

Bachem announces financial results for the business year 2008

- Record sales of 2007 slightly exceeded in local currencies with a 2.0% increase – in CHF, the dollar weakness leads to a 1.7% drop in sales to CHF 195.0 million
- Successful sales growth in Europe with a 9.2% increase in local currencies
- Generics and custom synthesis show double-digit sales growth
- Delay in deliveries for a major seller because of the customer's high stock levels compromises both business in the USA and overall earnings
- Margins maintained at a high level: EBIT margin at 35.7%, net profit margin at 30.1%
- Underlying positive market trend and an extensive range of products and services promise further growth for 2009

Bubendorf/Basel, Switzerland, March 13, 2009 – In the business year 2008, the Bachem Group (SWX: BANB) achieved sales of CHF 195.0 million. Compared with the previous year, this corresponds to a 2.0% sales growth in local currencies or a 1.7% sales decline in CHF. The negative foreign currency impact is due in particular to the weaker US dollar, which lost an annual average of 8.3% of its value compared with 2007. On average, however, the Euro was also 3.7% lower than in the previous year. Turnover was negatively affected by loss of sales in the USA resulting from a customer's high stock levels of an important product, which meant that deliveries had to be postponed. Thanks to our diversified portfolio, however, we could compensate for this shortfall. If this effect is excluded, the sales growth is calculated to be 7.7% in local currencies. Sales reached CHF 96.3 million in the second half of 2008, an increase of 3.5% in local currencies and 0.9% in CHF compared to the second half of 2007.

In 2008, sales in the active pharmaceutical ingredients (APIs) business grew by 0.5% in local currencies, but fell by 2.5% in CHF. Generics showed a very gratifying development, with growth of 13.3% in local currencies and 10.4% in CHF. Peptide-based generics were a major contributor to this increase in sales with a growth of 16.2%, while the non-peptide-based generics grew by 2.1% (in local currencies). In the case of NCEs, however, we saw a decline of 28.7% in local currencies or 31.6% in CHF. While sales of NCEs in Europe increased by almost 70%, the significant decrease in sales overall was caused by the delay of a major customer in the USA in demanding deliveries of an important product. Research chemicals showed a very positive development with an increase of 8.6% in local currencies and 1.8% in CHF. A marked double-digit growth again in custom synthesis contrasted with low growth in catalog sales.

In 2008, sales in Europe increased by 9.2% in local currencies and by 7.8% in CHF. This region thus increased its share of sales to 66.3%. By contrast, sales in North America fell by 8.5% in local currencies and by 16.1% in CHF, mainly as a result of the above-mentioned shortfall in sales to a major customer. Markedly higher deliveries of substances produced in Switzerland for the US market partly offset the loss of sales with active ingredients produced in the USA. As a result, the proportion of total sales accounted for by the US business fell to 33.7%.

Dr. Rolf Nyfeler, CEO of the Bachem Group, commented: "Once again we can look back on a successful year. The underlying momentum of our business has been sustained in a difficult environment. Positive news predominated in all areas apart from New Chemical Entities

in the USA. Market trends and also our own achievements confirm us in our conviction that our strategic focus as a leading technological producer of complex active pharmaceutical ingredients continues to offer sustainable growth opportunities.”

In the past year, Bachem achieved an operating income of CHF 69.7 million. This corresponds to an EBIT margin of 35.7% compared with 36.5% the previous year. As a result of the slight sales decline in CHF and the slightly lower margin, the EBIT was 3.8% lower than in the previous year. If the negative currency influence is excluded, an unchanged operating margin of 36.5% and a 1.8% increase in EBIT are calculated.

Only slight shifts in the various cost blocks occurred in 2008. The cost of goods sold (COGS) amounted to 45.1% of sales (2007: 44.6%). Despite the shortfall in turnover of a major sales driver in the USA and the resulting substantial shift in the product mix, the gross margin was thus approximately maintained at 54.9% (2007: 55.4%). The share of marketing and sales costs fell slightly to 5.5% (2007: 6.0%) while research and development cost as well as general administrative cost slightly increased to 3.1% (2007: 2.7%) and 10.8% (2007: 10.1%) of sales respectively.

In 2008, Bachem increased the number of its employees by 65 to 722 full-time equivalents (FTEs). In Switzerland, 48 new jobs were created in Bubendorf and 18 at Sochinaz in Vionnaz, while one new job was added in the UK. By contrast, the number of employees in the USA fell by two FTEs. The number of full-time positions in the Group thus increased by 9.9%. The growth in personnel was above-average compared with sales growth. However, the increase in staff continues to be selective and is concentrated on the two Swiss sites, which achieved good sales growth in 2008 and whose prospects for the coming year are also regarded as very positive. Personnel costs consequently increased by 6.4% and amounted to CHF 73.1 million, which corresponds to 37.5% of sales.

The good operating margin also led to a continued very good net profit margin in 2008 of 30.1%. Compared with the previous year, however, net income fell by 8.2% to CHF 58.7 million, with the tax expense – which was relatively low thanks to a lower tax rate – being offset by the loss of the positive one-off effect from the previous year at our associated companies and also a lower financial result. Earnings per share (EPS) likewise fell as a consequence and amounted to CHF 4.38 compared with CHF 4.81 in the previous year.

As a result of the continuing dynamic growth in demand, with the exception of the special effect in the USA, investments in property, plant and equipment and intangible assets in 2008 again stood at a high level totalling CHF 54.0 million. This corresponds to 27.7% of sales. However, this total includes CHF 5.1 million for the currently unused adjacent property in Bubendorf, which is required for the further growth at this site. Bachem AG in Bubendorf accounted for most of the capital expenditures in 2008, amounting to a total of CHF 39.1 million. Investments at Sochinaz SA in Vionnaz amounted to CHF 10.9 million, while CHF 3.5 million was invested in the USA and CHF 0.5 million in the UK.

The Board of directors has decided to propose an increase in dividend from CHF 3.00 to CHF 3.20 for approval by the Annual General Meeting. This is in line with the dividend policy of granting shareholders the funds that are not needed in operational terms.



Outlook

Also in the current year, Bachem shall continue to follow its growth course with care. The planned investments will be constantly monitored and adapted to circumstances. The underlying momentum of its business, the high level of capacity utilization in Switzerland and an expected jump in sales at Sochinaz give the company grounds for assuming that, in spite of the more difficult situation in the USA, the growth in sales will start to accelerate again this year. The 5-year forecast of average sales growth between 8% and 12% in local currencies and an EBIT-margin between 30% and 35% remains unchanged.

The Annual General Meeting of Bachem Holding AG for the business year 2008 takes place on April 22, 2009. The comprehensive Bachem Annual Report 2008 is available at www.bachem.com.

About Bachem

Bachem is an independent, technology-based, public biochemicals company providing full service to the pharma and biotech industry. Bachem is specialized in the process development and the manufacturing of peptides and complex organic molecules as active pharmaceutical ingredients (APIs), as well as innovative biochemicals for research purposes. With headquarters in Bubendorf, Switzerland, and affiliates in Europe and the US, Bachem works on a global scale and holds a leading position in the field of peptides.

For further questions, please contact:

Bachem Holding AG

Michael Hüsler, CFO

Tel.: +41 61 935 2333

Fax: +41 61 935 2324

www.bachem.com

ir@bachem.com

Key figures in brief	2008	2007	Change in CHF (in LC) %
Sales (in CHF m)	195.0	198.3	-1.7 (+2.0)
EBIT (in CHF m)	69.7	72.4	-3.8 (+1.8)
EBIT in % of sales	35.7%	36.5%	
Net income (in CHF m)	58.7	63.9	-8.2
Net income in % of sales	30.1%	32.2 %	
Earnings per share (EPS – in CHF)	4.38	4.81	-8.9
Cash flow from operating activities (in CHF m)	39.3	78.1	-49.7
Return on equity (ROE)	16.0%	17.1%	
Number of employees	722	657	