

NEW FINDINGS IN GENETICS, MOLECULAR AND SYSTEMS BIOLOGY ARE LEADING TO EVER NEWER APPROACHES IN THE RESEARCH AND DEVELOPMENT OF PEPTIDE-BASED ACTIVE PHARMACEUTICAL INGREDIENTS OR INNOVATIVE APPLICATIONS OF SUBSTANCES ALREADY KNOWN. WHILE SCIENTISTS IN INDUSTRY AND RESEARCH INSTITUTIONS FOCUS ON THE SEARCH FOR FUTURE MEDICINES, WE SUPPORT THEM IN FINDING OUT HOW THESE ACTIVE INGREDIENTS CAN BE MADE. AS A PARTNER FOR SCIENCE AND INDUSTRY, FROM INITIAL PRECLINICAL TESTS TO BULK PRODUCTION OF PEPTIDES AND OTHER COMPLEX MOLECULES, WE USE OUR KNOW-HOW TO HELP MAKE THE PROGRESS OF SCIENCE, FROM THE IDEA TO THE PRODUCT, POSSIBLE.



2008 IN BRIEF

RECORD SALES OF 2007 SLIGHTLY EXCEEDED IN LOCAL CURRENCIES WITH A 2.0% INCREASE – IN CHF, THE DOLLAR WEAKNESS LEADS TO A 1.7% DROP IN SALES TO CHF 195.0 MILLION

SUCCESSFUL SALES GROWTH IN EUROPE WITH A 9.2% INCREASE IN LOCAL CURRENCIES

GENERICS AND CUSTOM SYNTHESIS SHOW DOUBLE-DIGIT SALES GROWTH

DELAY IN DELIVERIES FOR A MAJOR SELLER BECAUSE OF THE CUSTOMER'S HIGH STOCK LEVELS COMPROMISES BOTH BUSINESS IN THE USA AND OVERALL EARNINGS

MARGINS MAINTAINED AT A HIGH LEVEL: EBIT MARGIN AT 35.7%, NET PROFIT MARGIN AT 30.1%

UNDERLYING POSITIVE MARKET TREND AND AN EXTENSIVE RANGE OF PRODUCTS AND SERVICES PROMISE FURTHER GROWTH FOR 2009

KEY FIGURES 2008

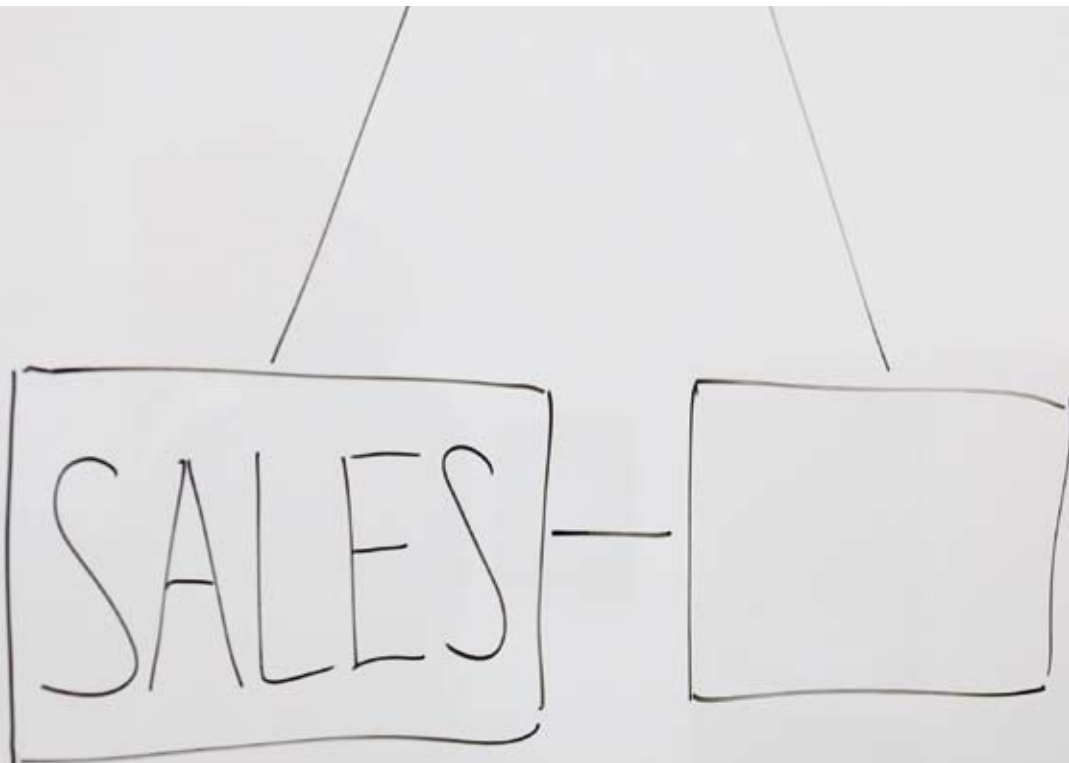
	2008	2007	CHANGE IN CHF (IN LC) %
SALES (IN CHF M)	195.0	198.3	- 1.7 (+ 2.0)
EBIT (IN CHF M)	69.7	72.4	- 3.8 (+ 1.8)
EBIT IN % OF SALES	35.7%	36.5%	
NET INCOME (IN CHF M)	58.7	63.9	- 8.2
NET INCOME IN % OF SALES	30.1%	32.2%	
EARNINGS PER SHARE (EPS – IN CHF)	4.38	4.81	- 8.9
CASH FLOW FROM OPERATING ACTIVITIES (IN CHF M)	39.3	78.1	- 49.7
RETURN ON EQUITY (ROE)	16.0%	17.1%	
NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENTS	722	657	
SALES PER EMPLOYEE* (IN CHF)	300 000	331 000	

* basis: full-time equivalents excluding apprentices

SALES (IN CHF M)	EBIT (IN CHF M)	NET INCOME (IN CHF M)
2004 147.8	2004 41.5	2004 30.7
2005 153.7	2005 47.2	2005 39.4
2006 171.8	2006 55.8	2006 46.6
2007 198.3	2007 72.4	2007 63.9
2008 195.0	2008 69.7	2008 58.7

CONTENT

PREFACE **02** SCIENCE AND TECHNOLOGY – THE BUILDING BLOCKS OF OUR BUSINESS **04** BUSINESS PERFORMANCE IN 2008 **08**
 OUR EMPLOYEES **12** SUSTAINABILITY **15** CORPORATE GOVERNANCE **16** FINANCIAL REPORT **22** CONSOLIDATED FINANCIAL
 STATEMENTS **24** FINANCIAL STATEMENTS OF BACHEM HOLDING AG **57** SHAREHOLDER INFORMATION **63**



SYSTEMATIC CONTINUATION OF THE GROWTH STRATEGY BASED ON SUSTAINED MARKET
MOMENTUM AND A SOUND FINANCIAL BASIS

THE BOARD OF DIRECTORS NAMES A NEW CORPORATE EXECUTIVE COMMITTEE MEMBER FOR MARKETING AND SALES

INCREASE IN DIVIDEND PROPOSED FROM CHF 3.00 TO CHF 3.20 PER SHARE

MEDIUM-TERM FORECAST FOR SALES GROWTH BETWEEN 8% AND 12% IN LOCAL CURRENCIES AND
EBIT MARGIN AT 30% TO 35% MAINTAINED





LEFT: DR. H.C. PETER GROGG
RIGHT: DR. ROLF NYFELER

DEAR SHAREHOLDERS

Once again we can look back on a successful year. The underlying momentum of our business has been sustained in a difficult environment. In local currencies we slightly exceeded the record sales of the previous year and achieved further advances in all areas of our operations. For one major seller, however, the further deliveries that had been planned had to be postponed because of high stock levels with the customer, and this resulted in a significant shortfall in sales in the USA. Moreover, the ongoing weakness of the dollar has had a negative impact on our earnings in CHF.

EARNINGS AND DIVIDEND 2008

In local currencies, thanks to our diversified portfolio, we achieved a slightly positive growth of 2.0%, despite the loss of sales in the USA, but sales in CHF terms fell by 1.7% to CHF 195.0 million. The margins remained at a high level: The EBIT margin was an outstanding 35.7% (previous year: 36.5%), while the profit margin was an excellent 30.1% (previous year: 32.2%). In CHF terms, the EBIT fell by 3.8% from CHF 72.4 million in 2007 to CHF 69.7 million, and the net profit by 8.2% from CHF 63.9 million to CHF 58.7 million. On the basis of these results and in line with our promise to pass on a substantial share of Bachem's business success to its shareholders, we propose to the Annual General Meeting that the dividend be increased from CHF 3.00 to CHF 3.20.

TRENDS IN OPERATIONAL BUSINESS

Positive news predominated in all areas apart from New Chemical Entities in the USA: Generics showed extremely positive growth worldwide and achieved a double-digit increase in sales, as did Custom Syntheses, which are important not only as sales drivers, but in many cases also as a starting point for subsequent active ingredient deliveries. In Europe, New Chemical Entities achieved a sharp jump in sales with our extensive range of services in this area becoming increasingly important both commercially and also as a prerequisite for longer-term partnerships.

SOUND GROWTH STRATEGY

Market trends and also our own achievements confirm us in our conviction that our strategic focus as a leading technological producer of complex active pharmaceutical ingredients continues to offer sustainable growth opportunities. As a result of the global recession, we are seeing greater caution in all decisions taken by our customers. But efficiency, cost-effectiveness and conformity with all regulatory requirements are demanded more than ever both in innovations and also in the manufacture of active substances in large quantities, and these are advantages that we can guarantee on the basis of our experience and our extensive range of services. Accordingly, we continue to set great store by organic growth from within. We are continually investing to expand our capacity. In 2008, we not only acquired significant land reserves for the growth planned at our main production site in Bubendorf, but also extended our plant facilities at Sochinaz. We are also more than doubling our capacity in Great Britain, our competence center for Custom Synthesis in Europe.

In addition to these investments in property, plant and equipment, along with selective recruitment of new staff, we are continually adapting our organization to the requirements of the market. The globalization of markets and the increasing concentration of our international customers on selected partners call for greater efforts from us in terms of coordinating operations between our companies. The Corporate Executive Committee was thus expanded on January 1, 2009 with the

addition of Dr. Lester Mills as a new member with responsibility for Marketing and Sales. He will contribute substantially to the coordination of our growth strategy worldwide and its implementation on the market.

For all our investments in future growth, it remains the most important principle for us that the company has a sound financial basis. The equity ratio of Bachem remains above 80%, and the company is free of debts. In the future, too, we aim to finance our growth from the cash flow.

OUTLOOK AND THANKS

In uncertain times, we shall continue to follow our growth course with care. The planned investments will be constantly monitored and adapted to circumstances. The underlying momentum of our business, the high level of capacity utilization in Switzerland and an expected jump in sales at Sochinaz give us grounds for assuming that, in spite of the more difficult situation in the USA, the growth in sales will start to accelerate again. The 5-year forecast of average sales growth between 8% and 12% in local currencies and an EBIT margin between 30% and 35% remains unchanged.

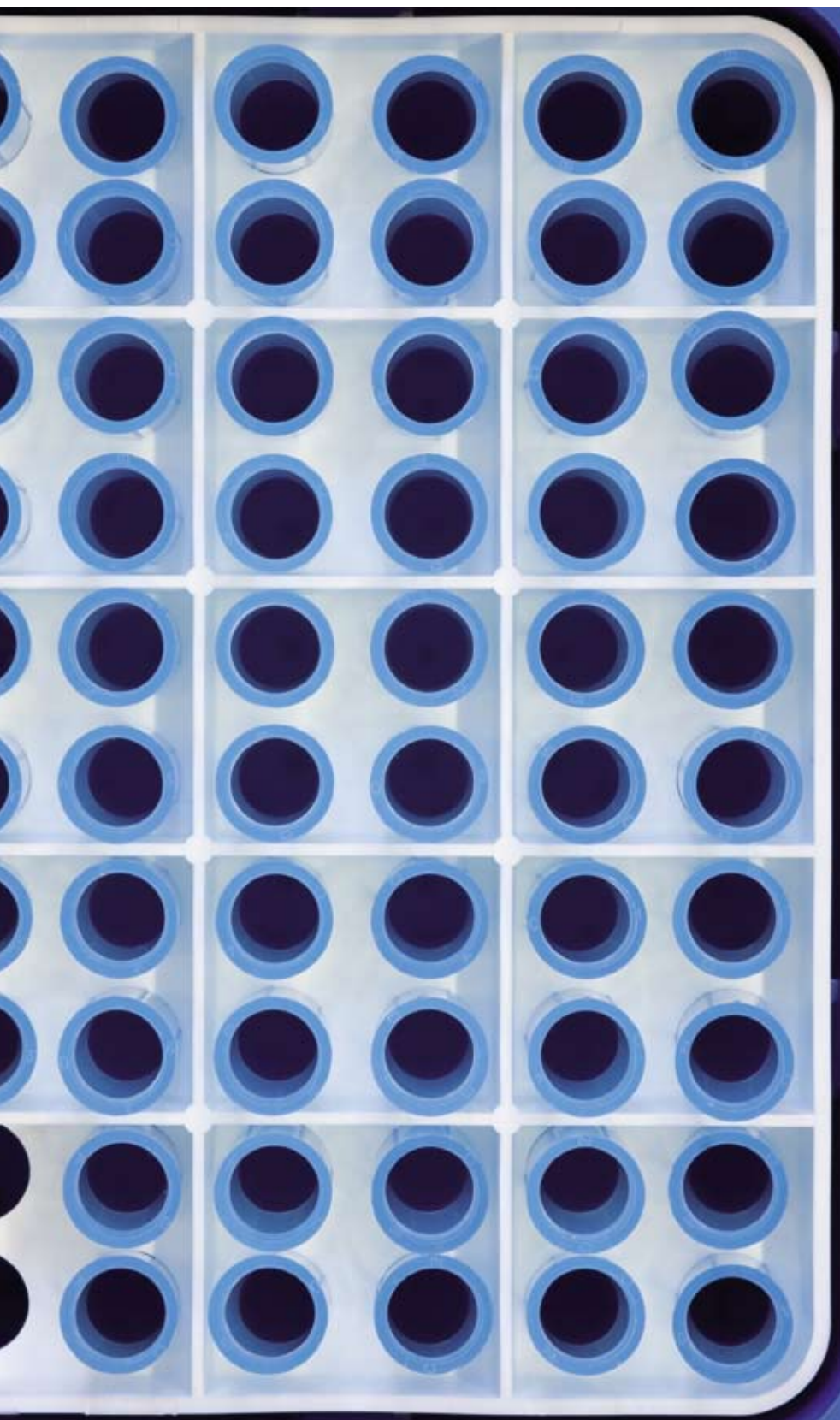
The success story of Bachem is based on the commitment of all the employees in our company. They always see their achieved objectives as an incentive to go on and achieve more. We thank them for this and for the efforts with which they have contributed to the performance of 2008.

Our thanks also go to our shareholders. While the Bachem share price has not been able to escape the general trend on the stock markets, we can assure you that the substance and prospects of our company remain at a very high level.

DR. H.C. PETER GROGG
CHAIRMAN OF THE
BOARD OF DIRECTORS

DR. ROLF NYFELER
CEO AND CHAIRMAN
OF THE CORPORATE
EXECUTIVE COMMITTEE





Modern biosciences have made enormous progress in the last few years. Ever more refined physical analytical methods are making it possible to isolate and characterize new and hitherto unknown molecules from ever smaller quantities of biological material, predominantly of animal origin. These new structures are leading to an in-depth understanding of complex mechanisms in both the healthy and the sick organism and thus also the causes of disease. At the same time, this new knowledge also forms the basis for innovations in applied research at universities and in industry. It increasingly permits rational approaches geared to specific, so-called disease targets for the selection, development and testing of new substances as diagnostic agents, active pharmaceutical ingredients or vaccines.

In addition to the identification and development of new active ingredients, intensive research is also pursued in an effort to find innovative options for administering these as efficiently as possible. Not only do the physical properties of the substances have to be considered here, for example their limited shelf-life or solubility. Modern active ingredients are also required to exert their activity as selectively as possible, where they are needed, and to have as little systemic effect as possible on the rest of the body. In this regard, active ingredients from the family of peptides have especially benefited from advances in galenics, the technology of manufacturing therapeutic products, and are also administered today by the nasal route, in injectable depot forms and, in a few cases, even orally.

All advances in scientific laboratories have to be realized in industrial-scale production if they are to be used in practice. The increasing complexity of active ingredient molecules requires steady further development and innovation also in the field of the technologies used in synthesis and analytical chemistry. Bachem has been working for almost 40 years to make scientific advances possible through technological leadership. And has done so with success: For years we have been the leading company in the manufacture of peptide-based active pharmaceutical ingredients.

OUR INDUSTRY – THE LIFE SCIENCES

In the last few decades, the life sciences, or biosciences, have become increasingly important in many areas of daily life, such as agriculture, nutrition and healthcare. Foremost amongst these are the advances made in the field of medicine. A lot of hope is pinned on the life sciences for innovative treatments and new medicines to address hitherto unmet medical needs. The combination of modern biosciences, such as systems biology, molecular biology, biophysics and bioinformatics, in association with the Human Genome Project is leading to an increasing density of knowledge about the causes and processes of disease. Understanding human genes and their functions, as well as the role of proteins and peptides in the regulation of processes in the human body, results in new lead compounds for innovative medicines. Personalized medicine, which considers not only the diagnosis but also the specific interaction of a medicine with the individual concerned, is a branch of biomedical research that could point the way for the future. It is directly facilitated by the interdisciplinary work of many universities and companies active in the biosciences. Promising new prospects are thus constantly being opened up both for the research-based industry and for manufacturers of active pharmaceutical ingredients. Medicines are also being successfully developed for more specific and rarer diseases. For example, many small and highly specialized biotech companies are also increasingly engaged in research on orphan drugs, medicines for rare diseases that have hitherto been regarded as untreatable, and are launching them onto the market.

The diverse opportunities that are emerging from this rapidly expanding knowledge and the possibilities of selective research and development are attracting a growing number of scientific institutions, start-up companies and also small and large biotech and pharmaceutical companies onto the scene. To prevail in this competitive environment, it is essential to specialize and to focus on core competencies. Bachem has pursued this strategy ever since it was founded. From the very outset, the focus of our company was on the manufacture of peptides. Driven by the firm belief that peptides possess enormous therapeutic potential, we were and remain keen to know how these complex and sensitive natural substances can be

“re-built” and made useful for medical research, development and finally for use as medicines. We made a conscious decision not to develop ourselves new substances as potential active ingredients. Our core competence as a technology company is to make products from research possible.

WHAT WE CAN DO

The technological leadership position of Bachem is based on the knowledge and experience which has been gathered over the years by our employees. It is their know-how which enables new compounds to be assessed with regard to their synthetic feasibility and their stability and solubility. This can often lead to suggestions for the improvement of proposed molecular structures. Simpler manufacture or greater stability are usually beneficial to the project and therefore interesting for customers. From the outset, various new pathways of synthesis are evaluated and compared in terms of their efficiency. Even if the required quantities may only be very small for testing a substance in the initial phase of development, the aspect of potential larger-scale manufacture is always included from the very beginning in the plans for the development process. The whole range of synthesis options is available to us for this purpose thanks to wide experience both in classical synthesis in solution and also in so-called solid-phase synthesis, as well as all possible combined forms. It is precisely the experience and knowledge of the physical characteristics of new substances in the planning phase that facilitate the selection of synthesis strategies and the options for larger-scale manufacture.

Thanks to our focus on technology, we can work across different indications and are not restricted to the manufacture of substances for individual therapeutic areas. Bachem is thus a partner for companies with research interest in such diverse areas as diabetes, cancer, obesity and Alzheimer's. Our technological competencies also allow us to collaborate on innovative concepts, such as therapeutic vaccines and cytotoxic medicines.

The requirements of customers and the authorities regarding the purity of substances manufactured by us are constantly increasing in line with the progress in analytical chemistry. Good synthesis processes also always lead to high yields and

high levels of purity. At the same time, good manufacturing processes are usually beneficial in ecological and economic terms, since they are always characterized by lower expenditure on labor, machinery and resources. In addition, they enable quality to be maintained at a constantly high level and allow a high degree of compliance with good manufacturing practice requirements (GMP conformity).

The huge increase in the density of regulatory requirements is also accompanied by a discernible increase in quality audits being carried out by customers for the development and manufacture of biopharmaceuticals, often even before business relations are entered into. Successful audits pave the way for business relations and form the basis of trust in the manufacturer. There is likewise a growing appreciation for support in the regulatory process. Especially relatively inexperienced customers from specialist biotechnology companies rely on the extensive know-how of specialists from Bachem in the registration of numerous products. Here, too, it is essential at the outset to select the right strategy and to meet the high quality standards so as to avoid delays in the drug development process and thus also costs and possible competitive disadvantages.

A further service that is being increasingly made use of is the sterile filling of active pharmaceutical ingredients for clinical trials. The service, which is offered under the brand name Clinalfa®, provides the customer with a one-stop shop not only for the active ingredient as bulk goods, but also for vials containing the active ingredient, including the regulatory authorization. Synergies can thus be used that are equally interesting both for the customer and for Bachem.

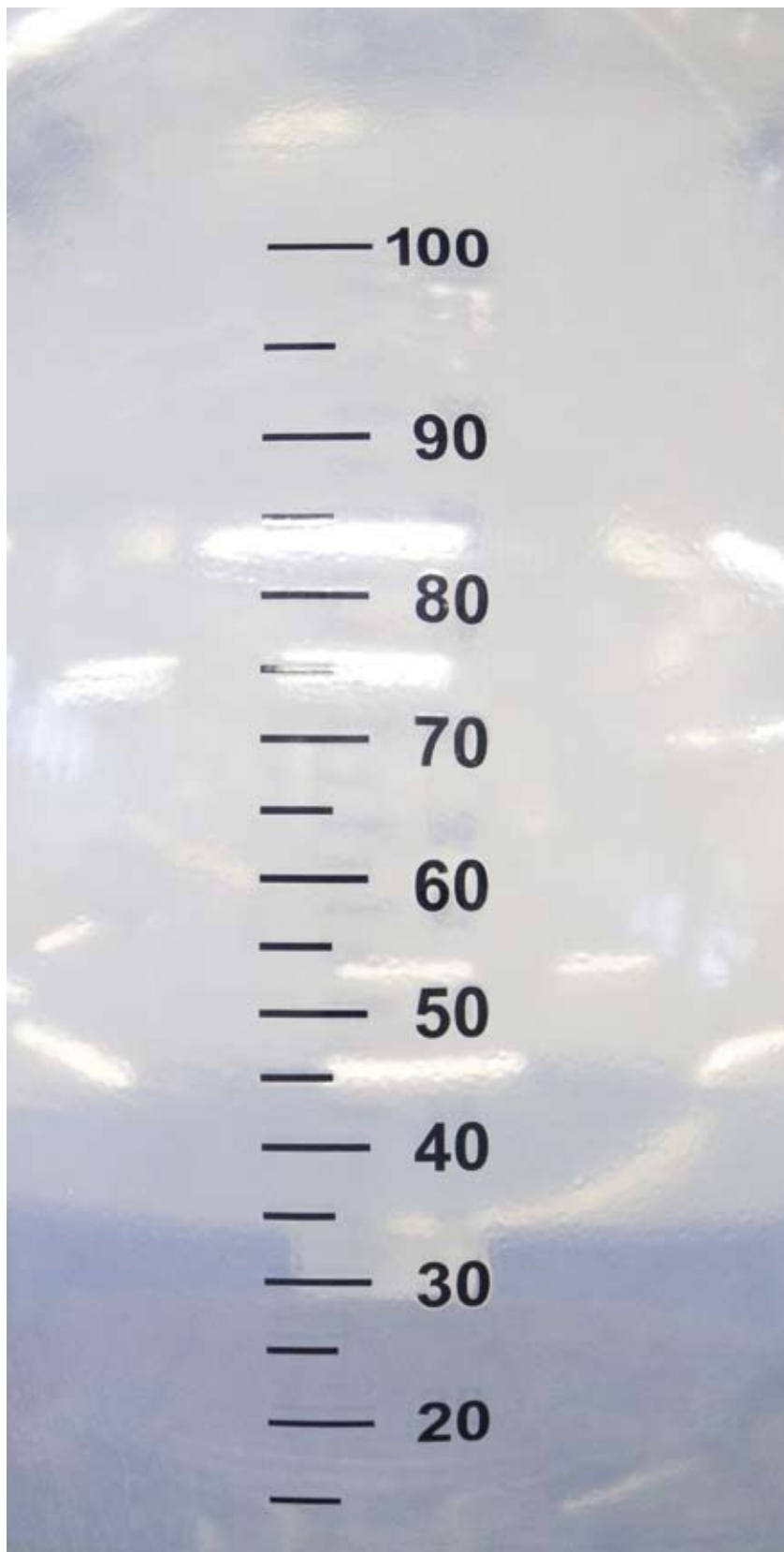
The extensive range of services offered by Bachem is based on knowledge about peptides, their manufacture and handling, that has accumulated with many years' experience. The advantage of this experience enables us to remain consistently successful in a contested market. With our unique business model, namely to offer peptides for every need, from catalog products and custom synthesis for research purposes, to preclinical products and products in all clinical trial phases through to the marketed medicine, Bachem leads the world in its field despite a marked trend towards consolidation.

HOW WE WORK

Despite our experience going back many years it is essential to continue gathering current scientific knowledge and to follow the ongoing technical advances closely and test them for their applicability. Good contacts with the universities and constant monitoring of the relevant scientific fields enable us to pick up trends early on. These provide ideas for new products, which are offered on the research market through the catalog and on the internet.

The large number of substances that constantly have to be manufactured anew, whether for the catalog or as custom syntheses also sharpens our know-how in terms of synthesis and analytical methods on a daily basis. Our own research and development work and also process improvements likewise help to increase our knowledge. Active participation in international symposia and trade fairs facilitates exchanges with other scientists and gives an insight into the latest developments in the field. Within the Group, periodic exchanges on specific subject areas also help to extend our know-how and broaden the horizons of our specialists. To this end, regular in-house seminars are held, in which experiences are exchanged.

It is not least the ongoing dialog with existing and potential customers that provides an insight into new ideas and needs. It serves as the basis for long-term relations to which Bachem can make its own contribution with its uniquely extensive range of services as a technology partner for shared success.



WHAT WE DO

In line with our position as a leading technology company geared to making science possible, the main focus of our activities lies in two fields: the development of optimum processes in synthesis and analytical chemistry and also the production of active substances from the smallest quantities to bulk goods for medicines successfully marketed by our customers.

Traditionally we distinguish between two different business segments, namely active pharmaceutical ingredients (APIs) and research chemicals, each with specific requirements. With research chemicals, the crucial factors are the scope and up-to-date nature of the product range, as well as the ability to supply the smallest of quantities ex factory. The API business encompasses projects on new active substances (so-called New Chemical Entities), which usually run over a longer period of time and are geared to the specific individual demands of customers, and also the contract delivery of well-known substances that are no longer patent-protected (Generics). The requirements and customer groups also differ. For research chemicals, requested by research institutions and laboratories, it is not usually necessary to manufacture according to cGMP standards. In the case of active ingredients for biotech or pharmaceutical companies, however,

not only is this essential, but so is the relevant documentation for the regulatory agencies.

Apart from custom synthesis, services also include the support of our customers in the registration process for their new medicines and more recently the provision of ready-to-use formulations of development substances for clinical studies.

BUSINESS PERFORMANCE IN 2008

The business performance in 2008 was shaped by three important factors. Firstly, the underlying dynamic growth of the business continued and led to positive developments in all areas of activity. In the case of a top selling New Chemical Entity, however, further deliveries had to be delayed because of the customer's high stock levels, which led to a correspondingly significant shortfall in sales. In addition, the persistent weakness of the US dollar had a negative impact on sales in CHF.

In local markets, the Bachem Group posted a 2.0% sales growth for 2008 overall. In CHF terms, however, sales fell slightly by 1.7% compared with the record result of the previous year, dipping from CHF 198.3 million to CHF 195.0 million in 2008 as a result of the dollar weakness. In local currencies, sales in the second half of the year were 4.8% down on the first half and 3.5% higher than in the second half of 2007. Excluding the effect of the postponed deliveries, sales growth for the whole of 2008 was 7.7% in local currency terms.

In terms of the geographical development of our business, we made good progress in Europe, where sales growth across the whole business portfolio reached 9.2% in local currencies (7.8% in CHF) and was thus within the range of our long-term objective (sales growth in local currencies 8% to 12% p.a. over 5 years). It is especially gratifying that those business lines with attractive future prospects showed above-average growth. Sales in custom synthesis rose by 26.6% in local currencies. With NCEs, we achieved an increase of almost 70%, which was an excellent

performance even keeping in mind that hitherto the baseline was rather low compared with the USA. Sales of generics produced in Switzerland for the US American market also showed a marked increase, which led to a sales growth of about 50% for generics in the USA.

The result in the USA is clouded by the negative effect of the postponement for delivery of an important product, which dragged sales in this region down by 8.5% (in local currency terms) and by 16.1% (in CHF).

NEW CHEMICAL ENTITIES

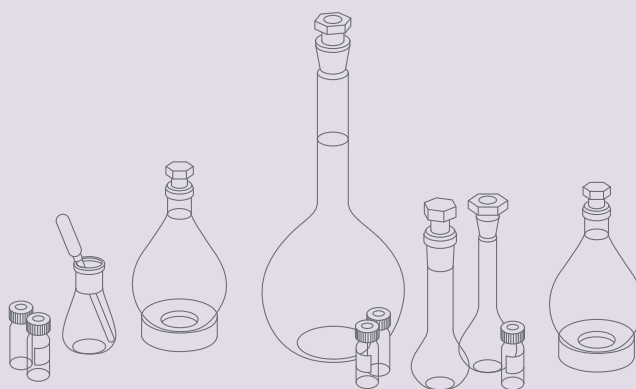
The business with New Chemical Entities (NCEs) continues to show dynamic progress, but is subject to major fluctuations, because many of our customers' projects are still in development. Only upon approval of a product by the regulatory authorities any significant sales potential does emerge, but this too can fluctuate strongly depending on market success. Thus, sales of NCEs in 2008 fell by 28.7% in local currencies because of the negative development shown by a top selling product. The markedly positive development in Europe was not able to offset the shortfall of active ingredient deliveries in the USA for the product already launched.

A marked increase in sales was posted for services related to the manufacture and delivery of active ingredients. With a view to the registration of their products, we support our customers with the validation of analytical methods and manufacturing processes, the performance of stability studies and elucidation of the structure of by-products. Additional sales opportunities arise with the range of ready-to-use formulations we launched some time ago for development projects that our customers can use directly in Phase 1 and 2 clinical trials.

These services not only lead to additional sales, but also increase customer loyalty. An extensive range of products and services from a single source reduces both the internal costs of the customer and also the need for coordination with the

INSERTS FOR HPLC VIALS (150 µL)





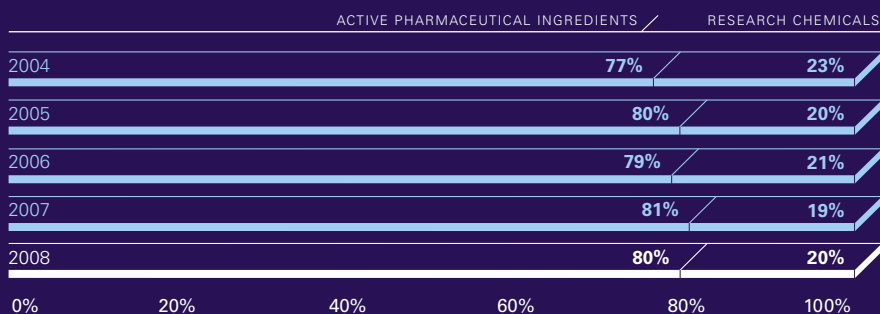
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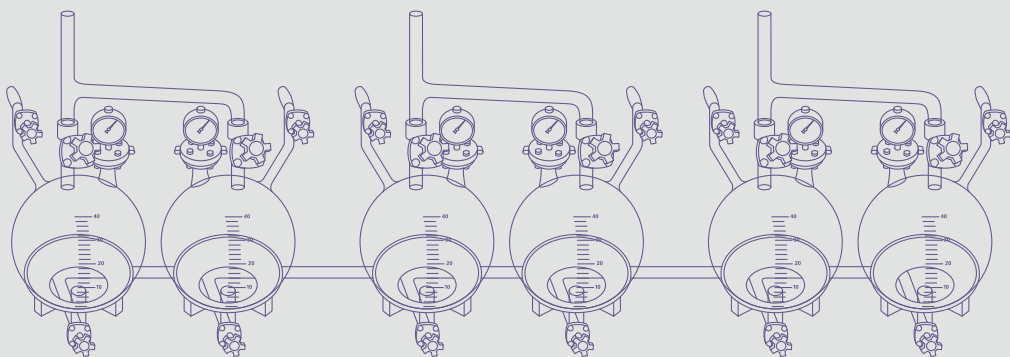
AMINO ACIDS LONG - THE MOST COMPLEX PEPTIDE WE HAVE SO FAR SYNTHESIZED IN OUR LABS

RESEARCH CHEMICALS AND CUSTOM SYNTHESSES ARE IMPORTANT STARTING POINTS FOR ESTABLISHING LONG-TERM CUSTOMER RELATIONS. BUT IN TERMS OF SALES, THE MANUFACTURE OF ACTIVE PHARMACEUTICAL INGREDIENTS ACCOUNTS FOR MOST OF OUR BUSINESS.



SALES SHARE BY BUSINESS SEGMENT





THE ANNUAL PRODUCTION OF INDIVIDUAL GENERICS ACHIEVES ACTIVE INGREDIENT QUANTITIES OF UP TO

100t

WITH NEW CHEMICAL ENTITIES WE HAVE TO BEAR IN MIND DURING THE VERY FIRST SYNTHESSES THAT ONE DAY, IF THE PRODUCT REACHES THE MARKET, LARGE QUANTITIES WILL ALSO HAVE TO BE MANUFACTURED EFFICIENTLY.



THE MOST IMPORTANT PEPTIDE BASED DRUGS ON THE MARKET

PEPTIDE	TRADENAME	INDICATION
CALCITONIN	MIACALCIC ET AL.	OSTEOPOROSIS, PAGET'S
DESMOPRESSIN	MINIRIN ET AL.	BEDWETTING
ENFUVIRTIDE	FUZEON	AIDS
EXENATIDE	BYETTA	DIABETES
GLUCAGON	GLUCAGON ITO ET AL.	HYPOGLYCEMIA
GOSERELIN	ZOLADEX	CANCER
LEUPROLIDE	LUPRON ET AL.	CANCER
OCTREOTIDE	SANDOSTATIN	ACROMEGALY, GI-TUMORS
PRAMLINTIDE	SYMLIN	DIABETES
SOMATOSTATIN	STILAMIN ET AL.	ACROMEGALY, GI-TUMORS
TRIPTORELIN	DECAPEPTYL	CANCER

regulatory authorities. In view of the huge importance of having development and regulatory approval processes run as smoothly as possible, our services are becoming increasingly crucial to the customers' decision to select us as their supplier of active ingredients for development projects and represent a genuine competitive advantage.

Together with the numerous custom syntheses, the NCE portfolio is a guarantor for growth. If we have successfully supported a customer through the phases of clinical development and the regulatory approval process for the customer's medicinal product, this is a good basis for supplying the larger quantities of active ingredient that will then be needed for its marketing – first as a patent-protected product and later as a generic.

With respect to our current project portfolio, we anticipate only a few approvals of peptide-based medicines in 2009. The cautious attitude especially of the US authorities is delaying the approval process for some of our customers' projects. An important positive decision in 2008 was the approval of Icatibant for Jerini, although the US approval for this product is still pending.

Good progress is reported by our customers whose research and development is focused on peptide-based vaccines. With several of these projects we have already achieved notable sales, and the first approval decisions could follow in 2010. At the beginning of 2009, we concluded a long-term supply agreement in this field with BionorImmuno. At present, Bachem supplies various customers with peptides for vaccine projects in the indication areas of cancer, multiple sclerosis, HIV, hepatitis, influenza and allergies. Since these are innovative prophylactic and therapeutic approaches, the hope for breakthroughs in the treatment of these diseases is counterbalanced by the uncertainty of success. But with the approval of a first peptide-based vaccine, the interest in this field is likely to grow considerably and provide further stimulus for our business.

The other NCE projects of our customers cover a wide diversity of indications, with particular emphasis on various forms of cancer, diabetes, obesity and bone metabolism, as well as projects on Alzheimer's, multiple sclerosis and the regeneration of bone tissue. In 2008, we concluded a framework agreement with Action Pharma to supply active ingredients for development projects, e.g. for the indication postoperative organ failure. An interesting development outside the core area of active pharmaceutical ingredients concerns smaller peptides for the cosmetics industry, especially for anti-aging applications, with which a new niche is opening up for Bachem.

GENERICS

Sales of generic active ingredients in 2008 showed an above-average contribution to growth and increased by 13.3% in local currencies (plus 10.4% in CHF) compared with the previous year. The main contributors to growth were peptide-based generics which are produced in Switzerland and sold in the USA for cancer therapy and the treatment of diabetes.

The non-peptide generics manufactured predominantly by Sochinaz in 2008 showed slightly growth in what was a highly competitive environment. In the current year, we anticipate to return to a significant increase in this area. With efficient manufacturing processes, good quality and a high degree of reliability, we keep on holding our ground, despite competition from low-wage countries, and are continuing to achieve above-average margins in this area.

Generics represent the strongest-selling segment of the Bachem portfolio (58% of total sales) and also show an above-average contribution to the operating income, at least through the peptide-based generics. Generics are usually ordered and manufactured in large quantities, so we are able to benefit from higher efficiency, the so-called scale effects. Since customers in this segment often want to have the active ingredients in question delivered at short notice on

demand, an appropriate stocking level is also crucial for securing and handling orders.

The prospects are favorable for further development of the generics business. Not only are increased efforts in distribution helping to acquire new customers and leading to the geographical expansion of our market; for example, the export of peptide-based generics to India doubled in 2008 compared with the previous year. But at the same time, new indications for generics already included in the product range and innovative dosage forms also offer additional opportunities in collaboration with existing customers. Finally, preparations are currently in full swing for the offer of additional generics with attractive market potential, so that we can grow further in this area in the future.

RESEARCH CHEMICALS

The positive development of Research Chemicals (+8.6% in local currency terms, +1.8% in CHF) is above all attributable to the sustained and significant increase in the custom synthesis business with a sales growth of 32.9% in the USA and 23.8% in Europe in local currencies. Sales in the catalog business, including immunology products increased only slightly compared with the previous year. Thanks to the very good development of the last

STIRRED PRESSURE FILTER FOR ABOUT 1000 L
FILTRATE (PRESSURE: -1 TO +3 BAR)





PRODUCT CONTAINER IN THE FILLING UNIT

few years, custom synthesis today accounts for almost one-third of the business segment Research Chemicals. This is of far-reaching importance for the growth potential of Bachem, because custom synthesis projects are repeatedly leading to follow-up agreements for GMP projects, which in 2008, too, resulted in significant sales of active ingredients.

We shall step up our efforts in Marketing and Sales in this area so that we can also expand and diversify our project portfolio in the future. The basis for our success is the installation of specialist facilities in Great Britain and the USA, which not only have the necessary know-how at their disposal, but also a highly efficient organization, allowing in a competitive environment to manufacture extremely complex molecules to high levels of purity at reasonable cost and within a short time.

The positive growth in custom synthesis is a result of the continuing interest in peptides both in universities and in research-based industry. Here, innovative peptide structures are constantly being isolated from organisms and structures already well known are being optimized in terms of their efficiency, stability and patentability. In addition, innovative companies are constantly in search of new compounds that are suitable for incorporating into peptides and related compound

classes and which improve their properties e.g. with regard to solubility and stability. These specialties include amino acids with a fluorine atom, for which there has recently been an increased demand. As a small, lipophilic atom, fluorine can exert a positive influence on the properties of an active ingredient without essentially altering the spatial structure.

New indications will also continue to emerge for many known peptides, such as for hepcidin, a regulator of iron metabolism. Hepcidin plays a role not only for certain forms of anemia, but also for diabetes, because a dysregulation of iron metabolism also has a negative impact on glucose homeostasis. Orexins, which are synthesized in the hypothalamus, the most important center for regulating the autonomic nervous system, also have diverse regulatory functions. They were already known to stimulate both food intake and energy consumption and to play a crucial role in regulating the sleeping-waking rhythm. Now it has also been found that orexins belong to the growing group of neuropeptides that are involved in the physiological regulation of the most important types of bone cell. All these different functions are stimulating pharmaceutical research and also offer Bachem an additional perspective for potential future products.

OUR EMPLOYEES – THE BASIS FOR SUCCESS

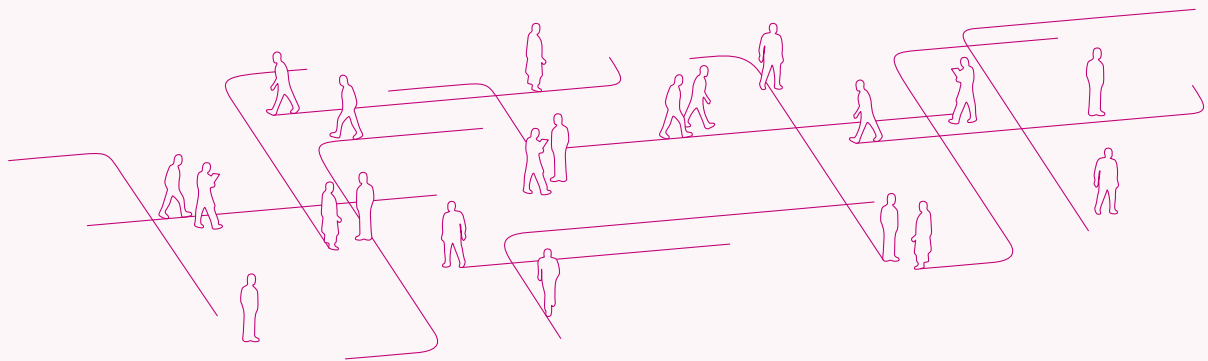
As for every company, so too for the Bachem Group, it is the employees who are crucial to performance and success. Technological leadership in a highly specialized field can only be achieved and maintained with well qualified and highly motivated people at all levels.

At the end of 2008, there were 748 people, or 722 full-time equivalents (FTEs), employed in the Bachem Group. This corresponds to an increase of 62 positions or 65 FTEs over the previous year. In particular, Bachem AG, Bubendorf, again created numerous new jobs. Altogether 48 new positions (+13.3%) were

established here in the past year. Sochinaz SA, Vionnaz, employed 114 people (previous year: 96), and the number of employees at the Group Companies in America remained almost constant at 169 (previous year: 171). At 14.2%, the fluctuation rate in the Group was lower as compared to 17.0% the previous year. Calculated in terms of FTEs, 77% of staff were employed in Europe and 23% in the USA.

In keeping with our position as a manufacturing technology company in the field of life sciences, 45% of our employees work in Research, Development and Production, while 21% work in Quality Assurance and Regulatory Affairs, which thus represent the second-largest area of employment. The remaining third is made up in almost equal parts by Marketing and Sales, Engineering and Maintenance, Logistics, Finance and Administration. For the sustainable success of the company, it is essential that people show a cross-departmental approach to the way they think and act and that all functions collaborate efficiently. With global growth, discussion and agreement between Group Companies and increased coordination at Corporate level are becoming ever more important. This background also explains the decision to enlarge the Corporate Executive Committee by one new member. Dr. Lester Mills is responsible for Marketing and Sales at Corporate level since January 1, 2009.

Our employees are specialists in their fields. We therefore attach great importance to a good level of education: 40% of our staff have a university degree, and a further 49% have completed an apprenticeship. To ensure the development of young talent and as part of our sense of corporate social responsibility, we have for many years offered young people in Switzerland opportunities for vocational training at both sites, Bubendorf and Vionnaz, enabling them to develop careers as chemistry lab technicians (specializing in synthesis or analytical chemistry), commercial employees, IT specialists, logistics assistants and polymechanics with parallel training both at work and at vocational school. In the past



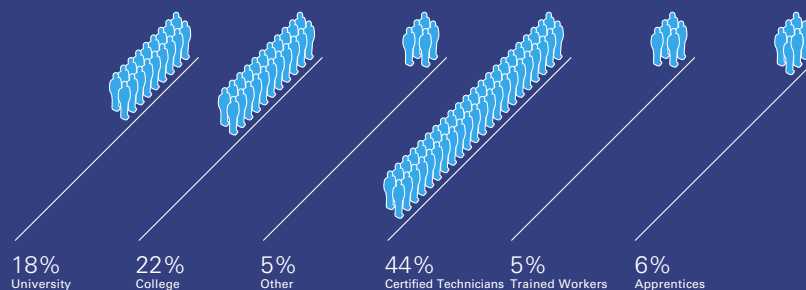
40%

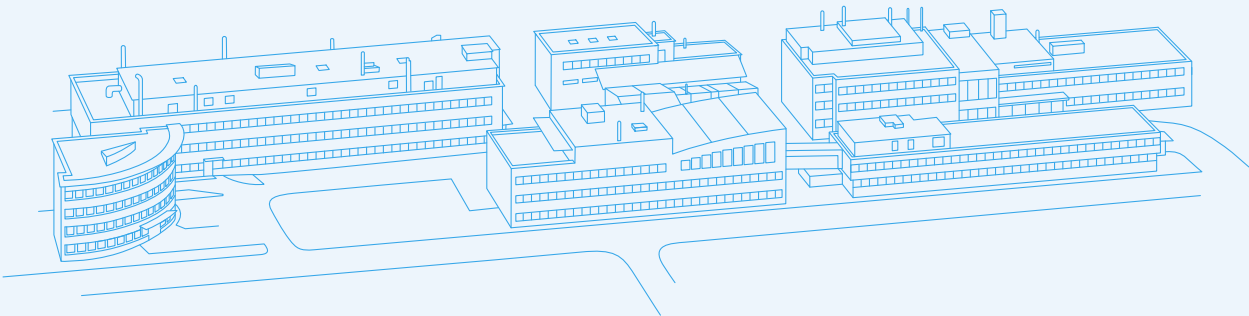
OF OUR EMPLOYEES HAVE A UNIVERSITY OR COLLEGE DEGREE

THE KEY FEATURES THAT DISTINGUISH OUR WORK ARE THE SCIENTIFIC AND TECHNOLOGICAL KNOW-HOW OF OUR EMPLOYEES AND OUR EFFORTS AS A LEARNING ORGANIZATION TO KEEP DEVELOPING.



EMPLOYEES BY EDUCATION

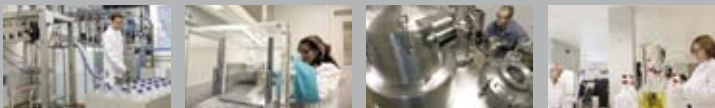




THE NUMBER OF ACCIDENTS AT THE WORKPLACE PER 100 EMPLOYEES PER YEAR IS DOWN TO ONLY

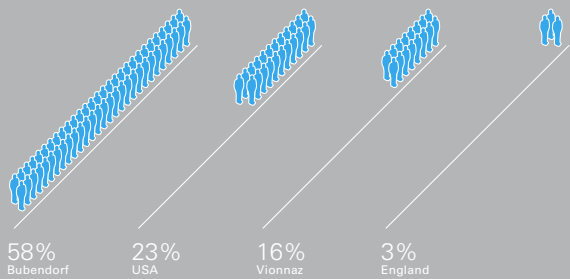
1.7

MORE THAN EVER BEFORE IN THE FULFILLMENT OF OUR MISSION
TO MAKE SCIENCE POSSIBLE WE HAVE TO MAKE SURE THAT
WHAT WE DO IS SUSTAINABLE.



BUBENDORF II USA II VIONNAZ II ENGLAND

FULL-TIME EQUIVALENTS BY LOCATION



year, another 13 apprentices successfully completed their training.

In addition to the initial professional qualification, continuing further education today is a prerequisite for success. This includes not only broadening employees' knowledge of their specialist field, but also management training and further training in the field of safety and environmental protection. Bachem systematically promotes the further training of its employees on the scientific and technological advances taking place in all relevant fields. Increasing importance is attached to knowledge of developments in the field of regulatory requirements for the manufacture of active pharmaceutical ingredients. In addition to the in-house exchange of experience, our experts also regularly attend external training events geared to ensuring that they are seen by customers and health authorities as competent and reliable partners and to strengthening the spirit of partnership in business relations.

SUSTAINABILITY – ALSO IMPERATIVE WITH SMALL QUANTITIES

As an integral part of Bachem's social responsibility towards its employees, neighbors and society in general, as well as our environment, sustainability is an issue of great importance for our company. Bachem has been a co-signatory to the Responsible Care Program of the chemical industry since as long ago as 1991. This program is a voluntary global initiative under which companies in the industry collaborate to bring about a continuous improvement in efforts to increase not only safety, but also protection of both health and the environment. For its three most important production sites – Bachem AG, Bubendorf; Sochinaz SA, Vionnaz; and Bachem Inc., Torrance – Bachem conducts an annual survey to gather key performance data in the context of this program, which are placed at the disposal of management for use as a management tool. The data serve both as indicators for the performance of the company in the areas

mentioned and as a basis for measures to initiate improvements and measure progress.

The Bachem Group employs five people full-time in the field of Safety and Environmental Protection, three at Bachem AG and one each at Sochinaz and at Bachem Inc. in the USA. These people are responsible for ensuring compliance with the relevant laws and directives and advising management, and they act as contact persons for official departments and authorities on questions of safety and the environment. They regularly hold specific training events with the staff.

At Bachem AG, energy consumption increased in line with the growth in production activity. The specific energy consumption per employee rose from 76 GJ to 82 GJ. The corresponding value of the Swiss chemical industry was 516 GJ per employee (2006). Thanks to the use of cold-water systems at Bachem AG, total water consumption was reduced to about 1/3 of consumption in the previous year and amounted to 139 m³ per employee. The industry average for total water consumption per employee is 6 420 m³. Most data obtained with regard to environment performance are well below the industry average. These figures impressively demonstrate that Bachem achieves its considerable industrial performance in a way that is comparatively compatible with the environment and with a consumption of resources that is well below average. Nevertheless, we in the Bachem Group are always at pains to reduce consumption of resources and emissions still further by means of process optimization and technical measures.

In 2008, we installed and started up a central tank farm at Bachem AG. The operation of this tank farm not only contributes to the enhancement of production efficiency, but also lowers the risk potential in the handling of organic solvents and substantially reduces the number of transport journeys for deliveries.

We attach a lot of importance to occupational safety. To measure performance in occupational safety for key data in the Responsible Care Program, we use the number of lost-time accidents (LTAs) per 100 employees as a measure of accident frequency and the number of lost work-days per employee as a measure of accident severity. In 2008, the number of LTAs per 100 employees in the Bachem Group fell to 1.7 from 1.9 the previous year. This resulted in 0.12 lost working days per employee (previous year 0.13). We are always at pains to improve preventive measures in the organizational and the human resources field. For example, in 2008 we again carried out a hazard analysis and a workplace risk assessment at Bachem AG. The results confirm the favorable risk situation. Further targeted efforts will be made to reduce the risks that still exist.

1. GROUP STRUCTURE AND SHAREHOLDERS

BACHEM HOLDING AG				
BOARD OF DIRECTORS				
CORPORATE EXECUTIVE COMMITTEE				
BACHEM AG	SOCHINAZ SA	BACHEM AMERICAS, INC.		
BACHEM DISTRIBUTION SERVICES GMBH	BACHEM (UK) LTD.	BACHEM, INC.		
		BACHEM BIOSCIENCE, INC.		
		PENINSULA LABORATORIES, LLC		

1.1. GROUP STRUCTURE

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SIX Swiss Exchange in Zurich (valor number: 1 253 020, ISIN: CH0012530207, SIX: BANB, Reuters: BAMZ.S, Bloomberg: BANB SW). Market capitalization at December 31, 2008 was CHF 1 094 800 000. No other Bachem companies are listed.

All subsidiaries are listed in note 27 on page 52 of the notes to the consolidated financial statements including company name, location and participation.

1.2. MAJOR SHAREHOLDERS

Shareholders with more than three percent of voting rights on December 31, 2008 are listed in note 4 on page 60 of the notes to the financial statements of Bachem Holding AG. There are no shareholders' agreements.

1.3. CROSS SHAREHOLDINGS

There are no cross shareholdings with other companies.

2. CAPITAL STRUCTURE

2.1. CAPITAL

At December 31, 2008, the nominal share capital of Bachem Holding AG was CHF 680 000.

2.2. AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR

Bachem does not have any conditional or authorized capital outstanding

2.3. CHANGES IN CAPITAL

In 2006, 2007 and 2008, share capital remained unchanged. Changes in equity for the years 2008 and 2007 are listed in note 23 on page 49 of the consolidated financial statements. Changes for 2006 are reported on page 49 of the annual report 2007.

2.4. SHARES AND PARTICIPATION CERTIFICATES

At December 31, 2008, Bachem Holding AG had 6 802 000 registered shares A and 6 798 000 registered shares B at a nominal value of CHF 0.05 issued, all fully paid-in. Registered shares B, but not registered shares A, are considered for trade at the stock exchange. Otherwise both types of shares have the same rights, and there are particularly no differences regarding rights to dividends and voting rights. Each registered share carries one vote at the Annual General Meeting of the company, provided the shareholder has been recorded in the company's share register (see item 2.6). All shares are fully entitled to dividends. There are no participation certificates.

2.5. PROFIT SHARING CERTIFICATES

Bachem has not issued any profit sharing certificates.

2.6. LIMITATIONS OF TRANSFERABILITY AND NOMINEE REGISTRATIONS

Registered shares of Bachem can be transferred without restriction. Registration in the share register of Bachem requires the proof of purchase of shares on own account and own benefit. There are no further registration restrictions (e.g. percentage limitation). The registration of nominees without voting rights is permitted, nominee registrations including voting rights have to be approved on request by the Board of Directors on a case by case basis. During the reporting period no nominees with voting rights have been registered nor have been any other exceptions to entering the share register been granted by the Board.

2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

The company has not issued any convertible bonds. The only options the company has issued are for its employee compensation plan as described in the accounting policies on page 32 as well as in note 25 of the consolidated financial statements on pages 51 and 52.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors is comprised of non-executive members only.



FROM LEFT TO RIGHT:
THOMAS BURCKHARDT, GOTTLIEB KNOCH,
PETER GROGG, FRANÇOIS L'EPLATTENIER,
HANS HENGARTNER

PETER GROGG (1942)*

DR. H.C., CHAIRMAN, SWISS
SINCE 1971, ELECTED UNTIL 2009

Peter Grogg founded Bachem AG in 1971 and was the CEO until 2002. From 1967 to 1971, he was one of the owners of Fox Chemical Corporation. He is Chairman of the Board of Directors of Pevion Biotech AG and Ingro Finanz AG. He is member of the Board of Directors of Polyphor AG and Dottikon ES Holding AG.

GOTTLIEB KNOCH (1942)*

GRADUATE CHEMIST ETH, MBA, VICE-CHAIRMAN
SINCE 1985, ELECTED UNTIL 2009

Gottlieb Knoch holds a diploma in chemistry of ETH Zurich and an MBA of Stanford University. Among other assignments he worked for McKinsey & Co in Zurich, Saurer AG in Arbon and Tecan AG in Männedorf. In addition, he has assumed the function of a "business angel" helping innovative start-ups with advice and support.

THOMAS BURCKHARDT (1950)

DR. IUR., LL.M., SECRETARY, SWISS
SINCE 1997, ELECTED UNTIL 2009

Thomas Burckhardt studied at the Universities of Basel, Geneva and Munich and was awarded his doctorate in 1978 in Basel. Since 1975 he is licensed attorney and in 1979 he received a Master of Law (LL.M.) at Harvard Law School (Cambridge, Massachusetts, US). Since 1980 he practices as lawyer in Zurich and Basel and since 1987 he is an associate at Simonius Pfrommer & Partner. Thomas Burckhardt further is Honorary Consul-General of the Kingdom of Thailand in Basel as well as president of an important charity in favour of young and disabled persons. Other important Board memberships: CMA CGM Agency AG, Viking River Cruises AG

FRANÇOIS L'EPLATTENIER (1939)*

DR. SC. TECHN. ETH, DR. H.C., MEMBER, SWISS
SINCE 1997, ELECTED UNTIL 2009

François L'Eplattenier holds a doctorate in chemistry of ETH Zurich. He held various research positions at former Ciba-Geigy AG before he became head of central research and later head of research and development of the plastics, pigments and additives division. In 1988 he became member of the executive committee of Ciba-Geigy AG responsible for research and development. From 1996 to 2007 he was President of the Novartis Venture Fund. Important Board memberships: Cytos Biotechnology AG, NovImmune SA, Acino Holding AG

HANS HENGARTNER (1944)

PROF. DR. SC. NAT. ETH, MEMBER, SWISS
SINCE 2003, ELECTED UNTIL 2009

Hans Hengartner studied biochemistry and molecular biology at ETH Zurich and holds a doctorate in natural sciences from ETH Zurich. He was Co-Director of the Institute for Experimental Immunology at the University Hospital Zurich and was full Professor for Immunology at the Medical Faculty of the University of Zurich and at the Department of Biology of ETH Zurich. From 2000 to 2005 Hans Hengartner was head of the Biology Department of ETH Zurich. Since March 2008 he is a Professor emeritus at the University and ETH Zurich.

*Member of the Compensation Committee

3.2. OTHER ACTIVITIES AND VESTED INTERESTS

Other activities of the members of the Board of Directors are listed in above table.

3.4. ELECTIONS AND TERMS OF OFFICE

Members of the Board are elected by the Annual General Meeting for a period of three years. Reelection is permitted. Elections are individual. All elections and motions at the Annual General Meeting are taken by open vote unless requested otherwise by the majority of votes. For information concerning first election and remaining term of office, see item 3.1.

3.5. INTERNAL ORGANIZATIONAL STRUCTURE

During 2008, the Board of Directors held one half-day and three full day meetings. The Corporate Executive Committee attends all Board meetings (see item 3.7). Three meetings were attended by all Board and Corporate Executive Committee members. At one meeting, one member of the Board of Directors was absent. If considered appropriate, members of the management of the subsidiaries are invited to the Board meetings to attend special agenda items as well. During 2008, two Chief Operating Officers of Group companies (COOs) attended three Board meetings and two COOs attended one Board meeting. In 2008, no external consultants were called in. Meetings are prepared by the Chairman and by committees of various compositions. Decisions are taken by the full Board. The Board can decide when more than half of its members are present. It decides by majority of votes. In case of a tie, the vote of the Chairman decides.

The Board constitutes a Compensation Committee (see item 3.1) that annually submits proposals regarding annual compensation of its members, the individual members of the Corporate Executive Committee as well as of Chief Operating Officers (COOs) of group companies. The Compensation Committee also proposes employee participation schemes. In the frame of approved programs, it also submits proposals concerning allocation of shares and share options to members of the Board, members of the Corporate Executive Committee as well as Chief

Operating Officers (COOs) of group companies. Approvals of proposals of the Compensation Committee are granted by the full Board. In 2008, the Compensation Committee met twice for half an hour.

The Audit Committee evaluates in particular the following tasks of the Corporate Executive Committee: The appropriateness and adequacy of the corporate financial and control systems, the financial part of the annual budget and the mid-term planning as well as the consolidated annual results. Further the Audit Committee on behalf of the Board receives, analyzes and evaluates the audit reports of the Group and statutory auditors. The tasks of the Audit Committee as described in the organization regulations currently are looked after by the full Board since considering the size of the Board with its five members the Board of Directors has renounced the formation of additional firm committees.

3.6. DEFINITION OF AREAS OF RESPONSIBILITY

Pursuant to Swiss Code of Obligations and the Articles of Incorporation of the Company, the Board of Directors has in particular the following non-transferable and inalienable duties:

- ultimate direction of the business of the Company and the giving of the necessary directives
- determination of the organization of the Company
- administration of accounting, financial control and financial planning as far as it is required for the direction of the Company
- appointment and removal of the persons entrusted with the management and representation of the Company
- ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, the Articles of Incorporation, regulations and directives
- preparation of the annual report and the Annual General Meeting of shareholders and the carrying out of its resolutions

- notification of the court if liabilities exceed assets

Per definition in its organization regulations the Board has delegated the management of ongoing operations to the Corporate Executive Committee under the leadership of the CEO. The Corporate Executive Committee is composed of the CEO, the CFO, the CTO and from January 1, 2009 the CMO (see item 4.1). The CEO in particular is responsible for the overall operational leadership. Based on the proposal of the Compensation Committee, the Board defines compensation for members of the Corporate Executive Committee and for COOs of operating group companies (see item 3.5). Further, the Board is in charge of the consolidated financial statements of the Bachem Group, as well as the financial statements of Bachem Holding AG, including reports of the external auditors. It also assesses whether recommendations of the auditors have been implemented. The detailed tasks of the Board of Directors are described in the organization regulations.

3.7. INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE CORPORATE EXECUTIVE COMMITTEE

The Corporate Executive Committee attends the meetings of the Board in order to provide updates about the ongoing business, important events within the Group and about the execution of tasks delegated to the Corporate Executive Committee. Further, the Board is informed about the most important key figures. The management information system (MIS) at Bachem is structured as follows: Each individual group company prepares a monthly report including balance sheets, income statements and other operating key figures as well as comments. On a monthly basis, balance sheets, income statements, cash flow statements and statements of changes in equity as well as various key figures of the Group and the subsidiaries are prepared and consolidated. Budgets are controlled several times a year and compared to latest estimates per subsidiary and for the consolidated results. On the occasion of the Board meetings financial reports are discussed with the Corporate Executive Committee. Extraordinary events and important decisions are immediately brought to the attention of all Board members. In addition, the Chairman regularly

meets members of the Corporate Executive Committee for discussions of business development, status of projects and important events. He receives all minutes of Corporate Executive Committee Meetings, which are also available to the other members of the Board if required.

4. CORPORATE EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

As of January 1, 2009 the Corporate Executive Committee composed of CEO, CFO and CTO was extended by a Chief Marketing Officer (CMO). For information on members of the Corporate Executive Committee see below.

4.2. OTHER ACTIVITIES AND VESTED INTERESTS

Other activities of the members of the Corporate Executive Committee are listed within the CVs below.

4.3. MANAGEMENT CONTRACTS

Bachem has not entered into any management contracts.



FROM LEFT TO RIGHT:
MICHAEL HÜSLER, DANIEL ERNE, ROLF NYFELER,
LESTER MILLS

ROLF NYFELER (1950)

DR. PHIL. II, CEO, SWISS
SINCE 2002

Rolf Nyfeler joined Bachem in 1982. He was responsible for Research and Development for some time and became COO of the Parent Company in 1998, after a commitment as Head of Production in the subsidiary in California. Since May 1, 2002, he is CEO of the Bachem Group and Chairman of the Corporate Executive Committee. He completed his education as a chemist at the Universities of Basel and San Diego and at the Max-Planck-Institute in Martinsried. Rolf Nyfeler is member of the management board of the Swiss Association of the Chemical Industry (SGCI).

DANIEL ERNE (1952)

DR. SC. NAT. ETH, CTO, SWISS
SINCE 1997

Daniel Erne joined Bachem AG in 1987 as Head Quality Control. Since 1997 he is a Member of the Corporate Executive Committee of the Bachem Group responsible for Quality Assurance and Regulatory Affairs. He received his education as a chemist at the Swiss Federal Institute of Technology in Zurich (ETHZ), then became a research fellow at the University of Utah, Salt Lake City, and at ETHZ before joining Bachem AG. Daniel Erne is member of the Board of Directors of Pevion Biotech AG.

MICHAEL HÜSLER (1972)

LIC. RER. POL., CFO, SWISS
SINCE 2005

Michael Hüsler joined Bachem Holding AG as CFO and Member of the Corporate Executive Committee in July 2005. He is responsible for all finance activities of the Bachem Group. He holds a Master degree in Business Administration from the University of Basel. After completing his studies in 1997 he worked at PricewaterhouseCoopers in the audit department. From the end of 2000 to June 2005 Michael Hüsler worked as Corporate Controller and from 2002 on as Head of Corporate Controlling at Straumann Holding AG. In addition he successfully completed the education to a Certified IFRS Accountant in 2004.

LESTER MILLS (1958)

DR. CHEM., MBA, CMO, BRITISH/SWISS
SINCE 2009

Lester Mills joined Bachem Holding AG as Chief Marketing Officer (CMO) and Member of the Corporate Executive Committee in 2009. He is responsible for all sales and marketing activities of the Bachem Group. He studied chemistry at Cambridge University (UK) and gained a Ph.D. at the UEA (UK). Later he received an MBA from the SUNY (USA, 2001). He started his career in R&D with Lonza Ltd, Visp (1987). Following this he worked in the USA in commercial development for Lonza (USA) and Genzyme (1996). In 1998 he joined Roche Vitamins Ltd (later DSM) as Sales Director (until 2008).

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. CONTENT AND METHOD OF THE COMPENSATION AND PARTICIPATION PROGRAMS

Compensation and participation programs are defined by the Board of Directors based on a proposal of the Compensation Committee. Members of the Board of Directors receive a base compensation, meeting fees and free shares. The members of the Corporate Executive Committee receive, in addition to their base salary, free shares and options. The additional variable part of compensation is subject to business success as well as to the achievement of objectives. The compensation to the Board of Directors and the Corporate Executive Committee is listed in note 29 on pages 53 and 54 of the notes to the consolidated financial statements. The share and option ownership of the Board of Directors and the Corporate Executive Committee is listed in note 29 on pages 54 and 55 of the notes to the consolidated financial statements. The share and option programs are described in detail in the notes to the consolidated financial statements on page 32.

5.2. TRANSPARENCY OF COMPENSATIONS, SHAREHOLDINGS AND LOANS PERTAINING TO ISSUERS DOMICILED ABROAD

Does not apply.

6. SHAREHOLDERS' PARTICIPATION

6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

All shareholders recorded in the share register (see item 2.6) are entitled to attend and vote at the Annual General Meetings. Representatives have to be shareholders and authorized in writing unless they are the shareholder's legal representative. For organizational reasons, subsequent to closing the share register (see item 6.5) no further registrations can be executed. Shareholders selling their shares prior to the Annual General Meeting are no longer entitled to vote. Exceptions to these regulations may be authorized by the Board of Directors.

6.2. STATUTORY QUORUMS

The Annual General Meeting passes resolutions and makes elections, if not otherwise required by law (Swiss Code of Obligations, article 704), with a simple majority of the votes represented. For the calculation of the simple majority, abstentions and empty votes are not considered.

6.3. CONVOCACTION OF THE GENERAL MEETINGS OF SHAREHOLDERS

An ordinary Annual General Meeting is held within six months after the end of the company's business year. Extraordinary general meetings may be convened by the Board of Directors, the statutory auditors or one or more individual shareholders representing a minimum of ten percent of share capital.

The convocation of the Annual General Meeting is due at least 20 days prior to the meeting by publication in the Swiss Commercial Gazette and a minimum of one daily newspaper with national circulation. The meeting can also be convened by letter to all registered shareholders.

6.4. AGENDA

Shareholders may demand that an item be included in the agenda. Related regulations are included in the Articles of Incorporation and conform with the law. Any demands must be made in writing and shall specify the proposals.

6.5. INSCRIPTIONS INTO THE SHARE REGISTER

The share register is usually closed ten days before the Annual General Meeting. The Board of Directors approves on request exceptions for late permission. The effective date of closure is published in time in the financial calendar on the company's website at www.bachem.com.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1. DUTY TO MAKE AN OFFER

The Articles of Incorporation of Bachem Holding AG do not envisage a duty to submit a public purchase offer according to art. 32, paragraph 1 of the federal law governing stock markets and stock dealing (BEHG) (Opting Out).

7.2. CLAUSES ON CHANGES OF CONTROL

Neither members of the Board of Directors nor members of the Corporate Executive Committee have a contractual agreement in case of change of control.

8. AUDITORS

8.1. DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

PricewaterhouseCoopers AG, Basel, has been statutory auditor of the Bachem Group since 1995 and statutory auditor of Bachem Holding AG since 1998. Gerd Tritschler has been lead auditor since the business year 2004. Auditors are elected by the Annual General Meeting on an annual basis.

8.2. AUDIT FEES

Audit fees of PricewaterhouseCoopers for the Bachem Group amounted to CHF 235 000 for the business year 2008. Fees for audit services on Bachem companies by other auditors totalled CHF 26 000.

8.3. ADDITIONAL FEES

During 2008, PricewaterhouseCoopers charged additional fees of CHF 121 000 for various projects and other services. Additional services conducted by other auditors amounted to CHF 11 000.

8.4. INFORMATION INSTRUMENTS PERTAINING TO THE EXTERNAL AUDITORS

The Board of Directors is responsible for the evaluation of the external auditors and determines the audit scope and plan on an annual basis. For this purpose, the external auditors prepare a report for the attention of the Board of Directors. The external auditors meet with the Board of Directors at least once a year. During this meeting the management letters concerning the individual companies and the consolidated financial statements that are summarized in the audit report are discussed. Further the external auditors provide an overview on all audits and reviews conducted as well as on current trends in the International Financial Reporting Standards (IFRS) as well as other relevant laws and standards. In 2008, the external auditors attended one Board of Directors meeting.

9. INFORMATION POLICY

The Bachem Group has an open and up-to-date information policy that treats all target groups of the capital investment market equally. The most important information tools are the annual report and the half-year report, the web site (www.bachem.com), press releases, the presentation of the financial statements for media and analysts as well as the Annual General Meeting. Shareholders are in addition informed on important matters by letter. As a company listed on the SIX Swiss Exchange, Bachem is obliged to publish information that is relevant to its share price (ad hoc publicity, art. 72 of rules governing quoted companies "Kotierungsreglement"). These rules can be viewed under www.six-swiss-exchange.com. For specific questions regarding Bachem, contact our investor relations responsible, Michael Hüsler, CFO, phone +41 61 935 2333, ir@bachem.com.

FINANCIAL REPORT

SLIGHT SALES GROWTH IN LOCAL CURRENCIES

In 2008, the Bachem Group achieved sales of CHF 195.0 million. Compared with the previous year, this corresponds to a 2.0% sales growth in local currencies or a 1.7% sales decline in CHF. The negative foreign currency impact is due in particular to the weaker US dollar, which lost an annual average of 8.3% of its value compared with 2007. On average, however, the euro was also 3.7% lower than in the previous year. Turnover was negatively affected by loss of sales in the USA resulting from a customer's high stock levels of an important product, which meant that deliveries had to be postponed. If this effect is excluded, the sales growth is calculated to be 7.7% in local currencies. Sales reached CHF 96.3 million in the second half of 2008, an increase of 3.5% in local currencies and 0.9% in CHF compared to the second half of 2007.

In 2008, sales in the active pharmaceutical ingredients (APIs) business grew by 0.5% in local currencies, but fell by 2.5% in CHF. Generics showed a very gratifying development, with growth of 13.3% in local currencies and 10.4% in CHF. Peptide-based generics were a major contributor to this increase in sales with a growth of 16.2%, while the non-peptide-based generics grew by 2.1% (in local currencies). In the case of NCEs, however, we saw a decline of 28.7% in local currencies or 31.6% in CHF. While sales of NCEs in Europe increased by almost 70%, the significant decrease in sales overall was caused by the delay of a major customer in the USA in demanding deliveries of an important product. Research chemicals showed a very positive development with an increase of 8.6% in local currencies and 1.8% in CHF. A marked double-digit growth again in custom synthesis contrasted with low growth in catalog sales. These figures result in the following picture:

IN CHF MILLION	2008	CHANGE IN LOCAL CURRENCY	CHANGE IN CHF	SALES SHARE
ACTIVE PHARMACEUTICAL INGREDIENTS (APIs)	156.8	+ 0.5%	- 2.5%	80.4%
RESEARCH CHEMICALS	38.2	+ 8.6%	+ 1.8%	19.6%
TOTAL SALES	195.0	+ 2.0%	- 1.7%	100.0%

In 2008, sales in Europe increased by 9.2% in local currencies and by 7.8% in CHF. This region thus increased its share of sales to 66.3%. By contrast, sales in North America fell by 8.5% in local currencies and by 16.1% in CHF, mainly as a result of the above-mentioned shortfall in sales to a major customer. Markedly higher deliveries of substances produced in Switzerland for the US market partly offset the loss of sales with active ingredients produced in the USA. As a result, the proportion of total sales accounted for by the US business fell to 33.7%. In terms of geographical segments, sales in 2008 developed as follows:

IN CHF MILLION	2008	CHANGE IN LOCAL CURRENCY	CHANGE IN CHF	SALES SHARE
EUROPE	129.2	+ 9.2%	+ 7.8%	66.3%
NORTH AMERICA	65.8	- 8.5%	- 16.1%	33.7%
TOTAL SALES	195.0	+ 2.0%	- 1.7%	100.0%

AT 35.7%, OPERATING MARGIN REMAINS AT VERY HIGH LEVEL

In the past year, Bachem achieved an operating income of CHF 69.7 million. This corresponds to an EBIT margin of 35.7% compared with 36.5% the previous year. As a result of the slight sales decline in CHF and the slightly lower margin, the EBIT was 3.8% lower than in the previous year. If the negative currency influence is excluded, an unchanged operating margin of 36.5% and a 1.8% increase in EBIT are calculated.

Only slight shifts in the various cost blocks occurred in 2008. The cost of goods sold (COGS) fell slightly from CHF 88.5 million to CHF 87.9 million. This corresponds to 45.1% of sales compared with 44.6% in the previous year. Despite the shortfall in sales of a major sales driver in the USA and the resulting substantial shift in the product mix, the gross margin was thus approximately maintained. It only decreased slightly from 55.4% to 54.9%.

In 2008, marketing and sales costs fell by CHF 1.4 million from CHF 12.0 million to CHF 10.6 million. This decrease is partly currency-related and partly a reflection of adjustments in the marketing and sales organization, which have had a positive impact on costs. In relation to sales, this led to a decrease in costs from 6.0% to 5.5%.

Research and development costs in 2008 increased by CHF 0.5 million from CHF 5.5 million to CHF 6.0 million, which corresponds to an increase from 2.7% to 3.1% of sales. This item includes the development of new processes on our own account and product developments in the field of non-peptide generics. However, the costs incurred in production for process optimization or scale-ups are attributed directly to the cost of goods sold.

The general administrative costs, which are predominantly incurred in CHF, increased from 10.1% to 10.8% of sales and from CHF 20.0 million to CHF 21.0 million in absolute terms. Expenditure in this area is constantly reviewed with particular cost-consciousness.

In 2008, Bachem increased the number of its employees by 65 to 722 full-time equivalents (FTEs). In Switzerland, 48 new jobs were created in Bubendorf and 18 at Sochinaz in Vionnaz, while one new job was added in the UK. By contrast, the number of employees in the USA fell by two FTEs. The number of full-time positions in the Group thus increased by 9.9%. The growth in personnel was above-average compared with sales growth. However, the increase in staff continues to be selective and is concentrated on the two Swiss sites, which achieved good sales growth in 2008 and whose prospects for the coming year are also regarded as very positive. Personnel costs consequently increased by 6.4% and amounted to CHF 73.1 million, which corresponds to 37.5% of sales.

As a result of the continued high investment activity, depreciation and amortization increased by around CHF 1.3 million to CHF 13.1 million. In relation to sales, this corresponds to an increase from 6.0% to 6.7%.

NET PROFIT MARGIN REMAINS OVER 30%

The good operating margin also led to a continued very good net profit margin in 2008 of 30.1%. Compared with the previous year, however, net income fell by 8.2% to CHF 58.7 million, with the tax expenditure – which was relatively low thanks to a lower tax rate – being offset by the loss of the positive one-off effect from the previous year at our associated companies and also a lower financial result. Earnings per share (EPS) likewise fell as a consequence and amounted to CHF 4.38 compared with CHF 4.81 in the previous year.

In the previous year, capital increases at the two associated companies Pevion and Polyphor resulted in a positive contribution to the income statement amounting to CHF 5.0 million. This one-off effect was missing in 2008, and instead a proportional loss of CHF 3.2 million resulted. In total the result from associated companies was CHF 8.2 million lower than in the previous year. This effect alone has a diminishing influence of 4.2 percentage points on the net profit margin.

In the first half of 2008, a negative financial result of CHF 1.5 million was reported. However, thanks to a much better second half-year, the financial result improved to CHF 1.2 million and thus contributed CHF 2.7 million to the result in the second half. Financial income of CHF 1.6 million compares with financial expenses of CHF 0.9 million. Thanks to hedging transactions, a positive foreign currency result of CHF 0.5 million was achieved despite a negative currency environment. However, there was no repeat of the above-average financial result from the previous year, when a result of CHF 4.8 million was achieved through the realization of profits on securities.

Compared with the previous year, the tax rate fell sharply from 22.3% to 13.2%, which resulted in a tax expense of CHF 8.9 million. In 2008, the tax expense thus amounted to only about half of the tax expense in 2007. The corporate tax reform of Canton Basel-Land, which came into force at the beginning of 2008, contributed substantially to this much lower tax rate. In the period under review, a reduction in deferred tax liabilities was also posted in addition to the sustained lower tax rate for the calculation of current taxes. The effect, which is reflected in the financial statement, amounts to around CHF 3.5 million and has a positive influence of 5.1 percentage points on the tax rate. If this effect is excluded, a tax rate of 18.3% is calculated for 2008. Moreover, in the period under review proportionately higher profits were posted in tax jurisdictions with low tax rates than in the previous year, which likewise had a positive impact on the tax rate.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to CHF 39.3 million or 20.1% of sales in 2008. Compared with the previous year, the operating cash flow was thus reduced by approximately half. The main reason for this reduction is an increase in the net working capital of CHF 40.7 million. The CHF 11.0 million increase in trade receivables at the end of 2008 is not critical and primarily explained by the fact that sales in December 2008 were around CHF 8.0 million higher than sales in December 2007. By contrast, inventory in 2008 saw an above-average build-up of CHF 27.8 million in total. About four-fifths of this warehouse build-up involved peptides.

Since the procurement situation for certain raw materials and building blocks for the peptide business has become more difficult, stock levels of raw materials and building blocks had to be increased as a precautionary measure, which explains about one-fifth of the total increase in inventory. As part of our contractual agreements, safety stock of finished goods had to be increased for some customers and, for one major customer, there was a switch to consignment stocks, which likewise had the effect of increasing stock levels. This effect accounts for a further fifth of the total inventory increase. However, our customers are under an obligation to buy these reserve quantities, and the tied capital bears interest. The other half of the inventory build-up in the area of peptides is attributable to work in progress as part of the expected further growth. Finally, we anticipate double-digit sales growth in the area of non-peptide substances at Sochinaz in 2009, so that inventories in the amount of CHF 5.0 million were already built at this site in 2008 to balance the existing production capacity. The remaining items of net working capital also increased and consequently had a negative influence on the operating cash flow of CHF 3.6 million. The CHF 1.7 million increase in trade payables had a positive impact on the operating cash flow.

As a result of the continuing dynamic growth in demand, with the exception of the special effect in the USA, investments in property, plant and equipment and intangible assets in 2008 again stood at a high level totaling CHF 54.0 million. This corresponds to 27.7% of sales. However, this total includes CHF 5.1 million for the currently unused adjacent property in Bubendorf, which is required for the further growth at this site from 2010 onwards. Bachem AG in Bubendorf accounted for most of the capital expenditures in 2008, amounting to a total of CHF 39.1 million. Investments at Sochinaz SA in Vionnaz amounted to CHF 10.9 million, while CHF 3.5 million was invested in the USA and CHF 0.5 million in the UK. As the increase in staff levels, these figures underline the fact that the expansion of capacity at the moment is focused on the two sites Bubendorf and Vionnaz, where Bachem currently operates at a very high level of capacity utilization.

In the area of financing activities, CHF 40.3 million was paid out in dividends, and there was a net decrease of CHF 9.4 million in own shares. All these activities led to the cash and cash equivalents as defined in the cash flow statement declining by CHF 36.2 million to CHF 35.4 million.

INCREASE IN DIVIDEND TO CHF 3.20 PROPOSED

Despite a slight fall in the equity ratio from 83.8% the previous year to 82.0% in 2008, Bachem remains very strongly financed. As a result of the slightly lower performance in the past year, the return on equity (ROE) declined from 17.1% to 16.0%, while the return on capital employed (ROCE) of 19.0% remained almost at the previous year's level of 19.4%.

The Board of Directors has decided to propose an increase in dividend from CHF 3.00 to CHF 3.20 for approval by the Annual General Meeting. This is in line with the dividend policy of granting shareholders the funds that are not needed in operational terms.

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31

	NOTES	2008 000 CHF	2007 000 CHF
SALES	1/2/3	194 997	198 318
COST OF GOODS SOLD		- 87 865	- 88 500
GROSS PROFIT		107 132	109 818
OTHER INCOME		151	49
MARKETING AND SALES COSTS		- 10 634	- 11 994
RESEARCH AND DEVELOPMENT COSTS		- 5 965	- 5 453
GENERAL ADMINISTRATIVE COSTS		- 21 007	- 19 979
OPERATING INCOME		69 677	72 441
RESULT FROM ASSOCIATES	2/6	- 3 245	4 995
FINANCIAL RESULT	7	1 211	4 788
EARNINGS BEFORE TAXES		67 643	82 224
INCOME TAXES	8	- 8 934	- 18 297
NET INCOME*		58 709	63 927
BASIC EARNINGS PER SHARE (CHF)	9	4.38	4.81
DILUTED EARNINGS PER SHARE (CHF)	9	4.38	4.81

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

The notes on pages 28 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2008 AND 2007

ASSETS	NOTES	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CASH AND CASH EQUIVALENTS	10	35 377	71 625
MARKETABLE SECURITIES	11	3 008	13 393
TRADE RECEIVABLES	12	31 938	22 951
OTHER RECEIVABLES	13	9 215	5 777
CURRENT TAX ASSETS		180	107
INVENTORIES	14	132 439	105 596
TOTAL CURRENT ASSETS		212 157	219 449
PROPERTY, PLANT AND EQUIPMENT	15	216 675	179 456
INTANGIBLE ASSETS	16	16 375	16 777
ASSOCIATES	2/6	7 268	10 513
DEFERRED TAX ASSETS	22	4 844	2 872
TOTAL NON-CURRENT ASSETS		245 162	209 618
TOTAL ASSETS		457 319	429 067
LIABILITIES AND EQUITY			
TRADE PAYABLES	19	17 709	16 285
OTHER CURRENT LIABILITIES	20	9 750	9 903
CURRENT TAX LIABILITIES		8 103	6 649
PROVISIONS	21	0	16
TOTAL CURRENT LIABILITIES		35 562	32 853
DEFERRED TAX LIABILITIES	22	32 607	30 105
PROVISIONS	21	0	339
DEFINED BENEFIT PLAN LIABILITY	5	13 995	6 393
TOTAL NON-CURRENT LIABILITIES		46 602	36 837
TOTAL LIABILITIES		82 164	69 690
SHARE CAPITAL	23/24	680	680
RETAINED EARNINGS	23	313 223	298 340
SHARE PREMIUM	23	91 425	90 195
OWN SHARES	23	- 1 998	- 7 831
FAIR VALUE RESERVES	23	222	468
CUMULATIVE TRANSLATION DIFFERENCES	23	- 28 397	- 22 475
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		375 155	359 377
TOTAL LIABILITIES AND EQUITY		457 319	429 067

The notes on pages 28 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEARS ENDED DECEMBER 31

	NOTES	2008 000 CHF	2007 000 CHF
CASH FLOW FROM OPERATING ACTIVITIES			
NET INCOME		58 709	63 927
ADJUSTMENTS FOR:			
INCOME TAXES	8	8 934	18 297
DEPRECIATION AND AMORTIZATION	2/15/16	13 094	11 822
FINANCIAL RESULT	7	- 1 211	- 4 788
RESULT FROM ASSOCIATES	2/6	3 245	- 4 995
SHARE-BASED PAYMENTS	25	1 230	1 202
INCOME TAXES PAID		- 4 418	- 1 502
OTHER NON-CASH ITEMS		418	- 873
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET CURRENT ASSETS*		80 001	83 090
CHANGE IN TRADE RECEIVABLES*		- 11 039	5 069
CHANGE IN INVENTORIES*		- 27 767	- 17 315
CHANGE IN TRADE PAYABLES*		1 652	5 251
CHANGE IN OTHER NET CURRENT ASSETS*		- 3 570	1 975
CASH FLOW FROM OPERATING ACTIVITIES		39 277	78 070
CASH FLOW USED FOR/FROM INVESTING ACTIVITIES			
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	2/15	- 53 587	- 33 997
INVESTMENTS IN INTANGIBLE ASSETS	2/16	- 420	- 1 305
BUSINESS COMBINATIONS	16/17	0	- 1 920
PURCHASE PRICE REDUCTION ON BUSINESS COMBINATION	16/17	400	0
INVESTMENTS IN ASSOCIATES	6	0	- 2 000
PURCHASES OF MARKETABLE SECURITIES		0	- 829
SALES AND REPAYMENTS OF MARKETABLE SECURITIES		9 681	43 070
INTEREST RECEIVED		921	1 920
DIVIDENDS RECEIVED	7	79	327
OTHER FINANCIAL INCOME	7	144	136
OTHER FINANCIAL EXPENSES	7	- 284	- 239
CASH FLOW USED FOR/FROM INVESTING ACTIVITIES		- 43 066	5 163
CASH FLOW USED FOR FINANCING ACTIVITIES			
ADDITIONS OWN SHARES		- 876	- 79
DISPOSALS OWN SHARES		10 275	8 872
DIVIDENDS PAID	26	- 40 324	- 92 880
CASH FLOW USED FOR FINANCING ACTIVITIES		- 30 925	- 84 087
NET EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		- 1 534	- 637
NET CHANGE IN CASH AND CASH EQUIVALENTS		- 36 248	- 1 491
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10	71 625	73 116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	35 377	71 625
NET CHANGE IN CASH AND CASH EQUIVALENTS		- 36 248	- 1 491

* new subtotal and split of the change in net current assets to further increase the informative value of the Consolidated Cash Flow Statement

The notes on pages 28 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31

	NOTES	2008 000 CHF	2007 000 CHF
CHANGE IN FAIR VALUE RESERVES AND	23	- 269	- 4 536
DEFERRED TAXES THEREON	22/23	23	414
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS AND	5	- 8 507	- 783
DEFERRED TAXES THEREON	22	1 701	157
CUMULATIVE TRANSLATION DIFFERENCES	23	- 5 922	- 6 132
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		- 12 974	- 10 880
NET INCOME ACCORDING TO INCOME STATEMENT		58 709	63 927
TOTAL RECOGNIZED INCOME AND EXPENSE*	23	45 735	53 047

* completely attributable to the equity holders of the parent

The notes on pages 28 to 55 are an integral part of the consolidated financial statements.

GENERAL INFORMATION**BUSINESS ACTIVITIES**

Bachem, based in Bubendorf in the Canton of Basel-Land, Switzerland, is an independent, technology-based, public biochemicals company providing full service to the pharma and biotech industry. Bachem employs 722 people (FTE) and is specialized in the process development and the manufacturing of peptides and complex organic active pharmaceutical ingredients and innovative biochemicals for research purposes. With headquarters in Switzerland and affiliates in Europe and the US, Bachem works on a global scale and holds the leading position in the field of peptides.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been accepted by the Board of Directors of Bachem Holding AG on February 25, 2009 to be presented for approval by the Annual General Meeting on April 22, 2009.

ACCOUNTING POLICIES**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements of the Bachem Group are based on historical cost with exception of the revaluation of certain financial assets and liabilities at fair value. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB), including additionally released standards and interpretations as well as the following valuation and accounting policies and Swiss law.

The financial statements of the companies included in the consolidation are prepared using uniform accounting policies. The annual closing date of the individual financial statements is December 31, with all cost and income items being reported in the period to which they relate. Intercompany income and expenses, including unrealized profits from internal Group transactions and intercompany receivables and payables, are eliminated. Acquired companies are consolidated according to the purchase method. Companies acquired or divested in the course of the year are included in the consolidated financial statements as of the date of purchase respectively up to the date of sale. Unless otherwise indicated, all the figures quoted in these annual financial statements and the notes to the annual financial statements have been rounded up to the nearest CHF 1 000.

INTERPRETATIONS EFFECTIVE IN 2008 BUT NOT RELEVANT FOR BACHEM**IFRIC 11**

IFRS 2 – Group and Treasury Share Transactions

IFRIC 12

Service Concession Arrangements

IFRIC 14

IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations to existing standards have been published. They are mandatory for the accounting periods beginning on or after January 1, 2009 or later. They have not been early adopted by the Group. Bachem expects the biggest impacts from the following new standards and amendments to existing standards:

**IFRS 8 OPERATING SEGMENTS
(EFFECTIVE JANUARY 1, 2009)**

IFRS 8 requires the disclosure of segment information, which is used by management as the basis for running the business. In general, the disclosed information should equal the information management uses to assess segment performance. The impact of IFRS 8 is currently being evaluated.

**IAS 1 PRESENTATION OF FINANCIAL STATEMENTS
(AMENDMENT EFFECTIVE JANUARY 1, 2009)**

The amendment requires a new „Statement of Comprehensive Income“. This statement contains income and expenses recognized directly in equity, without the classical transactions with shareholders (dividends, capital increases resp. capital repayments). Entities can choose whether to combine the „Statement of Comprehensive Income“ with the income statement or to show it separately in an individual statement. The impact of this amendment is currently being evaluated.

OTHER AMENDMENTS AND INTERPRETATIONS

All other new amendments and interpretations which are not yet effective have no material impact on Bachem at the moment. A lot of the amendments relate to the annual improvements projects of the IASB and aim to remove inconsistencies and clarify wording.

IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendment)
IFRS 2	Share-based Payment (Amendment)
IFRS 3	Business Combinations (Amendment)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendment)
IFRS 7	Financial Instruments: Disclosures (Amendment)
IAS 1	Presentation of Financial Statements (Amendment)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)
IAS 10	Events after the Reporting Period (Amendment)
IAS 16	Property, Plant and Equipment (Amendment)
IAS 18	Revenue (Amendment)
IAS 19	Employee Benefits (Amendment)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance (Amendment)
IAS 23	Borrowing Costs (Amendment)
IAS 27	Consolidated and Separate Financial Statements (Amendment)
IAS 28	Investment in Associates (Amendment)
IAS 29	Financial Reporting in Hyperinflationary Economies (Amendment)
IAS 31	Interests in Joint Ventures (Amendment)
IAS 32	Financial Instruments: Presentation (Amendment)
IAS 34	Interim Financial Reporting (Amendment)

IAS 36	Impairment of Assets (Amendment)
IAS 38	Intangible Assets (Amendment)
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)
IAS 40	Investment Property (Amendment)
IAS 41	Agriculture (Amendment)
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of Bachem Holding AG and all companies in Switzerland and abroad, which Bachem Holding AG controls (over 50% of voting rights). The companies included in the consolidation are listed in note 27.

INVESTMENTS IN SUBSIDIARIES

In cases where the Bachem Group directly or indirectly holds a voting majority or controls companies in a different way, the assets and liabilities and income and expenses of these companies are fully included in the consolidated financial statements. Third-party minority interests in income and in the equity of subsidiaries are shown separately.

Intercompany transactions and balances between Group companies are eliminated. Supplies are delivered and services provided between Group companies at market prices. Internal profits on inventories and deliveries within Group companies not yet realized via sales to third parties are eliminated.

INVESTMENTS IN ASSOCIATES

Investments in associates on whose business policies Bachem may potentially have significant influence are accounted for using the equity method. They are initially recorded at cost in the balance sheet. Following the acquisition, changes to the percentage interest and any impairment of assets are taken into account. Participation in the result as well as dilutions due to capital increases of these associates are recognized as income or expense.

Associates also apply the International Financial Reporting Standards (IFRS).

CURRENCY TRANSLATION

The functional currency of the individual subsidiaries is the valid local currency (CHF, USD, EUR, GBP). Local transactions in other currencies are recorded by the companies using the exchange rate prevailing on the transaction date. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of financial assets and liabilities in foreign currencies are recognized in the income statement if they are not reported as qualified hedging transactions for cash flow or equity loans and as such recorded in equity.

The consolidated financial statements are compiled in Swiss francs, the functional and presentation currency of the parent company. Assets and liabilities included in the local accounts are translated into Swiss francs using the exchange rates prevailing on the balance sheet date. Income, expenses, and cash flows are translated using the respective weighted yearly average exchange rate. Translation differences arising from the translation of balance sheet and income statement are allocated to equity. In the event of the sale of a foreign business unit, these exchange rate differences are recorded as part of the gain or loss arising from the relevant sale in the income statement. Goodwill arising on the acquisition of a foreign entity is treated as assets and liabilities of the foreign entity and translated at the closing rate.

The following exchange rates were used for foreign currencies:

	INCOME STATEMENT AVERAGE RATES		BALANCE SHEET YEAR END RATES	
	2008 CHF	2007 CHF	2008 CHF	2007 CHF
USD	1.10	1.20	1.06	1.13
GBP	2.01	2.40	1.53	2.25
EUR	1.58	1.64	1.48	1.66

REVENUE RECOGNITION

SALE OF PRODUCTS

The reported sales correspond to invoiced product deliveries and to third parties and are reported net of sales taxes and rebates. Sales are recognized on invoicing of product deliveries, this means when the significant risks and rewards of ownership of the goods are transferred to a third party. Intercompany sales are eliminated.

SALE OF SERVICES

Income from the sale of services is reported in the accounting period in which the services were provided.

INTEREST AND DIVIDEND INCOME

Interest income is reported on a pro rata basis using the effective interest rate method. Dividend income is recorded when the legal entitlement to payment arises.

SEGMENT INFORMATION

PRIMARY SEGMENT INFORMATION

The primary segments are based on the geographical information by the location of the assets and are divided into the two segments Europe and North America. In addition, net sales figures are divided according to the location of customers in the geographical segments Europe/Rest of the World and North/South America.

SECONDARY SEGMENT INFORMATION

The secondary segments are based on the two business segments active pharmaceutical ingredients and research ingredients (including custom synthesis). Investments and assets cannot be allocated to the business segments since multipurpose equipment is used that can be employed to produce different products.

CASH AND CASH EQUIVALENTS

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

The cash flow statement is based on cash and cash equivalents.

FINANCIAL ASSETS

Bachem divides its financial assets into the following categories: Financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. Classification depends on the purpose for which the assets were acquired. The management classifies assets as they are acquired and reviews the relevant allocation on an annual basis.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category is divided into two sub-categories: Financial assets classified from the beginning as being held for trading, and those designated from the beginning as financial assets at fair value through profit or loss. A financial asset is allocated to this category if it was acquired for short-term sale or was allocated in this way by management. Derivatives also belong to this category if they do not qualify as hedges. Assets in this category are reported as current assets if they are either held for trading or are likely to be realized within 12 months following the balance sheet date.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. If their maturity is no later than 12 months after the balance sheet date, they are classified as current assets. Otherwise, they are reported as non-current assets.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that were either allocated to this category or cannot be allocated to any of the other categories. They are allocated to non-current assets if the management does not intend to sell them within 12 months following the balance sheet date.

Purchases and sales of financial assets are recognized at the settlement date, i.e. the day on which the assets are transferred. The initial recording of all assets that do not belong to the "Financial assets at fair value through profit or loss" category is carried out at fair value including transaction costs. "Financial assets at fair value through profit or loss" are also initially recorded at fair value, but the transaction costs are booked to the income statement.

The assets are derecognized as soon as the rights to receive cash flows from the assets expire or are transferred, and Bachem has ceded all risks and opportunities arising from their ownership. Available-for-sale assets and assets recognized at fair value through profit or loss are subsequently valued at fair value. Loans and receivables, as well as held-to-maturity assets are accounted for at amortized cost using the effective interest method. Realized and unrealized gains and losses resulting from changes in the fair value of assets "at fair value through profit or loss" are booked to the income statement in the period during which they occur. Unrealized gains and losses resulting from the changes in fair value of available-for-sale financial assets are recorded in equity. If available-for-sale assets are sold or affected by impairment, the market value adjustments accumulated in equity are included in the income statement as gains and losses from securities.

The fair values of listed investments are based on current offer prices. For financial investments with no active market and in the case of unlisted securities, Bachem determines the fair value using appropriate valuation methods. This includes the use of transactions at usual market conditions, reference to the market prices of other assets that are fundamentally similar, discounted cash-flow analysis and option price models tailored to the specific circumstances of the issuer.

On every balance sheet date, it is determined whether there is objective evidence to suggest that a financial investment or a group of financial investments has been affected by impairment. In the case of investments categorized as available for sale, a considerable or sustained decline in the fair value of the security below its acquisition cost is assumed in order to determine whether the security has been affected by impairment. In this case, the cumulative loss – measured as the difference between the purchase price and the current fair value of the financial investment, minus any impairment, which has already been recognized in the income statement – is removed from equity and included in the income statement. Impairment losses on financial investments that have already been recognized in the income statement are not reversed.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into. Transaction costs are recognized in the income statements. Subsequently they are also measured at fair value. Bachem uses derivative financial instruments mainly to hedge foreign exchange risks. Bachem does not apply hedge accounting, instead all valuation gains and losses are recognized directly in the income statement.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method which approximates the original invoice amount, less provision for impairment. An impairment occurs when there is objective evidence that it will not be possible to collect all amounts due. Impairment corresponds to the difference between the book value of the receivable and the expected payment to be received from the customer and is included in sales as a sales deduction.

INVENTORIES

Inventories include raw materials (incl. consumables), work in progress and finished goods. They are recognized at acquisition or manufacturing cost or net realizable value, whichever is the lowest. Manufacturing costs comprise all related production costs including proportionate production overhead costs. Net realizable value is the estimated sales proceeds achievable in normal business, less the necessary variable sales costs. In general, the valuation is based on the First-In-First-Out (FIFO) method, except for technical raw material, which is recognized based on weighted average cost.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are carried at acquisition costs less accumulated depreciation. They are recognized at acquisition or manufacturing cost and depreciated on a linear basis over their estimated useful lives. This excludes land, which is not depreciated. Financial contributions from third parties (state subsidies) reduce acquisition and manufacturing costs. Property, plant and equipment removed from or sold by the business are derecognized from property, plant and equipment with the related acquisition or manufacturing costs and the accumulated depreciation. All gains or losses arising from the removal of property, plant and equipment are accounted for in the income statement. The estimated useful lives for the main categories of property, plant and equipment to be depreciated are as follows:

BUILDINGS	20 TO 40 YEARS
INSTALLATIONS	10 TO 20 YEARS
LABORATORY EQUIPMENT	10 TO 20 YEARS
OTHERS	3 TO 10 YEARS

The depreciation rates reflect the anticipated, economic useful life of the respective assets. Maintenance costs are recognized in the income statement. Additional costs that extend the estimated useful life of property, plant and equipment and lead to future economic benefits are capitalized, if these costs can be reliably estimated. All other costs for repair and maintenance are recognized in the income statement.

If certain events or changing circumstances suggest that the actual value of the asset has fallen below its book value, an impairment test is carried out. If so, Bachem estimates the future cash flows that are likely to result from the usage of this asset and its possible sale. If the sum of the anticipated cash flows is lower than the book value of the asset, an impairment in the amount of the difference between the book value and the net realizable value is recognized.

INTANGIBLE ASSETS

GOODWILL

In the case of business combinations, the excess of the purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill in the balance sheet at cost. Goodwill is reviewed for impairment as required, but at least annually. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

OTHER INTANGIBLE ASSETS

PATENTS AND LICENSES: Any patents and licenses acquired are recognized in the balance sheet at historic acquisition cost less accumulated amortization and any impairments. They are amortized on a straight-line basis over their useful lives. The ongoing costs of patents and licenses are recognized in the income statement. Patents and licenses are reviewed for impairment if there are indications of a reduction in their value.

BRANDS: Acquired brands are recognized in the balance sheet at historical cost less any impairments. As long as such brands are used, Bachem assumes that they qualify as intangible assets with indefinite useful lives, which are tested for impairment as required, but at least annually.

SOFTWARE: Software is recognized in the balance sheet at acquisition or manufacturing cost plus the cost of installation less accumulated amortization and any impairments. It is amortized on a straight-line basis over its estimated useful life. Software is reviewed for impairment if there are indications of a reduction in its value. Expenditure incurred in connection with the development or maintenance of IT systems is recognized as an expense. This does not apply to expenditure in connection with IT projects when it is probable that the associated economic benefits will flow to the company over a period of more than one year and will exceed the costs incurred. Capitalized development cost for software is amortized on a straight-line basis over its estimated useful life.

RESEARCH AND DEVELOPMENT COSTS: All research and development expenditure is recognized directly as an expense in the period in which it is incurred, as it cannot be directly attributed to a specific, future or product-related benefit.

TAXES

Income taxes are accrued in the same period as the revenues and expenses to which they relate. Where no distribution of profits is planned, withholding taxes and other taxes on possible subsequent distributions are not taken into account, as the profits are generally reinvested.

Deferred taxes 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 (comprehensive liability method), with the exception of differences where Bachem is able to control the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future. The Group's deferred tax assets and tax liabilities, calculated using applicable local tax rates, are included in the consolidated balance sheet as non-current assets and non-current liabilities respectively.

Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is probable that future profits will be available and the tax loss carry-forwards can be utilized.

Changes to tax laws or tax rates issued on the balance sheet date are taken into account in the definition of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.

PENSION OBLIGATIONS

Pension and retirement benefits in favor of employees are governed by the regulations and practice of the countries in which Bachem is represented. In Switzerland, pension and retirement benefits are governed by the rules of defined benefit plans in accordance with IAS 19 (Employee Benefits). The defined benefit obligation of the material defined benefit pension plans is calculated on a yearly basis by independent actuaries using the projected unit credit method. The defined benefit obligation is equal to the present value of all estimated future cash flows. Plan assets are recognized at fair market values. Actuarial gains and losses are recognized directly in equity.

In the other countries pension and benefit plans are provided by defined contribution schemes.

EMPLOYEE PARTICIPATION (SHARE-BASED PAYMENTS)

Depending on business performance, the Board of Directors can decide to pay all employees a share of profits as part of the annual remuneration package. This amount is paid in cash.

Employees of the Bachem Group are entitled to free shares without vesting period after each three full years of service. The number available depends on operational function and is between 20 and 200 shares. The shares are freely disposable and are charged to staff costs, evenly distributed over this three year period.

The Corporate Executive Committee receives within the scope of the same scheme 100 and the Board of Directors 300 free shares after each full year of service. These shares are booked to staff cost in the year of granting.

Certain key management employees receive free shares at the time of their employment or promotion. These shares are blocked for five years. The shares are recognized as staff costs over the vesting period at the share price applicable at grant date.

Certain key management employees of the Bachem Group also receive between 150 and 500 free options each year. One option entitles to buy one share at a fixed strike. The options have a term of three to five years and are blocked for one to three years. The value of the options is the fair value at grant date and is determined using the Trinomial-Baum-Method. The services for share options are booked as staff costs over the vesting period.

Bachem holds own shares to meet the requirements of its share and option plans.

PROVISIONS

Provisions are recognized if a present legal or constructive obligation has arisen as a result of a past event, the outflow of funds to settle this obligation is probable, and the amount of the obligation can be estimated reliably. The provisions recognized represent the best estimate of the ultimate obligation taking into account foreign currency effects and the time value of money.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability, if a future outflow of funds appears unlikely.

OWN SHARES

Own shares are valued at acquisition cost and are deducted from equity.

DIVIDEND DISTRIBUTION

Dividends are distributed in the period in which they are approved by the company's shareholders.

RISK ASSESSMENT

The risk assessment of the Bachem Group takes place within the ordinary Board meetings. The Corporate Executive Committee participates in all Board meetings and is therefore fully involved in the risk assessment process. The strategic, operational and financial risks that exist in the different areas respectively on the different levels are discussed within these meetings and appropriate actions to reduce the risks are defined if necessary.

The Corporate Executive Committee meets with the Chief Operating Officers of the Group companies several times per year to have local Board meetings. As part of these Board meetings the risks of the relevant Group company are assessed. The outcome of these discussions flows into the risk assessment process on Group level. Group wide risks and their impact on the local entities are also discussed in the local Board meetings.

For each area at least one international meeting takes place per year, where members of the management discuss area-specific topics as well as current risks. The Corporate Executive Committee is represented in these international meetings and incorporates the relevant issues in the Group wide risk assessment process.

FINANCIAL RISK FACTORS

Due to its worldwide activities Bachem is exposed to a variety of financial risks like currency risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This includes the sporadic use of derivative financial instruments to economically hedge financial risks, without applying an actual hedge accounting according to IAS 39. Bachem only cooperates with first-class financial institutions.

FOREIGN EXCHANGE RISK

Bachem operates internationally and is therefore exposed to foreign exchange risk based on changes in the exchange rates of various foreign currencies, mainly the US dollar and the Euro. The risks relate to expected future transactions, assets and liabilities recognized in the balance sheet, and net investments in foreign operations. If material foreign exchange fluctuations are expected, the risks relating to these fluctuations are analyzed by group treasury and hedged with derivative financial instruments as necessary.

At December 31, 2008, if the Euro had weekend by 3% against the Swiss Franc with all other variables held constant, pre-tax profit for the year would have been CHF 292 000 (2007: CHF 286 000) lower and equity would not have been affected directly. In the opposite case profit would have been higher by the same amount.

At December 31, 2008, if the US dollar had weekend by 10% against the Swiss Franc with all other variables held constant, pre-tax profit for the year would have been CHF 903 000 (2007: CHF 2 122 000) lower and equity would not have been affected directly. In the opposite case profit would have been higher by the same amount.

Main reasons for this would be foreign exchange gains/losses on translation of cash and receivables. Compared to the prior year the

pre-tax profit is less sensitive to currency fluctuations in USD since the intercompany receivables in USD at December 31, 2008 were substantially lower than they were at December 31, 2007.

INTEREST RATE RISK

Interest-bearing securities and revenue from cash and cash equivalents are exposed to changes in market interest rates. On one hand a change in market interest rate has an impact on cash flows (cash flow risk) and on the other hand it also influences the fair value of interest-bearing securities with fixed interest rates (fair value risk). A 1% rise in market interest rate would have led to an increase of CHF 429 000 (2007: CHF 665 000) in cash flow and in pre-tax profit. If market interest rate had declined by 1%, cash flow and profit would have decreased by the same amounts. Interest rate risk is not being hedged by the Group. There were no more interest-bearing securities with fixed interest rates held at the balance sheet date. In 2007, a 1% shift in market interest rate would have led to a change of CHF 348 000 in the fair value of interest-bearing securities with fixed interest rates and in equity.

Since Bachem is self-financed apart from short-term, non-interest-bearing liabilities, a shift in the rate of interest payable has no impact on profit.

EQUITY SECURITIES PRICE RISK

The group is entitled to acquire shares, bonds and options for asset management purposes. According to the code of asset management only non operating assets are invested in such marketable securities. For each asset category specific asset management rules are predefined. Investment decisions are made by the investment committee. Potential larger investments are verified by analyses of financial key figures. At December 31, 2008, 100% of the shares invested are subject to the SPI (2007: 100% SPI). Since all shares are classified as available for sale, fluctuations of the indices only have an impact on equity. A 10% fluctuation of the SPI would have led to a change in equity of CHF 301 000 (2007: CHF 419 000).

CREDIT RISK

Credit risks arise when customers or financial institutions are not able to meet their obligations as agreed. Credit risk may arise from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers. Banks and financial institutions need an independently evaluated minimum rating of "A" in order that Bachem does business with them. To diversify credit risk, cash and cash equivalents held by Bachem on December 31, 2008, were distributed among several financial institutions in Switzerland (3 banks, portion: 29%, 27% and 23%) and abroad (portion: 21%). In 2007, 74% of Bachem's cash and cash equivalents were concentrated on one financial institution in Switzerland. The remaining 26% were split over several financial institutions in Switzerland and abroad.

The Group has not issued generally accepted credit limits due to the differing customer structure in each of the business units. However, each entity assesses the credit quality of customers systematically, taking into account the financial situation, the past experience and other factors, where necessary prepayments are requested. Management does not expect any substantial losses from outstanding receivables.

LIQUIDITY RISK

The liquidity risk describes the risk that arises when the Group is not able to meet its obligations due. Bachem monitors its liquidity through prudent liquidity management. In doing so, Bachem follows the principle of maintaining liquidity reserves higher than the daily and monthly demand of operating cash. This includes the provision of sufficient cash and marketable securities. Bachem does not have any agreed credit lines currently. Given Bachem's solid financial situation, credits could be negotiated quickly at good conditions if required.

A rolling forecast of liquidity on the basis of expected cash flow is conducted and regularly updated. In order to fulfill its liabilities, Bachem monitors a minimum liquidity reserve of approximately 10% - 15% of Group sales. This target is monitored continuously and readjusted if required.

CAPITAL RISK MANAGEMENT

When managing capital, Bachem's objectives are to safeguard the Group's ability to continue as a going concern and to achieve an adequate return for the shareholders. In order to reach these goals Bachem may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

It is Bachem's goal to be self-financed apart from short-term operating liabilities. The reported equity in the consolidated balance sheet at year-end 2008 was CHF 375 million (2007: CHF 359 million). The equity ratio at December 31, 2008 amounted to 82% (2007: 84%).

RELATED PARTIES

Parties are considered to be related if one party directly or indirectly controls, is controlled by, or is under common control with the other party, if it has an interest in the other party that gives it significant influence over the party, if it has joint control over the party, or if it is an associate or a joint venture. Senior management of the Company and their close family members are also deemed to be related parties, as are pension plans that exist for the benefit of the company's employees.

GOVERNMENT GRANTS

Government grants are recorded at fair value provided there is a reasonable assurance that the grant will take place and that all requirements attached to it will be fulfilled.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates and assumptions. Furthermore, the Corporate Executive Committee is required to exercise judgment in its application of the Group's accounting policies and principles. Estimates and assumptions seldom match the actual outcome or results. Areas which are more complex in nature and call for a higher level of judgment, and areas in which estimates and assumptions are of vital importance for the consolidated financial statements are as follows:

GOODWILL

The Group conducts an annual analysis to determine whether goodwill impairment is required. The underlying valuations are based on estimates (refer to note 18).

INCOME TAXES

Bachem is required to pay income taxes in a number of countries. Significant judgment is required in determining income tax provisions and in evaluating tax positions. The Group measures the level of tax provisions for adjustments to tax assessments and/or expected tax audits on the basis of estimates of whether and in what amount additional taxes will fall due.

1. SALES

The reported sales consist of the following:

	2008 000 CHF	2007 000 CHF
PRODUCTS	189 363	194 588
SERVICES	5 634	3 730
TOTAL SALES	194 997	198 318

2. SEGMENT INFORMATION (GEOGRAPHICAL)

PRIMARY SEGMENT INFORMATION BASED ON LOCATION OF ASSETS	EUROPE		NORTH AMERICA		ELIMINATIONS		CONSOLIDATED VALUES	
	2008 000 CHF	2007 000 CHF	2008 000 CHF	2007 000 CHF	2008 000 CHF	2007 000 CHF	2008 000 CHF	2007 000 CHF
SALES THIRD PARTIES	129 201	119 861	65 796	78 457	0	0	194 997	198 318
SALES INTERCOMPANY	25 804	22 301	3 471	4 158	- 29 275	- 26 459	0	0
TOTAL SALES	155 005	142 162	69 267	82 615	- 29 275	- 26 459	194 997	198 318
OPERATING INCOME	58 388	49 390	10 112	23 514	1 177	- 463	69 677	72 441
RESULT FROM ASSOCIATES	- 3 245	4 995	0	0	0	0	- 3 245	4 995
FINANCIAL RESULT							1 211	4 788
INCOME TAXES							- 8 934	- 18 297
NET INCOME							58 709	63 927

OTHER INFORMATION	DEC. 31, 2008 000 CHF		DEC. 31, 2007 000 CHF	
ASSETS	478 440	439 084	107 383	116 357
LIABILITIES	141 398	119 723	48 818	40 792
ASSOCIATES	7 268	10 513	0	0

	2008 000 CHF	2007 000 CHF
CAPITAL EXPENDITURE	50 500	26 315
DEPRECIATION AND AMORTIZATION	- 10 359	- 9 283
	- 2 735	- 2 539
	- 13 094	- 11 822

SEGMENT INFORMATION BASED ON LOCATION OF CUSTOMERS	EUROPE/REST OF WORLD		NORTH/SOUTH AMERICA		CONSOLIDATED VALUES	
	2008 000 CHF	2007 000 CHF	2008 000 CHF	2007 000 CHF	2008 000 CHF	2007 000 CHF
SALES THIRD PARTIES	124 850	116 546	70 147	81 772	194 997	198 318

Transactions between the segments are performed at arms length, i.e. based on prices as they are charged to third parties.

3. SEGMENT INFORMATION (BUSINESS SEGMENTS)

	2008 000 CHF	2007 000 CHF	2008 IN %	2007 IN %	CHANGE IN CHF IN %	CHANGE IN LOCAL CURRENCIES IN %
ACTIVE PHARMACEUTICAL INGREDIENTS (APIS)	156 838	160 828	80.4%	81.1%	- 2.5%	+ 0.5%
RESEARCH CHEMICALS (INCL. CUSTOM SYNTHESIS)	38 159	37 490	19.6%	18.9%	+ 1.8%	+ 8.6%
TOTAL SALES	194 997	198 318	100.0%	100.0%	- 1.7%	+ 2.0%

Investments and assets cannot be allocated to the business segments since multi-purpose equipment is used which can be employed to produce different products.

4. STAFF COST

	2008 000 CHF	2007 000 CHF
SALARIES AND WAGES	- 56 673	- 53 497
PENSION COSTS FOR DEFINED BENEFIT PLANS	- 1 983	- 1 808
PENSION COSTS FOR DEFINED CONTRIBUTION PLANS	- 586	- 1 110
OTHER SOCIAL SECURITY EXPENSES	- 8 104	- 7 243
SHARE-BASED PAYMENTS	- 1 230	- 1 202
OTHER PERSONNEL RELATED COSTS	- 4 497	- 3 848
TOTAL STAFF COSTS	- 73 073	- 68 708

5. POST EMPLOYMENT BENEFITS

Post employment benefits are based on the regulations and circumstances in each country where Bachem is represented. In countries with defined contribution plans, the related contributions which have an effect on the income statement in 2008 amounted to CHF 586 000 and in 2007 to CHF 1 110 000.

In Switzerland Bachem Holding AG, Bachem AG and Sochinaz SA are members of so called "LOB multi employer plans". These funds are considered defined benefit plans. The defined benefit obligations are calculated by independent actuaries on an annual basis. The following is a summary of these defined benefit plans at December 31, 2008 and 2007:

DEFINED BENEFIT PLAN LIABILITY	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
FAIR VALUE OF PLAN ASSETS	46 117	48 183
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION	- 60 112	- 54 576
DEFICIT RECOGNIZED AS A LIABILITY IN THE BALANCE SHEET	- 13 995	- 6 393

COMPOSITION OF THE ANNUAL PENSION COST	2008 000 CHF	2007 000 CHF
SERVICE COST	- 4 084	- 3 751
INTEREST COST	- 1 906	- 1 599
EXPECTED RETURN ON PLAN ASSETS	1 927	1 728
EMPLOYEES' CONTRIBUTIONS	2 080	1 814
ANNUAL PENSION COST	- 1 983	- 1 808

Of the total annual pension cost, CHF 1 309 000 (2007: CHF 1 194 000) were included in cost of goods sold, CHF 200 000 (2007: CHF 208 000) in marketing and sales costs, CHF 127 000 (2007: CHF 85 000) in research and development costs and CHF 347 000 (2007: CHF 321 000) in general administrative costs.

MOVEMENT IN THE DEFINED BENEFIT OBLIGATION	2008 000 CHF	2007 000 CHF
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1	- 54 576	- 49 535
SERVICE COST	- 4 084	- 3 751
INTEREST COST	- 1 906	- 1 599
ACTUARIAL GAIN ON BENEFIT OBLIGATION	1 249	1 622
BENEFITS PAID	- 795	- 1 313
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31	- 60 112	- 54 576

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS	2008 000 CHF	2007 000 CHF
FAIR VALUE OF PLAN ASSETS AT JANUARY 1	48 183	43 195
EXPECTED RETURN ON PLAN ASSETS	1 927	1 728
ACTUARIAL LOSS ON PLAN ASSETS	- 9 756	- 2 405
EMPLOYEES' CONTRIBUTION	2 080	1 814
EMPLOYER'S CONTRIBUTION	2 888	2 538
BENEFITS PAID	795	1 313
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	46 117	48 183

The actual loss on plan assets in the reporting year was CHF -7 829 000 (2007: CHF -677 000).

STATEMENT OF RECOGNIZED ACTUARIAL LOSSES	2008 000 CHF	2007 000 CHF
ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT JANUARY 1	- 8 473	- 7 690
ACTUARIAL LOSSES RECOGNIZED IN EQUITY IN THE CURRENT YEAR	- 8 507	- 783
ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT DECEMBER 31	- 16 980	- 8 473

MAJOR CATEGORIES OF PLAN ASSETS (FAIR VALUE AS A PERCENTAGE OF TOTAL PLAN ASSETS)	DEC. 31, 2008	DEC. 31, 2007
MONEY MARKET	7.41%	6.67%
BONDS	50.27%	49.35%
SHARES	33.76%	35.76%
REAL ESTATE	8.56%	8.22%
TOTAL	100.00%	100.00%

The pension funds do not hold any shares or other equity instruments of Bachem.

ASSUMPTIONS FOR THE ACTUARIAL CALCULATIONS	2008	2007
DISCOUNT RATE	3.50%	3.25%
EXPECTED RETURN ON PLAN ASSETS	4.00%	4.00%
EXPECTED FUTURE SALARY INCREASE	2.00%	2.00%
EXPECTED PENSION REVALUATION	0.50%	0.50%
RETIREMENT AGE (F/M)	64/65	64/65
LIFE EXPECTANCY AT RETIREMENT AGE (F/M)	21.9/17.9	21.2/17.6

The expected return on plan assets was determined based on past experience. The chosen portfolio strategy is designed to achieve a long-term return that is above the statutory minimum interest rate.

FUNDING STATUS SUMMARY OF DEFINED BENEFIT PLANS

	2008 000 CHF	2007 000 CHF	2006 000 CHF	2005 000 CHF
PLAN ASSETS	46 117	48 183	43 195	39 889
DEFINED BENEFIT OBLIGATION	- 60 112	- 54 576	- 49 535	- 46 027
DEFICIT	- 13 995	- 6 393	- 6 340	- 6 138
EXPERIENCE ADJUSTMENTS ON PLAN ASSETS	- 9 756	- 2 405	- 50	994
EXPERIENCE ADJUSTMENTS ON DEFINED BENEFIT OBLIGATION	- 209	- 376	- 834	- 3 148
ADJUSTMENT ON DEFINED BENEFIT OBLIGATION DUE TO CHANGES IN ASSUMPTIONS	1 458	1 998	0	0

Bachem expects an employer's contribution to the pension plans of about CHF 3 200 000 in 2009.

6. ASSOCIATES

	2008 000 CHF	2007 000 CHF
RESULT FROM ASSOCIATES	- 3 245	4 995

POLYPHOR AG, ALLSCHWIL

Founded by institutional and private investors in 1996 the goal of Polyphor AG is to support the research oriented chemical industry (pharmaceutical, agrochemical and cosmetics) in shortening the development periods for new drugs and commercial compounds. In addition, Polyphor conducts its own drug discovery and clinical development programs based on the proprietary PEM Technology.

In the reporting year the interest of Bachem in Polyphor AG declined from 18.3% at December 31, 2007 to 18.0% at December 31, 2008.

Since Bachem continues to be represented in the Board of Directors of Polyphor AG with 2 members, there is still significant influence and the equity method was applied as in the previous years.

Bachem has invested CHF 6 500 000 in Polyphor AG so far. The valuation of the proportional equity as per December 31, 2008 amounts to CHF 2 251 000 (2007: CHF 3 973 000).

PEVION BIOTECH AG, ITTIGEN

On January 7, 2002, Bachem Holding AG and Berna Biotech AG founded Pevion Biotech AG. Pevion develops innovative therapeutic and prophylactic vaccines against infectious diseases and cancer which are based on the combination of peptides and the virosome technology.

The interest of Bachem in Pevion Biotech AG decreased from 39.4% at December 31, 2007 to 38.9% at December 31, 2008. The accounting treatment remains unchanged using the equity method.

Bachem has invested CHF 12 000 000 in Pevion Biotech AG so far. The valuation of the proportional equity as per December 31, 2008 amounts to CHF 5 017 000 (2007: CHF 6 540 000).

There are no contingent liabilities related to the investments in Polyphor AG and Pevion Biotech AG.

SUMMARIZED FINANCIAL STATEMENTS OF PEVION BIOTECH AG & POLYPHOR AG

INCOME STATEMENT	2008 000 CHF	2007 000 CHF
INCOME	17 979	13 904
EXPENSES	- 31 095	- 21 324
RESULT	- 13 116	- 7 420

BALANCE SHEET	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CURRENT ASSETS	28 628	40 877
NON-CURRENT ASSETS	12 273	2 397
ASSETS	40 901	43 274
LIABILITIES	15 503	4 924
EQUITY	25 398	38 350
LIABILITIES AND EQUITY	40 901	43 274

7. FINANCIAL RESULT

FINANCIAL INCOME	2008 000 CHF	2007 000 CHF
INTEREST INCOME	920	1 970
DIVIDEND INCOME	79	327
GAINS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	513	5 179
OTHER FINANCIAL INCOME	144	136
TOTAL FINANCIAL INCOME	1 656	7 612

FINANCIAL EXPENSES		
LOSS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	0	- 911
LOSS ON FAIR VALUE MEASUREMENT OF DERIVATIVES	0	- 454
IMPAIRMENT ON SECURITIES	- 625	- 121
OTHER FINANCIAL EXPENSES	- 284	- 239
TOTAL FINANCIAL EXPENSES	- 909	- 1 725

FOREIGN EXCHANGE RESULT	464	- 1 099
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TOTAL FINANCIAL RESULT	1 211	4 788
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Other financial expenses mainly include bank charges.

8. INCOME TAXES

	2008 000 CHF	2007 000 CHF
CURRENT TAXES	- 6 474	- 11 240
DEFERRED TAXES	- 2 460	- 7 057
TOTAL INCOME TAXES	- 8 934	- 18 297

The following main elements explain the differences between the expected Group tax rate (the weighted average tax rate is based on the earnings before taxes of each subsidiary) and the effective tax rate:

TAX RATE RECONCILIATION	2008 %	2007 %
EXPECTED TAX RATE	20.6	23.5
EFFECT OF INCOME TAXED AT REDUCED RATES	- 2.7	- 1.3
EFFECT OF NON TAX DEDUCTIBLE EXPENDITURES	0.0	0.1
UNRECOGNIZED TAX LOSS CARRY-FORWARDS	0.2	0.0
ADJUSTMENTS FROM PRIOR PERIODS RECOGNIZED IN THE CURRENT PERIOD	0.3	0.2
EFFECT OF TAX RATE CHANGES	- 5.1	0.0
OTHER ITEMS	- 0.1	- 0.2
EFFECTIVE TAX RATE	13.2	22.3

The expected tax rate has decreased as a consequence of the corporate tax reform in Canton Basel-Land, which became effective at January 1, 2008 and as a consequence of lower profits in countries with higher tax rates.

9. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing net income by the weighted average number of shares outstanding during the reporting period minus the average number of own shares held by the Group.

	2008	2007
NET INCOME (000 CHF)	58 709	63 927
AVERAGE NUMBER OF SHARES OUTSTANDING	13 406 601	13 280 323
BASIC EARNINGS PER SHARE (CHF)	4.38	4.81

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding under the assumption that all obligations of the Group that could result in a dilution would be fulfilled.

	2008	2007
NET INCOME (000 CHF)	58 709	63 927
AVERAGE NUMBER OF SHARES OUTSTANDING	13 406 601	13 280 323
ADJUSTMENT FOR DILUTIVE SHARE OPTIONS	1 385	2 827
AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	13 407 986	13 283 150
DILUTED EARNINGS PER SHARE (CHF)	4.38	4.81

In the reporting year 3 300 options were excluded from the calculation of diluted earnings per share as they were not dilutive. In the previous year all options were dilutive.

10. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS BY CURRENCY		DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CHF		20 584	44 239
USD		7 382	18 877
EUR		5 325	5 816
GBP		2 086	2 693
TOTAL CASH AND CASH EQUIVALENTS		35 377	71 625
THEREOF CASH AND BANK BALANCES		24 486	69 388
THEREOF SHORT-TERM DEPOSITS		10 891	2 237

11. MARKETABLE SECURITIES

AVAILABLE FOR SALE		DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
SHARES	FAIR VALUE	3 008	4 187
STRUCTURED PRODUCTS	FAIR VALUE	0	9 206
	CONTRACT VALUE	0	10 000
TOTAL AVAILABLE FOR SALE		3 008	13 393
AT FAIR VALUE THROUGH PROFIT OR LOSS			
EMBEDDED DERIVATIVES	FAIR VALUE	0	- 271
DERIVATIVES – FORWARD FOREIGN EXCHANGE CONTRACTS	FAIR VALUE	2 058	99
TOTAL AT FAIR VALUE THROUGH PROFIT OR LOSS		2 058	- 172
TOTAL MARKETABLE SECURITIES INCL. DERIVATIVES		5 066	13 221
THEREOF RECOGNIZED IN THE POSITION MARKETABLE SECURITIES		3 008	13 393
THEREOF RECOGNIZED IN THE POSITION OTHER RECEIVABLES		2 058	99
THEREOF RECOGNIZED IN THE POSITION OTHER CURRENT LIABILITIES		0	- 271

The position marketable securities contains investments in marketable, easily realizable securities. The fair value complies with the stock exchange prices at year-end.

In the previous year the embedded derivatives were separated from the at that time existing structured products.

An impairment on shares of CHF 625 000 (2007: CHF 121 000) was recognized in the income statement.

There is no credit risk at year-end on the marketable securities. In the prior year the maximal credit risk at year-end was equal to the fair value of the structured products.

The marketable securities incl. derivatives are divided into the following currencies:

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CHF	3 008	13 122
USD	1 540	0
EUR	518	99
TOTAL	5 066	13 221

12. TRADE RECEIVABLES

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
TRADE RECEIVABLES	32 042	23 186
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES	- 104	- 235
TOTAL TRADE RECEIVABLES	31 938	22 951

There are considerable receivables with one customer which equal 10.7% of total trade receivables. In the prior year there were considerable receivables with two customers which came up to 15.4% and 14.4% respectively. The remaining single receivables did not exceed 10% of the total trade receivables.

Trade receivables are generally free of interest and due within 30 to 90 days.

The movements on the provision for impairment of trade receivables are as follows:

	2008 000 CHF	2007 000 CHF
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT JANUARY 1	- 235	- 783
PROVISION FOR RECEIVABLES IMPAIRMENT	- 85	- 123
RECEIVABLES WRITTEN OFF DURING THE YEAR AS UNCOLLECTABLE	5	473
UNUSED AMOUNTS REVERSED	199	164
TRANSLATION EFFECTS	12	34
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT DECEMBER 31	- 104	- 235

The ageing analysis of trade receivables is as follows:

	TOTAL 000 CHF	NOT DUE 000 CHF	OVERDUE AND NOT IMPAIRED				OVERDUE AND IMPAIRED	
			< 31 DAYS 000 CHF	31-60 DAYS 000 CHF	61-90 DAYS 000 CHF	91-180 DAYS 000 CHF	91-180 DAYS 000 CHF	> 180 DAYS 000 CHF
DECEMBER 31, 2008	32 042	20 751	9 377	1 119	444	151	0	200
DECEMBER 31, 2007	23 186	15 585	4 437	2 362	367	155	100	180

The carrying amounts of trade receivables are denominated in the following currencies:

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CHF	5 709	4 990
USD	17 244	10 657
EUR	7 948	6 455
GBP	279	849
JPY	758	0
TOTAL TRADE RECEIVABLES	31 938	22 951

The maximal credit risk at year-end is equal to the carrying amount of trade receivables.

13. OTHER RECEIVABLES

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
PREPAID EXPENSES AND ACCRUED INCOME	3 399	2 945
DERIVATIVES	2 058	99
OTHER RECEIVABLES	3 758	2 733
TOTAL OTHER RECEIVABLES	9 215	5 777

Prepaid expenses and accrued income comprise prepayments for not yet received goods and services as well as accrued income. The derivatives consist of the hedge of foreign exchange risks (note 11). Other receivables contain VAT and withholding tax receivables and other receivables against third parties.

14. INVENTORIES

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
RAW MATERIAL	19 472	17 969
WORK IN PROGRESS/FINISHED GOODS	136 766	106 136
PROVISION FOR SLOW-MOVERS	- 23 799	- 18 509
TOTAL INVENTORIES	132 439	105 596

The increase in inventories is mainly due to the increase in work in progress and finished goods. The increase in work in progress refers to projects, which will be sales generating in 2009. The inventory of several important peptide and non-peptide products was increased to improve supply readiness.

In the reporting period as well as in the previous year, no inventory was definitely written off. The increase in the provision for slow-movers is included in cost of goods sold. In both reporting periods, no write-offs were reversed.

15. PROPERTY, PLANT AND EQUIPMENT

2008	LAND 000 CHF	BUILDINGS 000 CHF	ASSETS UNDER CON- STRUCTION 000 CHF	INSTAL- LATIONS 000 CHF	LABORATORY EQUIPMENT 000 CHF	OTHER 000 CHF	TOTAL 000 CHF
COST AT JANUARY 1	14 849	110 467	19 462	68 205	71 906	9 977	294 866
ADDITIONS	4 844	2 323	30 852	8 355	6 214	999	53 587
DISPOSALS	0	0	0	- 1 094	- 1 080	- 99	- 2 273
RECLASSIFICATIONS	0	4 809	- 20 264	6 871	6 699	578	- 1 307
TRANSLATION DIFFERENCES	- 571	- 2 114	61	- 340	- 2 030	- 282	- 5 276
COST AT DECEMBER 31	19 122	115 485	30 111	81 997	81 709	11 173	339 597
ACCUMULATED DEPRECIATION AT JANUARY 1	0	- 31 208	0	- 35 757	- 41 252	- 7 193	- 115 410
DEPRECIATION	0	- 3 056	0	- 3 650	- 3 987	- 933	- 11 626
DISPOSALS	0	0	0	1 094	1 080	99	2 273
TRANSLATION DIFFERENCES	0	376	0	96	1 174	195	1 841
ACCUMULATED DEPRECIATION AT DECEMBER 31	0	- 33 888	0	- 38 217	- 42 985	- 7 832	- 122 922
NET BOOK VALUE AT DECEMBER 31	19 122	81 597	30 111	43 780	38 724	3 341	216 675

2007	LAND 000 CHF	BUILDINGS 000 CHF	ASSETS UNDER CON- STRUCTION 000 CHF	INSTAL- LATIONS 000 CHF	LABORATORY EQUIPMENT 000 CHF	OTHER 000 CHF	TOTAL 000 CHF
COST AT JANUARY 1	11 729	107 541	8 392	60 608	69 663	9 321	267 254
ADDITIONS	3 594	3 025	22 265	2 740	1 934	439	33 997
DISPOSALS	0	0	0	0	- 491	- 30	- 521
RECLASSIFICATIONS	0	2 061	- 10 939	5 315	2 385	473	- 705
TRANSLATION DIFFERENCES	- 474	- 2 160	- 256	- 458	- 1 585	- 226	- 5 159
COST AT DECEMBER 31	14 849	110 467	19 462	68 205	71 906	9 977	294 866
ACCUMULATED DEPRECIATION AT JANUARY 1	0	- 28 746	0	- 32 954	- 39 099	- 6 458	- 107 257
DEPRECIATION	0	- 2 915	0	- 2 920	- 3 566	- 913	- 10 314
DISPOSALS	0	0	0	0	491	30	521
TRANSLATION DIFFERENCES	0	453	0	117	922	148	1 640
ACCUMULATED DEPRECIATION AT DECEMBER 31	0	- 31 208	0	- 35 757	- 41 252	- 7 193	- 115 410
NET BOOK VALUE AT DECEMBER 31	14 849	79 259	19 462	32 448	30 654	2 784	179 456

At December 31, 2008 and 2007 no buildings were held under operating lease.

FIRE INSURANCE VALUES	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
LAND/BUILDINGS	106 946	103 936
OTHER PROPERTY, PLANT AND EQUIPMENT	205 170	148 996

16. INTANGIBLE ASSETS

2008	GOODWILL 000 CHF	OTHER INTANGIBLE ASSETS 000 CHF	TOTAL 000 CHF
COST AT JANUARY 1	11 584	13 243	24 827
ADDITIONS	0	420	420
DISPOSALS	0	- 305	- 305
PURCHASE PRICE REDUCTION ON BUSINESS COMBINATION	- 400	0	- 400
RECLASSIFICATIONS	0	1 307	1 307
TRANSLATION EFFECTS	- 247	- 36	- 283
COST AT DECEMBER 31	10 937	14 629	25 566
ACCUMULATED AMORTIZATION AT JANUARY 1	0	- 8 050	- 8 050
AMORTIZATION	0	- 1 468	- 1 468
DISPOSALS	0	305	305
TRANSLATION EFFECTS	0	22	22
ACCUMULATED AMORTIZATION AT DECEMBER 31	0	- 9 191	- 9 191
NET BOOK VALUE AT DECEMBER 31	10 937	5 438	16 375
2007	GOODWILL 000 CHF	OTHER INTANGIBLE ASSETS 000 CHF	TOTAL 000 CHF
COST AT JANUARY 1	11 264	10 085	21 349
ADDITIONS	0	1 305	1 305
ADDITIONS FROM BUSINESS COMBINATION	720	1 200	1 920
RECLASSIFICATIONS	0	705	705
TRANSLATION EFFECTS	- 400	- 52	- 452
COST AT DECEMBER 31	11 584	13 243	24 827
ACCUMULATED AMORTIZATION AT JANUARY 1	0	- 6 585	- 6 585
AMORTIZATION	0	- 1 508	- 1 508
TRANSLATION EFFECTS	0	43	43
ACCUMULATED AMORTIZATION AT DECEMBER 31	0	- 8 050	- 8 050
NET BOOK VALUE AT DECEMBER 31	11 584	5 193	16 777

In the reporting year CHF 1 307 000 (2007: CHF 705 000) were reclassified from the category "Assets under construction" of property, plant and equipment (note 15) to the category "Other intangible assets".

Other intangible assets mainly comprise software. Furthermore this position contains the Clinalfa brand at cost of CHF 480 000, which represents an intangible asset with an indefinite useful life. The brand is tested for impairment as required, but at least annually (note 18).

Amortization of intangible assets of CHF 1 127 000 (2007: CHF 1 100 000) is included in cost of goods sold, recognized in the income statement, CHF 26 000 (2007: CHF 45 000) in marketing and sales costs, CHF 64 000 (2007: CHF 72 000) in research and development costs and CHF 251 000 (2007: CHF 291 000) in general administrative costs.

17. BUSINESS COMBINATION

As disclosed in the annual report 2007, effective July 1, 2007 Bachem acquired the business unit of Merck Biosciences AG, in Läfelfingen, Switzerland, an affiliate of Merck KGaA, Darmstadt, Germany, that operates under the brand of Clinalfa, in cash. In the meantime an additional purchase price reduction of CHF 400 000 was achieved, bringing the adjusted purchase price down to CHF 1 520 000. Consequently the acquired goodwill within this combination was reduced from CHF 720 000 to CHF 320 000. The fair value of the acquired net assets remained at CHF 1 200 000.

The final values of the transaction are as follows:

	000 CHF
PROVISIONAL PURCHASE PRICE ACCORDING TO THE ANNUAL REPORT 2007	1 920
ACHIEVED PURCHASE PRICE REDUCTION DURING THE YEAR 2008	- 400
ADJUSTED PURCHASE PRICE	1 520
FAIR VALUE OF THE ACQUIRED NET ASSETS (UNCHANGED)	- 1 200
GOODWILL	320

18. IMPAIRMENT TEST OF INTANGIBLE ASSETS

According to IFRS 3 Business Combinations and IAS 38 Intangible Assets goodwill and intangible assets with indefinite useful lives are not amortized. Instead they have to be tested for impairment at least annually on the cash-generating unit level. The relevant cash-generating units to test for impairment of goodwill and the Clinalfa brand (intangible asset with an indefinite useful life) are the geographical segment of North America with a goodwill of CHF 4 234 000 (2007: CHF 4 481 000), the division non-peptide generics, which consists of Sochinaz SA, with a goodwill of CHF 6 383 000 (2007: CHF 6 383 000) and the Clinalfa business with a goodwill of CHF 320 000 (2007: CHF 720 000) and the Clinalfa brand of CHF 480 000 (2007: CHF 480 000).

The impairment respectively the value of the above mentioned cash-generating units North America, non-peptide generics and Clinalfa was tested on the basis of the discounted cash flow method. The recoverable amount represents the value in use. The basis for the test was Bachem's five-year-plan. This plan was prepared based on the assumptions of the Management that represent its best estimate regarding market growth and market share, as well as the projected costs on the basis of the prior year. For the cash-generating units different discount rates, which reflect the specific risk in the respective markets, were applied. The pre-tax discount rate used for North America was 16.5% (2007: 16.0%), for Sochinaz 9.2% (2007: 9.4%) and for Clinalfa 9.2% (2007: 9.4%). An organic growth for the Group between 8% and 12% per year over the next five years is expected. No growth of the cash flows and no further improvement in efficiency were considered beyond this five-year period. For the cash-generating units North America and non-peptide generics a slightly above-average growth and an improvement in the operating margin of about 1 percentage point per year are assumed. For the cash-generating unit Clinalfa, which sales are still on a low level, a considerable above-average growth and an improvement in the operating margin of about 2 percentage points per year are assumed.

Based on the impairment tests, evidence is available that there is no impairment.

19. TRADE PAYABLES

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
TRADE PAYABLES	15 939	10 183
PREPAYMENTS	1 770	6 102
TOTAL TRADE PAYABLES	17 709	16 285

The book values of trade payables can be allocated to the following currencies:

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CHF	13 289	11 473
USD	2 501	3 109
EUR	1 705	1 431
GBP	214	272
TOTAL TRADE PAYABLES	17 709	16 285

In general, trade payables are free of interest and paid within the given payment terms. The predominant majority of the outstanding trade payables is due within the first 30 days after the balance sheet date. Due to the amount of cash and cash equivalents available at balance sheet date, there is no problem for Bachem to settle its payables in due time.

20. OTHER CURRENT LIABILITIES

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
DEFERRED INCOME AND ACCRUED EXPENSES	8 309	8 712
DERIVATIVES	0	271
OTHER CURRENT LIABILITIES	1 441	920
TOTAL OTHER CURRENT LIABILITIES	9 750	9 903

Deferred income and accrued expenses mainly consist of accruals for staff cost.

21. PROVISIONS

	2008 000 CHF	2007 000 CHF
BALANCE AT JANUARY 1	355	397
ADDITIONS	0	0
REVERSALS	- 345	0
UTILIZATION	- 11	- 31
TRANSLATION EFFECTS	1	- 11
BALANCE AT DECEMBER 31	0	355
THEREOF CURRENT PORTION	0	16
THEREOF NON-CURRENT PORTION	0	339

In 2008 all of the previously existing provisions were utilized/reversed. The restructuring was completed and the legal case was resolved in favour of Bachem.

22. DEFERRED TAXES

The changes in deferred taxes were as follows:

DEFERRED TAX ASSETS	RECEIVABLES 000 CHF	INVENTORIES 000 CHF	PROPERTY, PLANT AND EQUIPMENT 000 CHF	LIABILITIES 000 CHF	TAX LOSS CARRY- FORWARDS 000 CHF	DEFINED BENEFIT PLAN LIABILITY 000 CHF	TOTAL 000 CHF
BALANCE AT JANUARY 1, 2007	352	599	81	303	2 323	1 268	4 926
RECOGNIZED IN PROFIT AND LOSS	105	107	- 75	- 97	- 2 017	- 146	- 2 123
RECOGNIZED IN EQUITY	0	0	0	0	0	157	157
TRANSLATION EFFECTS	- 27	- 11	- 6	- 24	- 20	0	- 88
BALANCE AT DECEMBER 31, 2007	430	695	0	182	286	1 279	2 872
RECOGNIZED IN PROFIT AND LOSS	- 70	425	0	- 180	306	- 181	300
RECOGNIZED IN EQUITY	0	0	0	0	0	1 701	1 701
TRANSLATION EFFECTS	- 9	- 2	0	- 2	- 16	0	- 29
BALANCE AT DECEMBER 31, 2008	351	1 118	0	0	576	2 799	4 844

DEFERRED TAX LIABILITIES	SECURITIES 000 CHF	RECEIVABLES 000 CHF	INVENTORIES 000 CHF	PROPERTY, PLANT AND EQUIPMENT 000 CHF	INTANGIBLE ASSETS 000 CHF	LIABILITIES 000 CHF	TOTAL 000 CHF
BALANCE AT JANUARY 1, 2007	471	293	10 585	12 368	159	1 781	25 657
RECOGNIZED IN PROFIT AND LOSS	- 17	52	2 857	1 702	220	120	4 934
RECOGNIZED IN EQUITY	- 414	0	0	0	0	0	- 414
TRANSLATION EFFECTS	0	0	0	- 72	0	0	- 72
BALANCE AT DECEMBER 31, 2007	40	345	13 442	13 998	379	1 901	30 105
RECOGNIZED IN PROFIT AND LOSS	3	224	1 546	1 510	- 108	- 415	2 760
RECOGNIZED IN EQUITY	- 23	0	0	0	0	0	- 23
TRANSLATION EFFECTS	0	0	0	- 235	0	0	- 235
BALANCE AT DECEMBER 31, 2008	20	569	14 988	15 273	271	1 486	32 607

TAX LOSS CARRY-FORWARDS BY EXPIRY DATE:

	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
UP TO FIVE YEARS	0	0
MORE THAN FIVE YEARS	2 165	841
TOTAL TAX LOSS CARRY-FORWARDS	2 165	841

On the majority of the tax loss carry-forwards, deferred taxes are capitalized, because the company assumes probable future taxable profit to be available and the tax loss carry-forwards to be utilized. There are tax loss carry-forwards in the amount of CHF 470 000 at December 31, 2008, on which no deferred tax assets were recognized.

At December 31, 2008 there were temporary differences on investments in subsidiaries of CHF 73 349 000 on which no deferred taxes were recognized.

23. CHANGES IN EQUITY

2008	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 000 CHF
BALANCE AT JANUARY 1	680	298 340	90 195	- 7 831	511	- 43	- 22 475	359 377
TOTAL RECOGNIZED INCOME AND EXPENSE		51 903			- 269	23	- 5 922	45 735
DIVIDENDS PAID		- 40 324						- 40 324
TRANSACTIONS WITH OWN SHARES		3 304		5 833				9 137
SHARE-BASED PAYMENTS			1 230					1 230
BALANCE AT DECEMBER 31	680	313 223	91 425	- 1 998	242	- 20	- 28 397	375 155
2007	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 000 CHF
BALANCE AT JANUARY 1	680	325 084	88 993	- 13 789	5 047	- 457	- 16 343	389 215
TOTAL RECOGNIZED INCOME AND EXPENSE		63 301			- 4 536	414	- 6 132	53 047
DIVIDENDS PAID		- 92 880						- 92 880
TRANSACTIONS WITH OWN SHARES		2 835		5 958				8 793
SHARE-BASED PAYMENTS			1 202					1 202
BALANCE AT DECEMBER 31	680	298 340	90 195	- 7 831	511	- 43	- 22 475	359 377

24. SHARE CAPITAL

The share capital is divided into 6 802 000 shares Bachem -A- (50.01 % of share capital) and 6 798 000 shares Bachem -B- (49.99 % of share capital). The shares -B- are traded at the SIX Swiss Exchange in Zurich under valor number 1 253 020. There are no differences between the two share categories except the listing of the -B- shares at the SIX Swiss Exchange. All shares are nominal shares which are eligible to vote and entitled to dividend. All -A- shares are owned by Ingro Finanz AG. The important shareholders are listed in the notes to the financial statements of Bachem Holding AG in note 4 on page 60.

SHARES BACHEM -A-	DEC. 31, 2008	DEC. 31, 2007
NUMBER OF SHARES	6 802 000	6 802 000
NUMBER OF FULLY PAID-IN SHARES	6 802 000	6 802 000
PAR VALUE PER SHARE (IN CHF)	0.05	0.05
SHARES BACHEM -B-		
NUMBER OF SHARES	6 798 000	6 798 000
NUMBER OF FULLY PAID-IN SHARES	6 798 000	6 798 000
PAR VALUE PER SHARE (IN CHF)	0.05	0.05
TOTAL NUMBER OF SHARES	13 600 000	13 600 000
TOTAL SHARE CAPITAL (IN CHF)	680 000	680 000

On December 31, 2008 Bachem Holding AG held 164 741 own shares, of which 27 682 are reserved for trading and 137 059 for distribution under the employee participation plans.

OWN SHARES	DEC. 31, 2007 NUMBER	PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER	SALES/ TRANSFER TO EMPLOYEES NUMBER	DEC. 31, 2008 NUMBER
EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF CHF 1.22	54 667	0	- 10 360	44 307
OPTION PLAN AT THE PRICE OF CHF 0.05	95 602	0	- 2 850	92 752
TREASURY STOCK AT THE PRICE OF CHF 70.06	122 620	10 423	- 105 361	27 682
TOTAL OWN SHARES	272 889	10 423	- 118 571	164 741

OUTSTANDING SHARES	DEC. 31, 2008	DEC. 31, 2007
TOTAL NUMBER OF SHARES	13 600 000	13 600 000
NUMBER OF OWN SHARES BACHEM -B-	- 164 741	- 272 889
TOTAL SHARES OUTSTANDING	13 435 259	13 327 111

25. SHARE-BASED PAYMENT

The employee and management participation plans are described in the accounting policies on page 32. The recognized expenses for share-based payments in the reporting period were CHF 1 230 000 (2007: CHF 1 202 000).

In 2008 and 2007 the following number of shares was granted:

	2008 NUMBER/CHF	2007 NUMBER/CHF
NUMBER OF GRANTED SHARES	10 360	17 520
AVERAGE FAIR VALUE PER SHARE AT GRANT DATE IN CHF	88.88	95.20

The option plan developed as follows:

SHARE OPTIONS OUTSTANDING	2008 NUMBER	2007 NUMBER
AT JANUARY 1	12 612	13 850
GRANTED OPTIONS	3 300	3 450
CANCELED OPTIONS	- 200	- 550
EXPIRED OPTIONS	- 1 349	- 740
EXERCISED OPTIONS	- 2 850	- 3 398
AT DECEMBER 31	11 513	12 612
EXERCISABLE OPTIONS	4 554	3 681

The fair values at grant date of the options granted in 2008 are CHF 10.03 for options CA, CHF 12.89 for options CB and CHF 17.33 for options CC (2007: CHF 12.68 for options BA, CHF 17.22 for options BB and CHF 20.02 for options BC).

The following tables list the parameters, based on which the option valuations were performed by an independent expert using the Trinomial-Baum-Method:

Parameters for the options granted in 2008:

PARAMETERS 2008	OPTIONS CA	OPTIONS CB	OPTIONS CC
SHARE PRICE AT GRANT DATE IN CHF	96.65	96.65	96.65
STRIKE OF A SHARE IN CHF	96.00	96.00	96.00
RISK-FREE INTEREST RATE IN %	2.79%	2.85%	2.91%
VOLATILITY IN %	13.90%	15.80%	19.70%
DIVIDEND YIELD IN %	2.00%	2.00%	2.00%
DURATION OF THE OPTIONS IN YEARS	3	4	5
VESTING PERIOD OF THE OPTIONS IN YEARS	1	2	3

Parameters for the options granted in 2007:

PARAMETERS 2007	OPTIONS BA	OPTIONS BB	OPTIONS BC
SHARE PRICE AT GRANT DATE IN CHF	92.00	92.00	92.00
STRIKE OF A SHARE IN CHF	89.00	89.00	89.00
RISK-FREE INTEREST RATE IN %	2.35%	2.46%	2.45%
VOLATILITY IN %	17.20%	21.40%	23.00%
DIVIDEND YIELD IN %	1.60%	1.60%	1.60%
DURATION OF THE OPTIONS IN YEARS	3	4	5
VESTING PERIOD OF THE OPTIONS IN YEARS	1	2	3

OPTIONS BY EXPIRY DATE

	EXERCISE PRICE	2008 NUMBER	2007 NUMBER
YEAR 2008	80.00	0	3 280
YEAR 2008	76.00	0	401
YEAR 2009	60.30	3 100	3 200
YEAR 2009	76.00	468	969
YEAR 2009	89.00	986	1 103
YEAR 2010	65.33	500	500
YEAR 2010	76.00	962	962
YEAR 2010	89.00	1 103	1 103
YEAR 2010	96.00	1 103	0
YEAR 2011	89.00	1 094	1 094
YEAR 2011	96.00	1 103	0
YEAR 2012	96.00	1 094	0
TOTAL		11 513	12 612

Bachem holds own shares in order to meet its obligations under the employee participation plans. These own shares are deducted from equity. For the change in the number of Bachem shares outstanding, please refer to note 24.

26. DIVIDEND PAYMENT

In 2008 a dividend of CHF 40 324 000 respectively CHF 3.00 per share has been distributed for the year 2007 (previous year: CHF 92 880 000 respectively CHF 2.00 per share plus an extra dividend of CHF 5.00 per share).

The Board of Directors will propose a dividend of CHF 3.20 per share or a total of CHF 43 019 000 on 13 443 416 shares entitled to dividend, to the Annual General Meeting for the year 2008. The number of shares entitled to dividend may change until the Annual General Meeting on April 22, 2009 due to the granting of shares to employees or the purchase/sale of own shares.

27. CONSOLIDATED COMPANIES

COMPANY	COUNTRY	EQUITY SHARE* DEC. 31, 2008	EQUITY SHARE* DEC. 31, 2007
BACHEM HOLDING AG, BUBENDORF	SWITZERLAND	PARENT COMPANY	PARENT COMPANY
BACHEM AG, BUBENDORF	SWITZERLAND	100%	100%
BACHEM TRADING AG, BUBENDORF (MERGED)	SWITZERLAND	N/A	100%
SOCHINAZ SA, VIONNAZ	SWITZERLAND	100%	100%
BACHEM DISTRIBUTION SERVICES GMBH, WEIL AM RHEIN	GERMANY	100%	100%
BACHEM (UK) LTD., ST. HELENS	ENGLAND	100%	100%
PENINSULA LABORATORIES EUROPE LTD., ST. HELENS (LIQUIDATED)	ENGLAND	N/A	100%
BACHEM AMERICAS, INC., TORRANCE	USA	100%	100%
BACHEM, INC., TORRANCE	USA	100%	100%
BACHEM BIOSCIENCE, INC., KING OF PRUSSIA	USA	100%	100%
PENINSULA LABORATORIES, LLC, SAN CARLOS	USA	100%	100%

* directly or indirectly

Bachem Trading AG, Bubendorf, was merged with Bachem Holding AG, Bubendorf, as per January 1, 2008. Peninsula Laboratories Europe Ltd., St. Helens, was liquidated as per October 8, 2008.

28. RELATED PARTY TRANSACTIONS

Chemoforma AG, Ingro Finanz AG, Pevion Biotech AG, Polyphor AG, the pension fund of the Swiss Group Companies as well as the Board of Directors and Corporate Management of Bachem Holding AG are considered related parties. The following tables show an overview of the transactions and balances with related parties:

TRANSACTIONS	2008 000 CHF	2007 000 CHF
CHEMOFORMA AG (PURCHASE OF GOODS)	- 183	- 124
INGRO FINANZ AG (DIVIDEND / SALE OF SECURITIES / FURTHER CHARGING)	- 20 856	- 41 547
PEVION BIOTECH AG (DELIVERY OF GOODS)	93	151
POLYPHOR AG (DELIVERY OF GOODS)	1 021	186
PENSION FUND (EMPLOYER'S CONTRIBUTION)	- 2 888	- 2 538
TOTAL TRANSACTIONS WITH RELATED PARTIES	- 22 813	- 43 872

BALANCES	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CHEMOFORMA AG	- 14	- 21
INGRO FINANZ AG	13	26
PEVION BIOTECH AG	1	20
POLYPHOR AG	29	- 10
TOTAL BALANCES WITH RELATED PARTIES	29	15

The transactions with Ingro Finanz AG in 2008 in the amount of CHF - 20 856 000 consist of CHF 20 880 000 dividend payment and CHF 24 000 further charging for administrative services. In the disclosed transactions with Ingro Finanz AG for 2007 a dividend payment of CHF 48 440 000, sales of securities of CHF 6 854 000 and further charging for administrative services of CHF 39 000 is included.

Transactions with related parties are performed at arms length. This means in particular that products are sold to related parties at the same prices as to third parties.

Compensations to the Board of Directors and the Corporate Executive Committee are shown in note 29.

29. COMPENSATIONS TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The compensations to the Board of Directors and the Corporate Executive Committee are based on the valuation principles used for the consolidated financial statements according to IFRS and are composed of as follows:

2008	FIX SALARIES, FEES 000 CHF	VARIABLE SALARIES 000 CHF	SOCIAL SECURITY EXPENSES 000 CHF	SHARE- BASED PAYMENTS 000 CHF	TOTAL 000 CHF
PETER GROGG (CHAIRMAN)	149		12	27	188
GOTTLIEB KNOCH (VICE-CHAIRMAN)	40		3	27	70
THOMAS BURCKHARDT (SECRETARY)*	55		5	27	87
FRANÇOIS L'EPLATTENIER (MEMBER)	41		3	27	71
HANS HENGARTNER (MEMBER)	41		5	27	73
TOTAL BOARD OF DIRECTORS	326	0	28	135	489
ROLF NYFELER (CEO)	235	217	61	33	546
REST OF THE CORPORATE EXECUTIVE COMMITTEE	335	229	92	121	777
TOTAL CORPORATE EXECUTIVE COMMITTEE	570	446	153	154	1 323
TOTAL	896	446	181	289	1 812

* Fix salaries, fees for 2008 include CHF 14 000 for legal services

2007	FIX SALARIES, FEES 000 CHF	VARIABLE SALARIES 000 CHF	SOCIAL SECURITY EXPENSES 000 CHF	SHARE- BASED PAYMENTS 000 CHF	TOTAL 000 CHF
PETER GROGG (CHAIRMAN)	161		15	28	204
GOTTLIEB KNOCH (VICE-CHAIRMAN)	29		4	28	61
THOMAS BURCKHARDT (SECRETARY)*	43		4	28	75
FRANÇOIS L'EPLATTENIER (MEMBER)	29		3	28	60
HANS HENGARTNER (MEMBER)	29		4	28	61
TOTAL BOARD OF DIRECTORS	291	0	30	140	461
ROLF NYFELER (CEO)	228	229	63	45	565
REST OF THE CORPORATE EXECUTIVE COMMITTEE	326	239	95	131	791
TOTAL CORPORATE EXECUTIVE COMMITTEE	554	468	158	176	1 356
TOTAL	845	468	188	316	1 817

* Fix salaries, fees for 2007 include CHF 14 000 for legal services

Lump-sum allowances to the Board of Directors and the Corporate Executive Committee are not part of the compensations, since they compensate for expenses.

The ownership of shares and options of the Board of Directors and the Corporate Executive Committee at the balance sheet date is composed of as follows:

DECEMBER 31, 2008	NUMBER OF FREE SHARES	NUMBER OF BLOCKED SHARES	NUMBER OF SHARES TOTAL	SHARES ALLOCATED IN REPORTING PERIOD	NUMBER OF FREE OPTIONS	NUMBER OF BLOCKED OPTIONS	NUMBER OF OPTIONS TOTAL	OPTIONS ALLOCATED IN REPORTING PERIOD
PETER GROGG (CHAIRMAN)	7 606 653		7 606 653	300				
GOTTLIEB KNOCH (VICE-CHAIRMAN)	1 170 600		1 170 600	300				
THOMAS BURCKHARDT (SECRETARY)	0		0	300				
FRANÇOIS L'EPLATTENIER (MEMBER)	4 100		4 100	300				
HANS HENGARTNER (MEMBER)	1 500		1 500	300				
TOTAL BOARD OF DIRECTORS	8 782 853	0	8 782 853	1 500				
ROLF NYFELER (CEO)	50 500	1 000	51 500	100	567	999	1 566	500
MICHAEL HÜSLER (CFO)	0	4 000	4 000	100	167	999	1 166	500
DANIEL ERNE (CTO)	39 642	800	40 442	100	734	999	1 733	500
TOTAL CORPORATE EXECUTIVE COMMITTEE	90 142	5 800	95 942	300	1 468	2 997	4 465	1 500
TOTAL	8 872 995	5 800	8 878 795	1 800	1 468	2 997	4 465	1 500

DECEMBER 31, 2007	NUMBER OF FREE SHARES	NUMBER OF BLOCKED SHARES	NUMBER OF SHARES TOTAL	SHARES ALLOCATED IN REPORTING PERIOD	NUMBER OF FREE OPTIONS	NUMBER OF BLOCKED OPTIONS	NUMBER OF OPTIONS TOTAL	OPTIONS ALLOCATED IN REPORTING PERIOD
PETER GROGG (CHAIRMAN)	7 586 353		7 586 353	300				
GOTTLIEB KNOCH (VICE-CHAIRMAN)	1 170 300		1 170 300	300				
THOMAS BURCKHARDT (SECRETARY)	0		0	300				
FRANÇOIS L'EPLATTENIER (MEMBER)	3 800		3 800	300				
HANS HENGARTNER (MEMBER)	1 200		1 200	300				
TOTAL BOARD OF DIRECTORS	8 761 653	0	8 761 653	1 500				
ROLF NYFELER (CEO)	50 000	1 500	51 500	100	400	1 233	1 633	500
MICHAEL HÜSLER (CFO)	0	4 000	4 000	2 100	0	833	833	500
DANIEL ERNE (CTO)	39 142	1 200	40 342	100	400	1 400	1 800	500
TOTAL CORPORATE EXECUTIVE COMMITTEE	89 142	6 700	95 842	2 300	800	3 466	4 266	1 500
TOTAL	8 850 795	6 700	8 857 495	3 800	800	3 466	4 266	1 500

The shares of the Board of Directors have no blocking period.

All options are call options. One call option entitles to purchase one share of Bachem Holding AG upon vesting. The members of the Board of Directors do not receive call options.

30. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

There are no contingent liabilities or other commitments at the balance sheet date. The claim mentioned in the annual report 2007 against Bachem AG does no longer exist, since the legal dispute was resolved in favour of Bachem AG. There were no additional costs for Bachem relating to this claim besides legal fees.

31. EVENTS AFTER THE BALANCE SHEET DATE

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



REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF BACHEM HOLDING AG, BUBENDORF

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of BACHEM HOLDING AG, which comprise the balance sheet, income statement, cash flow statement, statement of recognized income and expenses and notes (pages 24 to 55), for the year ended December 31, 2008.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Gerd Tritschler
Audit expert
Auditor in charge

Dieter Baumann
Audit expert

INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31

	2008 000 CHF	2007 000 CHF
INCOME FROM LICENSES	16 167	29 502
TOTAL OPERATING REVENUE	16 167	29 502
STAFF COST	- 2 393	- 2 796
DEPRECIATION AND AMORTIZATION	- 162	- 125
OTHER OPERATING EXPENSES	- 4 216	- 4 203
OPERATING INCOME	9 396	22 378
FINANCIAL INCOME	24 530	34 857
FINANCIAL EXPENSES	- 4 002	- 643
FOREIGN EXCHANGE RESULT	- 1 882	- 1 486
EARNINGS BEFORE TAXES	28 042	55 106
TAXES	- 1 394	- 3 697
NET INCOME	26 648	51 409

BALANCE SHEET

AT DECEMBER 31, 2008 AND 2007

ASSETS	DEC. 31, 2008 000 CHF	DEC. 31, 2007 000 CHF
CASH AND CASH EQUIVALENTS	23 145	33 728
MARKETABLE SECURITIES	4 722	20 156
OTHER RECEIVABLES, THIRD PARTIES	2 602	2 169
OTHER RECEIVABLES, INTERCOMPANY	20 319	28 040
PREPAID EXPENSES AND ACCRUED INCOME	7	16
TOTAL CURRENT ASSETS	50 795	84 109
INVESTMENTS	126 709	130 054
LOANS TO GROUP COMPANIES	79 256	58 229
TANGIBLE FIXED ASSETS	27	39
INTANGIBLE ASSETS	578	213
TOTAL NON-CURRENT ASSETS	206 570	188 535
TOTAL ASSETS	257 365	272 644
LIABILITIES AND EQUITY		
OTHER CURRENT LIABILITIES, THIRD PARTIES	156	73
OTHER CURRENT LIABILITIES, INTERCOMPANY	5 374	4 566
DEFERRED INCOME AND ACCRUED EXPENSES	1 877	4 530
TOTAL LIABILITIES	7 407	9 169
SHARE CAPITAL	680	680
LEGAL RESERVES		
GENERAL RESERVES	90 469	90 310
RESERVES FOR OWN SHARES	1 998	7 831
FREE RESERVES	117 591	111 758
RETAINED EARNINGS	39 220	52 896
TOTAL EQUITY	249 958	263 475
TOTAL LIABILITIES AND EQUITY	257 365	272 644

1. SIGNIFICANT INVESTMENTS

COMPANY	LOCATION	BRANCH		SHARE CAPITAL DEC. 31, 2008	SHARE CAPITAL DEC. 31, 2007
BACHEM AG	BUBENDORF, CH	PRODUCTION, SALES	CHF	25 000 000	25 000 000
BACHEM TRADING AG (MERGED)	BUBENDORF, CH	SALES	CHF	N/A	100 000
BACHEM DISTRIBUTION SERVICES GMBH	WEIL AM RHEIN, D	SALES	EUR	128 000	128 000
BACHEM (UK) LTD.	ST. HELENS, GB	PRODUCTION, SALES	GBP	2 500	2 500
BACHEM AMERICAS, INC.	TORRANCE CA, USA	SALES	USD	1 000	1 000
BACHEM, INC.	TORRANCE CA, USA	PRODUCTION, SALES	USD	3 000	3 000
BACHEM BIOSCIENCE, INC.	KING OF PRUSSIA PA, USA	PRODUCTION, SALES	USD	3 000 000	3 000 000
PEVION BIOTECH AG	BERN, CH	PRODUCTION, SALES	CHF	8 240 000	8 124 000
POLYPHOR AG	ALLSCHWIL, CH	PRODUCTION, SALES	CHF	6 000 000	5 914 000

With the exception of Pevion Biotech AG (38.9%) and Polyphor AG (18.0%) all companies are controlled with 100% of the voting rights.

Bachem Trading AG, Bubendorf, was merged with Bachem Holding AG, Bubendorf, as per January 1, 2008. Bachem Trading AG was deleted from the commercial register. Prior to the merger Bachem Trading AG was a 100%-subsidiary of Bachem Holding AG and its business activities were suspended several years ago. Consequently the implications of this merger on Bachem Holding AG were minimal. Within the scope of this merger assets in the amount of CH 262 000 and liabilities in the amount of CHF 3 000 were transferred from Bachem Trading AG to Bachem Holding AG.

2. OWN SHARES

On December 31, 2008 Bachem Holding AG held 164 741 own shares, of which 27 682 are reserved for trading and 137 059 for distribution under the employee participation plans.

OWN SHARES	DEC. 31, 2007 NUMBER	PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER	SALES/ TRANSFER TO EMPLOYEES NUMBER	DEC. 31, 2008 NUMBER
EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF CHF 1.22	54 667	0	- 10 360	44 307
OPTION PLAN AT THE PRICE OF CHF 0.05	95 602	0	- 2 850	92 752
TREASURY STOCK AT THE PRICE OF CHF 70.06	122 620	10 423	- 105 361	27 682
TOTAL OWN SHARES	272 889	10 423	- 118 571	164 741

3. COMPENSATIONS TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The compensations to the Board of Directors and the Corporate Executive Committee are based on the valuation principles used for the consolidated financial statements according to IFRS and are illustrated in note 29 of the consolidated financial statements. In the same note, the share and option holdings of the Board of Directors and the Corporate Executive Committee are listed.

4. IMPORTANT SHAREHOLDERS

Based on the available information the following shareholders own more than 3% of the registered share capital:

	PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2008	PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2007
P. GROGG (VIA INGRO FINANZ AG)*	51.3	51.2
G. KNOCH	8.6	8.6
FAMILY OF P. GROGG	6.0	6.0
SARASIN INVESTMENTFONDS AG	3.0	3.5

* in this position all shares -A- are included

5. RISK ASSESSMENT

Bachem Holding AG is fully integrated into the group-wide risk assessment process of the Bachem Group. This Group risk assessment process also addresses the nature and scope of business activities and the specific risks of Bachem Holding AG. The risk assessment process of the whole Bachem Group is disclosed within the consolidated financial statements on page 33 of this annual report.

6. VALUE ADDED TAX GROUP

For value added tax purposes Bachem Holding AG reports as a group to the Federal Tax Authorities. This group includes Bachem AG, Sochinaz SA and Bachem Holding AG. The entity is solidly liable for all taxes relating to value added tax inclusive interests and possible penalties, during the taxation as a group.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE AVAILABLE EARNINGS

The Board of Directors of Bachem Holding AG proposes to appropriate the available earnings of

NET INCOME 2008	CHF	26 648 423.79
RETAINED EARNINGS AT JANUARY 1	CHF	12 572 015.46
RELEASE OF FREE RESERVES	CHF	4 000 000.00
AVAILABLE TO THE ANNUAL GENERAL MEETING	CHF	43 220 439.25

as follows:

PAYMENT OF A DIVIDEND OF CHF 3.20 PER REGISTERED SHARE FOR THE BUSINESS YEAR 2008 ON 13 443 416 REGISTERED SHARES ENTITLED TO DIVIDEND	CHF	43 018 931.20
RETAINED EARNINGS TO BE CARRIED FORWARD	CHF	201 508.05

The total amount of dividend mentioned in the proposal of the Board of Directors has been calculated on the basis of numbers of shares entitled to dividend on the day of the Board meeting. The number of shares entitled to dividend can still change up to the Annual General Meeting on April 22, 2009 depending on the distribution of shares to employees or purchase/sale of own shares.



REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF BACHEM HOLDING AG, BUBENDORF

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of BACHEM HOLDING AG, which comprise the balance sheet, income statement and notes (pages 57 to 60), for the year ended December 31, 2008.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerd Tritschler
Audit expert
Auditor in charge

Dieter Baumann
Audit expert

SHAREHOLDER INFORMATION			2008	2007	2006	2005	2004
NUMBER OF REGISTERED SHARES, NOM. CHF 0.05			13 600 000	13 600 000	13 600 000	13 600 000	13 600 000
AVERAGE NUMBER OF SHARES OUTSTANDING			13 406 601	13 280 323	13 188 597	13 183 554	13 204 587
DIVIDEND PER SHARE*		CHF	3.20	3.00	2.00	1.50	1.20
SPECIAL DIVIDEND		CHF			5.00		
SHARE PRICE	BEGINNING OF THE YEAR	CHF	95.70	92.00	75.50	66.00	64.90
	HIGH	CHF	98.00	105.50	92.45	78.00	74.95
	LOW	CHF	74.75	89.40	66.30	65.75	63.50
	YEAR END	CHF	80.50	95.70	92.00	75.50	65.45
DIVIDEND YIELD PER SHARE		%	4.0	3.1	7.6	2.0	1.8
EARNINGS PER SHARE (EPS)		CHF	4.38	4.81	3.54	2.99	2.45
CASH FLOW FROM OPERATING ACTIVITIES PER SHARE		CHF	2.93	5.88	3.04	2.08	3.77
GROUP EQUITY PER SHARE		CHF	27.98	27.06	29.51	27.68	25.53
PRICE/EARNINGS RATIO (YEAR END)			18.38	19.90	25.99	25.25	26.71
MARKET CAPITALIZATION AT YEAR END		CHF M	1 095	1 302	1 251	1 027	890

* for 2008, proposal to the Annual General Meeting of April 22, 2009

Bachem registered shares are traded at the SIX Swiss Exchange. Valor number: 1 253 020; SIX: BANB; Reuters: BANB.S; Bloomberg: BANB SW.

DISTRIBUTION OF SHARES

NUMBER OF SHARES PER SHAREHOLDER	DEC. 31, 2008	DEC. 31, 2007
0 – 100	1 252	1 203
101 – 1 000	1 460	1 469
1 001 – 10 000	267	275
10 001 – 100 000	50	45
100 001 – 1 000 000	8	8
1 000 001 AND MORE	2	2
TOTAL	3 039	3 002

SHAREHOLDINGS

IN %	DEC. 31, 2008	DEC. 31, 2007
MAJOR SHAREHOLDERS	68.9	69.3
INSTITUTIONAL SHAREHOLDERS	13.2	9.2
PRIVATE INDIVIDUALS	11.5	12.1
OTHERS	0.0	0.8
DISPO	6.4	8.6
TOTAL	100.0	100.0

EVENT	DATE
ANNUAL GENERAL MEETING (BUSINESS YEAR 2008)	APRIL 22, 2009
PAYOUT DATE FOR DIVIDEND	APRIL 28, 2009
HALF YEAR RESULTS 2009	AUGUST 14, 2009
FULL YEAR RESULTS 2009	MARCH 2010
ANNUAL GENERAL MEETING (BUSINESS YEAR 2009)	APRIL 2010

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Bachem. Leading beyond peptides

BACHEM IS AN INDEPENDENT, TECHNOLOGY-BASED, PUBLIC BIO-CHEMICALS COMPANY PROVIDING FULL SERVICE TO THE PHARMA AND BIOTECH INDUSTRY. BACHEM IS SPECIALIZED IN THE PROCESS DEVELOPMENT AND THE MANUFACTURING OF PEPTIDES AND COMPLEX ORGANIC MOLECULES AS ACTIVE PHARMACEUTICAL INGREDIENTS (APIS), AS WELL AS INNOVATIVE BIOCHEMICALS FOR RESEARCH PURPOSES.

WITH HEADQUARTERS IN BUBENDORF, SWITZERLAND, AND AFFILIATES IN EUROPE AND THE US, BACHEM WORKS ON A GLOBAL SCALE AND HOLDS A LEADING POSITION IN THE FIELD OF PEPTIDES.