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Financial Report 2018.

Preprint

Financial Report 2018

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FIVE-YEAR CONSOLIDATED DATA

CHF 1,000	2014	2015	2016	2017 (Restated)[1]	**2018**
Statement of profit or loss					
Sales	399,518	440,295	506,227	548,559	593,795
EBITDA	67,542	83,401	89,031	104,625	110,322
Operating profit (EBIT)	57,203	66,949	68,137	79,796	88,553
Financial result	(8,059)	(942)	(2,709)	(804)	(5,155)
Income taxes	(8,928)	(8,860)	(10,886)	(13,062)	(12,702)
Profit for the period	40,216	57,147	54,542	65,930	70,696
Research and development, gross	(39,451)	(39,857)	(47,090)	(51,069)	(51,086)
Personnel expenses	(148,130)	(149,813)	(174,217)	(187,451)	(197,320)
Depreciation of property, plant and equipment	(6,271)	(6,213)	(6,750)	(6,969)	(7,699)
Amortization of intangible assets	(4,068)	(10,239)	(14,144)	(16,723)	(14,070)
Impairment losses	–	–	–	(1,137)	–
Balance sheet					
Current assets	423,833	492,353	534,290	602,194	596,048
Non-current assets	128,429	149,129	201,871	201,767	261,623
Total assets	552,262	641,482	736,161	803,961	857,671
Current liabilities	124,581	137,843	141,956	153,142	163,470
Non-current liabilities	66,483	62,966	107,120	100,698	81,792
Total liabilities	191,064	200,809	249,076	253,840	245,262
Shareholders‘ equity	361,198	440,673	487,085	550,121	612,409
Statement of cash flows					
Cash inflows from operating activities	48,191	99,128	118,801	99,428	92,702
Capital expenditure in property, plant and equipment and intangible assets	(22,629)	(14,723)	(14,322)	(19,641)	(26,193)
Acquisition of NuGEN Technologies, Inc.[2]	–	–	–	–	(43,805)
Acquisition of Pulssar Technologies S.A.S.[2]	–	–	–	(2,895)	–
Acquisition of SPEware Group[2]	–	–	(40,390)	–	(4,546)
Acquisition of SIAS-Xiril Group[2]	–	(18,899)	–	–	–
Acquisition of IBL International Group[2]	(31,835)	–	–	–	–
Change in treasury shares (net)	3,387	32,437	–	–	–
Dividends paid	(16,651)	(16,857)	(20,122)	(20,315)	(23,462)
Other information					
Number of employees (end of period)	1,261	1,368	1,447	1,482	1,662
Number of employees (average)	1,265	1,368	1,368	1,469	1,562
Research and development in % of sales	9.9%	9.1%	9.3%	9.3%	8.6%
Sales per employee	316	322	370	373	380
Information per share					
Basic earnings per share	3.63	5.05	4.74	5.67	6.02
Gross dividend (CHF)[3]	1.50	1.75	1.75	2.00	2.10[4]
Total payout (CHF)[3]	1.50	1.75	1.75	2.00	2.10[4]
Total payout ratio	41.3%	34.7%	36.9%	35.3%	34.9%

[1]Restated due to introduction of IFRS 15
[2]Net of cash acquired
[3]Payment is made in following year
[4]Proposal to the Annual General Meeting of Shareholders on April 16, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CHF 1,000	Notes	2017 (Restated)	2018
Sales	4/5	**548,559**	**593,795**
Cost of sales		(283,677)	(315,472)
Gross profit		**264,882**	**278,323**
Sales and marketing		(84,220)	(89,072)
Research and development	7	(51,069)	(51,086)
General and administration		(51,489)	(52,376)
Other operating income	8	3,324	3,436
Other operating expenses	8	(1,632)	(672)
Operating profit	5	**79,796**	**88,553**
Financial income		31	44
Finance cost		(671)	(735)
Net foreign exchange losses		(164)	(4,464)
Financial result	9	**(804)**	**(5,155)**
Profit before taxes		**78,992**	**83,398**
Income taxes	12	(13,062)	(12,702)
Profit for the period, attributable to owners of the parent		**65,930**	**70,696**
Earnings per share			
Basic earnings per share (CHF/share)	10	5.67	6.02
Diluted earnings per share (CHF/share)	10	5.59	5.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CHF 1,000	Notes	2017 (Restated)	**2018**
Profit for the period		**65,930**	**70,696**
Other comprehensive income			
Remeasurement of net defined benefit liability	11	(3,901)	3,377
Related income taxes		608	(539)
Items that will not be reclassified to profit or loss, net of income taxes		**(3,293)**	**2,838**
Translation differences		3,562	(1,521)
Related income taxes		(241)	111
Items that may be reclassified subsequently to profit or loss, net of income taxes		**3,321**	**(1,410)**
Other comprehensive income, net of income taxes		28	1,428
Total comprehensive income for the period, attributable to owners of the parent		**65,958**	**72,124**

CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Cash and cash equivalents	13	246,744	309,412	296,845
Current derivatives	14	3,038	1,017	977
Trade accounts receivable	15	94,987	111,561	105,443
Contract assets		1,885	1,123	2,405
Other accounts receivable		9,784	11,618	13,304
Inventories	16	170,748	160,218	171,709
Income tax receivables	12	1,633	732	1,467
Prepaid expenses		3,497	2,863	3,898
Assets held for sale	3.3	4,140	3,650	–
Current assets		**536,456**	**602,194**	**596,048**
Non-current financial assets	17	692	831	5,105
Investment property	3.3	–	–	3,650
Property, plant and equipment	18	20,290	21,291	25,053
Intangible assets and goodwill	19	164,685	164,303	209,126
Deferred tax assets	12	16,204	15,342	18,689
Non-current assets		**201,871**	**201,767**	**261,623**
Assets		**738,327**	**803,961**	**857,671**

LIABILITIES AND EQUITY

CHF 1,000	Notes	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Current financial liabilities	20	7,780	10,150	9,945
Trade accounts payable		10,057	13,948	14,385
Other accounts payable		14,155	16,666	15,130
Current contract liabilities	21	35,106	37,683	37,392
Income tax payables	12	13,046	12,923	15,474
Accrued expenses		39,894	44,887	51,833
Current provisions	22	21,996	15,345	19,311
Liabilities held for sale	3.3	1,649	1,540	–
Current liabilities		**143,683**	**153,142**	**163,470**
Non-current financial liabilities	20	11,078	8,330	1,588
Non-current contract liabilities	21	46,945	38,960	34,799
Liability for post-employment benefits	11	30,146	36,512	34,091
Non-current provisions	22	4,199	5,335	4,721
Deferred tax liabilities	12	14,794	11,561	6,593
Non-current liabilities		**107,162**	**100,698**	**81,792**
Total liabilities		**250,845**	**253,840**	**245,262**
Share capital		1,154	1,166	1,177
Capital reserve		33,061	36,418	38,861
Retained earnings		485,627	541,576	602,820
Translation differences		(32,360)	(29,039)	(30,449)
Shareholders' equity	23	**487,482**	**550,121**	**612,409**
Liabilities and equity		**738,327**	**803,961**	**857,671**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF 1,000	Notes	2017 (Restated)	2018
Profit for the period		**65,930**	**70,696**
Adjustments for			
Depreciation, amortization and impairment losses	18/19	24,829	21,769
Change in provisions and liability for post-employment benefits	11/22	(3,633)	2,625
Interest income	9	(31)	(44)
Interest expenses	9	471	400
Income taxes	12	13,062	12,702
Equity-settled share-based payment transactions	11	12,807	11,153
Fair value adjustment of contingent considerations	8	1,036	(1,894)
Other non-cash items		2,592	15
Change in working capital			
Trade accounts receivable	15	(16,196)	6,657
Inventories	16	11,174	(7,944)
Trade accounts payable		3,551	(3,575)
Contract liabilities	21	(5,678)	(3,940)
Other changes in working capital (net)		3,081	(1,332)
Settlement of contingent consideration	20	–	(290)
Income taxes paid		(13,567)	(14,296)
Cash inflows from operating activities		**99,428**	**92,702**
Acquisition of an unquoted equity investment	17	–	(4,000)
Interest received		29	40
Settlement of contingent consideration	20	–	(4,546)
Acquisition of NuGEN Technologies, Inc., net of cash acquired	3.2	–	(43,805)
Acquisition of Pulssar Technologies S.A.S., net of cash acquired	3.2	(2,895)	–
Purchase of property, plant and equipment	18	(8,142)	(11,800)
Proceeds from sales of property, plant and equipment	18	98	68
Investment in intangible assets	19	(11,499)	(14,393)
Cash outflows from investing activities		**(22,409)**	**(78,436)**
Proceeds from employee participation plans	11.4	3,369	2,454
Dividends paid	23	(20,315)	(23,462)
Increase in/repayment of short-term credit facilities	20	3,216	(3,209)
Increase in bank loans	20	437	–
Repayment of bank loans	20	(1,503)	–
Repayment of mortgage and settlement of interest derivative (held for sale)	3.3	(80)	(1,537)
Interest paid		(282)	(397)
Cash outflows from financing activities		**(15,158)**	**(26,151)**
Effect of exchange rate fluctuations on cash held		807	(691)
Increase/(decrease) in cash and cash equivalents		**62,668**	**(12,576)**
Cash and cash equivalents, net of bank overdrafts at January 1		246,744	309,412
Cash and cash equivalents, net of bank overdrafts at December 31	13	**309,412**	**296,836**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF 1,000	Notes	Share capital	Capital reserve	Retained earnings	Translation differences	Total share-holders' equity
Balance at January 1, 2017, as previously reported		**1,154**	**33,061**	**485,230**	**(32,360)**	**487,085**
Adjustment from adoption of IFRS 15, net of income taxes	2.3.1	–	–	397	–	397
Adjustment from adoption of IFRS 9, net of income taxes	2.3.2	–	–	p.m.	–	–
Restated balance at January 1, 2017		**1,154**	**33,061**	**485,627**	**(32,360)**	**487,482**
Profit for the period		–	–	65,930	–	65,930
Other comprehensive gain, net of income taxes		–	–	(3,293)	3,321	28
Total comprehensive income for the period		**–**	**–**	**62,637**	**3,321**	**65,958**
Dividends paid	23	–	–	(20,315)	–	(20,315)
New shares issued based on employee participation plans	11/23	12	3,357	–	–	3,369
Share-based payments, net of income taxes	11	–	–	13,627	–	13,627
Total contributions by and distributions to owners		**12**	**3,357**	**(6,688)**	**–**	**(3,319)**
Restated balance at December 31, 2017		**1,166**	**36,418**	**541,576**	**(29,039)**	**550,121**
Profit for the period		–	–	70,696	–	70,696
Other comprehensive gain, net of income taxes		–	–	2,838	(1,410)	1,428
Total comprehensive income for the period		**–**	**–**	**73,534**	**(1,410)**	**72,124**
Dividends paid	23	–	–	(23,462)	–	(23,462)
New shares issued based on employee participation plans	11/23	11	2,443	–	–	2,454
Share-based payments, net of income taxes	11	–	–	11,172	–	11,172
Total contributions by and distributions to owners		**11**	**2,443**	**(12,290)**	**–**	**(9,836)**
Balance at December 31, 2018		**1,177**	**38,861**	**602,820**	**(30,449)**	**612,409**

Notes to the consolidated financial statements

1 REPORTING ENTITY

The Tecan Group is a global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The Group specializes in the development, production and distribution of automation solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, forensic and diagnostic laboratories. As an original equipment manufacturer, the Group also develops and manufactures OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the Group has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries.

The ultimate parent company is Tecan Group Ltd., 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

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, 2018. 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 and the contingent consideration, which are stated at their fair value.

The consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2019. Final approval is subject to acceptance by the Annual General Meeting of Shareholders on April 16, 2019.

2.2 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:

2.2.1 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 2.7.1). 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 note 4 and 21 for more details.

2.2.2 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 plus number of shares from mandatory and voluntary investments 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 note11 for more details.

2.2.3 Income taxes

At December 31, 2018, the net liability for current income taxes was CHF 14.0 million and the net asset for deferred taxes was CHF 12.1 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 US tax reform), 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.

2.2.4 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 fulfillment of the individual purchase orders. The remaining balance of capitalized development costs as of December 31, 2018 amounted to CHF 83.3 million.

At December 31, 2018, 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.

2.2.5 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 2018, the Group has capitalized development costs in the amount of CHF 28.8 million as disclosed in note 19.

2.2.6 Impairment test on goodwill

At December 31, 2018 total goodwill amounted to CHF 133.5 million. The Group performed the mandatory annual impairment tests at the end of June for goodwill for Partnering Business and end of December for Life Sciences 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 19.

2.3 INTRODUCTION OF NEW AND AMENDED ACCOUNTING 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, 2018:

Standard/interpretation[1]
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
IAS 40 amended 'Investment Properties' – Transfers of Investment Properties
IFRS 2 amended 'Share-based Payment' – Classification and Measurement of Share-based Payment Transactions
IFRS 9 'Financial Instruments'
IFRS 15 'Revenue from Contracts with Customers'

[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 impact of these changes on the consolidated financial statements is disclosed below:

2.3.1 IFRS 15 'Revenue from Contracts with Customers'

a) Impact of adopting the new standard

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. The new standard applies to all revenue arising from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method with the initial application as of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017. The adoption had the following impact:

CHF 1,000	Reported	Adjustment	Restated
Consolidated balance sheet at January 1, 2017			
Trade accounts receivable (construction contracts in progress)	2,058	(2,058)	–
Contract assets	–	1,885	1,885
Inventories	168,409	2,339	170,748
Current and non-current deferred revenue	(80,324)	80,324	–
Current and non-current contract liabilities	–	(82,051)	(82,051)
Accrued expenses	(40,294)	400	(39,894)
Current provisions	(21,596)	(400)	(21,996)
Deferred tax liabilities	(14,752)	(42)	(14,794)
Shareholder's equity (retained earnings)	**485,230**	**397**	**485,627**
Consolidated balance sheet at December 31, 2017			
Trade accounts receivable (construction contracts in progress)	1,514	(1,514)	–
Contract assets	–	1,123	1,123
Inventories	158,724	1,494	160,218
Current and non-current deferred revenue	(75,294)	75,294	–
Current and non-current contract liabilities	–	(76,643)	(76,643)
Accrued expenses	(45,176)	289	(44,887)
Current provisions	(15,056)	(289)	(15,345)
Deferred tax liabilities	(11,587)	26	(11,561)
Shareholder's equity (retained earnings)	**541,796**	**(220)**	**541,576**

CHF 1,000	Reported	Adjustment	Restated
Consolidated statement of profit or loss 2017			
Sales	548,399	160	548,559
Cost of sales	(282,832)	(845)	(283,677)
Operating profit	**80,481**	**(685)**	**79,796**
Income taxes	(13,130)	68	(13,062)
Profit for the period	**66,547**	**(617)**	**65,930**
Earnings per share			
Basic earnings per share (CHF/share)	5.73	(0.06)	5.67
Diluted earnings per share (CHF/share)	5.64	(0.05)	5.59

There was no material impact on the other comprehensive income or the statement of cash flows.

The adoption of IFRS 15 reduced the possibility to use the percentage of completion method and changed the timing of the revenue recognition for engineering services. In addition, the presentation in the balance sheet and certain disclosures were modified.

b) New accounting policies

Accounting policies applied for revenue from contracts with customers: see note 2.7.1.

2.3.2 IFRS 9 'Financial Instruments'

a) Impact of adopting the new standard

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for all periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting of financial instruments: classification and measurement, impairment and hedge accounting.

The Group applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

The introduction of IFRS 9 had no impact, neither on the balance sheets as at January 1 and December 31, 2017 nor on the statement of profit or loss and other comprehensive income 2017. The following table compares the original measurement categories under IAS 39 with the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at January 1, 2017 and December 31, 2017.

CHF 1,000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial asset classes				
Cash and cash equivalents	Loans and receivables	Amortized cost	246,744	246,744
Receivables	Loans and receivables	Amortized cost	95,763	95,763
Rent and other deposits	Loans and receivables	Amortized cost	997	997
Currency forwards	Derivatives	Mandatorily FVTPL	3,074	3,074
Balance at January 1, 2017			**346,578**	**346,578**
Financial liability classes				
Current bank liabilities	Other financial liabilities	Amortized cost	1,103	1,103
Payables and accrued expenses	Other financial liabilities	Amortized cost	49,929	49,929
Currency forwards	Derivatives	Mandatorily FVTPL	6,822	6,822
Bank loans	Other financial liabilities	Amortized cost	1,660	1,660
Contingent considerations	Fair value (IFRS 3)	FVTPL (IFRS 3)	9,273	9,273
Balance at January 1, 2017			**68,787**	**68,787**

CHF 1,000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial asset classes				
Cash and cash equivalents	Loans and receivables	Amortized cost	309,412	309,412
Receivables	Loans and receivables	Amortized cost	112,382	112,382
Rent and other deposits	Loans and receivables	Amortized cost	1,107	1,107
Currency forwards	Derivatives	Mandatorily FVTPL	1,174	1,174
Balance at December 31, 2017			**424,075**	**424,075**
Financial liability classes				
Current bank liabilities	Other financial liabilities	Amortized cost	4,329	4,329
Payables and accrued expenses	Other financial liabilities	Amortized cost	58,904	58,904
Currency forwards	Derivatives	Mandatorily FVTPL	1,283	1,283
Bank loans	Other financial liabilities	Amortized cost	1,229	1,229
Contingent considerations	Fair value (IFRS 3)	FVTPL (IFRS 3)	11,639	11,639
Balance at December 31, 2017			**77,384**	**77,384**

b) New accounting policies

Accounting policies applied for financial instruments: see note 2.7.8.

2.3.3 Other changes

The adoption of the new interpretation and amended standards did not result in substantial changes to the Group's accounting policies.

2.4 NEW 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
IFRIC 23 'Uncertainty over Income Tax Treatments'	Reporting year 2019
IAS 19 amended 'Employee benefits' – Curtailment or Settlement	Reporting year 2019
IAS 28 amended 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures	Reporting year 2019
IFRS 9 amended 'Financial Instruments' – Prepayment Features with Negative Compensation	Reporting year 2019
IFRS 16 'Leases'	Reporting year 2019
Annual Improvements to IFRSs 2015–2017	Reporting year 2019
Conceptual Framework for Financial Reporting	Reporting year 2020
IAS 1 'Presentation of Financial Statements' amended and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' amended – Definition of Material	Reporting year 2020
IFRS 3 'Business Combinations' – Definition of a Business	Reporting year 2020
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 impact of these changes on the consolidated financial statements is disclosed below:

2.4.1 IFRS 16 'Leases'

IFRS 16 addresses the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (lease liability) and an asset representing the right of use of the underlying asset during the lease term (right-of-use asset). Lessees will be required to separately recognize the interest expense related to the lease liability and the depreciation expense related to the right-of-use asset.

In accordance with IAS 17, all operating lease arrangements are currently reported off-balance sheet (see note 27.2).

The Group will apply IFRS 16 on January 1, 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance as at January 1, 2019, with no restatement of comparative information.

Based on the numbers currently available, the Group estimates that it will recognize right-of-use assets (mainly for rental properties) of CHF 48.6 million and corresponding lease liabilities in the same amount as at January 1, 2019. The adoption of the standard will result in a portion of the costs currently recorded as operating lease expenses being recognized as interest expenses within the financial result. Given the current low interest rate environment, the Group does not expect the effects of the adoption IFRS 16 to have a material impact on the operating profit.

2.4.2 Other changes

Other 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.

2.5 CONSOLIDATION PRINCIPLES

2.5.1 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 derecognizes 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.

2.5.2 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.

2.6 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 net profit.

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.

2.7 ACCOUNTING AND VALUATION PRINCIPLES

2.7.1 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.

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 fulfillment of the individual purchase orders.

Engineering services without delivery of instruments – 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 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.

Performance obligations satisfied over time – method of revenue recognition and presentation (sale of complex instruments 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.

2.7.2 Segment reporting

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.

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.

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.

2.7.3 Government research subsidies

The Group receives government grants for research activities, which are unconditional. They are recognized as income when earned.

2.7.4 Employee benefits – retirement and long-service leave benefit plans (IAS 19)

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.

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

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.

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.

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 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 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 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.

2.7.5 Employee benefits – termination benefits (IAS 19)

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.

2.7.6 Employee benefits – share-based payment (IFRS 2)

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.

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.

2.7.7 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 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.

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.

In addition, deferred taxes are provided on expected dividend distributions in the foreseeable future from subsidiary companies (non-recoverable withholding taxes).

2.7.8 Financial instruments

2.7.8.1 Cash and cash equivalents 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.

2.7.8.2 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.

2.7.8.3 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. Hedge accounting is not applied.

2.7.8.4 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.

2.7.8.5 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.

2.7.8.6 Bank loans

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.

2.7.9 Borrowing costs

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed. During the reporting period, no asset qualified for capitalization of borrowing costs (previous year: none).

2.7.10 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. 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.

2.7.11 Property, plant and equipment

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.

Assets acquired under lease contracts, which provide the Group with substantially all benefits and risks of ownership are classified as finance leases and capitalized at amounts equivalent to their fair value or, if lower, the estimated present value of the underlying minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Leased assets are depreciated over their estimated useful lives. There were no items of property, plant and equipment under finance lease as per the balance sheet date (previous year: none). Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

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:

Land	indefinite useful life
Buildings	25 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.

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).

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

2.7.12 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.

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 brand	2 – 13 years
Acquired technology	6 – 10 years
Acquired client relationships	7 – 17 years

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

2.7.13 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.

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.

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.

2.7.14 Impairment

The carrying amount of the Group's non-financial assets other than inventories, assets arising from construction contracts 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.

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.

2.7.15 Provisions

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.

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

2.7.16 Treasury shares

In case the Group purchases own shares, the consideration paid is recognized as treasury shares and presented as a deduction from equity until these shares are cancelled or sold. Any consideration received from the sale of these shares is recognized in equity.

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)	Share capital (LC 1,000)	Currency	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	5,000	CHF	R/P/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
• Pulssar Technologies S.A.S	Paris (FR)	100%	400	EUR	inactive
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	250	CHF	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	100%	1,460	EUR	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	100%	25	EUR	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	100%	51	EUR	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	100%	103	EUR	R
• IBL International GmbH	Hamburg (DE)	100%	25	EUR	R/P/D
Tecan Benelux B.V.B.A.	Mechelen (BE)	100%	137	EUR	D
Tecan France S.A.S.	Lyon (FR)	100%	2,760	EUR	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	100%	30	EUR	D
Tecan Italia S.r.l.	Milano (IT)	100%	77	EUR	D
Tecan UK Ltd.	Reading (UK)	100%	500	GBP	D
Tecan Nordic AB	Stockholm (SE)	100%	100	SEK	D
Tecan US Group, Inc.	Morrisville, NC (US)	100%	1,500	USD	S
• Tecan US, Inc.	Morrisville, NC (US)	100%	400	USD	D
• Tecan Systems, Inc.	San Jose, CA (US)	100%	26	USD	R/P
• Tecan SP, Inc. (Ex SPEware Corp.)	Baldwin Park/Los Angeles, CA (US)	100%	472	USD	R/P/D
• Tecan Genomics, Ltd. (Ex NuGEN Technologies, Inc.)	Redwood City, CA (US)	100%	0	USD	R/P/D
IBL International Corp.	Toronto (CA)	100%	0	USD	inactive
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	800	SGD	S
Tecan (Shanghai) Trading Co., Ltd.	Shanghai (CN)	100%	3,417	CNY	D
Tecan Japan Co., Ltd.	Kawasaki (JP)	100%	125,000	JPY	D
Tecan Australia Pty Ltd	Melbourne (AU)	100%	0	AUD	D

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

3.2 CHANGE IN SCOPE OF CONSOLIDATION: ACQUISITION THROUGH BUSINESS COMBINATION

3.2.1 Assets and liabilities arising from acquisitions

The fair value of the identifiable assets and liabilities and the net cash outflow at the date of acquisition were:

CHF 1,000	28.02.2017 Pulssar	**31.08.2018 NuGEN**
Cash and cash equivalents	6	4,413
Trade accounts receivable	–	1,516
Inventories	221	3,892
Other current assets	255	727
Non-current financial assets	–	322
Property, plant and equipment	37	233
Intangible assets	2,187	12,722
Deferred tax assets	–	6,167
Assets	**2,706**	**29,992**
Current financial liabilities	(500)	(279)
Trade and other accounts payable	(273)	(10,514)
Accrued expenses	(63)	(631)
Income tax payables	–	(122)
Provisions	–	(1,898)
Liability for post-employment benefits	(38)	–
Other non-current liabilities	–	(22)
Deferred tax liabilities	(209)	(526)
Liabilities	**(1,083)**	**(13,992)**
Total identifiable net assets at fair value	**1,623**	**16,000**
Goodwill arising on acquisition	3,021	32,218
Consideration transferred for the business combination	**4,644**	**48,218**
Cash acquired	(6)	(4,413)
Contingent consideration (earn-out)	(1,743)	–
Net cash outflow	**2,895**	**43,805**

Trade accounts receivable comprise gross contractual amounts due of CHF 1.9 million (2017: CHF 0.0 million), of which CHF 0.4 million (2017: CHF 0.0 million) was expected to be uncollectable at the acquisition date.

The acquisitions were 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. Goodwill arising from these acquisitions is not expected to be tax deductible. The initial accounting for the acquisition in the current financial year is provisional and subject to change regarding the valuation of the trade accounts receivables and capitalized tax loss carry-forwards. Further analysis has to be performed in order to confirm the measurement.

3.2.2 Acquisition on August 31, 2018: NuGEN Technologies, Inc. (renamed to Tecan Genomics, Inc.)

The Group acquired 100% of the voting rights of NuGEN Technologies, Inc. (Redwood City/CA, US) on August 31, 2018. NuGEN is a provider for innovative next-generation sequencing (NGS) kits and genomic sample preparation solutions, with a focus on the North American market. The acquired company is part of the business segment 'Life Sciences Business'.

3.2.3 Acquisition on February 28, 2017: Pulssar Technologies S.A.S.

The Group acquired 100% of the voting rights of Pulssar Technologies S.A.S (Paris, France) on February 28, 2017 to increase the technology portfolio of its 'Partnering Business'.

At the acquisition date, the fair value of the contingent consideration was estimated to be CHF 1.7 million. The fair value was determined using the discounted cash flow method with a discount rate of 11%. One payment in the amount of EUR 2.0 million was agreed with the seller upon the achievement of a sales-defined milestone in 2019. The underlying business plan indicated that the entire amount will be payable. At year-end 2018, however, the sales target was considered no longer achievable und the full earn-out liability was derecognized.

3.2.4 Acquisition on September 30, 2016: SPEware Group (renamed to Tecan SP, Inc.)

At the acquisition date, the fair value of the contingent consideration was estimated to be CHF 8.8 million. The fair value was determined using the discounted cash flow method with a discount rate of 10%. Two payments in the amount of USD 5.0 million each were agreed with the seller upon the achievement of sales-defined milestones in 2017 and 2018. The underlying business plan indicated that the entire amount will be payable. There is no change to this assessment at year-end 2018. The first instalment in the amount of USD 5.0 million was paid at the beginning of 2018 and the remainder in the amount of USD 5.0 million is due in March 2019.

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

CHF 1,000	2017	**2018**
Contribution of acquired companies from the date of acquisition		
Months	10	4
Sales	1,085	3,119
Operating profit	(570)	(4,520)
Consolidated numbers, if the acquisition occurred at the beginning of the reporting period		
Sales	548,724	602,234
Operating profit[1/2]	80,492	80,330
Acquisition-related legal fees and due diligence costs, included in 'general and administration'	188	952

[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, 2017 and 2018, respectively.

[2]The pre-acquisition period from January to August 2018 includes several million Sw iss Francs in non-recurring expenses for projects (including acquisition related costs) that the former ow ners had undertaken.

3.3 DISPOSAL GROUP HELD FOR SALE

At the end of December, the disposal group comprised the following assets and liabilities:

CHF 1,000	Notes	31.12.2017	**31.12.2018**
Land and buildings in Hombrechtikon, Zurich (CH)	17	3,650	–
Total assets held for sale		**3,650**	**–**
Mortgage	19	1,495	–
Interest derivative	19	45	–
Total liabilities held for sale		**1,540**	**–**

3.3.1 Situation in 2017

In the second half of 2016, management committed to a plan to sell its Hombrechtikon manufacturing facility after having transferred all business activities to Männedorf. Accordingly, the facility and the related mortgage were presented as a disposal group held for sale. Land and buildings were valued at the lower of their carrying amount and fair value less costs to sell. At year-end 2017, the Group recognized an impairment charge on buildings in the amount of CHF 0.5 million in accordance with IFRS 5.

3.3.2 Situation in 2018

In the first half of 2018, the mortgage was repaid and the interest derivative settled. Efforts to sell the facility continue. However, a sale in the next 12 months is no longer considered highly probable. Consequently, the facility is classified as an investment property and valued at cost less accumulated depreciation (cost model). Due to the impairment charge recognized in the previous year, a catch-up of depreciation is not required. The rental income and maintenance cost are reported in other operating result.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 DISAGGREGATION OF REVENUE AND RECONCILIATION TO SEGMENT INFORMATION

	Life Sciences Business			Partnering Business			Total 2017		
CHF 1,000	Revenue contracts with customers	Leases	Sales Segment	Revenue contracts with customers (Restated)	Leases	Sales Segment (Restated)	Revenue contracts with customers (Restated)	Leases	Total sales (Restated)
By regions (location of customer)									
Europe	101,084	722	101,806	107,142	–	107,142	208,226	722	208,948
Americas	133,100	–	133,100	102,743	–	102,743	235,843	–	235,843
Asia	59,847	–	59,847	28,958	–	28,958	88,805	–	88,805
Others	12,098	–	12,098	2,865	–	2,865	14,963	–	14,963
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**
By products and services									
Products	241,472	–	241,472	186,953	–	186,953	428,425	–	428,425
Services	64,657	–	64,657	54,755	–	54,755	119,412	–	119,412
Leases	–	722	722	–	–	–	–	722	722
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**
By timing of revenue recognition									
Point in time	259,885	–	259,885	228,483	–	228,483	488,368	–	488,368
Over time	46,244	–	46,244	13,225	–	13,225	59,469	–	59,469
Leases	–	722	722	–	–	–	–	722	722
Total	**306,129**	**722**	**306,851**	**241,708**	**–**	**241,708**	**547,837**	**722**	**548,559**

CHF 1,000	Life Sciences Business Revenue contracts with customers	Life Sciences Business Leases	Life Sciences Business Sales Segment	Partnering Business Revenue contracts with customers	Partnering Business Leases	Partnering Business Sales Segment	Total 2018 Revenue contracts with customers	Total 2018 Leases	Total 2018 Total sales
By regions (location of customer)									
Europe	113,483	818	114,301	123,837	–	123,837	237,320	818	238,138
Americas	141,926	–	141,926	103,882	–	103,882	245,808	–	245,808
Asia	58,283	–	58,283	34,263	–	34,263	92,546	–	92,546
Others	13,724	–	13,724	3,579	–	3,579	17,303	–	17,303
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**
By products and services									
Products	256,949	–	256,949	214,777	–	214,777	471,726	–	471,726
Services	70,467	–	70,467	50,784	–	50,784	121,251	–	121,251
Leases	–	818	818	–	–	–	–	818	818
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**
By timing of revenue recognition									
Point in time	279,087	–	279,087	250,543	–	250,543	529,630	–	529,630
Over time	48,329	–	48,329	15,018	–	15,018	63,347	–	63,347
Leases	–	818	818	–	–	–	–	818	818
Total	**327,416**	**818**	**328,234**	**265,561**	**–**	**265,561**	**592,977**	**818**	**593,795**

4.2 CONTRACT BALANCES

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	**31.12.2018**
Trade accounts receivable (see note 15)	94,987	111,561	105,443
Contract assets	1,885	1,123	2,405
Current contract liabilities (see note 21)	(35,106)	(37,683)	(37,392)
Non-current contract liabilities (see note 21)	(46,945)	(38,960)	(34,799)

Trade accounts receivable are non-interest bearing and are generally on terms of 30 to 90 days. In 2018, CHF 3.5 million (2017: CHF 3.6 million) was recognized as allowance for expected credit losses.

Contract assets are initially recognized for revenue earned for the installation of complex instruments and for engineering services without delivery of instruments, if the contracts fulfill the criteria for revenue recognition over time. The amounts recognized as contract assets are reclassified to trade accounts receivable to the extent they are billed to the customer. There was no allowance for expected credit losses in 2017 and 2018.

Set out below is the amount of revenue recognized from

CHF 1,000	2017	**2018**
Amounts included in contract liabilities at the beginning of the year	36,480	36,953
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:

CHF 1,000	31.12.2017 Contract liabilities	31.12.2017 Performance obligations not yet billed	31.12.2017 Total remaining performance obligations	31.12.2018 Contract liabilities	31.12.2018 Performance obligations not yet billed	31.12.2018 Total remaining performance obligations
Expected to be recognized						
Within one year	37,683	88,636	126,319	37,392	109,340	146,732
More than one year	38,960	18,620	57,580	34,799	30,095	64,894
Total transaction price allocated	**76,643**	**107,256**	**183,899**	**72,191**	**139,435**	**211,626**

5 SEGMENT INFORMATION

5.1 INFORMATION BY BUSINESS SEGMENTS

CHF 1,000	Life Sciences Business 2017	Life Sciences Business 2018	Partnering Business 2017 (Restated)	Partnering Business 2018	Corporate/ consolidation 2017	Corporate/ consolidation 2018	Group 2017 (Restated)	Group 2018
Sales third	306,851	328,234	241,708	265,561	–	–	548,559	593,795
Intersegment sales	11,738	19,030	1,772	2,029	(13,510)	(21,059)	–	–
Total sales	**318,589**	**347,264**	**243,480**	**267,590**	**(13,510)**	**(21,059)**	**548,559**	**593,795**
Operating profit	**50,528**	**51,262**	**41,953**	**48,617**	**(12,685)**	**(11,326)**	**79,796**	**88,553**
Depreciation and amortization	(14,886)	(14,055)	(8,806)	(7,714)	–	–	(23,692)	(21,769)
Impairment losses	(647)	–	(490)	–	–	–	(1,137)	–

CHF 1,000	2017 (Restated)	2018
Reconciliation of reportable segment sales		
Total sales for reportable segments	562,069	614,854
Elimination of intersegment sales	(13,510)	(21,059)
Total consolidated sales	**548,559**	**593,795**
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	92,481	99,879
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(12,685)	(11,326)
Financial result	(804)	(5,155)
Total consolidated profit before taxes	**78,992**	**83,398**

5.2 Entity-wide disclosures

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

CHF 1,000	Property, plant and equipment 31.12.2017	Property, plant and equipment 31.12.2018	Intangible assets 31.12.2017	Intangible assets 31.12.2018
Switzerland	10,906	13,692	96,821	99,620
Other Europe	4,942	5,810	10,455	8,994
North America	5,053	4,909	56,945	100,512
Asia	390	642	82	–
Total	**21,291**	**25,053**	**164,303**	**209,126**

Information about major customers

There are sales to one individual customer (CHF 66.0 million) relating to the business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in 2018 (2017: one individual customer (CHF 71.4 million) relating to the business segment 'Partnering Business').

6 OPERATING EXPENSES BY NATURE

CHF 1,000	2017 (Restated)	2018
Material costs	188,967	211,044
Personnel costs	187,451	197,320
Depreciation of property, plant and equipment	6,969	7,699
Impairment loss on assets held-for-sale	490	–
Amortization of intangible assets	16,723	14,070
Impairment loss on capitalized development costs	647	–
Other operating costs	81,640	97,532
Total operating costs incurred (gross)	**482,887**	**527,665**
Capitalization of development costs in position inventories (see note 16)	(726)	(6,153)
Capitalization of development costs in position intangible assets (see note 19)	(10,074)	(12,834)
Other operating income	(3,324)	(3,436)
Total operating expenses, according to statement of profit or loss	**468,763**	**505,242**

7 RESEARCH AND DEVELOPMENT

CHF 1,000	2017	2018
Gross research and development costs incurred[1]	59,166	72,159
Reclassification of development costs related to engineering services to cost of sales	(11,254)	(12,573)
Capitalization of development costs in position inventories (see note 16)	(726)	(6,153)
Capitalization of development costs in position intangible assets (see note 19)	(10,074)	(12,834)
Amortization of development costs and acquired technology	13,310	10,487
Impairment loss on capitalized development costs	647	–
Total research and development (gross), according to statement of profit or loss	**51,069**	**51,086**
Government research subsidies	(1,073)	(1,039)
Total research and development (net)	49,996	50,047

[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 8.6% of sales (2017: 9.3%).

8 OTHER OPERATING RESULT

CHF 1,000	2017	2018
Government research subsidies	1,073	1,039
Replacement value of damaged inventory (in excess of manufacturing costs)	2,117	–
Rental income from property Hombrechtikon	51	91
Derecognition contingent consideration Pulssar S.A.S.	–	2,203
Other operating income (miscellaneous)	83	103
Total other operating income	**3,324**	**3,436**

CHF 1,000	2017	2018
Change in fair value of contingent consideration	(856)	(365)
Maintenance cost for property Hombrechtikon	(130)	(304)
Impairment loss on property Hombrechtikon	(490)	–
Other operating expenses (miscellaneous)	(156)	(3)
Total other operating expenses	**(1,632)**	**(672)**

9 FINANCIAL RESULT

CHF 1,000	2017	2018
Financial income		
Interest income	31	44
Other	17	–
Subtotal financial income	**48**	**44**
Finance cost		
Interest expenses	(471)	(400)
Net interest cost on liability for post-employment benefits	(217)	(258)
Other	–	(77)
Subtotal finance cost	**(688)**	**(735)**
Net foreign exchange gains/(losses)		
Result from derivatives (net)	1,582	(3,109)
Other net foreign exchange losses	(1,746)	(1,355)
Subtotal net foreign exchange losses	**(164)**	**(4,464)**
Total financial result	**(804)**	**(5,155)**

10 EARNINGS PER SHARE

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

	2017 (Restated)		2018	
Average number of shares outstanding		**11,622,365**		**11,740,655**
Basic earnings per share (CHF/share)		**5.67**		**6.02**
Employee share option plans				
Average number of shares under option total	93,108		81,261	
Average number of shares under option dilutive	87,590		52,963	
Average adjusted exercise price	122.48		130.64	
Number of shares that would have been issued at market price	(52,925)		(36,262)	
Adjustment for dilutive share options		34,665		16,701
Employee share plans				
Adjustment for not vested shares (PSMP/initial grant and other share plans)		5,396		1,767
Adjustment for contingently issuable shares (PSMP/matching shares)		141,049		111,840
Average number of shares outstanding after dilution		**11,803,475**		**11,870,963**
Diluted earnings per share (CHF/share)		**5.59**		**5.96**

11 EMPLOYEE BENEFITS

11.1 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	31.12.2017	**31.12.2018**
Employees – year-end	1,482	1,662
Employees – average	1,469	1,562

11.2 PERSONNEL EXPENSES

Personnel expenses include the following:

CHF 1,000	Notes	2017	**2018**
Salaries and wages		141,856	153,470
Social security		18,461	19,522
Post-employment benefits			
Defined contribution plans		1,695	1,746
Defined benefit plans	11.3	7,644	6,607
Share-based payment	11.4	12,807	11,153
Other personnel expenses		4,988	4,822
Total personnel expenses		**187,451**	**197,320**

11.3 LIABILITY FOR POST-EMPLOYMENT BENEFITS: DEFINED BENEFIT PLANS (IAS 19)

11.3.1 Characteristics of defined benefit plans and risks associated with them

	31.12.2017			**31.12.2018**		
	Swiss plans	International plans	Total	Swiss plans	International plans	Total
Number of plans	5	3	8	5	3	8
Actives						
Number	493	96	589	552	100	652
Defined benefit obligation (CHF 1,000)	119,533	4,541	124,074	125,261	4,393	129,654
Weighted average duration in years	21.0	9.8	20.8	20.1	10.0	19.8
Retirees						
Number	31	–	31	36	–	36
Defined benefit obligation (CHF 1,000)	6,523	–	6,523	6,008	–	6,008
Weighted average duration in years	18.4	–	18.4	17.8	–	17.8
Total						
Number	524	96	620	588	100	688

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 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 84,600 (amount in 2018) 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 64 for 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 24,675 and CHF 84,600 are age-dependent and range from 8% to 19%. The saving credits for the part of the annual salary above CHF 84,600 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 Swiss Life 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 Swiss Life Collective BVG Foundation has reinsured the risks disability, death, longevity and the investment risk with Swiss Life Ltd. Therefore, the only risks for the Group are that the Swiss Life Collective BVG Foundation terminates the affiliation contract or increases the premiums. **Plan amendments, settlements or curtailments** In 2018 the board of trustees has decided to reduce the conversion rate for calculating the annuity relating to the exceeding part of the savings capital, starting from January 1, 2021. This modification is considered as a plan amendment. The resulting past service costs amounting to CHF 1.0 million were recognized immediately in profit or loss.

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 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 2017 and 2018.
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.
Other (International plans)	Retirement benefits	Funded	The Group acquired the SPEware Group in 2016. Immediately before the closing of the transaction, the associated retirement benefit plan was frozen and all contributions to the plan were stopped. The plan was settled in 2017.

11.3.2 Amounts recognized in the financial statements

The amounts recognized in the balance sheet are as follows:

CHF 1,000	31.12.2017	**31.12.2018**
Swiss plans		
Present value of obligations arising from retirement benefit plans (funded)	126,056	131,269
Related fair value of plan assets	(94,085)	(101,612)
Deficit Swiss plans	**31,971**	**29,657**
International plans		
Present value of obligations arising from long-service leave benefit plans (unfunded)	3,409	3,333
Present value of obligations arising from retirement benefit plans (unfunded)	1,132	1,101
Deficit International plans	**4,541**	**4,434**
Total liability for post-employment benefits	**36,512**	**34,091**

The components of defined benefit cost are as follows:

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Current service cost	7,350	294	7,644	7,271	291	7,562
Past service cost (plan amendment)	–	–	–	(955)	–	(955)
Defined benefit cost included in operating profit	**7,350**	**294**	**7,644**	**6,316**	**291**	**6,607**
Net interest cost on liability for post-employment benefits	153	64	217	198	60	258
Defined benefit cost included in finance cost	**153**	**64**	**217**	**198**	**60**	**258**
Total defined benefit cost included in profit or loss	**7,503**	**358**	**7,861**	**6,514**	**351**	**6,865**
Actuarial (gains)/losses on obligations						
Changes in demographic assumptions	(994)	(3)	(997)	–	(65)	(65)
Changes in financial assumptions	–	28	28	(5,395)	201	(5,194)
Experience adjustments	5,191	(458)	4,733	2,066	(254)	1,812
Return on plan assets (excluding interest income)	137	–	137	70	–	70
Remeasurement loss/(gain), included in other comprehensive income	**4,334**	**(433)**	**3,901**	**(3,259)**	**(118)**	**(3,377)**
Translation differences, included in other comprehensive income	–	331	331	–	(127)	(127)
Total defined benefit cost recognized	**11,837**	**256**	**12,093**	**3,255**	**106**	**3,361**

The Group expects to contribute CHF 5.8 million to its defined benefit plans in 2019.

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

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Balance at January 1	112,608	7,054	119,662	126,056	4,541	130,597
Acquisition through business combination	–	40	40	–	–	–
Current service cost	7,350	294	7,644	7,271	291	7,562
Past service cost	–	–	–	(955)	–	(955)
Employee contributions	3,595	–	3,595	3,733	–	3,733
Insurance premiums	(1,804)	–	(1,804)	(1,598)	–	(1,598)
Benefits paid	(7,202)	(239)	(7,441)	(788)	(214)	(1,002)
Settlement payments from plan assets	–	(2,482)	(2,482)	–	–	–
Interest expense	788	64	852	879	60	939
Actuarial losses/(gains)	4,198	(434)	3,764	(3,329)	(117)	(3,446)
Gross presentation disability benefits	6,523	–	6,523	–	–	–
Translation differences	–	244	244	–	(127)	(127)
Balance at December 31	**126,056**	**4,541**	**130,597**	**131,269**	**4,434**	**135,703**

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

CHF 1,000	2017 Swiss plans	2017 International plans	2017 Total	2018 Swiss plans	2018 International plans	2018 Total
Balance at January 1	86,947	2,569	89,516	94,085	–	94,085
Acquisition through business combination	–	–	–	–	–	–
Employer contributions	5,528	–	5,528	5,569	–	5,569
Employee contributions	3,595	–	3,595	3,733	–	3,733
Insurance premiums	(1,804)	–	(1,804)	(1,598)	–	(1,598)
Benefits paid	(7,202)	–	(7,202)	(788)	–	(788)
Settlement payments from plan assets	–	(2,482)	(2,482)	–	–	–
Interest income	635	–	635	680	–	680
Return on plan assets (excluding interest income)	(137)	–	(137)	(69)	–	(69)
Gross presentation disability benefits	6,523	–	6,523	–	–	–
Translation differences	–	(87)	(87)	–	–	–
Balance at December 31	**94,085**	**–**	**94,085**	**101,612**	**–**	**101,612**

The investment risk for the Swiss plans is reinsured. Therefore the plan assets represent a receivable from the life insurance company.

11.3.3 Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.12.2017 Swiss plans	31.12.2017 International plans	31.12.2018 Swiss plans	31.12.2018 International plans
Discount rates	0.70%	1.39%	1.00%	1.17%
Rate of future salary increases	1.75%	2.51%	1.75%	2.80%
Rate of future pension increases	0.00%	0.00%	0.00%	0.00%
Rates for the projection of savings capital[1]	1.00%	0.00%	1.00%	n/a
Mortality tables[2]	BVG2015GT	various	BVG2015GT	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	31.12.2017 Swiss plans	31.12.2017 International plans	31.12.2017 Total	31.12.2018 Swiss plans	31.12.2018 International plans	31.12.2018 Total
Discount rates	- 25 basis points	5,359	107	5,466	5,474	72	5,546
	+ 25 basis points	(4,900)	(110)	(5,010)	(4,532)	(144)	(4,676)
Rate of future salary increases	- 25 basis points	(821)	(106)	(927)	(857)	(136)	(993)
	+ 25 basis points	826	99	925	864	65	929
Life expectancy	- 1 year	(1,788)	(21)	(1,809)	(1,890)	(50)	(1,940)
	+ 1 year	1,820	10	1,830	1,920	(24)	1,896

(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.

11.4 EMPLOYEE PARTICIPATION PLANS – SHARE-BASED PAYMENT (IFRS 2)

11.4.1 Employee share option plans

The terms and conditions of the outstanding grants are as follows:

Plan	Plan terms				31.12.2017		**31.12.2018**	
	Grant date	Expiry date	Number granted	Exercise price	Remaining contractual life (years)	Number outstanding	Remaining contractual life (years)	Number outstanding
Plan 2012	02.11.2011	02.11.2018	59,998	57.2	0.8	3,691	–	–
Plan 2013	02.11.2012	02.11.2019	40,953	69.6	1.8	5,320	0.8	3,201
Plan 2014	02.11.2013	02.11.2020	35,112	95.0	2.8	7,492	1.8	3,976
Plan 2015	02.11.2014	02.11.2021	34,260	100.4	3.8	15,563	2.8	7,585
Plan 2016	02.11.2015	02.11.2022	23,569	135.0	4.8	17,831	3.8	10,865
Plan 2017	02.11.2016	02.11.2023	23,907	162.8	5.8	23,016	4.8	18,756
Plan 2018	02.11.2017	02.11.2024	22,071	212.1	6.8	22,071	5.8	21,736
Plan 2019	02.11.2018	02.11.2025	23,921	228.7	–	–	6.8	23,921
Total					**4.9**	**94,984**		**90,040**
Thereof exercisable at December 31						47,783		40,818

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:

	2017 Weighted average exercise price (CHF)	Number	**2018** Weighted average exercise price (CHF)	Number
Balance at January 1	112.83	113,893	144.14	94,984
Granted	212.10	22,071	228.70	23,921
Exercised	92.99	(39,053)	108.01	(24,487)
Forfeited	125.63	(1,342)	148.52	(2,610)
Expired	69.18	(585)	93.91	(1,768)
Balance at December 31	**144.14**	**94,984**	**177.29**	**90,040**

The weighted average share price at the date of exercise was CHF 181.19 in 2017 and CHF 222.08 in 2018.

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 2016	CHF 135.00	CHF 135.00	26.41%	7.0 years	2.10%	(0.20%)	**CHF 29.24**
Plan 2017	CHF 162.80	CHF 162.80	29.42%	7.0 years	1.75%	(0.31%)	**CHF 40.47**
Plan 2018	CHF 212.10	CHF 212.10	22.73%	7.0 years	1.30%	(0.01%)	**CHF 42.37**
Plan 2019	CHF 228.70	CHF 228.70	20.89%	7.0 years	1.38%	0.21%	**CHF 42.59**

[1]Historic volatility with an underlying period that depends on the option life

Data source: Bloomberg

11.4.2 Employee share plans

11.4.2.1 Performance share matching plans (PSMP)

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically 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) 2016					
Initial grant	Extended Management Board on March 10, 2016	20,981 shares	CHF 146.95	Immediate vesting[1]	None
	Other management on May 23, 2016	2,335 shares	CHF 142.25		
Matching shares	Extended Management Board on March 10, 2016	52,453 shares (maximum of potential shares granted)	CHF 143.45	January 1, 2016 to December 31, 2018	Three years of service and performance target
	Other management on May 23, 2016	5,838 shares (maximum of potential shares granted)	CHF 138.75		
Performance share matching plan (PSMP) 2017					
Initial grant	Extended Management Board on March 9, 2017	17,859 shares	CHF 164.25	Immediate vesting[1]	None
	Additional grant CEO on April 11, 2017	7,000 shares	CHF 156.55		
	Other management on May 2, 2017	2,214 shares	CHF 169.55		
Matching shares	Extended Management Board on March 9, 2017	44,648 shares (maximum of potential shares granted)	CHF 160.75	January 1, 2017 to December 31, 2019	Three years of service and performance target
	Additional grant CEO on April 11, 2017	3,000 shares (maximum of potential shares granted)[2]	CHF 153.05		
	Other management on May 2, 2017	5,536 shares (maximum of potential shares granted)	CHF 166.05		
Performance share matching plan (PSMP) 2018					
Initial grant	Extended Management Board on March 7, 2018	15,137 shares	CHF 191.30	Immediate vesting[1]	None
	Other management on May 2, 2018	1,639 shares	CHF 218.20		
Matching shares	Extended Management Board on March 7, 2018	37,843 shares (maximum of potential shares granted)	CHF 187.30	January 1, 2018 to December 31, 2020	Three years of service and performance target
	Other management on May 2, 2018	4,098 shares (maximum of potential shares granted)	CHF 214.20		

[1]Vested shares are blocked until the end of the performance period.

[2]Matching share factor capped at 0.43 instead of 2.5

Number of shares outstanding at December 31:

Employee shares	2017	2018
Balance at January 1	223,879	211,671
Granted	79,161	59,813
Deblocked and available to the participants	(82,858)	(79,378)
Forfeited	(8,511)	(1,411)
Balance at December 31	**211,671**	**190,695**
Thereof vested, but blocked until the end of the performance period	48,034	43,662

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 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, 2018:

Plan	Total base shares[1]	Matching share factor applied	Matching shares expected to vest[2]
PSMP 2016	20,950	2.50	52,375
PSMP 2017	19,886	2.40	47,726
PSMP 2017/CEO	7,000	0.43	3,000
PSMP 2018	16,776	1.90	31,874

[1]Only shares that qualify for matching shares

[2]Not adjusted for expected fluctuation

11.4.2.2 Other share plans

The terms and conditions of the outstanding grants are as follows, whereby all shares are delivered physically and free of charge:

Plan	Employees entitled/grant date	Number of shares granted	Fair value at grant	Vesting period	Vesting conditions
Share plan 2018 – Board of Directors (BoD)					
Annual grant	Board of Directors on April 11, 2018	1,619 shares	CHF 208.60	Graded vesting from May 1, 2018 to April 30, 2019	One year of service

11.4.3 Total expenses recognized

CHF 1,000	2017	2018
Expenses arising from equity-settled share option plans	805	852
Expenses arising from performance share matching plans	11,679	9,966
Expenses arising from other share plans	323	335
Total expenses recognized	**12,807**	**11,153**

12 INCOME TAXES

12.1 INCOME TAXES IN STATEMENT OF PROFIT OR LOSS AND RECONCILIATION

CHF 1,000	2017 (Restated)	2018
Current income taxes	14,763	16,537
Deferred income taxes	(1,701)	(3,835)
Total income taxes	**13,062**	**12,702**

The income tax expense can be analyzed as follows:

CHF 1,000	2017 (Restated)	2018
Profit before taxes	78,992	83,398
Tax expense based on the Group's weighted average rate of 20.82% (2017: 21.99%)	**17,373**	**17,360**
Non-deductible expenses and additional taxable income	260	609
Tax-free income and tax reductions	(5,375)	(5,021)
Potential tax assets not recognized	194	–
Tax-deductible impairments of investments in subsidiaries (including reversal)	(114)	(91)
Impact of acquisitions	794	(540)
Effect of US tax reform[1]	4	–
Effect of tax rate change on opening deferred taxes (2017 excluding US)	25	(377)
Impact of tax losses	(40)	260
Unrecoverable withholding tax	(91)	216
Underprovided in prior years	32	286
Tax expense reported	**13,062**	**12,702**

[1]Effect of adjusting the existing deferred taxes on the enactment date (December 22, 2017) and applying the new (lower) tax rate on changes in temporary differences after that date

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 2018 decreased to 20.82%.

12.2 DEFERRED INCOME TAXES

12.2.1 Overview

Deferred taxes are included in the balance sheet as follows:

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	31.12.2018
Deferred tax assets	16,204	15,342	18,689
Deferred tax liabilities	(14,794)	(11,561)	(6,593)
Total net deferred tax assets	**1,410**	**3,781**	**12,096**

Deferred tax assets and liabilities are attributable to the following:

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	Change 2018	**31.12.2018**
Net deferred tax assets arising from temporary differences				
Receivables and contract assets	(259)	(139)	(14)	(153)
Inventories	4,684	4,419	1,213	5,632
Property, plant and equipment	(1,098)	(453)	408	(45)
Intangible assets	(11,337)	(7,577)	(2,508)	(10,085)
Liabilities and accrued expenses	8,419	9,059	116	9,175
Provisions	3,025	1,087	818	1,905
Other	(590)	(1,073)	848	(225)
Subtotal net deferred tax assets arising from temporary differences	**2,844**	**5,323**	**881**	**6,204**
Deferred taxes provided on expected dividends from subsidiaries	(1,754)	(1,663)	(216)	(1,879)
Potential tax benefits from tax loss carry-forwards	320	121	7,650	7,771
Total net deferred tax assets	**1,410**	**3,781**	**8,315**	**12,096**
Deferred taxes recognized in profit or loss		1,701		3,835
Deferred taxes recognized in other comprehensive income		608		(539)
Deferred taxes recognized in equity		259		(625)
Acquisition through business combination		(218)		5,641
Translation differences		21		3
Total change compared with previous year		**2,371**		**8,315**

Temporary differences on intangible assets primarily relate to assets recognized during the purchase price allocation process for business combinations.

12.2.2 Potential tax benefits from tax loss carry-forwards

Tax loss carry-forwards:

	Gross value of tax loss carry-forwards not capitalized		Potential tax benefits	
CHF 1,000	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**
Expiring in				
1st – 5th year			–	876
6th year or beyond			–	5,939
Unlimited			121	956
Tax loss carry-forwards capitalized			**121**	**7,771**
Expiring in				
1st – 5th year	–	–	–	–
6th year or beyond	–	21,816	–	1,312
Unlimited	–	–	–	–
Tax loss carry-forwards not capitalized	**–**	**21,816**	**–**	**1,312**
Total tax loss carry-forwards	**–**	**21,816**	**121**	**9,083**

12.2.3 Unrecognized deferred tax liabilities

At December 31, 2018, there were temporary differences of CHF 331.0 million related to investments in subsidiaries for which no deferred tax liabilities were 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. The corresponding unrecognized amount is not material.

13 CASH AND CASH EQUIVALENTS

CHF 1,000	31.12.2017	**31.12.2018**
Bank balances		
Denominated in CHF	270,969	260,646
Denominated in EUR	22,027	12,532
Denominated in GBP	318	569
Denominated in USD	8,122	14,665
Denominated in JPY	1,011	538
Denominated in other currencies	6,965	7,895
Total cash and cash equivalents	**309,412**	**296,845**
Effective interest rate	(0.07%)	(0.09%)

Cash and cash equivalents as per cash flow statement comprise cash and cash equivalents as per balance sheet and bank overdrafts that are included in the position ‘current financial liabilities’.

14 CURRENT DERIVATIVES

CHF 1,000	31.12.2017	**31.12.2018**
Current derivatives	1,017	977
Total current derivatives	**1,017**	**977**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 25.

15 TRADE ACCOUNTS RECEIVABLE

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	31.12.2018
Trade accounts receivable			
Denominated in CHF	27,456	32,120	26,765
Denominated in EUR	19,533	23,256	21,322
Denominated in GBP	1,996	2,914	2,963
Denominated in USD	40,856	45,091	45,978
Denominated in JPY	2,369	4,012	3,190
Denominated in other currencies	4,988	7,734	8,771
Subtotal trade accounts receivable	**97,198**	**115,127**	**108,989**
Allowance for expected credit losses			
Individual impairment allowance account	(1,851)	(3,033)	(1,107)
Collective impairment allowance account	(360)	(533)	(2,439)
Subtotal allowance for expected credit losses	**(2,211)**	**(3,566)**	**(3,546)**
Total trade accounts receivable	**94,987**	**111,561**	**105,443**
Increase/(decrease)		16,196	(6,657)
Acquisition through business combination		–	1,516
Translation differences		378	(977)
Total change compared with previous year		**16,574**	**(6,118)**

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region was:

CHF 1,000	31.12.2017	31.12.2018
Switzerland (domestic)	2,297	9,242
Euro-zone countries	33,908	30,599
Other European countries	5,540	2,630
North America	60,225	54,244
Asia	11,524	10,087
Other	1,633	2,187
Total trade accounts receivable (excluding allowances)	**115,127**	**108,989**

The Group's most significant customer accounts for 7.6% of the trade accounts receivable carrying amount at December 31, 2018 (December 31, 2017: 13.6%).

The movement in the allowance for impairment in respect of trade accounts receivable during the year was as follows:

CHF 1,000	2017	2018
Individual impairment allowance account		
Balance at January 1	(1,851)	(3,033)
Change in impairment losses	(1,464)	1,481
Write-offs	288	430
Translation differences	(6)	15
Balance at December 31	**(3,033)**	**(1,107)**
Amount of trade accounts receivable with individual impairment (gross)	3,107	47,342
Collective impairment allowance account		
Balance at January 1	(360)	(533)
Change in impairment losses	(150)	(1,927)
Translation differences	(23)	21
Balance at December 31	**(533)**	**(2,439)**

The due dates of trade accounts receivable that are collectively impaired were:

	31.12.2017		**31.12.2018**	
CHF 1,000	Gross	Impairment	Gross	Impairment
Not past due	84,538	–	41,881	(103)
Past due 1–30 days	21,284	–	11,600	(63)
Past due 31–90 days	5,392	–	4,867	(167)
Past due 91–180 days	1,347	(523)	1,407	(390)
Past due more than 180 days	(541)	(10)	1,892	(1,716)
Balance at December 31	**112,020**	**(533)**	**61,647**	**(2,439)**

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 2017 and 2018 represents less than 1% of sales.

16 INVENTORIES

CHF 1,000	01.01.2017 (Restated)	31.12.2017 (Restated)	31.12.2018
Raw materials, semi-finished and finished goods	63,477	69,340	90,813
Allowance for slow-moving inventories	(10,458)	(11,505)	(12,389)
Work in progress	4,679	4,460	4,639
Capitalized customer-specific development costs	113,050	97,923	88,646
Total inventories	**170,748**	**160,218**	**171,709**
(Decrease)/increase		(11,174)	7,944
Acquisition through business combination		221	3,892
Reclassifications		–	101
Translation differences		423	(446)
Total change compared with previous year		**(10,530)**	**11,491**
Amount of write-offs due to slow-moving inventories charged to the statement of profit or loss		2,141	3,046

17 NON-CURRENT FINANCIAL ASSETS

CHF 1,000	31.12.2017	31.12.2018
Non-current derivatives	157	90
Rent and other deposits	674	1,015
Unquoted equity investment (FVOCI)	–	4,000
Total non-current financial assets	**831**	**5,105**

The derivatives comprise foreign currency forwards and options with positive fair values. For detailed disclosures see note 25.

18 PROPERTY, PLANT AND EQUIPMENT

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	Total 2017
At cost						
Balance at January 1, 2017	10,582	13,917	39,595	18,538	1,338	83,970
Acquisition through business combination	23	7	–	7	–	37
Additions	467	211	4,637	2,605	222	8,142
Disposals	(235)	(410)	(886)	(1,648)	–	(3,179)
Reclassification between the classes of PPE and from/to inventories	71	89	(432)	44	192	(36)
Translation differences	(47)	223	592	253	187	1,208
Balance at December 31, 2017	**10,861**	**14,037**	**43,506**	**19,799**	**1,939**	**90,142**
Accumulated depreciation and impairment losses						
Balance at January 1, 2017	8,670	11,587	26,622	16,436	365	63,680
Annual depreciation	606	717	3,881	1,486	279	6,969
Disposals	(236)	(398)	(651)	(1,443)	–	(2,728)
Reclassification between the classes of PPE and from/to inventories	71	52	(223)	30	50	(20)
Translation differences	(41)	184	538	213	56	950
Balance at December 31, 2017	**9,070**	**12,142**	**30,167**	**16,722**	**750**	**68,851**
Net book value	**1,791**	**1,895**	**13,339**	**3,077**	**1,189**	**21,291**

[1]See note 27.1

CHF 1,000	Leasehold improvements	Furniture and fittings	Machines and motor vehicles	EDP equipment	Equipment leased to customers[1]	**Total 2018**
At cost						
Balance at January 1, 2018	10,861	14,037	43,506	19,799	1,939	90,142
Acquisition through business combination	1	1	199	32	–	233
Additions	1,156	1,058	6,417	2,841	328	11,800
Disposals	(456)	(545)	(1,250)	(682)	–	(2,933)
Reclassification between the classes of PPE and from/to inventories	2	(1)	(1)	1	(64)	(63)
Translation differences	(18)	(146)	(418)	(186)	(110)	(878)
Balance at December 31, 2018	**11,546**	**14,404**	**48,453**	**21,805**	**2,093**	**98,301**
Accumulated depreciation and impairment losses						
Balance at January 1, 2018	9,070	12,142	30,167	16,722	750	68,851
Annual depreciation	858	803	3,988	1,743	307	7,699
Disposals	(456)	(370)	(1,133)	(646)	–	(2,605)
Reclassification between the classes of PPE and from/to inventories	–	–	–	–	(45)	(45)
Translation differences	(7)	(117)	(326)	(162)	(40)	(652)
Balance at December 31, 2018	**9,465**	**12,458**	**32,696**	**17,657**	**972**	**73,248**
Net book value	**2,081**	**1,946**	**15,757**	**4,148**	**1,121**	**25,053**

[1]See note 27.1

There were no material purchase commitments at year-end 2017 and 2018.

19 INTANGIBLE ASSETS AND GOODWILL

19.1 OVERVIEW

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	Total 2017
At cost								
Balance at January 1, 2017	28,207	55,887	180	1,708	11,086	25,294	98,230	220,592
Acquisition through business combination	–	–	–	–	2,187	–	3,021	5,208
Additions	–	–	148	–	–	–	–	148
Internally developed	1,277	10,074	–	–	–	–	–	11,351
Disposal	(336)	(586)						(922)
Translation differences	39	44	(2)	63	165	(182)	363	490
Balance at December 31, 2017	**29,187**	**65,419**	**326**	**1,771**	**13,438**	**25,112**	**101,614**	**236,867**
Accumulated amortization and impairment losses								
Balance at January 1, 2017	23,470	28,683	62	458	1,349	1,885	–	55,907
Annual amortization	1,246	11,916	99	358	1,294	1,810	–	16,723
Impairment loss	–	647	–	–	–	–	–	647
Disposal	(336)	(586)	–	–	–	–	–	(922)
Translation differences	10	5	–	23	96	75	–	209
Balance at December 31, 2017	**24,390**	**40,665**	**161**	**839**	**2,739**	**3,770**	**–**	**72,564**
Net book value	**4,797**	**24,754**	**165**	**932**	**10,699**	**21,342**	**101,614**	**164,303**

CHF 1,000	Software	Development costs	Patents	Acquired brand	Acquired technology	Acquired client relationships	Goodwill	**Total 2018**
At cost								
Balance at January 1, 2018	29,187	65,419	326	1,771	13,438	25,112	101,614	236,867
Acquisition through business combination	–	–	–	4,795	7,927	–	32,218	44,940
Additions	–	–	–	–	–	–	–	–
Internally developed	1,559	12,834	–	–	–	–	–	14,393
Disposal	–	(510)	–	(409)	–	–	–	(919)
Reclassification	–	–	28	–	–	–	–	28
Translation differences	(17)	(22)	1	(11)	(92)	(139)	(334)	(614)
Balance at December 31, 2018	**30,729**	**77,721**	**355**	**6,146**	**21,273**	**24,973**	**133,498**	**294,695**
Accumulated amortization and impairment losses								
Balance at January 1, 2018	24,390	40,665	161	839	2,739	3,770	–	72,564
Annual amortization	1,477	8,786	87	297	1,614	1,809	–	14,070
Disposal	–	(510)	–	(409)	–	–	–	(919)
Reclassification	–	–	28	–	–	–	–	28
Translation differences	(8)	(8)	–	(13)	(61)	(84)	–	(174)
Balance at December 31, 2018	**25,859**	**48,933**	**276**	**714**	**4,292**	**5,495**	**–**	**85,569**
Net book value	**4,870**	**28,788**	**79**	**5,432**	**16,981**	**19,478**	**133,498**	**209,126**

The amortization charge is recognized in the following line items of the statement of profit or loss:

CHF 1,000	2017	**2018**
Cost of sales	–	–
Sales and marketing	2,168	2,106
Research and development		
Annual amortization	13,310	10,487
Impairment	647	–
General and administration	1,245	1,477
Total amortization	**17,370**	**14,070**

19.2 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 cash-generating 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.

19.2.1 Financial year 2018

The Group performed impairment tests on cash-generating units containing goodwill in June and December 2018, 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	117,781	December 2018	Value in use	10.1%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	15,717	June 2018	Value in use	10.2%	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, on August 31, 2018.

Based on the impairment tests 2018, 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.

19.2.2 Financial year 2017

The Group performed impairment tests on cash-generating units containing goodwill in June 2017, 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	85,897	June 2017	Value in use	10.2%	5 years	0.0%
Goodwill Partnering Business Partnering Business	DCF-method	15,717	June 2017	Value in use	10.2%	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, on August 31, 2017.

Based on the impairment tests 2017, there was no need for the recognition of any impairment. However, one development project of the business segment 'Life Science Business' was abandoned and the related capitalized development costs of CHF 0.6 million fully impaired during the second half of 2017.

20 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

CHF 1,000	Short-term credit facilities and bank overdrafts	Current maturities of non-current bank liabilities	Current derivatives[1]	Current contingent considera-tion[2]	**Total current 2017**	Bank loans	Non-current derivatives[1]	Non-current contingent considera-tion[2]	**Total non-current 2017**
Balance at January 1, 2017	1,103	956	5,721	–	**7,780**	704	1,101	9,273	**11,078**
Cash flows									
Change	3,216	–	–	–	**3,216**	–	–	–	**–**
Increase in loans	–	–	–	–	**–**	437	–	–	**437**
Repayment of loans	–	(1,503)	–	–	**(1,503)**	–	–	–	**–**
Non-cash changes									
Acquisition through business combination	–	500	–	–	**500**	–	–	1,743	**1,743**
Change in fair value	–	–	(4,772)		**(4,772)**	–	(767)	856	**89**
Transfer to current	–	–	–	4,923	**4,923**	–	–	(4,923)	**(4,923)**
Translation differences	10	47	–	(51)	**6**	88	–	(182)	**(94)**
Balance at December 31, 2017	**4,329**	**–**	**949**	**4,872**	**10,150**	**1,229**	**334**	**6,767**	**8,330**
Analysis by currency									
Denominated in EUR					7				3,319
Denominated in USD					5,789				5,011
Denominated in JPY					2,724				–
Denominated in AUD					1,598				–
Denominated in other currencies					32				–
Total					**10,150**				**8,330**
Analysis by interest rate									
Interest-free					949				334
Variable interest rates depending on LIBOR					–				–
Fixed interest rate									
0% – 2%					4,329				1,229
2% – 4%					–				–
4% – 6%					–				–
6% – 8%					–				–
WACC					4,872				6,767
Total					**10,150**				**8,330**

[1]See note 25

[2]See note 3.2

CHF 1,000	Short-term credit facilities and bank overdrafts	Current derivatives[1]	Current contingent considera-tion[2]	**Total current 2018**	Bank loans	Non-current derivatives[1]	Non-current contingent considera-tion[2]	**Total non-current 2018**
Balance at January 1, 2018	4,329	949	4,872	**10,150**	1,229	334	6,767	**8,330**
Cash flows								
Change	(3,209)	–	–	**(3,209)**	–	–	–	**–**
Settlement	–	–	(4,836)	**(4,836)**	–	–	–	**–**
Non-cash changes								
Change in fair value	–	2,951	(1,894)	**1,057**	–	72	–	**72**
Transfer to current			6,787	**6,787**			(6,787)	**(6,787)**
Change in bank overdrafts	9	–	–	**9**	–	–	–	**–**
Translation differences	–	–	(13)	**(13)**	(47)	–	20	**(27)**
Balance at December 31, 2018	**1,129**	**3,900**	**4,916**	**9,945**	**1,182**	**406**	**–**	**1,588**
Analysis by currency								
Denominated in CHF				9				–
Denominated in EUR				–				1,182
Denominated in USD				8,816				406
Denominated in JPY				1,120				–
Total				**9,945**				**1,588**
Analysis by interest rate								
Interest-free				3,900				406
Variable interest rates depending on LIBOR				9				–
Fixed interest rate								
0% – 2%				1,120				1,182
2% – 4%				–				–
4% – 6%				–				–
6% – 8%				–				–
WACC				4,916				–
Total				**9,945**				**1,588**

[1]See note 25

[2]See note 3.2

In 2018, the average interest rate paid on bank loans was 0.8% (2017: 0.8%).

21 CONTRACT LIABILITIES

CHF 1,000	01.01.2017 (Restated) Current	01.01.2017 (Restated) Non-current	31.12.2017 (Restated) Current	31.12.2017 (Restated) Non-current	**31.12.2018** Current	**31.12.2018** Non-current
Timing of revenue recognition: point in time						
Advances for products	13,871	46,945	14,596	38,960	15,399	31,783
Timing of revenue recognition: over time						
Advances for products	–	–	637	–	1,428	–
Service contracts, including service-type warranties	21,235	–	22,450	–	20,565	3,016
Total contract liabilities	**35,106**	**46,945**	**37,683**	**38,960**	**37,392**	**34,799**
Decrease				(5,688)		(3,940)
Translation differences				281		(512)
Total change (current and non-current)				**(5,407)**		**(4,452)**

22 PROVISIONS

CHF 1,000	Onerous contracts (Restated)	Warranties and returns	WEEE[1]	Legal cases	Other	Total 2017 (Restated)
Balance at January 1, 2017	5,300	11,923	978	161	7,833	26,195
Provisions made	593	13,031	77	74	1,664	15,439
Provisions used	–	(12,388)	(2)	–	(3,927)	(16,317)
Provisions reversed	(3,954)	(961)	1	–	(2)	(4,916)
Reclassification	–	–	–	–	73	73
Translation differences	–	101	85	19	1	206
Balance at December 31, 2017	**1,939**	**11,706**	**1,139**	**254**	**5,642**	**20,680**
Thereof current	1,939	11,706	–	254	1,446	15,345
Thereof non-current	–	–	1,139	–	4,196	5,335

[1]WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

CHF 1,000	Onerous contracts	Warranties and returns	WEEE[1]	Legal cases	Other	**Total 2018**
Balance at January 1, 2018	1,939	11,706	1,139	254	5,642	20,680
Acquisition through business combination	–	133	–	–	1,765	1,898
Provisions made	1,122	17,076	61	–	316	18,575
Provisions used	–	(12,975)	(1)	(17)	(1,310)	(14,303)
Provisions reversed	(316)	(2,070)	–	–	(345)	(2,731)
Reclassification	83	–	–	–	–	83
Translation differences	–	(71)	(47)	(10)	(42)	(170)
Balance at December 31, 2018	**2,828**	**13,799**	**1,152**	**227**	**6,026**	**24,032**
Thereof current	2,828	13,799	–	227	2,457	19,311
Thereof non-current	–	–	1,152	–	3,569	4,721

[1]WEEE = waste electrical and electronic equipment (directive 2002/96/EC)

The provision for legal cases (2018: CHF 0.2 million and 2017: CHF 0.3 million) relates to several legal cases with former customers and employees in different subsidiaries, for which the timing of settlement was uncertain at year-end.

The position 'other' contains provisions to cover commitments relating to other non-current employee benefits (2018: CHF 3.2 million and 2017: CHF 3.7 million), to controversial transactional tax positions (2018: CHF 2.2 million and 2017: CHF 1.3 million) and to several minor items (2018: CHF 0.6 million and 2017: CHF 0.6 million).

23 SHAREHOLDERS' EQUITY

23.1 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).

23.2 NATURE AND PURPOSE OF THE EQUITY RESERVES

23.2.1 Treasury shares

The Position 'Treasury shares' comprises the acquisition cost of the treasury shares held by the Group. All rights attached to treasury shares are suspended until those shares are resold.

23.2.2 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).

23.3 MOVEMENTS IN SHARES OUTSTANDING

Shares (each share has a nominal value of CHF 0.10)	Shares issued	Treasury shares	Shares outstanding
Balance at January 1, 2017	11,541,371	–	11,541,371
New shares issued based on employee participation plans	123,501	–	123,501
Balance at December 31, 2017	**11,664,872**	**–**	**11,664,872**
New shares issued based on employee participation plans	101,500	–	101,500
Balance at December 31, 2018	**11,766,372**	**–**	**11,766,372**

23.4 DIVIDENDS PAID

	2017	**2018**	2019 Proposed
Number of shares eligible for dividend	11,608,657	11,731,033	11,766,372
Dividends paid (CHF/share)	1.75	2.00	2.10

23.5 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

Shares (each share has a nominal value of CHF 0.10)	2017	2018
Balance at January 1	761,841	638,340
New shares issued based on employee participation plans	(123,501)	(101,500)
Balance at December 31	**638,340**	**536,840**
Employee share options and employee shares, not yet delivered	260,685	238,692

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

	31.12.2017	31.12.2018
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	13.04.2018	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,300,000
CHF	220,000	230,000

The Articles of Incorporation of Tecan Group Ltd. (the ultimate holding company) require that the existing conditional share capital for future business development shall be reduced if and to the extent authorized capital is used and that the authorized capital shall be reduced if and to the extent new shares are created under the respective conditional capital. However, the conditional share capital for employee participation plans is not affected by this rule.

23.7 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 2018: 71.0% and 2017: 68.4%), which limits the level of borrowings. Changes to this target are subject to the Board of Directors' approval. In addition, all 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.

24 FOREIGN EXCHANGE RATES

The following foreign exchange rates were used for the preparation of the consolidated financial statements:

CHF		Closing exchange rates 31.12.2017	Closing exchange rates 31.12.2018	Average exchange rates January to December 2017	Average exchange rates January to December 2018
EUR	1	1.17	1.13	1.11	1.15
GBP	1	1.32	1.25	1.27	1.31
SEK	100	11.90	11.08	11.54	11.26
USD	1	0.97	0.98	0.98	0.98
SGD	1	0.73	0.72	0.71	0.73
CNY	1	0.15	0.14	0.15	0.15
JPY	100	0.86	0.90	0.88	0.89
AUD	1	0.76	0.69	0.75	0.73

25 FINANCIAL RISK MANAGEMENT (IFRS 7)

25.1 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.

25.2 CLASSES OF FINANCIAL INSTRUMENTS

CHF 1,000	Cash and cash equivalents	Current derivatives	Trade and other receivables (Restated)	Non-current financial assets	**Total assets 31.12.2017**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 31.12.2017**
Financial instruments measured at fair value through P&L (FVTPL)									
Currency forwards	–	1,017	–	157	**1,174**	(949)	–	(334)	**(1,283)**
Contingent consideration	–	–	–	–	**–**	(4,872)	–	(6,767)	**(11,639)**
Financial instruments measured at amortized costs									
Cash and cash equivalents	309,412	–	–	–	**309,412**	–	–	–	**–**
Receivables	–	–	112,382	–	**112,382**	–	–	–	**–**
Rent and other deposits	–	–	433	674	**1,107**	–	–	–	**–**
Current bank liabilities	–	–	–	–	**–**	(4,329)	–	–	**(4,329)**
Bank loans	–	–	–	–	**–**	–	–	(1,229)	**(1,229)**
Payables and accrued expenses	–	–	–	–	**–**	–	(58,904)	–	**(58,904)**
Total financial instruments	**309,412**	**1,017**	**112,815**	**831**	**424,075**	**(10,150)**	**(58,904)**	**(8,330)**	**(77,384)**
Reconciling items[1]	–	–	10,364	–	**10,364**	–	(16,597)	–	**(16,597)**
Balance at December 31, 2017	**309,412**	**1,017**	**123,179**	**831**	**434,439**	**(10,150)**	**(75,501)**	**(8,330)**	**(93,981)**

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

CHF 1,000	Cash and cash equivalents	Current derivatives	Trade and other receivables	Non-current financial assets	**Total assets 31.12.2018**	Current financial liabilities	Trade and other payables/ accrued expenses	Non-current financial liabilities	**Total liabilities 31.12.2018**
Financial instruments measured at fair value through P&L (FVTPL)									
Currency forwards and options	–	977	–	90	**1,067**	(3,900)	–	(406)	**(4,306)**
Contingent consideration	–	–	–	–	**–**	(4,916)	–	–	**(4,916)**
Financial instruments at fair value through OCI (FVOCI)									
Unquoted equity investment	–	–	–	4,000	**4,000**	–	–	–	**–**
Financial instruments measured at amortized costs									
Cash and cash equivalents	296,845	–	–	–	**296,845**	–	–	–	**–**
Receivables	–	–	105,811	–	**105,811**	–	–	–	**–**
Rent and other deposits	–	–	473	1,015	**1,488**	–	–	–	**–**
Current bank liabilities	–	–	–	–	–	(1,129)	–	–	**(1,129)**
Bank loans	–	–	–	–	–	–	–	(1,182)	**(1,182)**
Payables and accrued expenses	–	–	–	–	–	–	(66,700)	–	**(66,700)**
Total financial instruments	**296,845**	**977**	**106,284**	**5,105**	**409,211**	**(9,945)**	**(66,700)**	**(1,588)**	**(78,233)**
Reconciling items[1]	–	–	12,463	–	**12,463**	–	(14,648)	–	**(14,648)**
Balance at December 31, 2018	**296,845**	**977**	**118,747**	**5,105**	**421,674**	**(9,945)**	**(81,348)**	**(1,588)**	**(92,881)**

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

25.3 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 15) 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.

25.4 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.

25.4.1 Interest rate risks

At the reporting date the Group had the following interest-bearing financial instruments: cash and cash equivalents, time deposits, rent deposits 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 20.

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, 2018, 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 1.0 million (2017: CHF 1.2 million) higher/lower, mainly as a result of cash positions held at variable rates.

25.4.2 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 was as follows:

CHF 1,000	31.12.2017 CHF	EUR	USD	Other	**31.12.2018** CHF	EUR	USD	Other
Derivatives	–	–	(79)	(30)	–	–	(3,276)	37
Contingent consideration	–	(2,090)	–	–	–	–	–	–
Cash and cash equivalents	568	9,336	2,009	687	821	2,300	3,133	3,682
Receivables	717	1,670	2,411	2,584	83	1,213	2,045	2,120
Rent and other deposits	–	42	–	–	–	42	–	–
Current bank liabilities	–	–	–	(4,322)	–	–	–	(1,120)
Bank loans	–	–	–	–	–	–	–	–
Payables and accrued expenses	(115)	(3,849)	(1,278)	(231)	(100)	(5,452)	(2,286)	(569)
Total net exposure to currency	**1,170**	**5,109**	**3,063**	**(1,312)**	**804**	**(1,897)**	**(384)**	**4,150**

At December 31, if the CHF had moved against the USD and EUR with all other variables held constant, post-tax profit for the year would have been:

CHF 1,000	31.12.2017 higher/(lower)	**31.12.2018 higher/(lower)**
If CHF had weakened against EUR by 10%	373	–
If CHF had strengthened against EUR by 10%	(373)	–
If CHF had weakened against USD by 10%	(8,131)	(13,381)
If CHF had strengthened against USD by 10%	8,194	12,097

Foreign currency risks from financial instruments primarily relate to CHF/EUR and 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	Negative	Contract value Total	Due within 1 and 90 days	91 and 360 days	1 and 2 years
Foreign currency forwards						
Sell USD	760	(1,099)	134,941	49,202	50,177	35,562
Buy USD	413	(152)	(35,562)	(20,460)	(15,102)	–
Sell CNY	–	(32)	7,315	7,315	–	–
Buy CNY	1	–	(3,112)	(3,112)	–	–
Balance at December 31, 2017	**1,174**	**(1,283)**	**103,582**	**32,945**	**35,075**	**35,562**

CHF 1,000	Fair value Positive	Negative	Contract value Total	Due within 1 and 90 days	91 and 360 days	1 and 2 years
Foreign currency forwards						
Sell USD	392	(3,920)	162,937	64,196	65,566	33,175
Buy USD	332	(192)	(47,266)	(23,780)	(17,908)	(5,578)
Sell CNY	37	–	13,625	13,625	–	–
Foreign currency options						
Sell USD	306	–	6,654	1,174	4,893	587
Buy USD	–	(194)	(16,636)	(2,935)	(12,233)	(1,468)
Balance at December 31, 2018	**1,067**	**(4,306)**	**119,314**	**52,280**	**40,318**	**26,716**

25.5 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	**1,283**					
Outflow		77,465	27,776	29,229	20,460	–
Inflow		(74,939)	(27,108)	(28,386)	(19,445)	–
Non-derivative financial liabilities						
Current bank liabilities	4,329	4,329	4,329	–	–	–
Payables and accrued expenses[1]	58,904	58,904	36,257	22,647	–	–
Bank loans	1,229	1,275	3	19	22	1,231
Contingent consideration	11,639	12,040	4,850	–	7,190	–
Balance at December 31, 2017	**77,384**	**79,074**	**46,107**	**23,509**	**8,227**	**1,231**

[1]Excluding reconciling items (see note 25.2)

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	**4,112**					
Outflow		134,475	32,279	83,514	18,682	–
Inflow		(128,924)	(30,983)	(79,953)	(17,988)	–
Foreign currency options	**194**					
Outflow		–	–	–	–	–
Inflow		–	–	–	–	–
Non-derivative financial liabilities						
Current bank liabilities	1,129	1,129	1,129	–	–	–
Payables and accrued expenses[1]	66,700	66,700	45,346	21,354	–	–
Bank loans	1,182	1,193	–	9	1,184	–
Contingent consideration	4,916	4,916	4,916	–	–	–
Balance at December 31, 2018	**78,233**	**79,489**	**52,687**	**24,924**	**1,878**	**–**

[1]Excluding reconciling items (see note 25.2)

Unused lines of credit amounting to CHF 143.9 million were available to the Group at December 31, 2018 (2017: CHF 140.7 million). In addition, the Group had uncommitted lines of credit amounting to CHF 90.0 million for the purpose of financing possible future business combinations.

26 FAIR VALUE MEASUREMENT AND DISCLOSURES

26.1 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 2017 and 2018.

26.2 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
	31.12.2017	**31.12.2018**				
Currency forwards	(109)	(3,351)	Level 2	Bloomberg	(forward rate – [spot rate +/- forward points]) * amount in foreign currency	Financial result
Currency options	–	112	Level 2	Bloomberg	Black-Scholes model	Financial result
Unquoted equity investment	–	4,000	Level 3	n/a	Discounted cash flow method	Other comprehensive income (FVOCI)
Contingent consideration	(11,639)	(4,916)	Level 3	n/a	Discounted cash flow method See note 3.2	Other operating result

Unquoted equity investment – level 3 inputs: The Group acquired an unquoted equity instrument for CHF 4.0 million in the first half of 2018. The shares have a preferred status in the case of a potential liquidation. Therefore, a decrease in the forecasted cash flows of 10% would not adversely impact the fair value of the investment. Total changes in the fair value recognized during the period in other comprehensive income amount to CHF 0.0 million. No dividend was paid in 2018.

Contingent considerations – level 3 inputs: Beside of the WACCs that were used for discounting the expected payments, the underlying business plans are the most significant unobservable inputs.

26.3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS AFTER INITIAL RECOGNITION (IFRS 5)

Position	Net carrying amount in balance sheet measured according to IFRS 5 (CHF 1,000)		Fair value less costs to sell (CHF 1,000)		Level	Data source	Model	Impairment recognized in position
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**				
Land and buildings in Hombrechtikon (held for sale)	3'650	n/a	3'650	n/a	Level 3	n/a	Net rental method See note 3.3	Other operating result

Land and buildings Hombrechtikon – level 3 inputs: Beside of the discount rate, the expected future rental income is the most significant unobservable input. It is based on the highest and best use of the property that differs from the current use due to its change in purpose.

26.4 FAIR VALUE DISCLOSURES FOR FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The carrying amount of financial instruments measured at amortized costs (see note 25.2) is a reasonable approximation of their fair value due to their short-term nature. Bank loans 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
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**			
Bank loans	(1'229)	(1,182)	(1,235)	(1,182)	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flow s at the current market interest rate that is available to the Group for similar financial instruments.

26.5 FAIR VALUE DISCLOSURES FOR INVESTMENT PROPERTY

Position	Net carrying amount in balance sheet measured at cost less depreciation (CHF 1,000)		Fair value disclosure (CHF 1,000)		Level	Data source	Model
	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**			
Land and buildings in Hombrechtikon (investment property)	n/a	3,650	n/a	3,650	Level 3	n/a	Net rental method See note 3.3

Land and buildings Hombrechtikon – level 3 inputs: Beside of the discount rate, the expected future rental income is the most significant unobservable input. It is based on the highest and best use of the property that differs from the current use due to its change in purpose. The valuation was not prepared by an independent valuer.

27 FUTURE PAYMENTS UNDER OPERATING LEASE ARRANGEMENTS

The Group did not enter into any finance lease contracts.

27.1 THE GROUP AS A LESSOR IN OPERATING LEASE ARRANGEMENTS

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 future minimum lease payments (receivables) under non-cancellable operating leases are:

CHF 1,000	31.12.2017	**31.12.2018**
Due date		
Within one year	714	824
In 1 to 3 years	1,061	1,454
In 3 to 5 years	395	561
After 5 years	–	–
Total future minimum lease payments (receivables)	**2,170**	**2,839**

In financial year 2018, CHF 0.8 million (2017: CHF 0.7 million) were recognized as revenue from leases in the consolidated statement of profit or loss.

27.2 THE GROUP AS A LESSEE IN OPERATING LEASE ARRANGEMENTS

The commitments arising from operating leases are largely rental payments for buildings.

The future minimum lease payments (payables) under non-cancellable operating leases are:

CHF 1,000	31.12.2017	31.12.2018
Due date		
Within one year	8,296	9,976
In 1 to 3 years	13,208	14,363
In 3 to 5 years	7,319	6,839
After 5 years	1,388	1,508
Total future minimum lease payments (payables)	**30,211**	**32,686**

In financial year 2018, CHF 10.9 million (2017: CHF 8.9 million) were recognized as expenses for leases in the consolidated statement of profit or loss.

28 CONTINGENT LIABILITIES, ENCUMBRANCE OF ASSETS AND OTHER COMMITMENTS

At December 31, 2017 and 2018, 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, except for the following positions:

CHF 1,000	31.12.2017	31.12.2018
Pledged assets		
Land and buildings (classified as held for sale)	3,650	–

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, 2018, the purchase commitments amounted to CHF 105.7 million.

29 RELATED PARTIES

The Group has a related party relationship with its subsidiaries and 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	2017	2018
Short-term employee benefits	5,950	6,572
Post-employment benefits	455	471
Share-based payment[1]	9,985	8,591
Total compensation	**16,390**	**15,634**

[1]See note 11.4 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.

30 SUBSEQUENT EVENTS

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

31 GROUP RISK MANAGEMENT

31.1 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 coordinated by the CFO; however, the ultimate responsibility is with the Board of Directors.

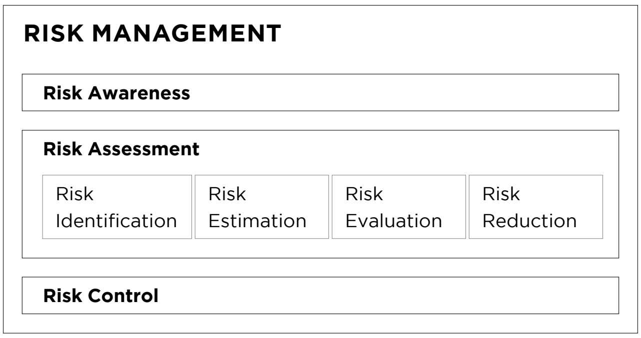
31.2 RISK ASSESSMENT CYCLE

31.2.1 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:



31.2.2 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

31.2.3 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.

31.2.4 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.

31.2.5 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.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 7 March 2019

Statutory auditor's 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 statement of profit or loss, consolidated statement of other comprehensive income, consolidated balance sheet, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 5 to 59) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and 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 (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

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

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address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 5 to 59).

Revenue recognition

Area of focus	The Group's revenues amounted to CHF 594 million for the year ended 31 December 2018. 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 2.7.1 (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 was 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 2018, the Group reported CHF 133.5 million in goodwill (representing 15.6% of the Group's total assets and 21.8% 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 2.7.14 (Impairment) and 19 (Intangible assets and goodwill) in the consolidated financial statements for further details. The goodwill impairment test is significant to our audit due to the significance of the carrying value of goodwill and the complexity and judgment involved in performing the impairment test.

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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. 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 2.2.3 (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 in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all 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 in the annual report 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 in the annual report 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.

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Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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. AT DECEMBER 31

ASSETS

CHF 1,000	Notes	31.12.2017	31.12.2018
Cash and cash equivalents		145,873	125,142
Current loans to subsidiaries		57,000	34,400
Other accounts receivable from third parties		9	10
Other accounts receivable from subsidiaries		1,969	2,607
Prepaid expenses		12	7
Current assets		**204,863**	**162,166**
Investments in subsidiaries	3	63,479	116,769
Financial investments	4	–	4,000
Non-current loans to subsidiaries		32,000	32,000
Property, plant and equipment		2	1
Non-current assets		**95,481**	**152,770**
Assets		**300,344**	**314,936**

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2017	31.12.2018
Other accounts payable to third parties		86	141
Other accounts payable to subsidiaries		9	7
Income tax payables		–	117
Accrued expenses		1,168	598
Current liabilities		**1,263**	**863**
Provision for general business risks	5	30,000	30,000
Other non-current provisions		124	84
Non-current liabilities		**30,124**	**30,084**
Total liabilities		**31,387**	**30,947**
Share capital		1,166	1,177
Legal capital reserve (capital contribution reserve)		35,386	55,032
General legal retained earnings		1,000	1,000
Voluntary retained earnings		231,405	226,780
Shareholders' equity	6	**268,957**	**283,989**
Liabilities and equity		**300,344**	**314,936**

INCOME STATEMENT OF TECAN GROUP LTD.

CHF 1,000	2017	**2018**
Royalties from subsidiaries	660	2,123
Dividend income from subsidiaries	5,000	18,396
Interest income from third parties	3	–
Interest income from subsidiaries	920	714
Foreign exchange gains, net	21	–
Operating income	**6,604**	**21,233**
Personnel expenses	(1,175)	(908)
Other operating expenses	(1,085)	(1,205)
Depreciation of property, plant and equipment	(1)	(1)
Interest expense to third parties	(26)	(124)
Foreign exchange losses, net	–	(38)
Operating expenses	**(2,287)**	**(2,276)**
Operating profit	**4,317**	**18,957**
Extraordinary, non-recurring or prior-period income and expenses	**–**	**–**
Profit before taxes	**4,317**	**18,957**
Income taxes	(1)	(120)
Profit for the period	**4,316**	**18,837**

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 (pages 5 through 59) 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 (pages 64 through 71) 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 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, 2017 and December 31, 2018, except as noted below in note 3.2.

Company	Registered office	Participation in % (capital and votes)	Share capital (LC 1,000)	Currency	Activities
Tecan Schweiz AG	Männedorf/Zurich (CH)	100%	5,000	CHF	R/P/D
Tecan Trading AG	Männedorf/Zurich (CH)	100%	300	CHF	S/D
• Pulssar Technologies S.A.S	Paris (FR)	100%	400	EUR	inactive
Tecan Sales Switzerland AG	Männedorf/Zurich (CH)	100%	250	CHF	D
Tecan Austria GmbH	Grödig/Salzburg (AT)	100%	1,460	EUR	R/P
Tecan Sales Austria GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Sales International GmbH	Grödig/Salzburg (AT)	100%	35	EUR	D
Tecan Landesholding GmbH	Crailsheim/Stuttgart (DE)	100%	25	EUR	S
• Tecan Deutschland GmbH	Crailsheim/Stuttgart (DE)	100%	51	EUR	D
• Tecan Software Competence Center GmbH	Mainz-Kastel (DE)	100%	103	EUR	R
• IBL International GmbH	Hamburg (DE)	100%	25	EUR	R/P/D
Tecan Benelux B.V.B.A.	Mechelen (BE)	100%	137	EUR	D
Tecan France S.A.S.	Lyon (FR)	100%	2,760	EUR	D
Tecan Iberica Instrumentacion S.L.	Barcelona (ES)	100%	30	EUR	D
Tecan Italia S.r.l.	Milano (IT)	100%	77	EUR	D
Tecan UK Ltd.	Reading (UK)	100%	500	GBP	D
Tecan Nordic AB	Stockholm (SE)	100%	100	SEK	D
Tecan US Group, Inc.	Morrisville, NC (US)	100%	1,500	USD	S
• Tecan US, Inc.	Morrisville, NC (US)	100%	400	USD	D
• Tecan Systems, Inc.	San Jose, CA (US)	100%	26	USD	R/P
• Tecan SP, Inc. (Ex SPEware Corp.)	Baldwin Park/ Los Angeles, CA (US)	100%	472	USD	R/P/D
• Tecan Genomics, Ltd. (Ex NuGEN Technologies, Inc.)	Redwood City, CA (US)	100%	0	USD	R/P/D
IBL International Corp.	Toronto (CA)	100%	0	USD	inactive
Tecan Asia (Pte.) Ltd.	Singapore (SG)	100%	800	SGD	S
Tecan (Shanghai) Trading Co., Ltd.	Shanghai (CN)	100%	3,417	CNY	D
Tecan Japan Co., Ltd.	Kawasaki(JP)	100%	125,000	JPY	D
Tecan Australia Pty Ltd	Melbourne (AU)	100%	0	AUD	D

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

3.2 CHANGE IN INVESTMENTS

The Company acquired 100% of the voting rights of Pulssar Technologies S.A.S. (via its subsidiary Tecan Trading AG) on February 28, 2017 and 100% of the voting rights of NuGEN Technologies, Inc. (via its subsidiary Tecan US Group, Inc.) on August 31, 2018. To finance the acquisition of NuGEN, a capital contribution of USD 55 million was paid into Tecan US Group, Inc.

4 FINANCIAL INVESTMENTS

Company	Registered office	Participation in % (capital and votes)	Purpose
Andrew Alliance SA	Vernier/Geneva (CH)	6.1%	Development, production and marketing of scientific instruments for life sciences

In February 2018, the company acquired a minority interest of 6.1% in Andrew Alliance SA.

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 share-holders' equity
Balance at January 1, 2017	**1,154**	**15,552**	**1,000**	**247,404**	**265,110**
Net profit	–	–	–	4,316	4,316
Dividend paid	–	–	–	(20,315)	(20,315)
New shares issued based on employee participation plans	12	19,834	–	–	19,846
Balance at December 31, 2017	**1,166**	**35,386**	**1,000**	**231,405**	**268,957**
Net profit	–	–	–	18,837	18,837
Dividend paid	–	–	–	(23,462)	(23,462)
New shares issued based on employee participation plans	11	19,646	–	–	19,657
Balance at December 31, 2018	**1,177**	**55,032**	**1,000**	**226,780**	**283,989**

The Company's share capital is CHF 1,176,637.20, consisting of 11,766,372 registered shares with a nominal value of CHF 0.10 each (2017: share capital of CHF 1,166,487 consisting of 11,664,872 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

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 2018 a total of 24,487 options (share option plans) were exercised and 77,013 shares transferred (share plans), increasing the Company's share capital by CHF 10,150 and decreasing the Company's conditional share capital by 101,500 shares (2017: a total of 39,053 options were exercised and 84,448 shares transferred, increasing the share capital by CHF 12,350 and decreasing the conditional share capital by 123,501 shares).

On April 26, 2006 and on April 17, 2018, the Annual General Meeting of Shareholders approved the creation of additional conditional and authorized share capital for the purpose of future business development.

	2017	2018
Conditional share capital		
Reserved for employee participation plans		
Shares (with a nominal value of CHF 0.10 each)	638,340	536,840
CHF	63,834	53,684
Employee share options and employee shares, not yet delivered	260,685	238,692
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	13.04.2018	17.04.2020
Shares (with a nominal value of CHF 0.10 each)	2,200,000	2,300,000
CHF	220,000	230,000

The Articles of Incorporation of Tecan Group Ltd. require that the existing conditional share capital for future business development shall be reduced if and to the extent authorized capital is used and that the authorized capital shall be reduced if and to the extent new shares are created under the respective conditional capital. However, the conditional share capital for employee participation plans is not affected by this rule.

7 NUMBER OF EMPLOYEES

FTE (full-time equivalent)	31.12.2017	31.12.2018
Employees – average	1.0	1.0

8 NUMBER OF SHARES AND SHARE OPTIONS

During the year the following number and value of shares were granted:

	2017		2018	
	Number	Value (CHF 1,000)	Number	Value (CHF 1,000)
Board of Directors				
Shares	2,064	323	1,619	338
Employees				
Shares	3,045	493	2,391	451
Total	**5,109**	**816**	**4,010**	**789**

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.

9 GUARANTEES IN FAVOR OF THIRD PARTIES

The total amount of guarantees in favor of its subsidiaries was CHF 89.2 million at December 31, 2018 (2017: CHF 91.4 million). In addition, the Company is member of the VAT-group of Tecan Schweiz AG.

10 LIABILITIES FROM LEASE ARRANGEMENTS NOT INCLUDED IN THE BALANCE SHEET

The future minimum lease payments under non-cancellable leases are:

CHF 1,000	31.12.2017	31.12.2018
Liabilites from lease arrangements	45	31

11 INFORMATION ACCORDING TO ARTICLE 663C OF THE SWISS CODE OF OBLIGATIONS

11.1 SIGNIFICANT SHAREHOLDERS

The Company has knowledge of the following significant shareholders with shareholdings in excess of 3% of the issued share capital at December 31:[1]

	31.12.2017	31.12.2018
Chase Nominees Ltd., London (UK)	13.3%	13.1%
NN Group N.V., Amsterdam (NL)	7.3%	7.2%
Massachusetts Mutual Life Insurance Company, Springfield MA (US)	4.9%	5.8%
UBS Fund Management (Switzerland) AG, Basel (CH)	4.9%	4.9%
BlackRock Inc., New York (US)	6.4%	4.9%
APG Algemene Pensioen Groep N.V., Amsterdam (NL)	4.9%	4.9%
T. Rowe Price Associates, Baltimore, MD (US)	<3.0%	3.0%
Norges Bank (the Central Bank of Norway), Oslo (NO)	3.0%	2.9%
Pictet Funds SA, Geneva (CH)	3.0%	2.9%
Wellington Management Group LLP, Boston (US)	3.0%	<3.0%

[1]Percentages are based on the most recent shareholder notifications to SIX, adjusted to the actual share capital at the end of the reporting period.

11.2 SHARE AND OPTION OWNERSHIP OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

For details of the employee participation plans please refer to note 11.4 of the consolidated financial statements.

11.2.1 Share and option ownership of the Board of Directors

Number	Year	Total options	Total shares
Dr. Lukas Braunschweiler	2017	–	–
(Chairman, since April 2018)[1]	2018	–	–
Rolf Classon	2017	–	**7,293**
(Chairman, until April 2018)[2]	2018	–	–
Heinrich Fischer	2017	–	**16,237**
(Vice Chairman)	2018	–	**16,550**
Dr. Oliver S. Fetzer	2017	–	**2,248**
	2018	–	**2,498**
Lars Holmqvist	2017	–	**625**
	2018	–	**875**
Dr. Karen Hübscher	2017	–	**625**
	2018	–	**875**
Dr. Christa Kreuzburg	2017	–	**1,474**
	2018	–	**1,724**
Dr. Daniel R. Marshak	2017	–	–
(since April 2018)[1]	2018	–	–
Gérard Vaillant	2017	–	**2,248**
(until April 2018)[2]	2018	–	–
Balance at December 31, 2017		–	**30,750**
Balance at December 31, 2018		–	**22,522**

[1]Shares and share options in 2017 are not disclosed, because the member of the Board joined after year-end 2017.

[2]Shares and share options in 2018 are not disclosed, because the member of the Board stepped down before year-end 2018.

11.2.2 Share and option ownership of the Management Board

Number	Year	Total options	Total shares
Dr. David Martyr (CEO)	2017	–	**21,930**
	2018	–	**20,268**
Dr. Rudolf Eugster (CFO)	2017	–	**7,776**
	2018	–	**11,199**
Ulrich Kanter	2017	–	**5,825**
	2018	–	**5,232**
Dr. Achim von Leoprechting	2017	–	**5,943**
	2018	–	**5,393**
Dr. Klaus Lun	2017	–	**5,512**
	2018	–	**5,053**
Erik Norström	2017	–	**130**
	2018	–	**1,358**
Markus Schmid	2017	–	**5,199**
	2018	–	**4,495**
Andreas Wilhelm	2017	–	**5,199**
	2018	–	**4,495**
Balance at December 31, 2017		–	**57,514**
Balance at December 31, 2018		–	**57,493**

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting of Shareholders on April 16, 2019 to allocate the voluntary retained earnings as follows:

CHF 1,000	31.12.2017 Approved	**31.12.2018 Proposed**
Carried forward from previous year	227,089	207,943
Net profit	4,316	18,837
Available retained earnings	**231,405**	**226,780**
Dividend paid as approved by the annual general meeting of shareholders on April 17, 2018: CHF 2.00 per share with a nominal value of CHF 0.10 each (total 11,731,033 shares eligible for dividend)	(23,462)	
Dividend proposed: CHF 2.10 per share with a nominal value of CHF 0.10 each (total 11,766,372 shares eligible for dividend)[1]		(24,709)
Balance to be carried forward	**207,943**	**202,071**

[1] These numbers are based on the outstanding share capital at December 31, 2018. The number of shares eligible for dividend may change due to the repurchase or sale of treasury shares and the issuance of up to 93,194 new shares from the conditional share capital reserved for employee participation plans.

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Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Tecan Group Ltd., Männedorf

Zurich, 7 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Tecan Group Ltd. (the "Company"), which comprise the balance sheet, income statement and notes (pages 64 to 71), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the Company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
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* 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 64 to 71).

Valuation of investments in subsidiaries

Area of focus	As at 31 December 2018, investments in subsidiaries of the Company amounted to CHF 116.8 million and represent 37% 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 complexity and judgment involved in the Company's impairment test.
Our audit response	Our audit procedures included understanding the Company's investment in subsidiaries 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 valuation of investments in subsidiaries.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies 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

Tecan Group AG
Seestrasse 103
CH-8708 Männedorf
Switzerland
www.tecan.com