Tecan Interim Report 2023

The fight against cancer.


Contents.

Dear Shareholders

We are pleased with our performance and the solid underlying sales growth in the first half of the year. In a very dynamic market environment with longer purchase decisions and cautious investment behavior among many customers, our teams did an outstanding job of materializing the opportunities that arose. It also stands out that we are now much more broadly positioned across multiple growth market segments. In addition to life science research and diagnostics Tecan also serves the medical devices market through strong OEM partnerships which continue to show solid growth. In addition, we were able to launch numerous new, highly innovative products directly or with partners in the first half of the year. With the continued dedication of our remarkable global teams and the support of our valued partners, we remain cautiously optimistic for the remainder of the year, as our sales funnel and new products in the Life Sciences Business and the combined offering in Partnering Business have shown promising potential.

FINANCIAL RESULTS FOR THE FIRST HALF OF 2023

Order entry for the first six months of the year was CHF 536.6 million (H1 2022: CHF 600.5 million), down 10.6% year-on-year, or 7.1% in local currencies compared to the substantial order entry achieved in the first half of 2022. In the prior-year period, COVID-related orders still contributed to the high order intake. In addition, higher inventories, for example of OEM components, were created by customers due to disrupted supply chains. As supply chains largely normalized in the first half of 2023, customers no longer needed to place orders as far in advance as they did in the prior-year period. As a result, the book-to-bill ratio also returned to normal at a level of around 1.

Reported sales in the first half of 2023 decreased by 7.3% in Swiss francs and 3.6% in local currencies to CHF 541.5 million (H1 2022: CHF 584.0 million or CHF 561.8 million when compared in local currencies). Underlying sales, on the other hand, increased by 6.8% in local currencies, excluding the effects of lower COVID-related sales and a lower pass-through of material costs compared to the prior-year period (estimated net effect of CHF -48 million in local currencies and CHF -7 million, respectively).

Adjusted operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) decreased by 15.0 % to CHF 101.2 million, mainly related to the lower sales volumes (H1 2022: CHF 119.1 million). The adjusted EBITDA margin amounted to 18.7% of sales (H1 2022: 20.4%).

Adjusted net profit[1] amounted to CHF 65.8 million (H1 2022: CHF 80.6 million), while adjusted earnings per share[1] reached CHF 5.16 (H1 2022: CHF 6.34). Reported net profit for the first half of 2023 was CHF 53.2 million (H1 2022: CHF 65.7 million). This figure includes integration-related costs in connection with the Paramit acquisition (CHF 5.0 million) as well as the accumulated amortization of acquired intangible assets (CHF 9.9 million).

Cash flow from operating activities increased by 17.3% to CHF 82.5 million in the first half of 2023 (H1 2022: CHF 70.3 million). In the prior-year period, inventories and safety stocks increased to ensure delivery capability in times of tight material supplies. These inventories have now been increasingly reduced again, and further reductions are expected by the end of the fiscal year. Thanks to the strong cash flow, Tecan's net liquidity position (cash and cash equivalents plus short-term time deposits less bank liabilities, loans and the outstanding bond) increased to CHF 61.7 million (December 31, 2022: CHF 41.2 million).

[1] The calculation of adjusted net profit and adjusted earnings per share excludes acquisition and integration costs (+CHF 5.0 million) as well as the accumulated amortization of acquired intangible assets (+CHF 9.9 million) and they were calculated with the reported Group tax rate of 15.1%.

DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

DR. LUKAS BRAUNSCHWEILER
Chairman of the Board

INFORMATION BY BUSINESS SEGMENT

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Sales in the Life Sciences Business reached CHF 228.6 million (H1 2022: CHF 259.1 million or CHF 246.6 million in local currencies), a decrease of 11.8% in Swiss francs or 7.3% in local currencies compared to the first half of 2022. In contrast, underlying sales increased by 5.1% in local currencies, excluding the impact of lower COVID-related sales compared to the same period last year (estimated net effect of CHF -29 million in local currencies, based on an allocation of 60% of total COVID-related sales in H1 2022). Thanks to good growth in the service business due to the higher installed base of instruments, recurring sales of services, consumables and reagents increased to 51.5% of segment sales (H1 2022: 50.9%).

Underlying demand for life science research and diagnostics solutions remained solid in many application areas, despite ongoing global economic uncertainties and more cautious spending patterns overall. In addition to good demand for existing products such as DreamPrep® NGS, newly launched products for growth areas have already enjoyed strong interest in the market, for example for liquid biopsies and biobanking, as well as new modules for the Fluent platform that enable high-throughput applications.

With order entry at the same level as sales, the book-to-bill ratio reached 1. Excluding COVID-related orders, the Life Sciences Business segment recorded its highest-ever order entry in a first half-year.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) reached CHF 40.3 million (H1 2022: CHF 53.2 million). The operating profit margin amounted to 17.2% of sales (H1 2022: 19.5%), mainly due to the lower sales volumes in the first half of the year.

PARTNERING BUSINESS (OEM BUSINESS)

The Partnering Business generated sales of CHF 312.9 million in the period under review (H1 2022: CHF 324.9 million or CHF 315.2 million in local currencies), which corresponds to a decrease of 3.7% in Swiss francs. Sales were down 0.7% in local currencies. Underlying sales increased by 8.2% in local currencies, excluding the impact of lower COVID-related sales and a lower pass-through of material costs compared to the same period last year (estimated net effect of CHF -19 million in local currencies and CHF -7 million, respectively). Paramit reported strong double-digit growth supported by the fulfilment and subsequent revenue recognition of the high order backlog from 2022 and some pent up demand for medical products in the first half of the year. By contrast, sales of Cavro OEM components declined substantially, as these products had experienced a significant surge in demand in the prior-year period to mitigate disruptions in the supply chain and in the run-up to the transfer of production to two Paramit manufacturing sites.

Underlying demand in Partnering Business remained solid and as order entry was only marginally lower than sales, the book-to-bill ratio was close to 1.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) amounted to CHF 30.8 million (H1 2022: CHF 35.5 million), while the operating profit margin reached 9.8% of sales (H1 2022: 10.9%). The integration costs (CHF 5.0 million; H1 2022: CHF 3.3 million) and amortization of acquired intangible assets in connection with the acquisition of Paramit were recognized for the Group in the Partnering Business segment. Other factors negatively impacting the segment margin were the lower sales volumes with corresponding negative economies of scale and a more negative product mix.

ADDITIONAL INFORMATION

REGIONAL DEVELOPMENT

In Europe, Tecan's sales in the first six months of 2023 were still affected by a COVID-related high comparison base and developed accordingly with -18.0% in Swiss francs and -15.1% in local currencies. Against this high comparative basis, sales in the Life Sciences Business were 20.1% lower than the previous year in local currencies, and in the Partnering business they declined by 11.0% in local currencies.

In North America, sales grew by 3.5% in Swiss francs and by 6.9% in local currencies. Despite the high COVID-related basis of comparison and more cautious spending behavior, sales in the Life Sciences business segment declined by only 1.8% in local currencies. The Partnering Business segment, on the other hand, reported a 13.2% increase in sales in local currencies, driven by strong sales growth at Paramit, which more than offset COVID-related sales in other product categories from the first half of 2022.

In Asia, sales decreased by 16.4% in Swiss francs and 10.4% in local currencies against a high COVID-affected comparative base, particularly in Japan. Due to the high basis of comparison, sales of the Partnering Business segment decreased by 26.7% in local currencies. The Life Sciences Business segment, on the other hand, recorded a 9.6% increase in sales in local currencies, with sales in China growing at the same rate as the Life Sciences Business in the Asia region as a whole.

OPERATING HIGHLIGHTS FOR THE FIRST HALF OF 2023

Tecan further expanded its core offering in laboratory automation in key growth markets in the first half of this year. With the launch of Phase Separator™, Tecan is advancing automation for high-growth liquid biopsy and biobanking applications to boost efficiency and accuracy in clinical, medical research and pharma lab workflows. Phase Separator is an innovative new pipetting capability available on the Fluent® Automation Workstation and represents a significant advance in liquid-separation technology of whole blood and other complex samples.
The newly launched MCA 96, a pipetting arm with 96 channels for the Fluent liquid handler together with an easy-to-use software offers an extremely wide volume range ideal for high-throughput workflows. The field-upgradeable MCA 96 with optional gripper can be combined with other arms – including another MCA 96 or an MCA 384 – to increase throughput even further.
With the launch of the Resolvex A200 Omics and Resolvex A200 24, Tecan added unique solutions to its broad automation portfolio to address unmet workflow needs for proteomics and bioanalytical processes, nucleic acid purification and food safety workflows.
The company also expanded its automated genomics portfolio and reagents offering. Among the various partnerships entered into in the first half of the year, Tecan and Oxford Nanopore build an alliance to create automated, seamless and fully compatible nanopore sequencing library preparation for any-length fragments of native DNA/RNA. To further expand its reagents offering, Tecan developed the first in a series of specialist reagent kits for its MagicPrep™ NGS library preparation system. The first kits are tailor-made for the Singular Genomics' G4™ Sequencing Platform.

In the Partnering Business, Tecan concluded several new partnerships and supported various customers with product launches and the start of commercial supplies in all business areas of the Partnering Business. This includes customized OEM systems, OEM components as well as contract development and manufacturing services. The partners are engaged in growth areas in key applications in life science research, diagnostics and the medical market with an initial revenue contribution for several customers as early as 2023. The project pipeline for new development and manufacturing projects remains rich and the broad OEM offering with strong synergies between the individual offerings is well received.

In the first half of 2023, Tecan continued to scale its global production and operational footprint. With Paramit Corporation now a fully integrated subsidiary of Tecan, the transfer of Cavro component production from its US site in San Jose, California, to the Paramit facilities in Morgan Hill, California, and Penang, Malaysia, progressed well and series production has now been successfully established at the new sites. This expansion of production capacity for Tecan's Cavro OEM components will also make it possible to meet the planned increase in demand for these products in the future.

As a step in executing the strategy to serve local customers in China even better and meet their specific needs, Tecan opened a new assembly facility in the Shanghai Free-Trade Zone (SFTZ), where liquid handling and detection products were already manufactured in the first half of the year. The new site also fulfills local manufacturing requirements for goods destined for the Chinese market ("China for China" initiative) and offers new opportunities to advance Tecan's business in China.

Tecan's commitment to greenhouse gas emissions reduction took a further step forward in the first half of 2023, with an absolute emissions reduction target set and submitted to the Science Based Targets Initiative for validation. Tecan commits to reach net-zero greenhouse gas emissions across the value chain (scopes 1, 2 and 3) by 2050. The related targets are set out in the 2022 Annual Report, and include a commitment to purchase 100% renewable electricity by 2025.

In addition, the environmental management process has been independently audited, and ISO14001 certification achieved for Tecan's Männedorf headquarters. The 2022 Sustainability Report provides a comprehensive overview of Tecan's sustainability program and was published as part of the Annual Report 2022 on the corporate website in March.

OUTLOOK FOR FULL-YEAR 2023 CONFIRMED

Tecan confirms its full-year 2023 outlook and continues to forecast sales to increase in the low to mid single-digit percentage range in local currencies. This expectation includes the negative impact of lower COVID-related sales (approximately -4 percentage points for the full year 2023, with the largest share of the impact already recorded in the first half of the year) and the reduced pass-through of material costs (at least -1 percentage point). Underlying sales, which exclude these negative effects, are expected to grow in the high single-digit percentage range in local currencies.

Tecan also continues to expect 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.

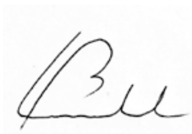
The expectations regarding profitability are based on an average exchange rate forecast for full year 2023 of one euro equaling CHF 1.00 and one US dollar equaling CHF 0.92.

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.

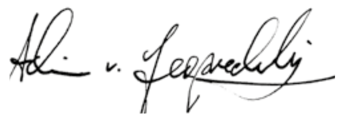
The outlook 2023 does not take account of potential acquisitions during the course of the year.

Tecan also confirms the mid-term outlook published in March 2023.

Männedorf, August 10, 2023



DR. LUKAS BRAUNSCHWEILER
Chairman of the Board



DR. ACHIM VON LEOPRECHTING
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June, CHF 1,000	Notes	2022	2023
Sales	3, 4	**584,007**	**541,499**
Cost of sales		(351,150)	(336,896)
Gross profit		**232,857**	**204,603**
Sales and marketing		(69,550)	(62,965)
Research and development		(38,547)	(38,435)
General and administration		(44,941)	(41,703)
Other operating income	8	362	1,575
Other operating expenses		(1)	-
Operating profit	4, 5	**80,180**	**63,075**
Financial income		16	3,512
Finance cost		(944)	(496)
Net foreign exchange losses		(687)	(3,409)
Financial result		**(1,615)**	**(393)**
Profit before taxes		**78,565**	**62,682**
Income taxes	6	(12,908)	(9,484)
Profit for the period, attributable to owners of the parent		**65,657**	**53,198**
Earnings per share			
Basic earnings per share (CHF/share)		5.17	4.17
Diluted earnings per share (CHF/share)		5.15	4.16

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January to June, CHF 1,000	Notes	2022	2023
Profit for the period		**65,657**	**53,198**
Other comprehensive income			
Change in fair value of an unquoted equity instrument designated at fair value through other comprehensive income	11.3	(149)	-
Remeasurement of liability for post-employment benefits		14,072	(11,154)
Related income taxes		(2,627)	2,067
Items that will not be reclassified to profit or loss, net of income taxes		**11,296**	**(9,087)**
Translation differences	10	46,757	(35,552)
Related income taxes		(3,740)	2,646
Items that may be reclassified subsequently to profit or loss, net of income taxes		**43,017**	**(32,906)**
Other comprehensive income, net of income taxes		*54,313*	*(41,993)*
Total comprehensive income for the period, attributable to owners of the parent		**119,970**	**11,205**

INTERIM CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2022	30.06.2023
Cash and cash equivalents		111,441	122,163
Other current financial assets	11	181,796	192,185
Trade accounts receivable		156,835	140,006
Contract assets		25,280	35,315
Other accounts receivable		12,181	13,832
Inventories	7	300,588	286,387
Income tax receivables		1,778	10,477
Prepaid expenses		13,631	11,033
Current assets		**803,530**	**811,398**
Non-current financial assets	11	5,599	5,654
Property, plant and equipment	8	94,025	92,634
Right-of-use assets		55,381	47,290
Intangible assets and goodwill		1,128,007	1,087,530
Deferred tax assets		29,637	33,554
Non-current assets		**1,312,649**	**1,266,662**
Assets		**2,116,179**	**2,078,060**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2022	30.06.2023
Current financial liabilities	11	14,559	13,700
Trade accounts payable		34,280	41,355
Other accounts payable		15,156	27,613
Current contract liabilities		100,177	93,081
Current government grants	8	4,170	4,040
Income tax payables		25,628	22,472
Accrued expenses		110,922	86,308
Current provisions		31,449	30,434
Current liabilities		**336,341**	**319,003**
Non-current financial liabilities	11	293,405	286,411
Non-current contract liabilities		11,149	10,848
Non-current government grants	8	26,211	23,938
Liability for post-employment benefits		19,923	29,011
Non-current provisions		8,522	8,666
Deferred tax liabilities		62,908	56,869
Non-current liabilities		**422,118**	**415,743**
Total liabilities		**758,459**	**734,746**
Share capital		1,273	1,278
Capital reserve		405,201	406,460
Retained earnings		981,476	998,712
Translation differences		(30,230)	(63,136)
Shareholders' equity	9	**1,357,720**	**1,343,314**
Liabilities and equity		**2,116,179**	**2,078,060**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

January to June, CHF 1,000	Notes	2022	2023
Profit for the period		**65,657**	**53,198**
Adjustments for			
Depreciation and amortization		34,101	33,074
Change in government grants, liability for post-employment benefits and provisions		6,442	(3,785)
Interest income		(16)	(1,673)
Interest expenses		822	504
Income taxes		12,908	9,484
Equity-settled share-based payment transactions		9,762	10,650
Other non-cash items		(5,183)	4,830
Change in working capital			
Trade accounts receivable		(19,394)	12,996
Inventories	7	(32,047)	7,722
Trade accounts payable		5,701	7,987
Contract liabilities		18,352	(4,964)
Other changes in working capital (net)		(2,894)	(21,486)
Income taxes paid		(23,924)	(26,081)
Cash inflows from operating activities		**70,287**	**82,456**
Investment in time deposits		(120,000)	(140,000)
Repayment of time deposits		120,000	130,000
Investment in other financial assets		-	(99)
Interest received		14	1,673
Purchase of property, plant and equipment		(9,411)	(10,928)
Proceeds from sale of property, plant and equipment		32	82
Investment in intangible assets		(6,429)	(7,724)
Receipt of government grants		716	-
Cash outflows from investing activities		**(15,078)**	**(26,996)**
Proceeds from employee participation plans		34	1,264
Dividends paid	9.2	(35,597)	(37,024)
Payment of lease liabilities		(6,922)	(6,920)
Increase in/repayment of short-term credit facilities		1	(1)
Interest paid		(686)	(371)
Cash outflows from financing activities		**(43,170)**	**(43,052)**
Effect of exchange rate fluctuations on cash held		384	(1,780)
Increase in cash and cash equivalents		**12,423**	**10,628**
Cash and cash equivalents, net of bank overdrafts at January 1		121,006	111,441
Cash and cash equivalents, net of bank overdrafts at June 30		**133,429**	**122,069**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January to June, CHF 1,000	Notes	Share capital	Capital reserve	Retained earnings	Translation differences	Total share-holders' equity
Balance at January 1, 2022		**1,268**	**403,657**	**858,925**	**(38,955)**	**733,651**
Profit for the period		-	-	65,657	-	65,657
Other comprehensive income, net of income taxes		-	-	11,296	43,017	54,313
Total comprehensive income for the period		**-**	**-**	**76,953**	**43,017**	**119,970**
Dividends paid	9.2	-	-	(35,597)	-	(35,597)
New shares issued based on employee participation plans	9.3	4	30	-	-	34
Share-based payments, net of income taxes	9.4/5	-	-	6,858	-	6,858
Balance at June 30, 2022		**1,272**	**403,687**	**907,139**	**4,062**	**824,916**
Balance at January 1, 2023		**1,273**	**405,201**	**981,476**	**(30,230)**	**1,357,720**
Profit for the period		-	-	53,198	-	53,198
Other comprehensive income, net of income taxes		-	-	(9,087)	(32,906)	(41,993)
Total comprehensive income for the period		**-**	**-**	**44,111**	**(32,906)**	**11,205**
Dividends paid	9.2	-	-	(37,024)	-	(37,024)
New shares issued based on employee participation plans	9.3	5	1,259	-	-	1,264
Share-based payments, net of income taxes	9.4/5	-	-	10,149	-	10,149
Balance at June 30, 2023		**1,278**	**406,460**	**998,712**	**(63,136)**	**1,343,314**

Notes to the interim condensed 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These unaudited financial statements are the interim condensed consolidated financial statements of Tecan Group Ltd. and its subsidiaries (together referred to as the 'Group') for the six-month period ending June 30, 2023. The financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and should be read in conjunction with the consolidated financial statements 2022 as they provide an update of previously reported information. The interim condensed consolidated financial statements were authorized for issue on August 10, 2023.

The preparation of these interim condensed consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the date of these interim condensed consolidated financial statements. If in the future such assumptions and estimates deviate from the actual circumstances, the original assumptions and estimates will be modified as appropriate in the period in which the circumstances change.

The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

Income tax expense is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

2.2 COVID-19 PANDEMIC/ GLOBAL SUPPLY CHAINS

COVID-19 pandemic – Although the Group does not offer COVID-specific products, the company's instruments and consumables have been used for PCR-based COVID-19 testing during the COVID-19 pandemic. For 2023, the Group does not expect any material COVID-related sales.

Global supply chains – During the last two years, global supply chains faced 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, the Group also increased its own inventories levels. These safety stocks have been reduced in the first half of 2023 as the development of global logistics has continued to improve. Delivery times, especially for electronic components, are still long, but delivery reliability for most parts has also improved.

2.3 INTRODUCTION OF NEW AND REVISED/ AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements 2022, except for the adoption of the following amended standards, effective as from January 1, 2023:

Standard[1]
IAS 1 'Presentation of Financial Statements' amended – Disclosure of Accounting Policies
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' amended – Definition of Accounting Estimates
IAS 12 'Income Taxes' amended – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12 'Income Taxes' amended – International Tax Reform – Pillar Two Model Rules

[1] IAS = International Accounting Standards

The Group has adopted *'International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12'* upon their release in May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure as from December 31, 2023.

The adoption of the amended standards did not result in material changes to the Group's accounting policies.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			**Total 2022**		
January to June, CHF 1,000	Revenue contracts with customers	Leases	Sales segment	Revenue contracts with customers	Leases	Sales segment	Revenue contracts with customers	Leases	Total sales
By regions (location of customer)									
Europe	85,531	533	86,064	102,237	-	102,237	187,768	533	188,301
Americas	124,648	-	124,648	170,745	-	170,745	295,393	-	295,393
Asia	41,569	-	41,569	49,929	-	49,929	91,498	-	91,498
Others	6,855	-	6,855	1,960	-	1,960	8,815	-	8,815
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**
By products and services									
Products	208,425	-	208,425	286,732	-	286,732	495,157	-	495,157
Services	50,178	-	50,178	38,139	-	38,139	88,317	-	88,317
Leases	-	533	533	-	-	-	-	533	533
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**
By timing of revenue recognition									
Transferred at a point in time	226,571	-	226,571	186,368	-	186,368	412,939	-	412,939
Transferred over time	32,032	-	32,032	138,503	-	138,503	170,535	-	170,535
Leases	-	533	533	-	-	-	-	533	533
Total	**258,603**	**533**	**259,136**	**324,871**	**-**	**324,871**	**583,474**	**533**	**584,007**

	Life Sciences Business			Partnering Business			**Total 2023**		
January to June, CHF 1,000	Revenue contracts with customers	Leases	Sales segment	Revenue contracts with customers	Leases	Sales segment	Revenue contracts with customers	Leases	Total sales
By regions (location of customer)									
Europe	64,560	477	65,037	89,448	-	89,448	154,008	477	154,485
Americas	118,139	-	118,139	187,671	-	187,671	305,810	-	305,810
Asia	41,945	-	41,945	34,567	-	34,567	76,512	-	76,512
Others	3,476	-	3,476	1,216	-	1,216	4,692	-	4,692
Total	**228,120**	**477**	**228,597**	**312,902**	**-**	**312,902**	**541,022**	**477**	**541,499**
By products and services									
Products	174,008	-	174,008	282,876	-	282,876	456,884	-	456,884
Services	54,112	-	54,112	30,026	-	30,026	84,138	-	84,138
Leases	-	477	477	-	-	-	-	477	477
Total	**228,120**	**477**	**228,597**	**312,902**	**-**	**312,902**	**541,022**	**477**	**541,499**
By timing of revenue recognition									
Transferred at a point in time	192,981	-	192,981	140,854	-	140,854	333,835	-	333,835
Transferred over time	35,139	-	35,139	172,048	-	172,048	207,187	-	207,187
Leases	-	477	477	-	-	-	-	477	477
Total	**228,120**	**477**	**228,597**	**312,902**	**-**	**312,902**	**541,022**	**477**	**541,499**

4 SEGMENT INFORMATION

4.1 SEGMENT INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/ consolidation		Group	
January to June, CHF 1,000	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Sales to third parties	259,136	228,597	324,871	312,902	-	-	584,007	541,499
Intersegment sales	12,955	5,313	749	674	(13,704)	(5,987)	-	-
Total sales	**272,091**	**233,910**	**325,620**	**313,576**	**(13,704)**	**(5,987)**	**584,007**	**541,499**
Operating profit	**53,187**	**40,287**	**35,451**	**30,807**	**(8,458)**	**(8,019)**	**80,180**	**63,075**
Depreciation and amortization	(10,761)	(11,223)	(23,340)	(21,851)	-	-	(34,101)	(33,074)

January to June, CHF 1,000	2022	**2023**
Reconciliation of reportable segment sales		
Total sales for reportable segments	597,711	547,486
Elimination of intersegment sales	(13,704)	(5,987)
Total consolidated sales	**584,007**	**541,499**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	88,638	71,094
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(8,458)	(8,019)
Financial result	(1,615)	(393)
Total consolidated profit before taxes	**78,565**	**62,682**

4.2 ENTITY-WIDE DISCLOSURES

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

	Property, plant and equipment		Right-of-use assets		Intangible assets	
CHF 1,000	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**
Switzerland	18,824	17,948	12,967	10,968	100,670	102,748
Other Europe	5,244	4,991	10,533	8,605	4,410	3,981
North America	46,318	47,073	27,183	23,770	971,903	932,733
Asia	23,639	22,622	4,698	3,947	51,024	48,068
Total	**94,025**	**92,634**	**55,381**	**47,290**	**1,128,007**	**1,087,530**

Information about major customers

There are sales to one individual customer (CHF 100.4 million) relating to the business segment Partnering Business that in aggregate exceeded 10% of total sales in the first half of 2023 (first half of 2022: one individual customer [CHF 62.9 million] relating to the business segment Partnering Business that in aggregate exceeded 10% of total sales).

5 OPERATING EXPENSES BY NATURE

January to June, CHF 1,000	2022	2023
Material costs	239,565	222,559
Personnel expenses	178,997	176,057
Depreciation of property, plant and equipment	8,098	9,738
Depreciation of right-of-use assets	7,148	7,202
Amortization of intangible assets	18,855	16,134
Other operating costs	57,982	57,463
Total operating cost incurred (gross)	**510,645**	**489,153**
Capitalization of development costs in position inventories	(736)	(3,092)
Capitalization of development costs in position intangible assets	(5,720)	(6,062)
Other operating income	(362)	(1,575)
Total operating expenses, according to statement of profit or loss	**503,827**	**478,424**

6 INCOME TAXES

6.1 SWISS TAX REFORM

On May 19, 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). The tax reform abolishes the tax regimes for holding, domiciliary and mixed companies as of January 1, 2020, and introduces new tax calculation principles. As part of the TRAF and cantonal tax practice, transitional measures were introduced 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. Therefore, the Group started to capitalize corresponding deferred tax assets in 2019.

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

CHF 1,000	2022	2023
Balance at January 1	8,755	14,292
Write-off deferred tax asset for corresponding tax benefits received in current period	(312)	(281)
Recognition of deferred tax assets for tax benefits in future periods (non-recurring)	1,866	4,696
Balance at June 30	**10,309**	**18,707**

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

6.2 OECD'S BASE EROSION AND PROIFT SHIFTING (BEPS) – PILLAR TWO

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. Pillar Two suggests the implementation of the proposed 15% global minimum tax.

The Group will be in scope of Pillar Two. The OECD is continuously publishing model legislation. Late in 2022, the EU issued a directive related to the global minimum tax to be considered by member countries in 2023 and to be effective in 2024. On June 18, 2023, the Swiss electorate decided to implement Pillar Two as of January 1, 2024. Recently Japan and UK enacted or substantially enacted regulations with respect to Pillar Two.

The Group will be affected by the new global minimum tax rate, however, at the date the financial statements were authorized for issue, only Japan and UK, in which the Group operates, have enacted, or substantively enacted the tax legislation related to Pillar Two. The remaining jurisdictions in which the Group operates have not yet enacted, or substantially enacted Pillar Two regulations. Therefore, 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. As a result, the income tax charge and cash flows could be impacted by the Pillar Two regulations.

7 INVENTORIES

In 2010, the Group entered into an OEM agreement with a global diagnostics company. The agreement comprises the development and supply of a dedicated diagnostic instrument. The related customer-specific development costs were capitalized in the position inventories as part of the production costs. The delivery of the instruments, which takes place over a period of more than 10 years, started in October 2014. The customer requests the units with individual purchase orders. The Group recognizes the corresponding development costs in cost of sales upon fulfilment of the individual purchase orders. The remaining balance of capitalized development costs amounted to CHF 24.9 million at the end of June 2023 (December 31, 2022: CHF 29.8 million).

Further information regarding this critical accounting estimate and judgment can be found in note 2.3.4 of the consolidated financial statements 2022.

8 PROPERTY, PLANT AND EQUIPMENT AND GOVERNMENT GRANTS

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 to launch new production capacities in the U.S. for pipette tips, which are key components for COVID-19 testing. The amount was fully paid to the Group at year-end 2022 (CHF 30.4 million). The related production lines are reported in position property, plant and equipment and are ready for use since April 2023. Consequently, the Group has started to reverse the government grant in the consolidated statement of profit or loss in proportion to the depreciation amount (CHF 1.5 million, included in position other operating income).

9 SHAREHOLDERS' EQUITY AND EMPLOYEE PARTICIPATION PLANS

9.1 MOVEMENTS IN SHARES OUTSTANDING

Shares (each share has a nominal value of CHF 0.10)	2022	**2023**
Balance at January 1	12,678,108	12,731,441
New shares issued based on employee participation plans	42,299	48,565
Balance at June 30	**12,720,407**	**12,780,006**

9.2 DIVIDENDS PAID

	2022	**2023**
Number of shares eligible for dividend and payout	12'713'261	12,766,934
Dividends paid (CHF/share)	1.40	1.45
Payout from statutory capital contribution reserve (CHF/share)	1.40	1.45

9.3 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2022	**2023**
Balance at January 1	275,104	221,771
New shares issued based on employee participation plans	(42,299)	(48,565)
Balance at June 30	**232,805**	**173,206**
Maximum of employee share options and employee shares outstanding	132,653	134,110

9.4 CONDITIONAL SHARE CAPITAL FOR THE PURPOSE OF FUTURE BUSINESS DEVELOPMENT

	31.12.2022	30.06.2023
Conditional share capital		
Shares (with a nominal value of CHF 0.10 each)	1,800,000	1,800,000
CHF	180,000	180,000

9.5 EMPLOYEE SHARE OPTION PLANS

(See note 12.4.1 of the consolidated financial statements 2022 for the terms and principal conditions)

Movements in employee share options:

Employee share options	2022	2023
Balance at January 1	55,249	56,219
Exercised	(649)	(6,407)
Forfeited or expired	(703)	(1,329)
Balance at June 30	**53,897**	**48,483**
Thereof exercisable at period-end	34,844	30,728

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

(See note 12.4.2 of the consolidated financial statements 2022 for the terms and principal conditions)

Movements in employee shares:

Employee shares			2022	2023
Balance at January 1			109,765	98,276
PSMP Management	Plan 2019 and 2020	Matching shares vested and transferred	(34,648)	(30,341)
PSMP Management	Plan 2022 and 2023	Initial shares granted and transferred (blocked)	10,207	10,700
PSMP Management	Plan 2022 and 2023	Maximum of matching shares granted	25,518	26,750
PSMP Management	All plans	Matching shares forfeited	(183)	(387)
PSMP Management	All plans	Shares deblocked	-	(29)
Board of Directors	Plan 2021 and 2022	Shares vested and transferred	(795)	(972)
Board of Directors	Plan 2022 and 2023	Shares granted	972	937
Balance at June 30			**110,836**	**104,934**
Thereof vested and transferred, but blocked until the end of the performance period			32,080	19,307

10 PRINCIPAL EXCHANGE RATES

CHF		Closing exchange rates 31.12.2022	Closing exchange rates 30.06.2023	Average exchange rates January to June 2022	Average exchange rates January to June 2023
EUR	1	0.99	0.98	1.03	0.99
USD	1	0.92	0.90	0.94	0.91

11 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

11.1 CLASSES OF FINANCIAL INSTRUMENTS

CHF 1,000	Cash and cash equivalents	Other current financial assets	Trade and other receivables	Non-current financial assets	**Total assets 2022**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2022**	Fair value disclosure
Derivatives not designated as hedging instruments										
Currency forwards	-	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[1]										
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)**	(607)
Bond	-	-	-	-	**-**	-	-	(249,645)	**(249,645)**	(237,000)
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[2]	-	-	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] The carrying amount of financial instruments measured at amortized costs (except for bank loans and bond) is a reasonable approximation of their fair value due to their short-term nature.

[2] Receivables/payables arising 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 2023**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 2023**	Fair value disclosure
Derivatives not designated as hedging instruments										
Currency forwards	-	2,185	-	-	**2,185**	(73)	-	(6)	**(79)**	
Financial instruments measured at fair value through OCI (FVOCI)										
Unquoted equity investment	-	-	-	4,269	**4,269**	-	-	-	**-**	
Financial instruments measured at amortized costs[1]										
Cash and cash equivalents	122,163	-	-	-	**122,163**	-	-	-	**-**	
Time deposits	-	190,000	-	-	**190,000**	-	-	-	**-**	
Receivables	-	-	140,768	-	**140,768**	-	-	-	**-**	
Rent and other deposits	-	-	1,000	1,385	**2,385**	-	-	-	**-**	
Current bank liabilities	-	-	-	-	**-**	(94)	-	-	**(94)**	
Payables and accrued expenses	-	-	-	-	**-**	-	(127,827)	-	**(127,827)**	
Bank loans	-	-	-	-	**-**	(616)	-	-	**(616)**	(609)
Bond	-	-	-	-	**-**	-	-	(249,777)	**(249,777)**	(240,000)
Other										
Lease liabilities	-	-	-	-	**-**	(12,917)	-	(36,628)	**(49,545)**	
Total financial instruments	**122,163**	**192,185**	**141,768**	**5,654**	**461,770**	**(13,700)**	**(127,827)**	**(286,411)**	**(427,938)**	
Reconciling items[2]	-	-	12,070	-	**12,070**	-	(27,449)	-	**(27,449)**	
Balance at June 30, 2023	**122,163**	**192,185**	**153,838**	**5,654**	**473,840**	**(13,700)**	**(155,276)**	**(286,411)**	**(455,387)**	

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

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

11.2 FAIR VALUE MEASUREMENT AND DISCLOSURES

Position	Note	Level	Data source	Valuation technique used / model
Currency forwards	11.1	Level 2	Financial data supplier	(Forward rate - [spot rate +/- SWAP points]) * amount in foreign currency
Unquoted equity investment	11.3	Level 3	n/a	Market sales multiples
Bank loans	11.1	Level 2	Financial data supplier	The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments
Bond	11.1	Level 1	Financial data supplier	Market value available at SIX (security symbol TEC21)

There have been no transfers between the levels in 2022 and 2023.

11.3 UNQUOTED EQUITY INVESTMENT (LEVEL 3)

The total changes in fair value recognized during the period in other comprehensive income amount to CHF 0.0 million. A decrease in the forecasted sales of 10% would adversely impact the fair value by estimated CHF 0.4 million.

12 SUBSEQUENT EVENTS

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

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