TECAN. **Press release**

H1 2018: Tecan posts strong increase in sales, driven by growth in the Partnering Business

Financial results for the first half of 2018

- **Sales of CHF 273.5 million (H1 2017: CHF 252.2 million)**
  - **Growth of 6.9% in local currencies or 8.4% in Swiss francs**
  - **Strong growth in the Partnering Business**
- **Operating profit before depreciation and amortization (EBITDA) of CHF 48.1 million (H1 2017: CHF 41.6 million)**
  - **Increase of 15.5%**
  - **EBITDA margin of 17.6% (H1 2017: 16.5%), including integration costs related to already completed acquisitions-**
- **Net profit of CHF 29.2 million (H1 2017: CHF 26.0 million)**
  - **Net profit margin of 10.7%, including integration costs (H1 2017: 10.3%)**
  - **Increase in earnings per share by 10.7% to CHF 2.49 (H1 2017: CHF 2.25)**
- **Organic outlook for full-year 2018 confirmed (excluding acquisitions announced after the end of the first half of 2018)**

Operating performance in the first half of 2018

- **Market launch of Fluent® Gx platform variant for regulated markets; successful registration as a Class I medical device in the US**
- **Considerable progress made with several development projects in the Partnering Business**
- **Event after the end of H1 2018: Tecan accelerates broad genomics strategy with the acquisition of NuGEN Technologies (see separate press release)**

Männedorf, Switzerland, August 16, 2018 – The Tecan Group (SIX Swiss Exchange: TECN) posted a substantial increase in sales in the first half of 2018, driven by strong growth in the Partnering Business. As a result, net profit for the period rose at a double-digit percentage rate.

Tecan CEO David Martyr commented: “Tecan’s sales have developed well, once again, in the current financial year, and this has been achieved almost exclusively through organic growth. The performance of the Partnering Business has been particularly pleasing, with considerable demand for a broad range of instrument platforms and consumables. In the Life Sciences Business, we are particularly delighted with the successful market launch of Fluent Gx for customers in clinical diagnostics and other regulated markets. The newly launched platform variant with its specific functionalities enjoyed strong demand and contributed significantly to the sharp rise in order backlog in the Life Sciences Business, which will have a positive impact on sales in the second half of the year."

Financial results for the first half of 2018

Despite a high comparative basis, order entry increased by 2.8% to CHF 298.1 million in the first six months of the year (H1 2017: CHF 290.1 million), thus substantially exceeding sales. This equates to a rise of 1.3% in local currencies. As previously reported, order entry in the first half of 2017 was extraordinarily strong, influenced by the timing of several large orders in the Partnering Business.

Sales climbed by 6.9% in local currencies or 8.4% in Swiss francs to CHF 273.5 million in the first half of the year (H1 2017: CHF 252.2 million). This resulted almost exclusively from organic growth excluding acquisition effects. Growth at Group level was driven by a double-digit sales increase in the Partnering Business, while sales in the Life Sciences Business were virtually unchanged following growth of more than 18% in local currencies in the prior-year period. Recurring sales of services and consumables increased in the first half of 2018 by 6.8% in local currencies and 8.3% in Swiss francs, and therefore amounted to 44.8% of total sales (H1 2017: 44.9%).

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 15.5% to CHF 48.1 million in the reporting period (H1 2017: CHF 41.6 million). The EBITDA margin improved to 17.6% of sales (H1 2017: 16.5%) including integration costs associated with acquisitions. The margin improvement of 110 basis points was mainly driven by positive volume effects, lower acquisition-related integration costs compared to the prior-year period and increased operational efficiency in procurement and production.

Net profit for the first half of 2018 increased by 12.1% to CHF 29.2 million (H1 2017: CHF 26.0 million). Alongside the higher operating result, contributing factors included the lower tax rate, primarily as a result of the tax reform in the US that came into effect in the reporting period. By contrast, the financial result had an inhibiting effect on net profit, falling by CHF 4.6 million year-on-year due to currency hedging losses. The net profit margin in the first half of 2018 thus increased to 10.7% of sales (H1 2017: 10.3%), while earnings per share rose to CHF 2.49 (H1 2017: CHF 2.25).

Cash flow from operating activities climbed 21.0% to CHF 38.4 million (H1 2017: CHF 31.7 million), thereby corresponding to 14.0% of sales in the first half of 2018 (H1 2017: 12.6%).

Information by business segment

Life Sciences Business (end-customer business)

Sales in the Life Sciences Business increased by 1.7% to CHF 140.5 million (H1 2017: CHF 138.2 million) in the first half of the year and were 0.6% below those of the prior-year period in local currencies. After the segment generated particularly high growth of 18.2% in local currencies in the first six months of 2017, a smaller sales increase had been expected. Despite a similarly high comparative basis from the prior-year period, order entry in the Life Sciences Business posted moderate growth in local currencies, however, with the order backlog growing at a double-digit rate on the back of orders for new instruments. The newly launched Fluent Gx platform variant enjoyed strong demand on the market and also led to numerous orders, which contributed significantly to this growth. In some cases, customers ordered several of these innovative instruments at once.

Operating profit in this segment (earnings before interest and taxes; EBIT) rose to CHF 18.1 million (H1 2017: CHF 17.8 million). The operating profit margin was comparable to the prior year period at 12.2% of sales (H1 2017: 12.4%).

Partnering Business (OEM business)

The Partnering Business generated sales of CHF 133.0 million in the period under review (H1 2017: CHF 114.1 million), which corresponds to an increase of 16.1% in local currencies and 16.6% in Swiss francs. The segment posted continued strong growth from existing instrument platforms and the consumables business.

Operating profit in this segment (earnings before interest and taxes; EBIT) rose by 32.2% to CHF 25.6 million (H1 2017: CHF 19.3 million). This positive performance is primarily a result of sales growth as well as further efficiency gains. The operating profit margin improved by 230 basis points to 19.1% of sales (H1 2017: 16.8%).

Additional information

Regional development

In Europe, Tecan's sales in the first six months of 2018 increased by 19.9% in local currencies and by 24.4% in Swiss francs, with the Partnering Business performing particularly well in this region. The Life Sciences Business benefited from a stronger euro, and was therefore able to post solid growth in Swiss francs. In local currencies, sales were stable against the high base of the prior-year period.

In North America, sales in the first six months of 2018 fell by 2.5% in local currencies and by 4.5% in Swiss francs compared to the same period of 2017. This development was mainly due to the high comparative basis of the prior-year period, when Tecan posted a sales increase of 31.7% in local currencies in this region, with both business segments contributing clear double-digit growth.

In Asia, Tecan generated an increase in sales of 5.4% in local currencies and 10.6% in Swiss francs. Both segments contributed to this result with good growth in all of the region's key national markets.

Operating performance in the first half of 2018

The Fluent Gx platform variant was launched in various regions in the first half of 2018, after successful registration as a Class I medical device also in the US. Fluent Gx was developed for the automation of laboratory workflows in regulated markets. The last remaining major market segment for Fluent – the market for clinical diagnostics and other regulated sub-markets – has now been developed. Its specific functionalities, which facilitate greater process security, traceability of samples and stricter user management, have met with a lot of interest. Within the space of a few months, prestigious customers in clinical diagnostics have already been acquired who will now be able to benefit from the high level of productivity and performance offered by the Fluent platform.

Overall R&D activities and gross expenses were higher compared to the prior-year period, however due to customer funding of projects and higher capitalized development costs, net R&D expenses were reported lower. Tecan made considerable progress with a number of development projects in the Partnering Business in the first half of 2018. More than five projects are currently in the development phase, the sales potential of which ranges from single-digit to clear double-digit million amounts in Swiss francs per year. The first market launches are expected within the next six months.

Strong balance sheet – high equity ratio

Tecan's equity ratio reached 71.1% as of June 30, 2018 (December 31, 2017: 68.4%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 284.1 million (December 31, 2017: CHF 290.7 million). The company's share capital was CHF 1,175,926 as at the reporting date of June 30, 2018 (December 31, 2017: CHF 1,166,487), consisting of 11,759,259 registered shares with a nominal value of CHF 0.10.
At the Tecan Group Annual General Meeting on April 17, 2018, shareholders approved an increase in the dividend from CHF 1.75 to CHF 2.00 per share. The payout of dividends totaling CHF 23.5 million took place on April 23, 2018.

Acquisition of NuGEN Technologies

In a separate press release, Tecan announced today the acquisition of US-based NuGEN, Inc. NuGEN is a leading provider for innovative next-generation sequencing (NGS) sample preparation solutions, the fastest growing field within the genomics area. Through this acquisition, Tecan expands its dedicated solutions offering into the new market segment of NGS reagents, accelerating its broad genomics strategy and further increasing recurring revenues.

Organic outlook for full-year 2018 confirmed (excluding acquisitions after the end of the first half of 2018)

On the basis of an unchanged scope of consolidation compared to the first half of the year, Tecan continues to expect organic sales growth for full-year 2018 in the mid-single-digit percentage range in local currencies. After the significant margin increase in 2017, partly on the back of non-recurring positive effects, Tecan anticipates that the EBITDA margin will continue to exceed 19% of sales in 2018.

These expectations regarding profitability (excluding NuGEN and any additional acquisitions) include integration costs for already completed acquisitions in a low single-digit million Swiss franc amount. They are based on an average exchange rate forecast for full-year 2018 of one euro equaling CHF 1.15 (2017: 1.07) and one US dollar equaling CHF 0.96 (2017: 0.99).

The impact of the NuGEN acquisition on Tecan's 2018 financial results depends on the exact timing of the closing of the transaction. Currently, the closing of the transaction is anticipated within the coming weeks. The acquisition could generate additional sales in a low single-digit million Swiss franc amount. Initial integration costs in a low single-digit million Swiss franc amount together with reduced margins associated with the acquisition are expected to lower the communicated Group EBITDA margin outlook by around 50 to 75 basis points.

Financial Report and Webcast

The full 2018 Interim Report can be accessed on the company's website www.tecan.com under Investor Relations. An iPad app for the Tecan Financial Reports is also available from the App Store.

Tecan will hold a conference call to discuss the results in the first half of 2018 today at 10:00 a.m. (CEST). The presentation will also be relayed by live audio webcast, which interested parties can access at www.tecan.com. A link to the webcast will be provided immediately prior to the event.

The dial-in numbers for the conference call are as follows:
For participants from Europe: +41 (0)58 310 50 00 or +44 (0) 207 107 0613 (UK)
For participants from the US: +1 (1) 631 570 5613
Participants should if possible dial in 15 minutes before the start of the event.

Key upcoming dates

- The 2017 Annual Report will be published on March 14, 2019.
- The Annual General Meeting of Tecan's shareholders will take place in Zurich on April 16, 2019.

About Tecan

Tecan (www.tecan.com) is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The company 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 (OEM), Tecan is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries. In 2017, Tecan generated sales of CHF 548 million (USD 560 million; EUR 494 million). Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191).

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Tecan Group – Financial reporting
Interim consolidated financial statements as of June 30, 2018
(Key figures, unaudited)

Consolidated statement of profit or loss

January to June, CHF 1'000	2017 (Restated)	2018	△ in %
Sales	**252'238**	**273'481**	**8.4%**
Cost of sales	(132'006)	(144'958)	9.8%
Gross profit	**120'232**	**128'523**	**6.9%**
In % of sales	*47.7%*	*47.0%*	
Sales and marketing	(40'362)	(42'315)	4.8%
Research and development	(23'524)	(22'037)	-6.3%
General and administration	(25'951)	(26'103)	0.6%
Other operating income	24	42	75.0%
Other operating expenses	(490)	(305)	-37.8%
Operating profit	**29'929**	**37'805**	**26.3%**
In % of sales	*11.9%*	*13.8%*	
Financial result	1'521	(3'035)	n.a.
Profit before taxes	**31'450**	**34'770**	**10.6%**
Income taxes	(5'412)	(5'594)	3.4%
Profit for the period	**26'038**	**29'176**	**12.1%**
In % of sales	*10.3%*	*10.7%*	

EBITDA	**41'642**	**48'106**	**15.5%**
In % of sales	*16.5%*	*17.6%*	

Basic earnings per share (CHF/share)	**2.25**	**2.49**	**10.7%**
Diluted earnings per share (CHF/share)	**2.22**	**2.46**	**10.8%**

Order entry

January to June, CHF 1'000	2017	2018	△ in % (CHF)	△ in % (LC)
Order entry	**290'123**	**298'143**	**2.8%**	**1.3%**

Segment information by business segments

Segment information

January to June, CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Corporate / Consolidation		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
Sales to third parties	138'185	140'522	114'053	132'959	-		252'238	273'481
Intersegment sales	5'174	8'144	762	721	(5'936)	(8'865)	-	-
Total sales	**143'359**	**148'666**	**114'815**	**133'680**	**(5'936)**	**(8'865)**	**252'238**	**273'481**
Operating profit	**17'837**	**18'144**	**19'344**	**25'573**	**(7'252)**	**(5'912)**	**29'929**	**37'805**
In % of sales	*12.4%*	*12.2%*	*16.8%*	*19.1%*			*11.9%*	*13.8%*

Sales to third parties

January to June, CHF 1'000 2017 restated	2017	2018	△ in % (CHF)	△ in % (LC)
Life Sciences Business	138'185	140'522	1.7%	-0.6%
Partnering Business	114'053	132'959	16.6%	16.1%
Total sales	**252'238**	**273'481**	**8.4%**	**6.9%**

Sales by regions (by location of customers)

January to June, CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Total		△ in % (CHF)	△ in % (LC)
	2017	2018	2017	2018	2017	2018		
Europe	45'622	48'539	50'403	70'932	96'025	119'471	24.4%	19.9%
North America	63'016	61'334	47'726	44'477	110'742	105'811	-4.5%	-2.5%
Asia	24'193	26'301	14'250	16'212	38'443	42'513	10.6%	5.4%
Others	5'354	4'348	1'674	1'338	7'028	5'686	-19.1%	-23.6%
Total sales	**138'185**	**140'522**	**114'053**	**132'959**	**252'238**	**273'481**	**8.4%**	**6.9%**

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Consolidated balance sheet

CHF 1'000	31.12.2017 (Restated)	30.06.2018	△ in %
Assets			
Current assets	602'194	597'135	-0.8%
Non-current assets	201'793	207'248	2.7%
Assets	**803'987**	**804'383**	**0.0%**
Liabilities and equity			
Current liabilities	153'142	144'952	-5.3%
Non-current liabilities	100'724	87'474	-13.2%
Total liabilities	*253'866*	*232'426*	*-8.4%*
Shareholders’ equity	550'121	571'957	4.0%
Liabilities and equity	**803'987**	**804'383**	**0.0%**

Consolidated statement of cash flows

January to June, CHF 1'000	2017	2018	△ in %
Cash inflows from operating activities	31'712	38'362	21.0%
Cash outflows from investing activities	(12'354)	(20'788)	68.3%
Cash outflows from financing activities	(17'867)	(25'763)	44.2%
Translation differences	(363)	(159)	-56.2%
Increase/(decrease) in cash and cash equivalents	**1'128**	**(8'348)**	**n.a.**
Cash and cash equivalents as per cash flow statement:			
At January 1	246'744	309'412	25.4%
At June 30	247'872	301'064	21.5%

Consolidated statement of changes in equity

January to June, CHF 1'000	2017 (Restated)	2018	△ in %
Shareholders’ equity at January 1	**487'085**	**550'121**	**12.9%**
Restatement IFRS 15	397	-	n.a.
Profit for the period	26'038	29'176	12.1%
Other comprehensive income for the period	1	5'734	n.a.
Dividends paid	(20'315)	(23'462)	15.5%
New shares issued based on employee participation plans	1'992	1'863	-6.5%
Share-based payments	8'992	8'525	-5.2%
Shareholders’ equity at June 30	**504'190**	**571'957**	**13.4%**

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