BACHEM HALF-YEAR REPORT 2018

BACHEM

Bachem is a listed technology-based company focused on peptide chemistry. The company provides a full range of services to the pharma and biotech industries. It specializes in the development of innovative, efficient manufacturing processes and the reliable production of peptide-based active pharmaceutical ingredients. A comprehensive catalog of biochemicals and exclusive custom syntheses for research labs complete the service portfolio. Headquartered in Switzerland with subsidiaries in Europe, the US and Asia, the group has a global reach with more experience and know-how than any other company in the industry. Towards its customers, Bachem shows total commitment to quality, innovation and partnership. **Bachem. Pioneering Partner for Peptides**

NET INCOME 14.9% OF SALES

EBITDA AT 26.0% AND EBIT AT 16.2% OF SALES

DELAYED SALES AND EBIT INCREASE

SIGNIFICANTLY STRONGER 2ND HALF ANTICIPATED

ANNUAL TARGETS CONFIRMED

OUTLOOK FAVORABLE FOR ANOTHER VERY GOOD FISCAL YEAR

PIONEERING PARTNER FOR PEPTIDES

BACHEM HAS BEEN A PIONEER IN THE FIELD OF PEPTIDES FOR OVER 45 YEARS. THE COMPANY LISTENS TO ITS CUSTOMERS AND IS A RELIABLE PARTNER WHEN IT COMES TO FULFILLING THEIR EXPECTATIONS.

FIRST HALF-YEAR 2018 IN BRIEF

SALES (IN MCHF)

110.9

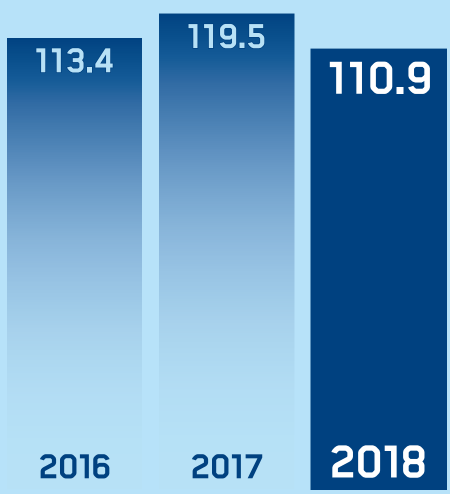
Postponed to 2nd half: sales still lag anticipated growth

NET INCOME (IN MCHF)

16.5

Significantly higher earnings: net income 4.4% ahead of prior year period

SALES (IN MCHF)



	2018	2017	CHANGE IN % CHF	LC
SALES (IN MCHF)	110.9	119.5	−7.2	−7.6
EBITDA (IN MCHF)	28.9	31.7	−9.1	−13.3
EBITDA IN % OF SALES	26.0	26.6		
EBIT (IN MCHF)	18.0	21.4	−15.7	−22.2
EBIT IN % OF SALES	16.2	17.9		
NET INCOME (IN MCHF)	16.5	15.8	+4.4	
NET INCOME IN % OF SALES	14.9	13.2		
EARNINGS PER SHARE (EPS – IN CHF)	1.21	1.16	+4.3	
CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF)	1.2	14.6	−91.6	
NUMBER OF EMPLOYEES (IN FULL-TIME EQUIVALENTS)	1 062	1057[1]	+0.5	

[1] Value as per December 31, 2017

CONTENT

As expected, the second half of fiscal year 2018 will stand out strongly. Growth at mid-year fell short of the full-year targets due to postponed sales and project delays. These deficits should be made up in the second half. Net income showed further growth.

Accentuated half-year split of sales

The Bachem Group (SIX: BANB) generated sales of 110.9 million CHF in the first half of 2018. At mid-year and for the first time in a long time, sales were below the figure for the same period of the previous year at 8.6 million CHF (–7.2%). Exchange rate movements had a marginal impact on the translation of sales trends in local currencies (–7.6%). As anticipated, this represents a further accentuation of the variation in sales between the two halves that had already been observed in recent years, the second half being significantly stronger. Project delays and postponements also resulted in higher inventories of semi-finished and finished goods as well as work in progress. These will significantly support the business performance during the second half.

Generics a pillar of stability

Sales of generics amounted to 44.1 million CHF, below the strong prior year's reference figure (52.0 million CHF). Regional performance varied. Whereas sales in Europe fell well short of the comparison figures during the first six months, North American sales increased by over 30%. Based on the current order backlog and communications from customers, Bachem anticipates a significantly stronger second half and a year-end result similar to past year.

Research chemicals stronger

The research chemicals business unit delivered a solid performance. Bachem's Competence Center for Custom Synthesis in St. Helens (UK) made a strong showing in a challenging, highly competitive market environment. Sales of catalog peptides and custom synthesis products held steady at their new benchmark level, thanks in large part to newly established long-term customer relationships.

New Chemical Entities a solid growth driver

Similar to generics, sales of New Chemical Entities (NCEs) fell short of the prior year figures (–7.6% in local currencies) mainly due to various clinical development delays in customer projects. These adversely impacted the reported first-half figures. The two regions differed in their contribution to the reported performance. While Europe failed to match the previous year's results, North America grew again significantly. The sound structure and quality of the NCE project portfolio were reflected in the development of related services, which again saw encouraging gains compared to the prior year period. Management expects significant growth for the entire NCE business in the second half of 2018. With a view to the future, the NCE project portfolio reaffirmed its potential as a foundation for further sustained growth of the Bachem Group.

"Bachem Spring Symposium" facing the future

The 8th Bachem Spring Symposium was held in Bubendorf and Basel on April 19, 2018. The motto of this year's event was "The Promise of Brain Peptides for the Diagnosis & Therapy of CNS (Central Nervous System) Diseases." Prof. Helma Wennemers (ETH Zurich) served as moderator during an exciting day of presentations from leading specialists and interesting practical examples. According to expert assessments, potential applications of CNS peptides go far beyond the treatment of Alzheimer's disease. Intensive research is under way into their use in diagnosis and treatment of obesity, diabetes, stroke and cardiovascular diseases. Once again, the Symposium was a meeting platform for experts from the worlds of science and business. It is now a permanent fixture in the "peptide community's" annual schedule.

Impact on operating profit

As expected, the shift of sales to the second half described above dragged down reported performance. Operating income in the first half of 2018 fell by 3.4 million CHF year-on-year to 18.0 million CHF. At 16.2%, the EBIT margin on the reference date likewise remained below that of the year-back period (H1 2017: 17.9%). The main causes were the higher cost base compared to the previous year and the delayed contribution margins due to the postponements.

Slowdown in job growth

Bachem responded promptly to the delayed sales growth, postponing the creation of new jobs planned for the fiscal year. By mid-year, six new positions had been created worldwide. As of June 30, 2018, the Bachem Group employed a total of 1107 people in 1062 full-time-equivalent positions.

Delays impact gross profit

The cost of goods sold in the first half of 2018 came to 79.6 million CHF or 71.8% of sales. Compared to the previous-year period, the implementation of a global ERP (Enterprise Resource Planning) system facilitated a reliable internal allocation of IT and HR department expenses which had previously been reported under general administrative costs. Costs of approximately 2.4 million CHF, which can now be allocated to the production units, are included in the cost of goods sold. Sales postponements as mentioned above and subsequently gross profits to be only realized in the second half led to a corresponding margin of 28.2% for the first half (H1 2017: 31.4%). The setbacks due to these postponements should be offset by significant additional sales as early as the second half of the year.

Marketing & sales

First-half marketing and sales expenses came to 6.5 million CHF (H1 2017: 6.8 million CHF). As a percentage of total sales, these expenses increased slightly to 5.9% (H1 2017: 5.7%). Because various seasonal expenses for marketing activities – such as the company's booth at CPhI in Madrid – will be incurred only in the second half, the company expects full-year marketing and sales expenses for 2018 to be similar to the previous year.

Research & development

The Group recorded research and development (R&D) expenses of 0.5 million CHF (H1 2017: 1.3 million CHF). Because of the high utilization of the R&D departments in customer projects, the internal activities scheduled for the first half have been postponed according to their priority. No development expenses were capitalized during the period under review.

General administrative costs

General administrative expenses for the first six months of 2018 amounted to 6.8 million CHF (H1 2017: 9.2 million CHF). As a percentage of total sales, these expenses declined to 6.1% (H1 2017: 7.7%). As noted above, the IT and HR department expenses that can now be allocated to the production units in the amount of 2.4 million CHF are recognized henceforth as cost of goods sold.

Increase in depreciation and amortization

With new production capacity now onstream, depreciation and amortization rose by 0.5 million to 10.9 million CHF (H1 2017: 10.4 million CHF). With sales moving in the opposite direction, this resulted in a ratio of depreciation and amortization to sales of 9.8% (H1 2017: 8.7%). No impairments were recognized during the period under review.

Currency translation effects boost net income

Unlike the past year period, currency translation effects operated in Bachem's favor. This is largely attributed to the valuation at the balance sheet date of USD loans granted to subsidiaries by the holding company. Overall, exchange rate movements resulted in a positive foreign exchange result of 1.2 million CHF (H1 2017: –2.7 million CHF). Supported by these effects, net income came to 16.5 million CHF (H1 2017: 15.8 million CHF).

Lower tax rate

The net income figure reflects income taxes of 2.5 million CHF (H1 2017: 2.6 million CHF). Due to tax credits and allowances together with the lower tax rate in the United States, the Group's overall tax rate fell to 13.0% (year-back period: 14.2%).

Increase in net current assets

Cash flow from operating activities before change in net current assets for the first half of 2018 amounted to 25.7 million CHF (1H 2017: 27.3 million CHF). The changes in net current assets resulted in a cash outflow of 24.5 million CHF. The 6.7 million CHF decline in trade receivables since the beginning of the year was partly offset by a 2.6 million CHF increase in other current receivables including related prepayments and accruals. Trade payables and other current liabilities including related accruals and deferrals rose by 1.8 million CHF. The main cause of the net capital commitment was the increase in inventory in the amount of 30.4 million CHF. This was the result of two main factors: First, inventories of semi-finished and finished goods and work in progress have expanded because of ongoing projects and in anticipation of a significantly stronger second half. Second, production-critical raw materials have been deliberately stockpiled to ensure their availability. Cash flow from operating activities for the first six months of 2018 was 1.2 million CHF.

High capital expenditure volume

Cash flow from investing activities in the first half of 2018 amounted to –19.3 million CHF. As expected, this figure was similar to that of the prior year period (H1 2017: CHF –21.0 million CHF) due to the expansion of production capacity. The Group anticipates further investments in the range of 20–25 million CHF in the second half.

Financing activity higher

Due to the increase in the dividend to 2.75 CHF per share (previous year: 2.50 CHF), the total amount paid of 27.4 million CHF was 3.4 million CHF above the prior year's figure. 10.0 million CHF of the dividend remained as a loan versus Ingro Finanz AG. During the period under review, Bachem repaid a total of 94.7 million CHF of the financial liabilities reported in the previous year and borrowed a total of 134.5 million CHF from four banks.

Cash and cash equivalents of 11.5 million CHF

Cash and cash equivalents declined by 5.8 million CHF. Hence, the cash flow statement shows cash and cash equivalents of 11.5 million CHF (H1 2017: 15.9 million CHF).

Solid capital base

Bachem's equity ratio remains solid at 61.8%, albeit slightly lower than the ratio reported at year-end 2017 (68.7%) due to the recent dividend payout.

OUTLOOK

HIGH DEMAND FOR PEPTIDE-BASED ACTIVE INGREDIENTS

The Bachem Group is still extremely well placed for sustainable growth. Demand for peptide-based active ingredients continues to be strong, and a broad portfolio of NCE projects exhibits the potential to drive further corporate development. Bachem also has a solid base of generics sales. These serve as a stabilizing factor in relation to the project delays that frequently occur in NCEs. As "Pioneering Partner for Peptides," Bachem is able to capture a disproportionate share of market growth.

BENEFITS OF NEW ERP SYSTEM

With the Group-wide implementation of a new ERP system, Bachem has taken an important step in preparing for the launch of Operational Excellence initiatives in the coming quarters. More efficient processes and further cost reductions will contribute to the planned improvement in profitability.

NEW SUBSIDIARY IN JAPAN

After an intensive preparation phase, a new subsidiary was founded in Tokyo, Japan, at the beginning of July 2018. Bachem Japan K.K. will assume responsibility for distribution for the Active Pharmaceutical Ingredients (API) business in Japan and other Asian countries such as South Korea, China and Taiwan. This will make Asia a third regional pillar together with Europe and North America. The new local presence will significantly strengthen project support and customer relations in this important growth market.

GUIDANCE CONFIRMED

An excellent order backlog and generally positive market trends make it clear that the mid-year downturn represents only a momentary snapshot. Bachem will further expand its undisputed market leadership and knows how to deal with the volatile project progress that is inherent in the business model. Assuming stability in exchange rates and in the economic environment, Bachem expects fiscal 2018 to be a very good year for the company. Sales growth for the year is put at the lower end of the long-term forecast of 6–10% per year, and operating profit is expected to make further progress in line with sales.
Bachem. Pioneering Partner for Peptides

Quality Strategy
The quest for the perfect solution. Continuous improvement thanks to creativity and the ability to adapt. Always seeing what has been achieved and the current challenge as a starting point and incentive for the next development.

Doing this requires a specific mindset: namely, that of an entrepreneur who always wants to offer his partners the best possible quality. With 100% reliability, no exceptions. Steadfastly convinced of doing the right thing.

We at Bachem have lived this commitment to quality from the very outset. Embedded as a strategy, established as a Company-wide initiative, it shapes our day-to-day activities over the long term. Our well-established position as market leader in the production of active ingredients is a result of this consistent focus and, of course, the requirements and appreciation of our customers: **Quality Matters.**

Q
Bachem
Quality Matters

FIVE REASONS TO INVEST

1.
BACHEM IS THE MOST ROBUST AND SUSTAINED SUPPLIER IN THE INDUSTRY SINCE MORE THAN 45 YEARS.

2.
ALL STAGES OF DRUG DEVELOPMENT (PRECLINICAL RESEARCH, CLINICAL PHASES I–III AND AFTER COMMERCIAL LAUNCH) ARE SUPPORTED BY BACHEM'S API PRODUCTION AND SERVICES.

3.
BACHEM IS UNIQUE IN ITS ABILITY TO PRODUCE LONG-CHAIN AND COMPLEX PEPTIDES IN LARGE QUANTITIES FOR COMMERCIAL APPLICATIONS.

4.
HIGHEST INDUSTRY STANDARDS FOR QUALITY ASSURANCE, CONTROL AND REGULATORY COMPLIANCE ARE PART OF BACHEM'S "QUALITY MATTERS" COMMITMENT.

5.
EXCELLENT PROJECT MANAGEMENT RECORD WITH THE WORLD'S BEST PHARMACEUTICAL AND BIOTECHNOLOGY COMPANIES – THE BEST WORK WITH THE BEST.

CONSOLIDATED INCOME STATEMENT

(Unaudited)

in 1000 CHF	Notes	**First half-year 2018**	First half-year 2017
Sales	4	110 869	119 450
Cost of goods sold	6	– 79 602	– 81 963
Gross profit		**31 267**	**37 487**
Other income		568	1 159
Marketing and sales costs		– 6 513	– 6 794
Research and development costs		– 537	– 1 276
General administrative costs	6	– 6 772	– 9 203
Operating income (EBIT)	4	**18 013**	**21 373**
Financial income	7	1 205	17
Financial expenses	8	– 260	– 2 985
Ordinary income before taxes		**18 958**	**18 405**
Income taxes		– 2 463	– 2 605
Net income[1]		**16 495**	**15 800**
Basic earnings per share (CHF)		**1.21**	**1.16**
Diluted earnings per share (CHF)		**1.21**	**1.16**

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

The notes on pages 10 to 12 are an integral part of the consolidated interim financial statements.

CONSOLIDATED BALANCE SHEET

(Unaudited)

in 1000 CHF	Notes	June 30, 2018	Dec. 31, 2017
Assets			
Cash and cash equivalents		11 486	17 283
Trade receivables		48 968	55 438
Other current receivables		3 717	1 089
Prepaid expenses and accrued income		3 528	3 201
Current income tax assets		2 084	1 465
Inventories		203 764	172 719
Total current assets		**273 547**	**251 195**
Property, plant and equipment		280 438	274 520
Intangible assets		13 331	12 671
Assets from employer contribution reserve		320	320
Deferred tax assets		6 243	5 949
Total non-current assets		**300 332**	**293 460**
Total assets		**573 879**	**544 655**
Liabilities and equity			
Trade payables		11 713	11 493
Other current liabilities		12 349	11 289
Accrued expenses and deferred income		14 057	16 277
Current income tax liabilities		1 578	2 412
Current financial liabilities	9	144 660	94 746
Total current liabilities		**184 357**	**136 217**
Non-current financial liabilities	9	265	188
Deferred tax liabilities		34 807	34 078
Total non-current liabilities		**35 072**	**34 266**
Total liabilities		**219 429**	**170 483**
Share capital		680	680
Retained earnings		356 269	377 133
Share premium		30 428	30 227
Own shares		– 1	– 1
Cumulative translation differences		– 32 926	– 33 867
Total capital and reserves attributable to the equity holders of the company		**354 450**	**374 172**
Total liabilities and equity		**573 879**	**544 655**

The notes on pages 10 to 12 are an integral part of the consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)

in 1000 CHF	Notes	**First half-year 2018**	First half-year 2017
Cash flow from operating activities			
Net income		16 495	15 800
Adjustments for:			
Income taxes		2 463	2 605
Depreciation and amortization		10 858	10 372
Financial income	7	– 1 205	– 17
Financial expenses	8	260	2 985
Share based payments		208	527
Gain on sale of property, plant and equipment		0	– 437
Income taxes paid		– 3 451	– 4 071
Other non-cash items		100	– 427
Cash flow from operating activities before changes in net current assets		**25 728**	**27 337**
Change in trade receivables		6 695	9 565
Change in other current receivables, prepaid expenses and accrued income		– 2 639	– 1 925
Change in inventories		– 30 393	– 15 415
Change in trade payables		194	– 5 066
Change in other current liabilities, accrued expenses and deferred income		1 639	103
Cash flow from operating activities		**1 224**	**14 599**
Cash flow from investing activities			
Investments in property, plant and equipment		– 16 938	– 23 630
Sales of property, plant and equipment		0	5 178
Investments in intangible assets		– 2 242	– 2 433
Other financial payments and proceeds		– 89	– 88
Cash flow from investing activities		**– 19 269**	**– 20 973**
Cash flow from financing activities			
Disposals of own shares		0	2 409
Dividends paid	5	– 27 359	– 23 946
Increase in financial liabilities		134 500	80 100
Repayment of financial liabilities		– 94 679	– 55 075
Interest paid		– 226	– 111
Cash from financing activities		**12 236**	**3 377**
Net effect of currency translation on cash and cash equivalents		12	– 267
Net change in cash and cash equivalents		**– 5 797**	**– 3 264**
Cash and cash equivalents at the beginning of the year		**17 283**	**19 206**
Cash and cash equivalents at the end of the half-year		**11 486**	**15 942**
Net change in cash and cash equivalents		**– 5 797**	**– 3 264**

The notes on pages 10 to 12 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

2018 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		**680**	**377 133**	**30 227**	**– 1**	**– 33 867**	**374 172**
Net income according to income statement			16 495				**16 495**
Dividends	5		– 37 359				**– 37 359**
Transactions with own shares (net of tax)				– 7			**– 7**
Share based payments				208			**208**
Cumulative translation differences						941	**941**
Balance at June 30		**680**	**356 269**	**30 428**	**– 1**	**– 32 926**	**354 450**

2017 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		**680**	**369 309**	**27 687**	**– 958**	**– 31 354**	**365 364**
Net income according to income statement			15 800				**15 800**
Dividends	5		– 33 946				**– 33 946**
Transactions with own shares (net of tax)				1 337	957		**2 294**
Share based payments				527			**527**
Cumulative translation differences						– 4 035	**– 4 035**
Balance at June 30		**680**	**351 163**	**29 551**	**– 1**	**– 35 389**	**346 004**

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

The notes on pages 10 to 12 are an integral part of the consolidated interim financial statements.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Accounting policies

Principles of consolidation

These consolidated interim financial statements comprise the unaudited consolidated financial statements of Bachem Holding AG, a company registered in Switzerland, and its subsidiaries for the six-month period ended June 30, 2018.

The consolidated interim financial statements were prepared in accordance with Swiss GAAP FER 31 "Complementary recommendation for listed public companies". These consolidated interim financial statements do not include all the information and disclosures contained in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, which were prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER).

Changes in accounting policies

In connection with the introduction of a new ERP system, the conceptual distinction between trade payables and other current liabilities has been revised. Prepayments from customers and liabilities from investment projects are now allocated to other current liabilities. In order to ensure comparability, the previous year's figures for the balance sheet and the cash flow statement have been adjusted. On the one hand, reclassifications amounting to 8 435 kCHF were made within current liabilities. On the other hand, there were minor reclassifications made within the cash flow from operating activities and between the cash flows from operating and investing activities. Apart from that, the accounting policies used are consistent with those used in the annual consolidated financial statements 2017.

Approval of the interim financial statements

The consolidated interim financial statements were approved for issue by the Board of Directors of Bachem Holding AG on August 16, 2018.

2 Foreign exchange rates

	Income statement average rates		Balance sheet period-end rates	
in CHF	**First half-year 2018**	First half-year 2017	**June 30, 2018**	Dec. 31, 2017
USD	0.97	0.99	0.99	0.98
EUR	1.17	1.07	1.16	1.17
GBP	1.33	1.26	1.31	1.32

3 Seasonality

The operating income is subject to fluctuations having no seasonal origin.

4 Segment information

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

in 1000 CHF	Europe	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information first half-year 2018					
Sales third parties	66 897	43 972	110 869	0	**110 869**
Sales intersegment	13 351	1 194	14 545	– 14 545	**0**
Total sales	**80 248**	**45 166**	**125 414**	**– 14 545**	**110 869**
Income information first half-year 2018					
Operating income (EBIT)	16 595	4 360	20 955	– 2 942[1]	**18 013**
Other information first half-year 2018					
Additions in property, plant and equipment and intangible assets	15 172	1 388	16 560	0	**16 560**
Depreciation and amortization	– 8 805	– 2 037	– 10 842	– 16	**– 10 858**
Total assets	446 912	134 674	581 586	– 7 707[2]	**573 879**
Total liabilities	243 374	64 523	307 897	– 88 468[3]	**219 429**

[1] The amount consists of the operating income from corporate activities of –2 666 kCHF and of eliminations in the value of –276 kCHF.

[2] The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 232 815 kCHF and of eliminations in the value of –240 522 kCHF.

[3] The amount consists of corporate liabilities of 148 562 kCHF and of eliminations in the value of –237 030 kCHF.

in 1000 CHF	Europe	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information first half-year 2017					
Sales third parties	81 299	38 151	119 450	0	**119 450**
Sales intersegment	12 389	5 818	18 207	– 18 207	**0**
Total sales	**93 688**	**43 969**	**137 657**	**– 18 207**	**119 450**
Income information first half-year 2017					
Operating income (EBIT)	20 842	3 207	24 049	– 2 676[1]	**21 373**
Other information first half-year 2017					
Additions in property, plant and equipment and intangible assets	14 631	11 454	26 085	0	**26 085**
Depreciation and amortization	– 8 903	– 1 452	– 10 355	– 17	**– 10 372**
Total assets	396 903	120 442	517 345	– 11 370[2]	**505 975**
Total liabilities	199 411	56 945	256 356	– 96 385[3]	**159 971**

[1] The amount consists of the operating income from corporate activities of –2 551 kCHF and of eliminations in the value of –125 kCHF.

[2] The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 182 032 kCHF and of eliminations in the value of –193 402 kCHF.

[3] The amount consists of corporate liabilities of 94 238 kCHF and of eliminations in the value of –190 623 kCHF.

5 Dividend distribution

On May 2, 2018, a dividend of 37 359 kCHF, respectively 2.75 CHF per share was distributed for the year 2017 (previous year: 33 946 kCHF respectively 2.50 CHF per share). Of the total dividend in the amount of 37 359 kCHF (previous year: 33 946 kCHF), 27 359 kCHF (previous year: 23 946 kCHF) were paid out and 10 000 kCHF (previous year: 10 000 kCHF) remained as a loan versus Ingro Finanz AG.

6 Cost allocation in the income statement

Compared to the previous year period, it should be noted that the introduction of a new ERP system made it possible to revise the internal allocation of costs for the IT and personnel departments. This resulted in a shift in costs of 2.4 million CHF in the consolidated interim financial statements 2018 from the general administrative costs to the cost of goods sold.

7 Financial income

in 1000 CHF	**First half-year 2018**	First half-year 2017
Interest income	0	17
Foreign exchange result	1 205	0
Total financial income	**1 205**	**17**

8 Financial expenses

in 1000 CHF	**First half-year 2018**	First half-year 2017
Interest expenses	– 178	– 154
Other financial expenses	– 82	– 89
Foreign exchange result	0	– 2 742
Total financial expenses	**– 260**	**– 2 985**

9 Financial liabilities

As of June 30, 2018, Bachem's financial liabilities consist of loans from the related party Ingro Finanz AG in the amount of 10 000 kCHF (December 31, 2017: 10 000 kCHF), bank loans in the amount of 134 500 kCHF (December 31, 2017: 84 600 kCHF) and finance lease liabilities in the amount of 425 kCHF (December 31, 2017: 334 kCHF).

The loans from related parties and the bank loans were provided as unsecured business loans in CHF and bear an average interest of 0.3% p.a. The maturity of all loans is less than 12 months. The remaining durations of the existing finance leases are between 1 and 5 years.

10 Contingent liabilities and other commitments

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

11 Events after the balance sheet date

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

Financial Calendar

Annual Report 2018
March 8, 2019

Annual General Meeting
(business year 2018)
April 10, 2019

Half-Year Report 2019
August 23, 2019

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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