



BACHEM

Bachem. Leading beyond peptides



WORKING ON SUCCESS AS A TECHNOLOGY COMPANY OPERATING IN THE FIELD OF BIOCHEMISTRY NEW OPPORTUNITIES CONSTANTLY ARISE WHETHER IN THE FORM OF TECHNICAL ADVANCES, NEW SCIENTIFIC KNOWLEDGE, THE REQUIREMENTS OF OUR CUSTOMERS OR IDEAS FROM OUR EMPLOYEES. TO LIVE UP TO OUR POSITION AS A LEADER IN OUR FIELD, WE ARE DEPENDENT ON OPENNESS, FLEXIBILITY, TENACITY AND A WILLINGNESS TO WORK CONSTANTLY ON FURTHER SUCCESS.



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2007 IN BRIEF

- RECORD YEAR FOR BACHEM AT ALL LEVELS
- SALES GROW TO CHF 198.3 MILLION – UP 17.0% IN LOCAL CURRENCIES
- OPERATING PROFIT UP 29.9%, NET INCOME UP 37.0%
- OPERATING MARGIN RISES SHARPLY TO 36.5%, NET PROFIT MARGIN NOW AT 32.2%
- PROPOSED INCREASE IN DIVIDEND BY 50% TO CHF 3.00 PER SHARE
- POSITIVE TREND IN DEMAND AND SYSTEMATIC EXPANSION OF THE PORTFOLIO AND CAPACITY PROMISE CONTINUED GROWTH IN 2008

KEY FIGURES 2007

	2007	2006	CHANGE IN %
SALES (IN CHF M)	198.3	171.8	15.5%
EBIT (IN CHF M)	72.4	55.8	29.9%
EBIT IN % OF SALES	36.5%	32.5%	
NET INCOME (IN CHF M)	63.9	46.6	37.0%
NET INCOME IN % OF SALES	32.2%	27.2%	
EARNINGS PER SHARE (EPS – IN CHF)	4.81	3.54	35.9%
CASH FLOW FROM OPERATING ACTIVITIES (IN CHF M)	78.1	40.2	94.4%
RETURN ON EQUITY (ROE)	17.1%	12.4%	
NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENTS	651	609	
SALES PER EMPLOYEE (IN CHF)	315 000	299 000	

SALES (IN CHF M)

2003	144.6
2004	147.8
2005	153.7
2006	171.8
2007	198.3

EBIT (IN CHF M)

2003	48.4
2004	41.5
2005	47.2
2006	55.8
2007	72.4

NET INCOME (IN CHF M)

2003	37.3
2004	30.7
2005	39.4
2006	46.6
2007	63.9



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



DEAR SHAREHOLDERS

Once again we can look back on an extremely successful year with undiminished growth. In terms of both sales and profitability, the results achieved have even exceeded our optimistic forecast based on the first half-year. Sales were up by 17.0% in local currencies and by 15.5% in Swiss francs to CHF 198.3 million. The EBIT showed an overproportionately large increase of 29.9% to CHF 72.4 million, while net profit rose by as much as 37.0% to 63.9 million. This means that we also managed to further increase our EBIT and net profit margins from 32.5% (2006) to 36.5% and from 27.2% (2006) to 32.2%, respectively. This result shows we are reaping the rewards of our consistent development and expansion efforts aimed at strengthening our leading position as full service provider in our market.

BUSINESS AREAS AND MARKETS

The driver of growth in the last year has been our active pharmaceutical ingredients (APIs) business, which grew 21.0% in local currencies. With an increase of more than 30%, NCEs again showed the greatest jump in sales. More and more of the projects acquired in the last few years are contributing to this excellent performance. In addition, vaccine projects with peptide cocktails of up to ten substances are steadily gaining momentum. This trend is underlined by the coopera-

- HIGHEST SALES, EBIT AND NET INCOME EVER ACHIEVED IN THE HISTORY OF THE COMPANY
- FURTHER SHARP RISE IN PROFIT PER SHARE ALLOWS ANOTHER SIGNIFICANT INCREASE IN DIVIDEND
- WELL DIRECTED EXPANSION OF HUMAN RESOURCES AND PRODUCTION CAPACITY
- EXCELLENT PROSPECTS THANKS TO INCREASED INTEREST IN PEPTIDES AND OUR DISTINGUISHED PORTFOLIO OF PRODUCTS AND SERVICES

tions announced last year with various biotech companies, such as Intercell and immatics, and also the collaboration with Pevion Biotech. But generic APIs are also showing strong growth, and it was gratifying to note that, after two relatively weak years, part of this growth again came from non-peptide generics produced by our Group Company Sochinaz. The only area to fall short of our expectations was the development of cytotoxic substances.

Research Chemicals posted a slight growth in sales. Brisk demand continued to be reported here for custom synthesis. This trend is of strategic importance because custom synthesis can provide access to new projects with substantial future potential in the API market. In the catalog business, there was a slight decline in sales except for the area of immunology, where positive growth was reported.

In geographic terms, double-digit growth rates were posted both in the USA and in Europe. In view of the gratifying development of the NCE business, which is focused more strongly on the USA, sales growth here stood at 25.6% in local currencies (plus 20.6% in CHF), whereas sales in Europe grew by 11.4% in local currencies (plus 12.3% in CHF). It is gratifying to note that the NCE business managed to grow by around 50% in Europe.

OPERATING INCOME, NET INCOME AND DIVIDEND

A major contribution to the overproportionately high growth of 29.9% in operating income came from greater efficiency in production through continuous optimization of processes and a high level of capacity utilization. At the same time, we continue to pursue a course of strict cost control. Hence, personnel costs showed an underproportionate increase in relation to sales, while administrative costs slightly fell again. The EBIT margin achieved now stands at 36.5%.

The 37.0% increase in net income comes from the excellent operating income, a

good financial performance and the positive result from associated companies. The latter was due in particular to the successful financing rounds at Pevion Biotech and Polyphor and also to the performance of Pevion Biotech, which exceeded expectations. As a result, earnings per share (EPS) rose to CHF 4.81 compared with CHF 3.54 in 2006.

In view of the good profitability, we recommend that a 50% increase in the ordinary dividend to CHF 3.00 per share be approved at the Annual General Meeting for 2007. This is in line with our policy of seeking to provide our shareholders with an extensive share in the success of the company. Regardless of this, we are also planning significant investments for the future to enhance the value of our company. Expectations with regard to the further development of our business reinforce us in our firm belief that we shall also be able to finance these investments entirely from the cash flow in the future.

EMPLOYEES AND INVESTMENTS

The dynamic development of our business is also reflected in the growing number of employees. At the end of 2007, the number of full-time equivalents was 651, i.e. 42 or 6.9% more than at the same time in the previous year. The growth in jobs was exclusive to Switzerland; in the USA, after the successful completion of the latest stage of expansion and increasing efficiency enhancement, the number of employees actually declined slightly.

The expansion of our business is constantly presenting all our employees with new challenges, and once again we all succeeded in mastering these challenges together. A feature of the year which we should like to mention in particular is a pioneering achievement of our development teams. Thanks to the commitment of our employees, we succeeded in starting the commercial production of a highly complex peptide, an achievement that was previously thought impossible. We extend our thanks and congratulate everyone involved on this performance

and the many other successes. With this achievement, we once again underlined our leading technological position in the field of peptides.

Investments in fixed and intangible assets stand at CHF 35.3 million in 2007. After the main focus was on the USA in 2006, investments made during the year under review were predominantly in the expansion of capacity at the headquarters in Bubendorf.

OUTLOOK FOR 2008

Apart from the reported successes, the past year also saw us create conditions for the steady further development of our company. In Europe especially we made considerable progress in the expansion of our project portfolio, particularly with NCEs. In Japan, we obtained the license needed, according to the new Japanese regulations, for our production facilities in Bubendorf and California and registered our first products there. Open orders remain at a high level. And the conditions are thus in place for us to make 2008 another year of substantial increases in sales and profits.



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



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

AFTER ITS FOUNDATION IN 1971, BACHEM FIRST MANUFACTURED PEPTIDES FOR MEDICINES UNDER CGMP CONDITIONS 30 YEARS AGO WITH A WORKFORCE OF EIGHT PEOPLE. SINCE THEN, MANY PEOPLE HAVE CONTRIBUTED TO THE SUCCESS OF BACHEM AND HAVE WORKED TO MAKE BACHEM THE GLOBAL MARKET LEADER IN ITS FIELD.



EMPLOYEES BY ACTIVITIES

ACTIVITY	NUMBER OF EMPLOYEES*	PERCENT
PRODUCTION, RESEARCH AND DEVELOPMENT	299	47%
QUALITY ASSURANCE	132	20%
MARKETING AND SALES	56	9%
ENGINEERING AND MAINTENANCE	55	8%
LOGISTICS	48	7%
FINANCE AND ADMINISTRATION	61	9%

*in full time equivalents

THE BACHEM GROUP IS ON A CONTINUOUS AND SUSTAINABLE COURSE OF GROWTH. THE DEMAND FOR PEPTIDES IN RESEARCH AND AS ACTIVE PHARMACEUTICAL INGREDIENTS (APIS) REMAINS UNDIMINISHED. THIS IS REFLECTED AT BACHEM IN THE PAST YEAR'S CONTINUED INCREASE IN THE PRODUCT RANGE OF RESEARCH CHEMICALS BOTH IN THE CATALOG BUSINESS AND IN CUSTOM SYNTHESIS, AS WELL AS IN THE NUMBER OF PROJECTS IN THE FIELD OF APIS. TODAY, BACHEM HAS AROUND 680 PEOPLE WORLDWIDE APPLYING STATE-OF-THE-ART KNOW-HOW, CUTTING-EDGE TECHNOLOGY AND ACTIVE MARKET DEVELOPMENT TO MAKE THE MOST OF THE COMPANY'S OPPORTUNITIES.

New insights from genome and also, in particular, from proteome research are producing new peptide leads, which are finding their way into the development of new medicines in the pharmaceutical and biotech industries. But also medicines already on the market which are based on peptide APIs are becoming increasingly accepted by patients and healthcare professionals, because innovative parenteral dosage forms today allow for simple administration. Long-term depot forms and nasal sprays, for example, reduce the number of medical interventions needed. Therefore, they lead to an improvement in the compliance of patients, i.e. the reliability that a prescribed medicine is actually administered or taken.

To meet the increased demand from our customers, we have made major investments to expand production capacity at our sites both in Switzerland and in California. In addition, we have also pushed ahead with efforts to develop professional customer service and have increased resources both in marketing and in distribution. This has enabled us not only to strengthen business relations in key markets in Europe and the USA, but also to achieve better penetration of new markets such as South America and Australia. The broadening of the product range and increased coverage and expansion

of the markets, like the growth in demand for existing products, are generating a steady increase in the number of employees.

The sustained growth of the company is resulting in ever greater complexity at all levels of our operations. Apart from the challenges of increasingly complex products, we are also faced with more and more stringent requirements on the part of both customers and authorities as regards the quality of our products and services, with a growing complexity of processes for the procurement and delivery of goods and thus with generally increasing demands on our employees.

WORKING ON THE PRODUCT

A trend can be seen among products towards a demand for even more complex molecules. This includes ever longer peptide chains, peptide cocktails for use in vaccines and peptides with several cysteine bridges. Furthermore, structures already known are being modified, for example by means of pegylation, in order to increase bioavailability. In addition, chelating agents (i.e. structures with metal-binding properties) and cytotoxic groups (which include chemical substructures with the ability to inhibit cell growth) are being introduced into peptides. These are being discussed and used for diagnostic imaging techniques and for the treatment of cancers.

Overall, the growing complexity of the substances for manufacture calls for a great deal of know-how and experience of our development departments. Simple text-book knowledge is no longer sufficient; products of this kind require specialist knowledge, networked thinking and know-how within a team of experts. But at the same time, the resolution of such complex problems confers a competitive advantage over those who often confine themselves only to the manufacture of large quantities of peptides which are in advanced clinical trials or already on the market and whose production processes can be largely seen as well-defined.

In production, the strategy selected for synthesis and purification is crucial to economic success or failure. With the given costs for raw materials, solvents and labor, the yield achieved is key to the cost-efficiency of a project or product. Good results and high efficiency can only be achieved with processes that have been through an optimum selection procedure. This involves small-scale operations to find the right ways and means that can also be used for the production of larger quantities. Scale effects, i.e. lower unit costs in the manufacture of relatively large quantities, are of interest both to the producer and to the buyer.

The demand for larger quantities of active ingredients poses not only a chemical but also a technical challenge to the manufacturer. At Bachem large reactors are increasingly being used for solid phase peptide synthesis, as well as larger purification equipment. In addition, in-house work is also needed in the technical area for specific applications. At our main production site in Bubendorf we also have a tank farm under construction for the most common solvents. These measures allow us to run large reactions more efficiently and to benefit increasingly from effects of scale.

Know-how requirements in the field of quality assurance are also increasing. On the one hand, ever more complex products are calling for increasing use of new analytical methods and, on the other, there is a disproportionate increase in the density of regulations in the manufacture of active ingredients. The regulatory authorities are imposing more and more controls on producers in the purchase of raw materials and in manufacture, more stringent criteria in quality control and stricter rules in sales and distribution. For successful drug registration, too, ever stricter requirements apply.

In the field of peptide vaccines, which often comprise a number of individual active ingredients, time and effort for the validation of processes and analytical

methods increase in proportion to the number of active ingredients involved. The cost of registration also increases accordingly. For the successful registration of such a multi-peptide vaccine, the same investment is needed for each individual component as for medicines that as a rule consist only of a single active ingredient. The scale of the documentation needed for the registration of such cocktails is also correspondingly high as a result.

As market leader in the field of peptides, the Bachem Group sets the industrial standards both in production and in the field of quality. For example, Bachem constantly manages to produce peptides that are considered incapable of synthetic manufacture at quantities and levels of quality that are pharmaceutically relevant. For new and existing competitors it is becoming increasingly difficult to gain a foothold or defend one's position and be financially successful in this complex environment. This may be a reason for certain consolidation trends that have been observed in recent years among manufacturers of peptide active ingredients.

WORKING FOR THE CUSTOMER

The customer, too, is playing a part in the constant increase in requirements. Not only are the products demanded becoming ever more complex, but so too are the services that have to be provided, such as stability studies and the ever growing volume of documentation for registration purposes.

With the acquisition of the Clinalfa brand from Merck Biosciences, Bachem broadened its range of sterile ready-to-use medicines for clinical studies. The demand for this service has increased sharply in the wake of stricter legislation in Europe governing the requirements for clinical trial materials. With this acquisition, Bachem closes a gap for the customer between the provision of bulk active ingredients and sterile-filled medicines in ready-to-use form for the clinic. This means a welcome increase in the range

of services for the customer and at the same time an extension of the value-added chain for Bachem. In addition, it is a service that strengthens supplier-customer relations.

Management of the procurement chain has likewise become more complex in the wake of increased request for demand-oriented supplies – i.e. just in time delivery – especially in consideration of an increasing number of synthesis steps for complex peptides. For medicines already on the market, this is a challenge of key importance because, on the one hand, the supply of products to patients already receiving treatment has to be ensured and, on the other, market success is dependent on additional new prescriptions. For the customer, this makes for stringent requirements with regard to planning precision, while for the manufacturer and supplier it calls for a high degree of flexibility. A customized response to planning uncertainty and to ever changing needs of the customer is an indispensable requirement today for any successful business. The use of multipurpose plants for production enables us to take into account frequent changes in customers' priorities. By keeping finished goods in storage on behalf of our customers we are able to satisfy their wishes within an optimum timeframe.

The planning uncertainty of customers also poses a logistical challenge in terms of the often time-critical procurement of raw materials for production. With particular account taken of the long production processes involved, the logistical problems to be resolved are highly complex, especially in view of the extremely strict standards in terms of quality and manufacture that have to be applied when procuring raw materials. This calls for a high degree of professionalism and good knowledge of the procurement market. It is an enormous advantage for the Bachem Group to be able to fall back not only on reliable audited suppliers of raw materials in India and China, but also on the capacity of our Group Company Sochinaz in Switzerland, which also

manufactures raw materials for peptide synthesis in large quantities.

The geographic proximity to customers helps to better identify their needs and to do so more quickly. The competence centers of the Bachem Group in the USA and in Europe thus allow for optimum customer service in the most important markets. In addition, a flexible organization and the readiness to be available on the spot at short notice even for customers in far away regions is a precondition for also expanding the business to new geographic regions.

THE EMPLOYEES

The products and services of the Bachem Group are geared to international markets and are highly technology-oriented. And the demand for these products and services is showing dynamic development. This makes high demands on our employees not only in terms of their specialist qualifications but also with regard to flexibility and commitment. In addition, the need to follow several complex production projects at the same time calls for professional project organization. For this reason, particular attention is paid to ensuring that people at all levels are well qualified, have a keen awareness of quality and are highly motivated.

The employees we recruit nowadays are well qualified people who have been through higher education. The careers we offer are primarily in the field of technology, and we offer positions to people such as chemistry lab technicians, graduates from universities of applied science in chemistry and people with doctorates in chemistry. But in addition we also attain a high level of education through sound in-house training which includes a lively exchange of specialists between various Group Companies. At our two Swiss companies we also train apprentices in various professions. In-house international meetings and conferences, where participants exchange specific experiences, also serve the purpose of training and continuing education.

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

OUTLOOK

Based on the success of the last 30 years, we can continue to work on the further development of the company. As a global leader in our field, we aim to ensure that we continuously extend our lead over our competitors and become the partner of choice for further customers. We are constantly striving to improve our know-how and to manufacture even more complex structures more efficiently still, while exploring the limits of feasibility through to the chemical synthesis of proteins. We shall maintain our international competitiveness through excellence in every field, in research and development of new processes, in the production of new substances on an ever larger scale, in the field of quality and regulatory affairs and, last but not least, also in marketing, sales and distribution.



BUSINESS REVIEW 2007

THE STRONG SALES GROWTH AMOUNTING TO A GOOD 17% IN LOCAL CURRENCIES IS PRIMARILY DUE TO THE VERY FAVORABLE DEVELOPMENT OF THE BUSINESS WITH ACTIVE PHARMACEUTICAL INGREDIENTS (APIS). BUT THE RESEARCH CHEMICALS BUSINESS ALSO CONTRIBUTED TO THIS SUCCESS, WITH A SUSTAINED BRISK DEMAND IN PARTICULAR FOR CUSTOM SYNTHESIS.

THE MARKED INCREASE IN API SALES OF ALMOST 21% (IN LOCAL CURRENCIES) IS BASED ON A DYNAMIC DEVELOPMENT OF ALL PRODUCT CATEGORIES. IN TERMS OF SWISS FRANCS, NCES AND GENERICS MADE ALMOST EQUAL CONTRIBUTIONS TO THE SALES GROWTH.

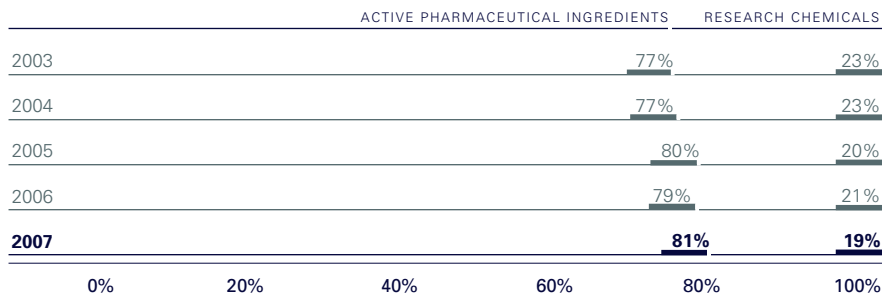
FOLLOWING A DIFFICULT PHASE OVER THE PREVIOUS TWO YEARS, ORGANIC GENERICS, WHICH ARE LARGELY MANUFACTURED AT SOCHINAZ, AGAIN SHOWED A POSITIVE TREND AND NOT ONLY CONTRIBUTED TO THE GROWTH IN SALES, BUT ALSO MADE A SUBSTANTIAL CONTRIBUTION TO THE GROUP OPERATING RESULT THANKS TO OPTIMIZED MANUFACTURING PROCESSES. THE DEMAND FOR PEPTIDE-BASED GENERICS REMAINS STRONG.

NCES NOW ACCOUNT FOR 33% OF ACTIVE INGREDIENT SALES. THE TWENTY STRONGEST-SELLING PRODUCTS ARE ALL ACTIVE INGREDIENTS. THE PROPORTION OF SALES ACCOUNTED FOR BY THE TOP TEN PRODUCTS REMAINED UNCHANGED AT 55%.

GIVEN THE DYNAMIC DEVELOPMENT OF THE API BUSINESS, THE PROPORTION OF TOTAL SALES ACHIEVED IN THIS AREA INCREASED AGAIN AND NOW STANDS AT 81.1% COMPARED WITH 78.6% THE PREVIOUS YEAR. THE PROPORTION OF SALES ACCOUNTED FOR BY RESEARCH CHEMICALS IS NOW 18.9% VERSUS 21.4% IN 2006.



SALES SHARE BY BUSINESS SEGMENT



AN EXTENSIVE PORTFOLIO OF PROJECTS WITH NEW CHEMICAL ENTITIES THAT IS ALSO WELL DIVERSIFIED IN TERMS OF INDICATIONS, DEVELOPMENT PHASES AND GEOGRAPHY IS OF STRATEGIC IMPORTANCE FOR THE LONG-TERM SUCCESS OF OUR COMPANY.

NEW CHEMICAL ENTITIES

The business with patent-protected peptide-based active ingredients, or new chemical entities (NCEs), continued to show very dynamic growth in the year under review with an increase in sales of almost 34% in local currencies. The sales growth was higher in Europe than in the USA, but here, too, the growth was just over 30%. This impressive development confirms the good diversification of our project portfolios on a broad international basis.

Sales of NCEs account for a good one third of total sales of active pharmaceutical ingredients (APIs), including non-peptide generics. Disregarding the latter, NCE sales make up an even larger proportion of total sales in our core field of peptide active ingredients.

The sustained dynamic growth in the field of patent-protected substances reflects the increasing interest that is being shown in peptides as API candidates for numerous medical indications. Our successful activities in the field of custom synthesis again enabled us in the year under review to gain access to various interesting API projects in very early phases of drug development. Although these projects do not normally achieve outstanding sales volume, they do offer significant future potential. At first, they also tend to generate a rather below-average margin, because of the costs initially incurred for the development of efficient processes. The elaboration of an optimal manufacturing procedure at the very start of the project is of considerable importance, because adjustments in later phases of development become more difficult in view of

regulatory restrictions. With its unique business model, the broad-based know-how of its employees and more than 35 years' experience, Bachem can bring all its competitive advantage to bear here for the benefit of the customer.

In addition to the acquisition of new projects, sales growth is attributable above all to the positive development of several projects in various indications. In the year under review, for example, important supply agreements were signed, among others with Intercell, immatics and Neuren.

There is also a clearly increased interest in peptides for vaccine projects. In such projects, up to ten individual peptides are combined to make a vaccine cocktail. The quantities needed of the individual peptides may be rather small, but the cost for each individual component is relatively high as a result of the validation requirements. For this reason, our sales of services in relation to active ingredients also showed an over-proportionate increase in the year under review. The main focus of interest in peptides continues to lie in the treatment of diabetes, obesity and osteoporosis. In the field of oncology, there is a very well-established market for generic peptides which is still growing. And there are also some candidates for new cancer products in the NCE pipeline.

The greatest potential for the next few years in the Bachem business areas lies with the peptide-based active ingredients. We expect a continuing growth of interest in peptides for the future.

SALES SHARE OF THE TOP 10 PRODUCTS



GENERICS

Sales of generic active ingredients increased by 14% in the year under review. By generic active ingredients we mean substances whose patent protection has expired. In the case of peptide generics, however, a certain exclusivity can be achieved by patenting innovative methods of administration. Since peptide active ingredients generally cannot be administered orally, an efficient and patentable method of administration acquires major significance. Substantial efforts are thus being made to improve existing methods of administration and developing new ones for various active ingredients, so that peptide generics of this kind offer excellent potential for growth.

The increase in sales of peptide generics is also due to the market success of medicines already registered which are largely being used in oncology. Our portfolio has over 30 generic peptides, including the known big-selling products leuprolide, triptorelin and goserelin. For the latter, a further extension of the existing supply contract with AstraZeneca has been obtained. The generics also include some new substances, however, some of which enjoy considerable sales potential.

It is gratifying to note, that the non-peptide generics, which are largely manufactured by our Group Company Sochinaz, also contributed to the increase in sales. Despite sustained competitive pressure from India and China, this product category grew by almost 8%. The Sochinaz portfolio includes over 20 generic active ingredients. New non-peptide generics are either close to launch or have recently been launched. In the future, Sochinaz will also expand more and more into the field of cytotoxic substances and other NCEs. In addition, the production capacity at Sochinaz is also used for manufacturing peptide building blocks and intermediates, which are further processed in the peptide-producing units of the Group.



THE TOP TEN BACHEM PRODUCTS INCLUDE FIVE PEPTIDE GENERICS AND TWO NON-PEPTIDE GENERICS - EVIDENCE OF HOW IMPORTANT THE GENERICS SEGMENT IS.





RESEARCH CHEMICALS

Research Chemicals showed slightly positive growth with a 2% increase in sales. While demand in custom synthesis continued to be strong, the catalog business was mixed, with marked sales growth in immunology products offset by a slight dip in sales of peptide products.

The catalog business shows a steady and in some cases even increasing interest in products that have already been part of Bachem's standard range for many years. While certain active substances remain topical for years in medical research with regard to complex clinical indications, such as Alzheimer's disease or obesity, well-known peptides are appearing in a different light as a result of new scientific findings. Thymosin β 4 which was first identified in 1966, is essential for changes in the cytoskeleton which is important for the targeted migration of cells. It only recently became known that this peptide also plays a crucial role in the stimulation of blood vessel formation in the heart and could thus be of significance for the treatment of heart disease. On the other hand, it is not least its vascularization activity that makes thymosin β 4 also essential for the supply of blood to tumors during the tumor growth phase. These hitherto unknown properties are naturally enlivening the interest of research and thus increasing demand for this substance.

OUR RANGE OF PRODUCTS AND SERVICES IN THE FIELD OF RESEARCH CHEMICALS IS OFTEN THE BASIS FOR THE DEVELOPMENT OF A LONG-TERM BUSINESS PARTNERSHIP.



Another example is hepcidin, which became known as an antimicrobial factor in the year 2000. Interestingly, recent studies demonstrated the importance of this peptide for the regulation of iron metabolism. Since then, hepcidin has been making a steadily increasing contribution to sales in the catalog business.

WITH THE GROWTH OF THE COMPANY, THE NUMBER OF HIGHLY QUALIFIED JOBS AT BACHEM IS ON THE INCREASE. IT IS THE SHARED TASK OF THE HUMAN RESOURCES FUNCTION AND LINE MANAGERS TO SELECT CANDIDATES WHO MEET OUR REQUIREMENTS AND TO FOSTER AND SUPPORT THEM IN THEIR DEVELOPMENT AT BACHEM.

HUMAN RESOURCES

At the end of 2007, there were 680 people, or 651 full-time equivalents (FTEs), employed in the Bachem Group worldwide. Compared with the previous year, this corresponds to an increase of 42 FTEs. Bachem AG, Bubendorf, in particular posted a large increase in the headcount with an additional 47 employees. With its 390 people, the Bubendorf site accounts for 57% of the total Group headcount. At Sochinaz SA, Vionnaz, the number of employees remained unchanged at 95, while the number at the Group Companies in America fell back slightly from 187 to 172 at the end of the year. The fluctuation of personnel rose from 13% to 17% in the year under review, which in light of the good general economic situation is in keeping with the general trend. Overall, the past year saw the recruitment of 153 people in the Bachem Group. This posed a challenge not only for Human Resources managers, but also for the organization as a whole and for line managers in particular.

The high utilization of production capacity also meant that an extension of production times was needed at Bachem AG. To this end, a license for weekend work was obtained from the authorities responsible. At Sochinaz SA, two-shift production was temporarily switched to a three-shift operation. For operational reasons, the areas of Production and Research and Development showed disproportionate growth in terms of personnel and now make up 47% of the workforce in terms of FTEs.

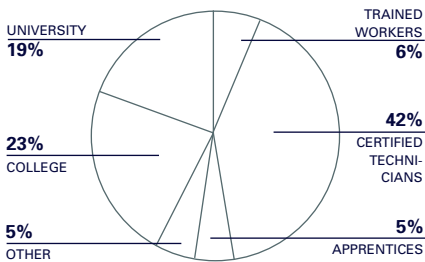
Our complex processes make persistently high demands on employees. In keeping with these demands, the workforce in the Bachem Group boasts a high level of education, with 42% of employees having a college or university degree.

In Switzerland, great importance is attached to vocational education through an apprenticeship system. In a modern society, this system serves, amongst other things, to ensure that skills are in line with the jobs market and to prepare people for lifelong learning. Bachem has therefore engaged in the training of apprentices for many years at its sites in Bubendorf and Vionnaz (Sochinaz). Altogether we are currently training 37 young school leavers in Switzerland for careers as chemistry lab technicians (specializing in synthesis and analytical chemistry), commercial employees, IT specialists and logistics assistants. At 8%, this corresponds to a relatively high proportion of the workforce in Switzerland. Apprentice chemistry lab technicians at Bachem AG are instructed in the practical side of the work by two full-time vocational trainers in the company's own teaching laboratory. At Sochinaz SA we are also providing two people with the opportunity of an adults' apprenticeship as part of a vocational qualification program.

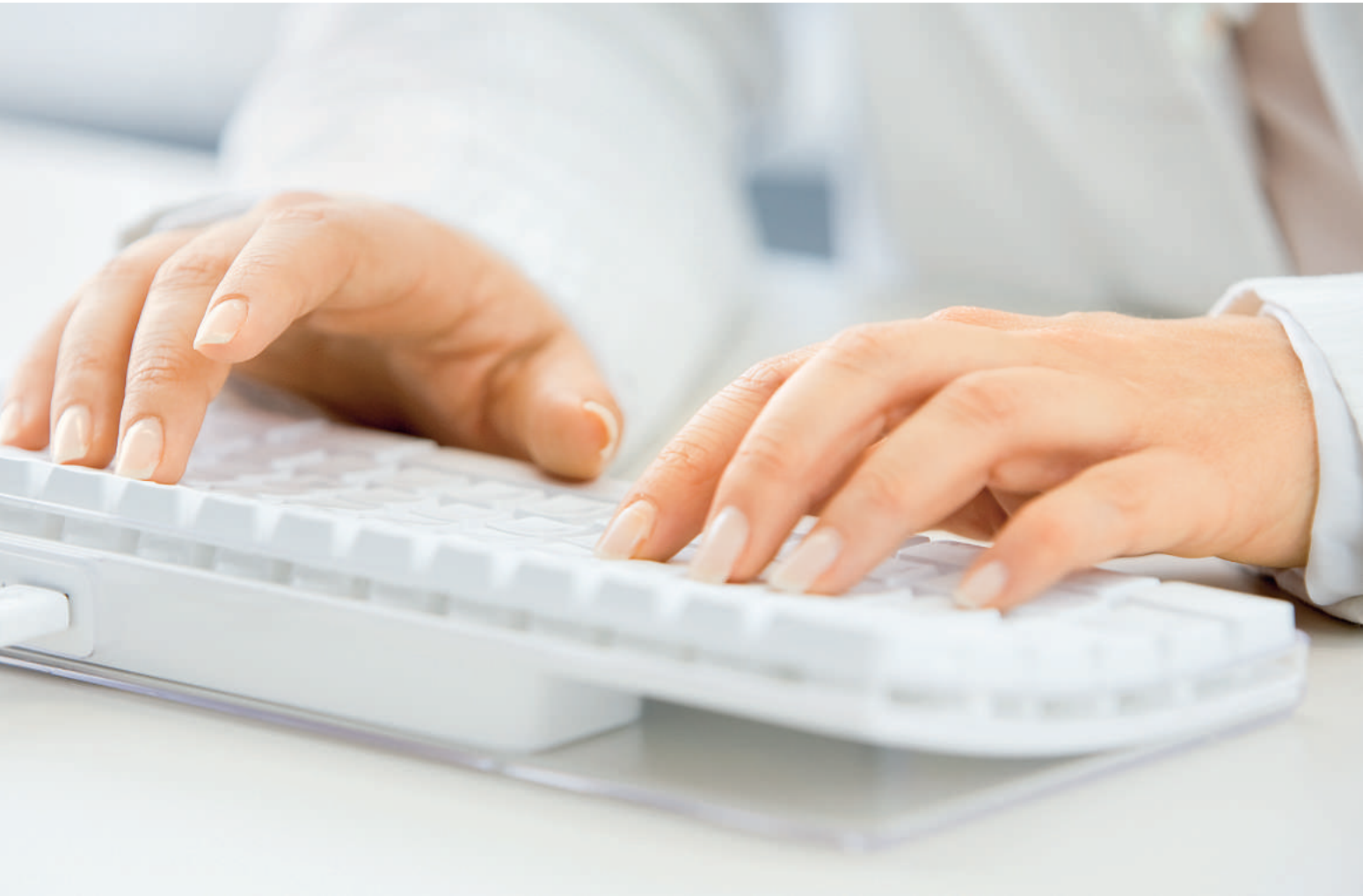
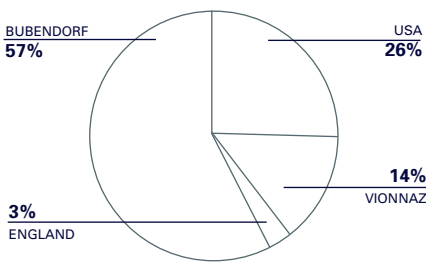
In the spirit of the demand for lifelong learning, we continue to provide specialist further training and also offer management training and personality development courses.



EMPLOYEES BY EDUCATION



FULL-TIME EQUIVALENTS BY LOCATION





AS A MANUFACTURING TECHNOLOGY COMPANY, BACHEM ATTACHES MAJOR IMPORTANCE TO THE HEALTH AND SAFETY OF ITS EMPLOYEES. EVERY SITE IS RESPONSIBLE FOR THE NECESSARY PREVENTIVE MEASURES AND TRAINING OF EMPLOYEES TO KEEP ACCIDENTS AT THEIR PRESENT LOW RATE OR ACHIEVE FURTHER IMPROVEMENTS.

SAFETY AND ENVIRONMENT

Bachem has been signed up for many years to the chemical industry's voluntary program of Responsible Care®. The aim of this global initiative is to bring about continuous improvements in the fields of safety, health and environmental protection. The performance indicators measured for this purpose serve as management tools, allowing benchmarks to be established for assessing performance both over time and in terms of the industry average. Bachem records data for its three largest production sites Bachem AG, Bubendorf, Sochinaz SA, Vionnaz, and Bachem Inc, Torrance, USA, which employed a total of 577 people. In the three facilities, there are 5 people (prior year: 4) who are responsible for issues of safety and environmental protection.

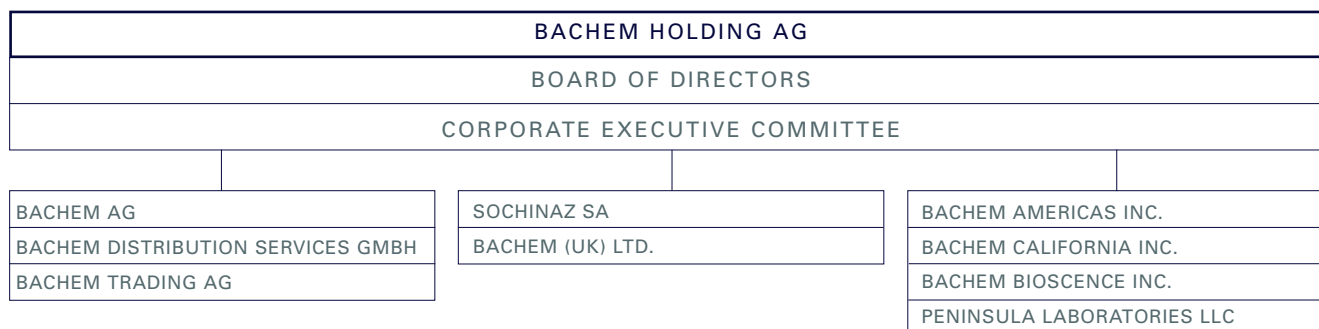
At Bachem AG, the number of accidents decreased further in the year under review to 1.1 accidents per 100 employees (prior year: 1.3) which resulted in 0.15 lost working days per employee (prior year: 0.11). This positive trend shows that the measures taken the previous year with regard to integrated safety were successful.

Most environmental protection indicators showed an underproportionate increase over the previous year in relation to the increase in sales. In the case of energy consumption, however, there was a 17% increase from 83.9 terajoules to 98.1 terajoules. This increase resulted partly from the higher level of production, but also from measures taken to reduce VOC emissions and from stricter regulatory requirements. The latter are leading increasingly to a need for the segregation of production processes, which in turn increases the demand for energy. By contrast, water consumption showed a disproportionately low 2.4% increase from 1 276 m³ to 1 306 m³ per employee.

The performance indicators, their development over the years and comparison with the industry's benchmark indicators show that Bachem is achieving its business performance in an environmentally compatible way that is above the industry average.



1. GROUP STRUCTURE AND SHAREHOLDERS



1.1. GROUP STRUCTURE

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SWX Swiss Exchange in Zurich (valor number: 1 253 020, ISIN: CH0012530207, SWX: BANB, Reuters: BAMZn). Market capitalization at December 31, 2007 was CHF 1 301 520 000. 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 five percent of voting rights on December 31, 2007 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, 2007, 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 and authorized capital outstanding

2.3. CHANGES IN CAPITAL

In 2005, 2006 and 2007, share capital remained unchanged. Changes in equity for the years 2007 and 2006 are listed in note 23 on page 49 of the consolidated financial statements. Changes for 2005 are reported on page 48 of the annual report 2006.

2.4. SHARES AND PARTICIPATION CERTIFICATES

At December 31, 2007, 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 50 to 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 AND TOP TO BOTTOM:
PETER GROGG, GOTTLIEB KNOCH, THOMAS BURCKHARDT,
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 of Ingro Finanz AG. He is member of the Board of Directors of Polyphor AG, Dottikon ES Holding AG and Tillotts Pharma 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 since 1985, with advice and support. Board member of Rothschild Bank AG

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 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 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 in Basel. 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. Since 1996 he is President of the Novartis Venture Fund. Important board memberships: Centre Suisse d'Electronique et Microtechnique, Cytos Biotechnology AG, Gene Data AG, NovImmune SA, Schweizerhall 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 is currently Co-Director of the Institute for Experimental Immunology at the University Hospital of Zurich. He is also ordinary 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 department of biology at 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. Re-election is permitted. Elections are individually. 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 2007, the Board of Directors held two half-day and three full day meetings. The Corporate Executive Committee attends all Board meetings (see item 3.7). The five meetings were attended by all Board and Corporate Executive Committee members. If considered appropriate, members of the management of the subsidiaries are invited to the Board meetings to attend special agenda items as well. During 2007, one Chief Operating Officer of a Group company (COO) attended three Board meetings and one COO attended one Board meetings. In 2007, 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 2007, 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 CTO and the CFO (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



ROLF NYFELER (1950)

DR. PHIL. II, CEO, SWISS
SINCE 2000

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).



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 and was responsible for Corporate Financial Accounting and Corporate Planning and Reporting. In addition he successfully completed the education to a Certified IFRS Accountant in 2004.



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.

4.2. OTHER ACTIVITIES AND VESTED INTEREST

Other activities of the members of the Corporate Executive Committee are listed in above table.

4.3. MANAGEMENT CONTRACTS

Bachem has not entered into any management contracts.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. CONTENT AND METHOD OF THE COMPENSATION AND THE SHAREHOLDING 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 to be 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. CONVOCAION 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, by the statutory auditors or by 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 any member of the Board of Directors nor any 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 Group auditor 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. AUDITING FEES

Auditing fees of PricewaterhouseCoopers for the Bachem Group amounted to CHF 185 000 for the business year 2007. Fees for audit services on Bachem companies by other auditors totalled CHF 73 000.

8.3. ADDITIONAL FEES

During 2007, PricewaterhouseCoopers charged additional fees of CHF 183 000 for various projects and other services. Additional services conducted by other auditors amounted to CHF 20 000.

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 2007, 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 SWX 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.swx.com. For specific questions regarding Bachem, contact our investor relations responsible, Michael Hüsler, CFO, phone +41 61 935 2333, IR@bachem.com.

FINANCIAL REPORT

RECORD PERFORMANCE ON ALL LEVELS

The Bachem Group achieved a new sales record of CHF 198.3 million in 2007. The growth in sales compared with 2006 rose to 17.0% in local currencies or 15.5% in CHF. The weakening of the US dollar against the Swiss franc during 2007 outweighed the positive development of the Euro to the Swiss franc. As expected, sales in the second half of 2007 of CHF 95.3 million did not quite reach the level of the first half of 2007 of CHF 103.0 million. After a first-half growth of 26.3% in local currencies or 25.4% in CHF, growth in the second half of 2007 amounted to 8.6% in local currencies or 6.4% in CHF.

The main driver of growth last year was again the active pharmaceutical ingredients (APIs) business, which grew by 21.0% in local currencies or 19.1% in CHF. The NCEs, in particular, showed above-average growth of 33.7% in local currencies or 29.2% in CHF. Generics grew by 14.0% in local currencies or 13.5% in CHF. It was very gratifying that, after two years of decline, the non-peptide generics also returned to high single-digit growth. Research chemicals, however, only increased slightly by 2.0%. Declines in the catalog business were offset by double-digit growth in custom synthesis and immunology. These figures result in the following picture:

IN CHF MILLION	2007	CHANGE IN CHF	CHANGE IN LOCAL CURRENCY	SHARE OF SALES
ACTIVE PHARMACEUTICAL INGREDIENTS (APIS)	160.8	+19.1%	+21.0%	81.1%
RESEARCH CHEMICALS	37.5	+2.0%	+2.0%	18.9%
BACHEM GROUP	198.3	+15.5%	+17.0%	100.0%

Both Europe and North America posted double-digit sales growth in 2007. Sales in Europe increased by 11.4% in local currencies and 12.3% in CHF. This development is in line with the increasingly dynamic momentum in Europe, where more and more pharmaceutical and biotech companies are becoming active in the field of peptide-based substances. The share of sales in this region thus amounts to 60.4%. Sales in North America showed strong growth of 25.6% in local currencies and 20.6% in CHF. The additional capacity available since the previous year contributed substantially to the good performance in this region. But also the sales of products produced in Switzerland for the American market increased again. The US share of total sales consequently increased to 39.6%.

In terms of geographic segments, sales in 2007 developed as follows:

IN CHF MILLION	2007	CHANGE IN CHF	CHANGE IN LOCAL CURRENCY	SHARE OF SALES
EUROPE	119.9	+12.3%	+11.4%	60.4%
NORTH AMERICA	78.4	+20.6%	+25.6%	39.6%
BACHEM GROUP	198.3	+15.5%	+17.0%	100.0%

MARKED INCREASE IN OPERATING MARGIN TO 36.5%

In the past business year, Bachem increased its operating income by 29.9% or CHF 16.7 million compared to the previous year. The EBIT thus reached the record level of CHF 72.4 million compared to CHF 55.8 million in the previous year. The EBIT margin was again substantially increased and amounted to 36.5% in 2007. Compared to the previous year's figure of 32.5%, this represents an increase of four percentage points.

A major part of the improvement in the operating margin comes from the reduction in the cost of goods sold (COGS) in relation to sales of around two percentage points. At 44.6% of sales or CHF 88.5 million, COGS is the main cost item in the income statement. In the previous year, COGS stood at 46.9%. This improvement is partly due to shifts in the product mix, but in particular was also achieved through economies of scale and process optimization. The gross margin thus improved by more than two percentage points from 53.1% to 55.4% compared to the previous year. COGS includes a slightly overproportionate increase of 19.0% in material costs in relation to sales. But on the other hand, personnel and in particular also other costs in this area showed an underproportionately low increase in relation to sales.

In 2007, selling costs increased just slightly, so that this cost item only rose from CHF 11.7 million to CHF 12.0 million. In relation to sales, this resulted in a decline from 6.8% to 6.0%. Bachem takes a very targeted approach to the expansion of its marketing and sales activities.

In absolute terms, research and development costs constitute the smallest cost item. These costs rose by CHF 1.9 million from CHF 3.6 million to CHF 5.5 million, which corresponds to an increase from 2.1% to 2.7% of sales. This mainly reflects the development of new processes at the company's own expense and product developments in the field of non-peptide generics. Costs are also incurred in production for the optimization of processes or the development of scale-ups, but this expenditure is attributed directly to the cost of goods sold.

The general administrative costs not only fell in relation to sales from 11.7% to 10.1%, but also slightly in absolute terms from CHF 20.2 million to CHF 20.0 million. This optimization constitutes the second main component of the increase in the operating margin, with the general administrative costs contributing almost two percentage points to the improvement in the margin in 2007. This development underlines the cost-consciousness of Bachem because, despite double-digit sales growth, this cost item remained fairly constant.

In 2007, Bachem increased the number of employees by 42 to 651 full-time equivalents (FTEs). In Switzerland, 50 new jobs were created in Bubendorf, while the UK saw 3 new jobs created. By contrast, after strong expansion in the USA during the previous year, the number of FTEs here was reduced by 11 as part of a drive to optimize the organization and increase production efficiency. The growth in personnel corresponds to a 6.9% increase in FTEs, which is an underproportionately low

increase in relation to the sales growth and is a reflection of the investments made during the previous year to expand the workforce. Staff costs consequently increased by only 10.2% and amounted to CHF 68.7 million, which corresponds to 34.6% of sales versus 36.3% in 2006.

As a result of the continuing high investment activity, depreciation and amortization rose by around CHF 1.9 million or 18.8% to CHF 11.8 million. In relation to sales, however, depreciation and amortization only increased from 5.8% to 6.0% thanks to the high growth in sales.

NET INCOME INCREASED BY 37.0%

As a result of the strong improvement in operating performance, the net income also showed very positive growth, increasing by 17.3 million or 37.0% from CHF 46.6 million to CHF 63.9 million. The net profit margin thus likewise improved significantly from 27.2% to 32.2%. Earnings per share (EPS) consequently rose sharply from CHF 3.54 in the previous year to CHF 4.81 in 2007.

The positive contribution from associated companies in the year under review amounted to CHF 5.0 million. In the previous year, a negative result amounting to CHF 1.7 million was posted here. The past business year saw financing rounds with the two associated companies Pevion Biotech AG and Polyphor AG. Bachem only participated in the financing round of Pevion Biotech AG with a further CHF 2 million. The influx of capital from the remaining investors came at a far higher price than the original participation by Bachem, which led to a positive effect on the valuation of the investments in the amount of CHF 6.4 million (incl. dilution effect). The proportional operating loss from associated companies for 2007 amounted to CHF 1.4 million. The result of Pevion Biotech AG for the year was much better than expected thanks to lower-than-expected costs and its first income from license agreements.

The financial result was slightly down on that of the previous year at CHF 4.8 million, which was mainly due to the negative foreign exchange result of CHF 1.1 million. Overall, the remaining items included in the financial result were at the same level as in the previous year. In connection with the special dividend payment, relatively large positions of securities were sold off at the beginning of 2007, which contributed to this good financial result, because corresponding profits of around CHF 4.3 million have been achieved. The income from interest and dividends amounted to around CHF 2.4 million. Finally, other financial expenses accounted for CHF 0.8 million.

The tax rate increased slightly from 21.6% to 22.3% compared with the previous year. The total tax expenses in 2007 amounted to CHF 18.3 million.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities almost doubled in 2007 and amounts to CHF 78.1 million or 39.4% of sales. The net working capital increased by CHF 5.0 million, which was an under-proportionate rise in relation to sales. Whereas the inventory increased in line with the growth in sales, there was a reduc-

tion in receivables and other receivables despite the strong sales growth, while liabilities and other liabilities increased approximately to the same extent.

As a result of the increasing dynamic growth in demand, investments in property, plant and equipment and intangible assets were slightly higher than expected in 2007. They amounted to CHF 35.3 million. This is equivalent to 17.8% of sales, which corresponds approximately to the previous year's value. However, this includes CHF 6.2 million for an additional building at Bachem California, Inc. which is not yet in use at the moment. This building ensures that capacity is in place for further growth at this site. Excluding this building, investments amount to CHF 29.1 million or 14.7% of sales. In addition, a further CHF 2.3 million was invested in California for selective increases in capacity and replacements. Bachem AG in Buben-dorf accounted for most of the investments in 2007, which totaled CHF 23.0 million. At Sochinaz SA in Vionnaz, investments amounted to CHF 2.8 million and at the other companies to CHF 1.0 million. The cash flow for investing activities also includes the CHF 2.0 million that was invested as part of the above-mentioned financing round of Pevion Biotech AG and also CHF 1.9 million from the acquisition of Clinalfa.

In the area of financing activities, CHF 92.9 million was paid out in dividends, and there was a net change in own shares of CHF 8.8 million. All these activities led to the cash and cash equivalents as defined in the cash flow statement declining slightly by CHF 1.5 million to CHF 71.6 million.

INCREASE IN DIVIDEND TO CHF 3.00 PROPOSED

The equity ratio fell to 84% from the previous year's level of 88% as a result of the special dividend payment. Thanks to the previous year's good performance, and also supported by the reduction in equity, the return on equity (ROE) increased from 12.4% to 17.1%.

The Board of Directors has decided to propose an increase in dividend from CHF 2.00 to CHF 3.00 for approval by the Annual General Meeting. This is in line with the dividend policy of granting shareholders a share of the funds that are not needed in operational terms.

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31

	NOTES	2007 000 CHF	2006 000 CHF
SALES	1/2/3	198 318	171 754
COST OF GOODS SOLD		-88 500	-80 539
GROSS PROFIT		109 818	91 215
OTHER INCOME		49	17
SELLING COSTS		-11 994	-11 682
RESEARCH AND DEVELOPMENT COSTS		-5 453	-3 644
GENERAL ADMINISTRATIVE COSTS		-19 979	-20 154
OPERATING INCOME		72 441	55 752
RESULT FROM ASSOCIATES AND JOINT VENTURES	2/6	4 995	-1 723
FINANCIAL RESULT	7	4 788	5 456
EARNINGS BEFORE TAXES		82 224	59 485
INCOME TAXES	8	-18 297	-12 836
NET INCOME*		63 927	46 649
BASIC EARNINGS PER SHARE (CHF)	9	4.81	3.54
DILUTED EARNINGS PER SHARE (CHF)	9	4.81	3.54

* 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, 2007 AND 2006

ASSETS	NOTES	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CASH AND CASH EQUIVALENTS	10	71 625	73 116
MARKETABLE SECURITIES	11	13 393	56 200
TRADE RECEIVABLES	12	22 951	28 938
OTHER RECEIVABLES	13	5 777	6 033
CURRENT TAX ASSETS		107	4 440
INVENTORIES	14	105 596	90 303
TOTAL CURRENT ASSETS		219 449	259 030
PROPERTY, PLANT AND EQUIPMENT	15	179 456	159 997
INTANGIBLE ASSETS	16	16 777	14 764
ASSOCIATES AND JOINT VENTURES	2/6	10 513	3 518
DEFERRED TAX ASSETS	22	2 872	4 926
TOTAL NON-CURRENT ASSETS		209 618	183 205
TOTAL ASSETS		429 067	442 235
LIABILITIES AND EQUITY			
TRADE PAYABLES	19	16 285	11 294
OTHER CURRENT LIABILITIES	20	9 903	8 275
CURRENT TAX LIABILITIES		6 649	1 057
PROVISIONS	21	16	159
TOTAL CURRENT LIABILITIES		32 853	20 785
DEFERRED TAX LIABILITIES	22	30 105	25 657
PROVISIONS	21	339	238
DEFINED BENEFIT PLAN LIABILITY	5	6 393	6 340
TOTAL NON-CURRENT LIABILITIES		36 837	32 235
TOTAL LIABILITIES		69 690	53 020
SHARE CAPITAL	23/24	680	680
RETAINED EARNINGS	23	298 340	325 084
SHARE PREMIUM	23	90 195	88 993
OWN SHARES	23	-7 831	-13 789
FAIR VALUE RESERVES	23	468	4 590
CUMULATIVE TRANSLATION DIFFERENCES	23	-22 475	-16 343
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		359 377	389 215
TOTAL LIABILITIES AND EQUITY		429 067	442 235

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	2007 000 CHF	2006 000 CHF
CASH FLOW FROM OPERATING ACTIVITIES			
NET INCOME		63 927	46 649
ADJUSTMENTS FOR:			
TAXES	8	18 297	12 836
DEPRECIATION AND AMORTIZATION	2/15/16	11 822	9 952
FINANCIAL RESULT	7	-4 788	-5 456
RESULT FROM ASSOCIATES AND JOINT VENTURES	2/6	-4 995	1 723
SHARE-BASED PAYMENTS	25	1 202	975
INCOME TAXES PAID		-1 502	-9 597
CHANGE IN NET CURRENT ASSETS		-5 020	-15 925
OTHER NON-CASH ITEMS		-873	-1 007
CASH FLOW FROM OPERATING ACTIVITIES		78 070	40 150
CASH FLOW FROM/(USED FOR) INVESTING ACTIVITIES			
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	2/15	-33 997	-29 417
INVESTMENTS IN INTANGIBLE ASSETS	2/16	-1 305	-1 426
REPAYMENTS OTHER FINANCIAL ASSETS		0	10 000
BUSINESS COMBINATIONS	16/17	-1 920	0
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	6	-2 000	-2 000
PURCHASES OF MARKETABLE SECURITIES IN CURRENT ASSETS		-829	-19 411
SALES AND REPAYMENTS OF MARKETABLE SECURITIES IN CURRENT ASSETS		43 070	14 031
INTEREST RECEIVED		1 920	1 788
DIVIDENDS RECEIVED	7	327	654
OTHER FINANCIAL INCOME	7	136	159
OTHER FINANCIAL EXPENSES	7	-239	-310
CASH FLOW FROM/(USED FOR) INVESTING ACTIVITIES		5 163	-25 932
CASH FLOW USED FOR FINANCING ACTIVITIES			
ADDITIONS OWN SHARES		-79	-1 403
DISPOSALS OWN SHARES		8 872	4 277
DIVIDENDS PAID	26	-92 880	-19 781
CASH FLOW USED FOR FINANCING ACTIVITIES		-84 087	-16 907
NET EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		-637	-546
NET CHANGE IN CASH AND CASH EQUIVALENTS		-1 491	-3 235
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10	73 116	76 351
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	71 625	73 116
NET CHANGE IN CASH AND CASH EQUIVALENTS		-1 491	-3 235

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	2007 000 CHF	2006 000 CHF
CHANGE IN FAIR VALUE RESERVES AND	23	-4 536	-399
DEFERRED TAXES THEREON	22/23	414	-13
ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS AND	5	-783	-884
DEFERRED TAXES THEREON	22	157	177
CUMULATIVE TRANSLATION DIFFERENCES	23	-6 132	-5 283
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		-10 880	-6 402
NET INCOME ACCORDING TO INCOME STATEMENT		63 927	46 649
TOTAL RECOGNIZED INCOME AND EXPENSE*	23	53 047	40 247

* 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 Baselland, Switzerland, is an independent, technology-based public biochemicals company providing full service to pharma and biotech industries. Bachem employs 651 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 27, 2008 to be presented for approval by the Annual General Meeting on April 23, 2008.

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 gross 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.

STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2007 AND RELEVANT FOR BACHEM

IFRS 7 Financial Instruments

This standard replaces the disclosure requirements in IAS 32 (Financial Instruments: Disclosure and Presentation). This standard is applicable to all entities that have financial instruments and report under IFRS.

The new significantly more detailed disclosure requirements contain among others:

- Details to the importance of financial instruments regarding the financial and result situation of the company
- Goals, principles and processes of the risk management for financial instruments
- Quantified information about exposure to risks arising from financial instruments based on the internal information of the management

Bachem applies this standard since January 1, 2007. The application of this new standard had an influence on disclosure only. The prior year figures were amended accordingly.

IAS 1 Presentation of Financial Statements (Amendment)

Bachem applies the amendment to this standard since January 1, 2007. The amendment leads to new disclosures which enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2007 BUT NOT RELEVANT FOR BACHEM

IFRS 4 (Amendment)

Insurance Contracts

IFRIC 7

Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8

Scope of IFRS 2

IFRIC 9

Reassessment of Embedded Derivatives

IFRIC 10

Interim Financial Reporting and Impairment

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 Group's accounting periods beginning on or after January 1, 2008 or later (these have not been early adopted by Bachem):

IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2009)

IFRS 8 requires the disclosure of 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 23 Borrowing Costs (Amendment, effective from January 1, 2009)

The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a

substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Bachem will apply the amendments of IAS 23 from January 1, 2009, but they are not expected to have any impact on Bachem's accounts.

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from January 1, 2008)

IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Bachem will apply IFRIC 14 from January 1, 2008. Since there is currently no such surplus, it is not expected that this interpretation will have any impact on Bachem's accounts.

Other interpretations

The application of other new interpretations to published standards is not relevant to Bachem's operations:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

IFRIC 13 Customer Loyalty Programmes

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 interest). 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 AND JOINT VENTURES

Investments in associates and joint ventures 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 and joint ventures 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 expressed 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	
	2007 CHF	2006 CHF	2007 CHF	2006 CHF
USD	1.20	1.25	1.13	1.22
GBP	2.40	2.31	2.25	2.40
EUR	1.64	1.57	1.66	1.61

REVENUE RECOGNITION

Sale of goods

The reported sales correspond to invoiced product deliveries and services 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 risk and rewards of ownership of the goods are transferred to a third party. Inter-company 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 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.

TRADE AND OTHER RECEIVABLES

These are carried at the original invoice amount less any adjustment 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.

INVENTORIES

Inventories include raw materials (incl. technical raw material), 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. Borrowing costs for assets under construction are not capitalized.

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 to determine whether this is the case. If so, Bachem estimates the future cash flows that are likely to result from the usage of the property, plant and equipment 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 once 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 at least annually.

Computer software: Computer 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. Computer 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 computer 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.

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, 2007, 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 286 000 (2006: CHF 393 000) lower and equity would not have been affected directly (2006: negative impact of CHF 72 000 on equity). In the opposite case profit and equity would have been higher by the same amounts.

At December 31, 2007, 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 2 122 000 (2006: CHF 1 907 000) lower and equity would not have been affected directly (2006: negative impact of CHF 27 000 on equity). In the opposite case profit and equity would have been higher by the same amounts.

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 EUR since the securities held in EUR were sold.

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 fix interest rates (fair value risk). A 1% rise in market interest rate would have led to an increase of CHF 665 000 (2006: CHF 685 000) 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. In addition, a 1% shift in market interest rate would have led to a change of CHF 348 000 (2006: CHF 1 313 000) 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, 2007, 100% of the shares invested are subject to the SPI (2006: 81% SPI; 19% were subject to the indices EURO STOXX 50 and Dow Jones). Since all shares are classified as available for sale, fluctuations of the indices only have an impact on equity. A 5% fluctuation of the SPI would have lead to a change in equity of CHF 209 000 (2006: CHF 896 000). A shift of 5% of the EURO STOXX 50 and Dow Jones would have changed the equity by CHF 215 000 as of December 31, 2006.

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 exposures to customers. Banks and financial institutions need an independently evaluated minimum rating of "A" in order that Bachem does business with them. On December 31, 2007, 74% (2006: 80%) of Bachem's cash and cash equivalents are concentrated on one financial institution in Switzerland.

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 20% 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 2007 was CHF 359 million (2006: CHF 389 million). The equity ratio at December 31, 2007 amounted to 84% (2006: 88%). The decrease of the equity ratio can be explained mainly by the distribution of the extra dividend in 2007.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivatives are initially recognized at fair value plus transaction costs on the date on which the derivative contract is entered into. 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.

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:

	2007 000 CHF	2006 000 CHF
SALES OF GOODS	194 588	169 528
SALES OF SERVICES	3 730	2 226
TOTAL SALES	198 318	171 754

2. SEGMENT INFORMATION (GEOGRAPHICAL)

PRIMARY SEGMENT INFORMATION BASED ON THE LOCATION OF ASSETS	EUROPE		NORTH AMERICA		ELIMINATIONS		CONSOLIDATED VALUES	
	2007 000 CHF	2006 000 CHF	2007 000 CHF	2006 000 CHF	2007 000 CHF	2006 000 CHF	2007 000 CHF	2006 000 CHF
SALES THIRD PARTIES	119 861	106 712	78 457	65 042	0	0	198 318	171 754
SALES INTERCOMPANY	22 301	17 886	4 158	3 353	-26 459	-21 239	0	0
TOTAL SALES	142 162	124 598	82 615	68 395	-26 459	-21 239	198 318	171 754
OPERATING INCOME	49 390	40 120	23 514	15 543	-463	89	72 441	55 752
RESULT FROM ASSOCIATES AND JOINT VENTURES	4 995	-1 723	0	0	0	0	4 995	-1 723
FINANCIAL RESULT							4 788	5 456
INCOME TAXES							-18 297	-12 836
NET INCOME							63 927	46 649

OTHER INFORMATION	DEC. 31, 2007 000 CHF		DEC. 31, 2006 000 CHF	
ASSETS	439 084	649 550	116 357	89 015
LIABILITIES	119 723	97 679	40 792	27 456
ASSOCIATES AND JOINT VENTURES	10 513	3 518	0	0

	2007 000 CHF	2006 000 CHF
CAPITAL EXPENDITURE	26 315	16 132
DEPRECIATION AND AMORTIZATION	-9 283	-8 314

SEGMENT INFORMATION BASED ON THE LOCATION OF CUSTOMERS	EUROPE/REST OF WORLD		NORTH/SOUTH AMERICA		CONSOLIDATED VALUES	
	2007 000 CHF	2006 000 CHF	2007 000 CHF	2006 000 CHF	2007 000 CHF	2006 000 CHF
SALES THIRD PARTIES	116 546	102 705	81 772	69 049	198 318	171 754

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)

	2007 000 CHF	2006 000 CHF	2007 IN %	2006 IN %	CHANGE IN CHF IN %	CHANGE IN LOCAL CURRENCIES IN %
ACTIVE PHARMACEUTICAL INGREDIENTS (APIS)	160 828	134 990	81.1%	78.6%	19.1%	21.0%
RESEARCH INGREDIENTS (INCL. CUSTOM SYNTHESIS)	37 490	36 764	18.9%	21.4%	2.0%	2.0%
TOTAL SALES	198 318	171 754	100.0%	100.0%	15.5%	17.0%

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

	2007 000 CHF	2006 000 CHF
SALARIES AND WAGES	-53 497	-48 333
PENSION COSTS FOR DEFINED BENEFIT PLANS	-1 808	-1 597
PENSION COSTS FOR DEFINED CONTRIBUTION PLANS	-1 110	-960
OTHER SOCIAL SECURITY EXPENSES	-7 243	-6 539
SHARE-BASED PAYMENTS	-1 202	-975
OTHER PERSONNEL RELATED COSTS	-3 848	-3 926
TOTAL STAFF COST	-68 708	-62 330

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 2007 amounted to CHF 1 110 000 and in 2006 to CHF 960 000.

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, 2007 and 2006:

DEFINED BENEFIT PLAN LIABILITY	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
FAIR VALUE OF PLAN ASSETS	48 183	43 195
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION	-54 576	-49 535
DEFICIT RECOGNIZED AS A LIABILITY IN THE BALANCE SHEET	-6 393	-6 340

THE ANNUAL PENSION COST IS AS FOLLOWS:

	2007 000 CHF	2006 000 CHF
SERVICE COST	-3 751	-3 399
INTEREST COST	-1 599	-1 483
EXPECTED RETURN ON PLAN ASSETS	1 728	1 596
EMPLOYEES' CONTRIBUTIONS	1 814	1 689
ANNUAL PENSION COST	-1 808	-1 597

Of the total annual pension cost, CHF 1 194 000 (2006: CHF 1 024 000) were included in cost of goods sold, CHF 208 000 (2006: CHF 184 000) in selling costs, CHF 85 000 (2006: CHF 47 000) in research and development costs and CHF 321 000 (2006: CHF 342 000) in general administrative costs.

THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATION WAS AS FOLLOWS:	2007 000 CHF	2006 000 CHF
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1	-49 535	-46 027
SERVICE COST	-3 751	-3 399
INTEREST COST	-1 599	-1 483
ACTUARIAL GAIN/(LOSS) ON BENEFIT OBLIGATION	1 622	-834
BENEFITS PAID	-1 313	2 208
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31	-54 576	-49 535

THE MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS WAS AS FOLLOWS:	2007 000 CHF	2006 000 CHF
FAIR VALUE OF PLAN ASSETS AT JANUARY 1	43 195	39 889
EXPECTED RETURN ON PLAN ASSETS	1 728	1 596
ACTUARIAL LOSS ON PLAN ASSETS	-2 405	-50
EMPLOYEES' CONTRIBUTION	1 814	1 689
EMPLOYER'S CONTRIBUTION	2 538	2 279
BENEFITS PAID	1 313	-2 208
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	48 183	43 195

The actual loss on plan assets for 2007 was CHF -677 000. In the previous year the actual return on plan assets was CHF 1 546 000.

STATEMENT OF RECOGNISED ACTUARIAL LOSSES	2007 000 CHF	2006 000 CHF
ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT JANUARY 1	-7 690	-6 806
ACTUARIAL LOSSES RECOGNIZED IN EQUITY IN THE CURRENT YEAR	-783	-884
ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT DECEMBER 31	-8 473	-7 690

MAJOR CATEGORIES OF PLAN ASSETS (FAIR VALUE AS A PERCENTAGE OF TOTAL PLAN ASSETS)	DEC. 31, 2007	DEC. 31, 2006
MONEY MARKET	6.67%	4.74%
BONDS	49.35%	51.07%
SHARES	35.76%	28.07%
REAL ESTATE	8.22%	16.12%
TOTAL	100.00%	100.00%

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

ASSUMPTIONS FOR THE ACTUARIAL CALCULATIONS	2007	2006
DISCOUNT RATE	3.25%	3.00%
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

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

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

Bachem expects an employer's contribution to the pension plans of about CHF 2 800 000 in 2008.

6. ASSOCIATES AND JOINT VENTURES

	2007 000 CHF	2006 000 CHF
RESULT FROM ASSOCIATES AND JOINT VENTURES	4 995	-1 723

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 July 2007, Polyphor engaged in its largest financing round to date, in which – as planned – Bachem did not participate. Accordingly Bachem's interest declined from 23.0% at December 31, 2006 to 18.3% at December 31, 2007.

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, 2007 amounts to CHF 3 973 000 (2006: CHF 2 025 000).

Pevion Biotech AG, Bern

On January 7, 2002, Bachem Holding AG and Berna Biotech AG founded Pevion Biotech AG in Bern. In 2006 Berna Biotech AG was taken over by Crucell. Pevion develops innovative therapeutic and prophylactic vaccines against infectious diseases and cancer which are based on the combination of peptides and the virosome technology.

Pevion engaged in a financing round in August 2007, which also involved third-party investors for the first time. Over the next two years, the company will have CHF 35 million in additional funds at its disposal. As agreed, Bachem contributed another CHF 2 million during this financing round. Due to the participation of third-party investors, the interest of Bachem in Pevion Biotech AG decreased from 50% at December 31, 2006 to 39.4% at December 31, 2007. Thus Pevion Biotech AG no longer qualifies as a joint venture and is now classified as an associate. 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, 2007 amounts to CHF 6 540 000 (2006: CHF 1 493 000).

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	2007 000 CHF	2006 000 CHF
INCOME	13 904	11 128
EXPENSES	-21 324	-19 577
RESULT	-7 420	-8 449
BALANCE SHEET	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CURRENT ASSETS	40 877	14 554
NON-CURRENT ASSETS	2 397	3 054
ASSETS	43 274	17 608
LIABILITIES	4 924	5 994
EQUITY	38 350	11 614
LIABILITIES AND EQUITY	43 274	17 608

7. FINANCIAL RESULT

FINANCIAL INCOME	2007 000 CHF	2006 000 CHF
INTEREST INCOME	1 970	2 453
DIVIDEND INCOME	327	654
GAINS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	5 179	4 012
OTHER FINANCIAL INCOME	136	159
TOTAL FINANCIAL INCOME	7 612	7 278
FINANCIAL EXPENSE		
LOSS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS	-911	-207
LOSS ON FAIR VALUE MEASUREMENT OF DERIVATIVES	-454	-982
IMPAIRMENT ON SECURITIES	-121	0
OTHER FINANCIAL EXPENSES	-239	-389
TOTAL FINANCIAL EXPENSE	-1 725	-1 578
FOREIGN EXCHANGE RESULT	-1 099	-244
TOTAL FINANCIAL RESULT	4 788	5 456

Other financial expenses mainly include bank charges.

8. INCOME TAXES

	2007 000 CHF	2006 000 CHF
CURRENT TAXES	-11 240	-9 362
DEFERRED TAXES	-7 057	-3 474
TOTAL INCOME TAXES	-18 297	-12 836

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	2007 %	2006 %
EXPECTED TAX RATE	23.5	22.6
EFFECT OF INCOME TAXED AT REDUCED RATES	-1.3	-1.3
EFFECT OF NON TAX DEDUCTIBLE EXPENDITURES	0.1	0.1
ADJUSTMENTS FROM PRIOR PERIODS RECOGNIZED IN THE CURRENT PERIOD	0.2	0.1
OTHER ITEMS	-0.2	0.1
EFFECTIVE TAX RATE	22.3	21.6

The expected tax rate has increased as a consequence of higher 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.

	2007	2006
NET INCOME (000 CHF)	63 927	46 649
AVERAGE NUMBER OF SHARES OUTSTANDING	13 280 323	13 188 597
BASIC EARNINGS PER SHARE (CHF)	4.81	3.54

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.

	2007	2006
NET INCOME (000 CHF)	63 927	46 649
AVERAGE NUMBER OF SHARES OUTSTANDING	13 280 323	13 188 597
ADJUSTMENT FOR DILUTIVE SHARE OPTIONS	2 827	1 002
AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	13 283 150	13 189 599
DILUTED EARNINGS PER SHARE (CHF)	4.81	3.54

In the previous year 6 800 options were excluded from the calculation of diluted earnings per share as they were not dilutive. In the reporting year all options were dilutive.

10. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS BY CURRENCY		DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CHF		44 239	52 667
USD		18 877	13 043
EUR		5 816	4 963
GBP		2 693	2 443
TOTAL CASH AND CASH EQUIVALENTS		71 625	73 116
THEREOF CASH AND BANK BALANCES		69 388	30 627
THEREOF SHORT-TERM DEPOSITS		2 237	42 489

11. MARKETABLE SECURITIES

AVAILABLE FOR SALE		DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
SHARES	FAIR VALUE	4 187	22 230
STRUCTURED PRODUCTS	FAIR VALUE	9 206	18 003
	CONTRACT VALUE	10 000	19 938
BONDS	FAIR VALUE	0	15 615
TOTAL AVAILABLE FOR SALE		13 393	55 848

AT FAIR VALUE THROUGH PROFIT OR LOSS

EMBEDDED DERIVATIVES	FAIR VALUE	-271	352
DERIVATIVES – FORWARD EXCHANGE CONTRACTS	FAIR VALUE	99	-72
TOTAL AT FAIR VALUE THROUGH PROFIT OR LOSS		-172	280

TOTAL MARKETABLE SECURITIES INCL. DERIVATIVES		13 221	56 128
THEREOF RECOGNIZED IN THE POSITION MARKETABLE SECURITIES		13 393	56 200
THEREOF RECOGNIZED IN THE POSITION OTHER RECEIVABLES		99	0
THEREOF RECOGNIZED IN THE POSITION OTHER CURRENT LIABILITIES		-271	-72

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

The embedded derivatives were separated from the structured products.

An impairment on shares of CHF 121 000 (2006: CHF 0) was recognized in the income statement.

The maximal credit risk at year end is equal to the fair value of structured products and bonds available for sale.

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

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CHF	13 122	46 477
USD	0	674
EUR	99	6 156
GBP	0	1 572
OTHERS	0	1 249
TOTAL	13 221	56 128

12. TRADE RECEIVABLES

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
TRADE RECEIVABLES	23 186	29 721
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES	-235	-783
TOTAL TRADE RECEIVABLES	22 951	28 938

There are considerable receivables with two customers which equal 15.4% and 14.4% respectively of total trade receivables. In the prior year there were considerable receivables with two customers which came up to 34.7% and 10.7% 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:

	2007 000 CHF	2006 000 CHF
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT JANUARY 1	-783	-714
PROVISION FOR RECEIVABLES IMPAIRMENT	-123	-712
RECEIVABLES WRITTEN OFF DURING THE YEAR AS UNCOLLECTABLE	473	574
UNUSED AMOUNTS REVERSED	164	62
TRANSLATION EFFECTS	34	7
PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT DECEMBER 31	-235	-783

The ageing analysis of trade receivables is as follows:

	TOTAL 000 CHF	NOT DUE 000 CHF	OVERDUE				
			< 31 DAYS 000 CHF	31-60 DAYS 000 CHF	61-90 DAYS 000 CHF	91-180 DAYS 000 CHF	> 180 DAYS 000 CHF
DECEMBER 31, 2007	23 186	15 585	4 437	2 362	367	255	180
DECEMBER 31, 2006	29 721	21 884	4 736	1 342	928	158	673

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

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CHF	4 990	3 988
USD	10 657	17 100
EUR	6 455	7 440
GBP	849	410
TOTAL TRADE RECEIVABLES	22 951	28 938

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

13. OTHER RECEIVABLES

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
PREPAID EXPENSES AND ACCRUED INCOME	2 945	4 349
DERIVATIVES	99	0
OTHER RECEIVABLES	2 733	1 684
TOTAL OTHER RECEIVABLES	5 777	6 033

Prepaid expenses and accrued income comprise prepayments for not yet received goods and services as well as income that is realizable in the following year. 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, 2007 000 CHF	DEC. 31, 2006 000 CHF
RAW MATERIAL	17 969	17 466
WORK IN PROGRESS/FINISHED GOODS	106 136	90 437
PROVISION FOR SLOW-MOVERS	-18 509	-17 600
TOTAL INVENTORIES	105 596	90 303

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 2008. The inventory of several important 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

	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
2007							
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
2006							
COST AT JANUARY 1	12 122	97 422	11 619	51 008	61 764	8 527	242 462
ADDITIONS	0	7 443	11 425	3 703	5 562	1 284	29 417
DISPOSALS	0	0	0	-40	-307	-557	-904
RECLASSIFICATIONS	0	3 928	-14 200	6 238	3 806	228	0
TRANSLATION DIFFERENCES	-393	-1 252	-452	-301	-1 162	-161	-3 721
COST AT DECEMBER 31	11 729	107 541	8 392	60 608	69 663	9 321	267 254
ACCUMULATED DEPRECIATION AT JANUARY 1	0	-26 565	0	-30 683	-37 427	-6 257	-100 932
DEPRECIATION	0	-2 538	0	-2 463	-2 914	-879	-8 794
DISPOSALS	0	0	0	40	307	557	904
TRANSLATION DIFFERENCES	0	357	0	152	935	121	1 565
ACCUMULATED DEPRECIATION AT DECEMBER 31	0	-28 746	0	-32 954	-39 099	-6 458	-107 257
NET BOOK VALUE AT DECEMBER 31	11 729	78 795	8 392	27 654	30 564	2 863	159 997

At December 31, 2007 and 2006 no buildings were held under operating lease.

FIRE INSURANCE VALUES

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
LAND/BUILDINGS	103 936	90 998
OTHER PROPERTY, PLANT AND EQUIPMENT	148 996	133 078

16. INTANGIBLE ASSETS

	GOODWILL 000 CHF	OTHER INTANGIBLE ASSETS 000 CHF	TOTAL 000 CHF
2007			
COST AT JANUARY 1	11 264	10 085	21 349
ADDITIONS	0	1 305	1 305
ADDITIONS FROM BUSINESS COMBINATIONS	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
2006			
COST AT JANUARY 1	11 853	8 781	20 634
ADDITIONS	0	1 426	1 426
TRANSLATION EFFECTS	-589	-122	-711
COST AT DECEMBER 31	11 264	10 085	21 349
ACCUMULATED AMORTIZATION AT JANUARY 1	0	-5 542	-5 542
AMORTIZATION	0	-1 158	-1 158
TRANSLATION EFFECTS	0	115	115
ACCUMULATED AMORTIZATION AT DECEMBER 31	0	-6 585	-6 585
NET BOOK VALUE AT DECEMBER 31	11 264	3 500	14 764

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

Amortization of intangible assets of CHF 1 100 000 (2006: CHF 742 000) is included in cost of goods sold, recognized in the income statement, CHF 45 000 (2006: CHF 133 000) in selling costs, CHF 72 000 (2006: CHF 34 000) in research and development costs and CHF 291 000 (2006: CHF 249 000) in general administrative costs.

17. BUSINESS COMBINATION

Effective July 1, 2007 Bachem acquired the business unit of Merck Biosciences AG, in L  ufelfingen, Switzerland, an affiliate of Merck KGaA, Darmstadt, Germany, that operates under the brand of Clinalfa, in cash. After the original contract closing the purchase price was reduced from CHF 2 000 000 to CHF 1 920 000, since the recoverability of the inventories was not given. This purchase price of CHF 1 920 000 is still provisional, since there are ongoing negotiations for a further purchase price reduction.

Under the Clinalfa brand, a wide range of biologically active peptides and other biologically active products are offered for use in clinical research at scientific institutions and universities.

The acquired net assets and the acquired goodwill are as follows:

	000 CHF
ORIGINAL PURCHASE PRICE IN CASH	2 000
PURCHASE PRICE REDUCTION (DUE TO VALUE ADJUSTMENT OF INVENTORIES)	-80
ADJUSTED PURCHASE PRICE	1 920
FAIR VALUE OF THE ACQUIRED NET ASSETS	-1 200
GOODWILL	720

The acquisition was treated according to the purchase method. The following provisional values of the acquired assets are included in the consolidated financial statements:

	ASSETS AT DATE OF ACQUISITION INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS 000 CHF	AMENDMENT OF THE ALLOCATION OF THE COST OF ACQUISITION 000 CHF	ASSETS BEFORE BUSINESS COMBINATION 000 CHF
INTANGIBLE ASSETS	1 200	1 200	0
FAIR VALUE OF THE ACQUIRED NET ASSETS	1 200	1 200	0
GOODWILL	720		
TOTAL COST OF ACQUISITION	1 920		

According to the agreement, Bachem acquired the Clinalfa brand and the existing customer base which are recorded in intangible assets as well as the team and technical know-how on the Clinalfa products.

The resulting goodwill represents the expected synergies of the acquisition, the manpower and the other intangible assets which could not be valued separately.

The acquired business has not contributed to net sales from July 1, 2007 to December 31, 2007 and the negative impact on the operating result was CHF 254 000. As a consequence of the inventory being impaired, Bachem is faced with delays such that the expected sales will only pick up in the second half of 2008.

As Bachem has come to the conclusion that the inventory is not useable, there would have been no impact on net sales if the acquisition had taken place as of January 1, 2007. In that case the full year result would have been negatively affected by CHF 508 000.

18. IMPAIRMENT TEST FOR GOODWILL

With the application of IFRS 3 Business Combinations there is no goodwill amortization. Instead goodwill has to be tested for impairment at least annually on the cash-generating unit level. The relevant cash-generating units to test impairment are the geographical segment of North America with a goodwill of CHF 4 481 000 (2006: CHF 4 881 000), the division non-peptide generics, which consists of Sochinaz SA, with a goodwill of CHF 6 383 000 (2006: CHF 6 383 000) and the Clinalfa business with a goodwill of CHF 720 000 (2006: N/A).

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 16.0% (2006: 15.7%), for Sochinaz 9.4% (2006: 8.3%) and for Clinalfa 9.4% (2006: N/A). 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 was considered beyond this five-year period. An above-average growth for the cash-generating unit North America is assumed. For the cash-generating units non-peptide generics and Clinalfa a below-average growth is assumed. The margins were calculated with a slight improvement in efficiency.

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

19. TRADE PAYABLES

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
TRADE PAYABLES	10 183	10 499
PREPAYMENTS	6 102	795
TOTAL TRADE PAYABLES	16 285	11 294

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

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CHF	11 473	4 994
USD	3 109	3 172
EUR	1 431	2 977
GBP	272	151
TOTAL TRADE PAYABLES	16 285	11 294

In general, trade payables are free of interest and paid within the given payment terms. The predominant majority of the outstanding trade receivables 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, 2007 000 CHF	DEC. 31, 2006 000 CHF
DEFERRED INCOME AND ACCRUED EXPENSES	8 712	7 353
DERIVATIVES	271	72
OTHER CURRENT LIABILITIES	920	850
TOTAL OTHER CURRENT LIABILITIES	9 903	8 275

At December 31, 2006 the derivatives consisted of the hedge of foreign exchange risks and at December 31, 2007 this position included embedded derivatives of structured products (note 11).

21. PROVISIONS

	2007 000 CHF	2006 000 CHF
AT JANUARY 1	397	243
ADDITIONS	0	259
REVERSALS	0	-27
UTILIZATION	-31	-65
TRANSLATION EFFECTS	-11	-13
AT DECEMBER 31	355	397
CURRENT PORTION	16	159

Beside the restructuring provision from prior years the provisions on December 31, 2007 contain a provision for a pending legal case.

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- FORWARD 000 CHF	DEFINED BENEFIT PLAN LIABILITY 000 CHF	TOTAL 000 CHF
AT JANUARY 1, 2006	16	672	0	481	2 566	1 228	4 963
RECOGNIZED IN PROFIT AND LOSS	337	-60	81	-144	-58	-137	19
RECOGNIZED IN EQUITY	0	0	0	0	0	177	177
TRANSLATION EFFECTS	-1	-13	0	-34	-185	0	-233
AT DECEMBER 31, 2006	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
AT DECEMBER 31, 2007	430	695	0	182	286	1 279	2 872

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
AT JANUARY 1, 2006	522	341	8 764	11 209	257	1 106	22 199
RECOGNIZED IN PROFIT AND LOSS	-64	-48	1 821	1 212	-98	670	3 493
RECOGNIZED IN EQUITY	13	0	0	0	0	0	13
TRANSLATION EFFECTS	0	0	0	-53	0	5	-48
AT DECEMBER 31, 2006	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
AT DECEMBER 31, 2007	40	345	13 442	13 998	379	1 901	30 105

TAX LOSS CARRY-FORWARDS BY EXPIRY DATE:	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
UP TO FIVE YEARS	0	0
MORE THAN FIVE YEARS	841	6 832
TOTAL TAX LOSS CARRY-FORWARD	841	6 832

On the total 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. As a consequence there are no tax loss carry-forwards at December 31, 2007, on which no deferred tax assets were recognized.

At December 31, 2007 there were temporary differences on investments in subsidiaries of CHF 73 349 000 on which no deferred taxes were recognized.

23. CHANGES IN EQUITY

	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 000 CHF
2007								
BALANCE AT JANUARY 1, 2007	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, 2007	680	298 340	90 195	-7 831	511	-43	-22 475	359 377
2006								
BALANCE AT JANUARY 1, 2006	680	298 190	88 018	-15 930	5 446	-444	-11 060	364 900
TOTAL RECOGNIZED INCOME AND EXPENSE		45 942			-399	-13	-5 283	40 247
DIVIDENDS PAID		-19 781						-19 781
TRANSACTIONS WITH OWN SHARES		733		2 141				2 874
SHARE-BASED PAYMENTS			975					975
BALANCE AT DECEMBER 31, 2006	680	325 084	88 993	-13 789	5 047	-457	-16 343	389 215

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 Swiss Exchange (SWX) 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 Swiss Exchange (SWX). 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, 2007	DEC. 31, 2006
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, 2007 Bachem Holding AG held 272 889 own shares, of which 122 620 are reserved for trading and 150 269 for distribution under the employee participation plans.

OWN SHARES	DEC. 31, 2006 NUMBER	PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER	SALES/ TRANSFER TO EMPLOYEES NUMBER	DEC. 31, 2007 NUMBER
EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF CHF 1.22	70 587	1 600	-17 520	54 667
OPTION PLAN AT THE PRICE OF CHF 0.05	99 000	0	-3 398	95 602
TREASURY STOCK AT THE PRICE OF CHF 63.28	209 092	840	-87 312	122 620
TOTAL OWN SHARES	378 679	2 440	-108 230	272 889

OUTSTANDING SHARES	DEC. 31, 2007	DEC. 31, 2006
TOTAL NUMBER OF SHARES	13 600 000	13 600 000
NUMBER OF OWN SHARES BACHEM -B-	-272 889	-378 679
TOTAL SHARES OUTSTANDING	13 327 111	13 221 321

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 1 202 000 (2006: CHF 975 000).

In 2007 and 2006 the following number of shares was granted:

	2007 NUMBER / CHF	2006 NUMBER / CHF
NUMBER OF GRANTED SHARES	17 520	12 590
AVERAGE FAIR VALUE PER SHARE AT GRANT DATE IN CHF	95.20	77.60

The option plan developed as follows:

SHARE OPTIONS OUTSTANDING	2007 NUMBER	2006 NUMBER
AT JANUARY 1	13 850	16 300
GRANTED OPTIONS	3 450	3 250
CANCELLED OPTIONS	-550	-1 000
EXPIRED OPTIONS	-740	-3 700
EXERCISED OPTIONS	-3 398	-1 000
AT DECEMBER 31	12 612	13 850
EXERCISABLE OPTIONS	3 681	3 300

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 2007:

PARAMETERS 2007	OPTIONS BA	OPTIONS BB	OPTIONS BC
AVERAGE SHARE PRICE 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

Parameters for the options granted in 2006:

PARAMETERS 2006	OPTIONS AA	OPTIONS AB	OPTIONS AC
AVERAGE SHARE PRICE IN CHF	74.50	74.50	74.50
STRIKE OF A SHARE IN CHF	76.00	76.00	76.00
RISK-FREE INTEREST RATE IN %	1.47%	1.63%	1.74%
VOLATILITY IN %	22.00%	23.80%	33.20%
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	2007 NUMBER	2006 NUMBER
YEAR 2007	80.00	0	3 300
YEAR 2008	80.00	3 280	3 500
YEAR 2008	76.00	401	1 086
YEAR 2009	60.30	3 200	3 300
YEAR 2009	76.00	969	1 086
YEAR 2009	89.00	1 103	0
YEAR 2010	65.33	500	500
YEAR 2010	76.00	962	1 078
YEAR 2010	89.00	1 103	0
YEAR 2011	89.00	1 094	0
TOTAL		12 612	13 850

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 2007 a dividend of CHF 92 880 000 respectively CHF 2.00 per share plus an extra dividend of CHF 5.00 per share has been distributed for the year 2006 (previous year: CHF 19 781 000 respectively CHF 1.50 per share).

The Board of Directors will propose a dividend of CHF 3.00 per share or a total of CHF 40 004 000 on 13 334 721 shares entitled to dividend, to the Annual General Meeting for the year 2007. The number of shares entitled to dividend may change until the Annual General Meeting on April 23, 2008 due to the granting of shares to employees or the purchase/sale of own shares.

27. CONSOLIDATED COMPANIES

COMPANY	COUNTRY	EQUITY SHARE* 2007	EQUITY SHARE* 2006
BACHEM HOLDING AG, BUBENDORF	SWITZERLAND	PARENT COMPANY	PARENT COMPANY
BACHEM AG, BUBENDORF	SWITZERLAND	100%	100%
BACHEM TRADING AG, BUBENDORF	SWITZERLAND	100%	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 (IN. LIQ.)	ENGLAND	100%	100%
BACHEM AMERICAS INC., TORRANCE	USA	100%	N/A
BACHEM CALIFORNIA 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

In October 2007 Bachem Americas Inc., Torrance, USA was newly founded. Bachem Americas is a trading company, which will handle all third party sales in the Americas after January 1, 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	2007 000 CHF	2006 000 CHF
CHEMOFORMA AG (PURCHASE OF GOODS)	-124	-86
INGRO FINANZ AG (DIVIDEND / SALE OF SECURITIES / FURTHER CHARGING)	-41 547	-10 380
PEVION BIOTECH AG (DELIVERY OF GOODS)	151	228
POLYPHOR AG (DELIVERY OF GOODS)	186	495
PENSION FUND (EMPLOYER'S CONTRIBUTION)	-2 538	-2 279
TOTAL TRANSACTIONS WITH RELATED PARTIES	-43 872	-12 022

BALANCES	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
CHEMOFORMA AG	-21	-11
INGRO FINANZ AG	26	0
PEVION BIOTECH AG	20	0
POLYPHOR AG	-10	27
TOTAL BALANCES WITH RELATED PARTIES	15	16

The transactions with Ingro Finanz AG in 2007 in the amount of CHF -41 547 000 consist of CHF 48 440 000 dividend payment, CHF 6 854 000 sales of securities and CHF 39 000 further charging for administrative services. In the disclosed transactions with Ingro Finanz AG for 2006 only the dividend payment 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 Corporate Management are shown in note 29.

29. COMPENSATIONS TO THE BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

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

	FIX SALARIES, FEES 000 CHF	VARIABLE SALARIES 000 CHF	SOCIAL SECURITY EXPENSES 000 CHF	SHARE- BASED PAYMENTS 000 CHF	TOTAL 000 CHF
2007					
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 CORPORATE MANAGEMENT	326	239	95	131	791
TOTAL CORPORATE MANAGEMENT	554	468	158	176	1 356
 TOTAL	 845	 468	 188	 316	 1 817

	FIX SALARIES, FEES 000 CHF	VARIABLE SALARIES 000 CHF	SOCIAL SECURITY EXPENSES 000 CHF	SHARE- BASED PAYMENTS 000 CH	TOTAL 000 CHF
2006					
PETER GROGG (CHAIRMAN)	161		28	22	211
GOTTLIEB KNOCH (VICE-CHAIRMAN)	27		4	22	53
THOMAS BURCKHARDT (SECRETARY)	51*		4	22	77
FRANÇOIS L'EPLATTENIER (MEMBER)	29		2	22	53
HANS HENGARTNER (MEMBER)	29		4	22	55
TOTAL BOARD OF DIRECTORS	297	0	42	110	449
ROLF NYFELER (CEO)	222	182	61	50	515
REST OF CORPORATE MANAGEMENT	317	182	80	76	655
TOTAL CORPORATE MANAGEMENT	539	364	141	126	1 170
TOTAL	836	364	183	236	1 619

* incl. CHF 14 000 for legal services in 2007 (2006: CHF 22 000)

The prior year values of the compensation to Corporate Management were adjusted because the final payments of the variable components differ from the previously disclosed and accrued amounts.

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

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

	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
DECEMBER 31, 2007								
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 MANAGEMENT	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

DECEMBER 31, 2006	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)	7 546 053		7 546 053	300				
GOTTLIEB KNOCH (VICE-CHAIRMAN)	1 170 000		1 170 000	300				
THOMAS BURCKHARDT (SECRETARY)	100		100	300				
FRANÇOIS L'EPLATTENIER (MEMBER)	3 500		3 500	300				
HANS HENGARTNER (MEMBER)	900		900	300				
TOTAL BOARD OF DIRECTORS	8 720 553	0	8 720 553	1 500				
ROLF NYFELER (CEO)	50 000	2 000	52 000	100	400	1 300	1 700	500
MICHAEL HÜSLER (CFO)	0	2 000	2 000	2 100	0	500	500	500
DANIEL ERNE (CTO)	39 142	1 600	40 742	100	400	1 300	1 700	500
TOTAL CORPORATE MANAGEMENT	89 142	5 600	94 742	2 300	800	3 100	3 900	1 500
TOTAL	8 809 695	5 600	8 815 295	3 800	800	3 100	3 900	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

In the course of the first half year 2007 Bachem AG, Bubendorf was sued. Since the result of the proceeding is still uncertain, it is to date not possible to quantify any potential risk

31. EVENTS AFTER THE BALANCE SHEET DATE

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



Report of the group auditors to the general meeting of BACHEM HOLDING AG, Bubendorf

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of recognized income and expense and notes/pages 24 to 55) of BACHEM HOLDING AG for the year ended December 31, 2007.

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

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

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

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

PricewaterhouseCoopers AG

Gerd Tritschler
Auditor in charge

Dieter Baumann

Basel, February 27, 2008

INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31

	2007 000 CHF	2006* 000 CHF
INCOME FROM LICENSES	29 502	19 516
TOTAL OPERATING INCOME	29 502	19 516
STAFF COST	-2 796	-2 360
DEPRECIATION AND AMORTIZATION	-125	-59
OTHER OPERATING EXPENSES	-4 203	-3 377
OPERATING RESULT	22 378	13 720
FINANCIAL INCOME	34 857	72 220
FINANCIAL EXPENSE	-643	-3 298
FOREIGN EXCHANGE RESULT	-1 486	-914
INCOME BEFORE TAXES	55 106	81 728
TAXES	-3 697	-1 805
NET INCOME	51 409	79 923

* prior year values reclassified to new structure

BALANCE SHEET

AT DECEMBER 31, 2007 AND 2006

	DEC. 31, 2007 000 CHF	DEC. 31, 2006 000 CHF
ASSETS		
CASH AND CASH EQUIVALENTS	33 728	47 222
MARKETABLE SECURITIES	20 156	63 834
OTHER RECEIVABLES, THIRD PARTIES	2 169	1 258
OTHER RECEIVABLES, INTERCOMPANY	28 040	23 849
PREPAID EXPENSES AND ACCRUED INCOME	16	616
TOTAL CURRENT ASSETS	84 109	136 779
INVESTMENTS	130 054	123 058
LOANS TO GROUP COMPANIES	58 229	50 568
TANGIBLE FIXED ASSETS	39	53
INTANGIBLE ASSETS	213	316
TOTAL NON-CURRENT ASSETS	188 535	173 995
TOTAL ASSETS	272 644	310 774
LIABILITIES AND EQUITY		
OTHER CURRENT LIABILITIES, THIRD PARTIES	73	179
OTHER CURRENT LIABILITIES, INTERCOMPANY	4 566	4 019
DEFERRED INCOME AND ACCRUED EXPENSES	4 530	2 043
TOTAL LIABILITIES	9 169	6 241
SHARE CAPITAL	680	680
LEGAL RESERVES		
GENERAL RESERVES	90 310	89 897
RESERVES FOR OWN SHARES	7 831	13 789
FREE RESERVES	111 758	119 800
RETAINED EARNINGS	52 896	80 367
TOTAL EQUITY	263 475	304 533
TOTAL LIABILITIES AND EQUITY	272 644	310 774

1. SIGNIFICANT INVESTMENTS

COMPANY	LOCATION	BRANCH		SHARE CAPITAL DEC. 31, 2007	SHARE CAPITAL DEC. 31, 2006
BACHEM AG	BUBENDORF, CH	PRODUCTION, SALES	CHF	25 000 000	25 000 000
BACHEM TRADING AG	BUBENDORF, CH	SALES	CHF	100 000	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	N/A
BACHEM CALIFORNIA 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	8 124 277	5 800 000
POLYPHOR AG	ALLSCHWIL, CH	PRODUCTION, SALES	CHF	5 914 400	4 692 500

With the exception of Pevion Biotech AG (39.4%) and Polyhor AG (18.3%) all companies are controlled with 100% of the voting rights.

In October 2007 Bachem Americas Inc., Torrance, USA was newly founded. Bachem Americas is a trading company, which will handle all third party sales in the Americas after January 1, 2008.

2. OWN SHARES

On December 31, 2007 Bachem Holding AG held 272 889 own shares, thereof 122 620 are reserved for trading and 150 269 for distribution under the employee participation plans.

OWN SHARES	DEC. 31, 2006 NUMBER	PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER	SALES/ TRANSFER TO EMPLOYEES NUMBER	DEC. 31, 2007 NUMBER
EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF CHF 1.22	70 587	1 600	-17 520	54 667
OPTION PLAN AT THE PRICE OF CHF 0.05	99 000	0	-3 398	95 602
TREASURY STOCK AT THE PRICE OF CHF 63.28	209 092	840	-87 312	122 620
TOTAL OWN SHARES	378 679	2 440	-108 230	272 889

3. COMPENSATIONS TO THE BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

The compensations to the Board of Directors and Corporate Management 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 Corporate Management are listed.

4. IMPORTANT SHAREHOLDERS

Based on the available information the following shareholders own more than 5% of the registered share capital:

	PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2007	PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2006
P. GROGG (VIA INGRO FINANZ AG) *	51.2	50.9
G. KNOCH	8.6	8.6
FAMILY OF P. GROGG	6.0	6.0

* in this position all shares -A- are included

5. 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, Bachem Trading 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	CHF	51 409 223.73
RETAINED EARNINGS AT JANUARY 1	CHF	1 486 739.73

AVAILABLE TO THE ANNUAL GENERAL MEETING	CHF	52 895 963.46
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as follows:

PAYMENT OF A DIVIDEND OF CHF 3.00 PER REGISTERED SHARE FOR THE BUSINESS YEAR 2007 ON 13 334 721 REGISTERED SHARES ENTITLED TO DIVIDEND	CHF	40 004 163.00
RETAINED EARNINGS TO BE CARRIED FORWARD	CHF	12 891 800.46

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 23, 2008 depending on the distribution of shares to employees or purchase/sale of own shares.



Report of the statutory auditors to the general meeting of BACHEM HOLDING AG, Bubendorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 57 to 60) of BACHEM HOLDING AG for the year ended December 31, 2007.

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

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

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

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

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to read 'G. Tritschler'.

Gerd Tritschler
Auditor in charge

A handwritten signature in blue ink, appearing to read 'D. Baumann', followed by a horizontal line.

Dieter Baumann

Basel, February 27, 2008

SHAREHOLDER INFORMATION			2007	2006	2005	2004	2003
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			13 280 323	13 188 597	13 183 554	13 204 587	13 249 707
DIVIDEND PER SHARE	CHF		3.00¹	2.00	1.50	1.20	1.10
SPECIAL DIVIDEND	CHF			5.00			
SHARE PRICE	BEGINNING OF THE YEAR	CHF	92.00	75.50	66.00	64.90	62.40
	HIGH	CHF	105.50	92.45	78.00	74.95	75.00
	LOW	CHF	89.40	66.30	65.75	63.50	50.10
	YEAR END	CHF	95.70	92.00	75.50	65.45	63.45
DIVIDEND YIELD PER SHARE	CHF		3.1%	7.6%	2.0%	1.8%	1.7%
EARNINGS PER SHARE (EPS)	CHF		4.81	3.54	2.99	2.45	2.82
CASH FLOW FROM OPERATING ACTIVITIES PER SHARE	CHF		5.88	3.04	2.08	3.77	2.68
GROUP EQUITY PER SHARE	CHF		27.06	29.51	27.68	25.53	24.46
PRICE/EARNINGS RATIO (YEAR END)			19.90	25.99	25.25	26.71	22.50
MARKET CAPITALIZATION AT YEAR END	CHF M		1 302	1 251	1 027	890	863

¹ Proposal to the Annual General Meeting of April 23, 2008

Bachem registered shares are traded at the Swiss Exchange (SWX). Valor number: 1 253 020 SWX: BANB Reuters: BAMZn
In 2003, share capital was reduced from CHF 6 800 000 to CHF 680 000 by means of nominal value reduction.

DISTRIBUTION OF SHARES

NUMBER OF SHARES PER SHAREHOLDER	DEC. 31, 2007	DEC. 31, 2006
0 – 100	1 203	1 134
101 – 1 000	1 469	1 482
1 001 – 10 000	275	259
10 001 – 100 000	45	45
100 001 – 1 000 000	8	7
1 000 001 AND MORE	2	2
TOTAL	3 002	2 929

SHAREHOLDINGS

IN %	DEC. 31, 2007	DEC. 31, 2006
MAJOR SHAREHOLDERS	65.8	65.4
INSTITUTIONAL SHAREHOLDERS	12.7	12.0
PRIVATE INDIVIDUALS	12.1	13.6
OTHERS	0.8	2.0
DISPO	8.6	7.0
TOTAL	100.0	100.0

ANNUAL GENERAL MEETING (BUSINESS YEAR 2007)	APRIL 23, 2008
PAYOUT DATE FOR DIVIDEND	APRIL 29, 2008
HALF YEAR RESULTS 2008	AUGUST 15, 2008
FULL YEAR RESULTS 2008	MARCH 2009
ANNUAL GENERAL MEETING (BUSINESS YEAR 2008)	APRIL 2009

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Bachem. Leading beyond peptides

BACHEM IS AN INDEPENDENT, TECHNOLOGY-BASED, PUBLIC BIOCHEMICALS 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.