

## **Bachem Regains the Upswing – Significantly Improved Business Performance in Second Semester**

- **Leading market position maintained and strengthened – Quality Matters!**
- **Sales growth of 12% in second semester compared to first half of 2010 (at comparable exchange rates)**
- **Full year EBIT more than tripled versus first semester of 2010 (before special items and at comparable exchange rates)**
- **Pipeline expanded thanks to the successful acquisition of new projects**
- **Sustainable annual cost savings of 5.8 million CHF achieved**
- **Reorganization in North America completed; non-GMP custom synthesis now handled by Bachem competence center in the UK**
- **Attractive dividend of CHF 2.50 proposed**

**Bubendorf/Basel, March 11, 2011 – The Bachem Group (SIX: BANB) gained significant momentum in the second half of 2010 after a slow start to the year. Despite a challenging market environment, Bachem generated sales totaling 152.9 million CHF (2009: 181.8 million CHF). Based on comparable exchange rates (CER<sup>1</sup>), sales totaled 160.1 million CHF. The negative currency effect resulting from the strong Swiss franc amounted to 7.3 million CHF or 4.7% of sales. The operating result at the EBIT level was 15.7 million CHF (2009: 50.9 million CHF) or 20.7 million CHF on a CER basis. This figure includes one-time restructuring costs, primarily related to the concentration of non-GMP orders at the global competence center for custom synthesis in St. Helens (UK). After adjustment for extraordinary items and currency effects, the EBIT margin rose again to 14.1%, a significant improvement over the 7.9% margin reported for the first half of the year. Including extraordinary items and the sale of the stake in Polyphor AG, Bachem achieved a net profit of 28.3 million CHF (2009: 46.1 million CHF) and a net profit margin of 18.5%. Earnings per share (EPS) totaled CHF 2.10.**

The full effect of depreciation and amortization on strategic investments in 2008 and 2009 impacted the financial statements negatively for the first time in the form of an additional 2.8 million CHF charge. This was balanced out by sustainable cost savings of 2.0 million CHF in the administrative area. Bachem also reduced the total number of employees in 2010 by 8.5% to 668 full-time equivalents. Personnel costs, the Bachem Group's largest cost component, were thus lowered by 4.9 million CHF. This reduction was achieved responsibly by taking advantage of natural employment fluctuations, for the most part.

With an equity ratio of 78.3% at the end of 2010, Bachem stands on an extremely sound financial footing. Because of the high level of equity and solid medium-term business prospects, the Board of Directors proposes an attractive dividend payment of CHF 2.50 to the Annual General Meeting.

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<sup>1</sup> CER: Comparable exchange rates  
Transactions in foreign currencies were converted  
at the corresponding exchange rates in the prior-year period

### **Far-reaching market changes**

2010 was a challenging year for Bachem. The unexpectedly slow market recovery from the economic crisis was coupled with delays in the development of new chemical entities (NCEs) and in approvals. Additionally, high pressure on generics prices, sales declines and competitive disadvantages as a consequence of the strong Swiss franc made it necessary to implement reorganization initiatives, cost-cutting programs and reductions in personnel levels. Although these factors had a very negative impact on Bachem's business, management deliberately refrained from taking actions that would only have a short-term effect. In fact, it gave top priority to safeguarding company know-how and maintaining medium- and long-term growth opportunities.

In research ingredients, the 8% sales growth in local currencies (LC) – and growth of no less than 15.3% (in LC) in custom synthesis – indicated growing interest in peptide-based substances. In contrast, Bachem suffered a 23.8% decline in sales (in LC) in New Chemical Entities (NCEs) as a direct consequence of biotech companies focusing their development activities. These customers continued to report difficulties in raising capital. In the generics segment, the market experienced a dramatic correction in 2010. Bachem was able to consolidate its market position in spite of aggressive predatory price competition. The overall market development resulted in a 14.9% drop in sales (in LC).

### **Securing future growth**

The Bachem Group has continued to pursue its growth objectives consequently, even in periods of changing market conditions. It increased the number of projects in pre-clinical and clinical phases in 2010 from 120 to 138. This pleasing increase underscores the positive and continued progress made in project acquisition. Bachem was able to acquire additional new projects due to gradually improving economic conditions, mainly in the US. It also expanded its generics development portfolio in the course of 2010 to include a number of new products. A total of ten new small molecule entities and peptides were added to the active development program for future commercialization. In addition, Bachem expanded its catalog products range by adding Melusine®, a tool designed to determine lead substances for the development of new drugs. With respect to geographic expansion, the focus is on the BRIC countries. The Bachem Group is projecting attractive growth potential, especially in the areas of cosmetics and veterinary medicine applications.

### **Good preconditions for 2011**

At the beginning of the year 2011, the Bachem Group posted a significantly improved order situation and a sustainable lower cost structure. Bachem's expanded project portfolio, strong position in generic products and excellent positioning in growth segments where the penetration of generics is still limited such as oncology, diabetes and autoimmune diseases will create new growth opportunities.

Dr. Rolf Nyfeler, CEO of the Bachem Group, commented as follows: *"In 2010 Bachem laid the groundwork for future sales and earnings growth. With a reduced cost base, leaner organization and more efficient processes, we are extremely well prepared for the emerging recovery of the market. Our business continues to be structured for growth, and interest in peptide-based active pharmaceutical ingredients has increased significantly. Company performance in the second half of 2010 under challenging market conditions has impressively demonstrated the Bachem Group's competitiveness. Bachem can look toward the future with cautious optimism and above all with confidence. On the whole, Bachem is projecting growth for 2011 at the level of the adjusted second half of 2010. This would result in a sales*

*growth of about 10% compared to prior year and an EBIT margin close to 18%. Over the medium term, our goal is to return the EBIT margin to 25%."*

The comprehensive 2010 Annual Report is available at the following website:  
[www.bachem.com/annual\\_report](http://www.bachem.com/annual_report)

## Key Figures

	2010	2009	Changes in %	
			CHF	LC
Sales (in MCHF)	152.9	181.8	- 15.9	- 11.9
EBITDA (in MCHF)	33.7	66.2	- 49.0	- 41.2
EBITDA in % of sales	22.1 %	36.4 %		
EBIT (in MCHF)	15.7	50.9	- 69.2	- 59.4
EBIT in % of sales	10.3 %	28.0 %		
Net Income (in MCHF)	28.3	46.1	- 38.6	
Net Income in % of sales	18.5 %	25.3 %		
Earnings per share (EPS - in CHF)	2.10	3.43	- 35.8	
Cash flow from operating activities (in MCHF)	38.1	42.8	- 11.1	
Return on equity (ROE)	7.7 %	12.3 %		
Number of employees (in full-time equivalents)	668	730		
Sales per employee <sup>1</sup> (in CHF)	233 000	266 000		

<sup>1</sup> basis: average full-time equivalents excluding apprentices

## Financial Calendar

March 11, 2011	Publication of Annual Report 2010; Press and Analyst Conference
April 13, 2011	Annual General Meeting
August 26, 2011	Publication of Half-Year Report 2011

## About Bachem

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

For further questions, please contact:

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