Annual General Meeting, and on the maximum aggregate amount of compensation for the Management Board for the financial year 2024.

On behalf of the Board of Directors, I would like to thank you for your continued support. We hope that you find this report informative. We are confident that our compensation system rewards performance in a balanced and sustainable manner and is aligned with shareholders' interests.

GOVERNANCE

ARTICLES OF INCORPORATION

As described in the Corporate Governance Report on page 71 of this Annual Report, the Articles of Incorporation of Tecan include the following provisions on compensation:

- tasks and responsibilities of the Compensation Committee (Art. 17)
- compensation principles applicable to the Board of Directors and the Management Board (Art. 18 and 23)
- shareholders' voting modalities on compensation motions at the Annual General Meeting, including the additional amount for members of the Management Board who were nominated after the shareholders' approval of the maximum compensation amount (Art. 18)
- provisions around credits and loans to the Board of Directors and the Management Board (Art. 20)
- maximum permissible number of external mandates for members of the Board of Directors and the Management Board (Art. 21)
- provisions related to contractual agreements with members of the Management Board and the Board of Directors (Art. 22)

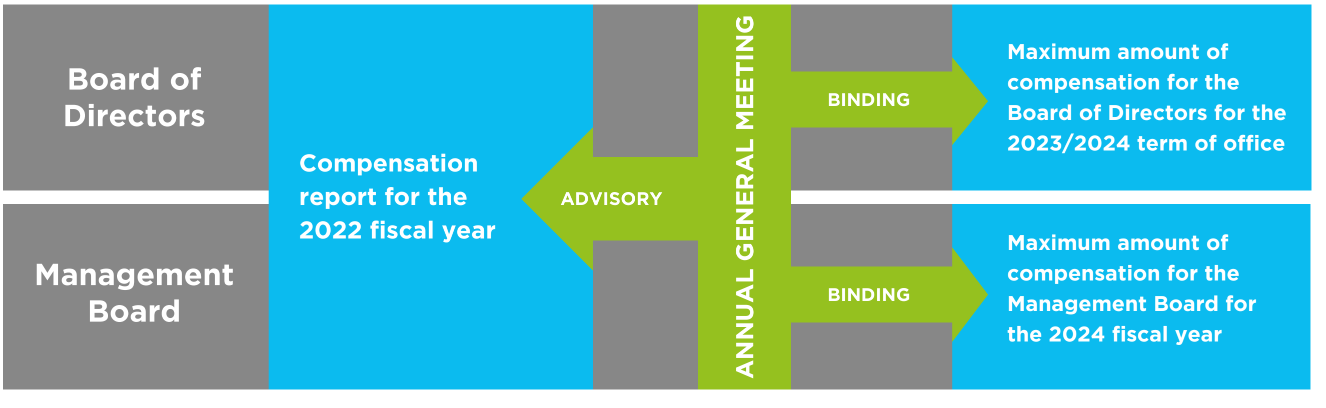
The full Articles of Incorporation are available on the corporate website: www.tecan.com/tecan-corporate-policies

ROLE OF SHAREHOLDERS ON COMPENSATION

The Ordinance against Excessive Compensation in Listed Companies took effect on January 1, 2014. The compensation and approval mechanism at Tecan was amended accordingly in 2015 and is set out in the Company's Articles of Incorporation.

Each year, the Board of Directors proposes to the shareholders at the Annual General Meeting for their approval the maximum aggregate amount of compensation to the Board of Directors for the period until the next Annual General Meeting and to the Management Board for the following financial year. In addition, the Board of Directors presents the Compensation Report for a retrospective, advisory shareholder vote. The voting mechanism on the compensation motions is shown in illustration [1]. For further details on the compensation votes at the upcoming 2023 Annual General Meeting, please refer to the section "Outlook and Motions on Compensation at the Annual General Meeting".

ILLUSTRATION [1]: COMPENSATION AND APPROVAL MECHANISM



COMPENSATION COMMITTEE

The Compensation Committee supports the Board of Directors and acts as preparatory body in all relevant compensation matters related to the Board of Directors and the Management Board. In accordance with the Articles of Incorporation and the Organizational Regulations of Tecan, the Compensation Committee is composed of at least two members of the Board of Directors who are elected individually by the Annual General Meeting for a period of one year. At the 2022 Annual General Meeting, the shareholders re-elected Dr. Christa Kreuzburg (Chair), Dr. Oliver Fetzer and Dr. Daniel Marshak as members of the Compensation Committee. Myra Eskes was elected to the Compensation Committee as a new and additional member.

The Compensation Committee meets as often as business requires. In the year under review, the Compensation Committee held four meetings in total, which all members attended. The CEO, CFO and Chief People Officer (CPO) may be invited to attend the meetings in an advisory capacity. Invited members of the Management Board do not take part in discussions on agenda items concerning their own performance or compensation. The Chair of the Compensation Committee reports to the Board of Directors regularly on the activities of the Committee. Minutes are kept of the meetings and are available to all members of the Board of Directors.

The Compensation Committee acts in a preparatory capacity and proposes motions to the Board of Directors for approval. The Board of Directors approves the compensation policies for the entire Group as well as the general conditions of employment for members of the Management Board. The Compensation Committee took the decision in 2021 due to high volatility in salary changes and due to Tecan's growth strategy to benchmark every year the compensation of the Management Board. The compensation of the Board of Directors is more stable and will therefore be benchmarked from 2021 onwards only every three years. Both benchmarking exercises are executed with the help of independent external consultants. The Compensation Committee proposes and submits compensation amounts to the Board of Directors for approval. The Board of Directors reviews and approves the performance achievement of the members of the Management Board and the actual variable cash compensation to be paid out. The approval and authority levels of the different bodies on compensation matters are detailed in illustration [2] below.

ILLUSTRATION [2]: DECISION AUTHORITIES IN COMPENSATION MATTERS

	CEO	Compensation Committee	Board of Directors	Annual General Meeting
Group compensation policy and principles		Proposes	Approves	
Maximum aggregate amount of compensation of members of the Board of Directors		Proposes	Reviews	Approves
Individual compensation of members of the Board of Directors		Proposes	Approves	
Maximum aggregate amount of compensation of the Management Board		Proposes	Reviews	Approves
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of other members of the Management Board	Proposes	Approves	Reviews	
CEO compensation		Proposes	Approves	
Individual compensation of other members of the Management Board	Proposes	Reviews	Approves	
Compensation report	Proposes	Reviews	Approves	Advisory vote

BENCHMARKING SUPPORTED BY EXTERNAL CONSULTANTS

Tecan periodically reviews the total compensation for the members of the Management Board and Board of Directors, comparing data from executive compensation surveys and published benchmarks from companies of similar size in terms of market capitalization, revenue, number of employees, geographic reach, etc., and/or which are operating in related industries.

In 2022 an independent external consultant conducted a benchmarking analysis of the compensation of the Management Board. The consultant has no other engagements with Tecan. A demanding labor market, combined with an increased volatility in compensation in the target industry as well as Tecan's growth trajectory, brought the Compensation Committee to the conclusion that from 2021 onwards, an annual benchmarking analysis should be conducted. As in the previous year, taking into account Tecan's global footprint, the evaluation of the compensation levels and structure was compared to a transnational peer group: The peer group[1] consists of listed companies only within life sciences and diagnostics, comprising similar companies found within Tecan's operating markets in Europe and the US. It is focused and homogenous and allows for stability in the peer group in the coming years. At the time of the analysis, Tecan positioned in the lower half of the peer group on market capitalization and employee count and at the mid-point on revenue. This positioning allows Tecan to grow within the peer group as is currently anticipated. The EU/US peer group represented a 67%/33% split. Companies in the peer group operate in the same industry and target similar candidates and therefore compete with Tecan in the recruitment market. As a general outcome and compared to the peer group, the cash compensation paid to individual members of the Management Board was confirmed to be slightly below market practice. If the long-term incentive targets are significantly exceeded, (and only then), the total compensation may increase to levels above the market median. Consistent with earlier benchmarking exercises conducted in the past, the analysis showed that the compensation system at Tecan is more weighted towards the long-term incentive, while short-term compensation is positioned below market levels.

In 2022, consistent with the decision made in 2021, Tecan has not performed a benchmarking analysis of the structure and level of the Board compensation. Therefore, no proposal will be made to adjust the Board compensation for the upcoming period.

COMPENSATION PRINCIPLES

Tecan applies a set of uniform compensation policies, which are systematic, transparent and focused on the long-term perspective.

In line with good corporate governance, the compensation for the Board of Directors is fixed and does not contain any performance-based elements. This strengthens the Board's independence in exercising its supervisory duties towards executive management. The fixed compensation is delivered in cash and in shares to strengthen the alignment with shareholders' interests.

The compensation for the members of the Management Board is based on the following factors: financial performance of the Company, achievement of strategic goals including corporate sustainability goals, position within the Management Board and labor market situation. The ultimate goal of the compensation system is to attract and retain highly qualified and motivated talent, to ensure their long-term loyalty to the Company, incentivize performance and to align their interests with those of Tecan's shareholders. The fixed and variable cash compensation programs are designed to cover the basic requirements, while the long-term incentive plan aligns total compensation with the long-term financial success of the Group and the value creation for shareholders of the Company. A clawback provision is in place, applicable to the initial equity grants under the Performance Share Matching Plan (PSMP) in case of termination on certain grounds.

[1] European Companies: Lonza Group AG, Mettler-Toledo International Inc, Eurofins Scientific SE, Smith & Nephew PLC, Carl Zeiss Meditec AG, Qiagen NV, GN Store Nord A/S, Evotec SE, Elekta AB, LivaNova PLC, Siegfried Holding AG, Bachem Holding AG; US Companies: PerkinElmer Inc, Bio-Techne Corp, Bruker Corp, Sotera Health Co, Neogenomics Inc, Medpace Holdings Inc

COMPENSATION SYSTEM OF THE BOARD OF DIRECTORS

There is no performance-based compensation for Board members and members of the Board of Directors are not insured in the Company pension plan. The fixed compensation consists of a fee for services paid in cash and in Restricted Share Units (RSUs), as well as additional committee fees paid in cash. The cash compensation is paid in two settlements in May and November, while the RSUs are allocated annually at the beginning of the term of office on the basis of the Tecan share's average closing price on the SIX Swiss Exchange during the first four months of the relevant financial year. The RSUs fully vest and are converted into Tecan shares upon completion of the annual term, or pro rata in the event of an early exit.

The Compensation Committee does not see the necessity of proposing adjustments to the compensation levels at the upcoming Annual General Meeting. The compensation of the Board of Directors was approved by the Board of Directors, and at the 2022 Annual General Meeting, as described in illustration [3] below:

ILLUSTRATION [3]:

	Until 2022 Annual General Meeting			Since 2022 Annual General Meeting		
In CHF per year (gross)	Chair of the Board	Vice-chair of the Board	Member of the Board	Chair of the Board	Vice-chair of the Board	Member of the Board
Fixed basic fee (cash)	200,000	90,000	80,000	200,000	90,000	80,000
Fixed basic fee (shares)	100,000	55,000	45,000	100,000	55,000	45,000

	Until 2022 Annual General Meeting		Since 2022 Annual General Meeting	
	Committee Chair	Committee Member	Committee Chair	Committee Member
Audit Committee	30'000	10,000	30,000	10,000
Compensation Committee	30'000	10,000	30,000	10,000
Nomination Committee	30'000	10'000	30,000	10,000

In addition, members of the Board of Directors receive committee fees for ad-hoc committee meeting participation. They receive reimbursement for business travel expenditures incurred, and a travel fee (for members located overseas only).

COMPENSATION SYSTEM OF THE MANAGEMENT BOARD

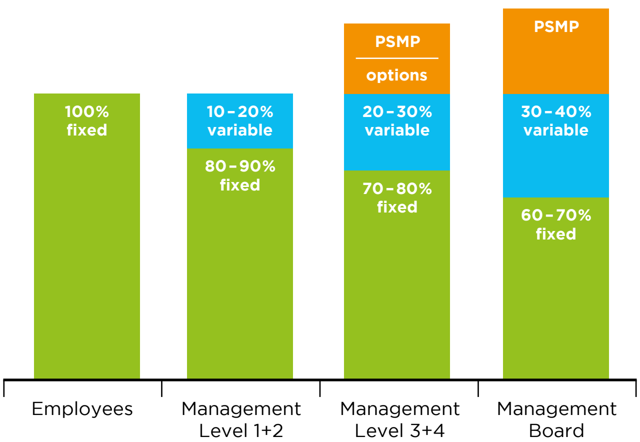
The compensation system for members of the Management Board (including the CEO) did not change compared to the previous year. It is defined in several regulations adopted by the Board of Directors and comprises:

- fixed base salary
- employee benefits, such as pension benefits, company car and expense allowance
- short-term variable cash compensation
- long-term equity incentive award, as a fixed monetary amount which is converted into shares and serves as initial grant for the Performance Share Matching Plan (PSMP)

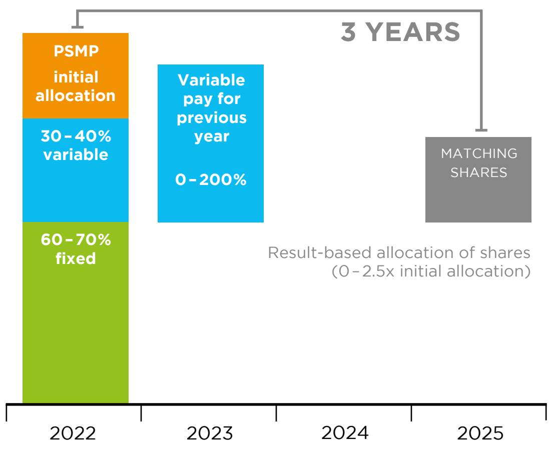
ILLUSTRATION [4]: COMPENSATION OF THE MANAGEMENT BOARD

	Vehicle	Purpose	Plan period	Performance measured
Fixed base salary	Monthly salary in cash	Attract and retain	Continuous	
Benefits	Monthly benefits	Attract and retain	Continuous	
Short-term variable cash compensation	Annual bonus in cash	Reward annual performance	1 year	Sales growth EBITDA margin Strategic corporate Sustainability goals Achievement
Long-term equity incentive award – PSMP	Grant of initial shares and matching shares	Reward long-term performance Align with shareholders' interests	3 year	Sales growth EBITDA margin

STRUCTURE OF THE COMPENSATION SYSTEM



STRUCTURE OF THE COMPENSATION SYSTEM MANAGEMENT BOARD



= cash compensation

For illustrative purposes only. Does not reflect actual data.

The compensation structure is based on a variable pay policy adopted by the Board of Directors, which provides for a total target cash compensation determined individually, consisting of a fixed base salary and a short-term variable cash compensation component. The total target cash compensation (assuming 100% target performance achievement under the short-term variable cash compensation) is weighted as follows:

- CEO: 60% fixed base salary and 40% short-term variable cash compensation
- other members of the Management Board: 70% fixed base salary and 30% short-term variable cash compensation

In addition, members of the Management Board are eligible to an annual grant under the long-term equity incentive plan (PSMP).

The compensation is subject to mandatory employer social security contributions (AHV/ALV). These contributions are paid by Tecan and are disclosed in the compensation report in compliance with Tecan's reporting obligations.

FIXED BASE SALARY AND BENEFITS

The fixed base salary is a component of compensation paid in cash, typically monthly. It reflects the scope and key responsibilities of the role as well as the qualification and skills required to perform the role, along with the employee's skill set and experience.

Fixed base salaries of the Management Board are reviewed annually, taking into consideration the benchmark information, market movement, economic environment, and individual performance.

In addition, the members of the Management Board participate in the pension and insurance plan of Tecan which is also offered to all employees in Switzerland. Benefits consist mainly of contributions to the retirement and insurance plan which is designed to provide a reasonable level of protection for employees and their dependents with respect to the risk of retirement, disability, death, and long-term illness. Members of the Management Board are also provided with a company car and are eligible to an expense allowance in line with the expense regulation, which is approved by the Swiss tax authorities.

The monetary value of that and other elements of compensation is evaluated at fair value and is included in the compensation table in illustration [8].

SHORT-TERM VARIABLE CASH COMPENSATION

The short-term variable cash compensation is an annual variable incentive designed to reward the performance of the Group over a time horizon of one year.

The short-term variable cash compensation target (i.e., at 100% target achievement of the performance objectives) is expressed as a proportion of the total target cash compensation, as explained above, i.e., 40% of the total target cash compensation for the CEO and 30% for the other members of the Management Board.

As mentioned in the message from the Chair of the Compensation Committee, in 2022 Tecan continued to offer all members of the Management Board a harmonized set of performance objectives. Hence, there are no individual performance goals in the short-term variable cash compensation, and it is solely based on Group financial performance objectives and corporate sustainability goals. The ambitious growth and profitability targets are set annually before the beginning of the financial year by the Board of Directors and assessed at the year end. For 2022, the financial performance indicators were the same as in previous years: sales growth and EBITDA margin of the Group. They are equally weighted and account for 80% of the short-term variable cash compensation. The corporate sustainability goals amount to 20% of the short-term variable cash compensation and are defined at Group level based on the strategic sustainability priorities of the Company. For 2022, they were related to social and governance aspects. For social aspects the focus was set on working culture improvements and customer satisfaction. For governance the focus was on responsible sourcing in the supply chain. For each performance objective, the Board of Directors determines a threshold level of performance below which the payout percentage is 0%, a target level of performance corresponding to a 100% payout and a maximum level of performance, above which the payout is capped at 200%. Payout levels between the threshold, the target and the maximum are calculated by linear interpolation.

In addition, the Articles of Incorporation stipulate that the short-term variable cash compensation may not exceed 150% of the fixed salary for the CEO and 100% for the other members of the Management Board.

The respective weightings of the performance objectives are included in illustration [5].

ILLUSTRATION [5]: PERFORMANCE OBJECTIVES FOR THE SHORT-TERM VARIABLE CASH COMPENSATION

2022 objectives	Rationale/driver	Weighting
Sales growth (Group)	To drive the top-line growth of Tecan	40%
EBITDA margin (Group)	To drive the bottom-line profitability of Tecan	40%
Corporate sustainability goals	To drive strategic initiatives that foster the sustainability of Tecan in environment, social and corporate governance	20%
Total		**100%**

LONG-TERM EQUITY INCENTIVE AWARD – PERFORMANCE SHARE MACHTING PLAN (PSMP)

In addition to the cash compensation, the members of the Management Board participate in a long-term equity incentive award, the Performance Share Matching Plan (also referred to as executive restricted stock). The PSMP consists of an initial grant of registered shares and a potential subsequent allocation of matching shares based on the achievement of performance objectives during a three-year plan period.

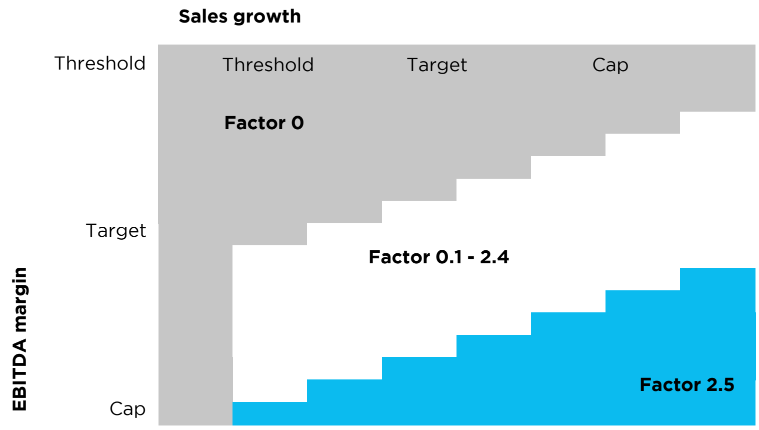
The target amount of the initial grant is expressed as a fixed monetary amount, which is converted into shares based on the Tecan share's average closing price on the SIX Swiss Exchange during the first four months of the relevant financial year. The shares allocated are blocked for three years – starting in the grant year as "year one". For each granted share, members of the Management Board are eligible to receive additional shares ("matching shares") at the end of the three-year measurement cycle if certain performance objectives are reached. This mechanism ensures that the interests of the Management Board are aligned with those of the shareholders, and it also ensures a permanent minimum level of share ownership of the CEO and of each member of the Management Board that is equivalent to the initial grants of three years.

Depending on the performance achievement during the three-year period, members of the Management Board may receive from 0 up to 2.5 matching shares for each share granted in year one. The performance is assessed using a payout matrix based on two performance criteria: sales growth in local currencies and EBITDA margin. The matrix combines the performance of each of the criteria to calculate the payout, thus providing for a balanced focus on both top-line and bottom-line achievements. Every year, Tecan's Board of Directors reviews and approves a rolling five-year mid-term business plan presented by the Management Board, including targets for sales growth in local currencies and EBITDA margin. In the event that the mid-term targets are achieved for the three years covering a specific PSMP, an additional 1.25 matching shares for each initial share will be allocated to members of the Management Board. A payout factor of 2.5 would require an achievement significantly above the defined mid-term targets on the two performance criteria. An achievement level below a certain threshold on any of the criteria results in no additional matching shares. Different combinations of sales growth and EBITDA margin achievements within those ranges lead to payouts between a factor of 0 and a factor of 2.5. The parameter grid is specified each year on a forward-looking basis for the coming three-year period (i.e., financial objectives are pre-determined upfront).

In case of voluntary resignation (other than for retirement), the entitlement to any matching shares is forfeit. The initial shares granted are subject to a regular blocking period. In case of death, invalidity or change of control, the initially granted shares deblock immediately with an allocation of matching shares as soon as possible after such occurrence. In case of a termination for cause of the employment contract by the employer, any entitlement to matching shares is forfeited and any initial grants of each running cycle have to be returned by the employee.

ILLUSTRATION [6]: PERFORMANCE MEASURES FOR THE PERFORMANCE MATCHING SHARES (EXAMPLES)

Performance measures	Sales growth	EBITDA
Driver/rationale	To drive top-line growth of the company	To drive the bottom-line profitability of the company
Weighting	Two-thirds	One-third
Payout matrix (illustrative)		



Payout matrix (actual examples of sales growth and EBITDA margin combination for a payout factor of 0.5)	Sales growth (CAGR)	EBITDA margin
	5.0%	21.25%
	10.0%	19.25%
	15.0%	17.25%
Payout matrix (actual examples of sales growth and EBITDA margin combination for a payout factor of 1.2)	Sales growth (CAGR)	EBITDA margin
	1.5%	22.25%
	6.0%	20.5%
	10.5%	18.75%
Payout matrix (actual examples of sales growth and EBITDA margin combination for a payout factor of 2.5)	Sales growth (CAGR)	EBITDA margin
	3.5%	23.25%
	7.5%	21.5%
	12.0%	19.75%

The above chart illustrates that the design of the PSMP is effective: in line with Tecan's ambitious target-setting, substantial progress needs to be made to reach the maximum payout factor of 2.5 upon expiry of the performance cycle.

EMPLOYMENT CONTRACTS

Members of the Management Board are employed under employment contracts of unlimited duration. The employment contract of the CEO is subject to a notice period of 12 months, while all other employment contracts of members of the Management Board are subject to a notice period of 6 months. Management Board members are not contractually entitled to any severance payments or any change of control provisions other than those under the PSMP termination provisions. Their contracts do not contain non-competition provisions.

COMPENSATION TO THE BOARD OF DIRECTORS (AUDITED)

ILLUSTRATION [7]: ANNUAL COMPENSATION TO THE BOARD OF DIRECTORS IN 2022 AND 2021

CHF 1,000	Year	Fixed fee	Committee fee	Total cash compensation	Social benefits[1]	Share award plan: shares granted (number)[2]	Fair value of shares granted[3]	Total compensation
Dr. Lukas Braunschweiler (Chairman)	**2022**	**200**	**-**	**200**	**16**	**256**	**75**	**291**
	2021	200	8	208	23	237	104	335
Heinrich Fischer (Vice Chairman)	**2022**	**90**	**20**	**110**	**1**	**141**	**41**	**152**
	2021	90	26	116	4	130	57	177
Dr. Oliver S. Fetzer	**2022**	**80**	**30**	**110**	**-**	**115**	**34**	**144**
	2021	80	33	113	-	107	47	160
Myra Eskes	**2022**	**53**	**7**	**60**	**5**	**115**	**34**	**99**
	2021	-	-	-	-	-	-	-
Lars Holmqvist	**2022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2021	27	3	30	-	-	-	30
Dr. Karen Hübscher	**2022**	**80**	**40**	**120**	**12**	**115**	**34**	**166**
	2021	80	37	117	14	107	47	178
Dr. Christa Kreuzburg	**2022**	**80**	**40**	**120**	**12**	**115**	**34**	**166**
	2021	80	42	122	14	107	47	183
Dr. Daniel R. Marshak	**2022**	**80**	**20**	**100**	**-**	**115**	**34**	**134**
	2021	80	26	106	-	107	47	153
Total	**2022**	**663**	**157**	**820**	**46**	**972**	**286**	**1,152**
Total	2021	637	175	812	55	795	349	1,216

[1] Employer's contribution to social security

[2] Vesting condition: Graded vesting from May 1, 2021 to April 30, 2022 (Share Plan BoD 2021) and from May 1, 2022 to April 30, 2023 (Share Plan BoD 2022). Vested shares are transferred at the end of the service period (April 30, 2022 and April 30, 2023, respectively). The shares are fully included in the amount of fair value of shares granted

[3] Formula for 2021: Shares granted in 2021 * fair value at grant (CHF 437.60) and formula for 2022: Shares granted in 2022 * fair value at grant (CHF291.40)

At the 2021 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 1,300,000 for the Board of Directors for the compensation period from the 2021 Annual General Meeting until the 2022 Annual General Meeting. The actual compensation paid to the Board of Directors for 2022 was CHF 1,148,954.

At the 2022 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 1,450,000 for the Board of Directors for the term from the 2022 Annual General Meeting until the 2023 Annual General Meeting. This compensation period is not completed yet and a conclusive assessment will be provided in the 2023 Compensation Report.

COMPENSATION TO THE MANAGEMENT BOARD (AUDITED)

COMPENSATION AT GRANT VALUE

The illustration [8] shows the compensation of the CEO and the other members of the Management Board granted in the reporting year.

ILLUSTRATION [8]: GRANTED COMPENSATION

CHF 1,000 (gross amounts)	Year	Fixed Base Salary	Taxable fringe benefits	Social benefits[1]	Short-term variable compen-sation[2]	Fair value of PSMP initial shares (in the year of grant)[3]	Fair value of PSMP matching shares (in the year of grant)[4]	**Total compen-sation** (granted)	Number of granted / awarded shares: PSMP: number of shares initial grant	PSMP: number of matching shares (at factor 1.25)	PSMP: number of matching shares (at maximum)
Dr. Achim von Leoprechting[5] (CEO, since April 1, 2019)	**2022**	**660**	**13**	**370**	**649**	**496**	**620**	**2,808**	**1,701**	**2,126**	**4,253**
	2021	660	12	351	858	560	700	3,141	1,280	1,600	3,200
Tania Micki[6] (CFO, since Feb. 17, 2020)	**2022**	**384**	**11**	**133**	**243**	**298**	**373**	**1,442**	**1,023**	**1,279**	**2,558**
	2021	363	9	132	304	353	441	1,602	806	1,008	2,015
Other members of the Management Board[7]	**2022**	**2,113**	**64**	**1,123**	**1,336**	**1,532**	**1,916**	**8,084**	**5,258**	**6,573**	**13,145**
	2021	2,048	58	1,162	1,714	2,085	2,606	9,673	4,765	5,957	11,913
Total	**2022**	**3,157**	**88**	**1,626**	**2,228**	**2,326**	**2,909**	**12,334**	**7,982**	**9,978**	**19,956**
	2021	3,071	79	1,645	2,876	2,998	3,747	14,416	6,851	8,565	17,128

[1] Employer's contribution to social security and contributions to post-employment benefit plans (including social security on shares transferred during the reporting period)

[2] Payment will be made in the following year

[3] Formula for 2021: Shares granted in 2021 * fair value at grant (CHF 437.60)

[3] Formula for 2022: Shares granted in 2022 * fair value at grant (CHF 291.40)

[4] Formula for 2021: Shares granted in 2021 * fair value at grant (CHF 437.60) * 1.25. The disclosed amount corresponds to the fair value of the matching shares at the time of grant (e.g. based on performance achievement at target). This value may differ from the value of the accruals disclosed under IFRS reporting, as those are based on a best-estimate at the end of the reporting year

[4] Formula for 2022: Shares granted in 2022 * fair value at grant (CHF 291.40) * 1.25. The disclosed amount corresponds to the fair value of the matching shares at the time of grant (e.g. based on performance achievement at target). This value may differ from the value of the accruals disclosed under IFRS reporting, as those are based on a best-estimate at the end of the reporting year

[5] Member of the Management Board with the highest compensation in 2021 and 2022

[6] Member of the Management Board with the second highest compensation in 2021 and 2022

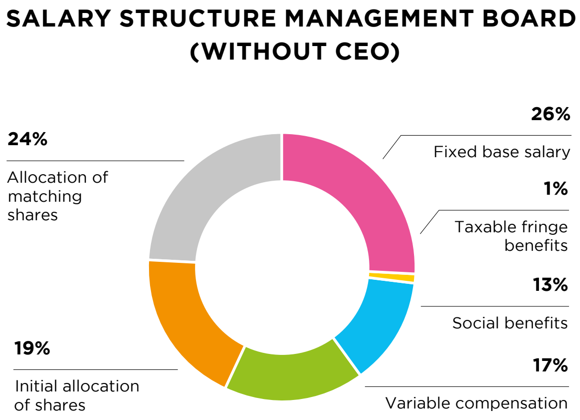
[7] 2021 and 2022: Total seven members

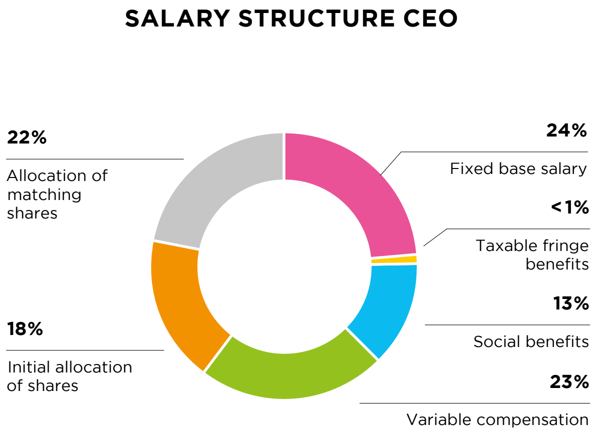
Explanatory comments on the compensation table:

- Details for the achievement of targets for short-term variable cash compensation in 2022 are given below.

At the 2021 Annual General Meeting, shareholders approved a maximum aggregate compensation amount of CHF 18,500,000 for the Management Board for the financial year 2022. The actual compensation awarded to the Management Board in 2022 was CHF 12,332,700 and is therefore within the approved limits.

ILLUSTRATION [9]: COMPENSATION MIX





PERFORMANCE IN 2022

In the year under review, the Group sales growth and EBITDA margin, as well as the corporate sustainability objectives exceeded the pre-set targets. Tecan was able to navigate through complex and challenging external influences in an exceptional way.

Therefore, the performance assessment at year-end resulted in the following: the overall short-term variable cash compensation payout amounted to 147.5% of target for the CEO and all other members of the Management Board. In 2022, important ESG-related milestones were achieved regarding employee and company culture, customer satisfaction as well as a corporate governance target focused on responsible sourcing. The financial performance indicators used to calculate the payout amount were sales growth in local currencies and the EBITDA margin adjusted for acquisition costs. They were equally weighted and accounted for 80% of the short-term variable cash compensation. In 2022, both financial performance indicators were impacted by the contractual pass-through of higher material costs at the subsidiary Paramit. These pure pass-through effects increased reported sales growth but had a negative impact on the EBITDA margin as they do not include a profit margin. As no value was created by purely passing on the higher costs, Tecan excluded the net effect, which was not part of the original budget, from the calculation. Including the full pass-through effect, the payout for the CEO and all other members of the Executive Board would have been 157.7% of target.

In the year under review, the 2020 to 2022 PSMP cycle came to an end. The performance achievement over the performance period resulted in a matching share factor of 2.5. This reflects for the cycle 2020 to 2022 an average growth rate of 22.76% and an average EBITDA margin of 21.04%, therefore significantly outperforming the defined mid-term targets on the two performance criteria. For the year 2022, the impact of the contractual pass-through of higher material costs at the subsidiary Paramit has been treated as described above.

COMPENSATION TO FORMER MEMBERS OF GOVERNING BODIES

No compensation was paid to former members of the Board of Directors or the Management Board in 2022 after the end of their term of office or contract with Tecan, respectively. Former members of the Management Board received matching shares out of the PSMP 2019-2021 plan.

COMPENSATION TO RELATED PARTIES

No compensation was paid in 2022 or the previous year to parties related to present or former members of the Board of Directors or the Management Board.

LOANS AND CREDITS

CURRENT AND FORMER MEMBERS OF GOVERNING BODIES

Neither in 2022 nor in the previous year were any loans or credits extended to current or former members of the Board of Directors or the Management Board that remained outstanding at the end of the year.

RELATED PARTIES

Neither in 2022 nor in the previous year were any loans or credits extended to related parties of current or former members of the Board of Directors or the Management Board that remained outstanding at the end of the year.

SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD IN 2022

Information regarding participations of the Board of Directors and Management Board in Tecan Group Ltd. can be found in the Notes to the financial statements of Tecan Group Ltd. (Note 13.2 on page 178 of this Annual Report).

OUTLOOK AND MOTIONS ON COMPENSATION AT THE ANNUAL GENERAL MEETING

At the 2023 Annual General Meeting, the Board of Directors will propose:

- the maximum aggregate compensation amount for the Board of Directors, for the next term of office (binding vote)
- the maximum aggregate compensation amount for the Management Board, for the financial year 2024 (binding vote)
- the 2022 Compensation Report (retrospective advisory vote)

MAXIMUM AGGREGATE COMPENSATION AMOUNT FOR THE BOARD OF DIRECTORS

The maximum aggregate compensation amount for the Board of Directors for the term of office between the 2023 and the 2024 Annual General Meeting submitted to vote is based on the following elements:

- seven members of the Board of Directors
- fixed basic fee paid in cash and Restricted Share Units
- committee fees paid in cash
- additional committee fees for ad-hoc committees and a travel fee (for members of the Board of Directors located overseas only)

MAXIMUM AGGREGATE COMPENSATION AMOUNT FOR THE MANAGEMENT BOARD

The maximum aggregate compensation amount to the Management Board for the financial year 2024 submitted to vote is based on the following elements:

- nine members of the Management Board
- short-term variable cash compensation: the maximum amount assumes that the defined performance objectives are significantly exceeded and that the short-term variable cash compensation payout amounts to 200% (maximum)
- long-term equity incentive award (PSMP): the maximum amount is based on a matching share factor of 2.5 (maximum). A possible share price appreciation during the three-year vesting period is not considered

Illustration [10] below shows a comparison between the maximum aggregate compensation amounts approved and the compensation effectively awarded in recent years.

ILLUSTRATION [10]: COMPENSATION APPROVED VERSUS AWARDED (MANAGEMENT BOARD)

In CHF per year (gross)	Fiscal year 2024[1]	Fiscal year 2023	Fiscal year 2022	Fiscal year 2021
Approved compensation amount	n.a.	20,500,000	18,500,000	18,500,000
Compensation awarded	n.a.	n.a.[2]	12,332,700	14,416,000

[1] to be proposed to the 2023 Annual General Meeting
[2] compensation period not yet completed

Note: The approved compensation amount is based on the assumption that all performance indicators under both the short-term variable cash compensation and the PSMP will be significantly overachieved and that the payout factor will be at the maximum possible level. The approved compensation amount does not account for any share price appreciation over the three-year period of the PSMP. The awarded compensation amount is based on the short-term variable cash compensation effectively paid and on the fair value of the initial shares and of the matching shares granted under the PSMP in the respective year.

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 9 March 2023

Report of the statutory auditor on the audit of the compensation report

Opinion
We have audited the compensation report of Tecan Group Ltd. (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on pages 98 to 99 of the compensation report.

In our opinion, the information on compensation, loans and advances in the compensation report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the compensation report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Board of Directors' responsibilities for the compensation report
The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report
Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Financial Report 2022.

Chief Financial Officer's Report

TANIA MICKI
Chief Financial Officer

For the first time, sales exceeded the CHF 1 billion mark.

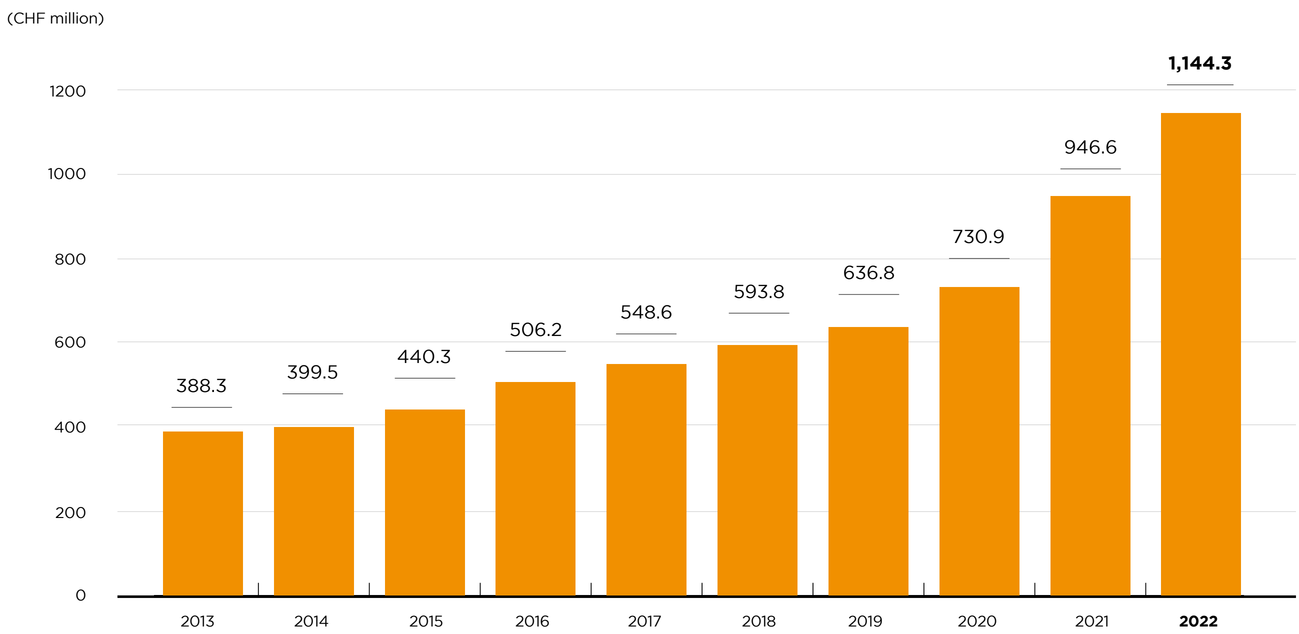
ORDER ENTRY AND SALES

Full-year order entry increased by 17.3% to CHF 1,132.9 million (2021: CHF 965.4 million), or by 17.6% in local currencies. On an organic basis, i.e. excluding acquired Paramit for the first seven months of the year, order entry was down by 0.2% in local currencies, compared to the substantial order entry achieved with COVID-related orders in the prior-year period. Order entry for products not related to COVID testing continued to be strong throughout 2022. In the second half of the year, order entry increased by 2.8% in local currencies and was down by 2.4% in local currencies on an organic basis.

Sales for fiscal year 2022 climbed by 20.9% to CHF 1,144.3 million (2021: CHF 946.6 million), corresponding to a growth of 21.3% in local currencies. Overall sales growth also benefited from the pass-through of higher material costs at Paramit that was recorded as part of revenues (around 3 percentage points growth contribution to total revenues). Organic sales increased by 1.8% in Swiss francs and by 2.2% in local currencies, thereby more than offsetting the substantial decline in COVID-related revenues recorded in the prior-year period. Estimated COVID-related sales in 2022 were around CHF 60 million, a substantial decline compared to the estimated CHF 150-170 million in 2021. Growth of non-COVID-related revenues in 2022 is estimated in the mid-teens percentage range in local currencies.

Sales in the second half rose by 13.7% in Swiss francs and by 13.8% in local currencies. Organic sales in the second half of the year increased by 7.8% in Swiss francs and by 8.2% in local currencies with no meaningful contribution from COVID-related revenues (estimated at only around CHF 10 million compared to an estimated CHF 30-40 million in the second half of 2021).

SALES DEVELOPMENT 2013-2022



SEGMENT SALES

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Sales in the Life Sciences Business increased by 1.5% to CHF 492.3 million (2021: CHF 485.1 million) and were 3.3% above the prior-year period in local currencies, despite the high base from the prior-year period, in which revenues increased by 19.0% in local currencies. Sales growth of products in non-COVID related applications is estimated in the mid-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. The coronavirus pandemic has structurally reshaped many laboratory processes, leading to higher overall demand for automation in many application areas, from next-generation sequencing (NGS) and other genomics to proteomics and cell biology workflows. Sales growth continued in the second half of the year, with sales increasing by 2.1% in local currencies.

As expected, full-year order entry in the Life Sciences Business was slightly below the prior-year period, compared to the substantial order entry achieved with COVID-related orders in the prior-year period.

PARTNERING BUSINESS (OEM BUSINESS)

The Partnering Business generated sales of CHF 652.0 million during the year under review (2021: CHF 461.6 million), which corresponds to an increase of 41.3% in Swiss francs and 39.7% in local currencies. On an organic basis, i.e. excluding Paramit's sales in the first seven months of the year, sales rose by 2.2% in Swiss francs and 1.1% in local currencies.

With total sales of CHF 334.7 million, Paramit recorded strong sales growth of 22.0% in local currencies when including the pass-through of higher material costs, and growth of 14.4% when excluding this effect (2021: CHF 262.6 million if acquisition had occurred at the beginning of 2021; CHF 113.3 million for the months of August-December).

As expected, the negative "COVID effect" on revenues was more pronounced for Tecan's legacy Partnering Business compared to the Life Sciences Business due to significantly lower COVID-related sales in the reporting period. 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. In the second half of the year, sales in local currencies increased by 24.1% and by 13.5% on an organic basis.

Order entry for fiscal 2022 grew at a slightly lower rate than sales.

REGIONAL DEVELOPMENT

In Europe, Tecan's full-year sales increased by 9.5% in Swiss francs and by 13.5% in local currencies. Organic sales development continued to be significantly impacted by a pandemic-related surge in demand in the prior-year period, resulting in organic sales declining by 3.7% in Swiss francs and 0.3% in local currencies. Against this high comparative basis, sales in the Life Sciences Business were 8.9% lower than the previous year in local currencies, and with Paramit's contribution sales in the Partnering Business increased by 9.6% in local currencies. In the second half of the year, sales in Europe increased by 10.7% in Swiss francs and by 14.4% in local currencies (organic +10.2% in local currencies).

In North America, sales grew by 32.0% in Swiss francs and by 27.6% in local currencies. Similar to Europe, organic sales development in North America was impacted by the COVID-related high comparison base, resulting in a 0.5% decline in sales in local currencies and a 3.0% increase in Swiss francs, supported by positive foreign exchange developments. Due to the exceptionally high basis of comparison, organic sales of the Partnering Business segment decreased by 8.2% in local currencies. The Life Sciences Business segment, on the other hand, reported a 7.8% increase in sales in local currencies, driven by strong demand for non-COVID-related instruments, more than replacing the significant COVID-related sales in 2021. North American sales in the second half grew by 19.1% in Swiss francs and by 13.9% in local currencies (organic +5.9% in local currencies).

In Asia, Tecan recorded an increase in sales of 14.7% in Swiss francs and 19.4% in local currencies. On an organic basis, sales grew by 9.9% in Swiss francs and by 14.4% in local currencies. Organic sales development in China was also in the mid-teens percentage range despite the lockdown measures in Shanghai at the beginning of the year. The positive sales development was driven by both business segments, with the Life Sciences Business recording growth of 18.0% in local currencies, while the Partnering Business grew by 20.7% in local currencies. In the second half of the year, total sales in Asia increased by 5.3% in Swiss francs and 12.6% in local currencies (organic +11.3% in local currencies).

GROSS PROFIT

Gross profit increased to CHF 438.1 million (2021: CHF 408.6 million), which was CHF 29.5 million or 7.2% above the prior-year figure. The increase was driven by the higher sales volumes. Excluding Paramit, the gross profit margin reached 46.9%, in line with the communicated decrease of around 100 basis points expected due to significant inflation effects. Including Paramit, the reported gross profit margin was at 38.3% of sales (2021: 43.2%).

Several factors impacted the gross profit margin level. Main effects contributing:

- (-) Paramit acquisition impact (>500 basis points, including purchase price amortization and pass-through of higher material costs without margin)
- (-) Higher material cost
- (-) Higher personnel cost
- (+) Price increases
- (+) Efficiency gains

OPERATING EXPENSES LESS COST OF SALES

With +9.2%, operating expenses grew substantially less than sales (+20.9%) and totaled CHF 292.1 million or 25.5% of sales in 2022 (2021: CHF 267.5 million or 28.3% of sales). All costs include the costs of the acquired Paramit Corporation for the full twelve months of 2022 and for the five months from August to December in 2021. Excluding Paramit and following a period of significant growth, Tecan's legacy business returned to a normalized operating cost base of approximately 32% of sales.

Total operating expenses include amortization charges of CHF 32.7 million from acquisitions (2021: CHF 20.6 million) as disclosed for each line item of the statement of profit or loss in note 21.1 of the Financial Report 2022.

Sales and Marketing increased less than total sales (+10.6%) to CHF 132.8 million (2021: CHF 120.1 million). As a percentage of sales, they reached 11.6% of sales (2021: 12.7%), however increased as a percentage of sales for Tecan's legacy business with significant channel and e-commerce investments.

At an absolute level, net research and development expenses increased to CHF 77.9 million (2021: CHF 71.9 million). As the Paramit business is less development-intensive, with activities largely funded by OEM customers, research and development costs as a percentage of total sales reached 6.8% (2021: 7.6%). They increased as a percentage of sales for Tecan's legacy business with continued investments in innovation to position the business for sustained accelerated growth.

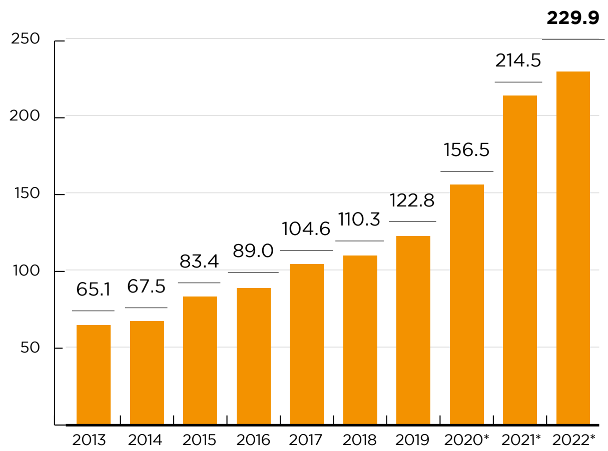
Overall R&D activities and gross expenses ("gross R&D") were also higher compared to the prior-year period, including capitalization of development costs and customer funding of OEM projects. Capitalization of development costs increased to CHF 11.6 million (2021: CHF 9.6 million), while amortization from capitalized development costs increased to CHF 10.4 million (2021: CHF 8.1 million). Gross R&D was at CHF 94.0 million or 8.2% of sales (2021: CHF 86.8 million or 9.2% of sales).

General and Administration expenses increased to CHF 81.4 million (2021: CHF 75.5 million). As a percentage of sales, G&A cost decreased to 7.1% of sales (2021: 8.0%), mainly related to corporate development activities and the respective higher costs in the prior-year period that led to the Paramit acquisition.

OPERATING PROFIT

Reported operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 5.0% to CHF 214.9 million in the fiscal year 2022 (2021: CHF 204.6 million). Reported EBITDA includes all integration-related costs in connection with the Paramit acquisition (CHF 13.6 million).

EBITDA DEVELOPMENT 2013-2022



*Adjusted EBITDA for 2020-2022

SEGMENT PROFITABILITY

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Reported operating profit in this segment (earnings before interest and taxes; EBIT) reached CHF 87.1 million (2021: CHF 103.7 million). The operating profit margin amounted to 17.1% of sales (2021: 19.9%). Following a period of significant growth, Tecan made increased investments in research and development as well as in the sales and service organization and support functions that support the larger installed base of instruments and scale of the business, resulting in a more normalized operating cost base. However, supported by sustained price increases, gross profit margin remained stable compared to the prior-year period despite substantially higher material costs.

PARTNERING BUSINESS (OEM BUSINESS)

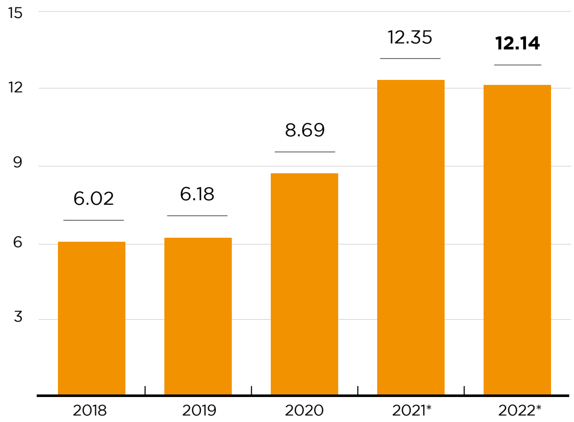
Reported operating profit in this segment (earnings before interest and taxes; EBIT) increased by 25.5% and amounted to CHF 74.4 million (2021: CHF 59.2 million), while the operating profit margin reached 11.4% of sales (2021: 12.8%). The integration costs (CHF 13.6 million; CHF 7.3 million in 2021) and amortization of acquired intangible assets in connection with the acquisition of Paramit (CHF 18.9 million; CHF 20.0 million in 2021) 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 lower volumes for diagnostic instruments with corresponding negative economies of scale, and the pass-through of higher material costs without margin. At the same time, these effects, as expected, could not be offset by price increases, as price adjustments for the instrument business are contractually regulated and only took effect at the beginning of 2023.

NET PROFIT AND EARNINGS PER SHARE

Adjusted net profit amounted to CHF 154.4 million (2021: CHF 152.1 million). Reported net profit for 2022 was CHF 121.1 million (2021: CHF 121.7 million). This figure includes integration-related costs in connection with the Paramit acquisition (CHF 13.6 million) as well as the accumulated amortization of acquired intangible assets (CHF 23.5 million).

Reported basic earnings per share reached CHF 9.53 (2021: CHF 9.95). Adjusted earnings per share reached CHF 12.14 (2021: CHF 12.35). Earnings per share decreased more than reported net profit due to the higher average share count in 2022, mainly related to the newly issued shares in September 2021 to partly refinance the Paramit acquisition.

EARNINGS PER SHARE DEVELOPMENT 2018-2022



*Adjusted earnings per share for 2021 and 2022

BALANCE SHEET AND EQUITY RATIO

Shareholder's equity at December 31, 2022 increased by 10.8% to CHF 1,357.7 million (2021: CHF 1,224.9 million). Correspondingly, Tecan's equity ratio increased to 64.2% as of December 31, 2022 (December 31, 2021: 61.4%).

CASH FLOW

Cash flow from operating activities reached CHF 128.3 million in 2022 (2021: CHF 169.9 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 41.2 million (cash and cash equivalents plus short-term time deposits less bank liabilities, loans and the outstanding bond).

TANIA MICKI
Chief Financial Officer

RECONCILIATION OF ADJUSTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1'000 / unaudited	2021	2022
Sales	**946,623**	**1,144,261**
GAAP operating profit (EBIT)	**145,517**	**147,835**
Depreciation and amortization	59,044	67,054
Non-GAAP EBITDA	**204,561**	**214,889**
In % of sales	21.6%	18.8%
Adjustments for		
Acquisition and integration costs	7,281	13,559
Swiss pension plans: past service costs	**2,655**	**1,497**
Non-GAAP adjusted EBITDA	**214,497**	**229,945**
In % of sales	22.7%	20.1%
Depreciation and amortization	(59,044)	(66,407)
Adjustment for acquisition-related amortization	24,606	23,473
Non-GAAP adjusted EBIT	**180,059**	**187,011**
In % of sales	19.0%	16.3%
Financial result	(7,592)	(5,350)
Non-GAAP adjusted profit before taxes	**172,467**	**181,661**
In % of sales	18.2%	15.9%
Adjusted income taxes	(20,340)	(27,232)
Non-GAAP adjusted net profit	**152,127**	**154,429**
In % of sales	16.1%	13.5%
Non-GAAP adjusted basic earnings per share (CHF)	**12.35**	**12.14**

FIVE-YEAR CONSOLIDATED DATA

CHF 1,000	2018	2019	2020	2021	**2022**
Statement of profit or loss					
Sales	593,795	636,819	730,879	946,623	1,144,261
Non-GAAP EBITDA	110,322	122,761	159,106	204,561	214,889
	18.6%	19.3%	21.8%	21.6%	18.8%
Non-GAAP adjusted EBITDA	–	–	156,531	214,497	229,945
	–	–	21.4%	22.7%	20.1%
Operating profit (EBIT)	88,553	88,699	121,390	145,517	147,835
Financial result	(5,155)	(5,959)	(3,163)	(7,592)	(5,350)
Income taxes	(12,702)	(9,571)	(14,542)	(16,266)	(21,359)
Profit for the period	70,696	73,169	103,685	121,659	121,126
Research and development, gross	(51,086)	(59,857)	(62,043)	(71,867)	(77,890)
Personnel expenses	(197,320)	(220,254)	(259,640)	(306,324)	(349,916)
Depreciation of property, plant and equipment	(7,699)	(8,786)	(9,472)	(12,628)	(16,578)
Depreciation of right-of-use assets[1]	–	(10,513)	(10,915)	(12,232)	(14,874)
Amortization of intangible assets	(14,070)	(14,541)	(15,056)	(34,184)	(35,602)
Impairment losses	–	–	(2,051)	–	-
Balance sheet					
Current assets	596,048	615,499	777,986	671,859	803,530
Non-current assets	261,623	324,274	330,641	1,324,326	1,312,649
Total assets	857,671	939,773	1,108,627	1,996,185	2,116,179
Current liabilities	163,470	157,286	225,018	306,374	336,341
Non-current liabilities	81,792	123,420	149,958	464,916	422,118
Total liabilities	245,262	280,706	374,976	771,290	758,459
Shareholders' equity	612,409	659,067	733,651	1,224,895	1,357,720
Statement of cash flows					
Cash inflows from operating activities	92,702	98,804	208,335	169,855	128,275
Capital expenditure in property, plant and equipment and intangible assets	(26,193)	(23,937)	(41,288)	(39,719)	(36,234)
Acquisition of Paramit Group[2]	–	–	–	(817,447)	-
Acquisition of DCPM/PMAS[2]	–	(20,846)	–	–	-
Acquisition of NuGEN Technologies, Inc.[2]	(43,805)	–	–	–	-
Acquisition of SPEware Group[2]	(4,546)	(4,200)	–	–	-
Dividends paid	(23,462)	(24,835)	(26,242)	(27,612)	(35,597)
Proceeds from authorized share capital increase, net of transaction costs	–	–	–	351,652	-
Net proceeds from the issuance of a bond	–	–	–	249,445	-
Other information					
Number of employees (end of period)	1,662	1,932	2,050	3,291	3,531
Number of employees (average)	1,562	1,818	1,984	2,589	3,380
Research and development in % of sales	8.6%	9.4%	8.5%	7.6%	6.8%
Sales per employee	380	350	368	366	339
Information per share					
Basic earnings per share (CHF)	6.02	6.18	8.69	9.95	9.53
Gross dividend (CHF)[3]	2.10	1.10	1.15	1.40	1.45 [4]
Payout from statutory capital contribution reserve (CHF)[3]	0.00	1.10	1.15	1.40	1.45 [4]
Total payout (CHF)[3]	2.10	2.20	2.30	2.80	2.90 [4]
Total payout ratio	34.9%	35.6%	26.5%	28.1%	30.4%

[1] IFRS 16 introduced in 2019 (modified retrospective method)

[2] Net of cash acquired

[3] Payment is made in following year

[4] Proposal to the Annual General Meeting of Shareholders on April 18, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2021	2022
Sales	4/5/6	**946,623**	**1,144,261**
Cost of sales		(538,054)	(706,190)
Gross profit		**408,569**	**438,071**
Sales and marketing		(120,106)	(132,806)
Research and development	8	(71,867)	(77,890)
General and administration		(75,468)	(81,422)
Other operating income	9	4,428	1,882
Other operating expenses	9	(39)	-
Operating profit	6	**145,517**	**147,835**
Financial income		706	383
Finance cost		(4,321)	(1,476)
Net foreign exchange losses		(3,977)	(4,257)
Financial result	10	**(7,592)**	**(5,350)**
Profit before taxes		**137,925**	**142,485**
Income taxes	13	(16,266)	(21,359)
Profit for the period, attributable to owners of the parent		**121,659**	**121,126**
Earnings per share			
Basic earnings per share (CHF/share)	11	9.95	9.53
Diluted earnings per share (CHF/share)	11	9.88	9.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2021	2022
Profit for the period		**121,659**	**121,126**
Other comprehensive income			
Change in fair value of an unquoted equity instrument designated at fair value through other comprehensive income		76	201
Remeasurement of net defined benefit liability	12.3	23,807	30,502
Related income taxes		(4,398)	(5,737)
Items that will not be reclassified to profit or loss, net of income taxes		**19,485**	**24,966**
Net loss on cash flow hedges	28.4.3	(13,193)	-
Related income taxes		1,493	-
Translation differences		7,653	9,640
Related income taxes		(511)	(915)
Items that may be reclassified subsequently to profit or loss, net of income taxes		**(4,558)**	**8,725**
Other comprehensive income, net of income taxes		14,927	33,691
Total comprehensive income for the period, attributable to owners of the parent		**136,586**	**154,817**

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2021	31.12.2022
Cash and cash equivalents	14	121,006	111,441
Other current financial assets	15	120,908	181,796
Trade accounts receivable	16	128,333	156,835
Contract assets		23,864	25,280
Other accounts receivable		13,163	12,181
Inventories	17	249,112	300,588
Income tax receivables	13	3,215	1,778
Prepaid expenses		12,258	13,631
Current assets		**671,859**	**803,530**
Non-current financial assets	18	5,543	5,599
Property, plant and equipment	19	87,787	94,025
Right-of-use assets	20	62,546	55,381
Intangible assets and goodwill	21	1,137,769	1,128,007
Deferred tax assets	13	30,681	29,637
Non-current assets		**1,324,326**	**1,312,649**
Assets		**1,996,185**	**2,116,179**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2021	31.12.2022
Current financial liabilities	22	13,615	14,559
Trade accounts payable		27,550	34,280
Other accounts payable		16,321	15,156
Current contract liabilities	23	85,018	100,177
Current government grants	24	3,661	4,170
Income tax payables	13	27,985	25,628
Accrued expenses		97,292	110,922
Current provisions	25	34,932	31,449
Current liabilities		**306,374**	**336,341**
Non-current financial liabilities	22	300,606	293,405
Non-current contract liabilities	23	16,185	11,149
Non-current government grants	24	18,730	26,211
Liability for post-employment benefits	12.3	49,094	19,923
Non-current provisions	25	10,340	8,522
Deferred tax liabilities	13	69,961	62,908
Non-current liabilities		**464,916**	**422,118**
Total liabilities		**771,290**	**758,459**
Share capital		1,268	1,273
Capital reserve		403,657	405,201
Retained earnings		858,925	981,476
Translation differences		(38,955)	(30,230)
Shareholders' equity	26	**1,224,895**	**1,357,720**
Liabilities and equity		**1,996,185**	**2,116,179**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2021	2022
Profit for the period		**121,659**	**121,126**
Adjustments for			
Depreciation and amortization	19/20/21	59,044	67,054
Change in government grants, liability for post-employment benefits and provisions	12.3/24/25	6,354	(3,578)
Interest income	10	(31)	(383)
Interest expenses	10	4,108	1,322
Income taxes	13	16,266	21,359
Equity-settled share-based payment expense	12.4	12,899	13,849
Fair value adjustment of contingent consideration	9	(1,554)	-
Other non-cash items		(2,706)	374
Change in working capital			
Trade accounts receivable	16	26,628	(30,320)
Inventories	17	(43,931)	(54,158)
Trade accounts payable		5,554	7,286
Contract liabilities	23	608	12,201
Other changes in working capital (net)		(13,213)	10,391
Income taxes paid		(21,830)	(38,248)
Cash inflows from operating activities		**169,855**	**128,275**
Investment in time deposits		(170,000)	(320,000)
Repayment of time deposits		370,000	260,000
Acquisition of an unquoted equity investment	18	(4,314)	-
Contingent payment from sale of an unquoted equity investment (held for sale)		198	-
Interest received		31	33
Acquisition of Paramit Group, net of cash acquired	3.2	(817,447)	-
Purchase of property, plant and equipment	19	(27,136)	(23,070)
Proceeds from sale of property Hombrechtikon (held for sale)		4,195	-
Proceeds from sale of other property, plant and equipment		122	55
Investment in intangible assets	21	(12,583)	(13,164)
Receipt of government grants	24	5,012	7,960
Cash outflows from investing activities		**(651,922)**	**(88,186)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

CHF 1,000	Notes	2021	2022
Dividends paid	26	(27,612)	(35,597)
Proceeds from employee participation plans	12.4	4,068	1,549
Proceeds from authorized share capital increase		357,500	-
Transaction costs paid		(5,838)	-
Increase in/repayment of short-term credit facilities	22	–	1
Payment of lease liabilities	22	(11,981)	(13,769)
Proceeds from bridge loan granted by a bank for acquisition of Paramit Group	22	750,000	-
Repayment of bridge loan	22	(750,000)	-
Repayment of other bank loans	22	(107,056)	-
Net proceeds from issuance of a bond	22	249,445	-
Interest paid		(4,048)	(834)
Cash in/(out)flows from financing activities		**454,478**	**(48,650)**
Effect of exchange rate fluctuations on cash held		155	(1,004)
Decrease in cash and cash equivalents		**(27,434)**	**(9,565)**
Cash and cash equivalents at January 1		148,440	121,006
Cash and cash equivalents at December 31	14	**121,006**	**111,441**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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		–	–	121,659	–	–	121,659
Other comprehensive income, net of income taxes		–	–	19,485	(11,700)	7,142	14,927
Total comprehensive income for the period		**–**	**–**	**141,144**	**(11,700)**	**7,142**	**136,586**
Dividends paid	26	–	–	(27,612)	–	–	(27,612)
New shares issued based on employee participation plans	12.4/26	7	4,061	–	–	–	4,068
Share-based payments, net of income taxes	12.4	–	–	14,840	–	–	14,840
Authorized share capital increase		65	357,435	–	–	–	357,500
Transaction costs		-	(5,838)	-	-	-	(5,838)
Transfer of cash flow hedge reserve to goodwill from acquisition of Paramit Group	28.4.3	–	–	–	11,700	–	11,700
Balance at December 31, 2021		**1,268**	**403,657**	**858,925**	**–**	**(38,955)**	**1,224,895**
Profit for the period		–	–	121,126	–	–	121,126
Other comprehensive income, net of income taxes		–	–	24,966	–	8,725	33,691
Total comprehensive income for the period		**–**	**–**	**146,092**	**–**	**8,725**	**154,817**
Dividends paid	26	–	–	(35,597)	–	–	(35,597)
New shares issued based on employee participation plans	12.4/26	5	1,544	–	–	–	1,549
Share-based payments, net of income taxes	12.4	–	–	12,056	–	–	12,056
Balance at December 31, 2022		**1,273**	**405,201**	**981,476**	**–**	**(30,230)**	**1,357,720**

Notes to the consolidated financial statements

1 REPORTING ENTITY

Tecan (www.tecan.com) is a global provider of laboratory automation. As an original equipment manufacturer (OEM), Tecan also develops and manufactures OEM instruments, components and medical devices that are then distributed by partner companies. Founded in Switzerland in 1980, the Group 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements are the consolidated financial statements of Tecan Group Ltd. and its subsidiaries (together referred to as the 'Group') for the year ended December 31, 2022. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. They are prepared on the historical cost basis except for derivative financial instruments, one investment in an unquoted equity instrument and contingent considerations in connection with business combinations, which are stated at their fair value.

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2023. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 18, 2023.

2.2 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. In 2022, strong organic growth of non-COVID-related sales largely offset the substantial decline in COVID-related revenues recorded in the prior-year period.

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. During 2022, the developments in global logistics improved and Tecan continues to closely monitor the situation to ensure sufficient transport capacity.

War in Ukraine - In 2021, the revenues generated through distributors in Russia and Ukraine were around 1%-2% of total sales. In 2022, Tecan stopped supplying products to Russia. The company did not experience 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.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these 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 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 year in which the circumstances change.

The valuation of the following material positions is based on critical accounting estimates and judgments:

2.3.1 Revenue recognition – performance obligations satisfied over time

The Group applies the cost-to-cost method in accounting for performance obligations satisfied over time as outlined in the accounting and valuation principles (see note 2.8.1). The use of the cost-to-cost method requires management to determine the stage of completion by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs. Based on the estimated stage of completion, a respective portion of the expected revenue is recognized. If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the statement of profit or loss in the period in which the circumstances that give rise to the revision become known to the management. See notes 4 and 23 for more details.

2.3.2 Performance share matching plan (PSMP) – matching share factor

The Group established performance share matching plans. The number of matching shares is determined based on the following formula: number of shares from initial grant that qualify for matching shares, multiplied by the matching share factor. The matching share factor is dependent on the achievement of specific performance targets. In any case, the matching share factor will not be lower than 0.0 or higher than 2.5. A change in estimate of the matching share factors applied in the current period, will impact the results of future periods. See note 12.4 for more details.

2.3.3 Income taxes

At December 31, 2022, the net liability for current income taxes was CHF 23.9 million and the net liability for deferred taxes was CHF 33.3 million. Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Various internal and external factors may have favorable or unfavorable effects on the income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws, regulations and/or rates (particularly in relation to the Swiss tax reform, see note 13.2.3 for more details), changing interpretations of existing tax laws or regulations (particularly in relation to the acceptance of intra-group transfer prices), and changes in overall levels of pre-tax earnings. Such changes could impact the assets and liabilities recognized in the balance sheet in future periods.

In 2019, the OECD started a two-pillar approach to address the "Tax Challenges of the Digital Economy" resulting from the 2015 Base Erosion and Profit Shifting (BEPS) project. A stated goal of the Pillar One proposal is to allocate a greater share of residual profits to market/user jurisdictions. The Pillar Two goal suggests an implementation of the proposed 15% global minimum tax.

The Group will be in scope of Pillar Two. The OECD is continuously publishing model legislation, and late in 2022 the EU issued a directive related to the global minimum tax to be considered by member countries in 2023, to be effective in 2024. In January 2022, the Swiss Federal Council presented the key aspects of the implementation in Switzerland. Switzerland decided to implement Pillar Two by means of a constitutional amendment subject to a public vote that will be held in June 2023 with the aim to implement the minimum tax rate as of January 1, 2024.

It is too early to assess the overall impact of these potential changes, as the tax laws and related regulations need to be enacted and implemented. Consequently, the income tax charge and cash flows could be affected by the Pillar Two regulations.

2.3.4 Inventories - capitalized development costs

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 as of December 31, 2022 amounted to CHF 29.8 million.

At December 31, 2022, the net realizable value of the position was higher than the capitalized development costs. However, the assessment is highly dependent on the best estimate of the future sales quantity. A decrease in estimate could require write-downs in future periods.

2.3.5 Intangible assets - capitalized development costs

After the technical feasibility of in-house developed products has been demonstrated, the Group starts to capitalize the related development costs until the product is ready for market launch. However, there can be no guarantee that such products will complete the development phase or will be commercialized, or that market conditions will not change in the future, requiring a revision of management's assessment of future cash flows related to those products. Such changes could lead to additional amortization and impairment charges. At the end of 2022, the Group has capitalized development costs in the amount of CHF 39.3 million as disclosed in note 21.

2.3.6 Impairment test on goodwill

At December 31, 2022 total goodwill amounted to CHF 775.1 million. The Group performed the mandatory annual impairment tests at the end of June for Life Sciences Business and Partnering Business. Based on these tests, there was no need for the recognition of any impairment. However, the calculation of the recoverable amounts requires the use of estimates and assumptions. The key assumptions are disclosed in note 21.

2.3.7 Lease liabilities and right-of-use assets

The application of IFRS 16 'Leases' requires the Group to make judgments and estimates that affect the valuation of the lease liabilities (see note 22) and the valuation of right-of-use assets (see note 20). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The extent to which options have been included in the valuation is shown in Note 20.2.

2.4 INTRODUCTION OF NEW AND REVISED/AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies are consistent with those applied in the previous year, except for the introduction 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 material changes to the Group's accounting policies.

2.5 NEW AND REVISED/AMENDED STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new and revised/amended standards and interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements:

Standard/interpretation[1]	Effective date for the Group
IAS 1 'Presentation of Financial Statements' amended – Disclosure of Accounting Principles	Reporting year 2023
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' amended – Definition of Accounting Estimates	Reporting year 2023
IAS 12 'Income Taxes' amended – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Reporting year 2023
IAS 1 'Presentation of Financial Statements' amended - Classification of Liabilities as Current or Non-current	Reporting year 2024
IFRS 16 'Leases' amended – Lease Liability in a Sale and Leaseback	Reporting year 2024
IFRS 10 amended 'Consolidated Financial Statements' and IAS 28 amended 'Investments in Associates and Joint Ventures' – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be defined

[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 Group intends to adopt these standards, if applicable, when they become effective. The changes, individually and in the aggregate, are not expected to have a significant impact on the balance sheet, results of operations and cash flows of the Group upon adoption.

2.6 CONSOLIDATION PRINCIPLES

2.6.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On the loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any resulting gain or loss is recognized in profit or loss.

When control is transferred in the event of a business combination, the Group is applying the acquisition method at the acquisition date.

2.6.2 Transactions eliminated upon consolidation

Intra-Group balances and transactions, and any unrealized profits arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

2.7 FOREIGN CURRENCY TRANSLATION

Generally, all Group companies have identified their local currency as their functional currency. Transactions in other currencies are initially reported using the exchange rate at the date of the transaction. Gains and losses from the settlement of such transactions, as well as gains and losses on translation of monetary assets and liabilities denominated in other currencies, are included in profit or loss.

Translation differences arising on intra-Group loans that, in substance, are part of the net investment in a foreign operation, are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operation.

Upon consolidation, assets and liabilities of Group companies using functional currencies other than Swiss francs (foreign entities) are translated into Swiss francs (presentation currency) using year-end exchange rates. Revenues, expenses and cash flows are translated at the average exchange rates for the year. Translation differences due to the changes in exchange rates between the beginning and the end of the year and the difference between net profits translated at the average and year-end exchange rates are recognized in other comprehensive income. On the disposal of a foreign operation, the identified cumulative currency translation differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

2.8 ACCOUNTING AND VALUATION PRINCIPLES

2.8.1 Revenue recognition, contract assets and liabilities

Sale of standard instruments and other goods such as spare parts, trade products, consumables or reagents – The sale of standard instruments and other goods is generally considered as one performance obligation. The Group recognizes revenue at the point in time, when control of the asset is transferred to the customer, generally upon delivery.

Sale of complex instruments – The sale of complex instruments generally follows the same principles as the sale of standard instruments. However, as the sale of a complex instrument requires significant installation and application work at the customer's site, control of the asset is only transferred and accordingly revenue recognized upon the written acceptance by the customer. For sales orders with multiple instruments and high integrations costs, the Group determines the number of performance obligations individually and assesses whether the performance obligation(s) is/are satisfied over time. For revenue to be recognized over time, the following criteria must be fulfilled cumulatively: The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Contract manufacturing ('Partnering Business') – Manufacturing services comprise the material management and the manufactory/ assembly of instruments based on the customer's design input. Normally these performance obligations fulfill the criteria for revenue recognition over time. For revenue to be recognized over time, the following criteria must be fulfilled cumulatively: The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Engineering services without delivery of instruments ('Partnering Business') – Engineering services are generally considered as one performance obligation. Revenue is recognized upon finalization of the project (at a point in time). For larger engineering orders that follow a standard milestone process, the Group assesses whether the performance obligation is satisfied over time. For revenue to be recognized over time, the following criteria must be fulfilled cumulatively: The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Sale of customized instruments ('Partnering Business') – The sale of customized instruments comprises the development and supply of instruments with a customer-specific design. The development (adaption of existing Tecan-technology to the customer's specifications) and supply of the instruments is generally considered as one performance obligation due to the limited usability of and control over the pure development result for the customer. Therefore, the related customer-specific development costs are capitalized in the position inventories as part of the production costs. Once the development is completed, 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.

Performance obligations satisfied over time – method of revenue recognition and presentation (sale of complex instruments, contract manufacturing and engineering services) – The progress is generally measured by using a cost-to-cost approach: costs incurred for the work performed to date in proportion to the estimated total project costs. According to the progress, pro rata sales are recognized in the statement of profit or loss. In the balance sheet, projects in progress – netted against customers' advances – are recognized as net assets (included in the position 'contract assets') or net liabilities (included in the position 'contract liabilities'). When it is probable that the total costs will exceed contract revenue, the rules of IAS 37 – 'Onerous Contracts' are applied.

Service contracts – Revenue from service contracts is recognized over time based on the time elapsed.

Warranty obligations – The Group provides standard warranties for the repair of defects that existed at the time of sale, as required by law. These warranties qualify as assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 'Provisions'. In addition, the Group offers warranty extensions to its customers. Such warranty extensions are accounted for as service-type warranties according to IFRS 15, representing separate performance obligations to which the Group allocates a portion of the consideration based on the relative stand-alone selling price. For these service-type warranties, revenue is recognized over time based on the time elapsed.

Bundles of goods and services – Typically, instruments are sold together with other goods and services. The sale of other goods such as spare parts or consumables and services such as additional training or application work that are part of the same contract with a customer (bundles of goods and services), but qualify for the identification of separate performance obligations, are recognized separately from the sale of the instrument as revenues. The consideration (including any discounts) is allocated in proportion to the relative stand-alone selling prices of the identified performance obligations.

2.8.2 Segment reporting

Chief operating decision maker - Segment information is presented in the same manner as in the internal reporting to the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance and for the allocation of resources to the segments, is the Board of Directors of Tecan Group Ltd.

Reportable segments - The following reportable segments were identified:

- Life Sciences Business (end-customer business): The business segment 'Life Sciences Business' supplies end users with automated workflow solutions directly. These solutions include laboratory instruments, software packages, application know-how, services, consumables and spare parts.
- Partnering Business (OEM business): The business segment 'Partnering Business' develops and manufactures OEM instruments and components that are distributed by partner companies under their own names.

Operating segments / segment assets and liabilities - The operating segments are equivalent to the reportable segments. No operating segments have been aggregated. Segment assets, purchases of property, plant and equipment and intangible assets as well as segment liabilities are not reported to the chief operating decision maker.

2.8.3 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is initially recognized in deferred income and subsequently released as other operating income in equal amounts over the expected useful life of the related asset. The Group receives government grants for research activities and in connection with COVID-19 related government support programs, mainly in the form of temporary payments to social security funds on behalf of the Group and subsidies for production lines in order to increase the supply of critical consumables.

2.8.4 Employee benefits – retirement and long-service leave benefit plans

Defined benefit plans - The Group has both defined contribution and defined benefit retirement plans. Defined contribution plans are retirement benefit plans under which the Group pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. All other retirement benefit plans are defined benefit plans.

Liability for post-employment benefits – The liability recognized in the balance sheet in regard to defined benefit retirement benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets for funded plans. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method, considering possible risk sharing arrangements.

Asset for post-employment benefits – When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs – The components of defined benefit costs are as follows:

- Service costs, which are recognized in the statement of profit or loss within operating result
- Interest expense or income on net liability or asset, which is recognized in the statement of profit or loss within financial result
- Remeasurements, which are recognized in other comprehensive income

Service costs – Service costs include current service costs, past service costs and gains or losses on plan curtailments and settlements. When the benefits of a plan are changed, or when a plan is curtailed or settled, the portion of the changed benefits related to employee service in prior periods (past service costs), or the gains or losses on curtailments and settlements, are recognized immediately in profit or loss when the plan amendments or curtailments and settlements occur.

Interest expense or income – Interest expense or income is calculated by applying the discount rate to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements – Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest income) and the effect of the asset ceiling (if applicable). Remeasurements are recognized in other comprehensive income and cannot be reclassified to profit or loss.

Long-service leave benefits – The method of accounting for liabilities concerning long-service leave benefits is similar to the one used for defined benefit retirement plans.

Defined contribution plans – Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

2.8.5 Employee benefits – termination benefits

Termination benefits result from either the Group's decision to terminate the employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The event that gives rise to an obligation is the termination of employment rather than employee service. A liability for termination benefits is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

2.8.6 Employee benefits – share-based payment

Amount recognized as an expense – The Group has introduced several equity-settled share-based compensation plans, for which the fair value of shares or share options granted is recognized within operating result and a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or share options (vesting period). The amount recognized as an expense is adjusted by an expected forfeiture rate to reflect the expected number of shares or share options that will vest.

Fair value at grant – The fair value of the shares granted represents the market value of one Tecan share adjusted for expected dividend payments during the vesting period. The fair value of the share options granted is measured using a trinomial model, taking into account the terms and conditions upon which the share options were granted.

2.8.7 Income taxes

Current and deferred income taxes – Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (transactions with owners), in which case it is recognized in other comprehensive income or equity.

Deferred taxes on temporary differences – Deferred taxes are provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting profit nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Realization of tax benefits - Deferred tax assets resulting from temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred taxes provided on expected dividends from subsidiaries – In addition, deferred taxes are provided on expected future dividend distributions from subsidiary companies (non-recoverable withholding taxes).

2.8.8 Financial instruments

2.8.8.1 Cash and cash equivalents, time deposits and receivables

Measurement category: Financial assets at amortized cost without significant financing component

These financial assets are initially measured at the transaction price (nominal value). Subsequently the transaction price is reduced by impairment losses (see below). Foreign exchange gains/losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Accounting for impairment losses on receivables: The Group recognizes an allowance for impairment that represents its estimate of lifetime expected credit losses, applying the simplified approach according to IFRS 9. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the economic environment.

Cash and cash equivalents comprise cash balances and time deposits with a term of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.8.8.2 Rent and other deposits

Measurement category: Financial assets at amortized cost with significant financing component

These financial assets are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently the financial instrument is measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains/losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.8.8.3 Derivatives and contingent considerations

Measurement category: Financial assets and liabilities at fair value through profit or loss (FVTPL)

These financial assets and liabilities are initially measured at fair value without any transaction costs, the latter being directly expensed. Subsequently these financial instruments continue to be measured at fair value. Net gains and losses are recognized in profit or loss.

The Group uses derivative financial instruments to economically hedge certain exposures to foreign exchange rate risks. In connection with the acquisition of Paramit Group, the Group applied hedge accounting.

2.8.8.4 Unquoted equity investment

Measurement category: Financial assets at fair value through other comprehensive income (FVOCI)

This category only includes equity instruments which the Group intends to hold for the foreseeable future. The classification is determined upon initial recognition on an investment-by-investment basis and is irrevocable.

The financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Subsequently the financial instrument continues to be measured at fair value. Net gains and losses are recognized in other comprehensive income and are not recycled to profit or loss on de-recognition. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

2.8.8.5 Current bank liabilities, payables and accrued expenses

Measurement category: Financial liabilities at amortized cost without significant financing component

These financial liabilities are initially measured at the transaction price (nominal value). Subsequently these financial instruments continue to be measured at the transaction price. Foreign exchange gains/losses are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.8.8.6 Bank loans and bonds

Measurement category: Financial liabilities at amortized cost with significant financing component

These financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently these financial instruments are measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains/losses are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

2.8.9 Inventories

Inventories are stated at the lower of purchase or production cost and net realizable value. Production costs include raw materials, components and semi-finished products, direct production costs (internal labor and external services) and production overheads. The Group applies the weighted average cost method except for contract manufacturing for which the FIFO cost formula is more appropriate. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made for slow-moving items and obsolete items are written off.

2.8.10 Property, plant and equipment

Valuation – Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see separate accounting policy). The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads and borrowing costs, if they are directly attributable to a qualifying asset.

Depreciation – Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment from the date they are available for use. The estimated useful lives are as follows:

Buildings	50 years
Leasehold improvements	shorter of useful life or lease term
Furniture and fittings	4 – 8 years
Machines and motor vehicles	2 – 8 years
Tools in connection with OEM contracts	units of production method
EDP equipment	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Component approach – Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment (component approach).

Repair and maintenance – Costs for repair and maintenance are recognized as an expense as incurred.

2.8.11 Right-of-use assets and related lease liabilities

Commencement date, lease term and options – The Group recognizes a right-of-use asset and a lease liability at the date the underlying asset is available for use (lease commencement date). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For this purpose, the non-cancellable lease term is compared with an internal benchmark lease term. An optional term that begins after the benchmark lease term is generally not considered. For option events that take place earlier, management assesses the circumstances on a case-by-case basis.

Right-of-use assets – Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred, and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities / initial measurement – At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments (excluding any non-lease components) to be made over the lease term. The lease payments include fixed payments less any incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities / subsequent measurement – After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimated of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or renewal option is reasonable certain to be exercised or a termination option is reasonably certain not to be exercised.

Discount rate – In calculating the present value of the lease liability the Group is using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets – The Group applies the short-term lease recognition exemption to its short-term leases of property. These leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of service equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.8.12 Intangible assets

Software – Expenditure on the implementation of software, including licenses and external consulting fees, is capitalized.

Research costs – Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development costs – Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, external services, personnel, temporary employees, overhead and borrowing costs, if they are directly attributable to a qualifying asset. Other development expenditure is recognized in profit or loss as incurred.

Intangible assets acquired in a business combination – All identifiable intangible assets that are recognized applying the acquisition method are stated initially at fair value. The following valuation methods are used in order to determine the fair values at the acquisition date: multi-period excess earnings method, relief from royalty method and replacement cost approach.

Valuation and amortization – Intangible assets are measured at cost less accumulated amortization (see below) and impairment losses (see separate accounting policy). Amortization is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

Software	3 – 5 years
Development costs	3 – 5 years
Patents	3 – 5 years
Acquired order backlog	0 – 1 year
Acquired brand	2 – 13 years
Acquired client relationships	7 – 23 years
Acquired technology	6 – 16 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.8.13 Goodwill

Goodwill – Goodwill represents the future economic benefits arising from a business combination that are not capable of being individually identified and separately recognized as assets or liabilities.

Initial measurement – For acquisitions, the Group measures goodwill at the acquisition date as

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree, less
- the net recognized amount of the identifiable net assets acquired.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Subsequent measurement – After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

2.8.14 Impairment

Recognition of an impairment loss – The carrying amount of the Group's non-financial assets other than inventories, contract assets and deferred tax assets, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being the higher of its fair value less costs of disposal and its value in use, is estimated. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually. An impairment loss is recognized in the statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Reversal of an impairment loss – Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

2.8.15 Provisions

Recognition of a provision – Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

Provision for warranties and returns – A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data.

3 SCOPE OF CONSOLIDATION

3.1 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The scope of the consolidation does not include an interest in any of the following:

- Subsidiaries with non-controlling interests
- Associates
- Joint arrangements

The following subsidiaries are included in the consolidated financial statements:

Company	Registered office	Participation in % (capital and votes)	Currency	Share capital (LC 1,000)	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	CHF	5,000	R/P/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	CHF	300	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	CHF	250	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	100%	EUR	1,460	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	100%	EUR	35	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	100%	EUR	35	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	100%	EUR	25	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	100%	EUR	51	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	100%	EUR	103	R
• IBL International GmbH	Hamburg (DE)	100%	EUR	25	R/P/D
Tecan Benelux B.V.	Mechelen (BE)	100%	EUR	37	D
Tecan France S.A.S.	Lyon (FR)	100%	EUR	2,760	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	100%	EUR	30	D
Tecan Italia S.r.l.	Milano (IT)	100%	EUR	77	D
Tecan UK Ltd.	Reading (UK)	100%	GBP	500	D
Tecan Nordic AB	Stockholm (SE)	100%	SEK	100	D
Tecan US Group, Inc.	Morrisville, NC (US)	100%	USD	1,500	S
• Tecan US, Inc.	Morrisville, NC (US)	100%	USD	400	D
• Tecan Systems, Inc.	San Jose, CA (US)	100%	USD	26	R/P
• Tecan SP, Inc.	Baldwin Park/Los Angeles, CA (US)	100%	USD	472	R/P/D
• Tecan Genomics, Inc.	Redwood City, CA (US)	100%	USD	0	R/P/D
• DCPM, Inc.	Morgan Hill, CA (US)	100%	USD	58	P/D
• Paramit Acquisition Corp.	Morgan Hill, CA (US)	n/a	USD	0	Merged into Paramit Corp. in 2022
– Paramit Corp.	Morgan Hill, CA (US)	100%	USD	0	P/D
– Paramit Product Development – Silicon Valley, Inc.	Morgan Hill, CA (US)	n/a	USD	0	Merged into Tecan Systems, Inc. in 2022
– Emphysys Holdings, Inc.	Boston, MA (US)	n/a	USD	0	Merged into Emphysys, Inc. in 2022
– Emphysys, Inc.	Boston, MA (US)	100%	USD	0	R/D
– Paramit Malysia Sdn. Bhd.	Penang (MY)	100%	USD	5,178	P/D
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	SGD	800	S
Tecan (Shanghai) Laboratory Equipment Co., Ltd.	Shanghai (CN)	100%	CNY	3,417	D
PMAS Co., Ltd	Ben Cat Town, Binh Duong Province (VN)	100%	VND	10,367,000	P
Tecan Japan Co., Ltd.	Kawasaki(JP)	100%	JPY	125,000	D
Tecan Australia Pty Ltd	Melbourne (AU)	100%	AUD	0	D

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

3.2 PRIOR YEAR CHANGE IN SCOPE OF CONSOLIDATION: ACQUISITION THROUGH BUSINESS COMBINATION

3.2.1 Acquisition of Paramit Group

On August 2, 2021, the Group acquired 100% of the voting rights of Paramit Group, consisting of the following entities:

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

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

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

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

CHF 1,000	**02.08.2021** Paramit Group
Cash and cash equivalents	34,950
Trade accounts receivable (gross contractual amount of CHF 31.9 million)	31,639
Contract assets	16,673
Other accounts receivable	407
Inventories	44,802
Income tax receivables	3,818
Prepaid expenses	2,220
Property, plant and equipment	30,444
Right-of-use assets	27,897
Intangible assets	311,308
Deferred tax assets	1,220
Assets	**505,378**
Current financial liabilities	(109,017)
Trade and other accounts payable	(21,258)
Contract liabilities	(15,314)
Income tax payables	(2,657)
Accrued expenses	(16,116)
Current provisions	(8,872)
Non-current financial liabilities	(24,702)
Deferred tax liabilities	(79,903)
Liabilities	**(277,839)**
Total identifiable net assets at fair value	**227,539**

Details of the purchase consideration recognized at acquisition and the derivation of goodwill are as follows:

CHF 1,000	Notes	02.08.2021 Paramit Group
Cash consideration		828,331
Hedge loss transferred from equity; net of income taxes	28.4.3	11,700
Contingent consideration		12,409
Total purchase consideration		**852,440**
Less total identifiable net assets at fair value		(227,539)
Goodwill arising on acquisition		**624,901**

Analysis of the cash flows on acquisition:

CHF 1,000	Notes	
Cash paid		828,331
Hedge loss	28.4.3	13,193
Net cash acquired		(34,950)
Contingent consideration paid		10,872
Net cash outflow		**817,447**

The acquisition was accounted for using the acquisition method. The resulting goodwill includes expected synergies from the acquisition, the work force and potentially other intangible assets that could not be valued separately. The goodwill arising from this acquisition is not expected to be tax deductible. The accounting for the acquisition is final. No measurement adjustments were recognized in 2022.

The consideration transferred is USD 940.9 million (CHF 852.4 million), including an estimated contingent consideration (earn-out) of USD 13.7 million (CHF 12.4 million) determined using a probability-weighted payment approach. The purchase price was paid in cash, financed with a short-term bridge loan that was granted by a bank. Later, the bridge loan was repaid and partially replaced by an authorized share capital increase and the issuance of a bond. The contingent payment was based on an EBITDA-defined milestone and capped at USD 80 million (CHF 74 million), The earn-out period ended on September 30, 2021.The final settlement amount of USD 12.0 million (CHF 10.9 million) was paid shortly before year-end 2021.

As part of the acquisition of the Paramit Group, the financing facilities of Paramit in the amount of USD 117.0 million (CHF 107.0 million) were settled by the Group immediately after closing of the transaction. The cash out flow is presented under 'Repayment of other bank loans' / cash from financing activities in the consolidated cash flow statement.

3.2.2 Contribution of acquired companies in the year of acquisition and consolidated numbers (unaudited)

CHF 1,000	2021
Contribution of acquired companies from the date of acquisition	
Months	5
Sales	113,313
Operating profit	(5,135)
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period	
Sales	1,095,867
Operating profit[1]	152,498
Acquisition-related legal fees and due diligence costs, included in 'general and administration'	3,508

[1] In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same as if the acquisition had occurred on January 1, 2021.

4 SALES – REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			**Total 2021**		
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	189,762	1,097	190,859	155,509	-	155,509	345,271	1,097	346,368
Americas	208,856	-	208,856	228,387	-	228,387	437,243	-	437,243
Asia	74,078	-	74,078	75,634	-	75,634	149,712	-	149,712
Others	11,268	-	11,268	2,032	-	2,032	13,300	-	13,300
Total	**483,964**	**1,097**	**485,061**	**461,562**	**-**	**461,562**	**945,526**	**1,097**	**946,623**
By products and services									
Products	392,851	-	392,851	384,069	-	384,069	776,920	-	776,920
Services	91,113	-	91,113	77,493	-	77,493	168,606	-	168,606
Leases	-	1,097	1,097	-	-	-	-	1,097	1,097
Total	**483,964**	**1,097**	**485,061**	**461,562**	**-**	**461,562**	**945,526**	**1,097**	**946,623**
By timing of revenue recognition									
Point in time	427,137	-	427,137	331,351	-	331,351	758,488	-	758,488
Over time	56,827	-	56,827	130,211	-	130,211	187,038	-	187,038
Leases	-	1,097	1,097	-	-	-	-	1,097	1,097
Total	**483,964**	**1,097**	**485,061**	**461,562**	**-**	**461,562**	**945,562**	**1,097**	**946,623**

	Life Sciences Business			Partnering Business			**Total 2022**		
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	161,643	1,034	162,677	216,712	-	216,712	378,355	1,034	379,389
Americas	235,011	-	235,011	342,247	-	342,247	577,258	-	577,258
Asia	82,020	-	82,020	89,688	-	89,688	171,708	-	171,708
Others	12,592	-	12,592	3,314	-	3,314	15,906	-	15,906
Total	**491,266**	**1,034**	**492,300**	**651,961**	**-**	**651,961**	**1,143,227**	**1,034**	**1,144,261**
By products and services									
Products	389,408	-	389,408	587,240	-	587,240	976,648	-	976,648
Services	101,858	-	101,858	64,721	-	64,721	166,579	-	166,579
Leases	-	1,034	1,034	-	-	-	-	1,034	1,034
Total	**491,266**	**1,034**	**492,300**	**651,961**	**-**	**651,961**	**1,143,227**	**1,034**	**1,144,261**
By timing of revenue recognition									
Point in time	425,645	-	425,645	309,586	-	309,586	735,231	-	735,231
Over time	65,621	-	65,621	342,375	-	342,375	407,996	-	407,996
Leases	-	1,034	1,034	-	-	-	-	1,034	1,034
Total	**491,266**	**1,034**	**492,300**	**651,961**	**-**	**651,961**	**1,143,227**	**1,034**	**1,144,261**

4.2 CONTRACT BALANCES

CHF 1,000	Notes	31.12.2021	31.12.2022
Trade accounts receivable	16	128,333	156,835
Contract assets		23,864	25,280
Current contract liabilities	23	(85,018)	(100,177)
Non-current contract liabilities	23	(16,185)	(11,149)

Trade accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days. In 2022, CHF 3.0 million (2021: CHF 2.8 million) was recognized as allowance for expected credit losses.

Contract assets are initially recognized for revenue earned for the installation of complex instruments, contract manufacturing as well as engineering services without delivery of instruments, if the contracts fulfil the criteria for revenue recognition over time. The amounts recognized as contract assets are reclassified to trade accounts receivable to the extent they can be billed to the customer. There are no allowances for expected credit losses in 2021 and 2022.

Set out below is the amount of revenue recognized from

CHF 1,000	2021	2022
Amounts included in contract liabilities at the beginning of the year	62,359	82,725
Performance obligations satisfied in previous years	–	–

4.3 PERFORMANCE OBLIGATIONS

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	31.12.2021			31.12.2022		
CHF 1,000	Contract liabilities	Performance obligations not yet billed	Total remaining performance obligations	Contract liabilities	Performance obligations not yet billed	Total remaining performance obligations
Expected to be recognized						
Within one year	85,018	370,235	455,253	100,177	339,839	440,016
More than one year	16,185	18,510	34,695	11,149	28,051	39,200
Total transaction price allocated	**101,203**	**388,745**	**489,948**	**111,326**	**367,890**	**479,216**

5 SALES – INCOME FROM OPERATING LEASE ARRANGEMENTS (GROUP AS LESSOR)

The operating leases relate to arrangements in which the Group provides instruments free of charge in return for a minimum commitment of the customer for consumables or reagents. The Group did not enter into any finance lease contracts. The total consideration of such combined contracts is allocated to the lease component and the sale of the consumables and reagents in proportion to the estimated stand-alone values of the lease and the minimum commitment for consumables and reagents.

The future minimum lease receivables under non-cancellable operating leases are:

CHF 1,000	31.12.2021	31.12.2022
Due date		
Within one year	1,055	939
In 1 to 3 years	1,510	1,459
In 3 to 5 years	757	708
After 5 years	170	180
Total future minimum lease receivables	**3,492**	**3,286**

In financial year 2022, CHF 1.0 million (2021: CHF 1.1 million) were recognized as sales from leases in the consolidated statement of profit or loss.

6 SEGMENT INFORMATION

6.1 INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/ consolidation		Group	
CHF 1,000	2021	2022	2021	2022	2021	2022	2021	2022
Sales third	485,061	492,300	461,562	651,961	–	-	946,623	1,144,261
Intersegment sales	35,461	18,031	1,492	1,543	(36,953)	(19,574)	–	-
Total sales	**520,522**	**510,331**	**463,054**	**653,504**	**(36,953)**	**(19,574)**	**946,623**	**1,144,261**
Operating profit	**103,743**	**87,129**	**59,247**	**74,377**	**(17,473)**	**(13,671)**	**145,517**	**147,835**
Depreciation and amortization	(22,850)	(22,137)	(36,194)	(44,917)	–	-	(59,044)	(67,054)

CHF 1,000	2021	2022
Reconciliation of reportable segment sales		
Total sales for reportable segments	983,576	1,163,835
Elimination of intersegment sales	(36,953)	(19,574)
Total consolidated sales	**946,623**	**1,144,261**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	162,990	161,506
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(17,473)	(13,671)
Financial result	(7,592)	(5,350)
Total consolidated profit before taxes	**137,925**	**142,485**

6.2 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 31.12.2022	Right-of-use assets 31.12.2021	Right-of-use assets 31.12.2022	Intangible assets 31.12.2021	Intangible assets 31.12.2022
Switzerland	17,877	18,824	16,370	12,967	101,780	100,670
Other Europe	5,335	5,244	10,667	10,533	5,457	4,410
USA	40,651	46,318	33,229	27,183	976,823	971,903
Asia	23,924	23,639	2,280	4,698	53,709	51,024
Total	**87,787**	**94,025**	**62,546**	**55,381**	**1,137,769**	**1,128,007**

Information about major customers

There are sales to one individual customer (CHF 146.1 million) relating to business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in 2022 (none in 2021).

7 OPERATING EXPENSES BY NATURE

CHF 1,000	Notes	2021	2022
Material costs		351,919	476,336
Personnel expenses	12.2	306,324	349,916
Depreciation of property, plant and equipment		12,628	16,578
Depreciation of right-of-use assets		12,232	14,874
Amortization of intangible assets		34,184	35,602
Other operating costs		99,281	119,199
Total operating costs incurred (gross)		**816,568**	**1,012,505**
Capitalization of development costs in position inventories		(1,455)	(2,636)
Capitalization of development costs in position intangible assets	21	(9,579)	(11,561)
Other operating income		(4,428)	(1,882)
Total operating expenses, according to statement of profit or loss		**801,106**	**996,426**

8 RESEARCH AND DEVELOPMENT

CHF 1,000	Notes	2021	2022
Gross research and development costs incurred[1]		86,824	94,001
Reclassification of development costs related to engineering services to cost of sales		(15,973)	(18,839)
Capitalization of development costs in position inventories		(1,455)	(2,636)
Capitalization of development costs in position intangible assets	21	(9,579)	(11,561)
Amortization of development costs and acquired technology		12,050	16,926
Total research and development (gross), according to statement of profit or loss		**71,867**	**77,891**
Government research subsidies, recognized in other operating income		(1,152)	(909)
Total research and development (net)		70,715	76,982

[1] The amount includes the cost of materials, external services, personnel, temporary employees and overhead.

Costs for research and the development of new products (gross) amounted to 6.8% of sales (2021: 7.6%).

9 OTHER OPERATING RESULT

CHF 1,000	Notes	2021	2022
Government grants for research activities		1,152	909
Government grants in connection with COVID-19 related government support programs (temporary payments to social security funds on behalf of the Group)		27	-
Rental income from investment property Hombrechtikon		5	-
Gain from sale of property Hombrechtikon (held for sale)		1,030	-
Commissions income		309	182
Change in fair value of contingent consideration for Paramit Group	3.3.1	1,554	-
Miscellaneous refunds		-	635
Other operating income (miscellaneous)		351	156
Total other operating income		**4,428**	**1,882**

CHF 1,000	2021	2022
Other operating expenses (miscellaneous)	(39)	-
Total other operating expenses	**(39)**	**-**

10 FINANCIAL RESULT

CHF 1,000	2021	2022
Financial income		
Interest income	31	383
Contingent payment from sale of an unquoted equity investment (held for sale)	198	-
Other	477	-
Subtotal financial income	**706**	**383**
Financial expenses		
Interest expenses bridge loan (amortized cost)	(2,100)	-
Interest expenses bond (amortized cost)	(61)	(263)
Interest expenses on lease liabilities	(542)	(670)
Other interest expenses	(1,405)	(382)
Net interest expense on liability for post-employment benefits	(74)	(161)
Other	(139)	-
Subtotal financial expenses	**(4,321)**	**(1,476)**
Net foreign exchange gains/(losses)		
FX derivatives measured at fair value through profit or loss	(7,506)	(2,548)
Other net foreign exchange gains/(losses)	3,529	(1,709)
Subtotal net foreign exchange losses	**(3,977)**	**(4,257)**
Total financial result	**(7,592)**	**(5,350)**

11 EARNINGS PER SHARE

The earnings per share are based on the consolidated profit for the period and the average number of shares outstanding.

	2021		2022	
Average number of shares outstanding		**12,225,180**		**12,716,274**
Basic earnings per share (CHF/share)		**9.95**		**9.53**
Employee share option plans				
Average number of shares under option total	59,498		54,196	
Average number of shares under option dilutive	57,735		36,869	
Average adjusted exercise price	257.43		221.99	
Number of shares that would have been issued at market price	(26,756)		(19,846)	
Adjustment for dilutive share options		30,979		17,023
Employee share plans				
Adjustment for contingently issuable shares (PSMP/matching shares)		61,685		54,104
Adjustment for not vested shares (other share plans)		977		913
Average number of shares outstanding after dilution		**12,318,821**		**12,788,314**
Diluted earnings per share (CHF/share)		**9.88**		**9.47**

12 EMPLOYEE BENEFITS

12.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	2021	2022
Employees – year-end	3,291	3,531
Employees – average	2,589	3,380

12.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2021	2022
Salaries and wages		242,238	280,664
Social security		31,568	30,169
Post-employment benefits relating to			
Defined contribution plans		2,575	4,858
Defined benefit plans	12.3	9,729	9,387
Share-based payment	12.4	12,899	13,849
Other personnel expenses		7,315	10,989
Total personnel expenses		**306,324**	**349,916**

12.3 LIABILITY FOR POST-EMPLOYMENT BENEFITS: DEFINED BENEFIT PLANS

12.3.1 Characteristics of defined benefit plans and risks associated with them

	31.12.2021			**31.12.2022**		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	5	3	8	4	3	7
Actives						
Number	687	103	790	725	106	831
Defined benefit obligation (CHF 1,000)	177,083	4,861	181,944	177,961	3,965	181,926
Weighted average duration in years	19.1	8.1	18.7	15.7	7.7	15.5
Retirees						
Number	9	–	9	8	–	8
Defined benefit obligation (CHF 1,000)	3,138	–	3,138	4,754	–	4,754
Weighted average duration in years	7.3	–	7.3	13.6	–	13.6
Total						
Number	696	103	799	733	106	839

Within the Group, various defined benefit plans exist, which differ in their purpose and financing according to local needs:

Country	Benefits	Funded/ Unfunded	Description and risks
Switzerland (Swiss plans)	Retirement, death-in-service and disability benefits	Funded	**Nature of the benefits provided** The pension plans of Tecan Group Ltd., Tecan Schweiz AG, Tecan Sales Switzerland AG and Tecan Trading AG are plans with guarantee of a minimum interest credit on the savings and fixed conversion rates at retirement. Disability and death benefits are defined as a percentage of the insured salary. **Regulatory framework** The plan provides benefits based on the LPP/BVG law, which stipulates the minimum requirements of the mandatory employer-sponsored pension plan in Switzerland. In particular, annual salary up to CHF 88'200 (as from January 1, 2023) must be insured and the financing is age-dependent with contribution rates in per cent of the insured salary ranging from 7% to 18%. The conversion rate to calculate the annuity based on the accrued savings capital is 6.8% at normal retirement age (65 for men and women). Under LPP/BVG law, the plan must be fully funded on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both. **Specific plan rules** The saving credits for the retirement benefits are defined in percentage of the insured salary. The saving credits for the part of the annual salary between CHF 25'725 and CHF 88'200 are age-dependent and range from 8% to 19%. The saving credits for the part of the annual salary above CHF 88'200 amount to 14% for the employees and to 18% or 19% for the members of the management. The conversion rate for the mandatory part of the savings capital is 6.8% at normal retirement age. For the exceeding part of the savings capital, the conversion rate is defined by the board of trustees. The annual disability pension amounts to 70% of the insured salary, the annual partner's pension to 50% of the insured salary or to 60% of the current retirement pension. In case of death before retirement an additional lump-sum of 200% of the insured salary is paid. **Governance of the plan** The companies are affiliated to the collective foundation AXA Collective BVG Foundation. The collective foundation is a separate legal entity. The foundation is responsible for the governance of the plan; the foundation's board of trustees is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. The foundation has set up investment guidelines, defining in particular the strategic allocation with ranges. Additionally, there are pension committees for each affiliated company composed of an equal number of representatives from the company and the employees. The pension committee is responsible for the set-up of the plan benefits. **Risks to which the plan exposes the Group** The plan provider AXA Collective BVG Foundation has reinsured the risks disability, death and longevity with AXA insurance. Therefore, the Group is only exposed to the investment risk and the risk that the AXA Collective BVG Foundation terminates the affiliation contract or increases the premiums. **Plan amendments, settlements or curtailments** In autumn 2021, the employees of the Swiss entities decided to move from the full insurance plan provided by former Swiss Life Ltd. to a partial insurance plan provided by AXA foundation. The new pension solution was effective as of January 1, 2022. The resulting past service cost of CHF 2.7 million, mainly caused by improved orphan benefits, was included in the personnel expenses of 2021. Further past service cost of CHF 1.5 million related to the lower entry age limit of the employees (20 years instead of 25 years) was recognized in the personnel expenses of 2022.

Country	Benefits	Funded/ Unfunded	Description and risks
Austria (International plans)	Long-service leave benefits	Unfunded	**Nature of the benefits provided** The severance-payments plan of Tecan Austria GmbH and Tecan Sales Austria GmbH guarantees a one-time lump sum payment, once the employee leaves the company. The plan was closed for new members at December 31, 2002. Plan participants are all employees with at least 3 years of service and an entry-date before January 1, 2003. The membership to this plan is mandatory. **Regulatory framework** The plan provides benefits according to Austrian law (AngG 23 and 23a) which stipulates benefits in case of retirement, death (50%), disability or termination of employment. Vesting is after 3 years of service, whereas all rights forfeit in the case of voluntary termination. The level of the benefits depends on the period of service in the company and amounts to a lump-sum payment of 2 monthly salaries after 3 years of service up to 12 monthly salaries after 25 years of service. The monthly salary is defined as the twelfth part of the total annual salary of the last 12 months. **Governance of the plan** Only the company (employer) is responsible for the governance of the plan. **Risks to which the plan exposes the Group** The plan is exposed to an inflation risk as well as to the risk of salary increases. There is no longevity risk because the payments are due latest at retirement. **Plan amendments, settlements or curtailments** There were no plan amendments, settlements or curtailments during the financial years 2021 and 2022.
Other (International plans)	Retirement benefits	Unfunded	There are two minor retirement benefit plans in Tecan Japan Co., Ltd. and Tecan Italia S.r.l. for only a limited number of participants.

12.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	31.12.2021	**31.12.2022**
Swiss plans		
Present value of obligations arising from retirement benefit plans (funded)	180,221	182,715
Related fair value of plan assets	(135,989)	(166,757)
Deficit Swiss plans	**44,232**	**15,958**
International plans		
Present value of obligations arising from retirement benefit plans (unfunded)	1,124	1,053
Present value of obligations arising from long-service leave benefit plans (unfunded)	3,738	2,912
Deficit International plans	**4,862**	**3,965**
Total liability for post-employment benefits	**49,094**	**19,923**

The components of defined benefit cost are as follows:

CHF 1,000	2021 Swiss plans	2021 International plans	2021 Total	2022 Swiss plans	2022 International plans	2022 Total
Current service cost	6,790	284	7,074	7,600	290	7,890
Past service cost (plan amendment)	2,655	–	2,655	1,497	-	1,497
Defined benefit cost included in operating profit	**9,445**	**284**	**9,729**	**9,097**	**290**	**9,387**
Net interest cost on liability for post-employment benefits	61	13	74	139	22	161
Defined benefit cost included in finance cost	**61**	**13**	**74**	**139**	**22**	**161**
Total defined benefit cost included in profit or loss	**9,506**	**297**	**9,803**	**9,236**	**312**	**9,548**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	(14,943)	1	(14,942)	-	4	4
Changes in financial assumptions	(3,434)	470	(2,964)	(51,144)	(680)	(51,824)
Experience adjustments	(9,204)	224	(8,980)	37,607	(86)	37,521
Return on plan assets (excluding interest income)	3,079	–	3,079	(16,203)	-	(16,203)
Remeasurement (gains)/losses included in other comprehensive income	**(24,502)**	**695**	**(23,807)**	**(29,740)**	**(762)**	**(30,502)**
Translation differences included in other comprehensive income	–	(229)	(229)	-	(257)	(257)
Total defined benefit cost recognized	**(14,996)**	**763**	**(14,233)**	**(20,504)**	**(707)**	**(21,211)**

The Group expects to contribute CHF 8.3 million to its defined benefit plans in 2023.

Changes in the present value of the defined benefit obligation are as follows:

CHF 1,000	2021 Swiss plans	2021 International plans	2021 Total	2022 Swiss plans	2022 International plans	2022 Total
Balance at January 1	189,273	4,481	193,754	180,221	4,862	185,083
Current service cost	6,790	284	7,074	7,600	290	7,890
Past service cost	2,655	–	2,655	1,497	-	1,497
Employee contributions	4,924	–	4,924	5,759	-	5,759
Insurance premiums	(1,934)	–	(1,934)	(1,759)	-	(1,759)
Benefits paid	5,908	(382)	5,526	2,316	(190)	2,126
Interest expense	186	13	199	618	22	640
Actuarial (gains)/losses	(27,581)	695	(26,886)	(13,537)	(762)	(14,299)
Translation differences	–	(229)	(229)	-	(257)	(257)
Balance at December 31	**180,221**	**4,862**	**185,083**	**182,715**	**3,965**	**186,680**

Changes in the fair value of plan assets are as follows:

CHF 1,000	2021 Swiss plans	2021 International plans	2021 Total	2022 Swiss plans	2022 International plans	2022 Total
Balance at January 1	122,884	–	122,884	135,989	-	135,989
Employer contributions	7,161	–	7,161	7,770	-	7,770
Employee contributions	4,924	–	4,924	5,759	-	5,759
Insurance premiums	(1,934)	–	(1,934)	(1,759)	-	(1,759)
Benefits paid	5,908	–	5,908	2,316	-	2,316
Interest income	125	–	125	479	-	479
Return on plan assets (excluding interest income)	(3,079)	–	(3,079)	16,203	-	16,203
Balance at December 31	**135,989**	**–**	**135,989**	**166,757**	**-**	**166,757**

The plan assets consist of:

		2022	
Cash	quoted	1,668	1%
Equity securities	quoted	55,697	34%
Debt securities	quoted	53,362	32%
Real estate	quoted	43,357	26%
Other	non-quoted	11,673	7%
Balance at December 31		**165,757**	**100%**

Until end of 2021, the investment risk for the Swiss plans was reinsured. Therefore the plan assets represented a receivable from the life insurance company. With the change to AXA, the Group is fully exposed to the investment risk of its Swiss plans as from January 1, 2022.

12.3.3 Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.12.2021 Swiss plans	31.12.2021 International plans	31.12.2022 Swiss plans	31.12.2022 International plans
Discount rates	0.35%	0.47%	2.40%	3.23%
Rate of future salary increases	1.75%	3.19%	1.75%	3.44%
Rate of future pension increases	0.00%	0.00%	0.00%	0.00%
Rates for the projection of savings capital[1]	1.00%	n/a	1.00%	n/a
Mortality tables[2]	BVG2020G	various	BVG2020G	various

[1] Swiss plans: the rate is only applied to the mandatory part.

[2] Model 'Continuous Mortality Investigation (CMI)'

Sensitivities of significant actuarial assumptions

The discount rate, the rate of future salary increase and the life expectancy were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected:

CHF 1,000	Change in actuarial assumptions	31.12.2021 Swiss plans	31.12.2021 International plans	31.12.2021 Total	31.12.2022 Swiss plans	31.12.2022 International plans	31.12.2022 Total
Discount rates	- 25 basis points	7,209	97	7,306	5,481	71	5,552
	+ 25 basis points	(5,407)	(98)	(5,505)	(5,481)	(67)	(5,548)
Rate of future salary increases	- 25 basis points	(1,802)	(90)	(1,892)	(1,827)	(62)	(1,889)
	+ 25 basis points	1,802	88	1,890	1,827	66	1,893
Life expectancy	- 1 year	(3,604)	(11)	(3,615)	(1,827)	(5)	(1,832)
	+ 1 year	3,605	5	3,610	1,827	5	1,832

(positive = increase in obligation / negative = decrease in obligation)

The sensitivity analysis is based on realistically possible changes at the end of the reporting period. Each change in significant assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

12.4 EMPLOYEE PARTICIPATION PLANS - SHARE-BASED PAYMENT

12.4.1 Employee share option plans

The terms and conditions of the outstanding grants are as follows:

Plan	Plan terms				31.12.2021		**31.12.2022**	
	Grant date	Expiry date	Number granted	Exercise price	Remaining contractual life (years)	Number outstanding	Remaining contractual life (years)	Number outstanding
Plan 2016	02.11.2015	02.11.2022	23,569	135.0	0.8	1,349	–	–
Plan 2017	02.11.2016	02.11.2023	23,907	162.8	1.8	2,672	0.8	1,714
Plan 2018	02.11.2017	02.11.2024	22,071	212.1	2.8	5,960	1.8	5,690
Plan 2019	02.11.2018	02.11.2025	23,921	228.7	3.8	14,626	2.8	12,290
Plan 2020	02.11.2019	02.11.2026	23,334	236.0	4.8	15,453	3.8	11,457
Plan 2021	02.11.2020	02.11.2027	9,056	434.2	5.8	8,139	4.8	7,644
Plan 2022	02.11.2021	02.11.2028	7,050	571.5	6.8	7,050	5.8	6,689
Plan 2023	02.11.2022	02.11.2029	10,735	356.6	–	–	6.8	10,735
Total					**4.5**	**55,249**	**4.2**	**56,219**
Thereof exercisable at December 31						35,541		38,272

All plans are granted to members of the management level 3 and 4 and have a contractual life of 7 years. The vesting conditions are one / two / three years of service for 33%/33%/34% of options. One option grants the right to purchase one Tecan share with settlement by physical delivery (equity-settled). All outstanding options are fully covered by the conditional share capital.

The number and weighted average exercise price of the share options are as follows:

	2021		**2022**	
	Weighted average exercise price (CHF)	Number	Weighted average exercise price (CHF)	Number
Balance at January 1	244.30	71,745	297.49	55,249
Granted	571.50	7,050	356.60	10,735
Exercised	215.72	(20,139)	217.78	(7,592)
Forfeited to expired	227.64	(3,407)	294.77	(2,173)
Balance at December 31	**297.49**	**55,249**	**319.65**	**56,219**

The weighted average share price at the date of exercise was CHF 498.01 in 2021 and CHF 375.31 in 2022.

The expenses, recognized in profit or loss, are calculated as follows:

The fair value of services received in return for the share options granted is measured by reference to the share options vested multiplied by their fair value at grant date (measurement date). The estimate of the fair value is based on a trinomial model. Changes in the fair value of the option after the grant date do not change the fair value of the services received.

Fair value of share options and key assumptions (not yet vested share option plans):

Grant	Share price	Exercise price	Expected volatility[1]	Option life	Expected dividends	Risk-free interest rate	Fair value
Plan 2020	CHF 236.00	CHF 236.00	24.43%	7.0 years	0.74%	(0.40%)	**CHF 52.32**
Plan 2021	CHF 434.20	CHF 434.20	33.09%	7.0 years	0.31%	(0.50%)	**CHF 138.04**
Plan 2022	CHF 571.50	CHF 571.50	33.48%	7.0 years	0.24%	0.12%	**CHF 192.23**
Plan 2023	CHF 356.60	CHF 356.60	34.34%	7.0 years	0.35%	1.83%	**CHF 134.18**

[1] Historic volatility with an underlying period that depends on the option life

Data source: Financial data supplier

12.4.2 Employee share plans

12.4.2.1 Performance share matching plans (PSMP)

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically (equity-settled) and free of charge:

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Performance share matching plan (PSMP) 2020					
Initial grant	Extended Management Board on March 4, 2020	11,766 shares	CHF 296.80	Immediate vesting[1]	None
	Other management on May 4, 2020	1,290 shares	CHF 314.20		
Matching shares	Extended Management Board on March 4, 2020	27,670 shares (maximum of potential shares granted)	CHF 229.40	January 1, 2020 to December 31, 2022	Three years of service and performance target
	Other management on May 4, 2020	3,225 shares (maximum of potential shares granted)	CHF 309.80		
Performance share matching plan (PSMP) 2021					
Initial grant	Extended Management Board on March 10, 2021	7,990 shares	CHF 369.30	Immediate vesting[1]	None
	Other management on May 3, 2021	902 shares	CHF 435.30		
Matching shares	Extended Management Board on March 10, 2021	19,975 shares (maximum of potential shares granted)	CHF 364.70	January 1, 2021 to December 31, 2023	Three years of service and performance target
	Other management on May 3, 2021	2,255 shares (maximum of potential shares granted)	CHF 430.70		
Performance share matching plan (PSMP) 2022					
Initial grant	Extended Management Board on March 9, 2022	9,210 shares	CHF 366.60	Immediate vesting[1]	None
	Other management on May 2, 2022	1,088 shares	CHF 288.60		
Matching shares	Extended Management Board on March 9, 2022	23,025 shares (maximum of potential shares granted)	CHF 361.00	January 1, 2022 to December 31, 2024	Three years of service and performance target
	Other management on May 2, 2022	2,721 shares (maximum of potential shares granted)	CHF 283.00		

[1] Vested shares are blocked until the end of the performance period.

Number of shares outstanding at December 31:

Employee shares	2021	**2022**
Balance at January 1	135,991	108,970
Granted	31,122	36,044
Deblocked and available to the participants	(57,302)	(47,629)
Forfeited	(841)	(81)
Balance at December 31	**108,970**	**97,304**
Thereof vested and transferred, but blocked until the end of the performance period	21,873	19,190

The expenses, recognized in profit or loss, are calculated as follows:

The fair value of services received in return for the shares granted is measured by reference to the shares vested multiplied by their fair value at grant date (measurement date). The fair value at grant represents the market value of one Tecan share adjusted for expected dividend payments during the vesting period. Changes in the fair value of the shares after the grant date do not change the fair value of the services received.

The number of matching shares is determined based on the following formula: number of shares from initial grant that qualify for matching shares, multiplied by the matching share factor. The matching share factor is dependent on the achievement of specific economic profit targets. In any case, the matching share factor will not be lower than 0.0 and not higher than 2.5.

Number of matching shares expected to vest at December 31, 2022:

Plan	Total base shares[1]	Matching share factor applied	Matching shares expected to vest[2]
PSMP 2020	12,191	2.5	30,478
PSMP 2021	8,816	2.5	22,041
PSMP 2022	10,238	2.5	25,595

[1] Only shares that qualify for matching shares
[2] Not adjusted for expected fluctuation

12.4.2.2 Other share plans

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically (equity-settled) and free of charge:

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Share plan 2022 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 12, 2022	972 shares	CHF 343.80	Graded vesting from May 1, 2022 to April 30, 2023	One year of service

12.4.3 Total expenses recognized

CHF 1,000	2021	**2022**
Expenses arising from equity-settled share option plans	762	1,169
Expenses arising from equity-settled performance share matching plans	11,771	12,341
Expenses arising from equity-settled other share plans	366	339
Total expenses recognized, excluding social security costs	**12,899**	**13,849**
Corresponding current and deferred income taxes recognized directly in equity	1,941	(1,793)
Total amount reported in consolidated statement of changes in equity	**14,840**	**12,056**

13 INCOME TAXES

13.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2021	**2022**
Current income taxes	32,118	37,074
Deferred income taxes	(15,852)	(15,715)
Total income taxes	**16,266**	**21,359**

The income tax expense can be analyzed as follows:

CHF 1,000	2021	**2022**
Profit before taxes	137,925	142,485
Tax expense based on the Group's weighted average rate of 19.8% (2021: 17.9%)	**24,635**	**28,155**
Deferred taxes: tax rate change on opening deferred taxes and tax rate used for calculation of deferred taxes different to currently effective rate	2,768	1,611
Non-deductible expenses and additional taxable income	4,852	5,157
Tax-free income and tax reductions	(2,633)	(1,489)
Transitional measures from Swiss tax reform	(12,580)	(12,945)
Impact of tax losses	106	-
Impact of investment in subsidiaries and investments at FVOCI	(779)	-
Unrecoverable withholding tax	652	(108)
(Over)/underprovided in prior years	(755)	978
Tax expense reported	**16,266**	**21,359**

[1] See Note 13.2.3

The tax rate of the Group is the weighted average tax rate obtained by applying the currently effective rate for each individual jurisdiction to its respective profit before taxes. As a result of changes in the country mix of the profit before taxes, the Group's expected tax rate for 2022 increased to 19.8%.

13.2 DEFERRED INCOME TAXES

13.2.1 Amounts recognized in the financial statements

Amounts recognized and movements in deferred tax assets and liabilities:

CHF 1,000	Net balance at January 1	Recognized in profit or loss	Recognized in OCI[1]	Recognized directly in equity	Acquired in business combination	Translation differences	31.12.2021 Net	31.12.2021 Deferred tax assets	31.12.2021 Deferred tax liabilities
Deferred taxes arising from temporary differences									
Receivables and contract assets	(735)	852	-	-	(3,990)	(27)	(3,900)	635	(4,535)
Inventories	8,934	6,219	-	-	3,327	78	18,558	19,075	(517)
Property, plant and equipment	(167)	(91)	-	-	(3,202)	(37)	(3,497)	228	(3,725)
Right-of-use assets	(7,786)	6,848	-	-	(12,241)	(63)	(13,242)	290	(13,532)
Intangible assets	(9,495)	(600)	-	-	(76,030)	(754)	(86,879)	-	(86,879)
Liabilities and accrued expenses	12,495	(2,419)	-	-	12,155	150	22,381	22,478	(97)
Deferred revenue	-	4,343				(6)	4,337	4,337	
Liability for post-employment benefits	12,984	370	(4,398)	-	-	(35)	8,921	8,921	-
Provisions	1,882	(608)	-	650	1,649	25	3,598	8,747	(5,149)
Other	(5)	(181)	-	-	(351)	(9)	(546)	220	(766)
Subtotal	**18,107**	**14,733**	**(4,398)**	**650**	**(78,683)**	**(678)**	**(50,269)**	**64,931**	**(115,200)**
Expected tax benefits from									
Tax loss carry-forwards	6,161	(1,656)	-	-	-	189	4,694	4,694	-
Swiss tax reform	5,328	3,427	-	-	-	-	8,755	8,755	-
Deferred taxes provided on expected dividends from subsidiaries	(1,808)	(652)	-	-	-	-	(2,460)	-	(2,460)
Offsetting								(47,699)	47,699
Total	**27,788**	**15,852**	**(4,398)**	**650**	**(78,683)**	**(489)**	**(39,280)**	**30,681**	**(69,961)**

[1] Other comprehensive income

CHF 1,000	Net balance at January 1	Recognized in profit or loss	in OCI[1]	directly in equity	Translation differences	31.12.2022 Net	Deferred tax assets	Deferred tax liabilities
Deferred taxes arising from temporary differences								
Receivables and contract assets	(3,900)	3,128	-	-	(141)	(931)	794	(1,707)
Inventories	18,558	(2,824)	-	-	(197)	15,537	16,075	(538)
Property, plant and equipment	(3,497)	45	-	-	(48)	(3,500)	190	(3,690)
Right-of-use assets	(13,242)	1,107	-	-	93	(12,042)	288	(12,330)
Intangible assets	(86,879)	8,637	-	-	(1,299)	(79,541)	-	(79,541)
Liabilities and accrued expenses	22,381	(2,222)	-	-	(9)	20,150	20,726	(576)
Deferred revenue	4,337	3,732			(64)	8,005	8,005	-
Liability for post-employment benefits	8,921	281	(5,737)	-	(41)	3,424	3,424	-
Provisions	3,598	768	-	(2,319)	9	2,056	5,802	(3,746)
Other	(546)	(1,750)	-	-	(8)	(2,304)	279	(2,583)
Subtotal	**(50,269)**	**10,902**	**(5,737)**	**(2,319)**	**(1,705)**	**(49,128)**	**55,583**	**(104,711)**
Expected tax benefits from								
Tax loss carry-forwards	4,694	(864)	-	-	87	3,917	3,917	-
Swiss tax reform	8,755	5,537	-	-	-	14,292	14,292	-
Deferred taxes provided on expected dividends from subsidiaries	(2,460)	108	-	-	-	(2,352)	-	(2,352)
Offsetting							(44,155)	44,155
Total	**(39,280)**	**15,683**	**(5,737)**	**(2,319)**	**(1,618)**	**(33,271)**	**29,637**	**(62,908)**

[1] Other comprehensive income

Temporary differences on intangible assets primarily relate to assets recognized during the purchase price allocation process for business combinations.

13.2.2 Tax benefits from tax loss carry-forwards

Deferred tax assets related to tax loss carry-forwards:

CHF 1,000	Gross value of tax loss carry-forwards not capitalized 31.12.2021	31.12.2022	Tax benefits 31.12.2021	31.12.2022
Expiring in				
1st - 5th year			-	-
6th year or beyond			2,678	1,875
Unlimited			2,016	2,042
Tax loss carry-forwards capitalized			**4,694**	**3,917**
Expiring in				
1st - 5th year	-	-	-	-
6th year or beyond	13,262	12,477	926	871
Unlimited	-	-	-	-
Tax loss carry-forwards not capitalized	**13,262**	**12,477**	**926**	**871**
Total tax loss carry-forwards	**13,262**	**12,477**	**5,620**	**4,788**

13.2.3 Tax benefits from the Swiss tax reform

On May 19, 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). The tax reform abolished the tax regimes for holding, domiciliary and mixed companies as of January 1, 2020 and introduced 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.

Tax benefits related to the step-up mechanism that are not capitalized at year-end:

		Gross value of tax benefits not capitalized		Tax benefits	
CHF 1,000	Year	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**
Tax benefits available for					
Federal taxes	2027/28 - 2029	24,806	16,537	1,714	1,144
Cantonal taxes	2025 - 2029	354,749	303,928	41,718	35,590
Tax benefits not capitalized		**379,555**	**320,465**	**43,432**	**36,734**

13.2.4 Unrecognized deferred tax liabilities

At December 31, 2022, there are temporary differences of CHF 1'041 million (2021: CHF 1'290.9 million) related to investments in subsidiaries for which no deferred tax liabilities are recognized since the Group controls the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

14 CASH AND CASH EQUIVALENTS

CHF 1,000	31.12.2021	**31.12.2022**
Bank balances		
Denominated in CHF	62,682	48,481
Denominated in EUR	22,971	29,706
Denominated in GBP	2,692	1,478
Denominated in USD	20,979	23,699
Denominated in CNY	5,192	3,770
Denominated in JPY	1,837	1,109
Denominated in other currencies	4,653	3,198
Total cash and cash equivalents	**121,006**	**111,441**
Effective interest rate	(0.10%)	0.06%

15 OTHER CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2021	**31.12.2022**
Time deposits with a term of three months or more from the date of acquisition		
Denominated in CHF	120,000	180,000
Current derivatives	908	1,796
Total other current financial assets	**120,908**	**181,796**

At year-end 2022, there are time deposits with interest rates ranging from 0.96% to 1.20% (2021: one time deposit with an interest rate of -0.45%).

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 28.

16 TRADE ACCOUNTS RECEIVABLE

CHF 1,000	31.12.2021	31.12.2022
Trade accounts receivable		
Denominated in CHF	17,070	21,448
Denominated in EUR	21,310	20,199
Denominated in GBP	4,674	4,277
Denominated in USD	81,337	105,943
Denominated in CNY	434	630
Denominated in JPY	3,130	1,982
Denominated in other currencies	3,212	5,338
Subtotal trade accounts receivable	**131,167**	**159,817**
Allowance for expected credit losses		
Individual impairment allowance account	(192)	(332)
Collective impairment allowance account	(2,642)	(2,650)
Subtotal allowance for expected credit losses	**(2,834)**	**(2,982)**
Total trade accounts receivable	**128,333**	**156,835**
Net (decrease) / increase	(26,628)	30,320
Acquisition through business combination	31,639	-
Translation differences	522	(1,818)
Total change compared with previous year	**5,533**	**28,502**

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region (location of the debtor) is:

CHF 1,000	31.12.2021	31.12.2022
Switzerland (domestic)	11,675	15,306
Euro-zone countries	34,138	25,643
Other European countries	10,050	9,085
North America	66,074	96,064
Asia	7,945	10,267
Other	1,285	3,452
Total trade accounts receivable (excluding allowances)	**131,167**	**159,817**

The Group's most significant customer accounts for 11.5% of the trade accounts receivable carrying amount at December 31, 2022 (December 31, 2021: 8.3%).

The movement in the allowance for impairment in respect of trade accounts receivable during the year was as follows:

CHF 1,000	2021	**2022**
Individual impairment allowance account		
Balance at January 1	(299)	(192)
Change in impairment losses	(86)	(230)
Write-offs	196	87
Translation differences	(3)	3
Balance at December 31	**(192)**	**(332)**
Amount of trade accounts receivable with individual impairment (gross)	19,144	29,231
Collective impairment allowance account		
Balance at January 1	(1,334)	(2,642)
Change in impairment losses	(1,328)	(26)
Translation differences	20	18
Balance at December 31	**(2,642)**	**(2,650)**

The due dates of trade accounts receivable that are collectively impaired are:

	31.12.2021		**31.12.2022**	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	66,364	(308)	97,425	(495)
Past due 1–30 days	29,466	(166)	22,289	(130)
Past due 31–90 days	12,336	(334)	6,172	(101)
Past due 91–180 days	2,870	(847)	2,965	(617)
Past due more than 180 days	987	(987)	1,735	(1,307)
Total	**112,023**	**(2,642)**	**130,586**	**(2,650)**

The Group did not experience any severe financial difficulties with its debtors in the past. The sum of all recognized final write-offs of trade accounts receivable in 2021 and 2022 represents less than 1% of sales.

17 INVENTORIES

CHF 1,000	31.12.2021	**31.12.2022**
Raw materials, semi-finished and finished goods	215,068	279,580
Allowance for slow-moving inventories	(22,886)	(31,281)
Work in progress	14,652	20,383
Capitalized customer-specific development costs	42,278	31,906
Total inventories	**249,112**	**300,588**
Net increase	43,931	54,158
Acquisition through business combination	44,802	-
Reclassifications	162	(53)
Translation differences	764	(2,629)
Total change compared with previous year	**89,659**	**51,476**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss	3,276	2,574

18 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2021	**31.12.2022**
Unquoted equity investment (FVOCI)	4,223	4,225
Rent and other deposits	1,320	1,374
Total non-current financial assets	**5,543**	**5,599**

The acquisition of the investment was closed in 2020. However, the majority of the payment was made in January 2021.

19 PROPERTY, PLANT AND EQUIPMENT

CHF 1,000	Buildings	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	**Total 2021**
At cost							
Balance at January 1, 2021	-	13,969	13,594	67,712	19,855	2,936	118,066
Acquisition through business combination	14,046	3,504	1,562	9,117	2,215	-	30,444
Additions	-	1,546	1,216	21,222	3,071	562	27,617
Disposals	-	(225)	(640)	(2,115)	(2,747)	(8)	(5,735)
Translation differences	107	82	(81)	328	(50)	(143)	243
Balance at December 31, 2021	**14,153**	**18,876**	**15,651**	**96,264**	**22,344**	**3,347**	**170,635**
Accumulated depreciation and impairment losses							
Balance at January 1, 2021	-	10,589	11,528	36,289	15,916	1,605	75,927
Annual depreciation	113	1,558	843	6,762	2,920	432	12,628
Disposals	-	(225)	(634)	(2,186)	(2,357)	(8)	(5,410)
Translation differences	-	55	(80)	(109)	(71)	(92)	(297)
Balance at December 31, 2021	**113**	**11,977**	**11,657**	**40,756**	**16,408**	**1,937**	**82,848**
Net book value	**14,040**	**6,899**	**3,994**	**55,508**	**5,936**	**1,410**	**87,787**

[1] See note 5

CHF 1,000	Buildings	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	Total 2022
At cost							
Balance at January 1, 2022	14,153	18,876	15,651	96,264	22,344	3,347	170,635
Additions	-	2,820	780	16,380	2,425	163	22,568
Disposals	-	(249)	(545)	(553)	(615)	-	(1,962)
Reclassification	-	(665)	-	1,498	(252)	(7)	574
Translation differences	180	(21)	(182)	(480)	(228)	(211)	(942)
Balance at December 31, 2022	**14,333**	**20,761**	**15,704**	**113,109**	**23,674**	**3,292**	**190,873**
Accumulated depreciation and impairment losses							
Balance at January 1, 2022	113	11,977	11,657	40,756	16,408	1,937	82,848
Annual depreciation	283	2,119	1,225	9,433	3,121	397	16,578
Disposals	-	(249)	(555)	(560)	(587)	-	(1,951)
Reclassification	-	-	-	586	(58)	(6)	522
Translation differences	(8)	(46)	(177)	(563)	(233)	(122)	(1,149)
Balance at December 31, 2022	**388**	**13,801**	**12,150**	**49,652**	**18,651**	**2,206**	**96,848**
Net book value	**13,945**	**6,960**	**3,554**	**63,457**	**5,023**	**1,086**	**94,025**

[1] See note 5

The net book value for machines and motor vehicles includes payments of CHF 30.4 million for production lines that are under construction and not yet ready for use. Thereof CHF 25.4 million is related to a government grant (presentation gross / see note 24). At December 31, 2022, the outstanding purchase commitments for these production lines amount to CHF 2.4 million.

20 RIGHT-OF-USE ASSETS (GROUP AS LESSEE)

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor see note 5.

20.1 AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS

The amounts recognized in the balance sheet are as follows:

CHF 1,000	Property	Office equipment	Machines	Motor vehicles	Total
Balance at January 1, 2021	34,540	42	17	2,483	37,082
Acquisition through business combination	27,897	-	-	-	27,897
Additions and subsequent measurement	8,330	8	-	1,366	9,704
Depreciation	(10,753)	(16)	(8)	(1,455)	(12,232)
Translation differences	150	(1)	(1)	(53)	95
Balance at December 31, 2021	**60,164**	**33**	**8**	**2,341**	**62,546**
Additions and subsequent measurement	6,964	37	-	857	7,858
Depreciation	(13,539)	(14)	(7)	(1,314)	(14,874)
Translation differences	(133)	(5)	(1)	(10)	(149)
Balance at December 31, 2022	**53,456**	**51**	**-**	**1,874**	**55,381**

The related lease liabilities are disclosed in note 22.

The amounts recognized in the statement of profit or loss are as follows:

CHF 1,000	2021	2022
Depreciation expense of right-of-use assets	12,232	14,874
Expense related to short-term leases	140	202
Interest cost on lease liabilities (included in finance cost)	542	670
Total amount recognized in profit or loss	**12,914**	**15,746**

In financial year 2022, the Group paid a total amount of CHF 14.6 million (2021: CHF 12.7 million) to its lessors.

20.2 ADDITIONAL DISCLOSURES

The Group has several property lease contracts that include renewal and termination options. Where useful, the Group aims to incorporate options into its leases in order to maximize operational flexibility. Normally, these options are exercisable only by the lessee and not by the lessors. For the all locations, the undiscounted potential future rental payments relating to periods following the exercise date of the options are estimated at CHF 92.6 million, of which CHF 19.5 million, particularly the US locations of Paramit, are considered in the valuation of the right-of-use assets as at December 31, 2022.

At year-end 2022, there is no material new lease commitment with commencement date after the balance sheet date (2021: none).

21 INTANGIBLE ASSETS AND GOODWILL

21.1 AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS

CHF 1,000	Software	Development costs	Patents	Acquired order backlog	Acquired brand	Acquired client relationships	Acquired technology	Goodwill	Total 2021
At cost									
Balance at January 1, 2021	34,600	104,884	341	-	5,595	26,420	21,100	136,098	329,038
Acquisition through business combination	-	-	-	16,218	11,597	224,692	58,801	624,901	936,209
Internally developed	3,004	9,579	-	-	-	-	-	-	12,583
Translation differences	(6)	136	4	123	194	2,018	660	6,099	9,228
Balance at December 31, 2021	**37,598**	**114,599**	**345**	**16,341**	**17,386**	**253,130**	**80,561**	**767,098**	**1,287,058**
Accumulated amortization and impairment losses									
Balance at January 1, 2021	28,023	68,520	341	-	1,656	8,167	8,423	-	115,130
Annual amortization	1,471	8,107	-	13,637	977	6,049	3,943	-	34,184
Translation differences	(16)	(20)	4	(19)	5	34	(13)	-	(25)
Balance at December 31, 2021	**29,478**	**76,607**	**345**	**13,618**	**2,638**	**14,250**	**12,353**	**-**	**149,289**
Net book value	**8,120**	**37,992**	**-**	**2,723**	**14,748**	**238,880**	**68,208**	**767,098**	**1,137,769**

CHF 1,000	Software	Develop-ment costs	Patents	Acquired order backlog	Acquired brand	Acquired client relationships	Acquired technology	Goodwill	Total 2022
At cost									
Balance at January 1, 2022	37,598	114,599	345	16,341	17,386	253,130	80,561	767,098	1,287,058
Additions	-	-	239	-	-	-	-	-	239
Internally developed	1,364	11,561	-	-	-	-	-	-	12,925
Disposals	-	-	-	(17,095)	(382)	-	-	-	(17,477)
Translation differences	(57)	61	(6)	754	182	2,864	734	8,042	12,574
Balance at December 31, 2022	**38,905**	**126,221**	**578**	**-**	**17,186**	**255,994**	**81,295**	**775,140**	**1,295,319**
Accumulated amortization and impairment losses									
Balance at January 1, 2022	29,478	76,607	345	13,618	2,638	14,250	12,353	-	149,289
Annual amortization	1,727	10,400	3	2,849	1,666	12,435	6,522	-	35,602
Disposals	-	-	-	(17,095)	(382)	-	-	-	(17,477)
Translation differences	(20)	(71)	2	628	(44)	(361)	(236)	-	(102)
Balance at December 31, 2022	**31,185**	**86,936**	**350**	**-**	**3,878**	**26,324**	**18,639**	**-**	**167,312**
Net book value	**7,720**	**39,285**	**228**	**-**	**13,308**	**229,670**	**62,656**	**775,140**	**1,128,007**

The amortization charge is recognized in the following line items of the statement of profit or loss:

CHF 1,000	2021	2022
Cost of sales	13,637	2,849
Sales and marketing	7,026	14,101
Research and development	12,050	16,924
General and administration	1,471	1,728
Total amortization	**34,184**	**35,602**

21.2 IMPAIRMENT TESTS

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit from the synergies of the corresponding business combination. Subsequently, the recoverable amount of the cashgenerating unit (higher of fair value less costs of disposal and value in use) is compared to its carrying amount. An impairment loss is only recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. Value in use is normally assumed to be higher than the fair value less costs of disposal; therefore, fair value less costs of disposal is only investigated when value in use is lower than the carrying amount of the cash-generating unit.

Value in use is calculated according to the discounted cash flow method. The cash flow projections are based on a five-year financial planning period. Cash flows beyond the five-year period are extrapolated applying the estimated long-term growth rates stated below. The expected growth in sales is based on external market studies and internal assessments prepared by management. Future cash flows are discounted using the weighted average cost of capital (WACC). The discount rates applied are pre-tax.

21.2.1 Financial year 2022

The Group performed impairment tests on cash-generating units containing goodwill in June 2022, using the following key assumptions:

Goodwill Cash-generating unit	Method	Carrying amount (CHF 1,000)	Test date	Basis for recoverable amount	Pre-tax discount rate	Projection period	Long-term growth rate
Goodwill Life Sciences Business Life Sciences Business	DCF-method	110,908	June 2022	Value in use	9.5%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	664,232	June 2022	Value in use	9.4%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market at August 31, 2022.

Based on the impairment tests 2022, there was no need for the recognition of any impairment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

21.2.2 Financial year 2021

The Group performed impairment tests on cash-generating units containing goodwill in June 2021, using the following key assumptions:

Goodwill Cash-generating unit	Method	Carrying amount (CHF 1,000)	Last test date	Basis for recoverable amount	Pre-tax discount rate	Projection period	Long-term growth rate
Goodwill Life Sciences Business Life Sciences Business	DCF-method	110,966	June 2021	Value in use	7.8%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	656,132	December 2021	Value in use	7.2%	5 years	0.0%

In addition, the Group prepared mandatory impairment tests for capitalized development costs relating to products that are not yet launched on the market at August 31, 2021.

Based on the impairment tests 2021, there was no need for the recognition of any impairment.

22 FINANCIAL LIABILITIES

CHF 1,000	Derivatives[1]	Bridge loan	Other bank loans	Bond	Contingent consideration[2]	Leases	**Total 2021**
Balance at January 1, 2021	694	-	734	-	-	37,991	39,419
Cash flows							
Increase	-	750,000	-	249,445	-	-	999,445
Repayment	-	(750,000)	(107,057)	-	(10,872)	-	(867,929)
Payments to lessors (including interests)	-	-	-	-	-	(12,523)	(12,523)
Non-cash changes							
Acquisition through business combination	-	-	106,047	-	12,412	27,672	146,131
Change in fair value	(132)	-	-	-	(1,554)	-	(1,686)
Accretion of interest	-	-	-	-	-	542	542
New leases and disposals	-	-	-	-	-	9,704	9,704
Amortized cost	-	-	-	62	-	-	62
Translation differences	-	-	930	-	14	112	1,056
Balance at December 31, 2021	**562**	**-**	**654**	**249,507**	**-**	**63,498**	**314,221**
Thereof current	562	-	-	-	-	13,053	13,615
Thereof non-current	-	-	654	249,507	-	50,445	300,606
Analysis by currency							
Denominated in CHF							266,141
Denominated in EUR							10,215
Denominated in USD							34,626
Denominated in other currencies							3,239
Total							**314,221**
Analysis by interest rate							
Interest-free							4,440
Fixed interest rate							
0%–2%							304,060
2%–4%							5,204
4%–6%							517
Total							**314,221**

[1] See note 28

[2] See note 3.2

CHF 1,000	Short term credit facilities	Derivatives[1]	Bank loans	Bond	Leases	Total 2022
Balance at January 1, 2022	-	562	654	249,507	63,498	314,221
Cash flows						
Change	1	-	-	-	-	1
Interest payment	-	-	-	(125)	-	(125)
Payments to lessors (including interests)	-	-	-	-	(14,439)	(14,439)
Non-cash changes						
Change in fair value	-	(281)	-	-	-	(281)
Amortized cost	-	-	-	263	-	263
New leases and disposals	-	-	-	-	7,858	7,858
Accretion of interest	-	-	-	-	670	670
Translation differences	-	-	(31)	-	(173)	(204)
Balance at December 31, 2022	**1**	**281**	**623**	**249,645**	**57,414**	**307,964**
Thereof current	1	281	623	-	13,654	14,559
Thereof non-current	-	-	-	249,645	43,760	293,405
Analysis by currency						
Denominated in CHF						262,898
Denominated in EUR						10,364
Denominated in USD						29,162
Denominated in other currencies						5,540
Total						**307,964**
Analysis by interest rate						
Interest-free						420
Fixed interest rate						
0% – 2%						299,161
2% – 4%						8,034
4% – 6%						349
Total						**307,964**

[1] See note 28

In 2022, the interest rate paid on the bond was 0.05% (2021: 0.05%).

23 CONTRACT LIABILITIES

CHF 1,000	31.12.2021 Current	31.12.2021 Non-current	31.12.2022 Current	31.12.2022 Non-current
Timing of revenue recognition: point in time				
Advances for products	50,680	11,931	47,353	7,640
Timing of revenue recognition: over time				
Advances for products	9,675	-	23,007	-
Service contracts, including service-type warranties	24,663	4,254	29,817	3,509
Total contract liabilities	**85,018**	**16,185**	**100,177**	**11,149**
Acquisition through business combination		15,314		-
Net increase		608		12,201
Translation differences		(93)		(2,078)
Total change (current and non-current) compared with previous year		**15,829**		**10,123**

24 GOVERNMENT GRANTS

CHF 1,000	2021	**2022**
Balance at January 1	16,876	22,391
Received	5,012	7,960
Translation differences	503	30
Balance at December 31	**22,391**	**30,381**
Thereof current	3,661	4,170
Thereof non-current	18,730	26,211

In October 2020 the U.S. Department of Defense and the U.S. Department of Health and Human Services awarded a government grant of USD 32.9 million (CHF 30.0 million) to support the build-up of a U.S. pipette tip manufacturing for COVID-19 testing. Disposable pipette tips are key components for molecular tests for SARS-CoV-2 and other assays performed on fully automated, high throughput systems.

The funding enables the Group to launch new production capacity in the U.S. and to increase the domestic supply for critical medical resources.

This government grant is related to the purchase and installation of new production lines reported in position property, plant and equipment (see note 19). The new U.S. manufacturing facility is expected to start producing pipette tips in spring 2023.

25 PROVISIONS

CHF 1,000	Onerous contracts	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2021**
Balance at January 1, 2021	2,886	16,499	1,358	4,309	7,225	32,277
Acquisition through business combination	-	6,606	-	2,266	-	8,872
Provisions recognized	5,222	20,662	235	(322)	4,258	30,055
Provisions used	-	(19,098)	-	-	(4)	(19,102)
Provisions reversed	(5,663)	(654)	(8)	-	(411)	(6,736)
Reclassification	-	-	(49)	-	(74)	(123)
Translation differences	2	83	(53)	(10)	7	29
Balance at December 31, 2021	**2,447**	**24,098**	**1,483**	**6,243**	**11,001**	**45,272**
Thereof current	2,447	24,098	-	6,243	2,144	34,932
Thereof non-current	-	-	1,483	-	8,857	10,340

[1] WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

CHF 1,000	Restructuring and dismantling	Onerous contracts	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2022**
Balance at January 1, 2022	84	2,447	24,098	1,483	6,243	10,917	45,272
Provisions recognized	-	300	15,562	65	50	1,576	17,553
Provisions used	-	-	(14,876)	(19)	-	(86)	(14,981)
Provisions reversed	-	(253)	(3,704)	(1)	(1,291)	(2,489)	(7,738)
Translation differences	(8)	5	9	(85)	4	(60)	(135)
Balance at December 31, 2022	**76**	**2,499**	**21,089**	**1,443**	**5,006**	**9,858**	**39,971**
Thereof current	-	2,499	21,089	-	5,006	2,855	31,449
Thereof non-current	76	-	-	1,443	-	7,003	8,522

[1] WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

The provision for legal cases (2022: CHF 5.0 million and 2021: CHF 6.2 million) relates to several legal cases with former customers and employees in different subsidiaries, for which the timing of settlement is uncertain at year-end.

The position 'other' includes: 1. provisions to cover commitments related to other non-current employee benefits (2022: CHF 7.2 million and 2021: CHF 9.0 million), 2. provisions in connections with controversial sales and use tax positions (2022: CHF 2.2 million and 2021: CHF 1.5 million) 3. several minor provisions (2022: CHF 0.5 million and 2021: CHF 0.5 million).

26 SHAREHOLDERS' EQUITY

26.1 SHARE CAPITAL AND CAPITAL RESERVE

Holders of ordinary shares are entitled to dividends and to one vote per share at the General Meetings of Shareholders. All payments of the shareholders in excess of the nominal value of the share (CHF 0.10 / share) are classified to capital reserve (share premium).

26.2 NATURE AND PURPOSE OF THE EQUITY RESERVES

26.2.1 Translation differences

The translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency into the reporting currency (CHF).

26.3 MOVEMENTS IN SHARES ISSUED AND 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 (conditional share capital increase)	69,263	53,333
Authorized share capital increase	650,000	-
Balance at December 31	**12,678,108**	**12,731,441**

26.4 DIVIDENDS PAID

	2021	**2022**	2023 Proposed
Number of shares eligible for dividend	12,005,310	12,713,261	12,731,441
Dividends paid (CHF/share)	1.15	1.40	1.45
Payout from statutory capital contribution reserve (CHF/share)	1.15	1.40	1.45

26.5 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	(69,263)	(53,333)
Balance at December 31	**275,104**	**221,771**
Maximum of employee share options and employee shares outstanding	143,141	135,305

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

	31.12.2021	31.12.2022
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)	1,650,000	-
CHF	165,000	-

In September 2021, the Group placed 650’000 shares from the authorized share capital in a private placement by way of an accelerated bookbuilding process. The net proceeds were used to partly refinance the acquisition of the Paramit Group. The remaining authorized share capital expired in April 2022 without renewal.

26.7 CAPITAL MANAGEMENT

The Board’s policy is to maintain a strong capital base in order to ensure investor, creditor and market confidence and to sustain future development of business. It is the Group’s target to keep a minimum equity ratio of 30% (reported in 2022: 64.2% and 2021: 61.4%), which limits the level of borrowings. Changes to this target are subject to the Board of Directors’ approval. In addition, al l covenants relating to bank liabilities must be satisfied at any time.

The Board of Directors monitors both the earnings per share and the ability of the Group to undertake future business development. Amongst others it may initiate share buyback programs in order to rebalance the position of the Group in relation to these targets.

The level of dividend payments to shareholders shall be kept on a constant and ongoing level.

There were no changes in the Group’s approach to capital management during the year.

27 FOREIGN EXCHANGE RATES

The following foreign exchange rates were used for the preparation of the consolidated financial statements:

		Closing exchange rates		Average exchange rates January to December	
CHF		31.12.2021	31.12.2022	2021	2022
EUR	1	1.04	0.99	1.08	1.00
GBP	1	1.23	1.12	1.26	1.18
SEK	100	10.08	8.88	10.66	9.46
USD	1	0.91	0.92	0.91	0.96
CNY	1	0.14	0.13	0.14	0.14
JPY	100	0.79	0.71	0.83	0.73
AUD	1	0.66	0.63	0.69	0.66

28 FINANCIAL RISK MANAGEMENT

28.1 INTRODUCTION

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and foreign currency risk) and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to economically hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors (Treasury Policy). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The 'Treasury Policy' provides principles for specific areas, such as credit risk, interest rate risk, foreign currency risk, use of derivative financial instruments and investment of excess liquidity.

This note presents information about the Group's exposure to each of the risks arising from financial instruments and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

28.2 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**
Derivatives not designated as hedging instruments									
Currency forwards and options	-	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									
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)**
Bond	-	-	-	-	**-**	-	-	(249,507)	**(249,507)**
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[1]	-	-	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] Receivables/payables arising from VAT/other non-income taxes and social security

CHF 1,000	Cash and cash equivalents	Other current financial assets	Trade and other receivables	Non-current financial assets	**Total assets 2022**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2022**
Derivatives not designated as hedging instruments									
Currency forwards and options	-	1,796	-	-	**1,796**	(281)	-	-	**(281)**
Financial instruments measured at fair value through OCI (FVOCI)									
Unquoted equity investment	-	-	-	4,225	**4,225**	-	-	-	**-**
Financial instruments measured at amortized costs									
Cash and cash equivalents	111,441	-	-	-	**111,441**	-	-	-	**-**
Time deposits	-	180,000	-	-	**180,000**	-	-	-	**-**
Receivables	-	-	157,448	-	**157,448**	-	-	-	**-**
Rent and other deposits	-	-	1,022	1,374	**2,396**	-	-	-	**-**
Current bank liabilities	-	-	-	-	**-**	(1)	-	-	**(1)**
Payables and accrued expenses	-	-	-	-	**-**	-	(145,441)	-	**(145,441)**
Bank loans	-	-	-	-	**-**	(623)	-	-	**(623)**
Bond	-	-	-	-	**-**	-	-	(249,645)	**(249,645)**
Other									
Lease liabilities	-	-	-	-	**-**	(13,654)	-	(43,760)	**(57,414)**
Total financial instruments	**111,441**	**181,796**	**158,470**	**5,599**	**457,306**	**(14,559)**	**(145,441)**	**(293,405)**	**(453,405)**
Reconciling items[1]	-	-	10,546	-	**10,546**	-	(14,917)	-	**(14,917)**
Balance at December 31, 2022	**111,441**	**181,796**	**169,016**	**5,599**	**467,852**	**(14,559)**	**(160,358)**	**(293,405)**	**(468,322)**

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

28.3 CREDIT RISKS

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from cash and cash equivalents, time deposits, derivatives and trade accounts receivable.

All domestic and international bank relationships are selected by the CFO and Group Treasury. Only banks and financial institutions that are ranked in the top class of the respective country are accepted.

The credit risk with trade accounts receivable (see note 16) is limited, as the Group has numerous clients located in various geographical regions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. For the purpose of risk control, the customers are grouped as follows (risk groups): governmental organizations, listed public limited companies, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance or letters of credit; these limits are reviewed regularly (credit check).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. There are no commitments that could increase this exposure to more than the carrying amounts.

28.4 MARKET RISKS

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other prices will affect the Group's result or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

28.4.1 Interest rate risks

At the reporting date the Group had the following interest-bearing financial instruments: cash and cash equivalents, time deposits, rent deposits, bond and bank liabilities. All cash and cash equivalents mature or reprise in the short-term, no longer than three months.

Borrowings mainly bear interest at fixed rates. Cash and cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the interest rate profile of the Group's interest-bearing financial liabilities refer to note 22.

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Group Treasury manages the interest rate risk in order to reduce the volatility of the financial result as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, the Group Treasury focuses on an internal long-term benchmark interest rate and considers the amount of cash and cash equivalents held at a variable interest rate. Currently the interest rate exposure is not hedged.

At December 31, 2022, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been CHF 0.3 million (2021: CHF 0.4 million) higher/lower, mainly as a result of cash positions held at variable rates.

28.4.2 Foreign currency risks

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in a currency other than the functional currency of the respective Group companies. On a consolidated basis, the Group is also exposed to currency fluctuations between the Swiss franc (CHF) and the functional currencies of its Group companies. The two major currencies giving rise to currency risks are the Euro (EUR) and the US dollar (USD).

The Group centralizes its foreign currency exposure in a few locations only. The hedging policy of the Group is to cover the foreign currency exposure to a certain percentage of the operating activities (forecast sales and purchases). The Group uses forward exchange contracts, currency options and swaps to hedge its foreign currency risk on specific future foreign currency cash flows. These contracts have maturities of up to 18 months.

The Group does not hedge its net investment in foreign entities and the related foreign currency translation of local earnings.

The Group's exposure to foreign currency risk arising on financial instruments denominated in a currency different from the functional currency of the entity holding the instruments is as follows:

	31.12.2021				**31.12.2022**			
CHF 1,000	CHF	EUR	USD	Other	CHF	EUR	USD	Other
Derivatives	-	-	206	140	-	-	1,569	(54)
Cash and cash equivalents	269	16,902	2,355	4,279	149	23,245	1,908	2,295
Receivables	(88)	2,770	1,494	1,523	(153)	4,615	2,160	2,280
Rent and other deposits	-	41	-	-	-	151	-	98
Payables and accrued expenses	(84)	(1,068)	(3,271)	(3,915)	(9)	(4,596)	(1,228)	(3,708)
Lease liabilities	-	-	-	(35)	-	-	-	(35)
Total net exposure to currency	**97**	**18,645**	**784**	**1,992**	**(13)**	**23,415**	**4,409**	**876**

At December 31, if the CHF had moved against the USD and EUR with all other variables held constant, post-tax profit and other comprehensive income (OCI) for the year would have been:

	31.12.2021		**31.12.2022**	
CHF 1,000	Impact on profit higher/(lower)	Impact on OCI[1] higher/(lower)	Impact on profit higher/(lower)	Impact on OCI[1] higher/(lower)
If CHF had weakened against EUR by 10%	1,489	697	1,888	710
If CHF had strengthened against EUR by 10%	(1,489)	(697)	(1,888)	(710)
If CHF had weakened against USD by 10%	(8,709)	1,077	(8,180)	3,146
If CHF had strengthened against USD by 10%	8,717	(1,077)	8,180	(3,146)

[1] Other comprehensive income

Foreign currency risks from financial instruments with impact on post-tax profit primarily relate to CHF/USD forwards and options.

The derivative financial instruments used as economic hedges of foreign currencies are summarized in the table below:

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within 1 and 90 days	Due within 91 and 360 days	Due within 1 and 2 years
Foreign currency forwards						
Sell USD	722	(438)	110,826	48,749	62,077	-
Buy USD	-	(78)	(12,416)	(6,208)	(6,208)	-
Sell GBP	-	(46)	7,054	7,054	-	-
Sell SEK	3	-	655	655	-	-
Sell JPY	183	-	8,776	8,776	-	-
Balance at December 31, 2021	**908**	**(562)**	**114,895**	**59,026**	**55,869**	**-**

CHF 1,000	Fair value Positive	Fair value Negative	Contract value Total	Due within 1 and 90 days	Due within 91 and 360 days	Due within 1 and 2 years
Foreign currency forwards						
Sell USD	1,796	(223)	105,947	49,368	56,579	-
Buy USD	-	(3)	(6,287)	(6,287)	-	-
Sell SEK	-	(1)	648	648	-	-
Sell JPY	-	(7)	3,111	3,111	-	-
Sell AUD	-	(47)	2,398	2,398	-	-
Balance at December 31, 2022	**1,796**	**(281)**	**105,817**	**49,238**	**56,579**	**-**

28.4.3 Hedge accounting in 2021

In connection with the acquisition of Paramit, the Group entered into a deal contingent forward agreement to purchase USD 677 million and two normal plain vanilla forwards to purchase another USD 350 million (total USD 1'027 million). The hedging agreements with an average forward rate of 0.92305 CHF/USD have matured at the day of the closing of the acquisition (August 2, 2021). On this day the purchase price in USD was transferred to the seller and a bridge loan in CHF was granted to the Group by a bank until the final financing structure of the transaction would be ready.

As the targeted transaction was considered as highly probable and all other conditions were met, the Group applied cash flow hedge accounting. The proportion of the resulting loss on the hedging instruments that was determined to be effective (CHF 13.2 million) was recognized – net of income taxes – in other comprehensive income and allocated to the cash flow hedge reserve. Upon the closing of the transaction the amount of the cash flow hedge reserve was transferred to goodwill (see note 3.2.1). The remaining loss of the hedging instruments was considered as hedge ineffectiveness (CHF 4.4 million) which was recognized in profit or loss. The hedge ineffectiveness was caused by the contingent charge of the deal contingent forward and a lower estimated purchase price compared to the total of the forward agreements.

28.5 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Group Treasury manages the Group's liquidity to ensure sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without facing unacceptable losses or risking damage to the Group's reputation.

It is the Group's target to have a cash reserve or committed credit lines in the amount of 10% of its annual sales budget centralized at Tecan Group Ltd. and Tecan Trading AG. Changes to this target are subject to the Board of Directors' approval. All cash in Tecan Group Ltd. and Tecan Trading AG, which does not count against such a cash reserve, is considered as excess liquidity. Excess liquidity can be invested in instruments such as time deposits, government and corporate bonds, shares of publicly listed companies and capital protected instruments.

The following are the contractual maturities of financial liabilities, including interest payments:

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Derivative financial liabilities						
Foreign currency forwards	**562**					
Outflow		53,914	27,477	26,437	-	-
Inflow		(53,290)	(27,054)	(26,237)	-	-
Non-derivative financial liabilities						
Payables and accrued expenses[1]	124,924	124,926	75,383	49,499	19	25
Bank loans	654	663	-	5	658	-
Bond	249,507	250,500	-	125	125	250,250
Lease liabilities	63,498	65,762	3,534	10,206	12,725	39,297
Balance at December 31, 2021	**439,145**	**442,475**	**79,340**	**60,035**	**13,527**	**289,572**

[1] Excluding reconciling items (see note 28.2)

CHF 1,000	Carrying amount	Contractual cash flows	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
Derivative financial liabilities						
Foreign currency forwards	**281**					
Outflow		18,744	18,744	-	-	-
Inflow		(18,339)	(18,339)	-	-	-
Non-derivative financial liabilities						
Current bank liabilities	1	1	1	-	-	-
Payables and accrued expenses[1]	145,441	145,441	97,068	48,373	-	-
Bank loans	623	627	-	627	-	-
Bond	249,645	250,375	-	125	125	250,125
Lease liabilities	57,414	59,188	3,645	10,617	12,264	32,662
Balance at December 31, 2022	**453,405**	**456,037**	**101,119**	**59,742**	**12,389**	**282,787**

[1] Excluding reconciling items (see note 28.2)

Unused lines of credit amounting to CHF 40.0 million (2021: CHF 40.0 million) are available to the Group at December 31, 2022. In addition, the Group has uncommitted lines of credit amounting to CHF 390 million (2021: CHF 340.0 million) to finance potential future business combinations.

29 FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 FAIR VALUE HIERARCHY

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 established a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure their value.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.
Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs: Unobservable inputs for the asset or liability.

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

29.2 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS AFTER INITIAL RECOGNITION

The following table shows the valuation techniques used in the determination of fair values for assets and liabilities measured at fair value on a recurring basis after initial recognition:

Position	Net carrying amount in balance sheet measured at fair value (CHF 1,000)		Level	Data source	Model	Change in fair value recognized in position
	31.12.2021	**31.12.2022**				
Currency forwards	346	1,515	Level 2	Financial data supplier	(Forward rate - [spot rate +/- SWAP points]) * amount in foreign currency	Financial result
Unquoted equity investment	4,223	4,225	Level 3	n/a	Market sales multiples	Other comprehensive income (FVOCI)

Unquoted equity investment – level 3 inputs: End of 2020, the Group acquired an unquoted equity instrument for CHF 4.3 million. Total changes in fair value recognized during the period in other comprehensive income amount to CHF 0.0 million. A decrease in the forecasted sales of 10% would adversely impact the fair value by estimated CHF 0.4 million.

29.3 FAIR VALUE DISCLOSURES FOR FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The carrying amount of financial instruments measured at amortized costs (see note 28.2) is a reasonable approximation of their fair value due to their short-term nature. Bank loans and the bond are the only exception due to their long-term nature. Their fair values are disclosed in the following table.

Position	Net carrying amount in balance sheet measured at amortized cost (CHF 1'000)		Fair value disclosure (CHF 1,000)		Level	Data source	Model
	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**			
Bank loans	(654)	(623)	(647)	(607)	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	(249,507)	(249,645)	(250,500)	(237,000)	Level 1	Financial data supplier	Market value available at SIX (security symbol TEC21)

30 CONTINGENT LIABILITIES, ENCUMBRANCE OF ASSETS AND OTHER COMMITMENTS

At December 31, 2021 and 2022, the Group had no significant contingent liabilities to third parties, and none of the Group's assets were pledged, assigned or subject to retention of title.

Purchase commitments - In the ordinary course of business, the Group regularly enters into relationships with suppliers whereby the Group commits itself to purchase certain minimum quantities of raw materials for the manufacturing of its products in order to benefit from better pricing conditions and a stable supply. Such commitments reflect normal business operations, are in line with the Group's manufacturing plans and product life cycles and are not in excess of current market prices. The Group recognizes a provision for onerous contracts if and to the extent such commitments exceed the Group's expected purchase quantities. At December 31, 2022, the purchase commitments amounted to CHF 219.5 million (2021: CHF 290.3 million).

31 RELATED PARTIES

The Group has a related party relationship with key management personnel (members of the Board of Directors and the Management Board).

The total compensation paid to the key management personnel was:

CHF 1,000	2021	**2022**
Short-term employee benefits	8,368	7,395
Post-employment benefits	544	567
Share-based payment[1]	9,791	9,978
Total compensation	**18,703**	**17,940**

[1] See note 12.4 for more details

For further details concerning compensation, please refer to the compensation report. The information reported in this note and the information provided in other parts of the annual report may differ due to different recognition and valuation principles.

32 SUBSEQUENT EVENTS

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

33 GROUP RISK MANAGEMENT

33.1 INTRODUCTION

Group risk management is a systematic assessment that addresses all kind of risks posing a potential threat to the business activities of the Group. It is the umbrella process for all other risk management activities throughout the Group. The risk assessment process is co-ordinated by the CFO; however, the ultimate responsibility is with the Board of Directors.

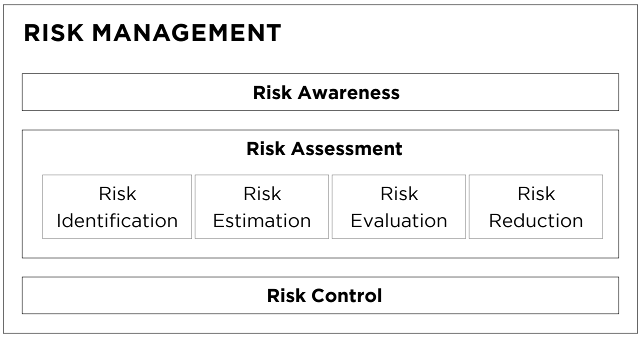
33.2 RISK ASSESSMENT CYCLE

33.2.1 Initiation of risk assessment

The Group risk assessment cycle takes place every two years unless otherwise mandated by the Board of Directors or by a triggering event. A review during the intermediate year assesses the need for action.

In a first step, the Board of Directors determines the risk acceptance and appoints the risk assessment team. The risk acceptance defines which combinations of risk characteristics (probability and severity of damage) are acceptable and which are not acceptable for the Group. This definition is the basis for the risk classification (see below). The risk assessment team includes representatives from various functions and disciplines such as Finance, Quality & Regulatory, Advisory & Support, Operations and Internal Audit.

The risk assessment team follows the process that is presented below:



33.2.2 Risk identification

The risk assessment team conducts periodic workshops to identify potential risks in the following categories:

- Hazard risk
- Financial risk
- Operational risk
- Strategic risk

Furthermore, the risk assessment team considers the results of all other risk management activities within the Group:

- Product-related risk management
- IT risk management
- Business risk management for significant business units and market units
- Strategy
- Mid-term plan
- Budget

33.2.3 Risk estimation and evaluation

Each of the identified risks is estimated and evaluated and finally classified to the following risk categories:

- *Acceptable risk:* No further risk mitigation actions required.
- *Elevated risk:* Further risk mitigation actions recommended. Requires justification and approval by the CFO if no further measures are taken.
- *Unacceptable risk:* Further risk mitigation actions are strongly recommended. Requires justification and approval by the Board of Directors if no further measures are taken.

33.2.4 Risk reduction, risk report and approval

Risk reduction measures must be investigated and implemented for risks that are elevated or unacceptable, unless the risks are explicitly accepted by the risk assessment team.

As a result, the risk assessment team prepares a risk summary report containing all significant risks and measures taken. The final status of the risk assessment is reported to the Executive Management. The Board of Directors finalizes the risk assessment cycle with its approval. Risks remaining unacceptable must each be approved individually.

33.2.5 Risk control

Risk management is a dynamic process and forms a part of all planning and other activities of the Group. Within the process of ongoing risk control, members of the risk assessment team continuously collect information about risk factors and risk-related information. If any new potential elevated or unacceptable risk arises, it is brought immediately to the attention of the CFO.

Building a better
working world

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 9 March 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Tecan Group Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 112 to 166) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 112 to 166).

Revenue recognition

Area of focus	The Group’s revenues amounted to CHF 1’144.3 million for the year ended 31 December 2022. For goods sold and services rendered, sales are recorded at the time when the customer receives control of the goods or services transferred. Revenue recognition from products with material application and installation work requires a written acceptance by the customer. Revenue from service contracts is recognized pro-rata based on the full contract period. Refer to note 2.8.1 (Accounting and valuation principles: Revenue recognition, contract assets and liabilities) in the consolidated financial statements for further details. Revenue recognition is significant to our audit as the Group generates revenues from different streams (goods sold and services rendered) and due to the risks that transactions may be recorded in the incorrect period.
Our audit response	Our audit procedures included assessing the application of the Group’s revenue recognition policies. We tested a sample of transactions near the year-end and agreed the details of these transactions to underlying documentation, such as the contractual terms, to ensure that revenue has been recognized in the appropriate period and in the appropriate amount. For sales transactions where material application and installation work were required, we evaluated whether written customer acceptance had been received before revenue was recognized. Our audit procedures did not lead to any reservations concerning the recognition and measurement of revenue.

Carrying value of goodwill

Area of focus	As at 31 December 2022, the Group reported CHF 775.1 million in goodwill (representing 36.6% of the Group’s total assets and 57.1% of the Group’s total equity). For purposes of the annual impairment test, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit from the synergies of the corresponding business combination. The recoverable amount (higher of fair value less costs of disposal and value in use) of the cash-generating unit is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the cash-generating unit exceeds its recoverable amount. Refer to notes 2.8.14 (Impairment) and 21 (Intangible assets and goodwill) in the consolidated financial statements for further details.

	Due to the significance of the carrying value of goodwill and the complexity and judgment involved in performing the impairment, test this matter was considered significant to our audit.
Our audit response	Our audit procedures included understanding the Group's goodwill impairment testing process and the determination of key assumptions. We evaluated the Group's impairment testing model and key assumptions involving valuation specialists. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data, including the evaluation of the underlying cash flow projections. Our audit procedures did not lead to any reservations relating to the carrying value of goodwill.

Income taxes – Accounting for uncertain tax positions

Area of focus	The Group operates in multiple tax jurisdictions that are regulated by various tax laws and is subject to periodic tax audits by local tax authorities. The Group is required to use significant judgment in estimating the appropriate amount to record in respect to uncertain income tax positions. Refer to note 2.3.3 (Critical accounting estimates and judgments: Income taxes) in the consolidated financial statements for further details. The accounting for uncertain income tax positions is significant to our audit due to the complexity and judgment involved in the Group's identification and determination of uncertain income tax positions.
Our audit response	Our audit procedures included evaluating the Group's judgments used in the determination of uncertain income tax positions, involving local and group tax specialists. Our procedures focused on considering the status of past and current tax audits in relevant jurisdictions, analyzing the Group's correspondence with the relevant tax authorities and corroborating the assumptions utilized with supporting evidence. Our audit procedures did not lead to any reservations relating to the valuation of uncertain income tax positions.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

BALANCE SHEET OF TECAN GROUP LTD.

ASSETS

CHF 1,000	Notes	31.12.2021	31.12.2022
Cash and cash equivalents		23,967	23,652
Time deposits		120,000	130,000
Other accounts receivable from third parties		241	383
Other accounts receivable from subsidiaries		21,058	2,040
Prepaid expenses		18	-
Current assets		**165,284**	**156,075**
Investments in subsidiaries	3	361,143	361,143
Non-current loans to subsidiaries		756,720	756,720
Property, plant and equipment		2	1
Non-current assets		**1,117,865**	**1,117,864**
Assets		**1,283,149**	**1,273,939**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2021	31.12.2022
Current loans from subsidiaries		315,255	297,925
Other accounts payable to third parties		44	45
Other accounts payable to subsidiaries		1	49
Accrued expenses		805	764
Current liabilities		**316,105**	**298,783**
Bond	4	250,000	250,000
Provision for general business risks	5	30,000	30,000
Other non-current provisions		173	116
Non-current liabilities		**280,173**	**280,116**
Total liabilities		**596,278**	**578,899**
Share capital		1,268	1,273
Legal capital reserve (capital contribution reserve)		455,865	454,910
General legal retained earnings		1,000	1,000
Voluntary retained earnings		228,738	237,857
Shareholders' equity	6	**686,871**	**695,040**
Liabilities and equity		**1,283,149**	**1,273,939**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	Notes	2021	2022
Dividend income from subsidiaries		25,092	28,061
Interest income from third parties		-	281
Interest income from subsidiaries		1,161	2,238
Acquisition of Paramit Group - intra-group compensation of financing costs		19,633	-
Operating income		**45,886**	**30,580**
Personnel expenses		(1,373)	(1,167)
Other operating expenses		(1,377)	(1,622)
Depreciation of property, plant and equipment		(1)	(1)
Impairment on subsidiaries		(3,570)	-
Loss from liquidation of inactive subsidiaries		(10)	-
Transaction costs related to the issuance of a listed bond		(605)	-
Interest expense bond		(31)	(125)
Other financial expenses to third parties		(2,971)	(328)
Other financial expenses to subsidiaries		-	(368)
Acquisition of Paramit Group - realized loss from currency hedges		(17,645)	-
Foreign exchange losses, net		(10)	(51)
Operating expenses		**(27,593)**	**(3,662)**
Operating profit		**18,293**	**26,918**
Gain on sale of a financial investment	7	197	-
Extraordinary, non-recurring or prior-period income and expenses		**197**	**-**
Profit before taxes		**18,490**	**26,918**
Income taxes		-	-
Profit for the period		**18,490**	**26,918**

Notes to the financial statements of Tecan Group Ltd.

1 REPORTING ENTITY

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of Tecan Group Ltd. (the 'Company') have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations (32nd title) introduced on January 1, 2013. They are a supplement to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information reported in the Company's financial statements relates to the ultimate parent company alone. The retained earnings disclosed in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the Annual General Meeting of Shareholders.

Subsidiaries include all legal entities which are directly or indirectly owned and controlled by the Company.

As consolidated financial statements are provided, the Company is exempt from the disclosure of a management report, a cash flow statement and extended information in the notes.

2.2 ACCOUNTING AND VALUATION PRINCIPLES

2.2.1 Loans

Loans are valued at historical costs adjusted for foreign currency translation differences and less any impairment of value.

2.2.2 Investments in subsidiaries

Investments are valued at historical costs less any impairment of value, applying the single-asset-valuation principle.

2.2.3 Bonds

Bonds are valued at nominal value. All transactions costs less the bond premium are recognized immediately in the income statement.

2.2.4 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that the outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3 INVESTMENTS IN SUBSIDIARIES

3.1 OVERVIEW (DIRECT AND INDIRECT INVESTMENTS)

The investments in directly and indirectly held subsidiaries are the same for the years ended December 31, 2021 and December 31, 2022, except as noted below in note 3.2.

Company	Registered office	Participation in % (capital and votes)	Currency	Share capital (LC 1,000)	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	CHF	5,000	R/P/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	CHF	300	S/D
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	CHF	250	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	100%	EUR	1,460	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	100%	EUR	35	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	100%	EUR	35	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	100%	EUR	25	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	100%	EUR	51	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	100%	EUR	103	R
• IBL International GmbH	Hamburg (DE)	100%	EUR	25	R/P/D
Tecan Benelux B.V.	Mechelen (BE)	100%	EUR	37	D
Tecan France S.A.S.	Lyon (FR)	100%	EUR	2,760	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	100%	EUR	30	D
Tecan Italia S.r.l.	Milano (IT)	100%	EUR	77	D
Tecan UK Ltd.	Reading (UK)	100%	GBP	500	D
Tecan Nordic AB	Stockholm (SE)	100%	SEK	100	D
Tecan US Group, Inc.	Morrisville, NC (US)	100%	USD	1,500	S
• Tecan US, Inc.	Morrisville, NC (US)	100%	USD	400	D
• Tecan Systems, Inc.	San Jose, CA (US)	100%	USD	26	R/P
• Tecan SP, Inc.	Baldwin Park/Los Angeles, CA (US)	100%	USD	472	R/P/D
• Tecan Genomics, Inc.	Redwood City, CA (US)	100%	USD	0	R/P/D
• DCPM, Inc.	Morgan Hill, CA (US)	100%	USD	58	P/D
• Paramit Acquisition Corp.	Morgan Hill, CA (US)	n/a	USD	0	Merged into Paramit Corp. in 2022
– Paramit Corp.	Morgan Hill, CA (US)	100%	USD	0	P/D
– Paramit Product Development – Silicon Valley, Inc.	Morgan Hill, CA (US)	n/a	USD	0	Merged into Tecan Systems, Inc. in 2022
– Emphysys Holdings, Inc.	Boston, MA (US)	n/a	USD	0	Merged into Emphysys, Inc. in 2022
– Emphysys, Inc.	Boston, MA (US)	100%	USD	0	R/D
– Paramit Malysia Sdn. Bhd.	Penang (MY)	100%	USD	5,178	P/D
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	SGD	800	S
Tecan (Shanghai) Laboratory Equipment Co., Ltd.	Shanghai (CN)	100%	CNY	3,417	D
PMAS Co., Ltd	Ben Cat Town, Binh Duong Province (VN)	100%	VND	10,367,000	P
Tecan Japan Co., Ltd.	Kawasaki (JP)	100%	JPY	125,000	D
Tecan Australia Pty Ltd	Melbourne (AU)	100%	AUD	0	D

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

3.2 CHANGE IN INVESTMENTS IN SUBSIDIARIES

Apart from the three mergers, there were no changes in the investments in subsidiaries in 2022.

4 BOND

At year-end 2022, the Company has the following bond outstanding:

Company	Security symbol	Currency	Nominal value (1,000)	Interest rate	Maturity
Fixed-rate bond	TEC21	CHF	250,000	0,05%	October 6, 2025

5 PROVISION FOR GENERAL BUSINESS RISKS

The provision for general business risks relates to investments in subsidiaries.

6 SHAREHOLDERS' EQUITY

6.1 CHANGES IN SHAREHOLDERS' EQUITY

CHF 1,000	Share capital	Legal capital reserve (capital contribution reserve)	General legal retained earnings	Voluntary retained earnings	Total shareholders' equity
Balance at January 1, 2021	**1,196**	**90,121**	**1,000**	**224,054**	**316,371**
Net profit	-	-	-	18,490	18,490
Dividend paid	-	(13,806)	-	(13,806)	(27,612)
New shares issued based on employee participation plans (conditional share capital increase)	7	27,953	-	-	27,960
Authorized share capital increase	65	357,435	-	-	357,500
Transaction costs	-	(5,838)	-	-	(5,838)
Balance at December 31, 2021	**1,268**	**455,865**	**1,000**	**228,738**	**686,871**
Net profit	-	-	-	26,918	26,918
Dividend paid	-	(17,798)	-	(17,799)	(35,597)
New shares issued based on employee participation plans (conditional share capital increase)	5	16,843	-	-	16,848
Balance at December 31, 2022	**1,273**	**454,910**	**1,000**	**237,857**	**695,040**

The Company's share capital is CHF 1'273'144.10, consisting of 12'731'441 registered shares with a nominal value of CHF 0.10 each (2021: share capital of CHF 1'267810.80 consisting of 12'678'108 registered shares with a nominal value of CHF 0.10 each).

The amount of the legal capital reserve (capital contribution reserve) is subject to review and confirmation by the Swiss federal tax authorities.

6.2 CONDITIONAL AND AUTHORIZED SHARE CAPITAL

	31.12.2021	31.12.2022
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	275,104	221,771
CHF	27,510	22,177
Maximum of employee share options and employee shares outstanding	143,141	135,305
Reserved for future business development		
Shares (with a nominal value of CHF 0.10 each)	1,800,000	1,800,000
CHF	180,000	180,000
Authorized share capital		
Reserved for future business development		
Expiry date	17.04.2022	-
Shares (with a nominal value of CHF 0.10 each)	1,650,000	-
CHF	165,000	-

In 1997, a conditional share capital of CHF 130’000 reserved for employee participation plans was approved. The conditional share capital consisted of 1’300’000 registered shares with a nominal value of CHF 0.10 each. Since 1999, several employee participation plans have been introduced based on this conditional share capital. Between February 2011 and June 2015 the employee participation plans were funded with treasury shares. In 2022 a total of 7’592 options (share option plans) were exercised and 45’741 shares transferred (share plans), increasing the Company’s share capital by CHF 5’333.30 and decreasing the Company’s conditional share capital by 53’333 shares (2021: a total of 20’139 options were exercised and 49’124 shares transferred, increasing the share capital by CHF 6’926 and decreasing the conditional share capital by 69’263 shares).

On April 26, 2006, the Annual General Meeting of Shareholders approved the creation of additional conditional share capital for the purpose of future business development.

7 GAIN ON SALE OF FINANCIAL INVESTMENTS

The Company sold its investment Andrew Alliance SA in January 2020 for a cash consideration of CHF 4.6 million. The resulting gain was recognized in the income statement of 2020. In addition, an amount of CHF 0.2 million was paid into an escrow account to secure contractual representations and warranties. This amount was released in July 2021.

8 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	31.12.2021	31.12.2022
Employees – average	1.0	1.0

9 NUMBER OF SHARES AND SHARE OPTIONS

During the year the following number and value of shares were granted:

	2021		2022	
	Number	Value (CHF 1,000)	Number	Value (CHF 1,000)
Board of Directors				
Shares	795	363	972	334
Employees				
Shares	1,246	456	1,344	488
Total	**2,041**	**819**	**2,316**	**822**

The numbers and values disclosed include the maximum amount of matching shares granted. The final amount of matching shares that will vest is not only subject to a service period of three years, but also to the achievement of specific performance targets on the Group level.

10 GUARANTEES IN FAVOR OF THIRD PARTIES

The total amount of guarantees in favor of its subsidiaries was CHF 97.2 million at December 31, 2022 (December 31, 2021: CHF 85.6 million). In addition, the Company is member of the VAT-group of Tecan Schweiz AG.

11 LIABILITIES FROM LEASE ARRANGEMENTS NOT INCLUDED IN THE BALANCE SHEET

The future minimum lease payments under non-cancellable leases are:

CHF 1,000	31.12.2021	31.12.2022
Liabilities from lease arrangements	20	6

12 SUBSEQUENT EVENTS

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

13 INFORMATION ACCORDING TO ARTICLE 663C OF THE SWISS CODE OF OBLIGATIONS

13.1 SIGNIFICANT SHAREHOLDERS

According to the information available to the Board of Directors, the following shareholders have reached or exceeded 5% of the share capital of Tecan Group Ltd:[1]

	31.12.2021	31.12.2022
The Bank of New York Mellon SA/NV (BE)[2]	13.0%	9.6%
Chase Nominees Ltd., London (UK)[2]	6.8%	6.4%
Nortrust Nominees Ltd., London (UK)[2]	5.8%	5.6%

[1] Percentages are based on the actual share capital at the end of the reporting period.

[2] Nominee status - voting rights limited to 2% in accordance with article 5 of the atricles of incorporation.

13.2 SHARE AND OPTION OWNERSHIP OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

For details of the employee participation plans please refer to note 12.4 of the consolidated financial statements.

13.2.1 Share and option ownership of the Board of Directors

Number	Year	Total options	Total shares
Dr. Lukas Braunschweiler (Chairman)	2021	–	**1,297**
	2022	–	**1,534**
Heinrich Fischer (Vice Chairman)	2021	–	**17,217**
	2022	–	**17,347**
Myra Eskes (since April 2022)[1]	2021	–	–
	2022	–	–
Dr. Oliver S. Fetzer	2021	–	**3,034**
	2022	–	**3,141**
Dr. Karen Hübscher	2021	–	**761**
	2022	–	**868**
Dr. Christa Kreuzburg	2021	–	**159**
	2022	–	–
Dr. Daniel R. Marshak	2021	–	**536**
	2022	–	**643**
Balance at December 31, 2021		–	**23,004**
Balance at December 31, 2022		–	**23,533**

[1] Shares and share options in 2021 are not disclosed, because the member of the Board joined after year-end 2021.

13.2.2 Share and option ownership of the Management Board

Number	Year	ESOP 2020[1]	Total options	Total shares
Strike price in CHF		236.0		
Expiring in		2026		
Dr. Achim von Leoprechting (CEO)	2021	-	-	**5,309**
	2022	-	-	**4,742**
Tania Micki (CFO)	2021	-	-	**1,873**
	2022	-	-	**2,896**
Ralf Griebel	2021	-	-	**1,697**
	2022	-	-	**2,503**
Ulrich Kanter	2021	-	-	**3,147**
	2022	-	-	**2,620**
Dr. Klaus Lun	2021	-	-	**3,306**
	2022	-	-	**5,053**
Erik Norström	2021	-	-	**2,690**
	2022	-	-	**2,316**
Ingrid Pürgstaller	2021	98	**98**	**1,033**
	2022	-	-	**1,647**
Andreas Wilhelm	2021	-	-	**2,725**
	2022	-	-	**2,282**
Dr. Wael Yared	2021	-	-	**2,773**
	2022	-	-	**2,458**
Balance at December 31, 2021		98	**98**	**24,553**
Balance at December 31, 2022		-	-	**26,517**

[1] Vested options from employee share option plan 2020

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 18, 2023 to allocate the voluntary retained earnings as follows:

CHF 1,000	31.12.2021 Approved	**31.12.2022** Proposed
Carried forward from previous year	210,248	210,939
Net profit	18,490	26,918
Available retained earnings	**228,738**	**237,857**
Dividend paid as approved by the annual general meeting of shareholders on April 12, 2022: CHF 1.40 per share with a nominal value of CHF 0.10 each (total 12,713,261 shares eligible for dividend)	(17,799)	
Dividend proposed: CHF 1.45 per share with a nominal value of CHF 0.10 each (total 12,731,441 shares eligible for dividend)[1]		(18,461)
Balance to be carried forward	**210,939**	**219,396**

The Board of Directors also proposes to the Annual General Meeting of Shareholders to allocate the capital contribution reserve as follows:

CHF 1,000	31.12.2021 Approved	**31.12.2022** Proposed
Carried forward from previous year	76,315	438,067
Conditional and authorized share capital increase	379,550	16,843
Available capital contribution reserve	**455,865**	**454,910**
Allocation to free reverse and payout as approved by the annual general meeting of shareholders on April 12, 2022: CHF 1.40 per share with a nominal value of CHF 0.10 each (total 12,713,261 shares eligible for payout)	(17,798)	
Payout (exempt form Swiss withholding tax) proposed: CHF 1.45 per share with a nominal value of CHF 0.10 each (total 12,731,441 shares eligible for payout)[1]		(18,461)
Balance to be carried forward	**438,067**	**436,449**

[1] These numbers are based on the outstanding share capital at December 31, 2022. The number of shares eligible for dividend and payout may change due to the repurchase or sale of treasury shares and the issuance of up to 68'750 new shares from the conditional share capital reserved for employee participation plans.

Building a better working world

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To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 9 March 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Tecan Group Ltd. (the Company), which comprise the balance sheet as at 31 December 2022 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 171 to 178) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 171 to 178).

Building a better working world

Carrying value of investments in subsidiaries

Area of focus	As of 31 December 2022, investments in subsidiaries of the Company amounted to CHF 361.1 million and represent 28.3% of total assets. Investments in subsidiaries are valued at historical cost less any impairment of value. The Company values investments in subsidiaries individually (single-asset-valuation principle). Refer to note 2.2.2 (Investments in subsidiaries) in the financial statements for further details. Investments in subsidiaries are significant to our audit due to the judgment and estimates involved in the Company’s impairment test.
Our audit response	Our audit procedures included understanding the Company’s impairment testing process and the determination of key assumptions. We evaluated the Company’s impairment testing model and key assumptions. We further corroborated the Company’s key assumptions applied based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations relating to the carrying value of investments in subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Building a better working world

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings and the proposed repayment of legal capital reserve comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Performance of the Tecan share in 2022

After an above-average year for the stock market in 2021, accelerating inflation and rising interest rates send stocks into a bear market in 2022. Especially technology stocks came under pressure, when rising fears over central banks reversing their stimulative policies triggered a broader sell-off across financial markets globally.

The SMI, which covers Swiss blue-chip stocks, was down by 16.7% for the year. The SPI Extra, which comprises the small and mid-cap companies listed on the SIX Swiss Exchange, closed at -24.0%.

At CHF 412.40, shares of Tecan finished the year at -25.8% and a market capitalization of CHF 5.25 billion at the end of the year.

SHARE INFORMATION

Listing:	SIX Swiss Exchange
Stock name:	Tecan Group
Security number:	1210019
ISIN:	CH0012100191
Bloomberg:	TECN SW
Reuters:	TECN.S

SHARE PRICE PERFORMANCE BETWEEN DEC. 31, 2021 AND DEC. 31, 2022

SHARE PRICE PERFORMANCE BETWEEN 2020 AND 2022

Tecan SW Equity SPI Extra

TECAN SHARE

	2020	2021	2022
Numbers of shares issued	11,958,845	12,678,108	12,678,108
Number of treasury shares	0	0	0
Number of shares outstanding at December 31	11,958,845	12,678,108	12,731,441
Average number of shares outstanding	11,934,355	12,225,180	12,716,274
Share price at December 31 (CHF)	433.80	555.50	412.40
High (CHF)	469.60	594.50	515.00
Low (CHF)	236.60	362.00	268.20
Average number of traded shares per day[1]	46,349	27,745	30,874
Average trading volume per day (CHF)[1]	16,597,113	13,412,765	14,925,418

INFORMATION PER SHARE

	2020	2021	2022
Basic earnings per share (CHF/share)	8.69	9.95	9.53
Adjusted earnings per share (CHF/share)	8.84	12.35	12.14
Shareholders' equity at December 31 (CHF 1,000)	733,651	1,224,895	1,357,720
Dividend (CHF)	2.30	2.80	2.90[2]
Dividend yield (%)[3]	0.53%	0.54%	0.70%

FINANCIAL RATIOS

	2020	2021	2022
Market capitalization (CHF million)[4]	5,187.7	7,042.7	5,250.4
Price Earnings Ratio[5]	49.07	44.98	33.97

[1] Including off-exchange trading
[2] Proposal to the Annual General Meeting of Shareholders on April 18, 2023
[3] At share price as of Dec 31
[4] Number of shares issued multiplied with share price as of Dec 31
[5] Share price as of Dec 31 divided by adjusted earnings per share

Global.


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R&D and manufacturing site
Countries served by distributors

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