

# BACHEM HALF-YEAR REPORT 2019

# 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**

## PIONEERING PARTNER FOR PEPTIDES

BACHEM HAS BEEN A PIONEER IN THE FIELD OF PEPTIDES FOR NEARLY 50 YEARS. THE COMPANY LISTENS TO ITS CUSTOMERS AND IS A RELIABLE PARTNER WHEN IT COMES TO FULFILLING THEIR EXPECTATIONS.

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**SIGNIFICANT SALES  
AND EBIT GROWTH**

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**EBITDA AT 27.1%  
AND EBIT AT  
18.2% OF SALES**

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**CAPITAL INCREASE  
BOOSTS EQUITY  
RATIO**

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**POTENTIALLY  
RECORD-BREAKING  
2<sup>ND</sup> HALF EXPECTED**

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**ANNUAL TARGETS  
CONFIRMED**

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**ANOTHER STRONG  
FISCAL YEAR  
ANTICIPATED**

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# FIRST HALF-YEAR 2019 IN BRIEF

SALES  
(IN MCHF)

# 134.5

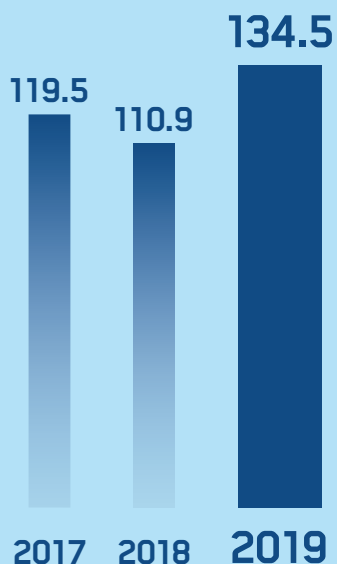
Sales reach a new all-time high in H1: up by 21.3%

EBIT  
(IN MCHF)

# 24.4

Surge in operating income: 35.5% above reference period

SALES  
(IN MCHF)



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	2019	2018	CHANGES IN %	
			CHF	LC
SALES (IN MCHF)	134.5	110.9	+21.3	+20.0
EBITDA (IN MCHF)	36.5	28.9	+26.3	+24.3
EBITDA IN % OF SALES	27.1	26.0		
EBIT (IN MCHF)	24.4	18.0	+35.5	+32.7
EBIT IN % OF SALES	18.2	16.2		
NET INCOME (IN MCHF)	20.4	16.5	+23.9	
NET INCOME IN % OF SALES	15.2	14.9		
EARNINGS PER SHARE (EPS - IN CHF)	1.49	1.21	+22.8	
CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF)	32.0	1.2	+2 514.6	
NUMBER OF EMPLOYEES (IN FULL-TIME EQUIVALENTS)	1 124	1 097 <sup>1</sup>		

<sup>1</sup> Value as per December 31, 2018

**With a strong first half – well ahead of the reference period of both prior years – along with a surge in net income, Bachem has laid a solid foundation for another highly successful fiscal year in 2019. Every business unit is preparing for a potentially record-breaking second half.**

### **Double-digit sales growth**

The Bachem Group (SIX: BANB) generated sales of 134.5 million CHF in the first half of 2019. Following a modest start to the new year, the pace picked up considerably in the second quarter, resulting in a finish well ahead of the reference period's. By mid-year, sales had significantly exceeded those of the weak prior year period by 23.7 million CHF (+21.3%) and had even outpaced the figure for the strong first half of 2017 by 15.1 million CHF (+12.6%). Exchange rate movements had a mildly positive impact on the translation of sales performance in local currencies (+20.0%). As observed in previous years, we again anticipate a significantly stronger second half in the year under review. Considering the encouraging growth of the first six months, however, the second-half spike in sales will not be as extreme as in 2018. Preparations have already begun to support the very strong expected business performance of the coming months, with build-ups in inventories of semi-finished goods, finished goods, and work in progress.

### **Generics hold steady**

Sales of generic products reached 58.2 million CHF, well above not only the prior year's reference figure of

44.1 million CHF, but also the very strong 2017 figure of 52.0 million CHF. Performance was strong in both regions. North America saw gains of roughly 14% over the reference period for the first six months, while sales growth in Europe was even stronger at 30%. Based on orders and communications with customers, Bachem anticipates a good second half and an overall result significantly higher than the previous year's.

### **Consolidation in research chemicals**

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 saw small gains of 0.8 million CHF (+5.7%) in the first half. This was attributable in large part to newly established long-term customer relationships.

### **New Chemical Entities as growth engine**

Sales growth in the New Chemical Entities (NCEs) unit was also very gratifying overall. The two regions differed in their contribution to this outcome, however. While Europe failed to match the previous year's results, North America again saw significant gains with growth of over 60%. Steady performance in related services continued to reflect the healthy structure and quality of the NCE project portfolio. For the NCE unit as a whole, management again expects significant gains, with double-digit overall growth compared to fiscal year 2018. The NCE project portfolio has thus reaffirmed its potential as a driver of further sustained growth for the Bachem Group.

### **A stimulating Bachem Spring Symposium**

The 9<sup>th</sup> Bachem Spring Symposium was held on April 4, 2019, at Hotel Victoria in Basel. The theme of the day was "Antimicrobial Peptides: Resistance is Futile." Prof. Helma Wennemers of ETH Zurich acted as moderator at the stimulating event. In light of the growing threat to public health of antibiotic-resistant bacteria, antimicrobial peptides (AMPs) have emerged as an alternative to conventional antibiotics. Presentations from leading specialists and specific case studies covered current topics in the research, development, and manufacture of AMPs. Interest was overwhelming. As a highlight of the "peptide community's" annual schedule, the Symposium was once again a venue for encounters among internationally recognized experts from the research and business worlds.

### **Operating income up**

The sales gains mentioned above had a positive impact on overall performance. Despite higher expenses, operating income in the first half of 2019 rose by 6.4 million CHF

(+35.5%) year-on-year to 24.4 million CHF. At 18.2%, the EBIT margin on the reference date likewise significantly exceeded that of the prior year period (H1 2018: 16.2%). This was mainly due to better total capacity utilization compared to the previous year as well as sales related contribution margins.

### **Employment growth continues**

With orders up and further strong business performance anticipated, Bachem had by mid-year created 29 new jobs worldwide. As of June 30, 2019, the Bachem Group employed a total of 1169 people in 1124 full-time-equivalent positions.

### **Gross profit up**

The cost of goods sold in the first half of 2019 came to 96.2 million CHF or 71.5% of sales. At mid-year, improved sales along with better capacity utilization and fixed cost absorption had resulted in a correspondingly higher margin of 28.5% (H1 2018: 28.2%). This figure is likely to see further improvement in the second half thanks to anticipated gains in sales and production. Despite a higher cost basis, management expects the gross profit margin for the full year to hold steady at the prior year's level.

### **Marketing & sales**

First-half marketing and sales expenses came to 7.3 million CHF (H1 2018: 6.5 million CHF). As a percentage of total sales, these expenses decreased slightly to 5.5% (H1 2018: 5.9%). The main causes of the increase in absolute expenses were the expansion of the new Tokyo office, strategic hiring in the sales organization, and IT expenses. Since various seasonal marketing expenses will be incurred only in the second half, the company expects marketing and sales expenses of approximately 16 million CHF for 2019 as a whole.

### **Research & development**

The Group recorded research and development (R&D) expenses of 0.6 million CHF (H1 2018: 0.5 million CHF). Because of high utilization of the R&D departments in customer projects, the internal activities that had been scheduled for the first half have been postponed in line with their priority. No development expenses were capitalized during the period under review.

### **General administrative costs**

General administrative expenses for the first six months of 2019 amounted to 6.4 million CHF (H1 2018: 6.8 million CHF). As a percentage of total sales, these expenses declined to 4.7% (H1 2018: 6.1%). For the full year, expenses are expected to remain roughly equal to the prior year's.

### **Rising depreciation and amortization**

With new production capacity now onstream, depreciation and amortization rose by 1.2 million CHF to 12.1 million CHF (H1 2018: 10.9 million CHF). With sales moving in a favorable direction, however, the ratio of depreciation and amortization to sales fell to 9.0% (H1 2018: 9.8%). No impairments were recognized during the period under review.

### **Stronger net income**

In contrast to the reference period, currency translation effects did not operate in Bachem's favor. Overall, exchange rate movements resulted in a near-even balance of foreign exchange gains and losses for the Group. The first half of 2018 offered a significant tailwind in this respect with gains of 1.2 million CHF, attributable mainly to the valuation at the balance sheet date of US dollar-denominated loans to subsidiaries by the holding company. Despite the lack of support from these effects, net income ended nearly 24% higher at 20.4 million CHF (H1 2018: 16.5 million CHF).

### **Higher tax rate**

The net income figure reflects income taxes of 3.7 million CHF (H1 2018: 2.5 million CHF). In consequence of the higher US contribution to consolidated income and the resulting relatively higher tax expenses, the Group-wide tax rate increased to 15.2% (prior year period: 13.0%).

### **Net current assets slightly higher**

Cash flow from operating activities before change in net current assets for the first half of 2019 amounted to 34.4 million CHF (H1 2018: 25.7 million CHF). The changes in net current assets resulted in a cash outflow of 2.4 million CHF. The decline of 19.3 million CHF in trade receivables since the start of the year is partially offset by a 3.0 million CHF reduction in trade payables and a total change of 0.7 million CHF in other receivables and payables including relevant accruals and deferrals. The main cause of the net capital commitment was the expansion of inventory in the amount of 18.1 million CHF. This was primarily the result of higher semi-finished and finished goods inventories and work in progress because of ongoing projects – and in anticipation, once again, of a stronger second half. Moreover, production-critical raw materials have been deliberately stockpiled to ensure their availability. Cash flow from operating activities for the first six months of 2019 was 32.0 million CHF (H1 2018: 1.2 million CHF).

### **Capital expenditure down slightly**

Cash flow from investing activities in the first half of 2019 amounted to –15.7 million CHF. As expected, this was somewhat lower than in the prior year period

(H1 2018: –19.3 million CHF). The decrease relates primarily to infrastructure and IT. The Group anticipates further investments in the range of 20–25 million CHF in the second half.

#### Successful capital increase

Bachem carried out a successful capital increase during the first half of 2019, issuing 400 000 new shares at an issue price of 120.00 CHF each. Net of all costs, the transaction resulted in cash flow from the capital increase in the amount of 47.6 million CHF. The new funds will be used to retire loans. During the period under review Bachem retired a total of 150.0 million CHF of the financial liabilities reported in the previous year and assumed loans in the amount of 113.7 million CHF from four banks. With the dividend held at 2.75 CHF, the payout of 27.4 million CHF under the heading of financing activities remained at the previous year's level. Dividends in the amount of 10.0 million CHF remained outstanding for a short time as a loan to Ingro Finanz AG, which was repaid by mid-year.

#### Cash and cash equivalents of 12.0 million CHF

Cash and cash equivalents declined by 10.3 million CHF to 12.0 million CHF (H1 2018: 11.5 million CHF).

#### Higher equity ratio

As a result of the capital increase mentioned above and the reduction in financial liabilities, Bachem finished the period with a very solid equity ratio of 69.0%, up from 62.5% at the end of 2018.

## 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 shows 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.

### OLIGONUCLEOTIDES ON THE UPSWING

Motivated by specific requests from customers, Bachem has started to position itself as a provider for the development and production of active agents in the field of oligonucleotides. The initial experience has been very positive, opening promising prospects. The new product category will be expanded in the future to become a parallel mainstay of our business alongside peptides.

### QUALITY AND EFFICIENCY THROUGH AUTOMATION

Strategic investments in the automation of production processes will enable Bachem to reliably fulfill increasing quality demands in the years to come. Meanwhile, profitability will improve thanks to the digital integration of internal processes and the resulting gains in efficiency.

### GUIDANCE CONFIRMED

Based on the notably higher mid-year result, excellent order book, and generally favorable market conditions, the company feels its guidance remains accurate. Given stable exchange rates and economic conditions, Bachem again anticipates very good results for fiscal year 2019. With a second half equal to or even exceeding the prior year's record performance, this year's sales growth should come into the upper range of the long-term forecast of 6–10% per year, and operating profit should show further gains in line with sales.

**Bachem. Pioneering Partner for Peptides**



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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.**



**1. BACHEM IS THE MOST ROBUST AND SUSTAINED SUPPLIER IN THE INDUSTRY SINCE NEARLY 50 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.**

**FIVE REASONS TO INVEST**

# CONSOLIDATED INCOME STATEMENT

(Unaudited)

in 1000 CHF	Notes	First half-year 2019	First half-year 2018
Sales	6	134 519	110 869
Cost of goods sold		-96 223	-79 602
<b>Gross profit</b>		<b>38 296</b>	<b>31 267</b>
Other income		447	568
Marketing and sales costs		-7 343	-6 513
Research and development costs		-610	-537
General administrative costs		-6 374	-6 772
<b>Operating income (EBIT)</b>	6	<b>24 416</b>	<b>18 013</b>
Financial income	7	2	1 205
Financial expenses	8	-318	-260
<b>Ordinary income before taxes</b>		<b>24 100</b>	<b>18 958</b>
Income taxes		-3 666	-2 463
<b>Net income<sup>1</sup></b>		<b>20 434</b>	<b>16 495</b>
<b>Earnings per share (CHF)<sup>2</sup></b>		<b>1.49</b>	<b>1.21</b>

<sup>1</sup> The net income is completely attributable to the equity holders of the parent.

<sup>2</sup> There are no options or similar that have a dilutive effect.

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, 2019	Dec. 31, 2018
<b>Assets</b>			
Cash and cash equivalents		11 969	22 302
Trade receivables		61 982	81 385
Other current receivables		2 884	2 658
Prepaid expenses and accrued income		2 824	2 145
Current income tax assets		788	1 284
Inventories		213 232	195 608
<b>Total current assets</b>		<b>293 679</b>	<b>305 382</b>
Property, plant and equipment		288 243	289 795
Intangible assets		12 811	13 523
Assets from employer contribution reserve		320	320
Deferred tax assets		5 263	5 680
<b>Total non-current assets</b>		<b>306 637</b>	<b>309 318</b>
<b>Total assets</b>		<b>600 316</b>	<b>614 700</b>
<b>Liabilities and equity</b>			
Trade payables		6 926	9 902
Other current liabilities		8 213	13 553
Accrued expenses and deferred income		18 081	17 921
Current income tax liabilities		2 630	2 791
Current financial liabilities	9	53 882	150 176
<b>Total current liabilities</b>		<b>89 732</b>	<b>194 343</b>
Non-current financial liabilities	9	60 230	284
Deferred tax liabilities		36 359	35 861
<b>Total non-current liabilities</b>		<b>96 589</b>	<b>36 145</b>
<b>Total liabilities</b>		<b>186 321</b>	<b>230 488</b>
Share capital		700	680
Retained earnings		369 475	386 418
Share premium		78 325	30 861
Own shares		- 1	- 1
Cumulative translation differences		- 34 504	- 33 746
<b>Total capital and reserves attributable to the equity holders of the company</b>		<b>413 995</b>	<b>384 212</b>
<b>Total liabilities and equity</b>		<b>600 316</b>	<b>614 700</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 2019	First half-year 2018
<b>Cash flow from operating activities</b>			
Net income		20 434	16 495
Adjustments for:			
Income taxes		3 666	2 463
Depreciation and amortization		12 054	10 858
Financial income	7	- 2	- 1 205
Financial expenses	8	318	260
Share based payments		310	208
Income taxes paid		- 2 280	- 3 451
Other non-cash items		- 71	100
<b>Cash flow from operating activities before changes in net current assets</b>		<b>34 429</b>	<b>25 728</b>
Change in trade receivables		19 328	6 695
Change in other current receivables, prepaid expenses and accrued income		- 701	- 2 639
Change in inventories		- 18 070	- 30 393
Change in trade payables		- 2 989	194
Change in other current liabilities, accrued expenses and deferred income		6	1 639
<b>Cash flow from operating activities</b>		<b>32 003</b>	<b>1 224</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment		- 15 019	- 16 938
Investments in intangible assets		- 644	- 2 242
Other financial payments and proceeds		- 47	- 89
<b>Cash flow from investing activities</b>		<b>- 15 710</b>	<b>- 19 269</b>
<b>Cash flow from financing activities</b>			
Capital increase	5	47 586	0
Dividends paid	4	- 27 377	- 27 359
Increase in financial liabilities		113 700	134 500
Repayment of financial liabilities		- 160 070	- 94 679
Interest paid		- 452	- 226
<b>Cash from financing activities</b>		<b>- 26 613</b>	<b>12 236</b>
Net effect of currency translation on cash and cash equivalents		- 13	12
<b>Net change in cash and cash equivalents</b>		<b>- 10 333</b>	<b>- 5 797</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>22 302</b>	<b>17 283</b>
<b>Cash and cash equivalents at the end of the half-year</b>		<b>11 969</b>	<b>11 486</b>
<b>Net change in cash and cash equivalents</b>		<b>- 10 333</b>	<b>- 5 797</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)

2019 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>386 418</b>	<b>30 861</b>	<b>- 1</b>	<b>- 33 746</b>	<b>384 212</b>
Capital increase	5	20		47 980			48 000
Transaction costs of the capital increase (net of tax)	5			- 819			- 819
Net income according to income statement			20 434				20 434
Dividends	4		- 37 377				- 37 377
Transactions with own shares (net of tax)				- 7			- 7
Share based payments				310			310
Cumulative translation differences						- 758	- 758
<b>Balance at June 30</b>		<b>700</b>	<b>369 475</b>	<b>78 325</b>	<b>- 1</b>	<b>- 34 504</b>	<b>413 995</b>

2018 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>377 133</b>	<b>30 227</b>	<b>- 1</b>	<b>- 33 867</b>	<b>374 172</b>
Net income according to income statement			16 495				16 495
Dividends	4		- 37 359				- 37 359
Transactions with own shares (net of tax)				- 7			- 7
Share based payments				208			208
Cumulative translation differences						941	941
<b>Balance at June 30</b>		<b>680</b>	<b>356 269</b>	<b>30 428</b>	<b>- 1</b>	<b>- 32 926</b>	<b>354 450</b>

Goodwill in the amount of 1352 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, 2019.

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, 2018, which were prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER).

### *Changes in accounting policies*

For the reporting year 2019, no changes in accounting policies became effective. The accounting policies used are consistent with those used in the annual consolidated financial statements 2018.

### *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 15, 2019.

## 2 Foreign exchange rates

in CHF	Income statement average rates		Balance sheet period-end rates	
	First half-year 2019	First half-year 2018	June 30, 2019	Dec. 31, 2018
USD	1.00	0.97	0.98	0.98
EUR	1.13	1.17	1.11	1.13
GBP	1.29	1.33	1.24	1.25

## 3 Seasonality

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

## 4 Dividend distribution

On April 16, 2019, a dividend of 37 377 kCHF, respectively 2.75 CHF per share was distributed for the year 2018 (previous year: 37 359 kCHF, respectively 2.75 CHF per share). Of the total dividend in the amount of 37 377 kCHF (previous year: 37 359 kCHF), 27 377 kCHF (previous year: 27 359 kCHF) were paid out and 10 000 kCHF (previous year: 10 000 kCHF) remained as a loan versus Ingro Finanz AG.

## 5 Capital increase

On May 8, 2019, the share capital was increased by 400 000 shares (200 059 registered shares A and 199 941 registered shares B) with a nominal value of 0.05 CHF per share. The placement price per share was 120.00 CHF. The transaction costs of the capital increase in the amount of 888 kCHF were not fully invoiced by June 30, 2019, and are therefore partially estimated.

## 6 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 2019</b>					
Sales third parties	69 880	64 639	134 519	0	<b>134 519</b>
Sales intersegment	26 030	2 902	28 932	- 28 932	<b>0</b>
<b>Total sales</b>	<b>95 910</b>	<b>67 541</b>	<b>163 451</b>	<b>- 28 932</b>	<b>134 519</b>
<b>Income information first half-year 2019</b>					
Operating income (EBIT)	17 825	9 130	26 955	- 2 539 <sup>1</sup>	<b>24 416</b>
<b>Other information first half-year 2019</b>					
Additions in property, plant and equipment and intangible assets	7 886	2 436	10 322	0	<b>10 322</b>
Depreciation and amortization	- 9 906	- 2 141	- 12 047	- 7	<b>- 12 054</b>
Total assets	469 297	143 389	612 686	- 12 370 <sup>2</sup>	<b>600 316</b>
Total liabilities	262 474	63 712	326 186	- 139 865 <sup>3</sup>	<b>186 321</b>

<sup>1</sup> The amount consists of the operating income from corporate activities of -2 735 kCHF and of eliminations in the value of 196 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 247 822 kCHF and of eliminations in the value of - 260 192 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 116 954 kCHF and of eliminations in the value of - 256 819 kCHF.

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

<sup>1</sup> The amount consists of the operating income from corporate activities of - 2 666 kCHF and of eliminations in the value of - 276 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 232 815 kCHF and of eliminations in the value of - 240 522 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 148 562 kCHF and of eliminations in the value of - 237 030 kCHF.

## 7 Financial income

in 1000 CHF	<b>First half-year 2019</b>	First half-year 2018
Other financial income	2	0
Foreign exchange result	0	1 205
<b>Total financial income</b>	<b>2</b>	<b>1 205</b>

## 8 Financial expenses

in 1000 CHF	<b>First half-year 2019</b>	First half-year 2018
Interest expenses	- 247	- 178
Other financial expenses	- 42	- 82
Foreign exchange result	- 29	0
<b>Total financial expenses</b>	<b>- 318</b>	<b>- 260</b>

## 9 Financial liabilities

As of June 30, 2019, Bachem's financial liabilities consist of loans from the related party Ingro Finanz AG in the amount of 0 kCHF (December 31, 2018: 10 000 kCHF), bank loans in the amount of 113 700 kCHF (December 31, 2018: 140 000 kCHF) and finance lease liabilities in the amount of 412 kCHF (December 31, 2018: 460 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 remaining durations of the bank loans is between 1 and 35 months. The remaining durations of the existing finance leases are between 0.5 and 4.5 years.

## 10 Tax reform

On May 19, 2019, Swiss voters adopted the Federal Law on Tax Reform and AHV Financing (TRAF). With the entry into force of the new regulations on corporate taxation at federal level as of January 1, 2020, the cantons will also have to adjust their tax laws on the basis of the framework set by the federal government. As soon as the legislative measures to implement the tax reform at the cantonal level are completed in the second half of 2019, Bachem will revise the applicable tax rates for the calculation of deferred tax assets and liabilities. Any effects from the revaluation of deferred tax assets and liabilities will be recognized in the 2019 financial statements affecting net income.

## 11 Contingent liabilities and other commitments

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

## 12 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 2019**

March 13, 2020

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### **Annual General Meeting**

(business year 2019)

April 22, 2020

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### **Half-Year Report 2020**

August 21, 2020

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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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