ANNUAL REPORT 2000 *“Seizing opportunities in Life Sciences”*

TECAN.

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TECAN AT A GLANCE

Tecan is a leading player in the fast growing Life Sciences supply industry that specializes in the development, production, and distribution of enabling solutions for the discovery of pharmaceutical substances, as well as for genomics, proteomics, and diagnostics. Tecan clients are leading pharmaceutical and biotechnology companies, university research departments and diagnostics laboratories. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both North America and Europe and maintains a sales and service network in 52 countries. In 2000, Tecan achieved sales of CHF 273.5 million (USD 162 million; EUR 175 million).

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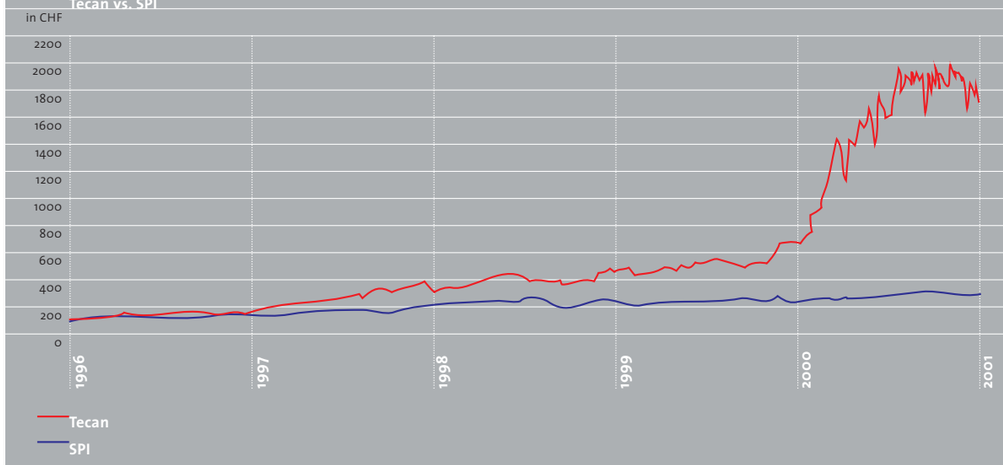
Tecan vs. SPI



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"Tecan's vision is to improve and enhance the quality of human health by enabling the Life Sciences." **Dr. Emile Sutcliffe,** Chief Executive Officer

Four markets – Genomics, Proteomics, Drug Discovery and Diagnostics. The goals of Tecan are to become the preferred partner of its customers and a key player in the fast-growing Life Sciences supply industry. The company serves all segments of the Life Sciences worldwide by offering the most comprehensive product portfolio. To move toward its vision of a company providing total solutions for the Life Sciences industry, Tecan has strategically positioned itself by expanding into new businesses. Recognizing recent growth opportunities, Tecan established business units for Genomics and Proteomics, complementing its established business pillars in Drug Discovery and Diagnostics.

Most Life Sciences companies are represented adequately by the following groups: supply companies (providing the necessary infrastructure and enabling tools for the industry), information companies (providing knowledge for research and development, drug discovery and advanced diagnostics), and pipeline companies (involved in the discovery and development of new drugs and diagnostic methods). Tecan's aim is to provide solutions, the necessary infrastructure and enabling tools to information and pipeline companies active in all markets of the Life Science industry. To do this, Tecan has adopted a selective business strategy that strengthens and expands on its core competencies "filling the gaps" as it moves further into its fast-growing markets.

Building on a foundation of core competencies and experience. The success of Tecan over the past 20 years has been built on a solid foundation of core competencies, which include expertise in liquid handling, robotics, detection, system integration and miniaturization implemented through hardware, software and third party solutions. Tecan has evolved from a company that primarily offered lab instruments such as micropipettors, washers, incubators, readers and integrated platforms with robotic arms accompanied by software and protocols into a company that provides applications and solutions for the Life Sciences. Different elements in the core competencies may be combined with robotics platforms to produce automated solutions or integrated systems for specific processes. These applications, the specific processes that may be performed by these systems (for example high-throughput DNA extraction or purification), are provided by Tecan to address key bottlenecks in the Life Sciences. Guiding Tecan's strategy is the goal of providing added value to its customers by strengthening and expanding on the company's core competencies. Customers are allowed to focus on their own strengths secure in the knowledge that Tecan will complement their efforts.

Moving into high growth markets. To meet the needs of information and pipeline companies, Tecan is moving further into its high growth markets. In 2001 and beyond, the company will provide new solutions for information and pipeline companies as it adds disposables and reagents to the product range. The move into high value-added disposables has been achieved through the acquisition of the LabCD™ from Gamera Bioscience and free-flow electrophoresis from Dr. Weber GmbH.

The strategic partnership with the chemical company Merck to produce ready-made kits for nucleic acid extraction and purification illustrates another progression, namely reagents. Tecan now offers fully scalable applications of all the basic DNA extraction technologies, an area with significant growth potential as companies start to exploit the vast amount of information from the human genome nucleotide sequence.

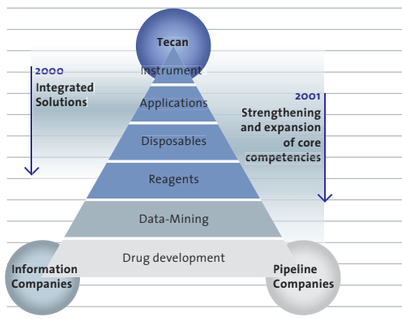
Tecan Proteomics is a good example of how Tecan will jointly with pipeline companies provide access to information to support their quest for new and better therapeutic agents. As biopharma companies shift their focus to proteomics in the search for new drug targets, they will be looking for external partners. Tecan Proteomics has the scientific expertise and the technology base to partner with pipeline companies to perform the initial stages of target identification, using that information to perform the subsequent steps in screening and development.

Three factors for success: products, high growth markets, and geographic reach. To implement its core competencies as it moves into new market segments, Tecan exploits its strong product range, high growth markets and geographic reach. Collectively these factors are referred to as the three business pillars. Tecan has built its success on flexible automation platforms in which a broad product range of components can be added or removed depending on the needs of customers. As the company pursues market expansion into Genomics and Proteomics, new high added-value applications in those areas can be leveraged in Drug Discovery and Diagnostics. Global solutions for the Life Sciences industry are developed by leveraging its worldwide presence and existing distribution network – an advantage that sets it apart from its competitors.

Customer service. Tecan builds lasting partnerships with its customers and foresees its representatives serving as full-service technological consultants. Backed up by a core manufacturing capability and a range of strategic alliances with third parties, they will be able to offer everything from specific laboratory instruments to customized packages of goods and services making Tecan an indispensable partner for the Life Sciences industry. Tecan aims to let customers focus on their own strengths, complementing their needs through services that it is able to offer. Included in this service is ongoing support throughout the lifetime of a project.

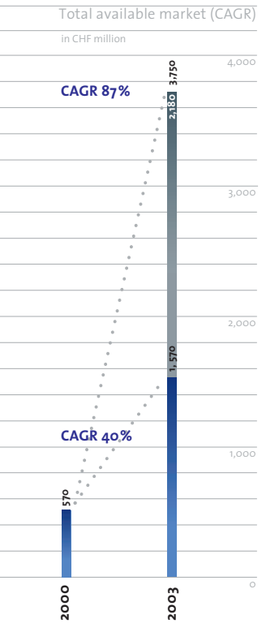
Future based on experience and superior services. Tecan's experience in providing solutions is already allowing the company to provide superior services. The breadth and depth of what Tecan can offer will increase as it expands into its markets and new business opportunities. The goal is to become the preferred partner of our customers and the undisputed leader in providing solutions to the Life Sciences industry.

Tecan's Strategic Focus



"Tecan's ability to produce the right automated solutions for our customers puts us in a strong position in the fast-growing Genomics market."

Tony Maurer, Manager Genomics



Industry trends: catching the next wave of the Genomics revolution. The sequencing of the human genome in 2000 marked the end of the first phase of the Genomics revolution. Now, the second phase of that revolution is beginning as scientists grapple with the monumental task of analyzing the vast amounts of data generated. In particular, there will be a continuous need for faster and more efficient technologies to generate genetic sequences, analyze the expression of genes and evaluate the diagnostic and prognostic potential of single nucleotide polymorphisms (SNPs), individual differences in one of the four genetic "building blocks" that may predispose individuals to disease. The total core market available to Tecan for Genomics research and applications was estimated at CHF 570 million in 2000 and is expected to grow annually by 40% to CHF 1.57 billion in 2003. Tecan will selectively expand into the collateral market in Genomics which is estimated to be worth an additional CHF 2.18 billion.

Market position and strategy: leveraging core competencies and products. As a result of our close partnership with customers in the biopharma industry, we recognized the trend toward Genomics early, becoming one of the first companies to launch an application for fully automated DNA sample preparation. As the emphasis now shifts from genetic sequencing to analysis of data, Tecan is in a strong position to become a leading force in this fragmented market. Building on our innovative product portfolio from drug discovery, we have targeted attractive niches in DNA sample preparation, microarray technology and alliances with leaders in SNP scoring. New applications are helping us meet the strong demand for gene expression using in situ hybridization.

Holding a strong position in the Genomics, proteomics and drug discovery markets allows Tecan to exploit synergies in technologies such as microfluidics and spotted arrays across these markets. Tecan's solid presence in clinical diagnostics could be a significant asset as advances in Genomics are translated into "personalized medicine" on the basis of genetic profiles and other molecular diagnostics methods.

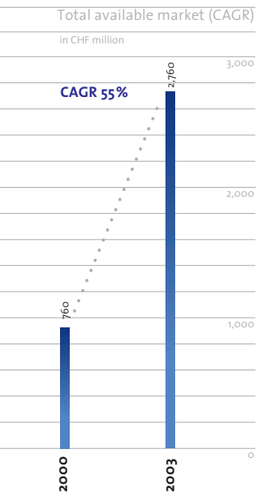
Business performance: dynamic sales growth, versatile new products. In less than two years, Tecan has accelerated from CHF 0 to 50 million in sales in Genomics. In 2000, sales surged by more than 100%. Our success in this booming business is built on the flexibility of our technology platforms and our ability to quickly expand our core competencies. We introduced two applications for the automated extraction and purification of DNA, using solid phase extraction and magnetic bead separation that can be integrated seamlessly into the Genesis MolBio workstation. Tecan is in the unique position of being able to fully automate the whole DNA sample preparation process with validated protocols for the major DNA extraction kits on the market. This flexibility allows our customers to mix and match kits for different applications from different vendors on the same automation platform.

Our MolBio workstation, launched in 1999, fills an important gap in the Genomics laboratory by automating the sample preparation phase with our proven expertise in robotics. A hallmark of the workstation, which can be integrated into the Genesis platform, is its flexibility in handling standard test kits available on the market. Our Ultra microtiter plate detection devices proved to be an ideal SNP detection device. The combination of the MolBio workstation and Ultra detection device allowed Tecan to team up with major players in the SNP scoring market.

Outlook: Genomics is becoming a strong pillar of our business. We will continue to build on the success of our flexible technology for automating genomic processes such as DNA sequencing and polymerase chain reaction (PCR) as well as expanding our presence in genotyping and SNP scoring. We will also launch the first components of an entire system for DNA microarrays. These arrays, which consist of hundreds or thousands of known sequences of DNA microspotted on glass or silicon, produce massive amounts of information on the identification and behavior of genes. The full suite of Tecan instrumentation will cover printing spot arrays, hybridizing against labeled experimental samples and scanning and analyzing results. Also planned for launch in 2001 is an automated in situ hybridization system, including reagents, for gene expression and functional studies. Our strategic partnership with Merck (see inset) opens up an important new market for us in disposable nucleic acid extraction and purification kits. Finally, Tecan has reached agreements with major partners to co-develop and co-market applications in the rapidly expanding SNP market. Taking all these factors into account, we are confident that Genomics will rapidly become one of the pillars of our business.

Creating value for customers: nucleic acid extraction and purification kits. Biotech and pharmaceutical companies are rapidly shifting the focus of their discovery efforts to Genomics for clues to new drug targets. Conventional methods for isolating samples of DNA rely on solid phase extraction columns that require extended ethanol wash times. Tecan has teamed up with the chemical company Merck to improve the process by developing high-throughput nucleic acid extraction and purification kits based on magnetic beads. The kits are validated on Tecan's existing high-throughput laboratory automation platforms, giving biopharma customers a seamless process for DNA sample preparation. There are also numerous applications in clinical diagnostics. The strategic partnership with Merck is an outstanding example of the company's expansion of its core competencies into high-margin disposables, allowing Tecan to offer "one-stop shopping" to its customers in the life sciences industry.

"Proteomics could be the greatest single opportunity for our company in the coming years." **Jan Timmers,** Head of Corporate Business Development



Introduction: why Proteomics is so important in the post-genomic era. Public excitement surrounding the Human Genome Project has generated unrealistic expectations about finding impending cures for cancer, heart disease, diabetes or other illnesses by locating specific, disease-causing genes. In fact, experimental therapies to repair defective genes have been largely unsuccessful and conventional drugs have no mode of action at the genetic level. But genes do provide the "blueprints" for the creation of proteins, which are promising drug targets. Genes are expressed in the body as proteins in forms ranging from muscle fibers and neural endings to antibodies and hormones. The study of the full expression of proteins by cells is a good working definition of proteomics.

The recent announcement that the human genome is much smaller than anticipated – from 30,000 to 40,000 genes (roughly double that of a fruit fly) – has shifted attention to proteomics to unravel the complexity of the human body. Armed with the information on the human genome, scientists are now looking into the complex pathway that leads from genes to proteins and how proteins interact to determine healthy cell function or disease. There may be millions of proteins – no one knows for sure – and the enormous task of finding relevant proteins to different disease stages is just beginning. Pharmaceutical and biotech companies are pouring enormous resources into this relatively new branch of science. Proteomics promises to be the next revolution in drug discovery.

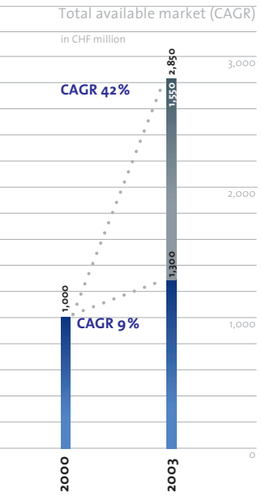
Industry trends: explosive growth despite significant bottlenecks. The proteomics market had an estimated value of CHF 1.7 billion in 2000 of which CHF 760 million are now becoming available to Tecan. This proteomics market segment is expected to grow by 55% annually to CHF 2.8 billion by 2003. Its main applications are in drug discovery (identification of drug targets, target validation, toxicology) and in clinical diagnostics (screening of patients for drug responsiveness and side effects). As proteomics is a young science, lab instruments and testing procedures are still developing and involve frequent manual intervention. Major bottlenecks are apparent in three categories: sensitivity (for example, difficulty in detecting unknown, low-abundant proteins that could be interesting drug targets), high-throughput methods (lack of automation) and reproducibility of results (e.g. lack of standardized methods for 2-D gel electrophoresis).

Market position and strategy: dual engines of rapid growth. With the establishment of a Proteomics business unit (see inset), we can immediately begin to address the three major bottlenecks in this field with our core competencies, allowing us to capture market share quickly. The second engine of growth is the scientific expertise of Tecan Proteomics, combined with early access to our technology, which will help us enter into research agreements with pharmaceutical and biotech companies that are searching for technology and know-how to accelerate their research process. The scientific expertise of our Proteomics unit can also be used to develop and validate new technologies and solutions. The fact that we are devoting over 20% of our R&D budget to Proteomics in 2001 is a clear indication of our commitment to this field.

Outlook: expanding our core competencies to capture huge opportunities. The available market for Tecan in proteomics is growing dramatically. We anticipate double-digit sales in millions (CHF) in 2001, with a steep rise in the following years. The establishment of Tecan Proteomics GmbH is expected to put us on the map as a leader in the field, allowing us to complement our enabling solutions with research agreements and scientific expertise. The acquisition of free-flow electrophoresis technology from Dr. Weber GmbH in January 2001 gives us a valuable solution for a critical bottleneck in proteomics (fractionation) and a foothold in the high-end consumables market (separation media and buffers). While expanding our own business opportunities, we are also exploring the possibility of strategic partnerships with other companies. Innovative solutions developed by Tecan in proteomics will also unleash synergies in drug discovery.

Bridging the gap to our customers: Tecan Proteomics GmbH. Tecan Proteomics GmbH was established in the European biotech center of Munich, Germany, in January 2001. Leading the team of top scientists there is PD Dr. Christoph Eckerskorn, who did pioneering work in proteomics at the Max Planck Institute. Our core competencies, product portfolio and the knowledge of this scientific team will target existing bottlenecks in proteomics laboratories and address new ones. Tecan Proteomics will build on our network of customers in the pharmaceutical, biotech and diagnostic industry. Research partnerships will be formed, for example, for the identification of novel drug targets. The results will be turned over to clients for the next steps in the drug development process. In proteomics, Tecan is now established in a market where the customers' core competencies are still rudimentary. To bridge this gap, we can span the whole range of customer needs, from instruments and applications to disposables, reagents, services and information.

"Tecan's market leadership in drug discovery applications puts us in an ideal position to set future industry standards and achieve our strategic growth goals." **Christopher McNary,** Manager Drug Discovery



Industry trends: improving efficiencies, time to market and information lag. The total core drug discovery laboratory automation market available to Tecan is expected to grow annually by 9 % to CHF 1.3 billion in 2003. In this core market, Tecan will concentrate on high-growth, high-margin segments that will ensure much faster growth than would be possible in the total available core market. The company will also selectively expand into the collateral drug discovery market which is estimated to be worth an additional CHF 1.55 billion. Adding to the dynamics of this market is the successful sequencing of the human genome – the number of drug targets that could offer scientists clues to new medical therapies is projected to increase from 500 to 5,000 and should continue to grow. In a highly competitive market, pharmaceutical and biotech companies are compelled to improve efficiencies of their human and material resources while reducing the time to market for new drugs. These challenges have led to a concentration on areas such as the automation of high-throughput screening and technologies such as assay miniaturization. In the next few years, the capability of ultrahigh-throughput screening equipment will rise dramatically, providing hundreds of thousands of data points per day. The drive for information at the earliest stage in the discovery process has become a critical success factor, helping researchers to quickly identify and focus on only the most promising drug candidates. In this environment, companies require seamless automation to free their valuable intellectual assets from manual labor to concentrate on knowledge work.

Market position and strategy: adding value to open automation platforms. Drug Discovery is our core business, making up almost 50 % of sales. Our applications solutions cover the whole spectrum of the drug discovery process, from early stage compound synthesis and high-throughput screening through the late pre-clinical stage, including ADME (absorption, distribution, metabolism, excretion) toxicology assays. Success has been driven by our broad, flexible product portfolio and our global distribution network, making us the preferred partner for the world leaders in the biopharmaceutical industry. They know Tecan solutions can be implemented at all affiliates worldwide, standardizing their discovery process and information. Expanding from our base of core competencies, we are moving into high-value disposables such as the LabCD™, which addresses the strategic trends in the industry towards miniaturization and system integration. On our existing technology platforms, we are developing scalable assays that can perform several screening tests simultaneously and provide key information at an earlier stage. We will increasingly leverage innovative solutions from Genomics and Proteomics in Drug Discovery, giving us a strategic edge on the competition.

Business performance: balanced sales growth well above market average. Our sales in Drug Discovery surged to CHF 129 million in 2000, a 42 % increase over the previous year. In terms of the geographical distribution of sales, the United States represented 49.1 %, Europe 44.0 % and Asia 6.9 %. All geographical regions posted significant sales growth. Our successful positioning in the market as "automation consultants" is evidenced by the sales trend away from individual instruments to high added-value integrated application solutions. This approach has maximized our sales channel efficiency by leveraging a single sale into a customer-implemented worldwide standard. We have formed several partnerships where Tecan provided the automation solution for other technologies. Our early initiative in automating several of the ADME applications has allowed us to secure a dominant share in this market.

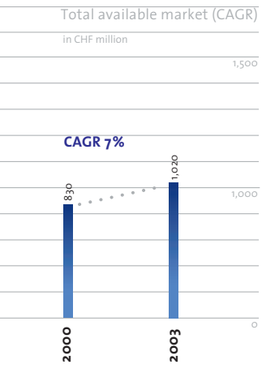
Outlook: launch of Genesis Freedom, microfluidics technology in 2001. At LabAutomation in Palm Springs, California, in January 2001 – the largest event of its type in the world – Tecan was a dominant player. We unveiled the Freedom, a further evolution of the Genesis automation platform. Our newest platform allows us to access additional applications in ADME, high-throughput screening and DNA extraction. With a new third robotic arm and the addition of an integrated centrifuge, we are the first to provide total process automation for assays in these areas. We have also recently introduced the Safire, the world's first multifunctional detection device with both absorbance and fluorescence for the whole spectrum of drug discovery applications. Our revolutionary microfluidics technology, the LabCD™, will be introduced to the market in the second half of 2001. The first targeted applications are in the ADME area. These application solutions will include automation, reagents and disposables, allowing us to realize our strategy of expanding our core competencies (see inset).

Culture of Innovation: LabCD™ in ADME.

In 2000, Tecan acquired the Boston-based company Gamera Bioscience. Gamera, a pioneer in microfluidics technology, has developed the LabCD™, a disposable compact disc that enables biological processes to be studied on a very small scale. The LabCD™ combines software, microscale fluid paths, reaction chambers and valves on one platform and has many potential applications in Tecan's business segments.

Miniaturization offers Tecan's customers access to cost-effective solutions for high throughput processes. Tecan has initially focused the development of the LabCD™ on applications that target known bottlenecks in the drug discovery process. The LabCD™ will permit researchers to obtain critical data at a much earlier stage in the drug discovery process. This will allow scientists to identify and focus on more promising drug targets, reducing the costs and time needed for the development of new therapeutic agents.

"There are still some things in the lab that must be done manually, but if it is 'automatable,' Tecan can do it." **Joe Kaelin,** Head of Clinical Diagnostics



Industry trends: paradigm shift toward molecular diagnostics. The total clinical diagnostics market available to Tecan was estimated at CHF 830 million in 2000 and is expected to grow annually by 7 % to CHF 1.02 billion in 2003. Current diagnostic methods rely primarily on technologies to detect symptoms of disease such as antibodies generated by the body against pathogens or enzyme levels in the blood, rather than detection of the actual cause of the disease (e. g. the DNA of the pathogen).

In the coming years, there will be an industry-wide shift to "molecular diagnostics" using instruments that can detect the DNA or RNA of pathogens, predisposition for a particular disease, the responsiveness to certain drugs and the likelihood of side effects. This paradigm shift is being driven by pioneering work in Genomics and Proteomics that will be translated to the level of individual patients, leading to a renaissance of clinical diagnostics. The rise of personalized medicine based on the genetic profile of the patient will drive increased demand for cost-effective, miniaturized solutions.

Market position and strategy: capturing niches, exploiting synergies. Tecan has been able to beat the overall growth rate of the clinical diagnostics market – growth in 2000 was more than three times the market average – due to its strong core competencies and presence in attractive niches. Tecan's standard lab automation products cover the full range of diagnostic instruments: from liquid handling and microtiter plate readers and washers allowing semi automation, up to fully integrated microtiter plate processors. Tecan is also a major player in the sample logistics and preparation market. Our main end-user market segments are blood banks, hospitals, and large reference and veterinary laboratories. Tecan is also an original equipment manufacturer (OEM) for many well-known diagnostic companies. With its role as an established player in this market and its growing presence in Genomics and Proteomics, Tecan is in an excellent position to leverage new, high added-value applications in clinical diagnostics.

Business performance: strong rise in sales, quick reaction to BSE crisis. More than one-third of Tecan's sales in 2000 came from clinical diagnostics, with sales increasing 22 % over 1999. The Genesis RMP platform, for example, proved very successful with blood banks due to its ability to fully automate microtiter plate-based testing. We were able to expand our presence in emerging markets such as in situ hybridization as a result of successful partnerships with diagnostic companies. In 2000, we further penetrated the segment of laboratory sample preparation, co-marketing the FE 500 Workstation with Abbott. The urgent need for BSE-testing in Europe at the end of 2000 created a new market segment. In less than six weeks, we launched a modified Genesis workstation to automate tests for BSE using existing kits (see inset).

Outlook: building on core competencies. In molecular diagnostics we are developing a range of applications that leverage our solutions from the Genomics market. In the first quarter of 2001, we will further strengthen our position in the blood bank market, which is relying on "donor pooling" to economize and accelerate PCR-based testing of blood. In molecular diagnostics, we will leverage solutions from Genomics such as in situ hybridization applications and high-throughput nucleic acid extraction and purification kits developed jointly with Merck.

Looking ahead, our competitive edge in clinical diagnostics lies in the ability to address emerging bottlenecks with a mix of our traditional core competencies and enabling solutions that we leverage from the Genomics and proteomics market. This allows us to launch new products quickly, addressing critical market needs. Our technology base and global distribution and support network makes us an attractive partner for established and emerging diagnostic companies that we can supply and offer support to in every stage of the life cycle.

Eliminating bottlenecks: automated testing of BSE kits. At the end of 2000, concern over "mad cow" disease caused European governments to call for immediate testing of beef products, but labor-intensive testing methods could not keep pace. Less than six weeks after the crisis broke, Tecan launched an automated solution based on modifications to the Genesis platform using existing test kits – doubling the testing speed. Due to its close partnerships with customers, the company anticipated the bottleneck and began to work on it well before the crisis broke. The result demonstrates the flexibility of the Genesis platform and the ability of Tecan engineers to develop customized solutions.