

# BACHEM HALF-YEAR REPORT 2015

# 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 and the US, 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**

## PIONEERING PARTNER FOR PEPTIDES

BACHEM HAS BEEN A PIONEER IN THE FIELD OF PEPTIDES FOR OVER 40 YEARS. THE COMPANY LISTENS TO ITS CUSTOMERS AND IS A RELIABLE PARTNER WHEN IT COMES TO FULFILLING THEIR EXPECTATIONS.

# FIRST HALF-YEAR 2015 IN BRIEF

Strong momentum in the first half fueled by high sales growth. Substantial increase in profitability and net income at core business operations. Operating cash flow up more than 50%. EBITDA and EBIT held at 26.9% and 17.7% of sales. Stable outlook for the second half with further potential. Margin developments dependent on product mix.

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	FIRST HALF-YEAR	FIRST HALF-YEAR	CHANGE IN %	
	2015	2014	CHF	LC
SALES (IN MCHF)	99.6	86.7	+14.8	+15.0
EBITDA (IN MCHF)	26.8	25.5	+4.9	+7.9
EBITDA IN % OF SALES	26.9	29.4		
EBIT (IN MCHF)	17.6	16.4	+7.1	+12.3
EBIT IN % OF SALES	17.7	18.9		
NET INCOME (IN MCHF)	12.6	12.4	+1.6	
NET INCOME IN % OF SALES	12.7	14.3		
EARNINGS PER SHARE (EPS – IN CHF)	0.93	0.92	+1.1	
CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF)	29.4	19.3	+52.4	
NUMBER OF EMPLOYEES (IN FULL-TIME EQUIVALENTS)	821	662		

## EBIT FIRST HALF-YEAR

(in MCHF)



# Bachem's sales in local currency for the first half of 2015 were higher than in any other half-year period since its founding. EBIT and net income rose as well, buoyed by the high rate of capacity utilization and a favorable product mix, despite the negative currency effect.

### Sales at record high level

Bachem Group (SIX: BANB) generated sales of 99.6 million CHF in the first half of 2015. Sales from American Peptide Company (APC), which was acquired by Bachem at the end of March 2015, were included in reported sales for the first time and they amounted to approximately 2 million CHF. Consolidated Group sales were nearly 13 million CHF higher than in the first half of the previous year and growth was strong in both local currency (+15.0%) and the reporting currency CHF (+14.8%). Sales in local currency were the highest Bachem has reported for any half-year period since its founding. Reported sales in Swiss francs were topped only by the figure reported for the first half of 2007, when Bachem benefited from significantly higher exchange rates into the reporting currency (1.63 EUR/CHF, 1.23 USD/CHF).

Bachem achieved strong growth in generics despite some currency headwinds. Generics sales amounted to 49.3 million CHF. Both market regions – Europe and North America – showed very pleasing trends with sales rising by about 9% in local currency. Sales growth was particularly brisk in the US compared to the prior year period. Judging by the current order backlog, management expects full-year generics sales to top the figure for the preceding year.

Sales growth in the research ingredients business was likewise very pleasing. Catalog products and custom synthesis showed renewed growth in a highly competitive market. The measures implemented in preceding years are proving to be effective while the activities acquired from APC have created additional, promising business opportunities and strengthened Bachem's strong position in the global market.

Bachem once again achieved further significant growth in the New Chemical Entities (NCEs) business, where sales jumped more than 22% in local currency. This advance was fueled in particular by rapid growth in the US, whereas European sales did not quite match the high figure reported for the prior year period. Slightly lower year-on-year (y-o-y) sales were also recorded in the NCE services business, including sterile, fill-finished products (Clinalfa®). Management expects the European business to more than offset the shortfall in the second half and is anticipating strong y-o-y growth from the NCE business for 2015 as a whole.

The theme of the "Bachem Spring Symposium" organized in the spring of 2015 was "Designed for Success: Modified Peptides" and, as in the past, the event was a resounding success. Prof. Stephen Kent (University of Chicago), Prof. John Robinson (University of Zurich), and Prof. Yasuhiro Kajihara (University of Osaka) were among the industry experts who presented their research projects and findings at the symposium. Current projects and applications presented by Prof. Andrea Pfeifer (AC Immune SA) and Dr. Michael Haller (GlyTech, Inc.) also attracted considerable attention. The industry and scientific experts invited to the symposium appreciated the opportunity to share knowledge and ideas and to discuss general problem areas as well as ongoing projects and the approaches taken for producing chemically modified peptides and for using peptides in therapeutic applications.

Bachem was able to successfully defend its market position in the first half of 2015 despite persisting market challenges. Demand for peptide-based therapeutic agents remained firm and the order book closed the first half at a record high. Thanks to the availability of under-utilized resources arising from the smooth integration of APC and the additional investments that are being made to expand existing production capacity, Bachem is well positioned to capture the expected market growth and overcome all related challenges along the way. As market leader with more than 40 years of experience in peptide synthesis and a steadfast focus on quality, Bachem serves its customers as a reliable and trusted partner.

### Renewed improvement in operating results

Excluding last year's extraordinary gain of 2.0 million CHF on the divestment of the immunology product line, Bachem increased its operating profit by about 22% in the first half of 2015. The corresponding EBIT margin climbed to 17.7% (H1 2014: 16.6%). This pleasing result is largely attributed to the high rate of capacity utilization and a favorable product mix. The divergent trends of the USD/CHF and EUR/CHF currency pairs had a net negative impact on reported results in Swiss francs. At the EBIT level, currency translation reduced the reported figure for the first half of 2015 by 0.9 million CHF.

Thanks to the good business momentum and high capacity utilization, Bachem was able to create 38 new jobs during the first half. Together with the 74 APC employees who were retained by Bachem, the total headcount rose by 112 compared to the end of 2014. As of June 30, 2015, Bachem Group employed a total of 866 people in 821 full-time-equivalent positions. In view of the good order backlog, the company will add more highly qualified specialists to its teams in Switzerland, the UK and the US before the end of the current year. As the "Pioneering Partner for Peptides" and market leader, Bachem offers its employees attractive opportunities to work on exciting and demanding projects as part of an interdisciplinary team and in close collaboration with customers: "The best work with the best".

The cost of goods sold in the first half of 2015 amounted to 66.5 million CHF or 66.8% of sales. Despite its significantly enlarged work force, Bachem achieved a slightly higher gross profit margin of 33.2% (H1 2014: 33.0%). This improvement is attributed to the high utilization rate and favorable product mix.

Marketing and sales costs for the first half increased as expected, by 0.8 million CHF compared to the prior year period, yet remained stable at 6.8% of sales. The increase in absolute terms is partly attributable to the larger work force and the further professionalization of the marketing organization. Additionally, expenses for the marketing activities taken over from APC have also been included under this item for the first time.

Research and development costs totaled 0.9 million CHF. No development costs were capitalized during the period under review. Based on the projects in the pipeline, management expects R&D costs for the full year to range between 1.5 and 2.0 million CHF.

General administrative costs for the first six months of 2015 amounted to 8.3 million CHF (H1 2014: 7.7 million CHF). The difference to the prior year period is mainly attributable to the recruitment of additional staff and specialists for internal services positions in HR, Finance/Controlling and IT. Activities acquired from APC also added to general administrative costs. Additional non-recurring advisory costs were incurred in connection with the evaluation of a new Enterprise Resource Planning (ERP) system and the clarification of legal and tax issues, and the integration of APC also contributed to the rise in general administrative costs.

Depreciation and amortization increased marginally by 0.1 million CHF to 9.2 million CHF compared to the first half of 2014. Measured as a percentage of sales, this item declined again, to 9.2%. No impairments were recognized during the period under review.

### Net income 12.6 million CHF

Net income in the prior year period was boosted by a non-recurring gain on the divestment of the immunology product line. Despite this extraordinary effect, Bachem's net income for the first half of 2015 topped the prior year figure by about 0.2 million CHF.

The Swiss National Bank's historic decision announced on January 15, 2015 had a direct impact on the company's results. Currency movements in the first half led to a foreign exchange result of -2.2 million CHF for the Bachem Group (H1 2014: -0.4 million CHF). This had a significant impact on net income.

A decline in income taxes to 2.6 million CHF (H1 2014: 3.4 million CHF) provided a slight tailwind at the bottom line. The corresponding tax rate was 17.2% (H1 2014: 21.6%).

### Cash and cash equivalents of 23.9 million CHF

Cash flow from operating activities before changes in net current assets amounted to 22.8 million CHF in the first half of 2015, which corresponds to a significant improvement of about 12% compared to the first half of 2014.

Changes in net current assets resulted in an additional positive cash flow of 6.6 million CHF. This can be traced to a 12.8 million CHF decline in trade receivables since the beginning of the year and a 1.5 million CHF reduction in working capital held as inventory. Trade payables declined by 5.8 million CHF, which represented the greatest negative item within the cash flow statement. The remaining difference of 1.9 million CHF resulted from other current receivables and liabilities as well as the corresponding accruals and deferrals. Operating

cash flow for the first six months of 2015 rose by more than 52% y-o-y to 29.4 million CHF (H1 2014: 19.3 million CHF).

At –15.1 million CHF, cash flow from investing activities was expectedly significantly higher in the first half of 2015 compared to the prior year period (H1 2014: +1.4 million CHF). This can primarily be traced to the opposing effects of divestment and acquisition activity. In 2014, the divestment of the immunology product line and the repayment of a loan in connection with the sale of property in the USA generated proceeds of 3.9 million CHF and 1.7 million CHF, respectively, whereas in 2015 10.7 million CHF was spent on the acquisition of APC. Investments in property, plant and equipment in the first half of 2015 were only marginally higher at 4.4 million CHF compared to the prior year period (H1 2014: 4.2 million CHF). Bachem expects capital expenditure in the second half of the year to be significantly higher y-o-y due to the group-wide expansion projects currently under way and the ongoing modernization of production capacity.

Despite the increase in the dividend to CHF 2.00 (previous year: CHF 1.75), the net cash outflow under financing activities declined to 17.1 million CHF, or by 6.6 million CHF from the previous year. This is attributed to the 10.0 million CHF which remained as a loan versus Ingro Finanz AG. Bachem repaid a total of 21.1 million CHF of the financial liabilities reported in the previous year and borrowed 19.0 million CHF from a Swiss bank.

On aggregate, these activities led to a net decrease in cash and cash equivalents of 5.6 million CHF and the resulting sum of cash and cash equivalents as defined in the cash flow statement amounted to 23.9 million CHF.

Bachem's financial position remains very solid with an equity ratio of approximately 79%.

## OUTLOOK

### INTEGRATION OF APC

The integration of American Peptide Company (APC), acquired at the end of March 2015, is proceeding as planned. Bachem will fully integrate all of the purchased business activities into its Group structure, and management has already initiated the necessary measures and investments to this end. The aim is to close the remaining gap to the targeted profitability levels over the medium term by launching new projects and raising capacity utilization.

### THE GROWTH CHALLENGE

Demand for peptide-based active ingredients remains strong. Given its extensive experience and unfailing reliability, Bachem, being the industry leader, is poised to capture a disproportionate share of the market growth. Business requirements today are very demanding for every player in the industry and they will continue to grow, especially on the regulatory front. Thanks to its solidity and financial strength, Bachem is well positioned to overcome these challenges and extend its lead over the competition, especially the smaller players.

### GUIDANCE REITERATED

Bachem Group started fiscal 2015 in strong form. The half-year results, the current order book and the latest market developments confirm the viability of Bachem's strategic focus on peptides and indicate that 2015 will be a very good year for the company. With its unfailing commitment to quality and reliability in all dealings with customers, Bachem is steadfastly building up its leading market position. Provided exchange rates and the general economy are stable, management reiterates its guidance of achieving local sales growth within the range of its long-term target of 6–10% p.a. as well as higher profits.

### **Bachem. Pioneering Partner for Peptides**

# FIVE REASONS TO INVEST

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## 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.**



## REASON 1

BACHEM IS THE MOST ROBUST AND SUSTAINED SUPPLIER IN THE INDUSTRY SINCE 40 YEARS.

## REASON 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.

## REASON 3

CAPABILITY TO PRODUCE LONG AND COMPLEX PEPTIDES AT LARGE VOLUME COMMERCIAL SCALES IS SPECIAL.

## REASON 4

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

## REASON 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 2015	First half-year 2014
Sales	5	99 591	86 723
Cost of goods sold		-66 479	-58 096
<b>Gross profit</b>		<b>33 112</b>	<b>28 627</b>
Other income		443	2 217
Marketing and sales costs		-6 753	-5 920
Research and development costs		-891	-824
General administrative costs		-8 324	-7 674
<b>Operating income (EBIT)</b>	5	<b>17 587</b>	<b>16 426</b>
Financial income		12	33
Financial expenses	6	-2 369	-608
<b>Ordinary income before taxes</b>		<b>15 230</b>	<b>15 851</b>
Income taxes		-2 615	-3 430
<b>Net income<sup>1</sup></b>		<b>12 615</b>	<b>12 421</b>
<b>Basic earnings per share (CHF)</b>		<b>0.93</b>	<b>0.92</b>
<b>Diluted earnings per share (CHF)</b>		<b>0.93</b>	<b>0.92</b>

<sup>1</sup> 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, 2015	Dec. 31, 2014
<b>Assets</b>			
Cash and cash equivalents		23 909	29 494
Trade receivables		29 924	43 401
Other current receivables		1 331	711
Prepaid expenses and accrued income		2 100	1 057
Current income tax assets		1 763	775
Inventories		139 098	139 256
<b>Total current assets</b>		<b>198 125</b>	<b>214 694</b>
Property, plant and equipment		210 574	208 924
Intangible assets		8 048	8 025
Assets from employer contribution reserve		320	320
Deferred tax assets		5 501	3 050
<b>Total non-current assets</b>		<b>224 443</b>	<b>220 319</b>
<b>Total assets</b>		<b>422 568</b>	<b>435 013</b>
<b>Liabilities and equity</b>			
Trade payables		10 327	15 644
Other current liabilities		4 589	4 781
Accrued expenses and deferred income		10 636	9 881
Current income tax liabilities		2 546	2 069
Current financial liabilities		29 207	21 207
<b>Total current liabilities</b>		<b>57 305</b>	<b>53 582</b>
Non-current financial liabilities		79	149
Deferred tax liabilities		31 933	32 151
<b>Total non-current liabilities</b>		<b>32 012</b>	<b>32 300</b>
<b>Total liabilities</b>		<b>89 317</b>	<b>85 882</b>
Share capital		680	680
Retained earnings		342 961	339 471
Share premium		26 201	41 568
Own shares		- 959	- 957
Cumulative translation differences		- 35 632	- 31 631
<b>Total capital and reserves attributable to the equity holders of the company</b>		<b>333 251</b>	<b>349 131</b>
<b>Total liabilities and equity</b>		<b>422 568</b>	<b>435 013</b>

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 2015	First half-year 2014
<b>Cash flow from operating activities</b>			
Net income		12 615	12 421
Adjustments for:			
Income taxes		2 615	3 430
Depreciation and amortization		9 189	9 109
Financial income		- 12	- 33
Financial expenses	6	2 369	608
Share based payments		305	328
Gain on sale of product line		0	- 1 996
Income taxes paid		- 3 667	- 3 221
Other non-cash items		- 621	- 356
<b>Cash flow from operating activities before changes in net current assets</b>		<b>22 793</b>	<b>20 290</b>
Change in trade receivables		12 821	308
Change in other current receivables, prepaid expenses and accrued income		- 1 407	- 1 213
Change in inventories		1 457	2 099
Change in trade payables		- 5 780	- 1 324
Change in other current liabilities, accrued expenses and deferred income		- 445	- 838
<b>Cash flow from operating activities</b>		<b>29 439</b>	<b>19 322</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment		- 3 040	- 3 300
Investments in intangible assets		- 1 316	- 943
Acquisitions	7	- 10 693	0
Sale of product line		0	3 905
Repayment of financial receivables		0	1 732
Interest received		12	33
Other financial payments and proceeds		- 78	- 40
<b>Cash flow from investing activities</b>		<b>- 15 115</b>	<b>1 387</b>
<b>Cash flow from financing activities</b>			
Additions of own shares		- 3	0
Disposals of own shares		29	18
Dividends paid	4	- 17 069	- 23 651
Increase in financial liabilities		19 000	33 000
Repayment of financial liabilities		- 21 066	- 44 614
Interest paid		- 72	- 270
<b>Cash from financing activities</b>		<b>- 19 181</b>	<b>- 35 517</b>
Net effect of currency translation on cash and cash equivalents		- 728	- 110
<b>Net change in cash and cash equivalents</b>		<b>- 5 585</b>	<b>- 14 918</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>29 494</b>	<b>38 721</b>
<b>Cash and cash equivalents at the end of the half-year</b>		<b>23 909</b>	<b>23 803</b>
<b>Net change in cash and cash equivalents</b>		<b>- 5 585</b>	<b>- 14 918</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

2015 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
<b>Balance at January 1</b>		<b>680</b>	<b>339 471</b>	<b>41 568</b>	<b>- 957</b>	<b>- 31 631</b>	<b>349 131</b>
Net income according to income statement			12 615				12 615
Dividends	4		- 11 369	- 15 700			- 27 069
Offset negative goodwill	7		2 244				2 244
Transactions with own shares (net of tax)				28	-2		26
Share based payments				305			305
Cumulative translation differences						-4 001	- 4 001
<b>Balance at June 30</b>		<b>680</b>	<b>342 961</b>	<b>26 201</b>	<b>- 959</b>	<b>- 35 632</b>	<b>333 251</b>

2014 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
<b>Balance at January 1</b>		<b>680</b>	<b>310 406</b>	<b>64 469</b>	<b>- 1 311</b>	<b>- 37 806</b>	<b>336 438</b>
Net income according to income statement			12 421				12 421
Dividends	4			- 23 651			- 23 651
Transactions with own shares (net of tax)				17	1		18
Share based payments				328			328
Cumulative translation differences						- 459	- 459
<b>Balance at June 30</b>		<b>680</b>	<b>322 827</b>	<b>41 163</b>	<b>- 1 310</b>	<b>- 38 265</b>	<b>325 095</b>

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, 2015.

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, 2014, which were prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER).

### *Changes in accounting policies*

For the reporting year 2015, no changes of Swiss GAAP FER became effective, besides the standard Swiss GAAP FER 31 “Complementary recommendation for listed public companies”, which Bachem applies since January 1, 2013. The accounting policies used are consistent with those used in the annual consolidated financial statements 2014.

### *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 20, 2015.

## 2 Foreign exchange rates

in CHF	Income statement average rates		Balance sheet period-end rates	
	First half-year 2015	First half-year 2014	June 30, 2015	Dec. 31, 2014
USD	0.95	0.89	0.94	0.99
EUR	1.05	1.22	1.04	1.20
GBP	1.44	1.49	1.48	1.55

## 3 Seasonality

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

## 4 Dividend distribution

On May 5, 2015, a dividend of 27 069 kCHF respectively 2.00 per share was distributed for the year 2014 (previous year: 23 651 kCHF respectively 1.75 CHF per share).

Of the total dividend in the amount of 27 069 kCHF, 17 069 kCHF were paid out and 10 000 kCHF remained as a loan versus Ingro Finanz AG.

## 5 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
<b>Sales information first half-year 2015</b>					
Sales third parties	66 559	33 032	99 591	0	<b>99 591</b>
Sales intersegment	15 991	1 384	17 375	- 17 375	<b>0</b>
<b>Total sales</b>	<b>82 550</b>	<b>34 416</b>	<b>116 966</b>	<b>- 17 375</b>	<b>99 591</b>
<b>Income information first half-year 2015</b>					
Operating income (EBIT)	18 533	1 298	19 831	- 2 244 <sup>1</sup>	<b>17 587</b>
<b>Other information first half-year 2015</b>					
Additions in property, plant and equipment and intangible assets	3 963	361	4 324	32	<b>4 356</b>
Depreciation and amortization	- 7 847	- 1 325	- 9 172	- 17	<b>- 9 189</b>
Total assets	341 473	82 300	423 773	- 1 205 <sup>2</sup>	<b>422 568</b>
Total liabilities	158 316	21 279	179 595	- 90 278 <sup>3</sup>	<b>89 317</b>

<sup>1</sup> The amount consists of the operating income from corporate activities of -2 481 kCHF and of eliminations in the value of 237 kCHF.

<sup>2</sup> The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 124 414 kCHF and of eliminations in the value of -125 619 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 33 221 kCHF and of eliminations in the value of -123 499 kCHF.

in 1000 CHF	Europe	North America	Total segments	Corporate and eliminations	Consolidated values
<b>Sales information first half-year 2014</b>					
Sales third parties	62 807	23 916	86 723	0	<b>86 723</b>
Sales intersegment	13 228	3 201	16 429	- 16 429	<b>0</b>
<b>Total sales</b>	<b>76 035</b>	<b>27 117</b>	<b>103 152</b>	<b>- 16 429</b>	<b>86 723</b>
<b>Income information first half-year 2014</b>					
Operating income (EBIT)	13 679	5 051	18 730	- 2 304 <sup>1</sup>	<b>16 426</b>
<b>Other information first half-year 2014</b>					
Additions in property, plant and equipment and intangible assets	3 912	331	4 243	0	<b>4 243</b>
Depreciation and amortization	- 8 012	- 1 083	- 9 095	- 14	<b>- 9 109</b>
Total assets	351 961	68 540	420 501	- 6 310 <sup>2</sup>	<b>414 191</b>
Total liabilities	167 814	16 490	184 304	- 95 208 <sup>3</sup>	<b>89 096</b>

<sup>1</sup> The amount consists of the operating income from corporate activities of -2 452 kCHF and of eliminations in the value of 148 kCHF.

<sup>2</sup> The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 127 967 kCHF and of eliminations in the value of -134 277 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 36 854 kCHF and of eliminations in the value of -132 062 kCHF.

## 6 Financial expenses

in 1000 CHF	<b>First half-year 2015</b>	First half-year 2014
Interest expenses	- 69	- 176
Other financial expenses	- 79	- 40
Foreign exchange result	- 2 221	- 392
<b>Total financial expenses</b>	<b>- 2 369</b>	<b>- 608</b>

## 7 Acquisitions

As of March 27, 2015, Bachem has taken over all shares of the American Peptide Company, Inc., in California, USA. The American Peptide Company provides a wide range of services from small-scale catalog business and custom synthesis to large-scale manufacturing under cGMP.

In addition to the symbolic purchase price of 1 USD paid in cash, loans in the amount of 13.2 million CHF were settled. The acquired net assets at fair values amounted to 15.9 million CHF. The main balance sheet items at time of acquisition are: cash of 3.2 million CHF, inventories of 2.6 million CHF and property, plant & equipment of 8.6 million CHF.

Since the acquisition costs were lower than the acquired net assets at fair values, the acquisition results in a negative goodwill. The negative goodwill in the amount of 2.2 million CHF, already reduced by transaction costs of 0.5 million CHF, was offset against equity.

The acquisition costs are not subject to further adjustments. All other values disclosed are currently provisional and subject to change until the end of the year.

## 8 Contingent liabilities and other commitments

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

## 9 Events after the balance sheet date

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

## Financial Calendar

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### **Annual Report 2015**

March 11, 2016

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### **Annual General Meeting**

(business year 2015)

April 18, 2016

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### **Half-Year Report 2016**

August 26, 2016

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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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#### Imprint

##### **Publisher**

Bachem Holding AG,  
Bubendorf, Switzerland

##### **Conception/Design**

hilda design matters, Zurich

##### **Prepress/Print**

Linkgroup, Zurich

This Half-Year Report  
is printed on FSC-certified  
paper and is published in  
German and English.



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