

Advancing.





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Dear Shareholders

The Tecan Group posted a significant increase in order entry and strong sales growth in the Life Sciences Business in the first half of 2017. Also total sales have developed well, once again, in the current financial year.

The strong growth in our end-customer business, the Life Sciences Business, and in the components business, as part of the Partnering Business, was particularly pleasing. In China we continued to achieve high growth rates in both business segments.

We were also able to considerably improve our net profit despite the inclusion of acquisition integration costs. Overall, the performance is fully in line with our expectations.

FINANCIAL RESULTS FOR THE FIRST HALF OF 2017

Order entry increased by 16.7% in local currencies to CHF 291.2 million in the first six months of the year (H1 2016: CHF 250.6 million), corresponding to a growth of 16.2% in Swiss francs. Both business segments contributed with double-digit growth rates. On an organic basis, excluding the new companies SPEware (now Tecan SP, Inc.) and Pulsar Technologies S.A.S., orders in the first half rose by 12.5% in local currencies and by 12.0% in Swiss francs. SPEware has been consolidated in the financial statements of the Tecan Group since October 2016; Pulsar since March 2017 part of the Group, also making a small contribution in the period under review. Due to strong order entry, which exceeded sales considerably, the order backlog grew as of June 30, 2017.

Sales climbed by 8.0% in local currencies or 7.7% in Swiss francs to CHF 253.3 million in the first half of the year (H1 2016: CHF 235.3 million). This corresponds to organic growth of 3.4% in local currencies and 3.1% in Swiss francs year-on-year. In the first half of 2016, the Partnering Business benefited from a positive one-time effect as a corporate customer placed the last major order for a phasing-out platform. The Life Sciences Business again posted strong growth and was more than able to offset this effect.

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 8.8% to CHF 41.3 million in the reporting period (H1 2016:

CHF 37.9 million). The EBITDA margin improved to 16.3% of sales (H1 2016: 16.1%) including integration costs associated with acquisitions. The slight improvement in margin, which was already achieved in the first six months of the year, was driven by positive volume and price effects as well as efficiency improvements in operations and in research and development.

The net profit for the first half of 2017 increased by 9.6% to CHF 25.7 million (H1 2016: CHF 23.5 million) compared to the prior-year period, despite the booking of slightly higher integration costs associated with the acquisitions of Sias, SPEware and Pulsar. The net profit margin in the first half of 2017 reached 10.1% of sales (H1 2016: 10.0%), while earnings per share were CHF 2.22 (H1 2016: CHF 2.04).

The cash flow from operating activities was CHF 31.7 million and below the same period of 2016, during which a further partial reimbursement of development costs by an OEM partner was booked (H1 2016: CHF 64.9 million), thus, cash flow from operating activities corresponded to 12.5% of sales in the first six months of 2017.

INFORMATION BY BUSINESS SEGMENT

LIFE SCIENCES BUSINESS (END-CUSTOMER BUSINESS)

Sales in the Life Sciences Business increased by 18.2% in local currencies to CHF 138.2 million (H1 2016: CHF 117.7 million) in the first half of the year and were 17.4% above the prior-year period in Swiss francs. On an organic basis, excluding first-time consolidation of sales by SPEware (now Tecan SP), the revenue in the first half of 2017 rose by 9.5% in local currencies. Growth was broad based, with contributions from a broad range of instrument platforms, the service business and further strong growth in consumables. Amongst the regions, China again stood out with a high growth rate. Order entry in the Life Sciences Business grew in line with sales, both in organic terms and including Tecan SP.

Operating profit in this segment rose by 46.5% to CHF 17.8 million (H1 2016: CHF 12.2 million). This positive performance is primarily a result of sales growth as well as further efficiency gains. The operating profit margin improved by 250 basis points to 12.4% of sales (H1 2016: 9.9%).

PARTNERING BUSINESS (OEM BUSINESS)

The Partnering Business generated sales of CHF 115.1 million during the period under review (H1 2016: CHF 117.6 million), which corresponds to a decline of 2.1% in local currencies and in Swiss francs against the high base level in the prior-year period, when sales development benefited from the last major order for an expiring instrument platform. The absence of sales of the phased-out instrument platform was almost offset by new instrument platforms as well as strong growth in the components business, services and consumables. By contrast, order entry in the Partnering Business increased at a double-digit percentage rate in the first half of 2017. The acquisition of Pulsar technologies, which has been consolidated in the financial statements since March 1, 2017, had only a limited impact on sales. On an organic basis, excluding sales by Pulsar, revenue in the first half of 2017 fell by 2.6% year-on-year in local currencies.

The segment's operating profit in the period under review was CHF 19.0 million (H1 2016: CHF 20.9 million). The operating profit margin was down on the prior-year period at 16.4% of sales (H1 2016: 17.7%) mainly due to the lower sales volume and the product mix.

ADDITIONAL INFORMATION

REGIONAL DEVELOPMENT

In Europe, sales in the first six months of 2017 fell by 13.1% in local currencies and by 14.0% in Swiss francs compared to the same period last year. This development was mainly due to the positive one-time effect in the Partnering Business in the prior-year period and the associated high comparative base. By contrast, the Life Sciences Business recorded strong growth in this region.

In North America, sales in the first half grew by 31.7% in local currencies and by 33.0% in Swiss francs. The Life Sciences Business posted strong growth in this region as a result of both a solid organic increase in sales and the first-time contribution of SPEware products. The Partnering Business also generated significant double-digit growth here, including a strong contribution from the components business.

In Asia, Tecan achieved an overall considerable increase in sales of 16.1% in local currencies and 15.0% in Swiss francs. Both segments contributed with a double-digit rise in sales, driven once again by a particularly strong growth in China.

RECURRING SALES OF SERVICES AND CONSUMABLES

Recurring sales of services and consumables increased in the first half of 2017 by 26.0% in local currencies and 25.5% in Swiss francs, supported both by strong organic growth and the first-time contribution of SPEware consumables. Recurring sales therefore amounted to 44.7% of total sales (H1 2016: 38.3%), their highest level to date. Services (including spare parts) accounted for 23.1% of total sales, while consumables (plastics and reagents) accounted for 21.6%.

OPERATING PERFORMANCE IN THE FIRST HALF OF 2017

Tecan made considerable progress with the integration of US-based SPEware Corporation (now Tecan SP, Inc.) in the first half of 2017. The company, which was acquired in September 2016, is a leading provider for mass spectrometry sample preparation solutions. Preparations were made during the period under review for joint marketing of solutions in which established Tecan automation platforms and Tecan SP technologies complement one another perfectly. Tecan SP products were previously mainly successful in North America and in the future will benefit from the

Tecan Group's strong global distribution structure. The European marketing launch is scheduled for the second half of 2017.

Tecan also made good progress with the integration of the French company Pulssar Technologies S.A.S., which was acquired in March 2017. Pulssar precision pumps expand the technology portfolio of Tecan's components business in the Partnering Business and meet application-specific customer needs in various market segments. Preparations are currently underway to relocate Pulssar production from Paris to San Jose, California, where Tecan traditionally develops and manufactures components.

As announced at the end of June, Tecan is launching a joint project in its Partnering Business with Italian partner DiaSorin to develop a new platform. The new platform will provide a complete sample to result system for molecular diagnostics. Under the project, DiaSorin will make use of Tecan's Fluent® Laboratory Automation Solution as its nucleic acid extraction platform. DiaSorin is among the global leaders in diagnostics.

STRONG BALANCE SHEET - HIGH EQUITY RATIO

Tecan's equity ratio reached 67.9% as of June 30, 2017 (December 31, 2016: 66.2%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 243.9 million (December 31, 2016: CHF 242.3 million). The company's share capital was CHF 1,164,778 as at the reporting date of June 30, 2017 (December 31, 2016: CHF 1,154,137), consisting of 11,647,777 registered shares with a nominal value of CHF 0.10.

At the Tecan Group Annual General Meeting on April 11, 2017, shareholders approved an unchanged dividend of CHF 1.75 per share. The payout of dividends of CHF 20.3 million in total took place on April 19, 2017.

OUTLOOK FOR FULL-YEAR 2017 CONFIRMED

For fiscal year 2017, Tecan continues to anticipate Group sales growth of more than 6% in local currencies. The reported EBITDA margin is still expected to expand to over 18% of sales, including acquisition-related costs in a mid-single-digit million Swiss franc amount.

These expectations regarding profitability are based on an average exchange rate forecast for full-year 2017 of one euro equaling CHF 1.07 and one US dollar equaling CHF 0.99 and exclude contributions from future acquisitions.

Männedorf, August 11, 2017



ROLF A. CLASSON
Chairman of the Board



DR. DAVID MARTYR
Chief Executive Officer

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to June, CHF 1,000	Notes	2016	2017
Sales	4	235,258	253,283
Cost of sales		(122,959)	(133,423)
Gross profit		112,299	119,860
Sales and marketing		(38,223)	(40,362)
Research and development		(22,876)	(23,524)
General and administration		(23,806)	(25,951)
Other operating income		343	24
Other operating expenses		-	(490)
Operating profit	4	27,737	29,557
Financial income		277	6
Finance cost		(312)	(437)
Net foreign exchange gains		831	1,952
Financial result		796	1,521
Profit before taxes		28,533	31,078
Income taxes		(5,082)	(5,376)
Profit for the period, attributable to owners of the parent		23,451	25,702
Earnings per share			
Basic earnings per share (CHF/share)		2.04	2.22
Diluted earnings per share (CHF/share)		2.00	2.19

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

January to June, CHF 1,000	Notes	2016	2017
Profit for the period		23,451	25,702
<i>Other comprehensive income</i>			
Remeasurement of net defined benefit liability		(13,894)	2,363
Related income taxes		2,396	(423)
Items that will not be reclassified to profit or loss, net of income taxes		(11,498)	1,940
Translation differences	8	(1,282)	(1,885)
Related income taxes		10	(54)
Items that may be reclassified subsequently to profit or loss, net of income taxes		(1,272)	(1,939)
<i>Other comprehensive (loss)/income, net of income taxes</i>		(12,770)	1
Total comprehensive income for the period, attributable to owners of the parent		10,681	25,703

There were no reclassification adjustments relating to translation differences for the periods presented.

INTERIM CONSOLIDATED BALANCE SHEET

ASSETS

CHF 1,000	Notes	31.12.2016	30.06.2017
Cash and cash equivalents		246,744	250,082
Current derivatives		3,038	1,068
Trade accounts receivable		97,045	92,768
Other accounts receivable		9,784	13,177
Inventories	6	168,409	170,865
Income tax receivables		1,633	3,798
Prepaid expenses		3,497	4,560
Assets held for sale	3.2	4,140	4,140
Current assets		534,290	540,458
Non-current financial assets	9	692	1,443
Property, plant and equipment		20,290	19,938
Intangible assets and goodwill		164,685	164,886
Deferred tax assets		16,204	15,113
Non-current assets		201,871	201,380
Assets		736,161	741,838

LIABILITIES AND EQUITY

CHF 1,000	Notes	31.12.2016	30.06.2017
Current financial liabilities	9	7,780	11,183
Trade accounts payable		10,057	14,227
Other accounts payable		14,155	16,033
Current deferred revenue		33,379	34,668
Income tax payables		13,046	10,591
Accrued expenses		40,294	32,413
Current provisions		21,596	20,512
Liabilities held for sale	3.2	1,649	1,593
Current liabilities		141,956	141,220
Non-current financial liabilities	9	11,078	6,886
Non-current deferred revenue		46,945	42,601
Liability for post-employment benefits		30,146	29,239
Non-current provisions		4,199	4,307
Deferred tax liabilities		14,752	14,128
Non-current liabilities		107,120	97,161
Total liabilities		249,076	238,381
Share capital		1,154	1,165
Capital reserve		33,061	35,042
Retained earnings		485,230	501,549
Translation differences		(32,360)	(34,299)
Shareholders' equity	7	487,085	503,457
Liabilities and equity		736,161	741,838

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

January to June, CHF 1,000	Notes	2016	2017
Profit for the period		23,451	25,702
Adjustments for			
Depreciation and amortization		10,201	11,713
Change in provisions and liability for post-employment benefits		(1,383)	584
Interest income		(277)	(6)
Interest expenses		176	327
Income taxes		5,082	5,376
Equity-settled share-based payment transactions		7,996	8,691
Other non-cash items		(569)	2,829
Change in working capital			
Trade accounts receivable		15,844	2,303
Inventories	6	(1,446)	(2,929)
Trade accounts payable		(723)	4,118
Other changes in working capital (net)		14,125	(17,056)
Income taxes paid		(7,548)	(9,940)
Cash inflows from operating activities		64,929	31,712
Interest received		254	7
Acquisition of Pulssar Technologies S.A.S., net of cash acquired	3.1	-	(2,895)
Purchase of property, plant and equipment		(2,693)	(3,350)
Proceeds from sales of property, plant and equipment		32	58
Investment in intangible assets		(2,676)	(6,174)
Cash outflows from investing activities		(5,083)	(12,354)
Proceeds from employee participation plans		815	1,992
Dividends paid		(20,122)	(20,315)
Change in current bank liabilities		(451)	2,090
Increase in bank loans		720	-
Repayment of bank loans		-	(1,495)
Repayment of other loans		(1,959)	-
Interest paid		(154)	(139)
Cash outflows from financing activities		(21,151)	(17,867)
Effect of exchange rate fluctuations on cash held		(248)	(363)
Increase in cash and cash equivalents		38,447	1,128
Cash and cash equivalents, net of bank overdrafts at January 1	9	208,434	246,744
Cash and cash equivalents, net of bank overdrafts at June 30	9	246,881	247,872

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Capital reserve	Retained earnings	Translation differences	Total share-holders' equity
January to June, CHF 1,000						
Balance at January 1, 2016		1,147	31,114	440,745	(32,333)	440,673
Profit for the period		-	-	23,451	-	23,451
Other comprehensive loss, net of income taxes		-	-	(11,498)	(1,272)	(12,770)
Total comprehensive income for the period		-	-	11,953	(1,272)	10,681
Dividends paid		-	-	(20,122)	-	(20,122)
New shares issued based on employee participation plans		6	809	-	-	815
Share-based payments		-	-	7,775	-	7,775
Total contributions by and distributions to owners	7	6	809	(12,347)	-	(11,532)
Balance at June 30, 2016		1,153	31,923	440,351	(33,605)	439,822
Balance at January 1, 2017		1,154	33,061	485,230	(32,360)	487,085
Profit for the period		-	-	25,702	-	25,702
Other comprehensive income, net of income taxes		-	-	1,940	(1,939)	1
Total comprehensive income for the period		-	-	27,642	(1,939)	25,703
Dividends paid		-	-	(20,315)	-	(20,315)
New shares issued based on employee participation plans		11	1,981	-	-	1,992
Share-based payments		-	-	8,992	-	8,992
Total contributions by and distributions to owners	7	11	1,981	(11,323)	-	(9,331)
Balance at June 30, 2017		1,165	35,042	501,549	(34,299)	503,457

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

2.1 BASIS OF PREPARATION

These unaudited financial statements are the interim condensed consolidated financial statements of Tecan Group Ltd. and its subsidiaries (together referred to as the 'Group') for the six-month period ending June 30, 2017. The financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and should be read in conjunction with the consolidated financial statements 2016 as they provide an update of previously reported information. The interim condensed consolidated financial statements were authorized for issue on August 11, 2017.

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

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

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

2.2 INTRODUCTION OF NEW AND REVISED/ AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements 2016, except for the adoption of the following new or revised/amended standards and interpretations, effective as from January 1, 2017:

Standard/interpretation ¹
IAS 7 amended 'Statement of Cash Flows' - Disclosure Initiative
IAS 12 amended 'Income taxes' - Recognition of Deferred Tax Assets on Unrealised Losses
Annual improvements to IFRSs 2014-2016 Cycle

¹ IAS = International Accounting Standards, IFRS = International Financial Reporting Standards, IFRIC = Interpretations as by the IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee)

The adoption of these new or revised/amended standards and interpretations did not result in substantial changes to the Group's accounting policies and had no material impact on the financial statements.

2.3 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 interim condensed consolidated financial statements:

Standard/interpretation ¹	Effective date for the Group
IFRIC 22 'Foreign Currency Transactions and Advance Consideration'	Reporting year 2018
IAS 40 amended 'Investment Properties' - Transfers of Investment Properties	Reporting year 2018
IFRS 2 amended 'Share-based Payment' - Classification and Measurement of Share-based Payment Transactions	Reporting year 2018
IFRS 9 'Financial Instruments'	Reporting year 2018
IFRS 15 'Revenue from Contracts with Customers'	Reporting year 2018
IFRIC 23 'Uncertainty over Income Tax Treatments'	Reporting year 2019
IFRS 16 'Leases'	Reporting year 2019
IFRS 17 'Insurance Contracts'	Reporting year 2021
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)

These changes are not expected to have a significant impact on the consolidated financial statements except for IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. For IFRS 16, a comprehensive and detailed analysis is yet to be performed.

The Group assessed the impact of IFRS 15 on the revenue recognition principles that are currently applied. While the Group does not expect changes to the timing of revenue recognition for the majority of its sales due to their nature, the introduction of the

standard will limit and reduce the possibility to use the percentage of completion method and therefore may change the timing of the revenue recognition for development services. Further, it will modify the presentation in the balance sheet and increase the disclosures in the notes. The Group continues to analyse the impact.

3 SCOPE OF CONSOLIDATION

3.1 CHANGE IN SCOPE OF CONSOLIDATION: ACQUISITION THROUGH BUSINESS COMBINATION

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

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

	28.02.2017 Pulssar
CHF 1,000	
Cash and cash equivalents	6
Inventories	221
Other current assets	255
Property, plant and equipment	37
Intangible assets	2,187
Assets	2,706
Current bank liabilities	(500)
Trade and other accounts payable	(273)
Accrued expenses	(63)
Liability for post-employment benefits	(38)
Deferred tax liabilities	(209)
Liabilities	(1,083)
Total identifiable net assets at fair value	1,623
Goodwill arising on acquisition	3,021
Consideration transferred for the business combination	4,644
Cash acquired	(6)
Contingent consideration (earn-out)	(1,743)
Net cash outflow	2,895

The acquisition was accounted for using the acquisition method. The resulting goodwill includes expected synergies from the acquisition, the work force and potentially other intangible assets that were not identifiable separately. It is not expected to be deductible for tax purposes.

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 11.0%. One earn-out 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 business plan underlying the acquisition indicates that the entire earn-out will be payable.

From the date of acquisition, Pulssar Technologies S.A.S. contributed sales of CHF 0.6 million and operating profit of CHF -0.1 million to the Group's results. If the acquisition had occurred on January 1, 2017, management estimates that the consolidated sales would have been CHF 253.6 million and the consolidated operating profit would have been CHF 29.6 million for the first half of 2017. The Group incurred acquisition-related costs of CHF 0.2 million for legal advice and due diligence costs. These costs have been included in 'General and administration'.

3.2 DISPOSAL GROUP HELD FOR SALE

In the second half of 2016 management committed to a plan to sell its manufacturing facility after having transferred all business activities to Männedorf. Accordingly, the facility and the related

mortgage are presented as a disposal group held for sale. Efforts to sell the disposal group continue.

The disposal group comprised the following assets and liabilities:

CHF 1,000	Notes	31.12.2016	30.06.2017
Land and buildings in Hombrechtikon, Zurich (CH)		4,140	4,140
Assets held for sale		4,140	4,140
Mortgage	9	1,575	1,535
Interest derivative		74	58
Liabilities held for sale		1,649	1,593

Land and buildings are valued at the lower of their carrying amount and fair value less costs to sell.

4 INTERIM SEGMENT INFORMATION

4.1 SEGMENT INFORMATION BY BUSINESS SEGMENTS

	Life Sciences Business		Partnering Business		Corporate/consolidation		Group	
	2016	2017	2016	2017	2016	2017	2016	2017
January to June, CHF 1,000								
Sales third	117,699	138,185	117,559	115,098	-	-	235,258	253,283
Intersegment sales	5,465	5,174	753	762	(6,218)	(5,936)	-	-
Total sales	123,164	143,359	118,312	115,860	(6,218)	(5,936)	235,258	253,283
Operating profit	12,174	17,837	20,894	18,972	(5,331)	(7,252)	27,737	29,557
Depreciation and amortization	(5,934)	(7,354)	(4,267)	(4,359)	-	-	(10,201)	(11,713)
Impairment losses	-	-	-	-	-	-	-	-

	2016	2017
January to June, CHF 1,000		
Reconciliation of reportable segment sales		
Total sales for reportable segments	241,476	259,219
Elimination of intersegment sales	(6,218)	(5,936)
Total consolidated sales	235,258	253,283
Reconciliation of reportable segment profit		
Total operating profit for reportable segments	33,068	36,809
Unallocated costs (business development, investor relations and other corporate costs) and consolidation entries	(5,331)	(7,252)
Financial result	796	1,521
Total consolidated profit before taxes	28,533	31,078

4.2 ENTITY-WIDE DISCLOSURES

Products and services

January to June, CHF 1,000	2016	2017
Products	156,079	160,862
Services	79,179	92,094
Leases	-	327
Total sales third	235,258	253,283

Sales by regions (by location of customers)

January to June, CHF 1,000	2016	2017
Switzerland	3,677	4,695
Other Europe	107,974	91,330
North America	83,340	110,819
Asia	34,266	39,412
Others	6,001	7,027
Total sales third	235,258	253,283

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

CHF 1,000	Property, plant and equipment		Intangible assets	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Switzerland	9,658	9,787	93,003	92,415
Other Europe	4,713	4,538	10,537	15,680
North America	5,554	5,230	60,986	56,671
Asia	365	383	159	120
Balance	20,290	19,938	164,685	164,886

Information about major customers

There are sales to one individual customer (CHF 34.9 million) relating to the business segment 'Partnering Business' that in aggregate exceeded 10% of total sales in the first half of 2017 (first half of

2016: one individual customer [CHF 46.9 million] relating to the business segment 'Partnering Business').

5 OPERATING EXPENSES BY NATURE

January to June, CHF 1,000	2016	2017
Material costs	82,790	87,783
Personnel costs	85,827	92,143
Depreciation of property, plant and equipment	3,406	3,403
Amortization of intangible assets	6,795	8,310
Other operating costs (net)	32,228	38,026
Total operating costs incurred (gross)	211,046	229,665
Capitalization of development costs in position inventories	(1,326)	(500)
Capitalization of development costs in position intangible assets	(2,199)	(5,439)
Total operating expenses, according to statement of profit or loss	207,521	223,726

As a result of the legal integration of a subsidiary in the previous year, the Group recognized a plan curtailment. The positive past service costs in the amount of CHF 1.4 million are included in the personnel costs of 2016.

6 INVENTORIES

In 2010, the Group entered into an OEM agreement with a global diagnostics company. The agreement comprises the development and supply of a dedicated diagnostic instrument. The related customer-specific development costs were capitalized in the position inventories as part of the production costs. The delivery of the instruments, which takes place over a period of more than 10 years, started in October 2014. The customer requests the units with individual purchase orders.

The Group recognizes the corresponding development costs in cost of sales upon fulfillment of the individual purchase orders. The remaining balance of capitalized development costs amounted to CHF 106.0 million at the end of June 2017 (December 31, 2016: CHF 113.1 million).

Further information regarding this critical accounting estimate and judgment can be found in note 2.2.4 of the consolidated financial statements 2016.

7 SHAREHOLDERS' EQUITY AND EMPLOYEE PARTICIPATION PLANS

7.1 MOVEMENTS IN SHARES OUTSTANDING

	Shares issued	Treasury shares	Shares outstanding
Shares (each share has a nominal value of CHF 0.10)			
Balance at January 1, 2016	11,467,577	-	11,467,577
New shares issued based on employee participation plans	60,970	-	60,970
Balance at June 30, 2016	11,528,547	-	11,528,547
Balance at January 1, 2017	11,541,371	-	11,541,371
New shares issued based on employee participation plans	106,406	-	106,406
Balance at June 30, 2017	11,647,777	-	11,647,777

7.2 DIVIDENDS PAID

	2016	2017
Number of shares eligible for dividend	11,498,012	11,608,657
Dividends paid (CHF/share)	1.75	1.75

7.3 CONDITIONAL SHARE CAPITAL RESERVED FOR THE EMPLOYEE PARTICIPATION PLANS

	2016	2017
Shares (each share has a nominal value of CHF 0.10)		
Balance at January 1	835,635	761,841
New shares issued based on employee participation plans	(60,970)	(106,406)
Balance at June 30	774,665	655,435
Employee share options and employee shares, not yet delivered	293,284	255,992

7.4 EMPLOYEE SHARE OPTION PLANS

(See note 10.4.1 of the consolidated financial statements 2016 for the terms and principal conditions)

Movements in employee share options:

	2016	2017
Employee share options		
Balance at January 1	117,167	113'893
Exercised	(10,181)	(22,088)
Forfeited or expired	(2,362)	(1,334)
Balance at June 30	104,624	90,471
Thereof exercisable at period-end	49,873	40,827

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

(See note 10.4.2 of the consolidated financial statements 2016 for the terms and principal conditions)

Movements in employee shares:

	2016	2017
Employee shares (excluding voluntary investments)		
Balance at January 1	235,134	226,130
PSMP 2013 and 2014 - matching shares vested and transferred	(24,571)	(55,876)
PSMP 2013 and 2014 - matching shares forfeited	(31,131)	(7,927)
PSMP current period - initial shares transferred (blocked)	23,316	26,630
PSMP current period - maximum of matching shares granted	58,291	52,076
PSMP - initial shares forfeited and retransferred	-	(439)
PSMP - initial shares de-blocked and available to the participants	-	(3,659)
Share plan 2015 and 2016 - Board of Directors - shares vested and transferred	(2,902)	(2,251)
Share plan 2016 and 2017 - Board of Directors - shares granted	2,251	2,064
Balance at June 30	260,388	236,748
Thereof vested, but blocked until the end of the performance period	57,774	68,116

8 PRINCIPAL EXCHANGE RATES

	Closing exchange rates		Average exchange rates January to June	
	31.12.2016	30.06.2017	2016	2017
CHF				
EUR	1	1.07	1.10	1.08
USD	1	1.02	0.98	0.99

9 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

Cash and cash equivalents as per cash flow statement comprise CHF 2.2 million) that are included in the position 'Current cash and cash equivalents as per balance sheet and bank overdrafts (December 31, 2016: CHF 0.0 million; June 30, 2017: financial liabilities'.

9.1 CLASSES OF FINANCIAL INSTRUMENTS

	Carrying amount								Fair value
	Cash and cash equivalents	Current derivatives	Trade and other receivables	Non-current financial assets	Total assets	Current financial liabilities	Trade and other payables/accrued expenses	Non-current financial liabilities	Total liabilities
CHF 1,000									
Financial instruments measured at fair value									
Currency forwards	-	3,038	-	36	3,074	(5,721)	-	(1,101)	(6,822)
Contingent consideration	-	-	-	-	-	-	-	(9,273)	(9,273)
Financial instruments measured at amortized costs¹									
Cash and cash equivalents	246,744	-	-	-	246,744	-	-	-	-
Receivables	-	-	95,763	-	95,763	-	-	-	-
Rent and other deposits	-	-	341	656	997	-	-	-	-
Current bank liabilities	-	-	-	-	-	(1,103)	-	-	(1,103)
Bank loans	-	-	-	-	-	(956)	-	(704)	(1,660) (1,644)
Payables and accrued expenses	-	-	-	-	-	-	(50,329)	-	(50,329)
Total financial instruments	246,744	3,038	96,104	692	346,578	(7,780)	(50,329)	(11,078)	(69,187)
Reconciling items ²	-	-	10,725	-	10,725	-	(14,177)	-	(14,177)
Balance at December 31, 2016	246,744	3,038	106,829	692	357,303	(7,780)	(64,506)	(11,078)	(83,364)

¹ The carrying amount of financial instruments measured at amortized costs 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.

² Receivables/payables arising from POC, VAT/other non-income taxes and social security

	Carrying amount								Fair value
	Cash and cash equivalents	Current derivatives	Trade and other receivables	Non-current financial assets	Total assets	Current financial liabilities	Trade and other payables/accrued expenses	Non-current financial liabilities	Total liabilities
CHF 1,000									
Financial instruments measured at fair value									
Currency forwards	-	1,068	-	802	1,870	(1,075)	-	-	(1,075)
Contingent consideration	-	-	-	-	-	(4,694)	-	(6,167)	(10,861)
Financial instruments measured at amortized costs¹									
Cash and cash equivalents	250,082	-	-	-	250,082	-	-	-	-
Receivables	-	-	91,156	-	91,156	-	-	-	-
Rent and other deposits	-	-	475	641	1,116	-	-	-	-
Current bank liabilities	-	-	-	-	-	(5,414)	-	-	(5,414)
Bank loans	-	-	-	-	-	-	-	(719)	(719) (704)
Payables and accrued expenses	-	-	-	-	-	-	(46,640)	-	(46,640)
Total financial instruments	250,082	1,068	91,631	1,443	344,224	(11,183)	(46,640)	(6,886)	(64,709)
Reconciling items ²	-	-	14,314	-	14,314	-	(16,033)	-	(16,033)
Balance at June 30, 2017	250,082	1,068	105,945	1,443	358,538	(11,183)	(62,673)	(6,886)	(80,742)

¹ The carrying amount of financial instruments measured at amortized costs 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.

² Receivables/payables arising from POC, VAT/other non-income taxes and social security

9.2 FAIR VALUE HIERARCHY (LEVEL) AND VALUATION TECHNIQUES USED

Position	Level	Data source	Model
Currency forwards	Level 2	Bloomberg	(forward rate - [spot rate +/- forward points]) * amount in foreign currency
Bank loans	Level 2	Bloomberg	The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
Contingent consideration	Level 3	n/a	Discounted cash flow model (see note 3.1 and 9.3)

There have been no transfers between the levels in 2016 and 2017.

9.3 CONTINGENT CONSIDERATION (LEVEL 3)

CHF 1,000	2016	2017
Balance at January 1	-	9,273
Acquisition through business combination	-	1,743
Change in fair value recognized in other operating expenses	-	360
Translation differences	-	(515)
	-	
Balance at June 30	-	10,861

Beside of the WACCs that were used for discounting the expected payments, the underlying business plans are the most significant unobservable inputs. A decrease in the forecasted net sales of 10%

would result in a fair value of less than a million considering the sales-defined milestones.

10 CONTINGENCIES AND COMMITMENTS

There have been no significant changes for contingencies and commitments.

11 SUBSEQUENT EVENTS

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

Global.



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This Interim Report is available in English and German and can also be found at the website www.tecan.com. For the Financial Report, the English report is the authoritative version.



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