

Half-Yearly Report 2001

Sales growth of Bachem Group in line with long-term objectives

Key figures	First half-year 2001	First half-year 2000	Difference	Difference
	(CHF m)	(CHF m)	(in CHF m)	(in %)
Product sales	65.6	57.2	+ 8.4	+ 14.7
Operating results	21.7	25.6	- 3.9	- 15.2
Profit before taxes	23.3	34.2	- 10.9	- 31.9
Total shareholder's equity	289.4	258.8	+ 30.6	+ 11.8
Total liabilities and equity	333.0	299.8	+ 33.2	+ 11.1

For the first six months of 2001, Bachem AG reports an increase in sales of 14.7% as compared to the same period last year. Including Sochinaz SA, acquired in April 2001, year-to-date sales reached CHF 65.6 million by June 30, 2001 (first half 2000: CHF 57.2 million). As expected and announced earlier this year, operating results and before-tax profit did not keep pace with sales development.

While the acquisition of Sochinaz affected the structure of the income statement, specific events in the core business also affected operating results with a decrease of CHF 3.9 million, from CHF 25.6 million during the first half of 2000 to CHF 21.7 million during the same period this year. These events included the base effect of stock reduction by an important customer, as well as a delay in the delivery of finished goods that was already fully accounted for on the cost side. At the same time, the difficult capital markets situation had a negative impact on financial results, with before-tax profit clearly lagging behind last year's results.

Outlook

Bachem reiterates its long-term objective of double-digit average yearly sales growth and anticipates that the second half of 2001 will, in contrast to last year, show significantly stronger performance than the first half. Consequently, operating results for the full business year 2001 are expected to significantly increase over 2000 results, bar any unforeseen events. As stated earlier, however, it is expected that sales growth will be stronger than the increase in operating results.

Projects

In order to secure future business opportunities, Bachem is involved in a large number of projects with third parties, targeted at the development of new peptide-based active ingredients and pharmaceuticals. Projects cover the full range of product development stages from preclinical research to clinical phase III trials. Bachem as the provider of the various peptide compounds, is partnering up with several well-known pharmaceutical and biotechnology companies. While the breadth of activities opens up a multitude of opportunities, at the same time it represents a spread of risk, reducing the dependency of individual projects on business prospects. The exposure of Bachem to decisions of drug regulatory authorities consequently is significantly lower as compared to the one of the company applying for product approval.

Integration of Sochinaz

In April 2001, Bachem announced the acquisition of the Swiss-based Sochinaz SA. Sochinaz offers its own range of active ingredients for the pharmaceutical industry as well as additional growth potential, an ideal complement to the Bachem range of products. The acquisition also provides increased production capacities with significantly larger reactors, both ensuring Bachem's ability to meet the increasing demand from the marketplace in its core business and resulting in increased efficiencies in the production of large quantities of intermediates and active ingredients. Additional synergy potentials are currently under review. As compared to the Bachem core activities, the business of Sochinaz is characterized by higher material cost and lower personnel cost. During the first six months of 2001, Sochinaz performed well according to expectations on the basis of its established business and contributed positively to operating results.

Expansion of immunology business

The integration of the product range acquired with Peninsula Inc. into the existing offer of Bachem has successfully been completed. The comprehensive range of immunological products completes our offer to customers, making it possible to offer both the peptide and the corresponding antibody. Due to targeted marketing efforts such as a newly issued, special catalogue, a first positive impact on sales could be observed.

Consolidated Half-Year Balance Sheets

at 30 June 2001 and 2000

Assets	Notes	30.06.2001 000 CHF	30.06.2000 000 CHF
Cash and short-term deposits		51,996	94,295
Securities		51,914	50,581
Accounts receivable		33,578	21,435
Inventories	4	45,250	30,318
Total current assets		182,738	196,629
Property, plant and equipment		120,271	82,063
Intangible assets		25,137	19,184
Receivables long-term		4,812	1,508
Total fixed assets		150,220	102,755
Total assets		332,958	299,384
Liabilities and shareholders' equity			
Trade accounts payable		6,661	3,444
Short-term financial debts	5	52	128
Income taxes payable		3,964	9,513
Other short-term liabilities	6	9,380	14,472
Provisions		2,914	948
Total short-term liabilities		22,971	28,505
Long-term financial debts	7	4,291	1,012
Deferred tax liabilities		16,307	11,474
Total long-term liabilities		20,598	12,486
Total liabilities		43,569	40,991
Share capital		6,800	6,800
Own shares		-319	-422
Share premium account		85,851	85,839
Reserves		187,394	165,532
Currency translation		9,663	644
Total shareholders' equity		289,389	258,393
Total liabilities and shareholders' equity		332,958	299,384

Consolidated Income Statements

for the half-years ended 30 June 2001 and 2000

	Notes	2001 000 CHF	2000 000 CHF
Sales		65,549	57,176
Other income		411	479
Cost of materials		-12,309	-4,850
Stock movement		5,084	3,465
Wages, salaries and employee benefits		-23,520	-19,097
Depreciations and amortisations		-5,809	-4,497
Administration, general overheads and other expenses		-7,744	-7,082
Operating results		21,662	25,594
Financial income net	8	1,625	8,606
Profit before taxes		23,287	34,200

Notes to the Consolidated Financial Statements

1. Accounting Policies for the Bachem Group

The accounting policies for the Bachem Group, formulated in the annual report 2000 on pages 18 to 20, have not been changed for the half-yearly statement 2001, except the securities. The securities were valued under the terms of IAS 39 to market value. The resulted valuation difference was booked over shareholders' equity.

2. Consolidated Companies

The companies included in the consolidation dated 30 June 2001 are listed in the annual report 2000. At 01 January 2001 Sochinaz SA, a company which is owned a 100%, was additionally included in the consolidation.

	Income statement average rate first half-year 2001 CHF	first half-year 2000 CHF	Balance sheet end rate 30.06.2001 CHF	30.06.2000 CHF
3. Exchange rates				
1 US Dollar	1.7069	1.6512	1.7910	1.6340
1 English Pound	2.4551	2.5919	2.5233	2.4820
100 German Marks	78.2600	81.0400	77.7000	79.6100
100 French Francs	23.3300	24.1600	23.1700	23.7400
4. Inventories				
			30.06.2001 000 CHF	30.06.2000 000 CHF
Raw materials			7,059	2,754
Finished products			38,191	27,564
Total			45,250	30,318
5. Short-term liabilities				
			30.06.2001 000 CHF	30.06.2000 000 CHF
Banks			0	0
Others			52	128
Total			52	128
6. Other short-term liabilities				
			30.06.2001 000 CHF	30.06.2000 000 CHF
Deferred income and accrued expenses			5,323	7,379
Other short-term liabilities			4,057	7,093
Total			9,380	14,472
7. Long-term liabilities				
			30.06.2001 000 CHF	30.06.2000 000 CHF
Bank loans			3,772	494
Other long-term liabilities			519	518
Total			4,291	1,012

8. Financial expenses and income	30.06.2001 000 CHF	30.06.2000 000 CHF
Financial income		
Interest	1,519	1,243
Income from securities	3,408	1,425
Others	2,418	10,630
Total	7,345	13,298
Financial expenses		
Interest	161	181
Others	5,559	4,511
Total	5,720	4,692
Financial income net	1,625	8,606

9. Transactions with related parties

During the first half-year 2001 there were no transactions with related parties.

10. Own shares

At 30.06.2001 Bachem AG possessed 240,400 own shares, which made part of the employee participation scheme.

Transactions of own shares:

	Stock 30.06.2001 [pieces]	Sales [pieces]	Purchases [pieces]	Stock 01.01.2001 [pieces]
Employee participation scheme (domestic) at the price of CHF 0.05	134,500	4,400	0	138,900
Employee participation scheme (foreign) at the price of CHF 44.42	5,900	0	0	5,900
Option plan at the price of CHF 0.50	100,000	0	0	100,000

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