

BACHEM

ANNUAL REPORT

20
21

EXPERIENCE FOR THE FUTURE

Bachem is a leading, innovation-driven company specializing in the development and manufacture of peptides and oligonucleotides. The company, which has over 50 years of experience and expertise, provides products for research, clinical development, and commercial application to pharmaceutical and biotechnology companies worldwide and offers a comprehensive range of services. Bachem operates internationally with headquarters in Switzerland and locations in Europe, the US and Asia. The company is listed on the SIX Swiss Exchange. For further information, see

www.bachem.com

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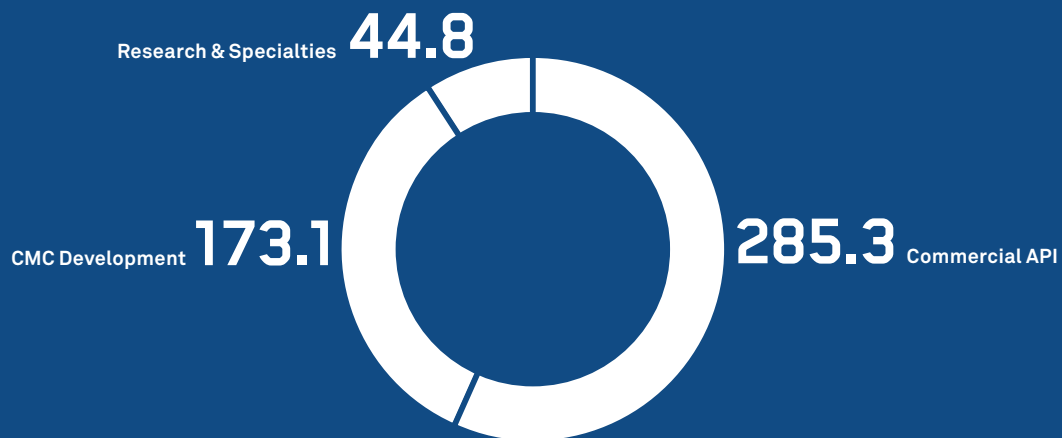
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HIGHLIGHTS

2021

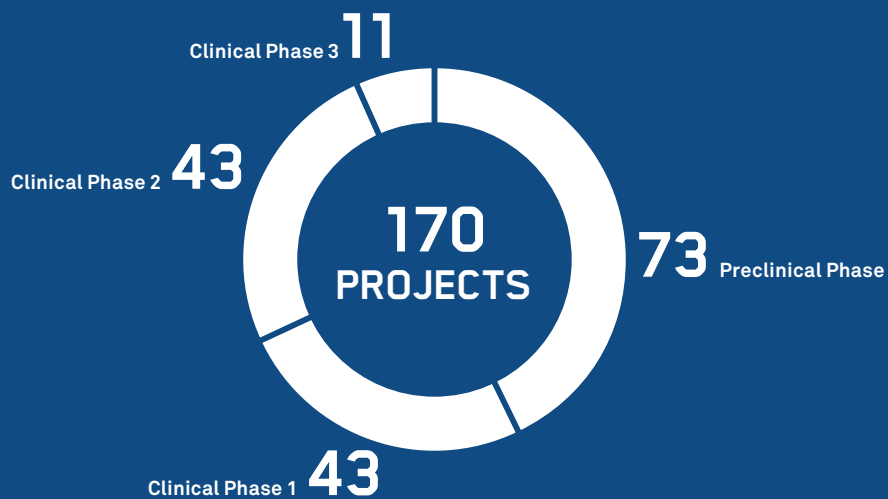
STRONG PERFORMANCE IN ALL CATEGORIES

in CHF million



ROBUST PROJECT PIPELINE

Projects with New Chemical Entities – NCE



CHF 503.2 MILLION

RECORD SALES

Bachem achieves over half a billion Swiss francs in sales for the first time.

166

NEW EMPLOYEES

joined Bachem and were onboarded across 6 sites in 2021.

CONSTRUCTION START

TO INCREASE CAPACITY

Building the world's most modern facility for peptides and oligonucleotides in Bubendorf, planned to go online in 2024.

CHF 571.6 MILLION

SUCCESSFUL CAPITAL INCREASE

secures long term growth plans.

MARKET LEADER

GROWTH ACROSS ALL PRODUCT CATEGORIES

Market leader in peptides and expansion of oligonucleotides. Important contribution to the world's supply with medicines.

50 YEARS OF GROWTH



FOUNDING 1971

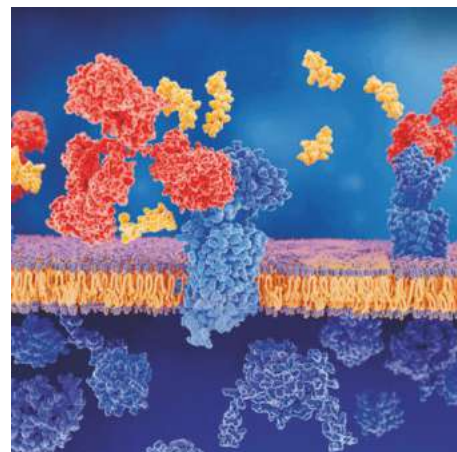
Bachem Feinchemikalien AG is incorporated by entrepreneur Peter Grogg in Liestal in a laboratory above a carpenter's shop.

BACHEM



1970s

Relocation to Bubendorf with eight employees in 1977. In 1978 Bachem produces its first batch according to GMP rules. The application of "Good Manufacturing Practice" is key to be a supplier for regulated medicines.



1980s

In 1984 Bachem launches its vocational training lab for apprentices. Three years later, a first expansion into the USA takes place.

BA
BACHEM
CHEM
FEINCHEMIKALIEN AG



THE 21ST CENTURY

American Peptide Company (APC) is acquired in 2015 and today forms Bachem's Vista site in California. In 2016 Bachem has over 1000 employees for the first time. In 2018, a subsidiary is established in Japan. Bachem announces oligonucleotides as another mainstay.

1990s

In 1996 Bachem California in Torrance, USA is acquired by Bachem. In 1998, the company goes public on the Swiss stock exchange SIX.



TURN OF THE CENTURY

In 2000, Bachem reports sales of over CHF 100 million for the first time. One year later, Bachem acquires Sochinaz SA, now Bachem Vionnaz, Valais, and for the first time has over 500 employees worldwide.



2021

Bachem celebrates its 50th anniversary. Sales exceed half a billion for the first time. Bachem employs 1695 employees. A capital increase secures long-term growth plans and the search for a third site in Switzerland begins.

50 YEARS BACHEM

VISION, MISSION AND STRATEGIC FOUNDATIONS

To be the world's leading company in developing and manufacturing peptides and oligonucleotides. The most trusted and reliable partner for pharmaceutical and biotech companies. A key contribution to the discovery and development of innovative medicines that help to treat, and even cure, patients for a variety of diseases. A great place to work for team-minded people who want to make an impact. That is our vision at Bachem.

Our mission is to make this claim reality: We aim to be the world-leading specialist in peptides and oligonucleotides with an unmatched market position, sales north of CHF one billion and strong profitability for independence and to attract and develop the most engaged and skilled workforce in our field.

We play a leading role in our segment as part of the medical supply chain. With this role comes a natural ambition to continue to grow and to further develop the technology in the development and production of these complex molecules. The growing demand for peptides and oligonucleotides in the pharmaceutical and biotech industry offers great opportunities for Bachem, while also driving new dynamics of equally ambitious competitors. This development strengthens both us as the market leader and encourages us to be entrepreneurial, innovative and efficient.

Bachem has identified five strategic foundations for this journey and set corresponding goals for the coming

years. Together, these elements provide a direction for how we want to grow, develop profitably, invest and become ever more sustainable in our business and underline our ambition for market leadership and independence. We break these down with clear priorities every year. In particular, the combination of our five strategic foundations sets us apart from the competition.

People and Culture

Bachem offers the world's largest team of qualified specialists in TIDES (PepTIDES and OligonucleoTIDES). This is only possible, because of a dedication to highly motivated and well-qualified employees and a company culture that is characterized by partnership and team spirit. Our daily work is characterized by enthusiasm for technology and innovation, a focus on solutions and a hands-on mentality. Enabling our customers to bring medical advances and new innovative treatments to patients is the motivation that drives us every day.

Innovation and Technology

Bachem is a leader in the technology to develop TIDES. We combine our expertise in chemical synthesis with modern process technology, finding ways to increase automatization and efficiency. We are constantly striving to find new ways to improve the production of complex active ingredients. This power to innovate sets industry standards. The breeding ground for this innovation is a culture that is curious and open to change.

Sustainability

Alongside our tradition of entrepreneurial responsibility as an employer, in vocational training and a member of the communities we operate in, we have introduced goals for climate protection and diversity in our workforce. Our products and services make an important and daily contribution to society by helping our customers

achieve breakthrough medical advances that transform patients' lives. Responsibility for employees, society and the environment are deeply embedded at Bachem. Ethically correct behavior and integrity are non-negotiable. They are essential for long-term business success.

Customer Centricity and Service

Bachem continues to develop its offering to customers on an ongoing basis. We have grown from a provider of active ingredient product to a true partner in the development of API and provide ongoing services during the entire clinical developmental process. We strive to give our customers an all-round positive experience – no matter who they are or where they are located. Bachem stands for trusting, long-term partnerships. Our customers appreciate our broad knowledge, experience, and expertise in the entire field of development and production of peptides and oligonucleotides.

Operational Excellence and Quality

Efficiency and quality are hallmarks of Bachem. A dynamic market demands that we continue to expand our strong market position and further develop our business profitably. Bachem balances long-term expansion plans that ensure capacity with efficiency and profitability. The pharmaceutical and biotechnology business requires stringent manufacturing standards and demands absolute perfection in quality. At Bachem, we are committed to these standards. For example, the FDA has not once had to make a major complaint about any of our sites over the past decade.

STRATEGIC FOUNDATIONS



MEDIUM- AND LONG-TERM GOALS



Average annual growth of about 15% to **> CHF 1 billion sales**
 Reach **CHF 100 million oligonucleotides sales**
 Continued profit **margin expansion**
Global investment plan to expand capacity
 Reach key UN SDG **sustainability targets (No. 3, 4, 8, 12)**

Expand **market leadership**
 Explore **adjacent technologies**
 Continue **capacity expansions**
Additional site in Switzerland

Remain **independent & financially robust**
Grow sales ambitiously
 Develop sustainably **profit margin & efficiency measures**
 Continuous commitment to **Corporate Social Responsibility**

DEAR SHAREHOLDERS

2021 was a special year for Bachem in several respects. Not only did we celebrate our 50th anniversary, but we were also able to report sales of over half a billion Swiss francs for the first time. Simultaneously, we were also able to further increase profitability. With a capital increase in October 2021, Bachem was able to raise CHF 571.6 million net in fresh capital to accelerate our ongoing capacity expansion and ensure financial independence. Based on our financial performance, the Board of Directors will propose to increase the dividend by CHF 0.25 to CHF 3.50 per share.

Once again, our employees, now numbering almost 1700, have performed magnificently under the conditions of an ongoing COVID-19 pandemic and contributed to supplying the world with active ingredients for vital medicines. They deserve special thanks.

Our business is focused on the long term. We want to sustainably and profitably grow our position as a leading specialist among suppliers to the pharmaceutical and biotechnology industry. We will achieve this through high cost discipline, uncompromising quality and leading innovation in the production of complex molecules.

We expect to grow at an average rate of around 15% per year over the next few years. It is important to us that we grow in a healthy way and also increase our profit in percentage terms over the next years. The reason for our positive growth expectations is the steadily increasing demand for peptides and oligonucleotides. In peptides, we want to further expand our market and technology leadership. In the case of oligonucleotides, we are well on the way to becoming one of the leading suppliers and also to setting new impulses in manufacturing technology.

We are laying the foundations for this path through innovations in processes and development and the implementation of automated production solutions across our manufacturing network. In 2021 we began construction of the world's most modern peptide

and oligonucleotide plant at our main site in Bubendorf; the launch of production is planned for 2024.

We have also initiated the search for an additional manufacturing site in Switzerland.

Corporate responsibility towards all stakeholders has always been important to Bachem: as an employer and trainer, as a partner for customers and suppliers, and ultimately as an important contributor to the global supply chain for patient health worldwide. In the past year, we set ourselves specific targets for climate protection and diversity in the workforce.

We are able to fulfill our responsibility because we operate our business successfully and because of your trust as shareholders in our plans. For this, we would like to express our sincere gratitude once again this year. Together we can continue to achieve a great deal.



Dr. Kuno Sommer
Chairman
of the Board of Directors

Thomas Meier
CEO and Chairman of the
Corporate Executive Committee

CORPORATE EXECUTIVE COMMITTEE



Dr. Günther Loidl
Chief Technology Officer (CTO)

Dr. Anne-Kathrin Stoller
Chief Marketing Officer (CMO)

Alain Schaffter
Chief Financial Officer (CFO)

Roland Schürmann
Chief Operations Officer (COO)

Thomas Meier
Chief Executive Officer (CEO)

2021 IN BRIEF

EBITDA
in CHF million

157.4

Increase of 28.4%
compared to the
financial year 2020

EBIT MARGIN
in percent

25.6

Operating income (EBIT)
as percentage of sales
increases from 24.0%

EARNINGS PER SHARE
in CHF

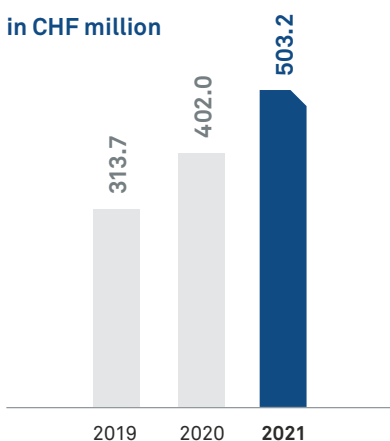
8.09

Increase of +45.1%
compared to prior year

1 2

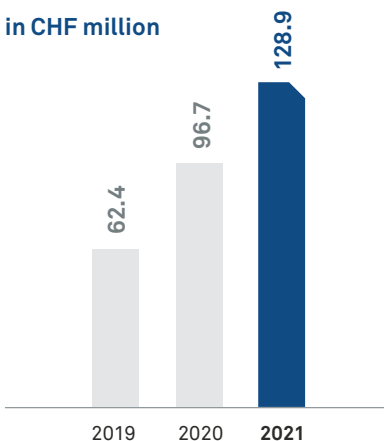
SALES

in CHF million



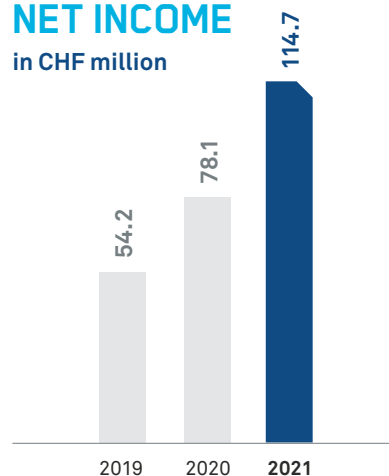
EBIT

in CHF million



NET INCOME

in CHF million



	2021	2020	Changes in	
			CHF	LC
Sales (in CHF million)	503.2	402.0	+ 25.2%	+ 26.8%
EBITDA (in CHF million)	157.4	122.6	+ 28.4%	+ 32.0%
EBITDA margin	31.3%	30.5%		
EBIT (in CHF million)	128.9	96.7	+ 33.4%	+ 37.9%
EBIT margin	25.6%	24.0%		
Net income (in CHF million)	114.7	78.1	+ 46.9%	
Net income margin	22.8%	19.4%		
Earnings per share (in CHF)	8.09	5.58	+ 45.1%	
Cash flow from operating activities (in CHF million)	97.6	115.0	- 15.2%	
Return on equity	14.4%	16.9%		
Number of employees (in full-time equivalents)	1 639	1 475		
Sales per employee ¹ (in CHF)	332 000	309 000		

¹ Basis: average full-time equivalents excluding apprentices.

SITES

1
TORRANCE
USA

Acquired 1996
API development
and production
GMP-site
283 employees

2
VISTA
USA

Acquired 2015
API development
and production
GMP-site
132 employees

3
BUBENDORF
CH

Founded 1971
Bachem
Headquarters
GMP-site
1107 employees

4
VIONNAZ
CH

Acquired 2001
Small Molecule
API
GMP-site
122 employees

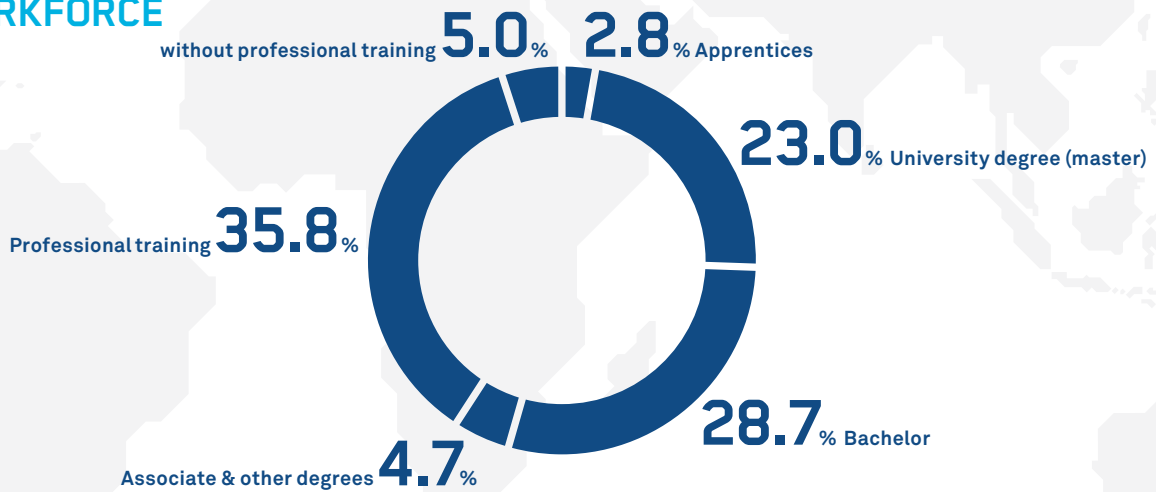
5
ST. HELENS
UK

Acquired 1999
Center of Excellence
Research &
Specialties
ISO13485
certified
47 employees

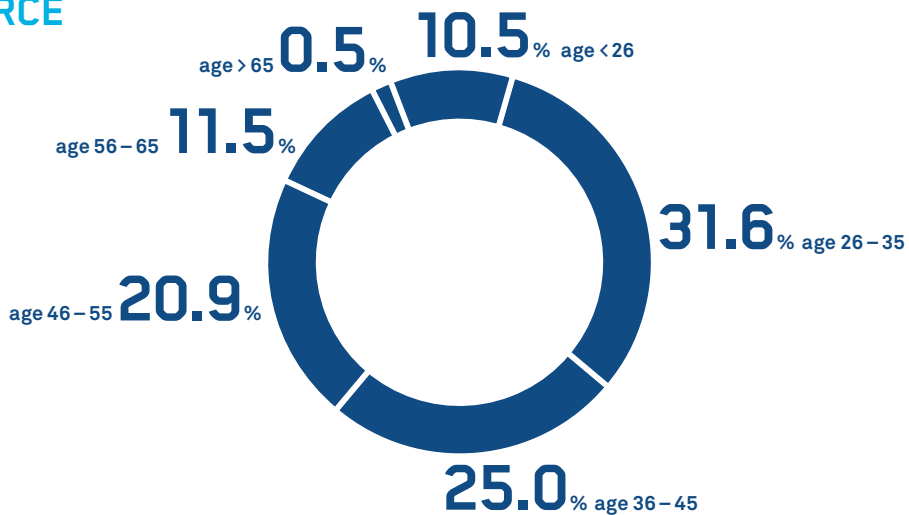
6
TOKYO
Japan

Founded 2018
Sales for Asia
4 employees

EDUCATION OF WORKFORCE



AGE OF WORKFORCE



GROUP RESULTS

Half a century of Bachem, half a billion sales: in its jubilee year, Bachem has again demonstrated the value of motivated employees, long-standing expertise and hard work.

Sales

The Bachem Group (SIX: BANB) generated sales of CHF 503.2 million in the reporting year 2021. Compared to the previous year this is an increase of CHF 101.2 million (+25.2%). In local currencies (LC) sales grew by 26.8%. New customer projects and product approvals were major drivers of sales.

Profit development

Once again, Bachem managed to balance sales growth, expenses and investments to increase its profitability. A high capacity utilization, a favorable product mix, and ongoing technical and organizational improvements contributed to this increase. Operating income before depreciation and amortization (EBITDA) grew by 28.4% to CHF 157.4 million (in LC: 32.0%), and operating income (EBIT) increased by 33.4% to CHF 128.9 million (in LC: 37.9%). This represents a rise of the EBITDA margin to 31.3% (2020: 30.5%) and of the EBIT margin to 25.6% (2020: 24.0%). Net income increased by 46.9% to CHF 114.7 million (22.8% of sales, compared to 19.4% in the prior year).

Update on oligonucleotides

The expansion of the oligonucleotide business is going ahead as planned. Partnerships with customers have been established both for

approved products, as well as in clinical development. Bachem has been able to win contracts due to new technology approaches and synergies with the production of peptides. This underlines Bachem's capability as an innovator on the oligonucleotide market. At the end of 2021, additional facilities for the production of oligonucleotides began operation in Bubendorf. It is planned that about half the capacity of the new manufacturing building is to be dedicated to oligonucleotides. Next to the commercial opportunity, these investments also contribute to increasing the as yet ongoing limitations of global manufacturing capacity for oligonucleotide-based active ingredients. The goal of CHF 100 million in oligonucleotide sales is expected to be achieved by 2023. Bachem aims to be among the three leading oligonucleotide contract development and manufacturing organizations (CDMOs).

Cost structure

Gross profit could be increased to CHF 166.7 million during the reporting year (2020: CHF 128.9 million) at 33.1% of sales (2020: 32.1%). The company continues to benefit from economies of scale and a favorable product mix. Marketing and sales costs came to CHF 18.0 million

(2020: CHF 15.6 million) declining from 3.9% to 3.6% of sales. Due to the pandemic, travel expenses were low. General administrative costs of CHF 16.9 million (2020: CHF 14.6 million) also decreased as a share of sales from 3.6% to 3.4%. In research and development, costs increased to CHF 3.8 million (2020: CHF 2.9 million), corresponding to 0.8% of sales (2020: 0.7%). Costs are likely to develop in accordance with the needs of long-term company growth; investments into research and development are to evolve disproportionately in order to further extend Bachem's technology leadership.

EBIT MARGIN RISES TO 25.6%

Financial result with positive contribution

The financial result of the reporting year of total CHF 2.5 million (2020: CHF -5.7 million) was positively influenced among other things by currency effects. The valuation at the balance sheet date of USD loans granted to subsidiaries by the holding company was a main factor here. Overall, this led to a foreign exchange result of CHF 2.1 million (2020: CHF -5.1 million). Securities acquired during the reporting period had a positive impact of net CHF 1.2 million.

Further reduction of the tax rate

Income taxes came to CHF 16.7 million, resulting in a consolidated tax rate of 12.7% (2020: CHF 12.9 million, i.e. 14.2%). Tax expenses during the reporting period were positively influenced by tax credits and allowances (in part resulting from the Swiss tax reform), as

well as one-off effects from the revaluation of deferred tax positions and adjustments for prior periods.

EQUITY RATIO INCREASED TO 86.3%

Successful capital increase secures financing for growth

Bachem was able to raise net CHF 571.6 million through a capital increase via private placement closed on October 19, 2021. The equity ratio per December 31, 2021 thereby increased to 86.3% (prior year: 66.9%). Among others, the additional resources were used to pay back loans amounting to a total of CHF 171.3 million, resulting in an outstanding loan of CHF 20.0 million as per December 31, 2021 (December 31, 2020: CHF 107.3 million). Additionally, CHF 9.8 million were used to settle invoices from tax authorities which were not yet due to reduce credit charges from financial institutions. The additional funds were invested into various instruments based on a multi-year plan. The corresponding investment rules are aimed at preserving the assets and securing the future need for liquidity to finance the growth of the Bachem Group.

Cash flow

Cash flow from operating activities before changes in net working capital in 2021 was CHF 141.0 million and could be increased by CHF 24.0 million (2020: CHF 117.0 million) despite a one-off effect of CHF 9.8 million for prepayments to tax authorities meant to optimize cash after the capital increase.

Cash flow from operating activities resulted in CHF 97.6 million during the reporting year (2020: CHF 115.0 million). Net working capital increased by CHF 43.5 million (2020: increase by CHF 2.0 million). This change was primarily influenced by an increase in trade receivables in the amount of CHF 28.5 million, driven mostly by very high sales in December 2021, as well as by a growth-related rise in inventories of CHF 25.7 million, which is meant to secure future production and timely delivery to customers. Within the scope of capacity expansions and for ongoing investments, cash totaling CHF 116.8 million was used (2020: CHF 69.1 million).

Funds from the capital increase were invested into securities amounting to CHF 352.0 million, in addition to paying back existing loans to the amount of CHF 171.3 million.

Gross dividends of CHF 45.5 million were distributed, of which CHF 20.5 million were paid out and CHF 25.0 million remained until later complete repayment as a loan from the related party Ingro Finanz AG.

The increase in cash was CHF 65.7 million (2020: CHF 2.1 million), leading to a total of cash and cash equivalents of CHF 89.2 million on December 31, 2021 (December 31, 2020: CHF 23.5 million).

Planned dividend increase

Earnings per share (EPS) in 2021 rose from CHF 5.58 to CHF 8.09. The Board of Directors will propose an increase in the dividend to the Annual General Meeting in April 2022 to CHF 3.50 per share (previous year: CHF 3.25). Half of the

distribution will come from reserves from capital contribution.

OLIGONUCLEOTIDES: SALES GOAL OF CHF 100 MILLION UNTIL 2023

Outlook

Bachem expects sales to increase by an average of 15% per year over the five-year period 2022–2026. Operating profit (EBIT) is expected to increase at a higher percentage rate than sales growth within this period. The target of CHF 100 million in sales from the oligonucleotides business is expected to be reached in 2023. Bachem is pursuing an investment program across all sites to expand capacity. The launch of operations for the world's most modern and largest building for peptide and oligonucleotide production in Bubendorf is planned for 2024. A third site in Switzerland is to strengthen the production network by the end of the decade.

MARKETS AND CUSTOMERS

In a growing market for peptides and oligonucleotides, Bachem offers products and services across three categories: Research & Specialties, CMC Development and Commercial API. Each has different requirements and for each area there is a specialized team at Bachem to partner with customers in an optimal way.

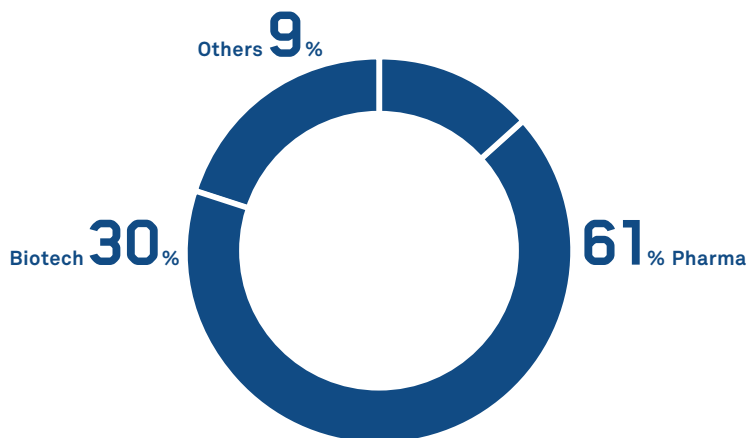
A growing market for complex “tides” molecules

The role of CDMOs (Contract Development & Manufacturing Organizations, i.e. suppliers to pharmaceutical and biotechnology companies) is growing in importance. One driver is a trend toward outsourcing by large pharmaceutical companies. In addition, smaller biotechnology that rely on third-party companies for their product development are delivering a greater share of innovation.

The complex manufacturing of peptides and oligonucleotides favors specialized companies like Bachem, who can establish customer relationships during early clinical development phases and are able to master all developmental and regulatory aspects.

The market for peptides is driven by the growing use of this class of molecules in new medicines and by the increase of new dosage forms (oral, nasal). In addition, there is a growing demand for synthetic (i.e. chemical) rather than recombinant production methods. For oligonucleotides, the industry pipeline is estimated to be around 800 products, of which only 14 are on the market as approved drugs. The expansion of oligonucleotides beyond rare diseases into applications with larger patient groups offers long term growth potential.

CUSTOMER SEGMENTS



BREAKDOWN BY REGIONS

in CHF million



Research & Specialties

The category “Research” comprises the catalog business and the custom synthesis business. Key factors for clients in this space are swift availability and competitive prices. Customers typically include universities or the research departments of pharmaceutical companies. Bachem maintains an in-depth regular exchange with leading researchers via conferences and symposia, and is thus able to support world-class research with the right products and services. “Specialties” are products for special applications, including cosmetics, diagnostics, excipients in formulations or process auxiliaries. The quality requirements for these products differ from those of active ingredients.

CMC Development

“CMC Development” comprises products that are in clinical development. Customers are mainly pharmaceutical and biotech companies whose requirements may differ from each other. Smaller companies frequently rely on Bachem’s experience and recommendations, while large pharmaceutical companies often have precise internal guidelines for drug development, with Bachem providing customer-specific solutions. In all cases, Bachem offers a high degree of flexibility and service readiness, as well as intensive project management with experienced project managers. Close cooperation with customers is the order of the day with the aim of closely accompanying the development of the active ingredient together.

Commercial API

Successful clinical development leads to a submission to and subsequent approval by the appropriate health authorities such as the FDA. This approval also marks the transition from “CMC Development” to “Commercial API”. For market-approved products, the focus is on cost-effective and reliable manufacturing, which in turn requires careful and long-term planning. In most cases, long-term supply contracts regulate prices, purchase quantities and other obligations. In addition to market-approved NCEs that are still under patent protection, this category also includes a wide range of generic active ingredients. Some of these have been present successfully in the market for decades.

Note on the classification of business figures: With a successful approval, products are removed from the CMC Development category and assigned to the Commercial API category. Active ingredients approved in 2021 are reported under the CMC Development category and reported as Commercial API in 2022. Taken together, Commercial API and CMC Development represent sales from projects for active pharmaceutical ingredients.

Growth by product category

All product categories were able to grow in 2021. In the Commercial API category, sales increased by 13.3% (LC: 15%) year-on-year to CHF 285.3 million (previous year: CHF 251.7 million), partly due to the acquisition of additional customers. In CMC Development, growth was 48.7% (LC: 50.3%) to CHF 173.1 million (previous year: CHF 116.5 million).

This was driven by new projects, study progress of existing projects and product approvals. Research & Specialties grew by 32.5% (LC: 34.1%) to CHF 44.8 million (previous year: CHF 33.8 million). Growth was driven by specialties, in particular cosmetics, diagnostics and excipients for formulations.

Growth by regions

In the Europe/Asia region, sales increased from CHF 185.0 million to CHF 270.4 million (+46.2%, LC: +46.5%). The Europe/Asia region as a whole is strongly influenced by sales to European customers, with strong sales gains from new NCE projects in both Europe and Asia.

In the North America region, sales increased from CHF 217.0 million to CHF 232.8 million (+7.3%, LC: +9.2%). The North America region had previously grown disproportionately compared to Europe/Asia, so that over the past years growth across both regions is now more balanced. In addition, some billings were transferred to the Europe/Asia region at the request of customers. In the long term, the environment in the USA remains highly attractive for Bachem thanks to dynamic and innovation-friendly drug discovery.

Customer mix and product pipeline

Bachem's customer strategy aims at a solid mix of long-term customer relationships and new customers. Around two-thirds of the 20 largest pharmaceutical and biotech companies work with Bachem.

Bachem focuses on quality rather than quantity when selecting projects. The goal is not overall growth in the number of projects, but partnerships with customers for active substances with good prospects of success and attractive commercial potential. In addition, Bachem seeks to work with customers early in the development process in order to optimally accompany the years-long process up to approval based on a technological lead and a broad range of services. In 2021, the portfolio of NCE development projects was further expanded. It now comprises 170 projects, around 20 more than a year ago.

BACHEM PRODUCT CATEGORIES

RESEARCH & SPECIALTIES
Amino Acid Derivatives
Catalog Peptides
Cosmetic
Custom Peptide Synthesis
Diagnostics

CMC DEVELOPMENT
Oligonucleotide NCEs
Peptides NCEs

COMMERCIAL API
Commercial Generics
Commercial NCEs

INVESTMENTS AND JOBS



Highly qualified and motivated employees, growing production capabilities and technology leadership are the foundation for Bachem's growth.

Growth of workforce

In 2021, Bachem continued to expand its workforce and created a total of 166 new jobs. As of December 31, 2021, Bachem had 1 695 employees (equivalent to 1 639 full-time equivalents). Bachem provides opportunities for trainees and university graduates, as well as for experienced specialists. Along with remuneration in line with the market, Bachem emphasizes a work environment that provides creative freedom and attaches great importance to the training and development of employees. Our benefits are reviewed regularly and expanded on occasion. Bachem relies on a diverse team in which people of different generations and backgrounds can work together to shape the long-term

growth of the company. Further information on Bachem's role as an employer can be found in the sustainability report on pages 20 to 27.

Capacity expansion

Bachem continues to expand production for peptides and oligonucleotides. Due to their growing use in medicines, there is an industry-wide demand for additional manufacturing capacities for peptides and especially for oligonucleotides.

At the US sites in Torrance and Vista, the focus is on expanding capacities for NCE and commercial active ingredients. In Torrance, for example, a fully automated production plant for the purification of active ingredients went into operation and lyophilization capacity was doubled in Vista. New production lines for small molecules were set up in Vionnaz and production of the sedative Propofol, which has seen frequent use during the pandemic, was increased. At the St. Helens site, capacity expansions for customers in the diagnostics industry are progressing.

The shift system in Bubendorf was expanded and additional oligonucleotide production facilities were finalized at the end of 2021.

The year also saw the launch of construction for the world's most modern plant for the production of peptides and oligonucleotides, which is planned to go into operation in Bubendorf in 2024. Bachem also began to search for a third location in Switzerland for the long-term expansion of capacity by the end of the decade.

Bachem also invests in new technologies on an ongoing basis. Automation solutions and more efficient processes in chemical synthesis enable us to exploit larger product quantities or to shorten project timelines while simultaneously reducing manufacturing costs.

WHAT ARE PEPTIDES?

Peptides are chains of between two and around a hundred amino acids. Longer chains are called proteins and occur in all living organisms. Originally isolated from biological sources, nowadays peptides are synthesized chemically. The biological properties of peptides depend on the number of amino acids and their position in the chain.

EXAMPLES OF APPLICATIONS

Cosmetics

Peptides are used in high-quality cosmetic products, for example to counteract age-related wrinkles.

Cancer therapies

Peptides are used in oncology for imaging and for successful cancer treatments.

Nutrition products

The sweetener aspartame is a dipeptide that is 200 times sweeter than table sugar.

What are peptides used for?

Peptides are mainly used as highly specific active pharmaceutical ingredients in medicines. In line with their diverse biological functions, they are used in a wide variety of applications. Cancer treatments, diabetes and obesity are three prominent pharmaceutical areas. Peptides are active substances that are much in demand for the treatment of cardiovascular and neurodegenerative diseases, renal failure, as antibiotics, in vaccines and in drugs for rare diseases.

What dosage forms are available?

By providing the first oral dosage forms – for diabetes, for example – peptide applications have opened up new opportunities for maximizing patient comfort in recent years. In the past, peptide-based drugs had usually been administered by the parenteral route. In addition to conventional injections, depot formulations with durations of action ranging from a few days to several months as well as nasally administered drugs are increasingly being used.

EXAMPLES OF APPLICATIONS

Genetic tests

Oligonucleotides can be used in genetic testing to clarify relationship and for diagnostic or forensic purposes.

Treatment of gene defects

Oligonucleotides enable the treatment of hereditary diseases.

Metabolic disorders

Oligonucleotides act against cardiovascular and metabolic disorders with elevated blood levels.

WHAT ARE OLIGONUCLEOTIDES?

Higher organisms store their genetic information in genes in the form of long deoxyribonucleic acid (DNA) chains. This information is translated into proteins using shorter ribonucleic acid (RNA) chains, for example mRNA. DNA and RNA are each made up of just four different components. These encode the information based on the number and sequence of the monomers. Short oligonucleotides are constructed from up to a hundred or so nucleotides and are manufactured on an industrial scale by chemical synthesis.

What types of oligonucleotides are used as treatments?

Single-stranded antisense oligonucleotides bind reversibly to mRNA, thereby inhibiting the translation into proteins. RNA interference forms the basis for the new active ingredient class known as siRNA. These molecules utilize a natural mechanism to degrade mRNA, which likewise prevents protein synthesis.

How do oligonucleotides differ from other active substances?

Antisense oligonucleotides and siRNA modify the genetic information read at RNA level before it is translated into proteins. Since they do not alter the genetic material, they do not count as gene therapies. Classical medicines and antibodies only intervene at the protein level. Since the siRNAs based on RNA interference can result in dosing intervals of six months, they have huge potential for the treatment of common disorders such as high cholesterol levels.

Bachem set ambitious, long-term sustainability goals in 2021. In so doing, we wanted to continue improving our performance as an attractive employer, in safeguarding the environment and in acting ethically.

Values and Goals

For Bachem, sustainability is a key strategic mainstay. We assume responsibility for our employees, society and the environment, and we constantly monitor and improve our social, economic and environmental performance. We do so out of a conviction that ethically correct conduct and integrity are vital for long-term business success. The company has been following the Responsible Care® program for over 20 years. This program promotes the responsible management of resources and risks, and makes an important contribution to sustainability.

In 2020, Bachem implemented a Corporate Social Responsibility (CSR) management system. This is based on an in-depth materiality analysis that was conducted in 2019 with the involvement of key stakeholders and was aligned with those United Nations' Sustainable Development Goals (SDGs) that are most relevant to our company.



SDG 3: ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

As the Group provides a full range of services to the pharma and biotech industries, specializing in the development of innovative, efficient manufacturing processes and the reliable production of active pharmaceutical ingredients, Bachem enables its customers, in a spirit of partnership, to improve health and increase life expectancy.



SDG 4: ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

Bachem's performance is predicated on very high educational achievements of the workforce at every level. In addition to the professional qualifications acquired through a vocational apprenticeship or university degree programs, the Company attaches great importance to providing employees with training and continuing education. The Group continuously increases the number of youths and adults who have relevant skills for employment and entrepreneurship.



SDG 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

Bachem is fully committed to improving its triple bottom line in an accounting framework with social, environmental and economical aspects. However, we are also aware that the economic performance achieved together with the customers is the driving force behind sustainable development. Therefore, the Company puts a strong focus on continuous growth through innovation, creating attractive jobs in a safe and secure working environment, and contributing to the regional economies operated within.



SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

Bachem aims to contribute to the overall goal of decoupling economic growth from adverse impacts on human health and the environment. The safety of employees and the surrounding communities is consequently of fundamental interest to the Company. This includes a sound management of chemicals, reducing their release to air, water and soil as well as the reduction of waste generated.

The following table provides an overview of the material topics and how they are related to the SDGs.

MATERIAL TOPICS

AMBITION



BEING AN ATTRACTIVE EMPLOYER

OCCUPATIONAL HEALTH AND SAFETY	Achieve a high level of safety and health for all persons working at Bachem.	●		●	
DIVERSITY UND EQUAL OPPORTUNITY	Provide equal terms of employment to all employees.			●	
LABOR RIGHTS AND FAIR WORKING CONDITIONS	Prevent adverse social impacts by upholding commonly accepted labor standards and refraining from discrimination.			●	
PERSONAL DEVELOPMENT OF EMPLOYEES INCL. VOCATIONAL TRAINING	Promote vocational training and invest in performance and career development.		●		
TALENT MANAGEMENT	Attract, retain and develop talented and committed staff.		●		

SAFEGUARDING THE ENVIRONMENT

ENERGY CONSUMPTION AND THG EMISSIONS	Monitor and reduce energy consumption and GHG emissions.				●
RESOURCE CONSUMPTION	Monitor and reduce resource consumption.			●	●
ENVIRONMENTAL IMPACT	Monitor and reduce impacts on the environment.			●	●
WASTE AND RECYCLING	Manage the transport and disposal of effluents and waste in order to maximize safety and minimize environmental impacts.				●
GREEN CHEMISTRY	Redesign processes to minimize the use and generation of hazardous substances, and reduce the environmental impact.			●	

ACTING ETHICALLY

SUSTAINABLE PROCUREMENT	Establish procurement practices that lessen negative economic, social or environmental impacts in the supply chain.				●
CORRUPTION AND FAIR COMPETITION	Omit corrupt practices, compete fairly and adhere to integrity, governance, and responsible business conduct.				●
RESPECT FOR HUMAN RIGHTS	Respect and comply with the principles expressed in the United Nations Declaration of Human Rights.			●	
LEGAL COMPLIANCE	Comply with all laws and regulations in the social, economic or environmental area.				●
STAKEHOLDER DIALOG	Maintain the dialog with people or groups having an interest in Bachem and can either affect or be affected by our business.				●

GUARANTEEING HIGHEST QUALITY IN PRODUCTS AND SERVICES

PRODUCT SAFETY AND QUALITY	Uphold standards to guarantee that products and services fully satisfy customer's needs and comply with the regulatory requirements.	●			
EFFICIENT ORGANIZATION	Strive for processes or tasks to be carried out using the least resources per output.			●	
INNOVATION A AND CONTINUOUS GROWTH	Continuously expand Bachem's know-how in chemistry and technology, and promote growth through creativity and adaptability.	●		●	
DELIVERY RELIABILITY AS A SUPPLIER	Optimize the number of deliveries made without any error regarding time, place, price, quantity, or quality.	●			
INFORMATION SECURITY	Handle information responsibly and conforming with laws and guidelines to protect customer privacy as well as Bachem's intellectual property.				●

As announced in the latest annual report, the Bachem Board of Directors formulated ambitious long-term global goals for four key areas in the year under review:

- Reducing energy consumption per FTE by 20% by 2026
- Reducing the accident rate to ≤ 1.0 by 2026
- Halving greenhouse gas emissions per FTE by 2026 and becoming climate neutral by 2030
- Increasing the proportion of women in the workforce and in management by 10% by 2026 and taking account of the local communities to which we belong in the workforce

In the remaining sustainability themes that are considered to be essential, Bachem is also constantly improving its performance, in order not only to do justice to our own understanding of what exemplary management entails, but also to satisfy stakeholder demands.

In 2021, our Group-wide CSR management was assessed by EcoVadis for the second time. Compared with the previous year, Bachem improved substantially, and is now among the top 8% of companies in the sector.

Being an Attractive Employer

Bachem is a market leader and needs the best employees to maintain this position. The workforce must be willing and able to be innovative and to meet future customer requirements. The company therefore offers an attractive working environment and remuneration model, and adheres to the principles of fairness and honesty.

All Bachem sites invest in talent management and the personal development of their employees. In addition to this, they have to meet the highest standards in terms of fair working conditions, employment law and occupational health and safety, as well as in terms of diversity and equal opportunities.

Occupational Health and Safety

At all Bachem sites, appropriate equipment and regular training for all employees ensure a high standard of occupational health and safety. New and changing workflows are assessed with regard to their risks for health and safety. The focus here is on measures for safe handling of hazardous substances. Health and safety committees are also used, and health checks are carried out on employees depending on the risks to which they are exposed.

As part of its health and safety policy, Bachem seeks to avoid all accidents and injuries. To come closer to this ultimate goal, it aims to reduce the LTIR (Lost Time Incident Rate) to a maximum of 1.0 by 2026. To this end, H&S initiatives are being stepped up to eradicate the causes of incidents wherever possible and prevent them happening again in the future. The number of employees who are responsible for health, safety and the environment (HSE) rose from 15 to 16.5 full-time equivalents.

Diversity, Equal Opportunities and Fair Working Conditions

Bachem offers employees equal opportunities and working conditions irrespective of their age, gender, religion, ethnic origin and nationality. We do not tolerate any kind of harassment, discrimination or retaliation, nor do we tolerate any behavior that is disrespectful or otherwise unprofessional. The relevant principles are laid down in the manuals, form the subject of regular training and are put into practice in the company's recruitment and remuneration procedures as well as its training and promotion policy.

By 2026, Bachem intends to increase the proportion of women in the workforce, in top management and on regional management committees by 10% compared with 2020. Strenuous efforts will be made to attract and retain women in science-orientated professions and management positions. Bachem's commitment to diversity is also evident in its goal of reflecting the local communities to which it belongs in the company's workforce.

Personal Development of Employees, including Vocational Training

Bachem's claim to be the "leading partner in tides" is based on the very high training standard of its employees at all levels and the high degree of technical specialization. The growing complexity of the products it manufactures and the services it provides, plus the increasing requirements of customers and authorities regarding production and regulation processes, call for a highly qualified workforce. Within the Bachem Group, 23% of employees have a university degree and a further 29% have a degree from a university of applied sciences. Worldwide, over 36% of Bachem employees have completed an apprenticeship; for employees in Switzerland, this figure is 49%. Bachem attaches great importance to vocational apprentice training and, by providing these apprenticeships, it is also fulfilling its

responsibility towards society and making an important contribution towards maintaining non-academic vocational training. At the end of 2021, 44 young people were enrolled in three-year or four-year apprenticeships at Bachem's Swiss sites; this equates to 3.7% of the workforce.

Bachem Americas offers a program for medium and long-term vocational training, and participates in the Bio-Flex Apprenticeship program (www.sbwib.org/bioflex). Bachem UK undertakes vocational training in the form of special summer placements for students.

Alongside employee qualifications, which are gained through vocational training or university study, the

company attaches great importance to continuing training and development. The high degree of specialization and increasing demands regarding quality and operational processes call for additional expertise. Bachem offers employees opportunities for continuing development via internal programs and external training courses.

Talent Management

Regular performance appraisals and objective-setting ensure a dialog between all employees and their line managers, and the systematic addressing of mutual expectations, expected performance and also personal and professional development. For the purpose of succession planning and development, a program exists

PERSONNEL	2021		2020		
	FTE	%	FTE	%	
EMPLOYEE DISTRIBUTION BY JOB CATEGORY					
MARKETING AND SALES	105.7	6.5	103.6	7.0	
ADMINISTRATION	130.0	7.9	117.0	7.9	
SUPPLY CHAIN	70.8	4.3	59.4	4.0	
ENGINEERING AND SERVICES	223.8	13.7	196.3	13.3	
QUALITY ASSURANCE AND REGULATORY AFFAIRS	416.8	25.4	381.2	25.9	
RESEARCH/DEVELOPMENT AND PRODUCTION	692.3	42.2	617.6	41.9	
GEOGRAPHIC DISTRIBUTION					
EUROPE	1 220.5	74.5	1 070.6	72.6	
USA	414.9	25.3	400.5	27.1	
ASIA	4.0	0.2	4.0	0.3	
EMPLOYEE DISTRIBUTION BY GENDER					
WORKFORCE (TOTAL)	WOMEN	509.7	31.1	461.9	31.3
	MEN	1 129.7	68.9	1 013.2	68.7
UPPER MANAGEMENT	WOMEN	23.7	21.8	19.0	22.4
	MEN	84.8	78.2	65.8	77.6
REGIONAL EXECUTIVE COMMITTEES	WOMEN	6.0	15.4	5.0	13.9
	MEN	33.0	84.6	31.0	86.1
CORPORATE EXECUTIVE COMMITTEE	WOMEN	1.0	20.0	1.0	20
	MEN	4.0	80.0	4.0	80
BOARD OF DIRECTORS	WOMEN	2.0	40.0	2.0	33.3
	MEN	3.0	60.0	4.0	66.7
EMPLOYEE DISTRIBUTION BY AGE					
AGE < 26	171.7	10.5	174.7	11.8	
AGE 26-35	519.1	31.6	462.9	31.4	
AGE 36-45	409.2	25.0	361.1	24.5	
AGE 46-55	343.2	20.9	299.9	20.3	
AGE 56-65	188.5	11.5	168.3	11.4	
AGE 65	7.7	0.5	8.2	0.6	

that identifies promising candidates and nominates them for certain positions. In parallel to the concept of a management career path, there is also a program to promote specialist career paths. This offers experts and specialists an alternative career opportunity with few management tasks, if any.

These efforts are helping to recruit, retain and promote talented and committed employees. In 2021, the turnover rate was kept low, at 13% (2020: 12%), while the proportion of internal promotions stood at 27% (2020: 23%).

Safeguarding the Environment

Bachem assumes responsibility for future generations by conserving resources, avoiding environmental risks and reducing the emission of environmentally harmful gases. We are therefore constantly improving our environmental performance, helping to reduce or prevent global warming, and developing and implementing new approaches for boosting our employees' environmental awareness.

Energy Consumption and GHG Emissions

Once again in 2021, Bachem's growth led to a 2% increase in absolute energy consumption, and increases can also be expected in future years since space will have to be created for additional personnel and production capacity. However, comprehensive measures are being

planned to further reduce relative values. In specific terms, energy consumption per FTE is to be reduced by 20% by 2026, and the sum of Scope 1 and Scope 2 GHG emissions per FTE is to be halved by the same date. Bachem intends to become climate neutral by 2030. All sites will contribute to this Group target, and the capital expenditure needed for this purpose is estimated to be at least CHF 2 million. A process for recording Scope 3 GHG emissions will be introduced during 2022.

Water, Waste and Emissions

Water is an essential natural resource. Water consumption is systematically monitored and, depending on the outcome, corrective measures are taken. Employees are also encouraged to use it responsibly. In this way, total water consumption per employee fell substantially to 85 m³ (previous year: 106 m³/FTE).

With regard to the transportation and disposal of wastewater and waste, Bachem seeks to organize this as efficiently and effectively as possible, thereby maximizing safety and minimizing environmental impact. The company works closely with the relevant local authorities. Wastewater is pretreated in accordance with official guidelines and fed into public water treatment plants that meet all state and federal requirements for final processing. Bachem also endeavors to reduce the waste

RESPONSIBLE CARE KEY FIGURES

	2021	2020	2019	2018	2017
PERSON ACCIDENTS, NUMBER/100 EMPLOYEES		1.1	1.3	1.7	2.2
LTIR ¹	1.4				
LOST WORKING DAYS, NUMBER/EMPLOYEE	0.06	0.1	0.1	0.1	0.1
HEALTH SAFETY ENVIRONMENT STAFF, NUMBER	16.5	15.0	10.5	9.5	9.5
ENVIRONMENT KEY FIGURES					
TOTAL ENERGY CONSUMPTION, GJ/EMPLOYEE	95	113	126	135	129
CO ₂ , T/EMPLOYEE ²		3	4	4	4
SCOPE 1 GHG EMISSIONS, T CO ₂ eq/EMPLOYEE	2.1				
SCOPE 2 GHG EMISSIONS, T CO ₂ eq/EMPLOYEE	3.1				
NO _x , KG/EMPLOYEE	2.4	3	4	4	4
SO ₂ , KG/EMPLOYEE	0.14	0.2	0.4	0.4	0.6
VOC, KG/EMPLOYEE	18.2	16	16	18	21
TOC, KG/EMPLOYEE	2.2	3	3	2	2
HAZARDOUS WASTE DISPOSED OF, KG/EMPLOYEE	8 810	9 270	7 470	9 965	7 080
TOTAL WATER CONSUMPTION, M ³ /EMPLOYEE	85	106	106	93	107

¹ As from 2021 on we report the Lost Time Incident Ratio (LTIR) in relation to 200 000 working hours.

² As from 2021 on we report GHG emissions according to the GHG protocol.

from its plants by means of efficient collection, disposal and recycling procedures. In 2021, it was therefore possible to reduce the hazardous waste disposed of per employee by 5%.

All the emissions recorded except for VOCs were reduced in relative terms during the period under review.

Green Chemistry

Bachem is developing more environmentally friendly alternatives for established peptide manufacturing technologies in order to complement and expand its technology platform. For some of this work, Bachem has entered into partnerships with other companies in the sector so as to combine their efforts. These activities are enabling Bachem to help customers develop efficient, more sustainable manufacturing processes. One priority has been the systematic evaluation of alternative solvents for SPPS. The results were published in peer-reviewed scientific journals in 2021.

In addition to this work, we systematically investigated using NBP for resin loading as a more environmentally friendly alternative to DMF. We defined a procedure for successful resin loading. It is intended that the results of this evaluation will also be made publicly accessible in the future (at conferences; the manuscript has been accepted for publication).

Bachem helped a customer apply for the US EPA Green Chemistry Challenge Award 2021 using a second-generation manufacturing process developed at Bachem. Significant improvements were achieved, both for the first-generation and the second-generation processes. The overall process mass intensity (PMI) was reduced by 42%, from 8 957 (original process) to 5 182 for the first-generation process. By redesigning and enhancing the process, it was possible to reduce the PMI by a further 77%, to 1 199 for the second-generation process. This reduction was possible thanks to improvements in several stages of the process, e.g. by reducing the PMI for the cleaning step from 5 921 to 640. If only the upstream part of the manufacturing process (the production of the intermediate peptide product) is considered, the PMI was reduced by 78%, from 14 256 (original process) to 3 188 (second-generation process). This reduction was possible thanks to improvements in several stages of the process, e.g. by reducing the PMI for the chromatographic RP-HPLC cleaning step from 8 437 to 1 316. Furthermore, energy-intensive

lyophilization steps were omitted and replaced by precipitation to isolate the active substance.

Bachem is an associate member of the American Chemical Society Green Chemistry Institute Pharmaceutical Roundtable in order to exchange information and ideas with other companies involved in green chemistry and to contribute to the aims of the Institute.

Acting Ethically

For Bachem, ethically correct conduct and integrity are essential for long-term business success. The professional and personal integrity of the company's employees is a key prerequisite for fulfilling the stringent quality requirements of all stakeholders. Bachem's principles for ethically correct conduct and integrity are binding for all employees, are laid down in writing and are applied without exception.

Sustainable Procurement

The supply chain is one of the key influencing factors for sustainable economic activity. One of our goals is therefore to continuously increase transparency in this respect. The process of sustainable procurement can be a balancing act between risk and opportunity when dealing with our varied network of partners. Our supply chain risk management (SCRM) framework has therefore been established as an integral part of all procurement and supply chain activities. The aim of the resulting measures is to proactively minimize potential risks along the supply chain based on an ongoing risk assessment and, as a reliable partner, to ensure continuity of supply for our customers.

The global interactions that result from our procurement activities also generate opportunities to bring the actions of our supply chain partners in line with our own CSR practices. To better exploit these opportunities, a global initiative for sustainable procurement was launched in the year under review. This initiative aims to assess the social, environmental and governance performance of our supply chains and, where possible, improve them. To this end, we are working together with the CSR rating agency EcoVadis. A risk-based approach is being used to prioritize supplier evaluations. We will be gradually expanding the assessment to cover the majority of our supplier base. By the end of 2022, we aim to have included in the assessment cycle at least 95% of our partners who, based on our risk classification, pose a medium or high sustainability risk.

For the establishment of long-term partnerships, we consider it important to be open with our suppliers about our expectations regarding responsible business practices. During the year under review, we therefore revised our Code of Conduct for Supplying Partners, which suppliers undertake to follow when they enter into any type of business relationship with Bachem.

Corruption and Fair Competition

To preclude bribery and corruption, and to ensure that we, as a company, compete fairly as well as act responsibly and with integrity, Bachem employees receive training on conduct when they are appointed and each year thereafter.

Through this training, Bachem intends to ensure that employees do not demand or solicit gifts or personal benefits of any type from third parties, that they avoid situations in which their personal interests could conflict with Bachem's interests and that they inform their line manager if a conflict of interest does arise. As a company, Bachem does not grant any benefits or make any concessions if this is not in accordance with local laws or practices, or is not entered in its books properly. Bachem does not grant, demand or accept any illegal discounts, kickback payments, "unofficial" payments or any type of unauthorized gifts or favors.

No confirmed cases of corruption were registered in 2021, and no legal proceedings were pending or concluded due to anti-competitive conduct or contraventions against antitrust or monopolies legislation.

Legal Compliance and Respect for Human Rights

Bachem obliges all its employees to comply with all the laws and regulations that apply to their activities, including internal regulations. The company also respects and adheres to the principles expressed in the United Nations' Declaration of Human Rights. To this end, all employees receive training on human rights guidelines and procedures that are relevant to the Group's business activities, both when they are appointed and subsequently each year. This training covers subjects such as information security, discrimination and harassment, as well as whistleblowing.

In 2021, no significant fines or nonmonetary sanctions were imposed due to noncompliance with laws and regulations regarding social, economic or environmental matters.

Stakeholder Dialog

Maintaining a dialog with people and groups who have an interest in Bachem and who are or could be affected by the Group's business activities is in the company's own interests. But this dialog is also an indication that it appreciates its responsibility towards society. Bachem looks and acts beyond its corporate boundaries, and involves its key stakeholders in an ongoing, transparent, open and honest dialog.

Guaranteeing the Highest Quality in Products and Services

Bachem offers and supplies its customers products and services of the highest quality. As part of its business model, the Group supports the development of new medicinal products from the early stages of design and development, via clinical trials and market approval, right through to the later stages of their life cycle as mature products or generic medicines. Bachem ensures absolute quality and safety by extensive surveillance of the manufacturing process.

Bachem seeks to be a leader in its business and to maintain profitability. The company intends to grow steadily with an innovative and efficient organizational structure, and aims to be a dependable supplier. Bachem respects all data security provisions and confidentiality obligations, and manages these in an information security system.

Product Safety and Quality

Bachem adheres to standards that ensure its products and services meet customer needs in full and satisfy regulatory requirements. Processes have been introduced at all sites to make sure that the substances produced and supplied meet internal, customer and regulatory requirements, thereby ensuring that manufacturing risks to the health and safety of its employees and customers are reduced to a minimum. Data relating to product nonconformities and customer feedback are used for ongoing improvements.

For all the GMP-compliant active substances that Bachem supplies, it is the customer's responsibility, during their subsequent use, to ensure patient health and safety, e.g. in clinical studies. For those products that are not subject to GMP regulations, Bachem provides material safety data sheets (MSDS).

The performance of our pharmaceutical quality system is monitored via customer audits, official inspections and our own inspections. There were no critical observations, and the audit findings confirmed that the sites' quality systems are in a good condition and meet expectations. Where appropriate, corrective and preventive actions (CAPA) were implemented.

Workplace hygiene is a basic requirement for the safe handling of active substances, and forms an integral part of employee health and safety at Bachem. The company's strategy for achieving optimal workplace hygiene is built on personal hygiene, a basic hygiene strategy and a control banding procedure. This approach is based on systematic principles of personal hygiene, such as employee clothing and personal care. The hygiene strategy is also intended to prevent the release of active substances and their dissemination by applying technical and organizational measures, with the latter involving the analysis and optimization of personnel and material flows, guidelines for cleaning procedures and waste disposal. The control banding procedure serves to monitor the concentrations of active substances in the production environment and keep them low enough to safely prevent an effective dose being absorbed during work processes.

Delivery Reliability as a Supplier

As a contract manufacturer, the outstanding quality of our products and services, together with total compliance with GMP guidelines, form the basis for our commercial success. This is ensured by means of targeted investment, well trained and qualified staff and our existing quality system. Our current track record with customers and public authorities shows that we are well positioned.

We are part of our customers' supply chain. As their supplier and partner, one of our most important contributions to sustainability is enabling our customers to improve health and promote society's wellbeing. This is crucially dependent on the continuity of Bachem's supply chain, which we want to maintain by proactively reducing risks based on our Supply Chain Risk Management (SCRM) framework.

Constant monitoring and improvement are achieved by means of external and internal audits, the CAPA system and regular reviews of the quality system. Quality incidents such as rejected batches, customer com-

plaints and deviations are reported monthly to facilitate monitoring by management. No withdrawal from the market of prescription or over-the-counter (OTC) drug batches due to Bachem's failure to meet quality standards was reported in 2021.

Information Security

Bachem concludes confidential disclosure agreements with all key customers and suppliers. Internal and external confidentiality are ensured by a framework of corporate and local regulations. These include the Code of Conduct, the Information Security Management Policy, the IT Security Guidelines and the Information Security User Guidelines. Further SOPs and guidelines govern the implementation and maintenance of the IT infrastructure, hardware, software and electronic data, as well as the handling and retention of paper documentation. Systems exist to identify, track and correct discrepancies and information security breaches.

All employees are trained to an appropriate level in the relevant regulations, and at some sites, every employee must sign to say they have received and understand the employee handbook in which the corporate policy relating to confidentiality is set out.

These efforts led to the gratifying outcome that, in 2021 once again, no justified complaints were received concerning violations of customer data protection.

About the Sustainability Reporting

For Bachem, taking its responsibility for society and the environment just as seriously as for its products and financial figures is self-evident. By doing so, the company is playing an active role in making the world more sustainable.

This is the second Bachem sustainability report that follows the principles of the Global Reporting Initiative (GRI). The Group intends to publish its sustainability report annually. The GRI content index can be found at www.bachem.com/about-bachem/sustainability.

This report was compiled in accordance with the GRI standards: Core option. It has not been externally audited.

CORPORATE GOVERNANCE

Corporate governance encompasses all of the principles aimed at safeguarding sustainable company interests. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and control.

1 Group structure and shareholders

BACHEM HOLDING AG

BOARD OF DIRECTORS

CORPORATE EXECUTIVE COMMITTEE

BACHEM AG

BACHEM
AMERICAS,
INC.

BACHEM
DISTRIBUTION
SERVICES GMBH

PENINSULA
LABORATORIES,
LLC

BACHEM (UK) LTD

BACHEM JAPAN K.K.

1.1 Group structure

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SIX Swiss Exchange in Zurich (valor number: 1 253 020, ISIN: CH0012530207, SIX: BANB, Reuters: BANB.S, Bloomberg: BANB SW). Market capitalization at December 31, 2021, was CHF 10.6 billion. No other Bachem companies are listed.

All consolidated companies are listed in note 24 on page 68 of the notes to the consolidated financial statements including company name, location, registered capital, and participation.

1.2 Significant shareholders

Shareholders with more than 3% of voting rights on December 31, 2021, are disclosed in note 10 on page 80 of the notes to the financial statements of Bachem Holding AG. The disclosure is based on the shareholder disclosure notifications pursuant to Article 120 of the Swiss Financial Market Infrastructure Act (FMIA). The detailed disclosure notifications pursuant to Article 120 FMIA can be found under: [https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/. There are no shareholders' agreements.](https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2 Capital structure**2.1 Capital**

At December 31, 2021, the nominal share capital of Bachem Holding AG was CHF 737 500. The Company's by-laws provide for authorized capital and no conditional capital (see item 2.2).

2.2 Authorized and conditional capital in particular

Authorized capital of a maximum of CHF 12 500 (250 000 registered shares with a nominal value of CHF 0.05) exists until September 30, 2023, which is around 2% of the existing share capital. Further details on the authorized capital are regulated under §3a of the Company's by-laws (<https://www.bachem.com/about-bachem/investors-and-media/>). There is no conditional capital outstanding.

2.3 Changes in capital

In the year 2021, the share capital was increased. Details are disclosed in the notes to the consolidated financial statements in note 21 on page 67. All changes

in equity for the years 2021 and 2020 are listed on page 47 of the consolidated financial statements. Changes for 2019, in which a share capital increase also took place, are listed on page 65 of the Annual Report 2020 (<https://www.bachem.com/about-bachem/investors-and-media/reports-and-presentations/>).

2.4 Shares and participation certificates

At December 31, 2021, Bachem Holding AG had 7 002 059 registered shares A and 7 747 941 registered shares B at a nominal value of CHF 0.05 issued, all fully paid-in. Registered shares B, but not registered shares A, are considered for trade at the stock exchange. Otherwise, both types of shares have the same rights, and there are particularly no differences regarding rights to dividends and voting rights. Each registered share carries one vote at the Annual General Meeting of the Company, provided the shareholder has been recorded in the Company's share register (see item 2.6). All shares are fully entitled to dividends. There are no participation certificates.

2.5 Dividend-right certificates

Bachem has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

Registered shares of Bachem can be transferred without restriction. Registration in the share register of Bachem requires the proof of purchase of shares on own account and own benefit. There are no further registration restrictions (e.g. percentage limitation). The registration of nominees without voting rights is permitted; nominee registrations including voting rights have to be approved on request by the Board of Directors on a case-by-case basis. During the reporting period, no nominees with voting rights have been registered nor have there any other exceptions to entering the share register been granted by the Board.

2.7 Convertible bonds and options

The Company has not issued any convertible bonds or options.

3 Board of Directors

3.1 Members of the Board of Directors

The Board of Directors is comprised of non-executive members only.

Kuno Sommer (1956)¹, Ph.D. in Business Administration, Chairman, Swiss. Since 2012, elected until 2022.



Dr. Kuno Sommer worked for Roche from 1986 to 1999 in various functions, including four years in the USA. He was ultimately a member of the Executive Committee of Roche, responsible for the Flavors and Fragrances division, today Givaudan. From 2000 to 2006, he was CEO of Berna Biotech. Kuno Sommer is Chairman of the Board of Sunstar-Holding AG, of Polyphor AG, of Kenta Biotech AG and of TargImmune Therapeutics AG.

Nicole Grogg Hötzer (1973)^{1,2}, Graduate Biologist, Vice-Chairwoman, Swiss. Since 2011, elected until 2022.



Nicole Grogg Hötzer graduated in biology at Basel University in 1999. Afterwards, she worked in various positions in the field of regulatory affairs until 2009. In 2002, she began her postgraduate

studies in business administration at the University of Applied Sciences Basel, which she completed successfully in 2004. Nicole Grogg Hötzer is Vice-Chairwoman of the Board of Directors of Ingro Finanz AG, of Hotel Bad Schauenburg AG and of Sunstar-Holding AG as well as member of the Board of Directors of MFC Beteiligungs AG and of Breiten Immobilien AG.

Alex Fässler (1955)^{1,2}, Dr. sc. nat. ETH, Member, Swiss/American. Since 2021, elected until 2022.



Dr. Alex Fässler began his industrial career at Ciba-Geigy, later Novartis, where he held various positions in preclinical Research in Basel, New Jersey and England. He joined Bachem AG

in 1998, and thereafter served as Head of Production in the US subsidiary, site manager and finally as regional COO for the Americas. After his return to Switzerland in 2013 he was appointed COO of Bachem Europe, and from 2017 to 2018 he held the function of COO of the Bachem Group, and was a member of the Corporate Executive Committee.

Steffen Lang (1967)², Ph.D., Member, German/Swiss. Since 2020, elected until 2022.



Dr. Steffen Lang has been Global Head of Novartis Technical Operations (NTO) since 2017. He is a member of the Executive Committee of Novartis. Prior to his current appointment, Mr. Lang served

as Global Head of Biologics Technical Development and Manufacturing within NTO from 2015 to 2017. He joined Novartis in 1994 as Head of Laboratory in Research, and over the years has held various positions within Pharmaceuticals Development, including Global Head of Technical Research and Development from 2009 to 2015. Mr. Lang holds a doctorate in pharmaceutical technology from the Swiss Federal Institute of Technology (ETHZ), and a degree in pharmaceutical sciences from the University of Heidelberg in Germany.

Helma Wennemers (1969), Prof. Dr., Member, German. Since 2014, elected until 2022.



Helma Wennemers graduated with a diploma degree in chemistry from Johann Wolfgang Goethe-University in Frankfurt in 1993. Three years later, she earned a doctorate degree from

Columbia University, New York. She then pursued post-doctoral studies at Nagoya University before accepting the “Bachem-Stiftungs-Assistenzprofessur” at the University of Basel in 1999, where she became Associate Professor in 2003. Since 2011, she is Professor at the Laboratory of Organic Chemistry at ETH Zurich. Helma Wennemers’ research has been recognized by several awards including the “Arthur C. Cope Scholar Award” of the American Chemical Society (2021), the “Spark Award” of ETH Zurich (2020), the “Inhoffen Medal” (2017), the “Pedler Award” (2016), and the “Leonidas Zervas Award” (2010). She has also been awarded with numerous honorary lectureships such as the “Calvin Lecture” of UC Berkeley (2017) and she was named “Fellow of the Royal Society of Chemistry” (2013).

3.2 Other activities and vested interests

Other activities of the members of the Board of Directors are described in the paragraph above.

3.3 Number of permitted activities

No member of the Board of Directors may hold more than ten other mandates, of which no more than three may be board memberships in other listed corporations. A mandate as chair of the Board of Directors counts as two mandates. The following mandates are not subject to the aforementioned limitations:

- Mandates in companies that are controlled by the Company or that control the Company

¹ Member of the Compensation Committee

² Member of the Investment Committee

- Mandates held at the request of the Company or a company controlled by it
- Mandates in associations, charitable foundations, family foundations and trusts, and employee assistance foundations

Mandates are defined as roles and responsibilities in the supreme governing body of a legal entity that is required to be entered in an official commercial register or a comparable foreign register. Mandates in different legal entities controlled by the same body or entity or that have the same beneficial owners are deemed to be a single mandate.

3.4 Elections and terms of office

The members of the Board of Directors and its chair and the members of the Compensation Committee and the committee chair are elected by shareholders at the Annual General Meeting for a one-year term of office. Reelection is permitted. Elections are individual. All elections and motions at the Annual General Meeting are taken by open vote unless requested otherwise by the majority of votes. For information concerning first election and remaining term of office, see item 3.1.

3.5 Internal organizational structure

During 2021, the Board of Directors held one half-day and three full-day meetings as well as one full-day strategy conference. The Corporate Executive Committee attends generally the Board meetings (see item 3.7). At one meeting, one member of the Board of Directors was absent. All meetings were attended by all Corporate Executive Committee members. If necessary, additional persons will attend Board meetings as guests to discuss specific items on the agenda. During 2021, three Board meetings were attended by a total of 13 guests. In 2021, no external consultants were called in.

Meetings are prepared by the Chairman and by committees of various compositions. Decisions are taken by the full Board. The Board can decide when more than half of its members are present. It decides by majority of votes. In case of a tie, the vote of the Chairman decides.

The Board of Directors has established a Compensation Committee (committee members are listed in section 3.1). The Compensation Committee assists the Board of Directors in formulating and periodically reviewing Bachem's compensation strategy and guidelines as well

as the performance criteria used to determine the total compensation paid to each member of the Corporate Executive Committee and helps to prepare the proposals of the Board of Directors to the Annual General Meeting regarding the compensation paid to members of the Board of Directors and of the Corporate Executive Committee. The committee also files motions asking the Board of Directors to establish or change the variable compensation and employee stock ownership plans based on personal performance and/or Company earnings. All proposals put forth by the Compensation Committee shall be subject to approval by the full Board of Directors. The Compensation Committee held two one-hour meetings during the year under review.

The Board of Directors has established an Investment Committee (committee members are listed in item 3.1). The Investment Committee supports the Board of Directors in its function as the ultimate supervisory body and in the exercise of its financial powers and duties, particularly with respect to capital expenditure decisions. It examines the annual capital investment budget and the multi-year capital investment plans of the Corporate Executive Committee and the pertinent reports addressed to the Board of Directors. Furthermore, the Investment Committee evaluates and determines the level of detail required for individual capital investment proposals. The Committee held four half-day meetings during the year under review. At one meeting, one member was absent.

The Audit Committee evaluates in particular the following tasks of the Corporate Executive Committee: the appropriateness and adequacy of the corporate financial and control systems, the financial part of the annual budget and the mid-term planning, as well as the consolidated annual results. Furthermore, the Audit Committee on behalf of the Board receives, analyzes and evaluates the audit reports of the Group and statutory auditors. The tasks of the Audit Committee as described in the organization regulations currently are performed by the full Board, since considering the size of the Board with its six members, the Board of Directors has renounced the formation of additional firm committees.

Since 2012, Dr. h.c. Peter Grogg, the founder, majority shareholder, CEO and Chairman of the Bachem Group for many years, is Honorary Chairman of the Bachem

Holding AG. According to the bylaws, the Honorary Chairman does not execute any institutional function, but is allowed to take part in the Board meetings as an advisory guest with no voting rights.

3.6 Definition of areas of responsibility

Pursuant to the Swiss Code of Obligations and the Articles of Incorporation of the Company, the Board of Directors has in particular the following non-transferable and inalienable duties:

- Overall management of the Company and the issuing of all necessary directives
- Determining the Company's organization in the Organization Regulations
- Establishing the Company's policies and procedures regarding accounting, financial controls and financial planning
- Appointment and dismissal of the persons entrusted with managing and representing the Company
- Overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, the Articles of Incorporation, operational regulations and the directives or instructions that have been issued
- Compilation of an annual report, consisting of the annual financial statements and, if necessary, consolidated annual financial statements, a compensation report and a financial review, in full compliance with all applicable legal requirements
- Preparations for the Annual General Meeting and the implementation of its resolutions
- Determination of details regarding the payment of dividends
- Establishment and closure of business offices and subsidiaries
- Notification of the court in the event the Company becomes over-indebted

Per definition, in its organization regulations the Board has delegated the management of ongoing operations to the Corporate Executive Committee under the leadership of the CEO. The Corporate Executive Committee is composed of the CEO, the CFO, the CTO, the CMO, and the COO (see item 4.1). The CEO in particular is responsible for the overall operational leadership. Based on the proposal of the Compensation Committee, the Board

defines compensation for members of the Corporate Executive Committee and for the regional COOs (see item 3.5). Furthermore, the Board is in charge of the consolidated financial statements of the Bachem Group, as well as the financial statements of Bachem Holding AG, including reports of the external auditors. It also assesses whether recommendations of the auditors have been implemented. The detailed tasks of the Board of Directors are described in the organization regulations.

3.7 Information and control instruments vis-à-vis the Corporate Executive Committee

The Corporate Executive Committee attends generally the meetings of the Board in order to provide updates about the ongoing business, important events within the Group and about the execution of tasks delegated to the Corporate Executive Committee. Furthermore, the Board is informed about the most important key figures. The management information system (MIS) at Bachem is structured as follows: Each individual Group company prepares a monthly report including balance sheets, income statements and other operating key figures, as well as comments. On a monthly basis, balance sheets, income statements, cash flow statements and statements of changes in equity, as well as various key figures of the Group and the subsidiaries, are prepared and consolidated.

Budgets are controlled several times a year and compared to latest estimates per subsidiary and for the consolidated results. On the occasion of the Board meetings, financial reports are discussed with the Corporate Executive Committee. Extraordinary events and important decisions are immediately brought to the attention of all Board members. In addition, the Chairman regularly meets members of the Corporate Executive Committee for discussions of business development, status of projects and important events. He receives all minutes of Corporate Executive Committee meetings, which are also available to the other members of the Board, if required.

Additional aspects of the information and control instruments are the internal control system (ICS) and the risk management system, which is described on page 53 under the title risk assessment. Due to its size, the Bachem Group does not carry out its own internal audit.

4 Corporate Executive Committee

4.1 Members of the Corporate Executive Committee

Thomas Meier (1968), degree in Chemistry and as Industrial Engineer, CEO, Swiss. Since 2019.



Thomas Meier joined Bachem AG in 1993 as Team Head, Active Pharmaceutical Ingredients. From 2001 to 2004, he headed up peptide manufacturing at Peninsula Laboratories, Inc., in San Carlos,

California. On his return to Switzerland, he was in charge of solid-phase peptide manufacturing for Bachem AG in Bubendorf. He assumed overall responsibility for production at the Bubendorf site in 2013, and was appointed COO Europe in August 2017, with responsibility for all production sites in Switzerland, Germany and the UK. He was appointed COO of the Bachem Group and member of the Corporate Executive Committee in 2019. Since January 1, 2020 Thomas Meier is CEO of the Bachem Group and Chairman of the Corporate Executive Committee. After an apprenticeship as chemical laboratory technician at the ETH in Zurich, Thomas Meier obtained a degree in chemistry from the ZHAW School of Engineering. Parallel to working, he obtained a degree as Industrial Engineer STA (Swiss Technical Association) and completed the Advanced Management Program at INSEAD Business School, Fontainebleau/Paris.

Günther Loidl (1970), Dr. rer. nat., CTO, German. Since 2015.



Günther Loidl joined Bachem in 2000. He held several functions in Research and Development (R&D) and Active Pharmaceutical Ingredient Manufacturing and became Vice President R&D in 2012. Since 2015, he is CTO of the Bachem

Group and a member of the Corporate Executive Committee. He studied chemistry in Regensburg (Germany) and Leeds (UK) and obtained his doctorate under the supervision of Prof. Dr. Luis Moroder at the Max Planck Institute of Biochemistry in Martinsried (Germany).

Alain Schaffter (1977), Swiss certified public accountant, CFO, Swiss. Since 2021.



Alain Schaffter joined Bachem in 2021 as CFO. He started his career as an auditor at PricewaterhouseCoopers. In 2010, he moved into the pharmaceutical industry and became Head

Group Finance of the listed Acino Group before joining Polyphor, a Basel-based biotech company, as CFO in 2016. In early 2018, he started to work as a consultant for several companies in the Life Science Industry. From mid-2018 he served as head Special Finance Projects at Solvias AG and from 2020 on, in addition as Head Finance M&A and CFO of the Solvias Group on an ad interim basis. Alain Schaffter holds a degree as a Swiss certified public

accountant as well as a Federal certificate of higher vocational education and training for fiduciaries.

Roland Schürmann (1964), degree in Chemistry, COO, Swiss. Since 2020.



Roland Schürmann joined Bachem Americas, Inc. in Torrance, California in 2016. He was first Vice President Manufacturing and became Site Manager Torrance in May 2017. Roland Schürmann

has been appointed COO of the Bachem Group and member of the Corporate Executive Committee effective July 1, 2020. After completing his education, he worked as a chemical laboratory technician at Ciba-Geigy AG and as a production chemist at F. Hoffmann-La Roche Ltd from 1984 to 1997. After holding various management positions at Siegfried AG in Zofingen, Switzerland, Roland Schürmann became Head of Chemical Production in 2004. Parallel to working, he was a senior lecturer for Chemical Technology from 1999 to 2015 at the vocational college in Aarau. Roland Schürmann has a university of applied sciences degree in chemistry from School of Engineering Burgdorf and is currently completing the Advanced Management Program at INSEAD Business School, Fontainebleau/Paris.

Anne-Kathrin Stoller (1974), Dr. phil. nat., CMO, German/Swiss. Since 2018.



Anne-Kathrin Stoller joined Bachem AG in Bubendorf in 2006 and headed the Business Development Unit from 2008 to 2010. Subsequently, she was responsible for the Business

Development & Sales Department, first locally and finally for the entire region Europe. Serving as Vice President and Department Head she was also a member of the local management team in Bubendorf. Since January 1, 2018, she is CMO of the Bachem Group and member of the Corporate Executive Committee. Anne-Kathrin Stoller studied chemistry in Hannover (Germany) and Cambridge (UK). After obtaining her doctorate under the supervision of Prof. Dr. Bernd Giese at the University of Basel (Switzerland), she started her career in the sales team of ExxonMobil Chemical.

4.2 Other activities and vested interests

Other activities of the members of the Executive Committee are described in the paragraph above.

4.3 Number of permitted activities

A member of the Corporate Executive Committee cannot hold more than five other mandates, barring approval by the Board of Directors. No member of the Corporate Executive Committee may chair the Board of Directors of a listed company. The following mandates are not subject to the aforementioned limitations:

- Mandates in companies that are controlled by the Company or that control the Company
- Mandates held at the request of the Company or a company controlled by it
- Mandates in associations, charitable foundations, family foundations and trusts, and employee assistance foundations

Mandates are defined as roles and responsibilities in the supreme governing body of a legal entity that is required to be entered in an official commercial register or a comparable foreign register. Mandates in different legal entities controlled by the same body or entity or that have the same beneficial owners are deemed to be a single mandate.

4.4 Management contracts

Bachem has not entered into any management contracts.

5 Compensation, shareholdings and loans

For details of the remuneration of the Board of Directors and the Corporate Executive Committee as well as the employee share plans of the Bachem Group, please refer to the compensation report starting on page 36 of this Annual Report.

Details of the shares held by the Board of Directors and the Corporate Executive Committee can be found in the notes to the financial statements of Bachem Holding AG on page 79.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

Shareholders duly registered with voting rights in the share register on the day the invitations to a general meeting are sent out are entitled to vote, as are any proxies appointed in writing by said shareholders. Legal representatives require no such written authorization. Proxies must be shareholders of the Company, unless they are serving in the capacity of legal representative. Representation by Company proxy or by a custodian bank is no longer permitted. Every shareholder duly registered in the share register can be represented at

a general meeting by the independent proxy or by another shareholder. Shareholders can participate in the proposals and elections at a General Meeting by transmitting powers of attorney and specific instructions to the independent proxy in advance electronically. The Board of Directors can adopt and publish rules regarding participation in and representation at general meetings of shareholders.

6.2 Quorums required by the Articles of Incorporation

The Annual General Meeting passes resolutions and holds elections, if not otherwise required by law (Swiss Code of Obligations, article 704), with a simple majority of the votes represented. For the calculation of the simple majority, abstentions and empty votes are not considered.

6.3 Convocation of the general meetings of shareholders

An ordinary Annual General Meeting is held within six months after the end of the Company's business year. Extraordinary general meetings may be convened by the Board of Directors, the statutory auditors or one or more individual shareholders representing a minimum of 10% of share capital.

The convocation of the Annual General Meeting is due at least 20 days prior to the meeting by publication in the Swiss Commercial Gazette and a minimum of one daily newspaper with national circulation. The meeting can also be convened by letter to all registered shareholders.

6.4 Inclusion of items on the agenda

Shareholders may demand that an item be included in the agenda. Related regulations are included in the Articles of Incorporation and conform with the law. Any demands must be made in writing and shall specify the proposals.

6.5 Entries in the share register

The share register is usually closed ten days before the Annual General Meeting. The Board of Directors approves on request exceptions for late permission. The effective date of closure is published in time in the financial calendar on the Company's website: <https://www.bachem.com/about-bachem/investors-and-media/financial-events/>

7 Changes of control and defense measures**7.1 Duty to make an offer**

The Articles of Incorporation of Bachem Holding AG do not envisage a duty to submit a public purchase offer according to article 135 and 163 of the Federal Financial Markets Infrastructure Act (FinfraG) (Opting Out).

7.2 Clauses on changes of control

Neither members of the Board of Directors nor members of the Corporate Executive Committee have a contractual agreement in case of change of control.

8 Auditors**8.1 Duration of the mandate and term of office of the lead auditor**

Mazars AG, Zurich, has been statutory auditor of the Bachem Group and the Bachem Holding AG since 2019. Cyprian Bumann has been lead auditor since the business year 2019. The rotation period of the lead auditor is based on the maximum statutory length for Swiss companies of seven years (Swiss Code of Obligations, article 730a, paragraph 2). Auditors are elected by the Annual General Meeting on an annual basis.

8.2 Auditing fees

Auditing fees of Mazars for the Bachem Group amounted to CHF 167 thousand for the business year 2021 (incl. the audit of the capital increase and the equal pay analysis). Fees for audit services on Bachem companies by other auditors totaled CHF 10 thousand.

8.3 Additional fees

Apart from the audit services, Mazars did not provide any additional services during the reporting year. Additional services, mainly in the area of tax consulting, conducted by other auditors amounted to CHF 1 thousand.

8.4 Information instruments pertaining to the external audit

The Board of Directors is responsible for the evaluation of the external auditors and determines the audit scope and plan on an annual basis. For this purpose, the external auditors prepare a report for the attention of the Board of Directors. The external auditors meet with the Board of Directors at least once a year. During this meeting, the management letters concerning the individual companies and the consolidated financial statements that are summarized in the audit report are discussed. Further, the external auditors provide an

overview on all audits conducted as well as on current trends in Swiss GAAP FER and other relevant laws and standards. In 2021, the external auditors attended two Board of Directors meetings. The performance assessment of the external auditor and the audit fees is made based on the independency and objectivity of the external auditors, the presented reports, the shown technical and operational competences, the involved resources, as well as the open and effective communication and coordination with internal staff.

9 Information policy

The Bachem Group has an open and up-to-date information policy that treats all target groups of the capital investment market equally. The most important information tools are the annual report and the half-year report, the website (www.bachem.com), press releases, the presentation of the financial statements for media and analysts, as well as the Annual General Meeting. Shareholders are in addition informed on important matters by letter. As a company listed on the SIX Swiss Exchange, Bachem is obliged to publish information that is relevant to its share price (obligation to disclose price-sensitive facts (ad hoc publicity), art. 53 of the "Listing Rules"). These rules can be viewed under: <https://www.ser-ag.com/dam/downloads/regulation/listing/listing-rules/lr-en.pdf>. For specific questions regarding Bachem, contact our investor relations responsible, Dr. Daniel Grotzky, phone +41 58 595 2021, ir@bachem.com.

10 Quiet periods

For the Honorary Chairman, the members of the Board of Directors, the members of the Corporate Executive Committee, the regional executive managers, the executive managers of larger Group companies and other persons, whose official duties gives them access to reporting numbers, inclusive their related parties, the quiet period in connection with the semi-annual and the annual report begins on the last calendar day of the respective reporting period. The quiet period ends on the day of the corresponding publication. All the details, also covering further quiet periods in relation to potentially price-relevant projects, are regulated in a corresponding internal directive.

COMPENSATION REPORT

The compensation report contains information on the compensation of the members of the Board of Directors and the Corporate Executive Committee. It substantially adheres to the provisions set forth in Bachem's Articles of Incorporation, the transparency requirements of the Swiss Code of Obligations as specified in Art. 663b^{bis} and Art. 663c OR, and the Ordinance Against Excessive Compensation in Listed Companies (OAEC) Articles 14–16 and 20.

Basic compensation policy

The steadfast focus on peptides, adherence to the most stringent of quality standards and a distinctive capacity for innovation attest to the skills and many years of experience that Bachem employees possess. In acknowledgment thereof, the central objectives of Bachem's compensation policy are to ensure a sustainable, positive business development and to recruit and retain the best specialists. The compensation system is rooted in the principles of transparency, performance-oriented pay, and lasting value creation. It is aimed to attract, incentivize and retain employees committed to the successful development of the company by offering comprehensive pay packages competitive with peer market practice. Besides the requisite skills and knowledge, a high level of motivation and strong commitment are expected in return.

The foundation for Bachem's compensation model is provided by the binding, Group-wide Bachem Incentive Plan. It sets the overall compensation mechanisms for all employees at Bachem Group and the main part of the compensation to the members of the Corporate Executive Committee.

The basic principles underlying the system of compensation described in the Bachem Incentive Plan are:

- Total compensation is understood as compensation for total performance
- Total compensation and total performance are focused on sustainable corporate success and therefore further the long-term interests of all stakeholders
- Targets and objectives pertinent to the expected total performance are assigned and/or agreed upon
- The subsequent assessment of total performance takes into consideration internal and individual factors as well as general and external forces and factors of consequence
- All employees have a stake in the company's success within the scope of their roles and responsibilities
- All employees are assigned individual, mutually agreed upon objectives that have a positive impact on the company
- Senior management receives part of its total compensation in the form of blocked company shares

The Bachem Incentive Plan is not utilized to determine the compensation paid to the (non-executive) members of the Board of Directors. To ensure true independence, neither performance-oriented nor individual objectives are applied in setting the overall compensation of the members of the Board of Directors.

Management and control of compensation

The remuneration and share-based payment plans offered to the Board of Directors and the Corporate Executive Committee are determined annually by the Board of Directors acting on a proposal by the Compensation Committee, which shall consist of three members of the Board of Directors. Compensation shall be determined in compliance with all applicable legal, statutory and contractual requirements and, at the Board's own discretion, subject to subsequent approval by the General Meeting.

The General Meeting shall cast a prospective vote on and set with binding force the aggregate compensation of the Board of Directors for the period extending to the close of the next Annual General Meeting.

The resolutions of the Board of Directors on the maximum aggregate amount of fixed and variable compensation of the Corporate Executive Committee for the next fiscal year will also be submitted for approval at the Annual General Meeting. If a new individual is appointed to the Corporate Executive Committee or an existing Corporate Executive Committee member is promoted after the aggregate amount of compensation for the period has been approved, the Board of Directors shall be entitled to provide an additional amount of compensation should the approved amount of aggregate compensation not be sufficient. The additional compensation provided per member of the Corporate Executive Committee shall not exceed 25% of the aggregate amount approved by the General Meeting.

The Compensation Committee supports the Board of Directors in determining and periodically reviewing the compensation strategy and guidelines as well as in formulating the resolutions to be submitted for approval at the General Meeting. Furthermore, the Compensation Committee submits proposals to the Board of Directors regarding key performance criteria to be used in setting individual total compensation for the members of the Corporate Executive Committee. The Committee shall also submit proposals to the Board of Directors for estab-

lishing or revising individual performance- and/or profit-based variable compensation and stock award plans.

Based on the guidelines approved by the full Board of Directors, the Compensation Committee measures the extent to which the financial and non-financial targets of the members of the Corporate Executive Committee have been achieved and makes specific recommendations regarding compensation. These recommendations and the proposals for the compensation of the members of the Board of Directors are presented to the Board of Directors for review and approval.

The Compensation Committee meets as often as necessary to carry out its responsibilities, but at least once every year. It held two one-hour meetings in 2021. No external specialists were called in during the period under review.

The Board of Directors discloses the actual compensation paid to members of the Board of Directors and the Corporate Executive Committee in the compensation report. This report is audited annually by the auditors.

Compensation of the Board of Directors

Compensation paid to the (non-executive) members of the Board of Directors consists of a fixed base fee set independently of the operating results and meeting fees. In addition, an appropriate amount of unrestricted company shares were allocated until the end of the 2019/20 term of office.

The amount of the base fee is determined by the given roles and responsibilities and the associated requirements in terms of time and tasks assigned. Up to and including the first quarter of 2020, a gross amount of CHF 30 000 per quarter was set for the Chairman and CHF 9 000 per quarter for the other members of the Board of Directors. Since from the 2020/21 term of office no more shares are allocated, the quarterly compensation has been adjusted as follows. The gross remuneration per quarter is now CHF 48 000 for the Chairman and CHF 22 500 for the other members of the Board of Directors. Meeting fees are at CHF 600 per half a day and per meeting participant.

The company may assign individual members additional tasks that go beyond the nature and scope of their given mandate. Compensation of such work shall be paid separately as invoiced. In the year under review, no such payments were made.

In congruence with the company's compensation philosophy, there are no agreements between Bachem and the members of the Board of Directors granting entitlement to severance payments, any other benefits on separation from service or loans and borrowings.

Compensation of the Corporate Executive Committee

Compensation of members of the Corporate Executive Committee consists of fixed and variable elements. The short-term variable compensation elements are based on performance metrics that primarily reflect the company's bottom-line results. Variable compensation is paid both in cash and as blocked company

shares. The shares are blocked for different lengths of time, they have full voting and dividend rights commencing on the date of grant, but they may not be sold during this time. By imposing a share blocking period, Bachem adds a long-term perspective to the variable compensation component in order to direct the actions and behavior of Corporate Executive Committee members toward sustainable corporate development.

Total compensation (TC) paid to members of the Corporate Executive Committee consists of a guaranteed base salary (BS) specified by contract, of a variable component (IP) as detailed in the "Bachem Incentive Plan," which

OVERVIEW OF DUTIES AND RESPONSIBILITIES

BODY/FUNCTION	DUTIES AND RESPONSIBILITIES
ANNUAL GENERAL MEETING	<ul style="list-style-type: none"> - Elect and remove the members of the Board of Directors and the Compensation Committee - Prospectively set the aggregate amount of annual compensation of the Board of Directors - Prospectively approve the maximum aggregate amount of fixed and variable compensation of the Corporate Executive Committee
BOARD OF DIRECTORS	<ul style="list-style-type: none"> - Determine and periodically review Bachem's compensation policy and guidelines - Submit proposals at the General Meeting regarding compensation of members of the Board of Directors and Corporate Executive Committee - Set performance targets and objectives for short- and long-term variable compensation components within the overall compensation of the Corporate Executive Committee members and determine target achievement levels - Establish performance-based variable compensation and stock award plans - Prepare the compensation report
COMPENSATION COMMITTEE	<ul style="list-style-type: none"> - Support the Board of Directors in setting and periodically reviewing Bachem's compensation policy and guidelines - Submit proposals to the Board of Directors on the compensation of the members of the Board of Directors - Support the Board of Directors in determining the key financial and non-financial performance criteria used to set the individual total compensation of the members of the Corporate Executive Committee - Submit proposals to the Board of Directors for establishing or revising performance- and/or profit-based variable compensation and stock award plans - Prepare proposals put to the General Meeting regarding compensation of members of the Board of Directors and Corporate Executive Committee
AUDITORS	<ul style="list-style-type: none"> - Audit of quantitative information on compensations, loans and borrowings in the compensation report (acc. to Art. 17 OAEC)

is applicable throughout the Group and since the 2021 financial year additionally of a fixed number of shares (FS).

Total compensation:	$TC = BS + IP + FS$
Variable compensation I:	$IP = BS \times 0.69 \times TF$
Factor:	$TF = PTI \times 0.2 + GTI \times 0.8$
Variable compensation II:	$FS = \text{Fixed number of shares}$

The variable compensation I is calculated by multiplying 69% of the base salary by a factor derived from the weighted achievement scores for the Bachem Group financial targets (Group Target Incentives/GTI), which are typically based on sales and profits, and with respect to three to five individual objectives (Personal Target Incentives/PTI). The Board of Directors assesses the overall achievement scores with respect to Group-wide and individual targets based on a proposal by the Compensation Committee. The achievement of individual objectives is divided into four achievement levels: 0%, 80%, 100% and 120%. 30% of the variable compensation I will be paid out as company shares. These shares will be blocked for three years after grant and disclosed in the compensation report at discounted value in accordance with applicable tax laws. The aforementioned proportion of variable compensation is converted into a specific number of awarded shares using the average daily closing price for the corresponding fiscal year.

As part of the variable compensation II, the CEO is allocated 75 shares and the other members of the Corporate Executive Committee 50 shares each per

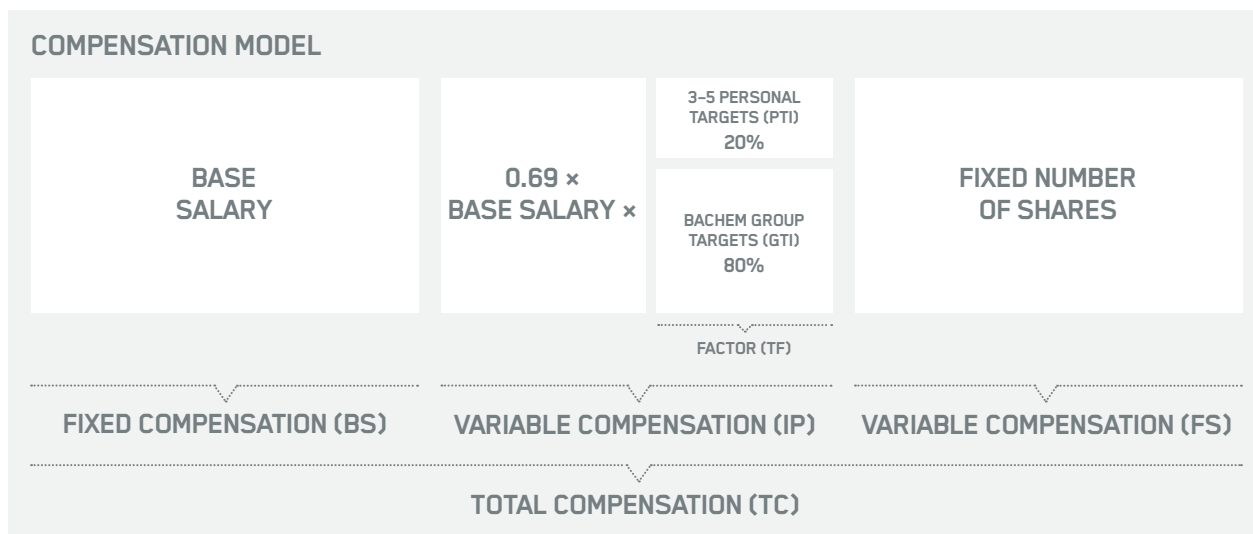
financial year. The number can be increased at the discretion of the Board of Directors. The shares allocated in accordance with the variable compensation II are blocked for five years after grant and disclosed in the compensation report at discounted value in accordance with applicable tax laws.

The Group targets set for the 2021 fiscal year were clearly exceeded. In view of the assessment of the total performance, the Board of Directors has set the Group Target Incentive rate at 120% as proposed by the Compensation Committee. In the year under review, the variable compensation of the Corporate Executive Committee members based on tax values therefore corresponded in total to approximately 89% of base salary.

In congruence with the company's compensation philosophy, there are no agreements between Bachem and the members of the Corporate Executive Committee granting entitlement to severance payments, any other benefits on separation from service or loans and borrowings.

The shares held by the Board of Directors and the Corporate Executive Board are detailed in note 9 on page 79 of the notes to the financial statements of Bachem Holding AG.

Further information on Bachem Group's share plans is given in the notes to the consolidated financial statements on pages 52, 53 and 68.



Compensations to the Board of Directors and the Corporate Executive Committee

The compensations to the Board of Directors and the Corporate Executive Committee are based on tax values and are composed of as follows:

2021 in CHF 1 000	Fix salaries, fees	Variable salaries	Share-based payments	Pension plan contribution	Other social security expenses	Total
Kuno Sommer (Chairman)	197				14	211
Nicole Grogg Hötzer (Vice-Chairwoman)	97				7	104
Jürgen Brokatzky-Geiger (Member until April 28, 2021)	25				1	26
Alex Fässler (Member since April 28, 2021)	65				4	69
Thomas Früh (Secretary until April 28, 2021) ¹	23				2	25
Steffen Lang (Member)	96				7	103
Helma Wennemers (Member)	95				7	102
Total Board of Directors	598	0	0	0	42	640
Thomas Meier (CEO)	278	161	89	58	41	627
Rest of the Corporate Executive Committee	856	496	259	167	115	1 893
Total Corporate Executive Committee	1 134	657	348	225	156	2 520
Total	1 732	657	348	225	198	3 160

¹ In addition to his work as a member of the Board of Directors, Thomas Früh was employed in a staff position of the CEO without executive functions until the end of April 2021. For this activity fix salaries in the amount of CHF 41 thousand, variable salaries of CHF 2 thousand, contributions to the pension plan of CHF 5 thousand and other social security expenses of CHF 8 thousand were posted. These compensations are not included in the values shown above.

2020 in CHF 1 000	Fix salaries, fees	Variable salaries	Share-based payments	Pension plan contribution	Other social security expenses	Total
Kuno Sommer (Chairman)	180		12		17	209
Nicole Grogg Hötzer (Vice-Chairwoman)	84		12		10	106
Jürgen Brokatzky-Geiger (Member)	84		12		8	104
Thomas Burckhardt (Secretary until April 22, 2020)	11		12		4	27
Thomas Früh (Secretary since April 22, 2020) ¹	72		0		6	78
Steffen Lang (Member since April 22, 2020)	72		0		6	78
Rolf Nyfeler (Member until April 22, 2020)	11		12		4	27
Helma Wennemers (Member)	83		12		10	105
Total Board of Directors	597	0	72	0	65	734
Thomas Meier (CEO)	265	184	55	52	33	589
Rest of the Corporate Executive Committee	780	497	150	149	100	1 676
Total Corporate Executive Committee	1 045	681	205	201	133	2 265
Total	1 642	681	277	201	198	2 999

¹ In addition to his work as a member of the Board of Directors, Thomas Früh was employed in a staff position of the CEO without executive functions for the entire financial year 2020. For this activity fix salaries in the amount of CHF 178 thousand, variable salaries of CHF 58 thousand, share-based payments of CHF 19 thousand, contributions to the pension plan of CHF 32 thousand and other social security expenses of CHF 31 thousand were posted. These compensations are not included in the values shown above.

Lump-sum allowances to the Board of Directors and the Corporate Executive Committee are not part of the compensations, since they compensate for expenses.

Report of the statutory auditor to the General Meeting of Bachem Holding AG, Bubendorf

We have audited the compensation report of Bachem Holding AG for the year ended December 31, 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 40 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibilities

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2021 of Bachem Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, February 23, 2022

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
Auditor in Charge

Roger Leu
Licensed Audit Expert

FINANCIAL REPORT 2021

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CONSOLIDATED INCOME STATEMENT

For the years ended December 31

in CHF 1000	Notes	2021	2020
Net sales	1/2	503 234	401 995
Cost of goods sold		- 336 506	- 273 087
Gross profit		166 728	128 908
Other income		884	860
Marketing and sales costs		- 17 994	- 15 567
Research and development costs		- 3 816	- 2 940
General administrative costs		- 16 875	- 14 598
Operating income (EBIT)	2	128 927	96 663
Financial income	5	3 674	23
Financial expenses	6	- 1 215	- 5 725
Ordinary income before taxes		131 386	90 961
Income taxes	7	- 16 704	- 12 899
Net income¹		114 682	78 062
Earnings per share (CHF)	8	8.09	5.58

¹ The net income is completely attributable to the equity holders of the parent.

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At December 31, 2021 and 2020

in CHF 1000	Notes	Dec. 31, 2021	Dec. 31, 2020
Assets			
Cash and cash equivalents		89 191	23 496
Securities	9	353 165	0
Trade receivables	10	106 492	76 337
Other current receivables	11	3 994	4 404
Prepaid expenses and accrued income	12	4 144	2 802
Current income tax asset		4 335	196
Inventories	13	272 350	245 238
Total current assets		833 671	352 473
Property, plant and equipment	14	445 718	340 292
Intangible assets	15	13 403	13 384
Assets from employer contribution reserve	4	320	320
Deferred tax assets		5 384	4 415
Total non-current assets		464 825	358 411
Total assets		1 298 496	710 884
Liabilities and equity			
Trade payables	16	25 030	25 526
Other current liabilities	17	52 332	33 877
Accrued expenses and deferred income	18	34 624	26 899
Current income tax liabilities		2 210	3 778
Current financial liabilities	19	20 364	47 409
Total current liabilities		134 560	137 489
Non-current financial liabilities	19	499	60 142
Deferred tax liabilities	7	42 439	37 539
Total non-current liabilities		42 938	97 681
Total liabilities		177 498	235 170
Share capital	21	738	700
Retained earnings		552 135	460 268
Share premium		609 597	59 312
Own shares		- 1 169	- 1 002
Cumulative translation differences		- 40 303	- 43 564
Total capital and reserves attributable to the equity holders of the company		1 120 998	475 714
Total liabilities and equity		1 298 496	710 884

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31

in CHF 1 000	Notes	2021	2020
Cash flow from operating activities			
Net income		114 682	78 062
Adjustments for:			
Income taxes	7	16 704	12 899
Depreciation and amortization	2/14/15	28 423	25 919
Financial income	5	-3 674	-23
Financial expenses	6	1 215	5 725
Share-based payments	22	971	1 283
Loss on sale/scrapping of property, plant and equipment		252	603
Income taxes paid		-17 527	-6 487
Other non-cash items		0	-953
Cash flow from operating activities before changes in net working capital		141 046	117 028
Change in trade receivables		-28 494	4 233
Change in other current receivables, prepaid expenses and accrued income		-828	-1 647
Change in inventories		-25 669	-30 096
Change in trade payables		-431	7 535
Change in other current liabilities, accrued expenses and deferred income		11 931	17 987
Cash flow from operating activities		97 555	115 040
Cash flow from investing activities			
Investments in property, plant and equipment		-114 554	-65 521
Investments in intangible assets		-2 272	-3 576
Investments in securities		-352 000	0
Interest received		6	6
Other financial payments and proceeds		-304	-214
Cash flow from investing activities		-469 124	-69 305
Cash flow from financing activities			
Capital increase	21	571 611	0
Dividends paid	23	-20 490	-41 998
Increase in financial liabilities		59 000	47 300
Repayment of financial liabilities		-171 642	-46 965
Additions of own shares	21	-898	-1 002
Interest paid		-398	-418
Cash flow from financing activities		437 183	-43 083
Net effect of currency translation on cash and cash equivalents		81	-587
Net change in cash and cash equivalents		65 695	2 065
Cash and cash equivalents at the beginning of the year		23 496	21 431
Cash and cash equivalents at the end of the year		89 191	23 496
Net change in cash and cash equivalents		65 695	2 065

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

2021 in CHF 1 000	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		700	460 268	59 312	- 1 002	- 43 564	475 714
Capital increase	21	38		583 462			583 500
Transaction costs of the capital increase (net of tax)	21			- 10 740			- 10 740
Net income according to income statement			114 682				114 682
Dividends	23		- 22 815	- 22 675			- 45 490
Transactions with own shares (net of tax)				- 35	- 865		- 900
Share-based payments	22			273	698		971
Cumulative translation differences						3 261	3 261
Balance at December 31		738	552 135	609 597	- 1 169	- 40 303	1 120 998

2020 in CHF 1 000	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		700	403 205	79 039	- 1	- 35 125	447 818
Net income according to income statement			78 062				78 062
Dividends	23		- 20 999	- 20 999			- 41 998
Transactions with own shares (net of tax)				- 11	- 1 001		- 1 012
Share-based payments	22			1 283			1 283
Cumulative translation differences						- 8 439	- 8 439
Balance at December 31		700	460 268	59 312	- 1 002	- 43 564	475 714

Goodwill in the amount of CHF 1 352 thousand is offset in retained earnings.

As of December 31, 2021, the accumulated non-distributable reserves amount to CHF 12 648 thousand (previous year: CHF 12 640 thousand).

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Business activities

Bachem is a leading, innovation-driven company specializing in the development and manufacture of peptides and oligonucleotides. The company, which has 50 years of experience and expertise, provides products for research, clinical development, and commercial application to pharmaceutical and biotechnology companies worldwide and offers a comprehensive range of services. Bachem operates internationally with headquarters in Switzerland and locations in Europe, the US and Asia. The company is listed on the SIX Swiss Exchange.

Approval of the consolidated financial statements

The consolidated financial statements have been accepted by the Board of Directors of Bachem Holding AG on February 23, 2022, to be presented for approval by the Annual General Meeting on April 27, 2022.

Accounting policies

Principles of consolidation

The financial reporting of the Bachem Group is in accordance with all Swiss Accounting and Reporting Recommendations (Swiss GAAP FER), the accounting and valuation policies as set out below, and the provisions of Swiss law. The consolidated financial statements are based on historical costs, except for the revaluation of financial assets and liabilities at fair value.

The financial statements of the companies on which the consolidated accounts are based are drawn up in accordance with standard principles applied throughout the Group in the preparation of financial statements. The annual reporting period for the individual companies of the Group ends on December 31.

All material cost and income items are recognized on an accrual basis. All internal transactions within the Group such as expenses and income, receivables and liabilities and unrealized profits are eliminated in the process of consolidation.

Acquired companies are consolidated according to the purchase method. Companies which are acquired or sold during the financial year are included in the consolidated accounts from the date of acquisition or up to the date of sale. Unless otherwise indicated, all figures included in these financial statements and in the notes thereto are rounded to the nearest CHF 1000.

Changes in accounting policies

For the reporting year 2021, no changes in accounting policies became effective.

Scope of consolidation

The consolidated financial statements of Bachem comprise the financial statements of Bachem Holding AG and all companies in Switzerland and abroad that are controlled by Bachem Holding AG (with over 50% of the voting rights being held). The full list of the consolidated companies is to be found under note 24.

Investments in subsidiaries

If the Bachem Group directly or indirectly has a voting majority in a company, or if it directly or indirectly controls a company in any other way, then the full amount of the assets and liabilities, expenses and income of the company in question is included in the consolidated financial statements. Minority interests in the income of companies that do not form part of the Group, and minority interests in the equity of subsidiaries, are shown separately.

Internal transactions and balances between Group companies are eliminated. Inter-company profits from inventories and deliveries within Group companies that have not yet been realized through sales to third parties are eliminated.

Investments in associates

Investments in associated companies where the possibility of significant influence on business policy exists are reported according to the equity method and initially recognized at acquisition value. Following acquisition, changes in the level of participation and any value impairments are taken into account. The share in the profit and the dilutive effect of these associated companies are recognized in the income statement.

Currency translation

The individual companies of the Group draw up their financial statements in local currencies. Transactions in other currencies are recorded by the companies using the exchange rate applicable on the transaction date. Foreign currency profits and losses arising from the processing of such transactions and from the translation of financial assets or liabilities in foreign currencies are recognized in the income statement, except in the case of long-term loans provided to companies of the Group as equity loans, for which foreign currency gains are recorded directly in equity.

The consolidated financial statements are drawn up in Swiss francs. The translation into Swiss francs of the assets and liabilities as set out in the local balance sheets is performed at the exchange rate on the period-end date.

The translation of the income statement and the cash flow statement is undertaken at the weighted average exchange rate for the reporting year. The currency-related translation differences arising from the translation of the balance sheet and income statement are allocated directly to equity. In the event of the sale of a foreign business unit, these exchange rate differences are recorded in the income statement as part of the profit or loss arising from the sale.

The following exchange rates were used for foreign currency translation:

in CHF	Income statement average rates		Balance sheet year-end rates	
	2021	2020	2021	2020
USD	0.91	0.94	0.91	0.88
EUR	1.08	1.07	1.04	1.08
GBP	1.26	1.20	1.23	1.20
JPY (100)	0.83	0.88	0.79	0.86

Revenue recognition

Sale of products

The reported net sales correspond to the invoiced product deliveries to third parties after deducting sales tax, discounts and other sales deductions. Sales are recorded after the ownership-related transfer of the risks and rewards to the buyer took place. Inter-company sales are eliminated.

Sale of services

Revenue from the sale of services is booked in the accounting period in which the services were rendered.

Interest and dividend income

Interest income is recorded on a pro rata basis. Dividend income is booked on the date on which the legal entitlement to payment arises.

Segment information

Segment information is based on the information used by the Corporate Executive Committee for managing the business. The business segments have been derived from the organizational structure and the internal reporting.

In addition to the business segments Europe/Asia and North America, which are identified on the basis of geographical territory, a column entitled "Corporate and eliminations" is provided in the segment reporting. This column does not represent a separate business segment, and in addition to the corporate activities includes the eliminations necessary for the reporting of the consolidated amounts.

The Group management measures the performance of the segments on the basis of the operating profit (EBIT).

For the two segments "Europe/Asia" and "North America," products and services of the product categories Commercial API, CMC Development and Research & Specialties form the basis for sales.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, credit balances at banks and financial investments with a residual term of not more than three months after the balance sheet date.

The cash flow statement is based on the sum of cash and cash equivalents as defined above.

Financial assets

Securities classified as current assets are carried at actual values. In the case of listed securities, this corresponds to the stock exchange price on the balance sheet date. Unlisted securities classified as current assets are carried at acquisition cost less any value adjustments.

Financial assets classified as non-current assets are generally carried at cost less impairment, if any.

Changes in the carrying amount are recognized in the income statement.

Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognized on the date of conclusion of the contract at fair value, and the transaction costs are expensed in the income statement. Subsequent measurement is also based on fair value. Bachem uses derivative financial instruments primarily to hedge exchange rate risks. However, it does not apply hedge accounting in this context. Instead, gains and losses arising from changes in the value are taken directly to the income statement.

Trade and other receivables

Trade receivables and other receivables are recognized at the nominal value less an allowance for impaired receivables. A provision is formed when there is objective evidence that not all receivables will be collected. The impairment loss corresponds to the difference between the carrying amount of the receivable in question and the estimated net payment from customers and is recorded as a deduction in net sales.

Inventories

The inventories comprise raw materials (including supplies and consumables), work in progress as well as semi-finished and finished goods. They are measured at acquisition cost or Group production cost or (if lower) at net realizable value. Production costs comprise all production costs and an appropriate proportion of production overheads. Inventories are measured at weighted average cost. For slow-moving inventory items and for inventories with a lower net realizable value, an appropriate valuation provision is made. Net realizable value is the estimated selling price in the ordinary course of business, less the variable costs necessary to make the sale.

Property, plant and equipment and depreciation

Property, plant and equipment are shown at net book value, after deduction of accumulated depreciation. They are measured at acquisition or manufacturing cost and depreciated on a straight-line basis over the estimated useful life of the asset, except for land, which is not depreciated. Government grants effect a reduction in acquisition or production costs. Property, plant and equipment that is withdrawn from use or sold is derecognized from the property, plant and equipment at the corresponding acquisition or production cost less accumulated depreciation. The gain or loss on disposal of property, plant and equipment is recognized in the income statement.

The estimated useful lives of the main types of property, plant and equipment to be depreciated are given below:

Buildings	20 to 40 years
Installations	10 to 20 years
Laboratory equipment	5 to 15 years
Others	3 to 10 years

The depreciation rates reflect the expected economic useful life of the asset in question. Maintenance costs are charged to expense as incurred. Additional costs which extend the estimated useful life of an asset and lead to future economic benefit are capitalized, provided that a reliable determination of these costs is possible. All other costs for repair and maintenance are recorded as expenses in the income statement.

An asset is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In this case, Bachem estimates the future projected cash flows that will result from the use of the asset and its possible disposal. If the total amount of these projected cash flows is less than the carrying amount of the asset, an impairment loss in the amount of the difference between the carrying amount and the net realizable value is recognized.

Leases

Finance leases which, from a business point of view, are purchases of assets through long-term financing agreements, are capitalized as fixed assets at the purchase price and depreciated over the useful life of the asset if the leased asset is transferred to the lessee at the end of the lease term. If there is no reasonable certainty that the leased assets will be transferred into the ownership of the lessee at the end of the lease term, they are valued at the present value of the future lease payments or at the lower of acquisition cost or net fair value and depreciated over the term of the lease agreement or over the economic useful life if shorter. The corresponding liabilities are included in current or non-current financial liabilities depending on the lease term. With finance leases, depreciation expenses as well as financial expenses are recognized in the income statement in each accounting period. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

Intangible assets*Goodwill*

The difference between the price paid for an acquired company and the fair value of the net identifiable assets acquired (goodwill) on the date of acquisition is offset against retained earnings. The effects on the income statement of a theoretical capitalization and ordinary amortization as well as any impairment over a useful life of five years are disclosed in the notes.

In the event of the sale of a subsidiary, any goodwill acquired at an earlier date and offset against equity is accounted for at initial cost in order to determine the gain or loss in the income statement.

Patents and licenses

Patents and licenses that have been acquired are shown at their historical acquisition cost less accumulated amortization and impairment, if any. Amortization is on a straight-line basis over 3 to 5 years, based on their useful lives. Current costs for patents and licenses are expensed in the income statement as incurred. Patents and licenses are tested for impairment whenever there are indications of impairment.

Brands

Acquired brands are carried at historical cost less impairment, if any. The amortization period is 20 years.

Software

Software is shown at acquisition or production cost plus the software implementation costs, less accumulated amortization and impairment, if any, and is amortized on a straight-line basis over the estimated useful life of 3 to 5 years. Software is tested for impairment whenever there are indications of impairment. Costs related to the development or maintenance of IT systems are expensed in the income statement. Costs related to IT projects will be capitalized only if an intangible asset can be identified and completed which will provide a future economic benefit over several years; capitalized software development costs are amortized on a straight-line basis over an estimated useful life of 3 to 5 years.

Research and development costs

Research costs are taken directly to the income statement when incurred. Development costs are capitalized as intangible assets only if an intangible asset can be identified and completed which will provide a future economic benefit over several years, and if the cost of this asset can be reliably determined. Capitalized development costs are amortized on a straight-line basis over an estimated useful life of 5 to 8 years. The corresponding amortization is recognized in the income statement as research and development costs. In addition, capitalized development costs are tested for impairment on a regular basis and an impairment loss will be recognized if there are indications of impairment. In particular, development costs in connection with the process development of new generics are capitalized according to the progress made in the project in question, since all cumulative criteria for capitalization are met.

Financial liabilities

Financial liabilities comprise loans, borrowings and finance lease liabilities.

Initially, financial liabilities are measured at fair value net of transaction costs incurred and, subsequently, they are stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the liability using the effective interest method.

The total or partial amount of a financial liability which is due or scheduled for repayment in the following 12 months is shown under current liabilities.

Taxes

Income taxes include both current and deferred taxes. Income taxes are shown in the income statement, except to the extent that they relate to items recognized directly in equity. Current taxes comprise the income tax expected to be paid for the current reporting year and the balancing adjustment in respect of income tax assets and liabilities from previous years. If no distribution of profits is planned, withholding taxes and other taxes on possible subsequent distributions are not taken into account, as retained profits are ordinarily reinvested.

Deferred taxes are determined on the basis of temporary differences between the tax basis of assets and liabilities and their carrying amounts in the balance sheets of the Group companies prepared for consolidation purposes (comprehensive liability method). Deferred tax assets and liabilities at Group level, calculated on the basis of the applicable local tax rates, are reported as non-current assets and non-current liabilities, respectively.

Deferred tax assets for tax loss carry-forwards have only been recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Changes to tax laws or tax rates that have been enacted at the balance sheet date are considered when determining the applicable tax rates, insofar as they are likely to be applicable when the deferred tax assets or liabilities are realized.

Pension benefit obligations

The pension and retirement benefits for employees are based on the regulations and practices in the respective countries in which Bachem is represented.

The actual economic effects of employee pension plans on the Group are calculated at the balance sheet date. An economic obligation is recognized as a liability if the conditions for the formation of a provision are met. An economic benefit is capitalized if it can be utilized for the future Group contributions to employee pension plans. Disposable employer contribution reserves are capitalized. The economic effects of pension plan funding surpluses and shortfalls, and changes in employer contribution reserves, if any, are recognized in the income statement together with the accrued contributions for the same period.

Employee compensation (share-based payments)

The Board of Directors passes, depending on the course of business, a resolution to grant all employees a variable share of company profits as part of their annual compensation. The amount of this variable pay depends on the level of fulfilment of individual personal objectives and on the attainment of financial targets by the local Group companies and the Bachem Group. The aggregate amount of variable pay awarded is recognized as accrued staff costs at the end of the year and paid out after the beginning of the following year.

Members of the Corporate Executive Committee, the regional executive managers and the executive managers of larger Group companies receive 25% to 30% of the variable pay in the form of shares. The number of shares that can be granted is calculated on the basis of the average closing prices for the financial year in question. The shares are blocked for a period of three years, but are not subject to any further vesting conditions. The expense is measured at the estimated fair value at the grant date, accrued and booked as an increase in equity (share premium). Any differences between the accrued and actual amounts are corrected in the income statement for the following year.

Since 2021, the members of the Corporate Executive Committee also receive a fixed number of shares per financial year (CEO: 75 shares, other members of the Corporate Executive Committee: 50 shares). The number can be increased at the discretion of the Board of

Directors. The shares are blocked for a period of five years, but are not subject to any further vesting conditions. At year-end, the expense is measured at the estimated fair value at the grant date, accrued and booked as an increase in equity (share premium). Any differences between the accrued and actual amounts are corrected in the income statement for the following year.

The members of the Board of Directors received 300 shares per year until the end of the 2019/20 term of office.

Bachem holds own shares to fulfill its obligations under its share plans.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Provisions

Provisions are recognized if a present legal or constructive obligation has arisen as a result of a past event, the outflow of funds to settle this obligation is probable, and the amount of the obligation can be estimated reliably. The provisions recognized represent the best estimate of the ultimate obligation taking into account foreign currency effects and the time value of money.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

Own shares

Own shares are shown at acquisition cost and deducted from equity. Gains or losses on the sale of own shares are recognized in share premium.

Dividend distribution

Dividends to shareholders are recorded as liabilities at the time the resolution to pay a dividend is made.

Risk assessment

Risks are assessed at Bachem Group during the course of the ordinary board meetings. The Corporate Executive Committee normally takes part in all meetings of the Board of Directors, and is thus fully involved in the risk assessment process. The strategic, operational and

financial risks in the various business areas and at the various levels are discussed and, if necessary, measures are defined to minimize risk.

The Corporate Executive Committee meets with the Chief Operating Officers of the individual companies of the Group several times a year in the context of local board meetings, and risks for the respective business units are assessed. The results of these discussions are included in the risk assessment process at Group level.

At the local board meetings, Group-wide risks and their impact on the local entities are also discussed.

For each business area, international meetings take place at least once a year, at which the members of the management discuss area-specific issues and current risks. The Corporate Executive Committee is represented at these international meetings and raises the relevant points in the Group-wide risk assessment process.

Financial risk factors

As a result of its worldwide activities, Bachem is exposed to various financial risks such as currency risks, interest rate risks and liquidity risks. Bachem's general risk management focuses on the unpredictability of developments in the financial markets, and is aimed at reducing the potentially negative effects on its financial performance to a minimum. This includes the occasional use of derivative financial instruments as an economic hedge against financial risks, without applying hedge accounting as such. Bachem works exclusively with first-class financial institutions in this context.

Foreign exchange risk

Bachem is internationally active and is therefore exposed to the foreign exchange risk arising from the fluctuations in the exchange rates of foreign currencies, primarily the US dollar and the euro. The risks relate to expected future transactions, assets and liabilities shown in the balance sheet, and net investments in foreign business operations. If material exchange rate fluctuations are expected, Group Treasury assesses the risks arising from exchange rate fluctuations and if necessary hedges these risks using derivative financial instruments.

Interest rate risk

Interest-bearing securities and cash holdings are exposed to changes in the market interest rates. Changes in market interest rates have an influence on cash flows (cash flow risk) and on the fair value of interest-bearing securities (fair value risk). Interest rate risk is currently not hedged. However, Bachem has the possibility of using financial instruments such as interest rate swaps to hedge some of this exposure.

Price risk

The Group purchases equities, bonds and options for capital management purposes. In accordance with internal investment regulations, both direct and indirect investments are permitted. Investment guidelines are defined for each asset class.

Investment decisions are taken by an investment committee.

Credit risk

Credit risks arise when customers or financial institutions are not able to settle their obligations as agreed. Credit risks can apply to cash and cash equivalents, deposits at financial institutions, and customer receivables. Any financial institution with which Bachem does business must have a minimum rating of "A" from an independent rating agency.

Because of the different customer structures in the various business areas, there are no general credit limits that apply across the Group, but the creditworthiness of each business area's customers is systematically evaluated. In this context, the financial situation, previous experience and/or other factors are taken into consideration and if necessary the customers are required to make prepayments.

Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. Bachem monitors its liquidity by careful liquidity management and maintains an adequate level of liquidity that exceeds its daily and monthly operating funds requirement. This includes maintaining a sufficient reserve of liquid funds and marketable securities. Bachem can also obtain loans under favorable conditions at any time through various framework agreements.

A rolling liquidity plan is drawn up on the basis of expected cash flows and is regularly updated. To ensure that it is able to meet its short-term liabilities, Bachem holds a minimum amount of liquid funds which is continually reviewed and adjusted if necessary.

In note 20, the contractual maturities of financial liabilities are disclosed.

Capital management

In the context of capital management, Bachem ensures that the continuation of the operational activity of the Group is guaranteed and an appropriate return on investment for the shareholders can be achieved. In order to achieve these objectives, Bachem can adjust the dividend payments, repay capital to shareholders, and issue new shares.

Bachem monitors its capital structure on the basis of the equity ratio.

Related parties

Companies and persons are regarded as being related if one of the entities directly or indirectly controls the other entity, is controlled by it, or is subject to joint control with the other entity, if it has an interest in the other entity which gives it a significant influence on the entity, if it has joint control over the entity with another person or if it is an associated company or a joint venture of the entity. The most senior managers of the Group and their close family members are also regarded as related persons, as are providers of pension plans for the benefit of Group employees.

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with Swiss GAAP FER requires the use of certain critical accounting estimates. In addition, the Corporate Executive Committee is required to exercise its judgment in the application of the Group accounting policies. The estimates and assumptions seldom correspond exactly to the actual results and developments. Explanatory notes are provided in the following, concerning those areas that involve a higher level of judgment and complexity, and the areas in which assumptions and estimates are of particular importance for the consolidated financial statements:

Income taxes

Bachem has to pay income taxes in several countries. Significant judgments are required in accounting for income tax provisions. The definitive amount of tax due is uncertain. The Group measures the amount of the tax assets and liabilities in respect of adjustments to tax assessments and in respect of expected tax audits on the basis of estimates as to whether and in what amount additional taxes will become payable.

Provision for slow-moving inventory items

Bachem's inventory items are characterized by an extremely long shelf life. Nevertheless, due to commercial considerations, a valuation provision for slow-moving inventory items is determined, which takes into account the salability of the corresponding products. This system-supported provision is principally based on historical consumption and for certain products additionally on a coverage analysis.

Capitalized development costs

Development costs for own products are capitalized if the capitalization criteria pursuant to Swiss GAAP FER are fulfilled. Management regularly reviews capitalized development costs for impairment. To this end, discounted cash flow analyses are drawn up that are based on assumptions such as the discount rate and forecasts of future income, costs and capital investments in connection with individual projects. As a result of changes in the economic environment and market conditions, the assumptions used in the calculations may deviate from the actual results. These deviations can have a significant influence on the capitalized development costs in future periods.

1 Net sales

The reported net sales consist of the following:

in CHF 1 000	2021	2020
Products	472 744	376 018
Services	30 490	25 977
Total net sales	503 234	401 995

in CHF 1 000	2021	2020 ¹
Commercial API	285 347	251 748
CMC Development	173 113	116 449
Research & Specialties	44 774	33 798
Total net sales	503 234	401 995

¹ In the reporting year, the allocation of products to the product categories has been redefined. In order to ensure comparability, the previous year's figures have been adjusted.

2 Segment information

The presented values are based on the same valuation principles according to Swiss GAAP FER as used for the whole consolidated financial statements.

in CHF 1 000	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2021					
Net sales third parties	270 384	232 850	503 234	0	503 234
Net sales intersegment	117 075	6 310	123 385	- 123 385	0
Total net sales	387 459	239 160	626 619	- 123 385	503 234
Income information 2021					
Operating income (EBIT)	108 898	26 867	135 765	- 6 838 ¹	128 927
Other information 2021					
Additions in property, plant and equipment and intangible assets	116 776	14 907	131 683	0	131 683
Depreciation and amortization	- 23 609	- 4 803	- 28 412	- 11	- 28 423
Total assets	715 554	185 200	900 754	397 742 ²	1 298 496
Total liabilities	470 211	72 981	543 192	- 365 694 ³	177 498

¹ The amount consists of the operating income from corporate activities of CHF - 7.2 million and of eliminations in the value of CHF 0.4 million.

² The amount consists of corporate assets as for example cash and cash equivalents, securities and loans to Group companies in the total of CHF 789.2 million and of eliminations in the value of CHF -391.5 million.

³ The amount consists of corporate liabilities of CHF 22.9 million and of eliminations in the value of CHF -388.6 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

in CHF 1000	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2020					
Net sales third parties	184 976	217 019	401 995	0	401 995
Net sales intersegment	112 467	9 067	121 534	- 121 534	0
Total net sales	297 443	226 086	523 529	- 121 534	401 995
Income information 2020					
Operating income (EBIT)	74 485	27 809	102 294	- 5 631 ¹	96 663
Other information 2020					
Additions in property, plant and equipment and intangible assets	61 326	15 174	76 500	0	76 500
Depreciation and amortization	- 21 818	- 4 089	- 25 907	- 12	- 25 919
Total assets	555 108	169 972	725 080	- 14 196 ²	710 884
Total liabilities	335 270	77 992	413 262	- 178 092 ³	235 170

¹ The amount consists of the operating income from corporate activities of CHF - 6.5 million and of eliminations in the value of CHF 0.9 million.

² The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of CHF 279.6 million and of eliminations in the value of CHF - 293.8 million.

³ The amount consists of corporate liabilities of CHF 112.6 million and of eliminations in the value of CHF - 290.7 million.

Information about geographical areas – net sales third parties in CHF 1000	2021	2020
Switzerland	44 057	23 552
USA	228 626	216 654
Japan	33 220	21 263
Belgium	30 865	2 687
Great Britain	25 616	23 568
Rest of the world	140 850	114 271
Total	503 234	401 995

Net sales are attributed to the individual countries based on the invoice address of the respective customer.

3 Staff costs

in CHF 1000	2021	2020
Salaries and wages	- 160 772	- 136 595
Pension expenses	- 9 999	- 8 420
Other social security expenses	- 23 391	- 20 956
Share-based payments	- 971	- 1 283
External staff costs	- 4 856	- 3 522
Other personnel-related costs	- 7 505	- 7 178
Total staff costs	- 207 494	- 177 954

4 Post-employment benefits

Post-employment benefits are based on the regulations and circumstances in each country where Bachem is represented.

The following figures give an overview of the financial position of the pension plans.

Economical benefit/economical obligation and pension expenses in CHF 1 000	Surplus/ deficit	Economical share of the Bachem Group		Change with effect on income statement	Contri- butions	Pension expenses in staff costs	
	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020	2021	2021	2021	2020
Patronage funds	0	0	0	0	0	0	0
Plans without surplus/deficit	0	0	0	0	1 224	1 224	1 050
Plans with surplus	5 256	0	0	0	8 775	8 775	7 370
Plans with deficit	0	0	0	0	0	0	0
Plans without own assets	0	0	0	0	0	0	0
Total	5 256	0	0	0	9 999	9 999	8 420

Employer contribution reserves in CHF 1 000	Nominal value	Renounced use	Asset according to balance sheet		Change	Result from employer contribution reserves in staff costs	
	Dec. 31, 2021	Dec. 31, 2021	2021	2020	2021	2021	2020
Patronage funds	0	0	0	0	0	0	0
Pension institution	320	0	320	320	0	0	0
Total	320	0	320	320	0	0	0

5 Financial income

in CHF 1 000	2021	2020
Interest income	6	6
Gains on securities	1 582	0
Other financial income	8	17
Foreign exchange result	2 078	0
Total financial income	3 674	23

6 Financial expenses

in CHF 1 000	2021	2020
Interest expenses	-365	-371
Losses on securities	-417	0
Other financial expenses	-433	-220
Foreign exchange result	0	-5 134
Total financial expenses	-1 215	-5 725

Other financial expenses mainly include bank charges.

7 Income taxes

in CHF 1 000	2021	2020
Current taxes	- 12 979	- 8 758
Deferred taxes	- 3 725	- 4 141
Total income taxes	- 16 704	- 12 899

The following table shows the difference between the expected Group tax rate (the weighted average tax rate is based on the earnings before taxes of each Group company) and the effective tax rate:

Tax rate reconciliation in %	2021	2020
Expected tax rate	19.2	20.2
Change in tax loss carry-forwards	0.0	0.0
Revaluation of deferred taxes	- 0.6	- 0.8
Tax credits and allowances	- 5.5	- 5.4
Non tax deductible expenditures	0.1	0.1
Adjustments for prior periods	- 0.5	0.1
Effective tax rate	12.7	14.2

The expected tax rate has decreased compared to the prior year as a consequence of higher profits in countries with lower tax rates.

In Switzerland, new regulations on corporate taxation came into force on January 1, 2020. Since the tax rates in the cantons relevant for Bachem are being adjusted gradually, there will be annual revaluations of deferred tax positions up to 2024, which are recognized in the income statement. This fact is shown in the above presentation in the line revaluation of deferred taxes. The impact from the assertion of tax instruments related to this tax reform is included in the line tax credits and allowances.

At the end of the year, there were deferred tax assets for unused tax loss carry-forwards in the amount of CHF 0.3 million (2020: CHF 0.4 million).

Movement of deferred tax liabilities in CHF 1 000	2021	2020
Deferred tax liabilities at January 1	37 539	34 792
Recognized in income statement	4 768	2 903
Currency translation differences	132	- 156
Deferred tax liabilities at December 31	42 439	37 539

8 Earnings per share

Earnings per share (EPS) are calculated by dividing net income by the weighted average number of shares outstanding during the reporting period.

Earnings per share	2021	2020
Net income (in CHF 1 000)	114 682	78 062
Average number of shares outstanding	14 169 349	13 997 228
Earnings per share (in CHF)	8.09	5.58

There are no options, convertible bonds or similar that have a dilutive effect.

9 Securities

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Money market	101 965	0
Bonds	199 618	0
Shares	51 582	0
Total securities	353 165	0

The securities consist of direct and indirect investments in marketable, easily realizable securities. They are valued at market values, stock exchange prices, on the balance sheet date.

10 Trade receivables

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	106 571	76 452
Provision for impairment of trade receivables	- 79	- 115
Total trade receivables	106 492	76 337

Trade receivables are generally free of interest and due within 30 to 90 days.

The movements on the provision for impairment of trade receivables are as follows:

Movement of provision for impairment of trade receivables	2021	2020
in CHF 1 000		
Provision for impairment of trade receivables at January 1	- 115	- 290
Provision for receivables impairment	- 105	- 64
Receivables written off during the year as uncollectable	97	181
Unused amounts reversed	47	38
Currency translation differences	- 3	20
Provision for impairment of trade receivables at December 31	- 79	- 115

The aging analysis of trade receivables is as follows:

Aging analysis in CHF 1000	Total	Not due	Overdue and not impaired				Overdue and partially impaired	
			< 31 days	31–60 days	61–90 days	91–180 days	1–180 days	> 180 days
December 31, 2021	106 571	93 284	11 128	1 064	142	800	0	153
December 31, 2020	76 452	62 888	9 562	1 061	1 404	1 372	0	165

11 Other current receivables

in CHF 1000	Dec. 31, 2021	Dec. 31, 2020
Other receivables	3 994	4 404
Total other current receivables	3 994	4 404

Other receivables contain VAT and withholding tax receivables and other receivables against third parties.

12 Prepaid expenses and deferred income

in CHF 1000	Dec. 31, 2021	Dec. 31, 2020
Prepaid expenses and accrued income	4 144	2 802
Total prepaid expenses and accrued income	4 144	2 802

Prepaid expenses and accrued income comprise payments for not yet received services as well as accrued income.

13 Inventories

in CHF 1000	Dec. 31, 2021	Dec. 31, 2020
Raw materials	68 412	48 075
Work in progress	40 659	32 375
Semi-finished and finished goods	163 279	164 788
Total inventories	272 350	245 238

The valuation provision in the total amount of CHF 43.7 million (2020: CHF 37.7 million) is included in the above line items. The change as well as the utilization of the provision are included in the cost of goods sold.

14 Property, plant and equipment

2021 in CHF 1000	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	210 496	339 667	24 690	56 740	631 593
Additions	0	0	0	128 631	128 631
Disposals	-307	-3 261	-4 278	0	-7 846
Reclassifications	32 965	44 833	4 710	-82 631	-123
Currency translation differences	1 555	1 908	171	294	3 928
Cost at December 31	244 709	383 147	25 293	103 034	756 183
Accumulated at January 1	-80 768	-193 970	-16 563	0	-291 301
Depreciation	-5 161	-17 966	-2 115	0	-25 242
Disposals	289	3 028	4 277	0	7 594
Currency translation differences	-426	-993	-97	0	-1 516
Accumulated depreciation at December 31	-86 066	-209 901	-14 498	0	-310 465
Net book value at December 31	158 643	173 246	10 795	103 034	445 718

2020 in CHF 1000	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	203 737	330 502	23 064	26 663	583 966
Additions	0	0	0	73 490	73 490
Disposals	0	-14 938	-485	0	-15 423
Reclassifications	10 786	29 112	2 512	-42 452	-42
Currency translation differences	-4 027	-5 009	-401	-961	-10 398
Cost at December 31	210 496	339 667	24 690	56 740	631 593
Accumulated depreciation at January 1	-77 420	-194 211	-15 733	0	-287 364
Depreciation	-4 509	-16 816	-1 539	0	-22 864
Disposals	0	14 368	452	0	14 820
Currency translation differences	1 161	2 689	257	0	4 107
Accumulated depreciation at December 31	-80 768	-193 970	-16 563	0	-291 301
Net book value at December 31	129 728	145 697	8 127	56 740	340 292

Bachem does not have any undeveloped land.

The carrying amount of fixed assets under finance lease contracts at year-end 2021 amounted to CHF 0.8 million (2020: CHF 0.2 million). Depreciation relating to fixed assets under finance lease amounted to CHF 0.4 million (2020: CHF 0.1 million).

No assets were pledged for security of own liabilities in 2021 and 2020. The Group's obligation under finance leases is secured by the lessors' title to the leased assets.

Present value of finance lease liabilities in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Within 1 year	364	109
Between 1 and 5 years	499	142
More than 5 years	0	0
Present value of finance lease liabilities	863	251

Currently, there are finance lease contracts related to office, IT and inventory equipment. The remaining life of the contracts is between 1 and 5 years.

Operating lease liabilities – minimum lease payments in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Within 1 year	1 562	1 454
Between 1 and 5 years	2 707	2 761
More than 5 years	449	510
Total future minimum operating lease payments	4 718	4 725

Currently, there are operating leases for office facilities, vehicles, parking spaces and buildings. The remaining life of the contracts is between 1 and 9 years.

The recognized expenses for operating leases in the consolidated income statement 2021 was CHF 1.5 million (2020: CHF 1.2 million).

15 Intangible assets

2021 in CHF 1 000	Software	Capitalized development costs	Other intangible assets	Total
Cost at January 1	45 690	2 660	46	48 396
Additions	3 052	0	0	3 052
Disposals	- 20 367	0	- 46	- 20 413
Reclassifications	123	0	0	123
Currency translation differences	108	0	0	108
Cost at December 31	28 606	2 660	0	31 266
Accumulated amortization at January 1	- 32 373	- 2 593	- 46	- 35 012
Amortization	- 3 114	- 67	0	- 3 181
Disposals	20 367	0	46	20 413
Currency translation differences	- 83	0	0	- 83
Accumulated amortization at December 31	- 15 203	- 2 660	0	- 17 863
Net book value at December 31	13 403	0	0	13 403

2020 in CHF 1 000	Software	Capitalized development costs	Other intangible assets	Total
Cost at January 1	42 938	2 660	46	45 644
Additions	3 010	0	0	3 010
Disposals	0	0	0	0
Reclassifications	42	0	0	42
Currency translation differences	- 300	0	0	- 300
Cost at December 31	45 690	2 660	46	48 396
Accumulated amortization at January 1	- 29 616	- 2 524	- 46	- 32 186
Amortization	- 2 986	- 69	0	- 3 055
Disposals	0	0	0	0
Currency translation differences	229	0	0	229
Accumulated amortization at December 31	- 32 373	- 2 593	- 46	- 35 012
Net book value at December 31	13 317	67	0	13 384

16 Trade payables

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Trade payables	25 030	25 526
Total trade payables	25 030	25 526

In general, trade payables are free of interest and paid within the given payment terms. The majority of the outstanding trade payables is due within the first 30 days after the balance sheet date.

17 Other current liabilities

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Other liabilities	37 352	22 523
Prepayments	14 980	11 354
Total other current liabilities	52 332	33 877

Other current liabilities mainly consist of value-added tax liabilities, owed social security charges, liabilities from investment projects, prepayments from customers and other liabilities to third parties.

18 Accrued expenses and deferred income

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Accrued expenses and deferred income	34 624	26 899
Total accrued expenses and deferred income	34 624	26 899

Accrued expenses and deferred income mainly consist of accruals for staff costs.

19 Financial liabilities

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Loans from related parties	0	25 000
Bank loans	20 000	82 300
Finance lease liabilities	863	251
Total financial liabilities	20 863	107 551
Thereof current financial liabilities	20 364	47 409
Thereof non-current financial liabilities	499	60 142

The loans from related parties (see note 25) and the bank loans were provided as unsecured business loans in CHF and bore an average interest of 0.3% p. a.

The remaining duration of the bank loans is 5 months.

Details concerning finance leases are disclosed in note 14.

20 Maturities of financial liabilities

The following tables show the contractual maturities of financial liabilities as per balance sheet date (discounted cash flows):

December 31, 2021 in CHF 1 000	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	18 095	6 935	0			25 030
Other current liabilities	32 468	8 558	11 306			52 332
Accrued expenses and deferred income	6 466	1 855	26 303			34 624
Current income tax liabilities	0	0	2 210			2 210
Current financial liabilities	31	64	20 269			20 364
Non-current financial liabilities				499	0	499

December 31, 2020 in CHF 1 000	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	15 846	9 645	35			25 526
Other current liabilities	18 048	5 982	9 847			33 877
Accrued expenses and deferred income	4 506	1 882	20 511			26 899
Current income tax liabilities	0	1 899	1 879			3 778
Current financial liabilities	22 310	25 026	73			47 409
Non-current financial liabilities				60 142	0	60 142

21 Share capital

The share capital is divided into 7 002 059 shares Bachem A and 7 747 941 shares Bachem B. The shares Bachem B are traded at the SIX Swiss Exchange in Zurich under valor number 1253 020. There are no differences between the two share categories except the listing of the Bachem B shares at the SIX Swiss Exchange. All shares are registered shares which are eligible to vote and entitled to dividend. All Bachem A shares are owned by Ingro Finanz AG. The important shareholders are listed in the notes to the financial statements of Bachem Holding AG in note 10 on page 80.

Shares Bachem A	Dec. 31, 2021	Dec. 31, 2020
Number of shares	7 002 059	7 002 059
Number of fully paid-in shares	7 002 059	7 002 059
Par value per share (in CHF)	0.05	0.05
Shares Bachem B		
Number of shares	7 747 941	6 997 941
Number of fully paid-in shares	7 747 941	6 997 941
Par value per share (in CHF)	0.05	0.05
Total number of shares	14 750 000	14 000 000
Total share capital (in CHF)	737 500	700 000

On October 19, 2021, the share capital was increased by 750 000 registered shares B with a nominal value of CHF 0.05 per share. The placement price per share was CHF 778.00. The transaction costs of the capital increase amounted to CHF 11.9 million (before taxes).

Authorized capital of a maximum of CHF 12 500 (250 000 registered shares with a nominal value of CHF 0.05) exists until September 30, 2023.

On December 31, 2021, Bachem Holding AG held 3 255 own shares, which are reserved for distribution under the employee participation plans.

Own shares	Dec. 31, 2020	Purchases/ backslide of blocked shares	Sales/transfer to employees	Dec. 31, 2021
Employee participation plans at the price of CHF 0.05	850	0	- 850	0
Employee participation plans at the price of CHF 359.32	2 788	2 500 ¹	- 2 033	3 255
Total own shares	3 638	2 500	- 2 883	3 255

¹ The shares were acquired on the market at an average price of CHF 359.35.

Outstanding shares	Dec. 31, 2021	Dec. 31, 2020
Total number of shares	14 750 000	14 000 000
Number of own shares Bachem B	- 3 255	- 3 638
Total shares outstanding	14 746 745	13 996 362

22 Share-based payment

The employee and management participation plans are described in the accounting policies on pages 52 and 53. The recognized expenses for share-based payments in the reporting period amounted to CHF 1.0 million (2020: CHF 1.3 million).

In 2021 and 2020, the following number of shares was granted:

Shares granted	2021	2020
Number/CHF		
Number of granted shares	2 883	7 400
Average fair value per share at grant date in CHF	342.00	160.20

Bachem holds own shares in order to meet its obligations under the employee participation plans. For the change in the number of Bachem shares outstanding, please refer to note 21.

23 Dividend distribution

On May 4, 2021, a dividend of CHF 45.5 million, respectively CHF 3.25 per share was distributed for the year 2020 (previous year: CHF 42.0 million, respectively CHF 3.00 per share). Of the total dividend in the amount of CHF 45.5 million (previous year: CHF 42.0 million), CHF 20.5 million (previous year: CHF 42.0 million) were paid out and CHF 25.0 million remained as a loan (see note 25).

The Board of Directors will propose a dividend of CHF 3.50 per share or a total of CHF 51.6 million on 14 746 745 shares entitled to dividend, to the Annual General Meeting for the year 2021. The number of shares entitled to dividend may change up to the Annual General Meeting on April 27, 2022, due to the granting of shares to employees or the purchase/sale of own shares.

24 Consolidated companies

Consolidated company	Country	Currency	Registered capital	Equity share Dec. 31, 2021	Equity share Dec. 31, 2020
Bachem Holding AG, Bubendorf	Switzerland	CHF	737 500	100%	100%
Bachem AG, Bubendorf	Switzerland	CHF	25 000 000	100%	100%
Bachem Distribution Services GmbH, Weil am Rhein	Germany	EUR	128 000	100%	100%
Bachem (UK) Ltd., St. Helens	England	GBP	2 500	100%	100%
Bachem Americas, Inc., Torrance	USA	USD	3 000	100%	100%
Peninsula Laboratories, LLC, San Carlos	USA	USD	32 000	100%	100%
Bachem Japan K.K., Tokyo	Japan	JPY	10 000 000	100%	100%

25 Related party transactions

Breiten Immobilien AG, Chemoforma AG, Hotel Bad Schauenburg AG, Ingro Finanz AG, MFC Beteiligungs AG, Peninsula Laboratories International, Inc., the pension fund of the Swiss Group Companies, Sunstar Group as well as the Board of Directors, and the Corporate Executive Committee of Bachem Holding AG are considered related parties. The following tables show an overview of the transactions and balances with related parties:

Transactions in CHF 1 000	2021	2020
Breiten Immobilien AG (lease of business premises and parking spaces)	-964	-601
Breiten Immobilien AG (rendering of services)	16	17
Chemoforma AG (sale/purchase of goods)	2	-1
Hotel Bad Schauenburg AG (seminars)	-37	-24
Ingro Finanz AG (loan received)	10 000	25 000
Ingro Finanz AG (dividend paid out)	-322	-23 374
Ingro Finanz AG (dividend converted into loan)	-25 000	0
Ingro Finanz AG (interest paid on loan)	-85	-77
Peninsula Laboratories International, Inc. (purchase of goods)	0	-5
Pension fund in Switzerland (employer's contribution)	-8 775	-7 370
Sunstar Group (seminars)	-2	-3
Total transactions with related parties	-25 167	-6 438

Balances in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Hotel Bad Schauenburg AG (seminars)	-6	-3
Ingro Finanz AG	0	-25 000
Total balances with related parties	-6	-25 003

Transactions with related parties are performed at arm's length. This means in particular that products are sold to related parties at the same prices as to third parties.

26 Theoretical goodwill

Goodwill is offset against retained earnings at the time of purchase of a subsidiary. The theoretical capitalization of goodwill, based on a useful life of 5 years, would have the following impact on the consolidated balance sheet:

Theoretical goodwill in CHF 1 000	2021	2020
Theoretical cost at January 1	1 352	1 352
Additions from acquisitions	0	0
Theoretical cost at December 31	1 352	1 352
Theoretical accumulated amortization at January 1	- 1 352	- 1 283
Theoretical amortization	0	- 69
Theoretical accumulated amortization at December 31	- 1 352	- 1 352
Theoretical net book value of goodwill at December 31	0	0

Acquisitions are translated into CHF with the exchange rate applicable on their respective transaction dates. As a result of this procedure, no currency adjustments are necessary in the above statement of changes in goodwill.

Had goodwill been capitalized and amortized, the theoretical effect on net income would have been as follows:

in CHF 1 000	2021	2020
Net income according to income statement	114 682	78 062
Theoretical amortization of goodwill	0	- 69
Theoretical net income after amortization of goodwill	114 682	77 993

27 Contingent liabilities and other commitments

There are no contingent liabilities or other commitments at the balance sheet date.

28 Events after the balance sheet date

There have been no material events after the balance sheet date.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bachem Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 44 to 70) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

- Inventory provision

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INVENTORY PROVISION

KEY AUDIT MATTER

As of December 31, 2021, inventories amount to CHF 272.4 million after the deduction of an inventory provision of CHF 43.7 million representing 21% of the total assets.

We consider the valuation of inventories as key audit matter given the magnitude of this balance sheet position and the judgement involved in determining the required product category based inventory provision for slow movers and products with a lower net realizable value.

The inventory provision is determined system based on an item by item basis on historical consumption and additionally for certain products on a days-of-inventory analysis. Additional inventory provisions are recorded on a case by case basis.

Please refer to page 50 (Accounting policies), page 55 (Critical accounting estimates and assumptions) and page 61 (13 Inventories) in the annual report.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following audit procedures:

- Assessment of the existence and effectiveness of the key controls applied in relation to the determination of the system based and item by item based inventory provision.
- We discussed and assessed the key assumptions made by Bachem in relation to the system based inventory slow-mover provision calculation.
- We tested the system-based calculation of the inventory provision and the completeness and accuracy of the slow-mover report on a sample basis.
- We discussed the requirement for inventory provisions recorded on a case by case basis with Bachem and tested supporting information on a sample basis.
- Further, we assessed Bachem's net realizable value analysis comparing the production costs with the estimated selling price less cost to sell and tested the estimated selling price with sales invoices on a sample basis.

Based on the audit procedures performed, we have addressed the risk of an incorrect inventory provision. We have no audit findings to report.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, February 23, 2022

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
Auditor in Charge

Roger Leu
Licensed Audit Expert

INCOME STATEMENT

For the years ended December 31

in CHF 1 000	Notes	2021	2020
Income			
Income from investments	1	43 775	30 847
Income from licenses		41 493	30 602
Interest income	2	3 181	3 107
Other income		16	17
Other financial income	3	1 582	0
Total income		90 047	64 573
Expenses			
Staff costs		- 4 870	- 4 208
Administration expenses		- 8 729	- 7 070
Interest expenses	4	- 332	- 352
Other financial expenses	5	- 12 726	- 2 688
Depreciation and amortization		- 11	- 12
Total expenses		- 26 668	- 14 330
Ordinary net income before taxes		63 379	50 243
Income taxes		- 2 293	- 2 387
Net income for the year		61 086	47 856

BALANCE SHEET

At December 31, 2021 and 2020

in CHF 1000	Notes	Dec. 31, 2021	Dec. 31, 2020
Assets			
Cash and cash equivalents		61 116	7 959
Securities	6	353 165	0
Other receivables from third parties		1 159	1 064
Other receivables from group companies		6 047	5 275
Prepaid expenses and accrued income from third parties		1 612	121
Prepaid expenses and accrued income from group companies	1	40 026	27 000
Total current assets		463 125	41 419
Loans to group companies		325 804	237 846
Investments	7	115 397	115 397
Property, plant and equipment		2	3
Intangible assets		16	26
Total non-current assets		441 219	353 272
Total assets		904 344	394 691
Liabilities and equity			
Current interest-bearing liabilities	8	20 000	47 300
Other current liabilities to third parties		140	312
Other current liabilities to group companies		1 984	1 782
Deferred income and accrued expenses		1 737	3 708
Total current liabilities		23 861	53 102
Non-current interest-bearing liabilities	8	0	60 000
Total non-current liabilities		0	60 000
Total liabilities		23 861	113 102
Share capital	12	738	700
Statutory capital reserves			
Reserves from capital contribution	12	590 417	29 632
Other capital reserves		6 301	6 334
Statutory retained earnings		140	140
Voluntary retained earnings		102 669	102 669
Available earnings			
Net income brought forward		120 301	95 260
Net income for the year		61 086	47 856
Own shares	11	- 1 169	- 1 002
Total equity		880 483	281 589
Total liabilities and equity		904 344	394 691

NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

Accounting policies

General information

These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Significant valuation principles that have been applied in the preparation of these financial statements which are not prescribed by law are described below.

Presentation of cash flow statement and additional disclosures in the notes dispensed with

As Bachem Holding AG has prepared consolidated financial statements under a recognized accounting standard (Swiss GAAP FER), it has decided, in accordance with the law, to dispense with the presentation of information on interest-bearing liabilities and audit fees in the notes, a cash flow statement, and an annual review.

Valuation principles

Assets are valued at no more than cost. Liabilities are carried at nominal value.

All assets and liabilities in foreign currencies are translated by applying the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the income statement.

Earnings and expenses originating in foreign currencies are translated at the exchange rate prevailing on the respective transaction dates.

Income from investments

Income from investments comprises dividends from Group companies and other income from investments as well as management fees from Group companies.

Securities

Securities classified as current assets are carried at actual values. In the case of listed securities, this corresponds to the stock exchange price on the balance sheet date. Changes in the carrying amount are recognized in the income statement.

Investments

Investments are shown at historical acquisition costs less impairment, if any. They are usually valued individually unless they are considered to be one economic entity and thus combined into one group.

Own shares

Own shares are recognized in equity as a negative item at cost as per the date of acquisition. Upon subsequent sale, any gain or loss is recognized in capital reserves in equity.

Share-based payments

Part of the variable compensation paid to members of the Corporate Executive Committee and part of the compensation paid to members of the Board of Directors is in the form of Company shares. The acquisition cost of the shares is recorded under personnel expense.

1 Income from investments

in CHF 1000	2021	2020
Dividend income	40 000	27 000
Other income from investments	3 775	3 847
Total income from investments	43 775	30 847

On February 11, 2022, the ordinary Annual General Meeting from Bachem AG has decided to distribute a dividend in the amount of CHF 40.0 million for the business year 2021 to its sole shareholder, Bachem Holding AG. Following an economical approach, this entitlement to profits, respectively income from investment has already been recorded by Bachem Holding AG in this year's financial statements 2021 simultaneous to the disclosure of the profit in the books of the 100% subsidiary Bachem AG. The corresponding income is shown in the line dividend income and the corresponding accrual in the line prepaid expenses and accrued income from group companies.

2 Interest income

in CHF 1000	2021	2020
Interest income group companies	3 181	3 107
Total interest income	3 181	3 107

3 Other financial income

in CHF 1000	2021	2020
Gains on securities	1 582	0
Total interest expenses	1 582	0

4 Interest expenses

in CHF 1000	2021	2020
Interest expenses third parties	- 247	- 275
Interest expenses shareholders	- 85	- 77
Total interest expenses	- 332	- 352

5 Other financial expenses

in CHF 1 000	2021	2020
Bank service charges	- 332	- 40
Transaction costs capital increase	- 11 889	0
Losses on securities	- 417	0
Foreign exchange result	- 88	- 2 648
Total other financial expenses	- 12 726	- 2 688

Further details related to the capital increase are disclosed in note 12.

6 Securities

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Money market	101 965	0
Bonds	199 618	0
Shares	51 582	0
Total securities	353 165	0

The securities consist of direct and indirect investments in marketable, easily realizable securities. They are valued at market values, stock exchange prices, on the balance sheet date.

7 Investments

Company	Location	Capital and voting share Dec. 31, 2021	Capital and voting share Dec. 31, 2020
Bachem AG	Bubendorf, Switzerland	100%	100%
Bachem Distribution Services GmbH	Weil am Rhein, Germany	100%	100%
Bachem (UK) Ltd.	St. Helens, England	100%	100%
Bachem Americas, Inc.	Torrance, USA	100%	100%
Peninsula Laboratories, LLC	San Carlos, USA	100%	100%
Bachem Japan K.K.	Tokyo, Japan	100%	100%

All companies are directly or indirectly held with 100%.

8 Interest-bearing liabilities

in CHF 1 000	Dec. 31, 2021	Dec. 31, 2020
Bank loans	20 000	82 300
Loans from shareholders	0	25 000
Total interest-bearing liabilities	20 000	107 300
Thereof current bank loans	20 000	47 300
Thereof non-current bank loans	0	60 000

9 Ownership of shares and options of the Board of Directors and the Corporate Executive Committee

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
December 31, 2021				
Kuno Sommer (Chairman)	9 600		9 600	
Nicole Grogg Hötzer (Vice-Chairwoman)	2 700		2 700	
Alex Fässler (Member) ¹	6 225	491	6 716	
Steffen Lang (Member)	450		450	
Helma Wennemers (Member)	1 950		1 950	
Total Board of Directors	20 925	491	21 416	
Thomas Meier (CEO)	1 992	812	2 804	238
Günther Loidl (CTO)	2 034	819	2 853	182
Alain Schaffter (CFO)	0	0	0	0
Roland Schürmann (COO)	106	284	390	94
Anne-Kathrin Stoller (CMO)	1 504	813	2 317	182
Total Corporate Executive Committee	5 636	2 728	8 364	696
Total	26 561	3 219	29 780	696

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
December 31, 2020				
Kuno Sommer (Chairman)	9 600		9 600	300
Nicole Grogg Hötzer (Vice-Chairwoman)	88 100		88 100	300
Jürgen Brokatzky-Geiger (Member)	3 300		3 300	300
Thomas Früh (Secretary) ¹	4 165	1 404	5 569	489
Steffen Lang (Member)	250		250	0
Helma Wennemers (Member)	1 950		1 950	300
Total Board of Directors	107 365	1 404	108 769	1 689
Thomas Meier (CEO)	1 802	764	2 566	342
Günther Loidl (CTO)	1 717	954	2 671	332
Stephan Schindler (CFO)	1 358	985	2 343	343
Roland Schürmann (COO)	12	284	296	97
Anne-Kathrin Stoller (CMO)	1 376	759	2 135	331
Total Corporate Executive Committee	6 265	3 746	10 011	1 445
Total	113 630	5 150	118 780	3 134

¹ Ownership of shares incl. related parties.

10 Important shareholders

Based on the available information, the following shareholders own more than 3% of the registered share capital:

Percentage of total share capital	Dec. 31, 2021	Dec. 31, 2020
P. Grogg (via Ingro Finanz AG) ¹	52.8	55.7
Family of P. Grogg	5.6	5.9
The Capital Group Companies, Inc.	< 5.0	n/a

¹ In this position, all shares A are included.

11 Own shares

Details to the holding and the changes in own shares are disclosed in the notes 21 and 22 of the consolidated financial statements.

12 Capital increase

On October 19, 2021, the share capital was increased by 750 000 registered shares B with a nominal value of CHF 0.05 per share. The placement price per share was CHF 778.00. The transaction costs of the capital increase in the amount of CHF 11.9 million were recognized in the line other financial expenses in the income statement.

13 Full-time positions

The average number of full-time positions during the reporting and the prior year was below 50.

14 Value-added tax group

For value added tax purposes, Bachem Holding AG reports as a group to the Federal Tax Authorities. This group includes Bachem AG and Bachem Holding AG. The entity is solidly liable for all taxes relating to value-added tax inclusive interests, during the taxation as a group.

15 Events after the balance sheet date

There have been no material events after the balance sheet date.

APPROPRIATION OF AVAILABLE EARNINGS

Proposal of the Board of Directors for the appropriation of available earnings and for the appropriation of reserves from capital contribution

Appropriation of available earnings		
Net income brought forward at January 1	CHF	120 301 407.06
Net income for the year 2021	CHF	61 086 067.84
Available to the Annual General Meeting	CHF	181 387 474.90
Allocation to the statutory retained earnings	CHF	7 500.00
Dividend payment of CHF 1.75 per registered share for the business year 2021 on 14 746 745 registered shares entitled to dividend	CHF	25 806 803.75
Net income to be carried forward	CHF	155 573 171.15
Appropriation of reserves from capital contribution		
Balance before appropriation of reserves from capital contribution	CHF	590 416 890.13
Transfer to free reserves for dividend payment of CHF 1.75 per registered share for the business year 2021 on 14 746 745 registered shares entitled to dividend	CHF	25 806 803.75
Reserves from capital contribution to be carried forward	CHF	564 610 086.38

The total amount of dividend mentioned in the proposal of the Board of Directors has been calculated on the basis of numbers of shares entitled to dividend on the day of the Board meeting. The number of shares entitled to dividend may change up to the Annual General Meeting on April 27, 2022, due to the granting of shares to employees or the purchase/sale of own shares.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bachem Holding AG, which comprise the balance sheet as at December 31, 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 74 to 80) as at December 31, 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

- Valuation of investments and loans to group companies

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS AND LOANS TO GROUP COMPANIES

KEY AUDIT MATTER

As of December 31, 2021, the Company reports investments of CHF 115.4 million and loans to group companies of CHF 325.8 million. We consider the valuation of these balance sheet items as key audit matter for the following reasons:

- These items are significant and represent 49% of the total assets.
- The valuation of investments and loans to group companies depends on the financial substance and profitability of the subsidiaries. The impairment test of the investments and loans includes judgement in determining the assumptions on the future performance of the business.

Please refer to page 76 (Accounting policies) and page 78 (7 Investments) in the annual report.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have performed the following audit procedures:

- For loans to group companies we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values.
- We assessed the carrying value of the investments individually item-by-item based on the Swiss GAAP FER net asset value, the net profit of the year and the budget.
- We evaluated the underlying budgeting process and the Board of Director's approval.
- We have compared, based on Bachem Holding AG's share price, the market capitalization of the group with the carrying value of the investments and loans to group companies, as they are considered to represent the relevant value of Bachem group.

Based on the audit procedures performed, we have addressed the risk of incorrect valuation of the investments and loans.

We have no audit findings to report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, February 23, 2022

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
Auditor in Charge

Roger Leu
Licensed Audit Expert

SHAREHOLDER INFORMATION

		2021	2020	2019	2018	2017
Number of registered shares, nom. CHF 0.05		14 750 000	14 000 000	14 000 000	13 600 000	13 600 000
Average number of shares outstanding		14 169 349	13 997 228	13 836 379	13 583 637	13 571 842
Dividend per share	CHF	3.50 ¹	3.25	3.00	2.75	2.75
Share price	High	CHF 838.00	408.50	158.60	160.80	154.00
	Low	CHF 321.00	151.00	107.20	108.20	91.80
	Year-end	CHF 716.00	395.50	154.80	113.60	154.00
Dividend yield per share	%	0.5	0.8	1.9	2.4	1.8
Earnings per share (EPS)	CHF	8.09	5.58	3.91	3.43	3.08
Cash flow from operating activities per share	CHF	6.88	8.22	4.64	1.90	2.69
Group equity per share	CHF	79.11	33.99	32.37	28.28	27.57
Price/earnings ratio (year-end)		88.50	70.88	39.59	33.12	50.00
Market capitalization at year-end	CHF million	10 561	5 537	2 167	1 545	2 094

¹ Proposal to the Annual General Meeting of April 27, 2022.

Bachem registered shares are traded at the SIX Swiss Exchange.
 Valor number: 1253 020; SIX: BANB; Reuters: BANB.S; Bloomberg: BANB SW.

Distribution of shares

Number of shares per shareholder	Dec. 31, 2021	Dec. 31, 2020
0–100	4 933	2 722
101–1 000	1 671	1 572
1 001–10 000	250	217
10 001–100 000	25	33
100 001–1 000 000	12	10
1 000 001 and more	1	1
Total	6 892	4 555

Shareholdings

in %	Dec. 31, 2021	Dec. 31, 2020
Institutional shareholders	70.5	73.5
Private individuals	13.2	14.4
Dispo	16.3	12.1
Total	100.0	100.0

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING (BUSINESS YEAR 2021)

April 27, 2022

PAYOUT DATE FOR DIVIDEND

May 3, 2022

HALF-YEAR REPORT 2022

August 25, 2022

ANNUAL REPORT 2022

March 7, 2023

ANNUAL GENERAL MEETING (BUSINESS YEAR 2022)

April 2023

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Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety and are of only limited validity. Investors are cautioned that all forward-looking statements involve risks and uncertainty. There are certain factors that could cause results to differ materially from those anticipated. This includes as well the timing and strength of new product offerings, pricing strategies of competitors, the Group's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs, and changes in the political, social and regulatory framework in which the Group operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

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