

“QUALITY BY BACHEM – WE OFFER MORE THAN PEPTIDES”

BACHEM ANNOUNCES HALF-YEAR RESULTS AND CONFIRMS POSITIVE PERSPECTIVE FOR THE SECOND HALF OF 2005

- I Improvement of EBIT and net income margins despite slightly weaker sales in local markets
- I First half results impacted by continuing dollar weakness
- I Purchase orders for the coming 18 months at all time high
- I Perspectives confirm expectations for double-digit increase in sales and income for the second half

KEY FIGURES

	FIRST HALF-YEAR 2005 MIO. CHF	FIRST HALF-YEAR 2004* MIO. CHF	CHANGE IN CHF %	CHANGE IN LOCAL CURRENCIES %
Sales	70.6	75.5	-6.5%	-4.8%
Operating income	20.7	21.6	-4.0%	-0.8%
<i>Operating income in % of sales</i>	29.4%	28.6%		
Income before taxes	21.9	21.7	1.1%	4.3%
Net income	16.6	16.2	2.2%	2.6%
<i>Net income in % of sales</i>	23.5%	21.5%		
Basic earnings per share in CHF	1.26	1.23		

* restated

BUBENDORF, SWITZERLAND, 16 AUGUST 2005

Sales of the Bachem Group (SWX: BANB) for the first half of 2005 reached CHF 70.6 million. As compared to the corresponding period of 2004, this represents a reduction of 4.8% in local currencies (-6.5% in CHF), in line with expectations. During the first six months of the year, a substantial amount of preliminary work was completed based on the prospects of significantly increased demand during the second half. Sales in CHF during the first half of 2005 were again affected by the weak USD that quoted a further 4.9% lower as compared to the corresponding period last year. Due to the fact that the Euro was also 0.4% weaker, the negative currency impact on sales totaled 1.7 percentage points.

TRENDS IN THE MOST IMPORTANT BUSINESS AREAS

In view of the common quarterly sales fluctuations, in particular for New Chemical Entities (NCEs), the sales decrease remains

within the scope of expectations. Generics continued to show positive development and following the completion of the expansion at Sochinaz, sales of non-peptide products demonstrated an increasing upward trend. The active ingredients business, for the first six months, showed an overall sales decrease of 7.1% in local currencies (-8.4% in CHF) though. Despite the resuscitation of the non-peptide business, sales increases in this area could not compensate for the sales gap of NCEs.

The number of projects for new peptide active ingredients was maintained at a high level. Thanks to the significant progress made by several customers with regard to important projects, Bachem was in a position to conclude a number of new agreements during the first half of 2005. Among these is an agreement for the development of thymopentin for the treatment of serious lung diseases. In March and April this year, Amylin Pharmaceuticals received approval for two diabetes drugs. Other customers expect approval decisions later this year.

Recording a slight sales increase of 2.7% in local currencies (-0.2% in CHF), the research chemicals business benefited from the somewhat more favorable conditions in this area following a period of market downturn. Custom synthesis, part of this segment, made a significant contribution to this positive result.

Geographically, the business in the US was particularly affected by the strong focus on NCEs (-10.1% in local currencies), while sales in Europe and the rest of the world were subject to lower variations (-1.9% in local currencies).

OPERATING AND NET INCOME

Due to the pre-investments made in order to fulfill purchase orders for the second half of 2005, increased personnel as well as general and administrative costs were incurred during the first six months of the year. Because of the high production activity for purchase orders that will impact sales only during the second half of 2005, cost of materials also increased during the first six months. However, as the major proportion of this rise is reflected in the increase in change of inventories, the net cost of materials is only slightly higher as compared to the corresponding reporting period last year.

In total, operating income remained almost unchanged in local currencies as compared to the first half of 2004 (-0.8%). Because of the weak USD, operating income in CHF decreased by 4.0% to CHF 20.7 million. The EBIT margin, on the other hand, slightly improved from 28.6% to 29.4%. Thanks to the good financial result, net income increased by 2.6% in local currencies and by 2.2% in CHF to CHF 16.6 million. As a consequence, the net income margin improved by two percentage points, from 21.5% to 23.5%.

Dr. Rolf Nyfeler, CEO of Bachem Holding AG, commented: „As already communicated at the beginning of the year, we expect performance to be significantly different from the first to the second half of the year. For our active ingredients business, the cornerstone for future development, we were able to conclude new contracts with a number of important customers during the first six months that will impact sales only in the second half. In view of the resulting record level of purchase orders, we continue to look ahead to clear double digit increase of sales and income in local currencies for the second half of the year.“ Nyfeler added: “Achieving a margin improvement during the weaker first half of 2005 is a confirmation that our strategy is heading in the right direction.”

STAFF DEVELOPMENT AND INVESTMENTS

The number of full time employments in the Bachem Group increased from 512 at the end of 2004 to 530 by the end of June 2005. The majority of new jobs can be attributed to the build-up of resources at Bachem California in order to prepare for forthcoming opportunities in the US market.

Investments totaled CHF 7.8 million in the first half of 2005. The main emphasis was on the expansion of production capacities for non-peptide generics at Sochinaz. Further investments will follow by the end of 2005 and in the first quarter of 2006 through the development of the US operations and by setting-up a lab for producing cytotoxic compounds at Sochinaz. Accordingly, full year investments in 2005 are expected to reach about CHF 20 million.

OUTLOOK

Given the increasing interest in peptides for the development of new pharmaceutical active ingredients, prospects for the future development of Bachem remain good. Also, the continuous high demand for non-peptide generics, the ongoing, although modest, growth in the research chemicals market and the strengthening USD confirm the favorable perspectives. Given the high level of purchase orders as well as potential further progress for developmental projects, the company continues to expect clear double digit sales growth for the second half of 2005 and an over-proportional increase in EBIT and net income. Whether the earlier communicated target of double-digit growth can also be reached for the full year remains to be seen. Based on the level of purchase orders and signed delivery contracts, sales growth is expected to further accelerate in 2006.

CONTACTS

BACHEM HOLDING AG

HAUPTSTRASSE 144

4416 BUBENDORF, SCHWEIZ

TEL.: +41 61 935 2333

FAX: +41 61 935 2324

INVESTOR RELATIONS

DR. ROLF NYFELER

EMAIL: IR@BACHEM.COM

INTERNET

WWW.BACHEM.COM

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

	NOTES	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004* 000 CHF
Sales	4/5	70 638	75 538
Other Income		26	114
Cost of materials		-15 513	-12 319
Changes in inventories		7 329	-1 032
Staff cost		-27 370	-25 820
Depreciation and amortization	4	-4 015	-6 210
General administration and other operating expenses		-10 353	-8 655
Operating income		20 742	21 616
Result from associated companies	4	-843	-946
Financial income, net		2 022	1 013
Income before taxes		21 921	21 683
Income taxes		-5 326	-5 440
Net income**		16 595	16 243
Basic earnings per share (CHF)		1.26	1.23
Diluted earnings per share (CHF)		1.26	1.23

* restated

** net income completely attributable to the equity holders of the parent

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

ASSETS	NOTES	30 JUNE 2005 000 CHF	31 DECEMBER 2004* 000 CHF
Cash and cash equivalents		73 769	93 281
Marketable securities		53 278	40 742
Trade and other receivables		30 341	25 094
Tax assets		1 350	3 496
Inventories		72 523	61 613
Total current assets		231 261	224 226
Property, plant and equipment		132 286	125 399
Intangible assets		14 905	15 159
Associated companies		819	1 662
Defined benefit plan assets		486	530
Deferred tax assets		1 777	1 654
Other financial assets		6 588	6 620
Total non-current assets		156 861	151 024
Total assets	4	388 122	375 250
LIABILITIES AND EQUITY			
Trade payables		13 003	12 925
Other current liabilities		4 645	3 950
Tax liabilities		584	235
Provisions		220	909
Total current liabilities		18 452	18 019
Deferred tax liabilities		21 054	19 981
Provisions		154	136
Total non-current liabilities		21 208	20 117
Total liabilities	4	39 660	38 136
Share capital		680	680
Retained earnings		284 174	283 005
Share premium		87 753	87 217
Own shares		-15 208	-14 814
Fair value reserves		3 159	-1 084
Cumulative translation differences		-12 096	-17 890
Total equity		348 462	337 114
Total liabilities and equity		388 122	375 250

* restated

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENTS

	NOTES	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004* 000 CHF
Cash flow from operating activities			
Net income		16 595	16 243
Reversal of non-cash items			
Taxes		4 917	5 440
Depreciation and amortization	4	4 015	6 210
Financial income, net		-2 022	-1 013
Associated companies	4	843	946
Adjustment share-based payments	1	536	672
Income taxes paid		-1 421	-2 305
Change in net current assets		-10 882	-756
Other non-cash items		-2 094	131
Cash flow from operating activities		10 487	25 568
Cash flow provided by/(used for) investing activities			
Investment in tangible fixed assets		-7 581	-11 187
Investment in intangible assets		-219	-720
Investment in financial assets/associated companies		0	-4 125
Change in marketable securities		-7 934	-10 520
Interest and other financial receipts		894	1 208
Cash flow provided by/(used for) investing activities		-14 840	-25 344
Cash flow provided by/(used for) financing activities			
Change in own shares		29	3 623
Change in financial debts		0	134
Interest and other financial payments		-298	-365
Dividends paid	6	-15 849	-14 575
Cash flow provided by/(used for) financing activities		-16 118	-11 183
Net effect of currency translation on cash and cash equivalents		959	173
Net change in cash and cash equivalents		-19 512	-10 786
Cash and cash equivalents at the beginning of the year		93 281	83 717
Cash and cash equivalents at the end of the half-year		73 769	72 931
Net change in cash and cash equivalents		-19 512	-10 786

* restated

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 2005 000 CHF
Balance 1 January 2005	680	284 383	85 839	-14 814	-1 193	109	-17 890	337 114
Effect of IFRS 2		-1 378	1 378					0
Restated Balance 1 January 2005	680	283 005	87 217	-14 814	-1 193	109	-17 890	337 114
Cumulative translation differences							5 794	5 794
Change of fair value reserve					4 641	-398		4 243
Net income recognized directly in equity	0	0	0	0	4 641	-398	5 794	10 037
Net income		16 595						16 595
Total recognized income and expense for the period	0	16 595	0	0	4 641	-398	5 794	26 632
Dividends paid		-15 849						-15 849
Transactions with own shares		423		-394				29
Adjustment share-based payments			536					536
Balance 30 June 2005	680	284 174	87 753	-15 208	3 448	-289	-12 096	348 462

	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 2004 000 CHF
Balance 1 January 2004	680	265 797	85 839	-12 588	-1 827	160	-13 968	324 093
Effect of IFRS 2		-602	602					0
Restated Balance 1 January 2004	680	265 195	86 441	-12 588	-1 827	160	-13 968	324 093
Cumulative translation differences							1 173	1 173
Change of fair value reserve					84	-7		77
Net income recognized directly in equity	0	0	0	0	84	-7	1 173	1 250
Net income		16 243						16 243
Total recognized income and expense for the period	0	16 243	0	0	84	-7	1 173	17 493
Dividends paid		-14 575						-14 575
Transactions with own shares		856		2 767				3 623
Adjustment share-based payments			672					672
Balance 30 June 2004	680	267 719	87 113	-9 821	-1 743	153	-12 795	331 306

The share capital is divided into 6 802 000 shares Bachem -A- (50.01% of share capital) and 6 798 000 shares Bachem -B- (49.99% of share capital). The shares B are traded at the Swiss Exchange (SWX) under valor number 1 253 020. All shares are registered shares. Except for the registration of Bachem -B- shares, there are no further differences between the two share categories. The shares A are wholly owned by Ingro Finanz AG.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are the unaudited interim consolidated financial statements of Bachem Holding Ltd., a company registered in Switzerland, and its subsidiaries for the six-month period ended 30 June 2005. They were prepared in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting'. These interim financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2004, as they provide an update of previously reported information. They were approved for issue by the Board of Directors on 10 August 2005.

CHANGES IN ACCOUNTING POLICIES

There were several revised and four new International Financial Reporting Standards (IFRS) that became effective from 1 January 2005. The effect of these changes will be described in the following section. Otherwise the accounting policies used are consistent with those used in the annual financial statements 2004. Where necessary, the comparatives have been restated, reclassified or extended from the previously reported interim results to take into account any presentational changes made in the annual financial statements or in these interim financial statements.

DISCLOSURE OF CHANGES IN ACCOUNTING POLICIES FROM THE FIRST-TIME ADOPTION OF A STANDARD WITH EFFECT ON THE CURRENT PERIOD OR ANY PRIOR PERIOD

IFRS 2 – Share-based payments

The necessary changes in accounting policies with the first-time adoption of IFRS 2 are made in accordance with the transitional provisions.

IFRS requires an entity to reflect in its profit or loss and financial positions the effects of share-based payment transactions granted to employees or other parties and shall measure the fair value of the equity instruments granted at grant date. The expense for locked equity instruments is recorded over the vesting period. So far these payments have been recorded at book value. This results in a difference between book value and fair value at grant date. In accordance with the transitional provisions this difference will be debited to retained earnings and credited to share premium retrospectively for allocations after 7 November 2002. As from 1 January 2005 and 1 January 2004 respectively the personnel expenses contain the fair value of share-based payments at grant date.

	2002/2003 000 CHF	FIRST HALF-YEAR 2004 000 CHF	SECOND HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF
Previously recorded book value	21	14	0	
Adjustment according to IFRS 2	602	672	104	
Total share-based payments	623	686	104	553

The adjustment for the years 2002/2003 and the opening balance 2004 is CHF 602 000. The adjustment of the personnel expenses is CHF 672 000 for the first half-year 2004 and CHF 104 000 for the second half-year 2004. As a result, the adjustment for the opening balance 2005 is CHF 1 378 000.

Effect on Earnings per Share (EPS) resulting from restatement:

	FIRST HALF-YEAR 2004	2004
Basic Earnings per Share (CHF)	-0.05	-0.06
Diluted Earnings per Share (CHF)	-0.05	-0.06

IFRS 3 – Business combinations

Since 1 January 2005 the Bachem Group has adopted the new Standard IFRS 3, Business combinations. The adoption of this new standard resulted in the Group ceasing goodwill amortization and to test for impairment at least annually at the cash generating unit level. In the first half-year 2004, goodwill in the amount of CHF 2 098 000 was amortized.

2. SEASONALITY

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. FOREIGN EXCHANGE RATES

	INCOME STATEMENT AVERAGE RATES		BALANCE SHEET PERIOD-END RATES	
	FIRST HALF-YEAR 2005 CHF	FIRST HALF-YEAR 2004 CHF	30 JUNE 2005 CHF	31 DECEMBER 2004 CHF
1 USD	1.2044	1.2658	1.2834	1.1321
1 GBP	2.2552	2.3063	2.3006	2.1830
1 EUR	1.5466	1.5534	1.5506	1.5438

4. SEGMENT INFORMATION (REGIONS)

	EUROPE/REST OF THE WORLD		NORTH/SOUTHAMERICA		ELIMINATIONS		CONSOLIDATED VALUES	
	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF
Sales third parties	47 376	48 356	23 262	27 182				
Sales intercompany	11 527	11 181	866	1 069	-12 393	-12 250		
Total sales	58 903	59 537	24 128	28 251	-12 393	-12 250	70 638	75 538
Operating income	19 453	19 223	2 221	5 145	-932	-2 752	20 742	21 616
Result from associated companies	-843	-946	0	0	0	0	-843	-946

Other information							30 JUNE 2005 000 CHF	31 DECEMBER 2004 000 CHF
	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF
Assets	571 999	570 213	62 987	53 282	-246 864	-248 245	388 122	375 250
Liabilities	54 819	57 353	13 938	11 462	-29 097	-30 679	39 660	38 136
Investments	5 698	11 578	2 102	329			7 800	11 907
Depreciation and amortization	3 406	5 422	609	788			4 015	6 210

The primary segment information is based on the location of assets.

Sales third parties by location of customers	46 108	47 912	24 530	27 626			70 638	75 538
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5. SEGMENT INFORMATION (BUSINESS SEGMENTS)

	FIRST HALF-YEAR 2005 000 CHF	FIRST HALF-YEAR 2004 000 CHF	FIRST HALF-YEAR 2005 IN %	FIRST HALF-YEAR 2004 IN %	CHANGES IN CHF %	CHANGES IN LOCAL CURRENCIES %
	Active pharmaceutical ingredients (APIs)	53 129	57 989	75.2%	76.8%	-8.4%
Research chemicals (incl. custom synthesis)	17 509	17 549	24.8%	23.2%	-0.2%	2.7%
Total sales	70 638	75 538	100.0%	100.0%	-6.5%	-4.8%

Investments and assets cannot be allocated to the business segments since we are using multi-purpose-equipment which can be used to produce all products.

6. DIVIDEND PAYMENT

On 17 May 2005 a dividend of CHF 1.20 per share was paid. The total amount of dividends paid is CHF 15 849 000.