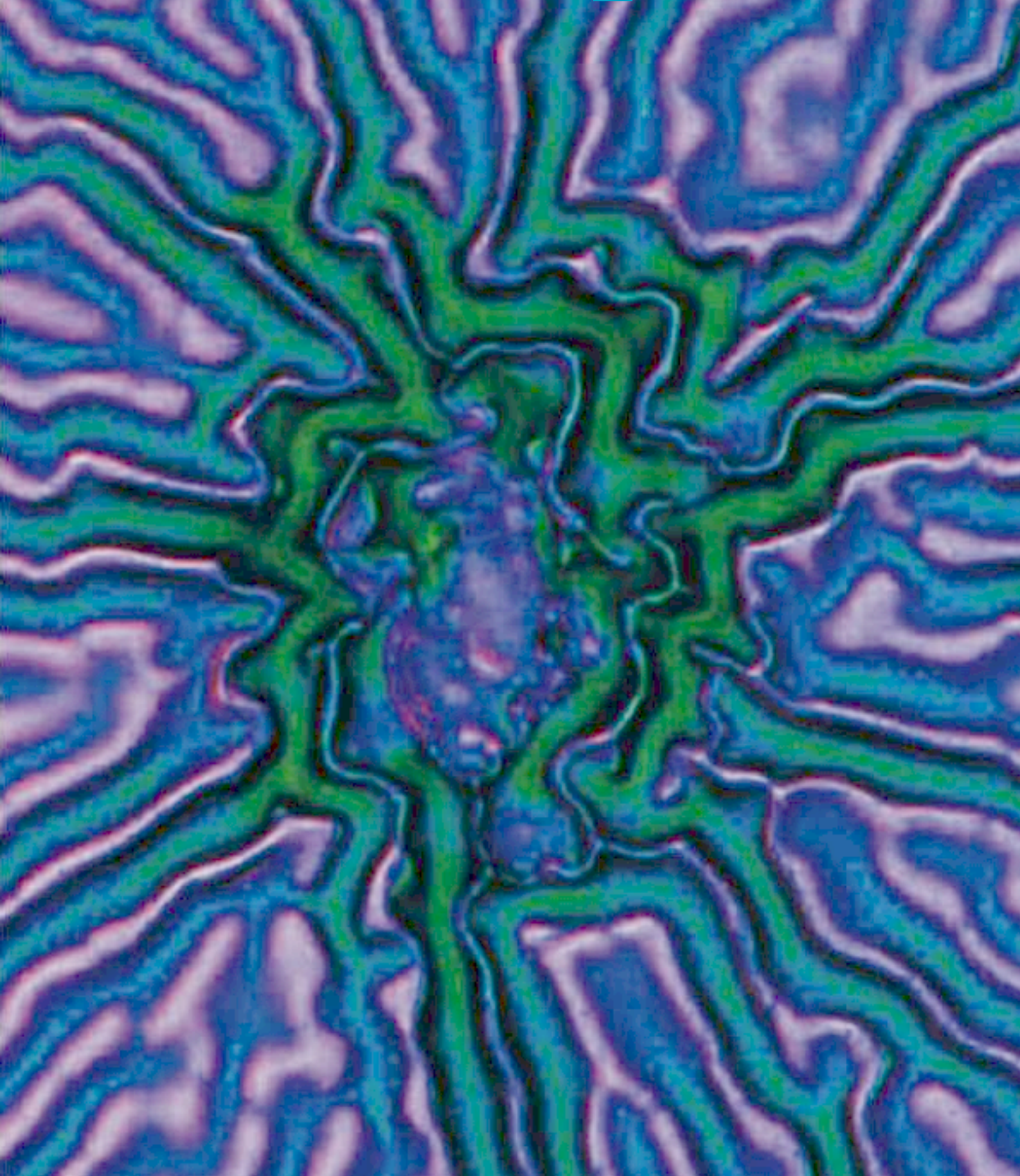


We are Bachem. Peptides are our business.



Bachem AG Annual Report 2001

GROWING WITH NEW OPPORTUNITIES



Bachem is an independent, technology-based company, specialized in the production of innovative biochemicals for research purposes and pharmaceutical compounds for the pharma and biotech industries, as well as in the development of optimal manufacturing processes. Complementary services are geared to support customers from dedicated syntheses of defined target structures up to the registration of new compounds.

With headquarters in Bubendorf, Switzerland, and affiliates in Europe and the US, Bachem works on a global scale and holds a leading position in its field. Facilities in Switzerland and in the US, approved by international regulatory authorities and suitable also for the large scale production of

active ingredients, make Bachem a partner for all major pharmaceutical companies. Based on its dedication to research, Bachem also offers opportunities to innovative technology partners for collaborations on future active substances.

The company employs approximately 500 motivated and qualified people worldwide. In its activities, Bachem is committed to its customers, employees and shareholders, as well as to the environment and society as a whole. Bachem's contribution to the development and production of pharmaceutical compounds benefits these constituencies and contributes to secure the long-term future of the company.

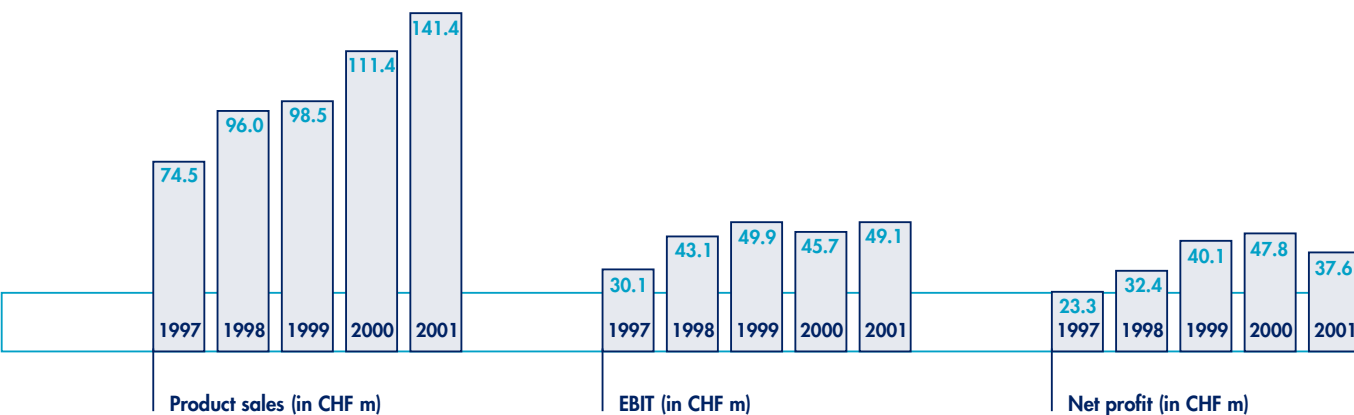
CONTENTS

| | |
|----|--|
| 1 | 2001 in brief |
| 2 | Preface P. Grogg and R. Nyfeler |
| 5 | Operational review: |
| 5 | <i>Introduction</i> |
| 6 | <i>Pharmaceutical compounds: New Chemical Entities</i> |
| 9 | <i>Pharmaceutical compounds: Generics</i> |
| 11 | <i>Research ingredients</i> |
| 12 | <i>Employees, safety and environment</i> |
| 14 | Management and control of the Bachem Group |
| 16 | Financial review |
| 17 | Shareholder information |
| 18 | Consolidated financial statements |
| 36 | Financial statements of Bachem AG |
| 41 | Contacts |

The cover shows a microscopic picture of a Bachem-produced peptide in polarized light.

- Sales grow by 26.9% to CHF 141.4 million, EBITDA reaches 44.2% of sales
- Successful integration of Sochinaz SA, acquired per January 1, 2001
- US business continues to develop favorably
- New partnerships provide additional future prospects

KEY FIGURES FOR THE BACHEM GROUP



| | 2001 | 2000 | 1999 | 1998 | 1997 |
|--|---------|---------|---------|---------|---------|
| Net cash flow from operating activities (in CHF m) | 31.4 | 31.7 | 44.9 | 37.3 | 30.6 |
| EBITDA (in CHF m) | 62.4 | 55.2 | 57.3 | 49.9 | 36.5 |
| EBITDA in % of sales | 44.2% | 49.5% | 58.2% | 52.0% | 49.0% |
| EBIT in % of sales | 34.7% | 41.0% | 50.7% | 44.9% | 40.3% |
| ROE | 12.4% | 17.2% | 16.8% | 16.4% | 25.2% |
| Number of employees (in full-time equivalents) | 468 | 376 | 392 | 331 | 299 |
| Sales per employee (in CHF) | 302 032 | 296 335 | 302 277 | 289 940 | 249 275 |

Dr. h.c. Peter Grogg
Chairman of the Board and CEO
Dr. Rolf Nyfeler
COO and Chairman of the Corporate
Executive Committee



Dear Shareholders,

2001 was an eventful year for Bachem. Never before in the 30 years of the company's existence have we taken as many and as important steps for shaping the future of our business. The acquisition of Sochinaz (a specialized company for the production of active pharmaceutical ingredients), the agreement with Berna Biotech to form a joint venture for the development and production of vaccines, and a cooperation agreement with Theratechnologies, as well as the implementation of the new management structures, are all geared to build on our existing strengths and broaden our field of activities.

At the same time, we furthered current business. With a sales increase of 26.9%, we have achieved a record level turnover of CHF 141.4 million. While a good share of this increase is due to the acquisition of Sochinaz, the efforts in our core business activities, specifically in the US, also contributed to the positive result. The operating income (EBIT) increased by 7.4%, from CHF 45.7 million to CHF 49.1 million, and EBITDA rose by 13.1%, from CHF 55.2 million to CHF 62.4 million and representing 44% of sales.

Already in the year of acquisition Sochinaz contributed positively to the operating income, although attributable to the lower margin that is inherent in the Sochinaz business, the overall EBIT margin was slightly diminished. Depreciation and amortization of goodwill increased by 40.7% to CHF 13.3 million, which resulted in a decrease of the EBIT margin for the Bachem Group from 41% to 35%.

In line with expectations, net income decreased, reaching CHF 37.6 million as compared to CHF 47.8 million in 2000. The once-off favorable tax effect in

2000 and the unsatisfactory financial result in 2001 caused this decrease. Nevertheless, an unchanged dividend of CHF 0.75 per share is proposed to the Annual General Meeting.

Positive results in an uncertain environment

Achievements are quite satisfactory, considering the challenges in the current market environment for fine chemicals and biotech products. Global economic difficulties, exacerbated by the tragic events of September 11, 2001, did not leave our industry unaffected. Our research ingredients business showed short-term losses that negatively impacted sales and profit. Increased demand in the area of proteomics was complemented by additional impetus from our immunology business acquired from Peninsula and additional demand for our custom synthesis business that promises opportunities for potential future pharmaceutical compounds.

Our active pharmaceutical ingredients business, particularly the Sochinaz generics business, has developed favorably and shows attractive growth rates. The acquisition not only allowed Bachem to diversify its offer of generics, but also provided new growth options in the important US market where Sochinaz products can now be made available.

Growing with new opportunities

The strategic direction of Bachem will continue to be targeted towards systematic implementations that complement and broaden the core business, which is to develop and produce therapeutically active peptides and their building blocks. The acquisition of Sochinaz secured the

manufacturing capacities required for independent, large-scale production on all levels. In addition, the core business of Sochinaz already represents an expansion into additional segments for the production of active pharmaceutical ingredients.

The joint venture with Berna Biotech – under the name Pevion – for the manufacturing of vaccines on the basis of peptides is an initial step in extending the value chain of Bachem's activities. Bachem not only gains access to additional business by producing the necessary peptides, but also there is a direct benefit from the business success of the new company. A cooperation agreement with Theratechnologies guarantees exclusivity to Bachem for the production of potentially promising pharmaceuticals, and the research ingredients business continuously offers new opportunities as scientific knowledge progresses.

Increasing demands on organization and employees

Continuing growth and increasing complexity of the company pose new challenges to management and staff. The total number of employees has reached 468 full-time equivalents with the acquisition of Sochinaz. First and foremost, we would like to thank them all, as it is their efforts and performance that made possible Bachem's success last year. As an acknowledgement for the key role of our employees, the share participation program will be complemented step by step by an option program to further strengthen and allow employees' direct participation in the company's success.

At the same time, we have taken measures to adapt management structures to the needs of the company's growth, as well as to increase transparency of management structures both internally and externally. A Corporate Executive Committee has been established, which is accountable to the Board, and those responsible for the individual operational units report to this committee. Societal and environmental concerns are considered at all levels of the organization. Bachem considers itself a member of the communities where we live and work, and recently we invited community members to an open day at our headquarters site to join us in celebrating our thirtieth anniversary.

Outlook

Thirty years of success at Bachem represent both an opportunity and an obligation to carefully plan the long-term future of the company. We want to build on our core business: the production of peptides for research purposes and as active pharmaceutical ingredients remains in the focus of our activities. In many cases, Bachem becomes both partner and conduit between the smaller research institutions we help on their way to new products, and large pharmaceutical companies who are expert in the global introduction and marketing of new drugs. In this role we intend to address partners in both directions to actively participate in the value-adding process of bringing innovative pharmaceuticals to market. Cooperation on the research side offers opportunities to identify promising compounds early on and participate in their manufacture. Agreements with major pharmaceutical companies allow us to contribute production expertise and capacities.

Given the developments in 2001, we are optimistic that Bachem will remain on a growth track in 2002. The recent surges in the research ingredients market, together with first Sochinaz successes and the quantity and quality of partnering projects, promise a continuous expansion of our business in 2002 as we strive to meet expectations of our shareholders and employees. Thank you for your trust.



Dr. h.c. Peter Grogg
Bubendorf, April 2002



Dr. Rolf Nyfeler



Bachem worldwide

Products of the Bachem Group are distributed in about 50 countries around the globe. While the American continent is served from offices in the US and Bachem affiliates in Germany, France and the UK are in charge of their local markets, the headquarters site in Bubendorf, Switzerland, works on the Swiss market and on all other international business.

Introduction

In 2001 sales of the Bachem Group increased by 26.9% to CHF 141.4 million. The acquisition of Sochinaz contributed significantly. With its portfolio of generic pharmaceutical compounds, the sales share clearly shifted in favor of active pharmaceutical ingredients, that now account for almost three quarters of sales of the Bachem Group. Research ingredients now comprise about one quarter of total sales.

Considering the strong geographic focus of Sochinaz on the European markets, this region also showed the highest growth rates of Group sales in 2001. The US business also developed favorably, particularly in the area of research ingredients.

The Bachem portfolio comprises three key areas: active ingredients for new, patent-protected pharmaceuticals from their development phase up to their global marketing, and generics, both product groups requiring production according to the rules of “good manufacturing practice” (GMP). The third business area is research ingredients, which comprises the catalog business including immunology products and non-GMP custom synthesis. Here products are manufactured only in small quantities.

The core business of the Bachem Group remains the production of peptides and amino-acid building blocks for research and the pharmaceutical industry. With the acquisition of Sochinaz, Bachem has taken another step towards implementing its broadened strategic direction that had begun with the acquisition of Peninsula Laboratories Inc. and the participation in Polyphor Ltd.: to extend the value-adding chain by focused backward and forward integration, as well as diversification in related business areas in life sciences utilizing synergy potentials.

Sochinaz, with its single reactor capacities of up to ten times the volume of previous Bachem production

facilities, opens new opportunities for the cost-effective production of building blocks and intermediates for peptide synthesis. Thus, Bachem is prepared for future increased demand for amino acid building blocks and peptide active ingredients. Primarily, however, Sochinaz is positioned optimally as a manufacturer of generics and exclusive pharmaceutical compounds and allows diversification into a related, non-peptide field of business.

Following the concept of forward integration, Bachem is committed to alliances, cooperation with and participation in companies with promising projects, especially those that target the discovery of new peptide compounds and the development of new application forms for peptides to extend Bachem's role beyond the mere production of active ingredients. The foundation of Pevion Biotech AG, a joint venture between Berna Biotech and Bachem announced in 2001, is a concrete example of this strategy. Pevion Biotech will develop therapeutic and prophylactic vaccines that are based on peptides and Berna Biotech's exclusively out-licensed virosome technology. This approach ideally combines core competencies of both partner companies. Bachem will not only be the exclusive provider of peptides for the future vaccines, but will also directly participate in Pevion Biotech's success.

Pharmaceutical compounds: New Chemical Entities

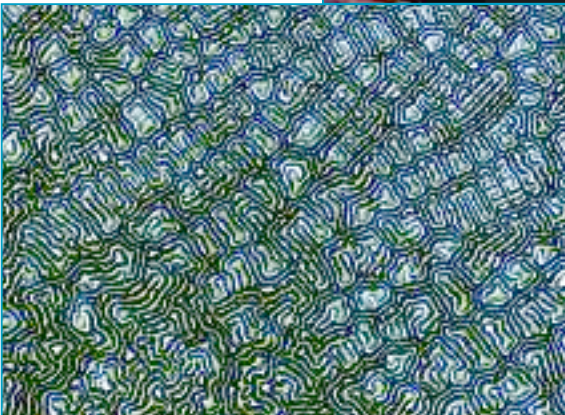
New Chemical Entities are compounds that are patent-protected and therefore may only be produced and marketed by the company that made the discovery or by enterprises authorized by the originating firm. Such compounds undergo a rigorous and comprehensive development process before any application for registration as a pharmaceutical can be submitted. As a result, initial volume demand is fairly low, while production at large scale becomes necessary once a compound has been cleared for market introduction.

Bachem supplies biotechnology and pharmaceutical companies with a substantial number of new, proprietary peptide compounds for pharmaceuticals and diagnostics. While about 20 such products have already received market approval worldwide, the majority is still in clinical development. Currently Bachem is involved in more than 80 projects to test novel peptides regarding their suitability for a variety of therapeutic and diagnostic applications. These compounds undergo the different phases of pre-clinical and clinical development, which take up to several years for each project. Throughout the process, Bachem supplies the amounts of peptides necessary to conduct the various tests. The broad range of projects is of paramount importance to Bachem, as typically not all products are successful in the development process, either failing to fulfill expectations or meet regulatory requirements of health authorities. In contrast to companies that focus their development efforts on a few products and thus making their future dependent on the outcome of each project Bachem is very diversified in the production of test compounds in clinical development. As a result Bachem is much less vulnerable to failures in development of individual compounds or negative decisions regarding their marketing approval. Successful market approval is also the desired objective for the manufacturer of a development compound, as usually far greater amounts of the compound are required once a product is approved, and longer-term supply contracts can be negotiated with the pharmaceutical company. While the demand for diagnostic products

following their launch remains relatively modest, demand for therapeutic peptides, depending on the indication area, can easily reach tens of kilos per year and more, representing sales of up to several million Swiss francs per project.

Not only is Bachem involved in a substantial number of projects, but also these projects cover a wide range of therapeutic areas, such as diabetes, cancer, AIDS, Alzheimer's disease, asthma, hepatitis, reproductive disorders and others. One interesting example is Bachem's collaboration with Theratechnologies for the development and production of ThGRF. A peptide that releases growth hormone, ThGRF is in clinical studies for such diverse indications as the treatment of muscle wasting observed in chronic obstructive pulmonary disease and hip fractures, and in the treatment of immune dysfunction and sleep disorders. Together, Bachem and Theratechnologies will work to develop a production process for larger amounts of ThGRF as initially required for clinical studies, and, more importantly, for amounts needed for the commercialization of the product following market approval. This process must comply with the stringent requirements of authorities concerning GMP for the production, analysis, storage and transport of pharmaceuticals and, at the same time, allow for the cost-effective production of the compound.

The substantial number of projects, their wide range of indication areas and the potential to deliver large volumes of compounds offer interesting prospects for the future growth of the Bachem Group.

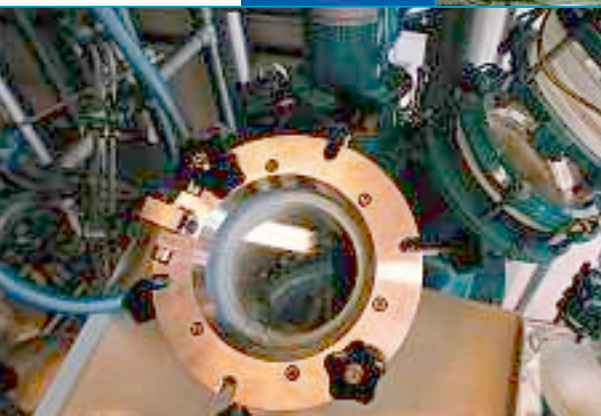


Sea anemone toxin: new compounds for multiple sclerosis

ShK, a peptide derived from the toxin of *Stichodactyla helianthus*, a sea anemone, has proven to be a promising candidate for the treatment of multiple sclerosis (MS). As research at the University of California Irvine and at the University of Marseilles in cooperation with Bachem has shown, this peptide halts and may reverse the paralysis seen in an experimental form of MS. The project is supported by the National Institute of Health (NIH) and the National Multiple Sclerosis Society, among others. Bachem participates in the success of the project both by producing this complex peptide and related analogs, and as co-owner of a patent on ShK toxins and their application.

-6000

-4000



Production at Sochinaz

With a current reactor capacity of 70 m³, Sochinaz produced over 200 tons of various active pharmaceutical ingredients in 2001. The production facilities fully comply with the latest GMP requirements. Most installations have been designed as multipurpose units. The large variety of equipment allows the realization of almost any synthesis, including enzymatic, chiral and electrochemical reactions. In addition a special lab for the production of highly potent active ingredients in dedicated units was recently inaugurated.

Pharmaceutical compounds: Generics

Generics are pharmaceuticals or their active ingredients that are no longer patent protected. The manufacturer of such a compound benefits from a widening of the customer base and an overall market expansion for the product. While this also results in increasing competition since the market opens for additional manufacturers, this does usually not result in price erosion for peptide compounds.

Many of the currently registered peptide pharmaceuticals are generics. The business is stimulated by new application forms that can be patented and therefore extend the protection of a drug for the pharmaceutical company. For instance, calcitonin, a peptide compound for the treatment of osteoporosis, showed a significant increase in demand due to the development of a nasal application form by Novartis.

Many biotechnology companies work on such developments. Application forms can be nasal, transdermal, depot formulations or, possibly in the future, oral. The Food and Drug Administration (FDA), the US regulatory authority for the registration of pharmaceuticals, recently approved a monthly depot formulation of the peptide compound leuprolide, a product under the name Eligard® from Atrix Laboratories in the US that is used in the treatment of prostate cancer.

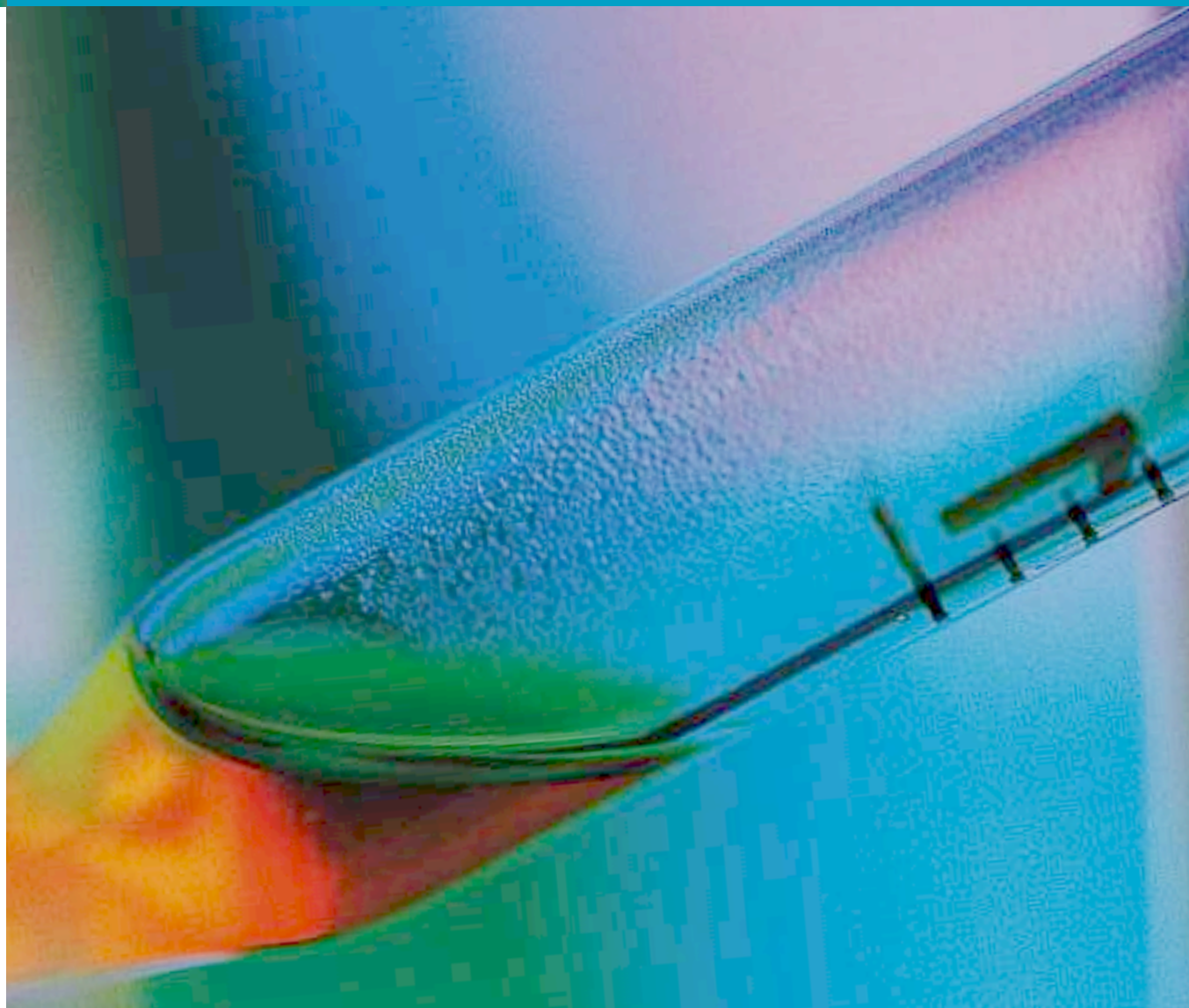
The two mentioned peptides, calcitonin and leuprolide, are part of Bachem's offer of peptide generics. Globally, Bachem is the biggest independent manufacturer of peptide compounds. The generics franchise comprises more than 20 peptides that are produced in quantities of up to several tens of kilos per year.

Bachem's non-peptide generic compounds business, so far rather small, has been significantly increased through the acquisition of Sochinaz. Since its foundation in 1973, Sochinaz has focused on the synthesis of advanced intermediaries and active ingredients and has

been acknowledged as a trustworthy and reliable partner by pharmaceutical companies. For many years Sochinaz has diversified its activities in the increasingly dynamic generics business, and several generics have been launched that show good growth and a positive contribution to operating results.

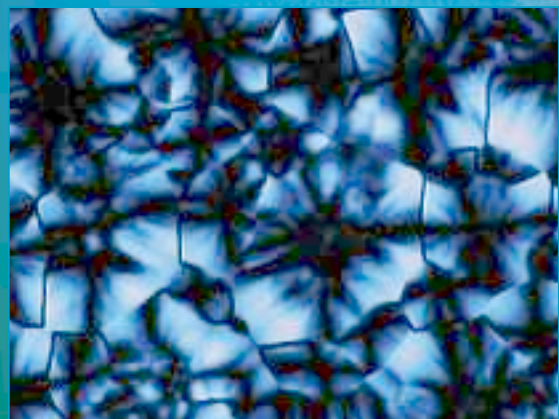
The most important Sochinaz products are carbidopa and pergolide mesylate for the treatment of Parkinson's disease, propofol, an anesthetic, and trimetazidine, a coronary vasodilator, and Sochinaz has established a leading market position for all of these products. Carbidopa, propofol and trimetazidine today are produced at the scale of tons in order to meet market demand, while pergolide mesylate is comparable to a peptide drug with a global market volume of only a few tens of kilos annually. For the production of pergolide mesylate, which is a highly potent active ingredient, Sochinaz built a special lab that will be available for use by the entire Bachem Group for such purposes.

A number of new generics are currently under evaluation at Sochinaz, and it is planned to launch one or two new generics per year in the future. The generics business has become an important pillar for the future growth of the Bachem Group. This is due in part to the attractive offer of Sochinaz, as well as to interesting developments in the field of new application forms for peptides.



Research activities in the Bachem Group

Primarily, research projects within the Bachem Group have the objective of improving methods of synthesis and optimizing production processes. New building blocks are developed, for some of which patent applications are submitted. A current project – chemical ligation for the preparation of proteins – deals with the chemical synthesis of proteins for the research market for the time being, with a particular focus on modified proteins that are not accessible by means of conventional recombinant methods.



Research ingredients

Research ingredients are peptides or other biochemical substances that are typically applied in milligram amounts for test purposes by scientific or industrial research institutions. In addition to providing as comprehensive a range of compounds as possible for routine or experimental use, Bachem also offers customers the development of efficient routes of synthesis for amino acid sequences as part of its services in this field.

To a large extent, biochemical and medical research depends on easy availability of a wide range of research ingredients. Bachem is the leading supplier of peptides and amino acid building blocks for university and industrial pharmaceutical research, currently offering more than 8400 ingredients via product catalog or the Internet. More than 95% of these products can be delivered off the shelf. Most catalog products from Bachem and Peninsula were aligned in 2001. By issuing a separate immunology product catalog, the Bachem Group has succeeded in stimulating its immunology business. For certain research purposes, providing diagnostic kits in addition to the active compound has proven to be particularly useful, to measure concentration levels of the active ingredient, for instance. One of Bachem's strengths is to provide immunological kits in parallel with its range of biologically active peptides. Part of this strategy is the development of a kit for determining ghrelin, which, amongst others, is used in research on obesity.

The research ingredients business represents approximately 28% of sales and developed favorably in 2001, with a significant increase in sales and the number of custom synthesis projects. This is of particular importance to Bachem as such custom syntheses potentially lead to substantial future projects for the supply of pharmaceutical compounds. With increasingly growing interest in customer-specific peptide syntheses, the opportunities for peptides as active pharmaceutical ingredients are considered very promising. The production of such a wide variety of products allows the continuous development of production knowledge. At the same time, this business is ideal for Bachem to continue to build its reputation for quality, service and innovation. Production knowledge and reputation are indispensable prerequisites for successful performance in the market for pharmaceutical compounds.



Employees, Safety and Environment

Synchronous with the growth of the company, the number of employees is increasing as new sites are added and production capacities expanded. Bachem wants to responsibly meet the new challenges that arise from these developments. All aspects of employee relationships are covered under "Human Resources," and safety and environmental protection deal in very concrete terms with safety issues both for our employees and our environment.

Human Resources

Achieving the ambitious objectives of the Bachem Group depends to a large extent on the motivation, dedication and education of employees at all company sites.

The number of Bachem Group employees increased in 2001 from 376 to 468 full time equivalent jobs, mainly due to the acquisition of Sochinaz, which employs approximately 80 people. Including part-time employees, the Bachem Group staff is currently about 500.

The production of highly complex molecules demands a sufficient number of highly trained employees. Accordingly, the Bachem staff shows a high level of education, with more than a quarter of all employees holding a university degree. The availability of very well qualified people is a prerequisite for each individual production site. At its headquarters site in Bubendorf, Switzerland, which employs about half of the total worldwide staff, Bachem also emphasizes the education of apprentices, specifically certified laboratory technicians.

About two-thirds of all employees work in the laboratories and production, which illustrates the orientation of Bachem activities towards technology. Nearly 20% of staff work in sales, marketing and customer services, and fewer than 10% in administration.

In view of continuing growth of the Bachem Group, experience and knowledge management are of increasing importance. The Bachem exchange program allows qualified employees to spend a year at another production site of the Group, both to gain new practical knowledge and to improve mutual understanding.

Employees of the Bachem Group not only participate in the company's success but also in its share capital. In addition to the already existing share participation program, an option program was launched in 2001 that will be implemented incrementally.

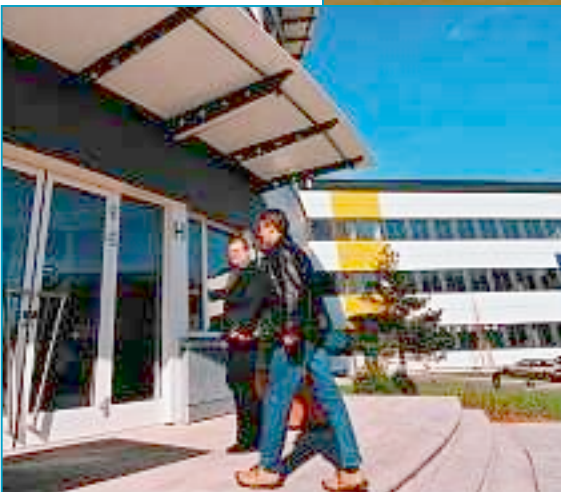
Safety and environmental protection

In 2001, Bachem continued its efforts for environmental protection and safety, with all required training for employees conducted according to schedule.

The implementation of regulation ASA 6508 for occupational safety in Switzerland was achieved on the basis of an individual solution, and the ASA site audit certified a high safety standard and good safety culture. At other sites, cooperation with local authorities proceeded very constructively and on a basis of mutual trust.

The newly opened facilities at the Bubendorf production site successfully passed the acceptance review of occupational health and fire protection authorities. Energy consumption and cost increase related to the new facilities will be minimized, and a concept study on wastewater management has shown that wastewater treatment and disposal can be managed economically and environmentally compatible as the planned expansion of production capacities continues. VOC emissions were reduced in 2001 as compared to 2000 due to primary measures.

Following the integration of Sochinaz into the Bachem Group, cooperation in the area of safety and environmental affairs was initiated and useful synergies have already been identified.



Careful use of energy

In 2001, total CO₂ emissions of Bachem AG resulting from the use of fossil fuels amounted to 634 tonnes, which translates to CO₂ values per employee of about one-sixth that of the pharmaceutical chemical industry average in Switzerland. Total energy consumption is similarly favorable. Bachem AG in general achieves high economic performance with lower environmental impact as compared to industry norms.

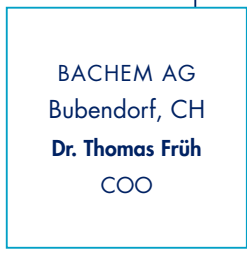
MANAGEMENT AND CONTROL OF THE BACHEM GROUP



| Board | Member of the Board since | Elected until |
|--|---------------------------|---------------|
| Dr. h.c. Peter Grogg* Chairman and CEO | 1971 | 2003 |
| Gottlieb Knoch Vice-Chairman | 1985 | 2003 |
| Dr. Thomas Burckhardt Secretary | 1997 | 2003 |
| Dr. François L'Eplattenier* Chairman Novartis Venture Fund | 1997 | 2003 |
| Dr. Jacques Gosteli* | 1997 | 2003 |

*Member of the Compensation Committee

| Corporate Executive Committee | Member of the Corporate Executive Committee since |
|-------------------------------|---|
| Dr. Rolf Nyfeler, COO | 2000 |
| Reto Conrad, CFO | 2001 |
| Dr. Daniel Erne, CTO | 1997 |



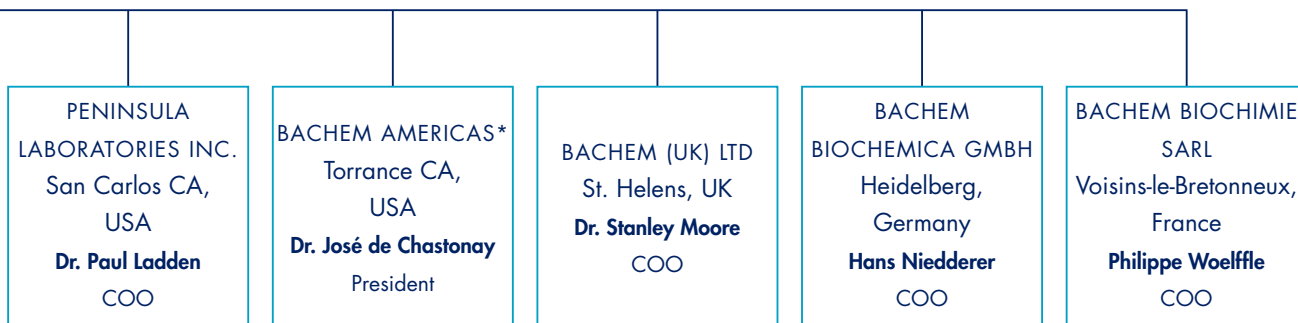
The Board of Directors of Bachem AG consists of a full-time chairman and four external and independent board members. During 2001, the Board convened for four half-day meetings. The Board fulfills its legal and statutory obligations comprising in particular the overall management of the Group, the definition of Group guidelines, strategic planning of corporate and business policies of the Group, as well as instructing the Corporate Executive Committee. The Board is also responsible for the compensation of members of the Corporate

Executive Committee and the COOs of Group companies. The Board has formed a Compensation Committee, constituted by three of its members, for the definition of distribution of share options. The Board oversees the Bachem Group accounts and the financial statements of Bachem AG and reviews the reports of the external auditors. It also assesses whether recommendations have been implemented. Board decisions are made on a majority basis, with the Chairman's vote deciding, when necessary.

Operatively the Bachem Group is organized as a virtual holding company. The Board nominates a Corporate Executive Committee, which is delegated with operational management of the Group. The Corporate Executive Committee currently consists of the Chairman and two members. Each Group company is under the direction of a management team that is responsible for operational activities and reports to the Corporate Executive Committee. No agreements on departure compensations

have been made for any member of the Board, the Corporate Executive Committee or any COO.

As representatives of the Bachem Group, Thomas Früh (COO Bachem AG) is a Board member of Polyphor AG, Allschwil, Switzerland, and both Peter Grogg and Daniel Erne are Board members of Pevion Biotech AG (founded in January 2002), Bern, Switzerland.



*Marketing unit of the Bachem companies for the Americas

Sales

The Bachem Group increased sales again in 2001, by a significant 26.9%. Considering the trend over five years, this contributes to an average annual growth rate of 20.6%. In local currencies, growth was a remarkable 27.3% for 2001. Main contributors to this excellent result have been the acquisition of Sochinaz, effective January 1, 2001, and the favorable development of the American business. In Europe, Bachem managed to strengthen its leadership position despite the difficult market environment.

Operating results

The earnings before interest, tax, depreciation and amortization (EBITDA) during 2001 were increased by 13.1%, from CHF 55.2 million to CHF 62.4 million. Despite the acquisition of Sochinaz SA and its activities in business areas with significantly lower margins, the EBITDA margin declined only modestly, by five percentage points, to 44.2%. Cost of materials in the reporting period more than doubled, reflecting the much more material-intensive production activities of Sochinaz. Staff cost increased by 24.2% due to the acquisition; however, staff cost per employee remained unchanged at slightly less than CHF 100 000 per employee, while sales per employee increased slightly by 2% to CHF 302 000. Operating income (EBIT) grew by 7.4%, from CHF 45.7 million to CHF 49.1 million. This result was achieved despite the increase of depreciation on fixed assets by 45% resulting from the effect of the Sochinaz acquisition and higher depreciation on the new production facility in Bubendorf. The increase in amortization of goodwill is due to the acquisition of Sochinaz.

Financial results

The negative development of the financial markets in 2001 also affected the financial results of the Bachem Group. The net financial loss of CHF 1.6 million can be attributed primarily to lower capital gains and dividends (CHF 7.3 million less than in 2000) and lower interest income of CHF 2.6 million. The result from currency

translations is balanced. In addition, accounting standard IAS 39 was introduced during the reporting year, according to which unrealized gains and losses on marketable securities are recognized over the fair value reserve in the equity.

Taxes

Tax rate increased in the reporting period as expected, from 11.3% to 20.8%. In 2000 the Bachem Group benefited from a once-off effect due to the change in taxation system in the Canton of Basel-Landschaft, Switzerland. The comparable tax rate in 1999 was 26.9%.

Net income

Primarily resulting from the unsatisfactory financial result, net income decreased from CHF 47.8 million to CHF 37.6 million. Despite this reduction, the Board proposes an unchanged dividend as compared to 2000 of CHF 0.75 per nominal share.

Sochinaz acquisition

On January 1, 2001, Bachem acquired 100% of the shares of Sochinaz SA, located in Vionnaz, VS, Switzerland. The purchase price of CHF 35 million was fully paid from liquid funds. At the time of acquisition, Sochinaz had net assets of CHF 25 million, resulting in goodwill of CHF 10 million. This amount is amortized over a period of 10 years in the profit and loss account. According to expectations, Sochinaz developed favorably and contributed positively to the operating result in its first year as part of the Bachem Group (after depreciation of goodwill).

Investments

As compared to 2000, investments significantly reduced from CHF 20.3 million to CHF 14.4 million in 2001. This is particularly due to the completion of the additional production facility at our Bubendorf site in early 2001.

SHARE INFORMATION

| | | 1998 | 1999 | 2000 | 2001 |
|---|----------|------------|------------|------------|-------------------|
| Registered shares, nominal value CHF 0.50 | | 13 600 000 | 13 600 000 | 13 600 000 | 13 600 000 |
| Average number of outstanding shares | CHF | 12 706 520 | 13 311 520 | 13 345 340 | 13 347 000 |
| Dividend per share | CHF | 0.50 | 0.65 | 0.75 | 0.75 |
| Share price nominal share | high | CHF 114 | 130 | 200 | 145 |
| | low | CHF 68 | 98 | 119 | 58 |
| | year end | CHF 100 | 128 | 140 | 95 |
| Dividend yield | high | % 0.7% | 0.7% | 0.6% | 1.3% |
| | low | % 0.4% | 0.5% | 0.4% | 0.5% |
| Group income per share | CHF | 2.55 | 3.01 | 3.59 | 2.82 |
| Net cash flow from operating activities | | | | | |
| per share | CHF | 2.93 | 3.37 | 2.38 | 2.35 |
| Group equity per share | CHF | 15.57 | 17.89 | 20.82 | 22.79 |
| Price/earning ratio (year end) | | 39.22 | 42.52 | 39.00 | 33.69 |
| Market capitalization at year end | CHF m | 1 360 | 1 741 | 1 904 | 1 292 |

Bachem registered shares are traded at the Swiss Exchange (SWX)

Valor number: 1 253 020 SWX: BANB Reuters: BAMZn

The shares of the Bachem Group were split 1:20 as of June 29, 2001.

FINANCIAL CALENDAR 2002/2003

| | |
|---|---------------------|
| Annual General Meeting (business year 2001) | May 15, 2002 |
| Half year results 2002 | August 2002 |
| Full year sales 2002 | January 2003 |
| Full year results 2002 | April 2003 |
| Annual General Meeting (business year 2002) | May 14, 2003 |

CONSOLIDATED INCOME STATEMENTS

for the years ended December 31, 2001 and 2000

| | Notes | 2001 000 CHF | 2000 000 CHF |
|---------------------------------------|-------|-----------------|-----------------|
| Sales | 16 | 141 351 | 111 422 |
| Other income | | 1 179 | 1 187 |
| Cost of materials | | -21 309 | -10 453 |
| Changes in inventories | | 6 291 | 3 811 |
| Staff cost | | -46 126 | -37 132 |
| Depreciation and amortization expense | 7/8 | -13 312 | -9 458 |
| Other operating expenses | | -18 972 | -13 650 |
| Operating income | 16 | 49 102 | 45 727 |
| Financial income | 14 | 5 644 | 16 460 |
| Financial expense | 14 | -7 202 | -7 835 |
| Currency result, net | | -25 | -413 |
| Financial income, net | | -1 583 | 8 212 |
| Income before taxes | | 47 519 | 53 939 |
| Income taxes | 15 | -9 900 | -6 091 |
| Net income | | 37 619 | 47 848 |
| Earnings per share (CHF) | 22 | 2.82 | 3.59 |

CONSOLIDATED BALANCE SHEETS

at December 31, 2001 and 2000

| Assets | Notes | 2001 000 CHF | 2000 000 CHF |
|-------------------------------------|-------|-----------------|-----------------|
| Cash and cash equivalents | | 64 727 | 85 282 |
| Marketable securities | 4 | 50 999 | 58 932 |
| Trade and other receivables | 5 | 28 735 | 26 015 |
| Inventories | 6 | 48 823 | 29 757 |
| Total current assets | | 193 284 | 199 986 |
| Tangible fixed assets | 7 | 117 565 | 93 117 |
| Intangible assets | 8 | 25 886 | 19 868 |
| Prepaid pension fund contributions | 19 | 619 | 619 |
| Financial assets* | 24 | 4 322 | 1 789 |
| Deferred tax assets | | 1 162 | 455 |
| Total long-term assets | | 149 554 | 115 848 |
| Total assets | 16 | 342 838 | 315 834 |
| Liabilities and equity | | | |
| Trade payables | | 9 002 | 8 570 |
| Short-term financial debts | 9 | 0 | 108 |
| Income tax payables | | 3 303 | 4 332 |
| Other short-term liabilities | 10 | 5 300 | 8 973 |
| Provisions | 13 | 2 307 | 4 125 |
| Total short-term liabilities | | 19 912 | 26 108 |
| Financial debts | 11 | 3 736 | 484 |
| Deferred tax liabilities | 12 | 15 041 | 11 331 |
| Total long-term liabilities | | 18 777 | 11 815 |
| Total liabilities | | 38 689 | 37 923 |
| Share capital | | 6 800 | 6 800 |
| Retained earnings | | 211 047 | 183 448 |
| Share premium | | 85 839 | 85 839 |
| Own shares | | -1 887 | -319 |
| Fair value reserve | | -464 | 0 |
| Cumulative translation difference | | 2 814 | 2 143 |
| Total equity | | 304 149 | 277 911 |
| Total liabilities and equity | | 342 838 | 315 834 |

* For comparison, the presentation of 2000 figures has been adjusted to align with 2001 reporting.

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31, 2001 and 2000

| | Notes | 2001 000 CHF | 2000 000 CHF |
|---|-------|-----------------|-----------------|
| Cash flow from operating activities | | | |
| Net income | | 37 619 | 47 848 |
| Reversal of non-cash items: | | | |
| <i>Income taxes</i> | 15 | 9 900 | 6 091 |
| <i>Depreciations and amortizations</i> | 7/8 | 13 312 | 9 459 |
| <i>Financial income, net</i> | | -1 583 | -4 109 |
| <i>Gains on sale of tangible and intangible assets</i> | | 0 | 76 |
| Income taxes paid | | -12 762 | -11 270 |
| Change in net current assets | | -16 439 | -16 203 |
| Other operating cash flow items | | 1 352 | -182 |
| Cash flow from operating activities | | 31 399 | 31 710 |
| Cash flow used for investing activities | | | |
| Investment in tangible fixed assets | 7 | -14 393 | -20 822 |
| Investment in intangible fixed assets | 8 | -784 | 4 075 |
| Proceeds from sales of tangible fixed assets | | 62 | 0 |
| Acquisition of subsidiaries | 3 | -33 105 | 0 |
| Investment in financial assets | 24 | -2 530 | -1 120 |
| Change in marketable securities | | 7 469 | -12 565 |
| Interest and other financial receipts | | 1 922 | 8 518 |
| Cash flow used for investing activities | | -41 359 | -21 914 |
| Cash flow used for financing activities | | | |
| Change in own shares | | -1 568 | 139 |
| Change in financial debts | | 871 | 1 035 |
| Interest and other financial payments | | -277 | -96 |
| Dividends paid | | -10 020 | -8 672 |
| Cash flow used for financing activities | | -10 994 | -7 594 |
| Net effect of currency translation on cash and cash equivalents | | 399 | 18 |
| Net change in cash and cash equivalents | | -20 555 | 2 220 |
| Cash and cash equivalents at the beginning of the year | | 85 282 | 83 062 |
| Cash and cash equivalents at the end of the year | | 64 727 | 85 282 |
| Movements in 2001 and 2000, respectively | | -20 555 | 2 220 |

* For comparison, the presentation of 2000 figures has been adjusted to align with 2001 reporting.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

for the years ending December 31, 2001 and 2000

| | Share capital 000 CHF | Retained earnings 000 CHF | Share premium 000 CHF | Own shares 000 CHF | Cumulative translation difference 000 CHF | Total 2000 000 CHF |
|-----------------------------------|--------------------------|------------------------------|--------------------------|-----------------------|--|-----------------------|
| Balance January 1, 2000 | 6 800 | 144 272 | 85 839 | -458 | 1 730 | 238 183 |
| Net income | 0 | 47 848 | 0 | 0 | 0 | 47 848 |
| Dividends paid | 0 | -8 672 | 0 | 0 | 0 | -8 672 |
| Transactions with own shares | 0 | 0 | 0 | 139 | 0 | 139 |
| Cumulative translation difference | 0 | 0 | 0 | 0 | 413 | 413 |
| Balance December 31, 2000 | 6 800 | 183 448 | 85 839 | -319 | 2 143 | 277 911 |

| | Share capital 000 CHF | Retained earnings 000 CHF | Share premium 000 CHF | Own shares 000 CHF | Fair value reserve 000 CHF | Cumulative translation difference 000 CHF | Total 2001 000 CHF |
|-----------------------------------|--------------------------|------------------------------|--------------------------|-----------------------|-------------------------------|--|-----------------------|
| Balance January 1, 2001 | 6 800 | 183 448 | 85 839 | -319 | 0 | 2 143 | 277 911 |
| Effect of introduction of IAS 39 | 0 | 0 | 0 | 0 | 5 020 | 0 | 5 020 |
| Net income | 0 | 37 619 | 0 | 0 | 0 | 0 | 37 619 |
| Dividends paid | 0 | -10 020 | 0 | 0 | 0 | 0 | -10 020 |
| Transactions with own shares | 0 | 0 | 0 | -1 568 | 0 | 0 | -1 568 |
| Cumulative translation difference | 0 | 0 | 0 | 0 | 0 | 671 | 671 |
| Change of fair value reserve | 0 | 0 | 0 | 0 | -5 484 | 0 | -5 484 |
| Balance December 31, 2001 | 6 800 | 211 047 | 85 839 | -1 887 | -464 | 2 814 | 304 149 |

For transactions with own shares, see page 38, Notes to the Financial Statements of Bachem AG, note 3. The shares of Bachem AG were split 1:20 as of June 29, 2001. The nominal value after the split is CHF 0.50. The share capital is divided into 6 802 000 shares Bachem -A- and 6 798 000 shares Bachem -B-. The shares Bachem -B- are traded at the Swiss Exchange (SWX). Except for the registration of Bachem -B- shares, there are no further differences between the two share categories.

1. Accounting Policies for the Bachem Group

Business activity

The Bachem Group is an independent, technology-based company specializing in the development of manufacturing processes for the production of innovative biochemical and pharmaceutical compounds. With its headquarters in Bubendorf (Switzerland) and affiliates in Europe and the US, the Group works on a global scale and holds a leading position in its field.

Principles of consolidation and disclosures

The financial statements of the Bachem Group are prepared in accordance with the International Accounting Standards (IAS) formulated by the International Accounting Standards Committee (IASC). The consolidated financial statements have been approved by the board of directors of Bachem AG on April 3, 2002.

Scope of consolidation

The financial statements include all companies which Bachem AG directly or indirectly controls (over 50% of voting interest). The companies included in the consolidation are listed in this annual report. The financial statements of the companies included in the consolidation are prepared using uniform accounting policies. Inter-company income and expenses, including unrealized gross profits from internal Group transactions and inter-company receivables and payables, have been eliminated. The annual closing date of the individual financial statements is December, 31.

Exchange rate differences

The consolidated financial statements of the Group are expressed in Swiss Francs. In the local accounts, transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date and the resulting foreign exchange transaction gains and losses are recognized in the local profit and loss statement. Assets and liabilities of the consolidated group companies are translated using the year-end exchange rates that prevailed at the balance sheet date while income, expenses and cash flows are translated into Swiss Francs using the respective yearly average exchange rate. Translation differences arising from movements in the exchange rates used to translate the financial statements of the consolidated group companies are allocated to shareholder's equity.

Recognition of income

Sales are recognized on delivery or on providing services and are reported net of sales taxes and rebates.

Cash and cash equivalents

This includes petty cash, bank balances and short-term deposits with original maturities of three months or less.

Marketable securities

Marketable securities consist of equity and debt securities which are traded in liquid markets. See changes in accounting policies.

Trade accounts receivable

The reported values represent the invoiced amounts, less adjustments for doubtful accounts.

Other receivables

This position includes other receivables from third parties, loans to employees, other loans with a maturity of less than 12 months, prepaid expenses for goods and services not yet received as well as income from the current year that will not be received until the following year.

Inventories

Inventories include raw materials, spare parts, work-in-progress and finished goods. They are stated at the lower of acquisition or manufacturing cost and net realizable market value. Manufacturing cost includes all related production cost. Provisions are made for inventories which are slow moving.

Tangible fixed assets and depreciation

Tangible fixed assets (property, plant and equipment) are reported at cost of acquisition or production cost and depreciated on a straight-line basis to the income statement (exclusive land), over the following estimated useful lives:

| | |
|----------------------|----------------|
| Buildings | 20 to 50 years |
| Installations | 10 to 20 years |
| Laboratory equipment | 10 to 20 years |
| EDP equipment | 3 to 5 years |
| Vehicles | 5 to 7 years |

The useful lives reflect the economic useful life of the respective assets. Maintenance expense is recognised in the income statement. Expenses that extend the estimated useful life of a tangible fixed asset are capitalized. Financing expenses for facilities under construction are not capitalized.

Intangible assets

Intangible assets such as patents and licenses are charged directly to the income statement. In the case of business combinations, the excess of the purchase price over the fair value of net identifiable assets acquired is recorded as goodwill in the balance sheet. Goodwill is amortized to income on a straight-line basis over its useful life. The amortization period is determined at the time of the acquisition, based upon the particular circumstances, and ranges from 5 to 10 years. Software is amortized on a straight-line basis over its expected useful life, usually between 3 and 5 years.

Financial assets

Financial assets are valued at fair market values as marketable securities. Financial assets which are not traded regularly at a stock exchange are valued at acquisition cost, less any valuation reserves. If parts of those financial assets that are not regularly traded at stock exchanges are sold to independent third parties, the sales price is used as a reference price for the valuation of the remaining financial assets. For details see change in accounting policies.

Impairment of long-term assets

Long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events or changes in circumstances indicate the asset may not be recoverable, the Group estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of such expected discounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized for the amount by which the asset's net book value exceeds its fair market value.

Short-term liabilities

Short-term liabilities include all liabilities that are due within 12 months.

Long-term liabilities

Long-term liabilities include all known liabilities as per year end, which can reliably be quantified with a due date of at least one year after the date of the balance sheet. All financing costs are included in the income statement of the relevant period.

Research and development

Laboratory buildings and inventories for research and development are capitalized and depreciated according to the respective accounting policies. Since the criteria for a capitalization are not met, the other expenses for research and development are fully charged to the income statement.

Taxes

Taxes on income are accrued in the same periods as the revenues and expenses to which they relate. Deferred taxes have been calculated using the comprehensive liability method. They are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of the Group companies prepared for consolidation purposes, except for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Furthermore, withholding or other taxes on eventual distribution of retained earnings of Group companies are only taken into account where a dividend has been planned since generally the retained earnings are reinvested. Deferred tax benefits are only fully capitalized when it is probable that a benefit will be realized in the foreseeable future.

Defined benefit pension plans

The defined benefit obligation of the material defined benefit pension plans are calculated every two years by an independent actuary using the projected unit credit method according to IAS 19. The defined benefit obligation is equal to the present value of all estimated future cash flows. Plan assets are valued at fair market values. Significant gains or losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to income over the service lives of the related employees. The expenses for such pension plans, representing the net periodic pension cost less employee contributions, are included in the staff costs in the income statement.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated

ultimate liability that is expected to arise, taking into account foreign currency effects and the time value of money. A contingent liability is recorded where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonably reliability.

Own shares

Own shares are valued at acquisition cost and are deducted from equity in accordance with the interpretation SIC 16.

Changes in the accounting policies of the Bachem Group

On January 1, 2001 the new standard IAS 39 became effective. It deals with the recognition and measurement of financial instruments. In accordance with the transition arrangements of the Standard, the comparative financial statements were not restated. The effects of the implementation on the opening balances are shown in the table below:

January 1, 2001
000 CHF

| | |
|---|--------------|
| Marketable securities | 6 440 |
| Deferred income taxes | -1 420 |
| Net impact of IAS 39 on the fair value reserve | 5 020 |

Financial assets, principally marketable securities and other investments are classified as either “held-for-trading” (mainly derivatives) or “available-for-sale” (mainly marketable securities). All investments are initially recorded at cost, including transaction costs. All purchases are recognized on the settlement date. Held-for-trading investments are subsequently carried at fair value, with all changes in fair value recorded as financial income (expense) in the period in which they arise. Available-for-sale investments are subsequently carried at fair value, with all changes in fair value recorded in equity. When the available-for-sale investments are sold, impaired or otherwise disposed of, the cumulative gains and losses previously recognized in equity are included in financial income (expense) for the current period. Under the Group’s previous accounting policies, marketable securities were valued at the lower of cost and market value. No hedge accounting in the sense of IAS 39 has been recorded.

Financial risk management

Financial risk management is governed by the corporate executive committee. It monitors foreign exchange risks, interest rate risks, market risks, credit risks and liquidity risks on an ongoing basis and approves the use of financial instruments to alter certain risks. The Corporate Executive Committee believes that, in order to create the optimum value for the Group, it is not desirable to eliminate or mitigate all possible market fluctuations.

2. Exchange rates

| | Income statement average rate 2001 CHF | 2000 CHF | Balance sheet year end rate 2001 CHF | 2000 CHF |
|-----------------|---|-------------|---|-------------|
| 1 US Dollar | 1.6879 | 1.6888 | 1.6788 | 1.6205 |
| 1 English Pound | 2.4291 | 2.5569 | 2.4302 | 2.4207 |
| 1 Euro | 1.5103 | 1.5579 | 1.4809 | 1.5215 |

3. Changes in the scope of consolidation

As of January 1, 2001, the Group acquired 100% of shares of Sochinaz SA, Vionnaz, Switzerland. The purchase price of CHF 35 million was fully paid in cash.

The goodwill has been amortized since the same date. The following is a summary of the cash flow impact of the acquisition of Sochinaz SA:

| | January 1, 2001 Acquisitions 000 CHF |
|---|--|
| Tangible fixed assets | -19 756 |
| Inventories | -8 737 |
| Trade and other receivables and other current assets | -5 792 |
| Marketable securities, cash and cash equivalents | -1 895 |
| Short- and long-term financial debts to third parties | 5 868 |
| Trade payables and other liabilities | 5 302 |
| Net assets acquired | -25 010 |
| Less acquired cash | 1 895 |
| Sub-total | -23 115 |
| Goodwill | -9 990 |
| Net cash flow | -33 105 |

On December 31, 1999, Bachem AG acquired 100% of Peninsula Laboratories Inc., San Carlos – USA, as well as 100% of the subsidiary Peninsula Laboratories Europe Ltd., St. Helens (England). For consolidation purposes the assets and the liabilities were taken into consideration. The goodwill has been amortized from January 1, 2000. On November 1, 2000 Bachem (UK) Ltd. Saffron Walden and Peninsula Europe Inc., St.

Helens, were merged to the new Bachem (UK) Ltd., St. Helens, England.

Based on knowledge acquired after the takeover, Peninsula Laboratories Inc., was according to IAS 22 restated. In the following chart all the assets and liabilities of the acquisition of Peninsula, also revised, are itemized:

3. Changes in the scope of consolidation (continued)

| | 2000 Acquisitions revised 000 CHF | 1999 Acquisitions 000 CHF |
|---|---|---------------------------------|
| Tangible fixed assets | -8 531 | -9 322 |
| Other long-term assets | -40 | -35 |
| Inventories | -3 795 | -3 255 |
| Trade and other receivables and other current assets | -1 899 | -1 784 |
| Marketable securities, cash and cash equivalents | -355 | -355 |
| Short- and long-term financial debts to third parties, provisions | 6 201 | 4 306 |
| Trade payables and other liabilities | 1 166 | 1 119 |
| Net assets acquired | -7 253 | -9 326 |
| Less acquired cash | 355 | 355 |
| Sub-total | -6 898 | -8 971 |
| Goodwill | -5 842 | -3 769 |
| Net cash flow | -12 740 | -12 740 |

4. Marketable securities

| | | 2001 000 CHF | 2000 000 CHF |
|--------------|-------------------------------|-----------------|-----------------|
| Shares | Purchase cost of shares | 30 737 | 33 835 |
| | Market value of shares | 30 737 | 39 178 |
| Derivatives | Purchase cost of derivatives | 80 | 3 951 |
| | Market value of derivatives | 80 | 5 267 |
| | Contract value of derivatives | 1 896 | 10 409 |
| Bonds | Purchase cost of bonds | 20 182 | 21 146 |
| | Market value of bonds | 20 182 | 21 224 |
| Total | Purchase cost | 50 999 | 58 932 |
| | Market values | 50 999 | 65 669 |

Under a securities lending contract, securities in the amount of CHF 2 092 050 were lent to a bank (prior

year CHF 0). All securities can be reclaimed at any time.

5. Accounts receivable

| | 2001 000 CHF | 2000 000 CHF |
|---|-----------------|-----------------|
| Trade receivables | 22 878 | 22 144 |
| Provisions for doubtful trade receivables | -1 425 | -497 |
| Prepaid expenses and accrued income | 4 103 | 2 324 |
| Other receivables | 3 179 | 2 044 |
| Total | 28 735 | 26 015 |

6. Inventories

| | 2001 000 CHF | 2000 000 CHF |
|-------------------|-----------------|-----------------|
| Raw materials | 11 584 | 3 408 |
| Finished products | 37 239 | 26 349 |
| Total | 48 823 | 29 757 |

7. Tangible fixed assets

| | Land 000 CHF | Buildings 000 CHF | Assets in construction 000 CHF | Installations 000 CHF | Laboratory equipment 000 CHF | Other 000 CHF | Total 2001 000 CHF | Total 2000 000 CHF |
|--|-----------------|----------------------|--------------------------------------|--------------------------|------------------------------------|------------------|--------------------------|--------------------------|
| Cost at January 1 | 10 460 | 58 424 | 15 579 | 26 626 | 32 964 | 6 567 | 150 620 | 117 541 |
| Changes in the scope of consolidation | 1 305 | 10 898 | 0 | 26 540 | 2 309 | 1 384 | 42 436 | 1 772 |
| Additions | 0 | 5 227 | 0 | 2 022 | 6 614 | 530 | 14 393 | 20 301 |
| Disposals | 0 | 0 | 0 | 0 | -466 | -358 | -824 | -3 158 |
| Other changes | 0 | 13 761 | -15 579 | -11 808 | 12 279 | 1 347 | 0 | 14 170 |
| Translation effects | 233 | 345 | 0 | 180 | 546 | 73 | 1 377 | -6 |
| Cost at December 31 | 11 998 | 88 655 | 0 | 43 560 | 54 246 | 9 543 | 208 002 | 150 620 |
| Accumulated depreciation at January 1 | 0 | 12 195 | 0 | 21 554 | 18 693 | 5 061 | 57 503 | 38 522 |
| Changes in the scope of consolidation | 0 | 0 | 0 | 19 782 | 1 790 | 1 109 | 22 681 | 1 772 |
| Depreciation | 0 | 2 188 | 0 | 2 114 | 3 520 | 690 | 8 512 | 5 859 |
| Cumulative depreciation on disposals | 0 | 0 | 0 | 0 | -407 | -355 | -762 | -2 669 |
| Other changes | 0 | 295 | 0 | -10 698 | 9 013 | 1 390 | 0 | 14 961 |
| Translation effects | 0 | 164 | 0 | 583 | 1 708 | 48 | 2 503 | -942 |
| Accumulated depreciation at December 31 | 0 | 14 842 | 0 | 33 335 | 34 317 | 7 943 | 90 437 | 57 503 |
| Book value at December 31 | 11 998 | 73 813 | 0 | 10 225 | 19 929 | 1 600 | 117 565 | 93 117 |

At December 31, 2001, buildings of Peninsula Laboratories were held under operating leases. The future minimum lease payments under uncancellable operating leases are:

Not later than a year: CHF 461 000
 Not later than five years: CHF 0
 Total rents recognized in
 the income statement 2001: CHF 744 000

8. Intangible assets

| | Goodwill 000 CHF | Other intangible assets 000 CHF | Total 2001 000 CHF | Total 2000 000 CHF |
|--|---------------------|--|--------------------------|--------------------------|
| Cost at January 1 | 31 305 | 2 488 | 33 793 | 30 666 |
| Additions | 9 990 | 784 | 10 774 | 1 094 |
| Disposals | 0 | 0 | 0 | 0 |
| Other changes | 0 | 505 | 505 | 2 073 |
| Translation effects | 0 | -5 | -5 | -40 |
| Cost at December 31 | 41 295 | 3 772 | 45 067 | 33 793 |
| Accumulated depreciation at January 1 | 13 315 | 610 | 13 925 | 10 324 |
| Depreciation | 4 130 | 670 | 4 800 | 3 600 |
| Other changes | 0 | 460 | 460 | 0 |
| Translation effects | 0 | -4 | -4 | 1 |
| Accumulated depreciation at December 31 | 17 445 | 1 736 | 19 181 | 13 925 |
| Book value at December 31 | 23 850 | 2 036 | 25 886 | 19 868 |

9. Short-term financial debts

| | 2001 000 CHF | 2000 000 CHF |
|------------------------------------|-----------------|-----------------|
| Banks | 0 | 0 |
| Current maturity of long-term debt | 0 | 108 |
| Total | 0 | 108 |

10. Other short-term liabilities

| | 2001 000 CHF | 2000 000 CHF |
|--------------------------------------|-----------------|-----------------|
| Deferred income and accrued expenses | 1 276 | 3 623 |
| Other short-term liabilities | 4 024 | 5 350 |
| Total | 5 300 | 8 973 |

11. Financial debts

| | 2001 000 CHF | 2000 000 CHF |
|---------------------------------|-----------------|-----------------|
| Bank loans | 3 736 | 0 |
| Other long-term financial debts | 0 | 484 |
| Total | 3 736 | 484 |

The long-term liabilities (inclusive current maturity of long-term debts) are denominated in the following cur-

rencies and the interest rate payable is:

| | Financial liabilities 2001 000 CHF | 2001 % | Financial liabilities 2000 000 CHF | 2000 % |
|--------------|--|-----------|--|-----------|
| CHF | 3736 | 4.6 | 0 | 0 |
| USD | 0 | 0 | 68 | 0 |
| USD | 0 | 0 | 416 | 4.0 |
| Total | 3736 | 0 | 484 | 0 |

Break down by maturity:

| | 2001 000 CHF | 2000 000 CHF |
|----------------|-----------------|-----------------|
| 2002 | 1 500 | 45 |
| 2003 | 2 236 | 45 |
| 2004 | 0 | 45 |
| 2005 | 0 | 45 |
| 2006 and later | 0 | 259 |
| Total | 3736 | 439 |

The bank loans in the amount of CHF 3 736 000 represent the mortgages on buildings at Sochinaz SA. The

buildings used as security for the mortgages have a book value of CHF 10 128 129.

12. Deferred tax liabilities

| | | 2001 000 CHF | 2000 000 CHF |
|-----------------------------------|----------------------------------|-----------------|-----------------|
| Provisions for deferred taxes for | – Valuation difference inventory | 5 843 | 4 389 |
| | – Depreciation on fixed assets | 7 240 | 4 888 |
| | – Provisions | 1 526 | 2 054 |
| | – Other | 432 | 0 |
| Total | | 15 041 | 11 331 |

13. Provisions

| | Provisions for restructuring 000 CHF | Other provisions 000 CHF | Total 2001 000 CHF |
|---------------------------------|--|--------------------------------|--------------------------|
| At January 1 | 3 289 | 836 | 4 125 |
| New provisions | 0 | 56 | 56 |
| Provisions used during the year | –1 838 | –101 | –1 939 |
| Translation effect | 129 | –64 | 65 |
| At December 31 | 1 580 | 727 | 2 307 |
| Current part: | 1 580 | 727 | 2 307 |

13. Provisions (continued)

Provisions for restructuring are formed for planned restructuring projects. These provisions include only expenses, coming out of the restructuring projects and no expenses which are connected to the daily activities

of the group. The new provisions are mainly in connection with the restatement of the acquisition balance of Peninsula and were charged to goodwill.

14. Financial income and expense

| | 2001 000 CHF | 2000 000 CHF |
|--------------------------|-----------------|-----------------|
| Financial income | | |
| Interest | 2 024 | 4 698 |
| Income from securities | 3 481 | 10 821 |
| Other | 139 | 941 |
| Total | 5 644 | 16 460 |
| Financial expense | | |
| Financial expense | 260 | 96 |
| Loss on securities | 6 400 | 7 158 |
| Other | 542 | 581 |
| Total | 7 202 | 7 835 |

15. Income taxes

| | 2001 000 CHF | 2000 000 CHF |
|----------------|-----------------|-----------------|
| Current taxes | 9 839 | 5 099 |
| Deferred taxes | 61 | 992 |
| Total | 9 900 | 6 091 |

Tax rate analysis 2001

The following elements are the explanation for the difference between the expected group tax rate (the

weighted average rate is based on the earnings before taxes of each affiliated company) and the effective rate:

| | % |
|---|-------------|
| Expected tax rate | 23.7 |
| Effect of income taxed at reduced rates | -1.7 |
| Effect of disallowed expenditures | 2.0 |
| Other | -3.2 |
| Effective tax rate | 20.8 |

16. Segment information (regions)

The primary segmentation is based on the geographical information by the location of the assets.

| | Europe 2001 000 CHF | 2000 000 CHF | Rest of world 2001 000 CHF | 2000 000 CHF | Eliminations 2001 000 CHF | 2000 000 CHF | Consolidated values 2001 000 CHF | 2000 000 CHF |
|--------------------------|---------------------------|-----------------|----------------------------------|-----------------|---------------------------------|-----------------|---|-----------------|
| Sales | | | | | | | | |
| Sales third parties | 89 690 | 67 335 | 51 661 | 44 087 | | | | |
| Sales intercompany | 29 126 | 29 059 | 5 861 | 7 318 | 34 987 | 36 377 | | |
| Total sales | 118 816 | 96 394 | 57 522 | 51 405 | 34 987 | 36 377 | 141 351 | 111 422 |
| Operating income | 44 615 | 44 543 | 7 796 | 3 850 | 3 309 | 2 666 | 49 102 | 45 727 |
| Financial expense | | | | | | | -7 202 | -7 835 |
| Financial income | | | | | | | 5 644 | 16 460 |
| Currency result, net | | | | | | | -25 | -413 |
| Income taxes | | | | | | | -9 900 | -6 091 |
| Net income | | | | | | | 37 619 | 47 848 |
| Other information | | | | | | | | |
| Assets | 352 765 | 246 171 | 83 282 | 69 663 | 93 209 | | 342 838 | 315 834 |
| Liabilities | 35 619 | 25 021 | 21 223 | 12 902 | 18 153 | | 38 689 | 37 923 |
| Investments | 24 666 | 15 047 | 501 | 6 348 | | | 25 167 | 21 395 |
| Depreciations | 10 160 | 6 286 | 3 152 | 3 173 | | | 13 312 | 9 459 |

17. Segment information (business segments)

The secondary segmentation is based on the business segments. The relation of the sales to third parties between bulk products on the one hand and catalog products as well as custom syntheses on the other hand was 72% to 28% during the last year (respectively 65%

to 35% in 2000). Investments and assets cannot be separated into the business areas since we are using multi-purpose-equipment which can be used to produce all of our products.

18. Extraordinary items

No extraordinary items were recorded in the years 2000 and 2001.

19. Pension funds

Employee benefits and pension plans are based on the regulations and situations of each country where Bachem is represented. In countries with defined contribution plans, the related costs in 2001 were CHF 722 100 and CHF 605 880 in 2000.

In Switzerland Bachem is member of a so-called "BVG Sammelstiftung." According to the definition of IAS 19, this fund is considered as a defined benefit plan. The following is a summary status of this defined benefit plan at December 31, 2001:

19. Pension funds (continued)

| Proof of the activated surplus in the balance sheet: | 2001 000 CHF | 2000 000 CHF |
|--|------------------------|------------------------|
| Fair value of plan assets | 16 635 | 15 933 |
| Defined benefit obligations | -16 931 | -14 822 |
| Funded status | -296 | 1 111 |
| Limitation on recognition of surplus due to uncertainty of obtaining future benefits | 0 | -492 |
| Unrecognized actuarial loss | 915 | 0 |
| Net asset in balance sheet | 619 | 619 |

The unrecognized actuarial loss of CHF 915 000 is within the corridor of 10% of the plan assets. Accordingly, no amortization is required. The capitalized pre-

paid pension fund contributions have therefore not changed.

| Annual cost for pension funds (ERIS): | 2001 000 CHF | 2000 000 CHF |
|--|------------------------|------------------------|
| Service cost | 1 393 | 1 596 |
| Cost of interest | 608 | 478 |
| Expected return on assets | -637 | -563 |
| Employee contributions | -700 | -607 |
| Change on the noncapitalized surplus | 58 | -242 |
| Annual cost for pension funds (ERIS) | 722 | 662 |

| Development of the surplus capitalized in the balance sheet: | 2001 000 CHF | 2000 000 CHF |
|---|------------------------|------------------------|
| Surplus at January 1 | 619 | 604 |
| Annual costs for pension funds (ERIS) | -722 | -662 |
| Employee contributions | 722 | 677 |
| Surplus at December 31 | 619 | 619 |

20. Contingent liability

There were no material contingent liabilities as per December 31, 2001 as well as per December 31, 2000.

21. Commitments

All commitments, including buy- and sell-commitments of goods, are not above their market value and are

according to the normal business terms.

| 22. Earnings per share (EPS) | 2001 | 2000 |
|---|-------------|-------------|
| Net income attributable to shareholders (000 CHF) | 37 619 | 47 848 |
| Weighted average number of ordinary shares issued (basic) | 13 347 000 | 13 345 340 |
| Basic earnings per share (CHF) | 2.82 | 3.59 |

22. Earnings per share (EPS) (continued)

As of December 31, 2001 10 000 options were outstanding, which did not have a material dilution effect. In 2000 no instruments were outstanding which had a dilu-

tion effect. As of June 29, 2001, Bachem shares were split 1:20.

23. Consolidated companies

| Company | Country | Participation* 2001 | 2000 |
|---|-------------|------------------------|-------------------|
| Bachem AG, Bubendorf | Switzerland | Parent company | Parent company |
| Bachem Trading AG, Bubendorf | Switzerland | 100% | 100% |
| Labortec AG, Bubendorf | Switzerland | 100% | 100% |
| Sochinaz SA, Vionnaz | Switzerland | 100% | 0% |
| Bachem Biochimie SARL, Voisins-le-Bretonneux | France | 100% | 100% |
| Bachem Biochemica GmbH, Heidelberg | Germany | 100% | 100% |
| Bachem (UK) Ltd., St. Helens | England | 100% | 100% |
| Peninsula Laboratories Inc., San Carlos CA | USA | 100% | 100% |
| Bachem Bioscience Inc., King of Prussia PA | USA | 100% | 100% |
| Bachem California Inc., Torrance CA | USA | 100% | 100% |
| Peninsula Laboratories Europe Ltd., St. Helens (inactive) | England | 100% | 100% |

*direct or indirect

24. Financial assets

| | 2001 000 CHF | 2000 000 CHF |
|------------------------|-----------------|-----------------|
| Polyphor AG | 4 250 | 1 720 |
| Other financial assets | 72 | 69 |
| Total | 4 322 | 1 789 |

| | | 2001 | 2000 |
|--------------------------------------|--------------------------|-----------|-----------|
| Polyphor AG, Allschwil (Switzerland) | Share capital nom. [CHF] | 3 015 000 | 2 079 000 |
| | Holding rate | 28.36% | 27.61% |
| | Voting rights | 28.36% | 27.61% |

Polyphor AG is a start-up-company with an enormous potential in the future. 2001 the company is not consolidated at equity but included at cost, since the participation will fall in the near future under 20%. In the first half of 2001 the share capital was increased. Independ-

ent third parties subscribed shares at CHF 1000 per share. If this price was applied to the whole participation the Group holds, a value of CHF 8.6 million resulted.

25. Employee share participation plans

The following employee stock grant plans exist:

a) Employee participation scheme 1

Based on the actual employee participation scheme (agreement valid since July 1996 respectively abroad since September 28, 1998 backdated to January 1, 1998) all employees of the Bachem Group are periodically granted gratis shares. The quantity depends on the status and ranges from 20 to 200. The shares vest up to five years.

b) Employee participation scheme 2

The employees of the foreign companies of the Bachem Group are entitled to buy shares at a discount within different periods of time and depending on their status.

c) Share option plan

This year certain managers of the Bachem Group received options gratis. The options granted entitle recipients to acquire one Bachem share with unlimited voting and dividend rights.

| Share options outstanding | 2001 Number |
|--|----------------|
| Options outstanding at January 1 | 0 |
| Granted options | 10 000 |
| Exercised options | 0 |
| Outstanding December 31 | 10 000 |
| Exercisable options | 0 |
| Vesting dates of outstanding options are as follows: | Number |
| – year 2004 | 3 000 |
| – year 2005 | 3 000 |
| – year 2006 | 4 000 |
| Total | 10 000 |

The options usually terminate one year after they become exercisable. The group holds own shares in order to meet its obligations under the employee share participation plans. These own shares are deducted from equity. The book value is based on either cost, for those

shares which have been purchased, or on the nominal value for those shares that have been reserved for these purposes at the last capital increase. For the change in stock of Bachem shares, please refer to the Notes to the Financial Statements of Bachem AG.

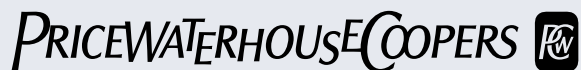
26. Transactions with related parties

No material transactions were performed with related parties.

27. Subsequent events

On January 7, 2002, Bachem AG and Berna Biotech AG jointly founded Pevion Biotech AG in Bern, each with a 50-percent stake. The new company – based on the

know-how of the two founding companies – will develop innovative therapeutic and prophylactic vaccines and shall take over a leading role with these vaccines.



Report of the Group auditors to the Annual General Meeting of Bachem AG, Bubendorf

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of shareholders' equity and notes) of Bachem Ltd. for the year ended December 31, 2001.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and in accordance with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS) and comply with the Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Basel, April 3, 2002

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to be 'H. Plozza'.

H. Plozza

A handwritten signature in black ink, appearing to be 'P. Seiler'.

P. Seiler

| | 2001 000 CHF | 2000 000 CHF |
|---|-----------------|-----------------|
| Sales | 72 609 | 77 130 |
| Sales deduction | -584 | -1 117 |
| Other operating income | 2 094 | 2 737 |
| Total | 74 119 | 78 750 |
| Cost of materials | -7 121 | -7 008 |
| Staff cost | -20 397 | -19 606 |
| Depreciation and amortization expense | -9 664 | -10 260 |
| Cleaning and maintenance | -274 | -192 |
| Administration, sales and marketing cost | -3 057 | -3 317 |
| Other operating expenses | -3 161 | -2 622 |
| Operating income before interest and taxes | 30 445 | 35 745 |
| Financial income | 4 854 | 14 709 |
| Financial expense | -8 539 | -7 644 |
| Currency gain | 5 742 | 5 069 |
| Currency loss | -5 605 | -5 452 |
| Income before taxes | 26 897 | 42 427 |
| Taxes | -5 525 | -13 333 |
| Net income | 21 372 | 29 094 |

| Assets | 2001 000 CHF | 2000 000 CHF |
|---|-------------------------|-------------------------|
| Cash and cash equivalents | 48 063 | 75 028 |
| Marketable securities | 46 075 | 51 230 |
| Trade receivables, third parties | 5 420 | 6 720 |
| Trade receivables, intercompany | 6 701 | 4 719 |
| Other receivables, third parties | 1 532 | 3 144 |
| Other receivables, intercompany | 1 412 | 592 |
| Prepaid expenses and accrued income | 1 557 | 1 260 |
| Inventories | 3 589 | 3 045 |
| Current assets | 114 349 | 145 738 |
| Investments | 49 479 | 40 707 |
| Tangible fixed assets | | |
| <i>Real estate</i> | 36 169 | 33 620 |
| <i>Machinery and installations</i> | 5 551 | 4 942 |
| Intangible assets | 34 234 | 9 293 |
| Fixed assets | 125 433 | 88 562 |
| Total assets | 239 782 | 234 300 |
| Liabilities and shareholders' equity | | |
| Trade payables, third parties | 2 382 | 4 681 |
| Trade payables, intercompany | 884 | 836 |
| Other short-term liabilities, third parties | 3 734 | 2 896 |
| Deferred income and accrued expenses | 956 | 5 413 |
| Provisions | 7 600 | 7 600 |
| Liabilities | 15 556 | 21 426 |
| Share capital | 6 800 | 6 800 |
| Legal reserves | | |
| <i>General reserves</i> | 89 877 | 88 921 |
| <i>Reserves for own shares</i> | 1 887 | 319 |
| Free reserves | 94 795 | 78 351 |
| Retained earnings | | |
| | 2001 000 CHF | 2000 000 CHF |
| Retained earnings at January 1 | 9 495 | 9 389 |
| Net income of the year | 21 372 | 29 094 |
| Shareholders' equity | 224 226 | 212 874 |
| Total liabilities and shareholders' equity | 239 782 | 234 300 |

1. Investments

| Company | Location | Branch | | Share capital 2001 |
|---------------------------------|--------------------------|-------------------|-----|-----------------------|
| Bachem Trading AG | Bubendorf, CH | Sales | CHF | 100 000 |
| Labortec AG | Bubendorf, CH | Produktion | CHF | 100 000 |
| Sochinaz SA | Vionnaz, CH | Production, sales | CHF | 700 000 |
| Bachem Biochimie SARL | Voisins-le-Bretonneux, F | Sales | FRF | 500 000 |
| Bachem Biochemica GmbH | Heidelberg, D | Sales | DEM | 250 000 |
| Bachem (UK) Ltd. | St. Helens, GB | Production, sales | GBP | 2 500 |
| Peninsula Laboratories Inc. | San Carlos CA, USA | Production, sales | USD | 32 000 |
| Bachem Bioscience Inc. | King of Prussia PA, USA | Production, sales | USD | 3 000 000 |
| Bachem California Inc. | Torrance CA, USA | Production, sales | USD | 3 000 |
| Peninsula Europe Ltd. (inaktiv) | St. Helens, GB | Production, sales | GBP | 36 000 |
| Polyphor AG | Allschwil, CH | Production, sales | CHF | 3 015 000 |

With the exception of Polyphor AG, all the companies are controlled with 100% of the voting rights either directly or indirectly. The capital of Polyphor AG was increased from 2 079 000 and the participation of

Bachem AG increased from 27.6% in prior year to 28.4%. Further as of January 1, 2001 Bachem AG acquired 100% of Sochinaz SA.

2. Insurance value of tangible fixed assets

| | 2001 000 CHF | 2000 000 CHF |
|-------------------------|-----------------|-----------------|
| Machinery and equipment | 60 000 | 63 000 |
| Real estate | 49 844 | 37 473 |

3. Own shares

On December 31, 2001 Bachem AG held 261 200 own shares, which are reserved for distribution under the

employee share participation plans. As of June 29, 2001 the shares were split 1:20.

Transactions of own shares:

| | Shares December 31, 2001 [pieces] | Sales [pieces] | Purchases [pieces] | Shares January 1, 2001 [pieces] |
|---|---|-------------------|-----------------------|---------------------------------------|
| Employee participation scheme (domestic) at the price of CHF 0.05 | 129 700 | 11 400 | 2 200 | 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 |
| Treasury Stock at the price of CHF 60.48 | 25 600 | 0 | 25 600 | 0 |

4. Important shareholders

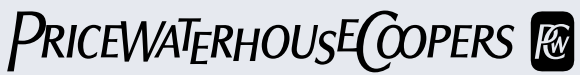
| | Percent of total share capital 2001 | Percent of total share capital 2000 |
|--|--|--|
| Based on the available information the following shareholders own more than five percent of the registered share capital on December 31: | | |
| P. Grogg (via Ingro Finanz AG) | 50.5 | 50.4 |
| G. Knoch | 8.6 | 8.3 |
| Family of P. Grogg | 6.0 | 6.0 |

Proposal of the Board of Directors for the appropriation of available earnings

The Board of Directors of Bachem AG proposes to appropriate the available earnings as follows:

CHF

| | |
|--|-------------------|
| Net income of the balance sheet | 21 372 254 |
| Retained earnings at January 1 | 9 495 341 |
| Retained earnings | 30 867 595 |
| Payment of a dividend of CHF 0.75 per registered share for the business year 2001 on 13 343 962 registered shares entitled to a dividend | 10 007 972 |
| Transfer to free reserves | 15 000 000 |
| Retained earnings to be carried forward | 5 859 623 |



Report of the statutory auditors to the annual general meeting of Bachem AG, Bubendorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Bachem AG for the year ended December 31, 2001.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Basel, April 3, 2002

PricewaterhouseCoopers AG

H. Plozza

P. Seiler

INVESTOR RELATIONS

Reto Conrad
 Tel.: +41-61-935 2333
 Fax: +41-61-935 2324
 Email: rconrad@bachem.com

INTERNET

www.bachem.com

SWITZERLAND

BACHEM AG
 Hauptstrasse 144
 CH-4416 Bubendorf
 Switzerland
 Tel.: +41 61 935 2333
 Fax: +41 61 931 2549
 Email: sales.ch@bachem.com

BACHEM TRADING AG
 Hauptstrasse 144
 CH-4416 Bubendorf
 Switzerland
 Tel.: +41 61 935 2333
 Fax: +41 61 931 2549
 Email: sales.ch@bachem.com

LABORTEC AG
 Hauptstrasse 144
 CH-4416 Bubendorf
 Switzerland
 Tel.: +41 61 935 2333
 Fax: +41 61 931 2549
 Email: sales.ch@bachem.com

SOCHINAZ SA
 rue Principale
 CH-1895 Vionnaz
 Switzerland
 Tel.: +41 24 482 4444
 Fax: +41 24 482 4445
 Email: info@sochinaz.ch

USA

BACHEM AMERICAS
 Tel.: 1 888 422 2436 (USA only)
 Fax: +1 310 530 1571

BACHEM CALIFORNIA INC.
 3132 Kashiwa Street
 Torrance, CA 90505 – USA
 Tel.: +1 310 539 4171
 1 888 422 2436 (USA only)
 Fax: +1 310 530 1571
 Email: sales@us.bachem.com

BACHEM BIOSCIENCE INC.
 3700 Horizon Drive
 King of Prussia, PA 19406 – USA
 Tel.: +1 610 239 0300
 1 800 634 3183 (USA only)
 Fax: +1 610 239 0800
 Email: sales@us.bachem.com

PENINSULA LABORATORIES INC.
 601 Taylor Way
 San Carlos, CA 94070 – USA
 Tel.: +1 650 592 5392
 Fax: +1 650 595 4069
 Email: info@penlabs.com

GERMANY

BACHEM BIOCHEMICA GMBH
 Haberstrasse 6
 D-69126 Heidelberg
 Germany
 Tel.: +49 6221 3305 0
 Fax: +49 6221 3305 99
 Email: verkauf.de@bachem.com

FRANCE

BACHEM BIOCHIMIE SARL
 136, Avenue Joseph Kessel
 F-78961 Voisins-le-Bretonneux
 Cedex-France
 Tel.: +33 1 30 12 1595
 Fax: +33 1 30 57 3882
 Email: vente@fr.bachem.com

GREAT BRITAIN

BACHEM (UK) LTD.
 P.O. Box 260
 17K Westside Industrial Estate
 Jackson Street, St. Helens
 Merseyside WA9 3AJ England
 Tel.: +44 1744 61 2108
 Fax: +44 1744 73 0064
 Email: sales.uk@bachem.com

This Annual Report is published
 in German and English

Published by: Bachem AG, Bubendorf,
 Switzerland
 Project management and production:
 Com.factory AG, Basel, Switzerland
 Design: Cornelia Reinhard, London, England
 Print: Birkhäuser+GBC AG, Reinach BL,
 Switzerland
 Photography: Pino Covino, Basel, Switzerland,
 and Digital Vision

