



REMAINING ON EXPANSION COURSE

BACHEM PRODUCTS AND SERVICES FROM BUBENDORF TODAY ALREADY GO OUT TO MARKETS ALL OVER THE WORLD. TOMORROW WE SHALL SEE ADDITIONAL PRODUCTS AND SERVICES IN LARGER NUMBER ALSO HELPING NEW PARTNERS AROUND THE WORLD TO OFFER THEIR CUSTOMERS INNOVATIVE LIFE SCIENCE PRODUCTS.

BACHEM ANNUAL REPORT 2009



Bachem. Leading beyond peptides

EXPANSION AND GROWTH

OVER THE COURSE OF ALMOST 40 YEARS, BACHEM HAS DEVELOPED FROM A START-UP COMPANY TO THE WORLD'S LEADING SPECIALIST IN PEPTIDE TECHNOLOGY AND PRODUCTION. WITH THE RAPID GROWTH IN SCIENTIFIC KNOWLEDGE IN THE PAST FEW YEARS, THE INCREASINGLY DYNAMIC DEVELOPMENTS IN THE BIOTECH AND PHARMACEUTICAL INDUSTRY AND EVER STRONGER GLOBALIZATION, THE BUSINESS ENVIRONMENT HAS ALSO CHANGED FOR BACHEM. AS MARKET LEADER WE SEEK TO HELP SHAPE DEVELOPMENTS AND PLAY OUR PART IN MAKING NEW IDEAS FROM RESEARCH BECOME A REALITY. REGARDLESS OF SHORT-TERM FLUCTUATIONS, TO THIS END WE AIM TO EXTEND OUR KNOW-HOW, TO EXPAND INTO NEW AREAS, TO WIDEN OUR REACH, TO DEVELOP AND USE INNOVATIVE METHODS AND TO CONTINUE ON OUR PATH OF GROWTH IN A SUSTAINABLE WAY ALONG WITH OUR EMPLOYEES, CUSTOMERS, SUPPLIERS AND INVESTORS.

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2009 IN BRIEF

- MARKED GROWTH IN THE CORE BUSINESS IN EUROPE: PEPTIDE ACTIVE INGREDIENTS SHOW A NOTABLE INCREASE IN SALES
- EXPANSION OF THE BUSINESS WITH NEW SERVICES: FURTHER INCREASING DEMAND FOR CLINALFA® PRODUCTS
- ECONOMIC CRISIS IN THE USA: SALES WITH THE BIOTECH INDUSTRY AND IN R&D AREAS DECREASED
- TOTAL SALES IN 2009: 5.6% DECLINE IN LOCAL CURRENCIES TO 181.8 MILLION CHF
- OPERATING RESULT: EBIT AT 50.9 MILLION CHF (PREVIOUS YEAR: 69.7 MILLION CHF) WITH CONTINUED HIGH MARGIN OF 28.0%
- DIVIDEND IN 2009: PROPOSAL FOR DIVIDEND PAYMENT AT CONTINUED HIGH LEVEL OF 3.00 CHF
- OUTLOOK FOR 2010: IMPROVED PERFORMANCE EXPECTED IN ALL AREAS COMPARED TO 2009

KEY FIGURES 2009

| | 2009 | 2008 | IN CHF (IN LC) % |
|-----------------------------------------------|----------------|---------|------------------------|
| SALES (IN MCHF) | 181.8 | 195.0 | - 6.7 (- 5.6) |
| EBIT (IN MCHF) | 50.9 | 69.7 | - 27.0 (- 24.6) |
| EBIT IN % OF SALES | 28.0 % | 35.7 % | |
| NET INCOME (IN MCHF) | 46.1 | 58.7 | - 21.6 |
| NET INCOME IN % OF SALES | 25.3 % | 30.1 % | |
| EARNINGS PER SHARE (EPS - IN CHF) | 3.43 | 4.38 | - 21.7 |
| CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF) | 42.8 | 39.3 | + 9.1 |
| RETURN ON EQUITY (ROE) | 12.3 % | 16.0 % | |
| NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENTS | 730 | 722 | |
| SALES PER EMPLOYEE* (IN CHF) | 266 000 | 300 000 | |

* basis: full-time equivalents excluding apprentices

| SALES (IN MCHF) | | EBIT (IN MCHF) | | NET INCOME (IN MCHF) | |
|-----------------|--------------|----------------|-------------|----------------------|-------------|
| 2009 | 181.8 | 2009 | 50.9 | 2009 | 46.1 |
| 2008 | 195.0 | 2008 | 69.7 | 2008 | 58.7 |
| 2007 | 198.3 | 2007 | 72.4 | 2007 | 63.9 |
| 2006 | 171.8 | 2006 | 55.8 | 2006 | 46.6 |
| 2005 | 153.7 | 2005 | 47.2 | 2005 | 39.4 |

OUR OBJECTIVES

ON THE BASIS OF OUR TECHNOLOGICAL STRENGTHS
WE AIM TO EXPAND FURTHER AND ARE SETTING
OUR SIGHTS ON NEW MARKETS, PRODUCTS AND
CUSTOMERS.





DR. ROLF NYFELER AND DR. H.C. PETER GROGG

DEAR SHAREHOLDERS

In 2009, too, we consistently continued with the implementation of our strategy, which is focused on long-term growth, and managed to hold our ground operationally in an extremely difficult environment. In our core business of peptide active ingredients, we showed marked growth in Europe and also substantially expanded the business with new services. However, the economic crisis, with its negative consequences especially for the biotech industry and other customer segments geared to early phases of research and development, also had an impact on our business in the USA and was felt in Research Chemicals. Additionally weighed down by the previously reported loss of sales for the product of a customer in the USA continuing to scale back on inventory, total sales in 2009 were 5.6% down on the previous year in local currencies or 6.7% in CHF at 181.8 million CHF. The sales decline was entirely due to the performance in the USA. In Europe, the overall performance surpassed that of the previous year.

TRENDS IN OUR BUSINESS AREAS

The positive development in our strategic growth areas of New Chemical Entities and Services is gratifying. The number of NCE projects and thus the value of our portfolio have again increased, and sales in Europe have continued to rise significantly. A gratifyingly marked growth in demand and increasing sales were also reported for Clinalfa®, the brand under which we provide our customers development products with ready-to-use formulations of clinical trial samples. In contrast, the market for Research Chemicals is characterized worldwide by the caution

of companies and institutions with early-stage projects. In the USA, however, the first signs of recovery are now visible. In the second half of 2009, the downward trend was stopped, and sales were stabilized.

RESULTS AND DIVIDEND FOR 2009

With regard to the medium and long-term planning and positive prospects for our business, we did not take any radical action in the area of human resources despite the decline in sales. This and the depreciation due to new investments led to a fall in the EBIT to 50.9 million CHF (previous year: 69.7 million CHF). The currency-adjusted EBIT margin amounted to 28.5% (28.0% in CHF) and is thus slightly below the medium-term target range of 30% to 35%. Nevertheless, in today's business environment and in comparison with the rest of our industry, this performance can still be seen as extremely good. We also posted a positive development for cash flow from operating activities. In addition, Bachem remains one of the financially soundest companies in Swiss industry with a capital ratio of about 80%. On the basis of the substantial financial stability of the company and good prospects in the medium term, the Board of Directors proposes a continuing high dividend of 3.00 CHF (previous year 3.20 CHF) to the Annual General Meeting.

EQUIPPED FOR THE FUTURE

The fact that we have managed to increase sales substantially in important areas even under difficult market conditions affirms our belief in our strategy of a targeted expansion of our activities. The focal point and basis of our business is and remains active ingredients. Generics and new compounds in an advanced stage of development or already on the market are stable revenue contributors. Additionally, we shall increasingly compensate for the volatility of early-stage development projects in Research Chemicals and Custom Synthesis with a balanced project portfolio, new services and increasing market penetration.

Thanks to forward-looking investments in the last few years, we have efficient production plants, both in Switzerland and also in the USA, as well as a modern competence center for Custom Synthesis in the UK. As a leading technology company, Bachem thus has the most modern infrastructure necessary. In addition, the construction of a new R&D facility was

recently started in Bubendorf. Also in terms of human resources we have the personnel necessary to underpin our excellent market position. The number of peptide specialists and the qualification of our employees are unique in our industry.

With the appointment of two new members to the Corporate Executive Committee, Stephan Schindler, the new CFO, in office since September 2009, and Dr. Lester Mills, responsible for Global Marketing and Sales since the beginning of 2009, we also have an expanded, experienced and effective management team that is showing farsightedness in its implementation of the strategic direction defined by the Board of Directors.

OUTLOOK AND THANKS

Our market remains geared to growth. The economic and financial crisis may well have led to delays and increasing focus of our customers regarding their projects. However, in absolute terms, the number of peptide-based medicines and the interest in this substance class continue to grow. Our project pipeline is well stocked and shows a balanced mix of indication areas and development phases. Generics are stable revenue contributors and, in Research Chemicals, we see the first signs of recovery. When the upturn will again take hold on a broad basis remains uncertain. Overall, we already expect this year to achieve a better performance than 2009.

We are devoting particular attention to costs and investments. Staff levels will be reduced with an eye on strategic growth targets, and investments will fall substantially after the expenditures of the last few years.

We thank everyone who has contributed to the achievements - our employees, customers, suppliers and also you, our shareholders. We are well equipped for 2010. Whether for new markets, new products, new services or marketing ideas, Bachem is on a secure path to the future.

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

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



NEW MARKETS

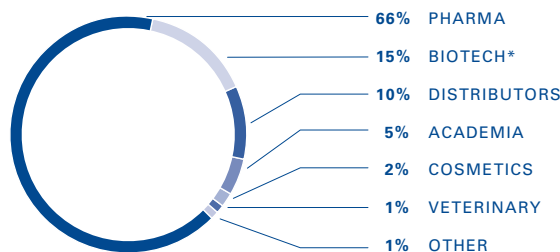
ALL OVER THE WORLD WE ARE LOOKING FOR OPPORTUNITIES TO WIN NEW CUSTOMERS IN ESTABLISHED BUSINESS AREAS AND TO ENTER NEW MARKET SEGMENTS.

NATURAL GROWTH

Since the emergence of industrial biotechnology three decades ago, tremendous progress has been made in understanding the various complex mechanisms of disease processes. During this period, the role of certain natural products as biological messengers has been intensively researched and their function in regulating human biochemical pathways has become increasingly clearer. As a result, more and more drug candidates based on natural structures such as peptides are being developed and this will consequently result in an increasing number of drugs within these structural categories. The natural low toxicity and high selectivity of this new class of pharmaceuticals heralds an era of breakthrough medicines for many diseases (e.g. cancer, diabetes, Alzheimer's and multiple sclerosis) which are regarded as highly challenging and currently without adequate therapy choices. As a result, during the last two decades the emergence and growth of a new generation of biotechnology companies has been observed. These companies focus on new and innovative therapeutic approaches and many have based their drug candidate design on peptides.

Peptide-based drugs have grown rapidly as a category since their first appearance on the market during the 1970's. Since this time, their use has become more widespread in different therapeutic indications and in different world markets. Not only are peptides without doubt key active ingredients for a new generation of innovative human pharmaceuticals, they are also increasingly found in veterinary

CUSTOMER SEGMENTATION



*Biotech customers are defined as those requiring risk capital financing without significant existing product sales.

medicines, cosmetics and nutritional products. Through their fundamental structural similarity to the key messengers and regulators of human biochemistry, peptides have become an increasingly attractive molecular category for research and development.

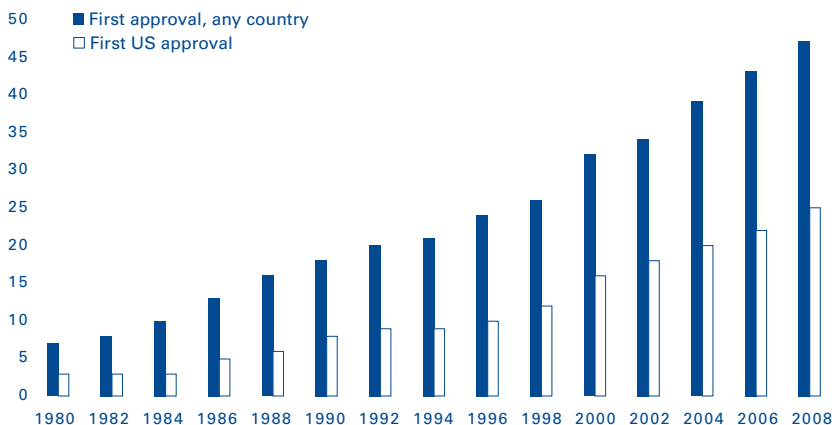
Bachem has continued to grow with its industrial market, serving not only the early stages of research and development through its catalogue and custom synthesis products but also the evolving stages of drug development from pre-clinical through all the clinical phases to eventual market launch and beyond. Nevertheless, growth is not only obtained within this established path but may also be secured by accessing new markets, product categories and applications.

The penetration of existing markets through more effective use of distributor partners has been a target for Bachem in

2009. To this purpose an agreement was signed with the distributor VWR for the U.S. market in order to more thoroughly access the academic market for research ingredients. This has already resulted in a significant growth of sales with this partner. New distributor partners have also been identified in several emerging markets such as the Middle East and Eastern Europe where significant untapped sales potential exists. Increased presence at several additional tradeshows has been initiated already in 2009 for these regions and will be continued in 2010. These activities will add to Bachem's global reach and customer contact, adding to sales growth in future years.

Further growth has been achieved by the increasing sales focus on the Bachem portfolio of organic generic products which has grown successfully during 2009 despite the challenging world economic environment. Increasing the Bachem product portfolio is a key factor for strategic expansion in the future.

WORLD-WIDE AND US APPROVALS OF THERAPEUTIC PEPTIDES BY YEAR



Data from 'Development trends for peptide therapeutics' 2010 report; reprinted with permission from the Peptide Therapeutics Foundation.

NEW MARKET SEGMENTS

Established pharmaceutical customers remain the main industry segment for Bachem. These customers provide more than half of our current annual turnover, largely from generic product sales. Venture capital funded biotechnology customers represent the next major segment which has been the origin of much growth in past years. Nevertheless, this segment is also more dependent on access to risk capital. As was experienced during 2009, adverse developments among the world's financial investment institutions have consequently affected the overall growth result for Bachem. Despite this, within the biotech business segment many opportunities

continue to emerge. As an example, rare diseases and orphan drugs represent a growing potential as more biotechnology customers (e.g. mondoBIOTECH, Swedish Orphan) focus on these therapeutically underserved markets.

While currently cosmetic products and veterinary medicines are still a very small part of our customer segmentation, they represent a significant new market potential and are receiving more attention in our current business development activities. Increased use of distributors and partners will also play a role for Bachem's growth in the future.

NEW ACTIVE INGREDIENTS

The Bachem business model ensures involvement throughout all stages of a new drug's life-cycle be this at the early discovery R&D stage or throughout the clinical phases of development or even at or after market launch.

Bachem therefore strives to offer products and services appropriate for all stages of the drug life cycle, carefully adjusted to the needs of each relevant customer segment. Bachem is able to apply a number of synthetic options (e.g. automated solid phase or solution phase synthesis) to construct molecules of high complexity. In addition to this, the detailed support required for analysis, stability and regulatory documentation forms an essential part of the partnership between Bachem and its customers.

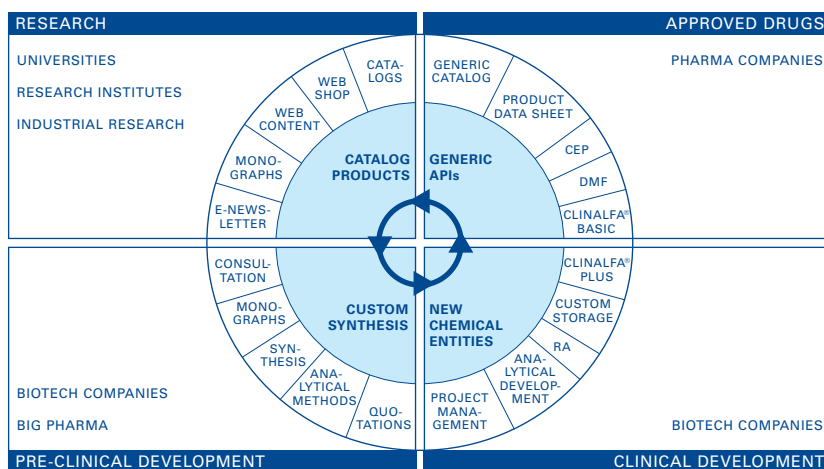
A GROWING PROJECT PIPELINE

The core business in peptides has a healthy track record of growth and all indications for the future are that this positive trend will continue. Bachem has a solid project pipeline with 120 projects in the various pre-clinical and clinical phases. Statistical analysis shows historically that peptide drug candidates have a significantly higher chance to reach commercialization versus small molecule entities.

PROJECT PIPELINE 2009

| | | |
|--------------------|-----|--|
| PRECLINICAL PHASE | 43 | |
| CLINICAL PHASE I | 31 | |
| CLINICAL PHASE II | 30 | |
| CLINICAL PHASE III | 16 | |
| TOTAL | 120 | |

THE BACHEM BUSINESS MODEL



Therefore, the expectation for the mid-to long-term growth of this core peptide business remains justifiably optimistic.

MORE GENERICS

Beyond the developmental pipeline, some marketed peptide APIs have now matured to generic status. Bachem has become also here a major supplier and is increasingly the choice partner for generic pharmaceutical specialists. Peptides have demonstrated a high longevity after reaching market launch with continued new launches in different markets and for different indications by different pharmaceutical players. The increased preference of many national health organizations to favor the use of generic drugs indicates that this category of product will robustly continue to grow even during the present economic climate.

The importance of export markets also continues to increase for generic category drugs. In particular sales of generic products to India have reached an appreciable level, reflecting the very strength of the generic pharmaceutical industry, in this

country and its requirement for the supply of APIs with appropriate documentation. Therefore, the sales force has generally been strengthened globally.

ADVANCES IN DRUG DELIVERY

Just as peptides have grown as a business and strategies for their development have become more sophisticated, so also have drug delivery models and systems, supporting a high success rate of peptide drugs reaching the market. New formulation concepts and delivery devices have enhanced the efficacy of the API to overcome the initial hurdles of stability and bioavailability. This increased know-how in the market supports also the future development of other sensitive ingredient classes and their likelihood of success.

IMPROVED MARKETING AND SALES ACTIVITIES

Essential for the identification of new opportunities and future growth is an excellent system of gathering market information and intelligence as well as customer relationship management. Bachem has during 2009 improved these activities on a global basis. Efforts also were increased regarding immunology products to reach more effectively European customers. Future work will focus on a new, fully re-worked homepage and increased e-marketing activities globally. The new web shop, launched at the beginning of 2009 has proven a very effective sales channel, growing rapidly as the adopted means to buy catalog products by many customers.



NEW PATHS

TO ACHIEVE OUR GROWTH OBJECTIVES,
WE AIM TO BE EVEN MORE PROACTIVE WITH
OUR CUSTOMERS AND TO USE INNOVATIVE
MARKETING AND SALES MODELS.

To ensure successful project acquisition and a strong future pipeline, Bachem has already in 2009 strengthened its sales force and re-organized its sales and marketing organization in the USA. Lastly, services have grown significantly during 2009 indicating the need for more support by our customers. This largely involves documentation, analytical and stability data as well as our Clinalfa® sterile filling services. Bachem will continue to expand its capabilities in the direction of appropriate services to the pharmaceutical industry.

MARKET LEADERSHIP

As the number one specialist in the field of peptide ingredients, Bachem firmly intends to remain a market leader for the future. The position as market leader requires Bachem to apply the highest standards of industrial technology and use the best management systems for handling highly complex customer projects. Organic chemistry and specifically that for peptides is not only a science but also an art and craft, requiring the application of experience and know-how to solve the many challenges involved at the various stages of development. Additionally, the managerial qualities of professionalism and reliability are an essential part of the formula for a successful project outcome. It is also important to demonstrate stamina and endurance in adverse market conditions such as those that have been experienced in 2009. While some players have struggled to remain profitable in this environment, those with stronger capabilities and customer relationships have endured more successfully and even emerged stronger than before. Therefore, Bachem seeks to continually improve its systems, processes and performance in order to remain a state-of-the-art leader in its field.

The opinion of our customers is at all times greatly valued and naturally the positive testimonials which underline the Bachem claim to state-of-the-art capabilities are appreciated even more so. The successful collaborative efforts with major industry partners such as AstraZeneca, DebioPharm, Abbott Pharmaceuticals and mondoBIOTECH are some examples of the programs jointly announced during 2009. They serve to underline the importance of collaboration and mutual respect between partners, both having a common goal to conclude a project with successful results and professional satisfaction. It is especially rewarding therefore to have received the "Supplier Excellence Award

for 2008" from Abbott Pharmaceuticals. "Abbott's performance excellence is possible through partnerships with suppliers that share our commitment to the highest measures of quality," said Sarah Catterson, divisional Vice President, corporate purchasing, Abbott. "These awards recognize companies that have consistently delivered in an outstanding manner."

RESEARCH INGREDIENTS

As the business model of Bachem demonstrates, research ingredients for early stage R&D and discovery drug development are an important early entry into the future drug development pipeline and form part of the complete customer relationship. The severity of the financial crisis was felt here during 2009 as many pharmaceutical customers commenced cutbacks in R&D and deferred a number of projects due to the uncertain economic situation. Especially in the biotech segment, the availability of venture capital and government funds dried up quickly and left many of these customers in a very difficult financial situation. This resulted in a much weaker than normal demand for research ingredients during 2009, reflected in both lower catalog sales and less early stage custom synthesis projects. Therefore, end-of-year catalog sales remained markedly lower, decreasing by 12.5% in local currency versus the previous year.

Although growing constantly in the past, custom synthesis projects in pre-clinical development were fewer than normal due to many customers slowing and deferring these programs in the light of the financial uncertainty. Also here, the result for 2009 was significantly lower by 27.8% in local currency compared to the previous year. However, some of these projects are expected to be resurrected during 2010 and outsourcing is likely to be increased as many customers have now more limited internal development resources. Bachem is well positioned to capture custom synthesis opportunities with its now expanded facility in the UK. As these projects build customer relationships and often later lead the way to Phase-I GMP projects, they remain a focal objective for the business development sales force.

Nevertheless, some signs of improvement were noted in the second half of the year and it is expected that a mild recovery will continue in this category during 2010. A number of government

programs to stimulate re-growth in high technology industries were announced in the USA and are already reaching some academic institutions. Private equity investors have also begun again to support selected new biotech companies with new funding. Bachem launched its new catalog of research ingredients in 2010 with more than one hundred and thirty new products to support particularly active new areas of medical research.

Immunology product sales increased significantly by 9.8% in local currency versus past year as the in-vitro diagnostics market continued to grow during 2009. A high level of product innovation and increased marketing focus helped to increase sales especially in the USA.

NEW CHEMICAL ENTITIES (NCES)

Despite all the challenges encountered during 2009, Bachem's NCE portfolio grew in number and in value. This reflects the view that fundamentally the industry is sound and healthy and that innovation is strong. Certain peptide drugs enjoy a high longevity as new and additional indications are found on top of the conventional growth through added registrations in new geographic markets. Long term growth expectations remain therefore positive and Bachem is well positioned in capacity and capability to secure new business. Analysis of the project pipeline shows a tendency for increased structural complexity not only of the individual peptides but also their formulation as multiple APIs (e.g. peptide cocktails) requiring increased project support and resources. Also here, our ability to manage complexity and remain reliable has proven a tremendous asset.

Nevertheless, the business with New Chemical Entities is by its nature associated with certain risks. A few advanced NCE products did not generate the sales expected during 2009 due respectively to customer overstocking and deferral of their program timelines. The uncertainty of customer requirements due to factors usually outside our control can only be managed by having a wide and deep project portfolio. In this way, we were nevertheless able to achieve a positive sales growth result of 1.6% in local currency versus previous year and prevail successfully in this category.

Growth in non-peptide NCEs has proven more difficult to achieve, although three new projects were introduced into the



STATE-OF-THE-ART

WE ARE CONSTANTLY DEVELOPING THE KNOW-HOW WE HAVE GAINED OVER THE DECADES IN ORDER TO SUPPLY OUR CUSTOMERS ALWAYS WITH EFFICIENT PROCESSES AND OPTIMUM PRODUCTS.



FIRST-CLASS SERVICES

OUR CUSTOMERS WANT MORE THAN A PRODUCT.
WE THEREFORE ATTACH IMPORTANCE TO BEING
CLOSE TO THE CUSTOMER, COMPETENT ADVICE
AND A COMPREHENSIVE RANGE OF SERVICES.

pipeline late in 2009. Very positive has been the increasing trend for so-called "conjugate NCEs" which require an organic as well as a peptide moiety in their chemical structure. Bachem is now working on several such products and their number is expected to increase in future years. The combination of Bachem's capabilities to produce peptides as well as organic small molecules is well aligned to this NCE category trend.

Further analysis of the pipeline re-iterates the importance of peptides in the quest to conquer some of the most intractable and difficult categories of human disease. It is indeed a great motivation to all the staff in our company to know that we are collectively part of the effort to find treatments and therapies for many critical and life threatening human diseases. In particular, the field of oncology and cancer treatment represents the largest single therapeutic segment in the Bachem pipeline. Cancer remains today one of the most persistent threats to human health and longevity. Bachem as a manufacturing partner to the pharmaceutical industry will also play its part here in helping to develop effective drugs to treat this disease.

GENERICS

The motto "diversity is strength" applies also to our product portfolio. Just as with the category of NCEs, generic products were less affected by the financial crisis and suffered only a modest drop in sales of 3.5% in local currency versus previous year. These established products in some cases grew significantly as many national health institutions around the world increasingly favor and encourage the use of generic drugs. While some pharmaceutical customers did revise inventories and a few cases of customer consolidation were reported in the industry news, there were enough cases of solid growth to almost completely counter any negative effects. Also, as many generic pharma-

ceutical companies are not reliant on risk capital financing, most were better able to weather the economic storm through 2009. Especially in organic generics, sales were generally robust and the respective customer base much less affected.

As the number of new peptide drug candidates will continue to increase, so consequently will the number of marketed peptide drugs. In the past, peptide drugs on the market have generally matured successfully and well defended their position in the generic phase of their life cycle. Generic peptide products will accordingly continue to grow as the pipeline of these drugs matures. Bachem is here fortunate in having the ability to scale-up and achieve high throughput production by means of its combined capabilities at Bubendorf/CH, Torrance/USA and at Vionnaz/CH. The latter facility has generally been successful in competing in a very aggressive world market with its existing portfolio through process improvement and chemical engineering know-how. These factors have enabled us to become for example one of the world's leading producers of the generic drug Propofol. New potential generics are continually evaluated for possible commercialization well in advance of patent expiry to ensure here also a continued generic product portfolio for the future.

FIRST-CLASS SERVICES

The complexity of today's drug development programs and the required regulatory compliance has always been a critical part of the key competencies for any supplier of APIs. However, in recent years the demand and challenge to reach full and complete compliance has dramatically increased. As a result, Bachem now employs over 20% of its staff in the functions of quality assurance and regulatory affairs. These services accompany all GMP stage projects and are an essential part of the package of project management provided by Bachem to its pharmaceutical customers. Services are required not only for clinical development drugs (NCEs) but as well for projects related to products post market launch, indicating how support is needed by customers also at this stage of the product lifecycle.

Additionally, the quality processes and documentation must stand the required auditory inspections of regulatory authorities such as the FDA (USA), the EDQM (EU) and the Swissmedic authority of Switzerland. Additionally, customers fre-

quently require specific audits to verify and validate that all required process steps are properly controlled and documented.

Further services are provided in the form of stability studies carried out to the latest ICH Q7 guidelines, process and chemical control documentation as well as other reports. These features of the Bachem service portfolio will by requirement continue to be expanded and grown in the coming years. Important progress was made during 2009 to shorten the internal processes and introduce increased efficiency, thus enabling more projects to be supported with the required level of service.

Since the introduction of the sterile filling service at Bachem in 2004, the product line was expanded with the acquisition of the Clinalfa® product line in 2007. Demand for this service has grown steadily since then, especially for APIs. Especially the service for Clinalfa® customized products has grown significantly in the last years and Bachem is well placed as one of the few API suppliers able to provide this additional service.

The Clinalfa® product line consists of the sterile freeze-dried products available from stock and the products which are customized, ready-to-use formulations. In the latter case, the active pharmaceutical ingredients (APIs) used and the resulting Clinalfa® products are proprietary products of Bachem's customers. Based on agreements between the customer and Bachem, Bachem's Qualified Person (QP) may release the products for use in a specific clinical study approved by the competent authority. The level of validation of the manufacturing process and analytical methods, the design and duration of post-stability studies and the content of CMC documentation of Clinalfa® products are all customized according to the developmental stage and the intended use of the products.

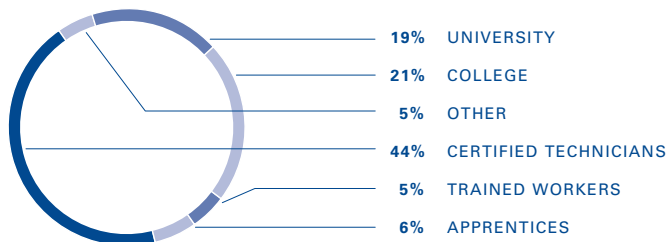
Sales related to Clinalfa® and API services have correspondingly and collectively grown by 27.4% in local currency with Bachem's NCE pipeline during 2009. Customer requirements for support in formulation development, non-sterile tox-vials, compatibility studies, stress tests and post-release stability studies, chemical manufacturing control documentation and other services continue to increase.

The growth above all in Clinalfa® as part of the service offering accompanying

BACHEM PROJECT INDICATIONS

| | |
|---------------------|---|
| CANCER (VARIOUS) | ✓ |
| MULTIPLE SCLEROSIS | ✓ |
| PARKINSON'S | ✓ |
| ALZHEIMER'S | ✓ |
| INFECTION (VARIOUS) | ✓ |
| CNS | ✓ |
| DIABETES/OBESITY | ✓ |
| OSTEOPOROSIS | ✓ |
| ALLERGY | ✓ |

EMPLOYEES BY EDUCATION



NCE products, justifies the confidence to further invest in this business activity for the future. Therefore during 2009, capacity in Bubendorf, Switzerland was doubled.

OUR EMPLOYEES

The employees are the most important asset of a successful company. Motivated, well-qualified employees are the basis for the performance and success also of the Bachem Group. At the end of the year under review, we employed 760 people (previous year 748) in 730 full-time positions (previous year 722). Our European subsidiaries accounted for 580 (79%) of these full-time equivalents (FTEs) and the American companies for 150 (21%). However, the trend in the number of employees was not consistently the same at all sites. In the USA we reduced the staffing level by 19 FTEs, partly through lay-offs, because of the economic situation. In Europe, by contrast, the staffing level was increased by 27 FTEs. While the start of the year saw strong growth in human resources in Bubendorf in anticipation of increased demand, we have reduced the number of employees since the middle of the year by not replacing people who left the company, so lay-offs for economic reasons could be avoided. As is to be expected in times of economic uncertainty, the fluctuation in personnel during the year under review fell from 14.2% in the previous year to a low of 11.4%.

Bachem, the leading company in the field of peptide technology, brings together more specialists in the manufacture of peptides than any comparable company anywhere in the world. This can only be achieved through a very high level of education and appropriate specialization. Of our total employees, 40% have a degree either from a university or from a college/university of applied sciences and

44% have completed an apprenticeship. Research, Development and Production account for 45% of the workforce, while 22% work in Quality Assurance and Regulatory Affairs. The other employees are evenly distributed between Marketing and Sales, Finance and Administration, Engineering and Maintenance and also Logistics at around 8% each.

In our Swiss subsidiaries, we attach great importance to the dual training and education of school-leavers in the framework of an apprenticeship. Dual training and education is understood to comprise a training plan over several years that includes both vocational college studies and practical industrial work in parallel. With this offer, we not only live up to our social responsibility as a strong company by enabling young school-leavers to gain a professional qualification, but also supply the workplace of Switzerland with well-qualified professionals. At our sites in Bubendorf and Vionnaz we currently have 42 apprentices (previous year 41) in vocational training. Of these, most are learning the profession of a chemistry lab technician (specializing in chemical synthesis and analytical chemistry), while others are training to become commercial employees, IT specialists, logistics assistants and polymechanics. In the year under review, another 9 young people successfully completed their apprenticeship with Bachem.

Apart from basic professional training at a university or in an apprenticeship, continuous training and further education are of crucial importance for the success of a company. A high degree of specialization calls for an added measure of specific knowledge. Apart from a broadening of specialist knowledge, it is also essential to provide management training and also training in the field of health and environmental protection. At Bachem training and further education opportunities are

either offered internally or requested from the outside. Depending on the need, our specialists attend scientific symposia, take part in internal seminars or exchange their knowledge and experiences at events held at periodic intervals within the Group. These international specialist conferences are held in the fields of Chemistry and Technology (Research/Development, Production and Quality Control), Quality Assurance and Regulatory Affairs, Marketing and Sales and also Finance. They not only teach specialist content, but also serve to foster the integration of individual Group Companies and their employees into the global Bachem team.

SUSTAINABILITY

Our efforts to increase safety at the workplace, to improve the health protection of employees and to protect the environment in the Bachem Group are based on two fundamental beliefs: We regard safe workplaces without any risk to health and a careful handling of resources, as well as the avoidance of environmental risks, as a precondition for the long-term commercial success of our company. As part of our voluntary commitment to the Responsible Care Program of the chemical industry, we compile annual statistics for international standardized figures on occupational safety and environmental impact at our largest production sites in Bubendorf and Vionnaz (Switzerland) and also in Torrance (USA). The figures are an indicator of the current situation and a change in the figures over the years permits an assessment to be made as to the effects of any measures taken. They serve as a tool for management in the field of Safety and Environmental Protection. All the data gathered in the year under review showed an improvement over the previous year and insofar we can look back on a very successful year.

The general reduction in air and water pollution and also in water and energy consumption is partly attributable to the difficult economic situation and the associated decline in production volumes. However, it is also a result of many targeted individual measures of a technical and organizational nature. For example, specific energy consumption per employee was reduced to 146 GJ (previous year 163 GJ). At 254 m³ per employee, the total water consumption is also well under the previous year's value (290 m³). All emissions values for airborne carbon dioxide, nitrogen oxides, sulfur dioxide and volatile organic compounds (VOC) were reduced to lower



A STRONG TEAM

WE ARE COUNTING ON OUR MULTIDISCIPLINARY AND INTERNATIONAL TEAM OF QUALIFIED AND MOTIVATED STAFF FOR THE EXPANSION OF OUR OPERATIONS.

levels than in 2008. Comparison of the environmental impact values with those of the chemical industry clearly show that the Bachem Group achieves its considerable business performance while still being respectful of the environment and keeping consumption of resources well below average.

In Bubendorf we built and inaugurated an exhaust air purification system during the year under review at an investment of about 4 million CHF. The state-of-the-art system works on the principle of regenerative thermal oxidation (RTO). The system burns the polluted process air with propane gas at high temperatures. The process heat generated during RTO is returned to production via a heat exchanger. The system will enter permanent operation after a pilot phase. Using this purification technology, we shall be able to considerably reduce the emission of VOCs in the exhaust air.

In Vionnaz, as in Bubendorf the previous year, we built and commissioned a centralized tank farm. This not only helps to increase in-house efficiency, but will also substantially reduce the number of individual deliveries of solvents. By means of this tank farm, we have also substantially reduced the hazard potential during the transport of organic solvents, as well as their delivery and on-site storage. Apart from numerous minor investments and process optimizations, we consider these two major investment projects to be significant milestones in terms of our responsible approach to the environment.

We have also continually made improvements in our production site in Torrance in order to meet the strict requirements of Californian state law regarding the pollution of air and water.

Our American and European customers increasingly want to be convinced through on-the-spot audits that the plants and processes at Bachem meet current safety requirements and environmental protection directives. The realization that environmentally aware production is very much a quality attribute has clearly gained acceptance. Investors and managers of sustainability or ethical investment funds are now increasingly interested not only in the financial performance figures, but also in environmentally sound production methods. This is supported by the increasing number of audits carried out by these interest groups to verify that the relevant standards are being complied with.

We attach a great deal of importance to safety at the workplace. Under the Responsible Care Program, occupational safety is measured in two ways. One measure for accident frequency is the number of personal accidents per 100 employees per year. The number of lost working days per employee per year is a measure of accident severity. In the year under review, we posted 0.63 accidents (previous year 1.70) involving personal injury per 100 employees at the three production sites. This resulted, as for the previous year, in 0.12 lost working days per employee. All accidents fortunately caused no lasting damage to those affected. In Bubendorf, the year under review saw an increased number of campaigns aimed at reducing non-occupational accidents. The reason for this was the realization that preventive measures in the area of non-occupational accidents also has a favorable impact on the risk of occupational accidents.

Not only investments in fixed assets, but also sound training of employees has helped to increase operational safety and to protect the environment. Internal procedures and also chemical and technical processes are constantly reviewed for their efficiency and for hazard potential and risks to the environment. The Bachem Group employs a total of five full-time Safety and Environmental Protection Officers at its three largest facilities. Apart from the line managers, it is above all the responsibility of these officers to ensure that new employees are intensively trained in the handling of equipment and chemicals and alerted to the relevant risks to keep themselves and others safe and protect the environment. Even so, these issues require ongoing refresher courses and further training. So everyone, whether in the laboratory or in production, needs periodically to keep abreast of the latest knowledge by means of refresher courses on safety and environmental protection. Thus, we assure living up to our responsibility for people and the environment.

SECURE FUTURE

TO BE SUCCESSFUL IN THE LONG TERM,
WE HAVE TO MAKE SURE TODAY MORE THAN
EVER BEFORE THAT THE EXPANSION OF
OUR BUSINESS OPERATIONS IS SUSTAINABLE.



1. GROUP STRUCTURE AND SHAREHOLDERS

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

1.1. GROUP STRUCTURE

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SIX Swiss Exchange in Zurich (valor number: 1 253 020, ISIN: CH0012530207, SIX: BANB, Reuters: BAMZ.S, Bloomberg: BANB SW). Market capitalization at December 31, 2009 was 902 360 kCHF. No other Bachem companies are listed.

All subsidiaries are listed in note 24 on page 51 of the notes to the consolidated financial statements including company name, location and participation.

1.2. MAJOR SHAREHOLDERS

Shareholders with more than three percent of voting rights on December 31, 2009 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, 2009, the nominal share capital of Bachem Holding AG was 680 kCHF.

2.2. AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR

Bachem does not have any conditional or authorized capital outstanding.

2.3. CHANGES IN CAPITAL

In 2007, 2008 and 2009, share capital remained unchanged. Changes in equity for the years 2009 and 2008 are listed on page 28 of the consolidated financial statements. Changes for 2007 are reported on page 49 of the annual report 2008.

2.4. SHARES AND PARTICIPATION CERTIFICATES

At December 31, 2009, Bachem Holding AG had 6 802 000 registered shares A and 6 798 000 registered shares B at a nominal value of 0.05 CHF 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 pages 33 and 34 as well as in note 22 of the consolidated financial statements on pages 50 and 51.

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:
JÜRGEN BROKATZKY-GEIGER,
THOMAS BURCKHARDT, GOTTLIEB KNOCH,
PETER GROGG, HANS HENGARTNER



PETER GROGG (1942)*

DR. H.C., CHAIRMAN, SWISS
SINCE 1971, ELECTED UNTIL 2012

Peter Grogg founded Bachem AG in 1971 and was the CEO until 2002. He is Chairman of the Board of Ingro Finanz AG. He is member of the Board of Directors of Polyphor AG, Dottikon ES Holding AG and Sunstar Holding AG.

GOTTLIEB KNOCH (1942)*

GRADUATE CHEMIST ETH, MBA, VICE-CHAIRMAN
SINCE 1985, ELECTED UNTIL 2012

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

JÜRGEN BROKATZKY-GEIGER (1952)*

DR. CHEM., MEMBER, GERMAN,
SINCE 2009, ELECTED UNTIL 2012

Dr. Jürgen Brokatzky-Geiger graduated with a Ph.D. in chemistry from the University of Freiburg, Germany, in 1982. He joined Ciba-Geigy Ltd. in 1983 as a Laboratory Head in the Pharmaceuticals Division. After a job rotation in the United States, he held positions of increasing responsibility in Research and Development (R&D) including Group Leader of Process R&D, Head of Process R&D, and Head of Process Development and Pilot Plant Operations. During the merger of Ciba-Geigy and Sandoz in 1996, Dr. Jürgen Brokatzky-Geiger was appointed Integration Officer of Technical Operations. He later became the Head of Chemical and Analytical Development and served as the Global Head of Technical R&D from 1999 to August 2003. Dr. Jürgen Brokatzky-Geiger was appointed to his present position as Head of Human Resources on September 1, 2003. He has been a member of the Executive Committee of Novartis since January 1, 2005.

THOMAS BURCKHARDT (1950)

DR. IUR., LL.M., SECRETARY, SWISS
SINCE 1997, ELECTED UNTIL 2012

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

HANS HENGARTNER (1944)

PROF. DR. SC. NAT. ETH, MEMBER, SWISS
SINCE 2003, ELECTED UNTIL 2012

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

* Member of the Compensation Committee

3.2. OTHER ACTIVITIES AND VESTED INTERESTS

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

3.4. ELECTIONS AND TERMS OF OFFICE

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

3.5. INTERNAL ORGANIZATIONAL STRUCTURE

During 2009, the Board of Directors held two half-day and two full day meetings. The Corporate Executive Committee attends all Board meetings (see item 3.7). All 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 2009, two Chief Operating Officers of Group companies (COOs) attended three Board meetings and one COO attended one Board meeting. In 2009, 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 2009, the Compensation Committee met for half an hour.

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

3.6. DEFINITION OF AREAS OF RESPONSIBILITY

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

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

Per definition in its organization regulations the Board has delegated the management of ongoing operations to the Corporate Executive Committee under

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

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

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

4. CORPORATE EXECUTIVE COMMITTEE

4.1 MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

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

4.2. OTHER ACTIVITIES AND VESTED INTERESTS

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

4.3. MANAGEMENT CONTRACTS

Bachem has not entered into any management contracts.



FROM LEFT TO RIGHT:
DANIEL ERNE, LESTER MILLS, ROLF NYFELER, STEPHAN SCHINDLER

ROLF NYFELER (1950)

DR. PHIL. II, CEO, SWISS
SINCE 2002

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

DANIEL ERNE (1952)

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

Daniel Erne joined Bachem AG in 1987 as Head Quality Control and was since 1990 member of the Management Team responsible for Quality Assurance/ Regulatory Affairs. Since 1997 he is a member of the Corporate Executive Committee, as of 2002 CTO of the Bachem Group. He received his education as a chemist at the Swiss Federal Institute of Technology in Zürich (ETHZ), then was a research fellow at the University of Utah, Salt Lake City and at the ETHZ. Daniel Erne is member of the Board of Directors of Pevion Biotech AG.

LESTER MILLS (1958)

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

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

STEPHAN SCHINDLER (1964)

BSC. BUSINESS ADMINISTRATION, CAND. EMBA, CFO,
SWISS
SINCE 2009

Stephan Schindler joined Bachem Holding AG as Chief Financial Officer (CFO) and Member of the Corporate Executive Committee in 2009. In 1991 he assumed a first management position as Head of Information Center at Patria Insurances in Basel. In parallel he persistently pursued his extra-occupational studies in business economics, finance and control. After his graduation he joined the Corporate Finance Department at F. Hoffmann-La Roche AG in Basel. 1995 to 2001 he assumed various positions, e.g. Head of Credit Management / IC Reconciliation. With the unbundling of the division in 2001, he took over the accounting & reporting department at Roche Vitamins AG. Until 2009, he was Head Finance & Control Switzerland at DSM Nutritional Products AG, Kaiseraugst. Stephan Schindler is about to complete an International Executive MBA program Zurich/Boston.

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, based on the equally weighted development of sales, operating income and net income. The compensation to the Board of Directors and the Corporate Executive Committee is listed in note 26 on page 53 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 26 on page 54 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 pages 33 and 34.

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

Does not apply.

6. SHAREHOLDERS' PARTICIPATION

6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

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

6.2. STATUTORY QUORUMS

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

6.3. CONVOCACTION OF THE GENERAL MEETINGS OF SHAREHOLDERS

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

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

6.4. AGENDA

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

6.5. INSCRIPTIONS INTO THE SHARE REGISTER

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

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1. DUTY TO MAKE AN OFFER

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

7.2. CLAUSES ON CHANGES OF CONTROL

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

8. AUDITORS

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

PricewaterhouseCoopers AG, Basel, has been statutory auditor of the Bachem Group since 1995 and statutory auditor of Bachem Holding AG since 1998. Gerd Tritschler has been lead auditor since the business year 2004. The rotation period of the lead auditor is based on the maximum statutory length for Swiss companies of seven years (Swiss Code of Obligations, article 730a, paragraph 2). Auditors are elected by the Annual General Meeting on an annual basis.

8.2. AUDITING FEES

Audit fees of PricewaterhouseCoopers for the Bachem Group amounted to 271 kCHF for the business year 2009. Fees for audit services on Bachem companies by other auditors totalled 30 kCHF.

8.3. ADDITIONAL FEES

During 2009, PricewaterhouseCoopers charged additional fees of 220 kCHF for various projects and other services, mainly in the area of tax consulting. Additional services, also for tax advisory, conducted by other auditors amounted to 10 kCHF.

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 2009, the external auditors attended one Board of Directors meeting. The performance assessment of the external auditor and the audit fees is made based on the independency and objectivity of the external auditors, the presented reports, the shown technical and operational competences, the involved resources as well as the open and effective communication and coordination with internal staff.

9. INFORMATION POLICY

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

FINANCIAL REPORT

NORTH AMERICA DAMPENS POSITIVE SALES GROWTH IN EUROPE

In 2009, despite difficult market conditions, the Bachem Group achieved sales of 181.8 million CHF. Compared with the previous year, this corresponds to a sales decline of 6.7% in CHF, or 5.6% in local currencies. The mid-year deficit of 7.6% in CHF (8.1% in local currencies) compared with the previous year's period was therefore substantially offset in the third and fourth quarter of 2009. Sales achieved in the second half of 2009 amounted to 90.7 million CHF, which means they were only down by 5.6 million CHF or 3.1% in local currencies compared with the strong previous year's period, although lack of sales for an important product of one particular customer, as already communicated, continued to impact the second half of the year, and there is fierce competition for potential replacement projects in the current economic situation.

| IN MILLION CHF | 2009 | CHANGE IN LOCAL CURRENCY | CHANGE IN CHF | SALES SHARE |
|------------------------------------------|--------------|--------------------------------|------------------|----------------|
| ACTIVE PHARMACEUTICAL INGREDIENTS (APIS) | 150.3 | - 3.2 % | - 4.2 % | 82.7 % |
| RESEARCH CHEMICALS | 31.5 | - 15.5 % | - 17.3 % | 17.3 % |
| TOTAL SALES | 181.8 | - 5.6 % | - 6.7 % | 100.0 % |

In Research Chemicals and Custom Synthesis, sales declines of 15.5% in local currencies clearly reflect the financial situation of our customers and their efforts to reduce cash burn. These activities are apparent among customers in Europe and North America alike. A positive development in the area of Research Chemicals is the very gratifying growth rate of 9.8% observed in the field of immunology products. In other product areas, sales developments in Europe and North America differed widely.

Although declining sales were posted at Group level, strong growth was reported in the segment Europe. Active Pharmaceutical Ingredients (APIs) in this segment showed 8.9% growth in local currencies (7.8% in CHF), while sales of NCEs, the growth drivers of the future, increased as much as 77.8% in local currencies (75.4% in CHF). The sales of Generics also held their ground well in Europe with sales up 1.7% in local currencies (0.7% in CHF). Business lines that continue to show great promise in terms of growth also at Group level are both the Clinalfa® brand, under which Bachem offers finished dosage forms for clinical studies, and other services for New Chemical Entities. Here sales were up 27.4% in local currencies.

In 2009, sales in Europe also grew a further 3.4% in local currencies or 1.8% in CHF. As a result of the above-mentioned sales gap in North America, the share of total sales contributed by the two business segments shifted in favor of Europe. Sales in Europe accounted for 72.3% and in North America for 27.7% of total sales.

| IN MILLION CHF | 2009 | CHANGE IN LOCAL CURRENCY | CHANGE IN CHF | SALES SHARE |
|----------------|--------------|--------------------------------|------------------|----------------|
| EUROPE | 131.5 | + 3.4 % | + 1.8 % | 72.3 % |
| NORTH AMERICA | 50.3 | - 22.4 % | - 23.5 % | 27.7 % |
| TOTAL SALES | 181.8 | - 5.6 % | - 6.7 % | 100.0 % |

OPERATING MARGIN REMAINS 2 PERCENTAGE POINTS BELOW TARGET RANGE

In the past year, Bachem achieved an operating income of 50.9 million CHF. This corresponds to an EBIT margin 2 percentage points below the medium-term target range of 30% to 35%. However, even in a difficult business year such as 2009, the EBIT margin of the Bachem Group at 28% (28.5% excluding negative currency effects) remains at a very high level both in absolute terms and also compared with the rest of the industry.

Bachem has engaged in strategically motivated investments in highly qualified personnel and state-of-the-art production capacity especially in the last few years. These are seen as a basis for the future growth of the Group and not as adjustment items for short-term profit management. In the past year, therefore, a conscious effort was made to avoid radical measures in human resources and/or property, plant and equipment, even if these might have appeared to be called for in the short term as a result of declining sales in Research Chemicals and in particular the business segment North America. The latter segment, in particular, has already seen the initiation of cost-reducing measures during the past year, which will be continued in 2010 and are only now beginning to show their full impact. In Europe a very restrictive approach was adopted with regard to the filling of vacancies although no employees were laid off for business-related reasons. This policy will also be consistently pursued in the coming year.

The cost of goods sold (COGS) rose from 87.9 million CHF in 2008 to 91.2 million CHF in 2009. The main reasons for the increase in costs are the additional depreciation charges from the above-mentioned investments and an increase in personnel costs, both resulting from the pursuit of our sustainable growth strategy. The interplay between reduced sales and shifts in the product mix led to a gross income of 90.7 million CHF and a gross margin of 49.9%. The efficiency of production processes continued to improve. In the past year, for example, an overproportionate reduction in material costs was achieved. Operational production costs likewise declined in line with the development of sales.

Although activities were stepped up in 2009, marketing and sales costs increased only slightly from 10.6 million CHF to 11.0 million CHF, or 6.1% of sales.

An extraordinary increase of 1.4 million CHF to 7.4 million CHF was posted in research and development costs in the past year. Bachem had made use of resources and capacity that became available in the short term in order to push ahead with the development of new processes at its own expense. Additionally, product developments in the field of non-peptide generics were made to further improve the basis for the future. The costs arising in production for process optimization or scale-ups continue to be directly attributed to COGS.

The general administrative costs increased only slightly from 21.0 million CHF to 21.6 million CHF, or 11.9% of sales, but continue to be reviewed for cost-saving potential.

In 2009, Bachem increased the number of its employees by 8 to 730 full-time equivalents. In Europe, 27 new positions were created at the various sites, while North America saw a reduction of 19 positions. The number of FTEs in the Group thus increased

slightly by 1.1%. The increase in the number of employees is in line with the continued good sales growth in Europe and the increased requirements and services in the area of quality assurance and documentation.

As a result of the high investment activity, especially in 2008, depreciation and amortization increased by about 2.2 million CHF to 15.3 million CHF. In relation to sales, this corresponds to an increase from 6.7% to 8.4%.

NET PROFIT MARGIN AT 25.3%

Compared with the development of the operating results, which were down 27.0%, the net profit made up some ground at minus 21.6%. With a net profit of 46.1 million CHF or a 25.3% margin in relation to sales, this also constitutes a very high level of performance both in absolute terms and in comparison with the industry. The negative impact of a foreign currency result that was down by 1.7 million CHF on the previous year, a shortfall of 1.3 million CHF in financial income from securities that were sold and an unchanged negative result of 3.3 million CHF from associated companies results in earnings per share (EPS) of 3.43 CHF versus 4.38 CHF in the previous year.

Compared with the previous year, the tax rate fell sharply from 13.2% to 0.4%, which led to tax expense of only 0.2 million CHF. In the context of the final judgment concerning the taxable treatment of royalties by the relevant tax authorities current tax liabilities in the amount of 7.5 million CHF were canceled in the first half of 2009. This one-off impact of an effective tax rate reduced by 16.3 percentage points will not be felt in coming years and must therefore be taken into account when future tax rates are assessed. A positive side effect of the shift in sales as a proportion of total sales from North America to Europe is the correspondingly lower tax burden on the income achieved. After the one-off effect and circumstances from previous years that were recognized in the current period have been eliminated, a tax rate of 17.2% is calculated.

CASH FLOW AND INVESTMENTS

The cash flow from operating activities amounted to 42.8 million CHF or 23.6% of sales in 2009. Compared with the previous year, therefore, the operating cash flow increased by 9.1% or 3.6 million CHF despite the sales losses described. This is attributable to the measures taken in the past year for analysis and reduction of the capital tied up in net current assets. Growth in net current assets was thus reduced by 52.3% compared with the previous year or, in absolute terms, by 21.3 million CHF. Efforts to optimize this important area will also be given priority in 2010.

Taking into account the processes that do not have an impact on cash flow, the change in inventories led to a cash outflow of 22.2 million CHF. The balance sheet item of inventories showed a build-up of 21.2 million CHF in 2009. Stocks of raw materials and building blocks remained at approximately the same level as in the previous year. In contrast, the more complex and time-consuming production processes led to an increase in value of 12.7 million CHF for work in progress and also contributed accordingly to the growth of 9.4 million CHF in finished goods.

A contributory factor behind the increased value of stocks was also the increased level of inventory availability demanded by the

market, especially for generics. Also contributing were the inventories already built up for security reasons in the context of intermediates for important major-selling products of the Bachem Group. Where stocks were increased or consignment stocks built up on behalf of a customer, the customer is under an obligation to buy these stocks and the capital additionally tied up as a result bears interest accordingly.

Based on the strategy of sustainable growth, the investment projects started in 2008 were continued and, as far as possible, completed. This is why, at 38.2 million CHF, or 21.0% of sales, investments in property, plant and equipment in 2009 were at a relatively high level. With the completion of this work, the Bachem Group has an infrastructure at its disposal that enables it to remain sustainably competitive, even in face of large order volumes. This is in line with an important demand of the market. The unforeseen constellation of the required investments along with the sales losses caused by macroeconomic factors and the additional effect involving an important individual customer in the USA has a short-term negative impact on the results of the Bachem Group. In the long term, however, Bachem will emerge from this phase stronger and with an infrastructure that is even more competitive.

Compliance and procurement of replacements also accounted for an important part of investments in 2009. With a total of 20 million CHF, or 52.4% of investments in property, plant and equipment, Bachem clearly shows that it always lives up to its responsibility also with regard to the protection of people and the environment. The year under review, for example, saw the operational start-up of a new exhaust air purification system in Bubendorf at a cost of about 4 million CHF and a new central tank farm for solvents in Vionnaz.

In the area of financing activities, 43.0 million CHF was distributed in dividends, representing an increase of 2.7 million CHF or 6.7% more than in the previous year. Part of the dividend was converted into a general operating loan. At the time of reporting, 15 million CHF of this conversion consists of liability from loans. The cash flow from financing activities amounted in total to –28.1 million CHF in 2009, which is an improvement of 2.8 million CHF, or 9.2%, compared with the previous year.

All these activities led to cash and cash equivalents as defined in the cash flow statement declining by 22.9 million CHF. This result improved by about 13.3 million CHF compared with the previous year, where the decline still amounted to 36.2 million CHF. The level of cash and cash equivalents as defined in the cash flow statement still amounted to 12.5 million CHF at the end of the year and, at 6.9%, thus lies within the relevant target range of 5%–10% of sales.

DIVIDEND OF 3.00 CHF PROPOSED

With an equity ratio at present of 79.3% (82.0% in the previous year) Bachem remains very soundly financed. Based on the results of 2009, the return on equity (ROE) is still 12.3% (16.0% in the previous year).

The Board of Directors has decided to propose an adjustment in the dividend from 3.20 CHF to 3.00 CHF for approval by the Annual General Meeting.

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31

| | NOTES | 2009 000 CHF | 2008 000 CHF |
|-----------------------------------------|------------|-----------------|-----------------|
| SALES | 1/2 | 181 848 | 194 937 |
| COST OF GOODS SOLD | | - 91 169 | - 87 865 |
| GROSS PROFIT | | 90 679 | 107 132 |
| OTHER INCOME | | 179 | 151 |
| MARKETING AND SALES COSTS | | - 11 022 | - 10 634 |
| RESEARCH AND DEVELOPMENT COSTS | | - 7 399 | - 5 965 |
| GENERAL ADMINISTRATIVE COSTS | | - 21 556 | - 21 007 |
| OPERATING INCOME | | 50 881 | 69 677 |
| RESULT FROM ASSOCIATES | 2/5 | - 3 320 | - 3 245 |
| FINANCIAL RESULT | 6 | - 1 310 | 1 211 |
| EARNINGS BEFORE TAXES | | 46 251 | 67 643 |
| INCOME TAXES | 7 | - 194 | - 8 934 |
| NET INCOME* | | 46 057 | 58 709 |
| BASIC EARNINGS PER SHARE (CHF) | 8 | 3.43 | 4.38 |
| DILUTED EARNINGS PER SHARE (CHF) | 8 | 3.43 | 4.38 |

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

The notes on pages 29 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2009 AND 2008

| ASSETS | NOTES | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-----------------------------------------------------------------------------------------|--------------|----------------------------------|----------------------------------|
| CASH AND CASH EQUIVALENTS | 9 | 12 470 | 35 377 |
| MARKETABLE SECURITIES | 10 | 0 | 3 008 |
| TRADE RECEIVABLES | 11 | 35 816 | 31 938 |
| OTHER RECEIVABLES | 12 | 3 602 | 9 215 |
| CURRENT TAX ASSETS | | 1 593 | 180 |
| INVENTORIES | 13 | 153 641 | 132 439 |
| TOTAL CURRENT ASSETS | | 207 122 | 212 157 |
| PROPERTY, PLANT AND EQUIPMENT | 14 | 240 160 | 216 675 |
| INTANGIBLE ASSETS | 15 | 16 981 | 16 375 |
| ASSOCIATES | 2/5 | 3 948 | 7 268 |
| DEFERRED TAX ASSETS | 20 | 6 221 | 4 844 |
| TOTAL NON-CURRENT ASSETS | | 267 310 | 245 162 |
| TOTAL ASSETS | | 474 432 | 457 319 |
| LIABILITIES AND EQUITY | | | |
| TRADE PAYABLES | 17 | 18 126 | 17 709 |
| OTHER CURRENT LIABILITIES | 18 | 9 761 | 9 750 |
| FINANCIAL LIABILITIES | 19 | 15 000 | 0 |
| CURRENT TAX LIABILITIES | | 1 301 | 8 103 |
| TOTAL CURRENT LIABILITIES | | 44 188 | 35 562 |
| DEFERRED TAX LIABILITIES | 20 | 38 105 | 32 607 |
| DEFINED BENEFIT PLAN LIABILITY | 4 | 16 034 | 13 995 |
| TOTAL NON-CURRENT LIABILITIES | | 54 139 | 46 602 |
| TOTAL LIABILITIES | | 98 327 | 82 164 |
| SHARE CAPITAL | 21 | 680 | 680 |
| RETAINED EARNINGS | | 315 104 | 313 223 |
| SHARE PREMIUM | | 92 517 | 91 425 |
| OWN SHARES | | - 1 988 | - 1 998 |
| FAIR VALUE RESERVES | | 0 | 222 |
| CUMULATIVE TRANSLATION DIFFERENCES | | - 30 208 | - 28 397 |
| TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | 376 105 | 375 155 |
| TOTAL LIABILITIES AND EQUITY | | 474 432 | 457 319 |

The notes on pages 29 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED DECEMBER 31

| CASH FLOW FROM OPERATING ACTIVITIES | NOTES | 2009 000 CHF | 2008 000 CHF |
|---------------------------------------------------------------------------------|----------------|-----------------|-----------------|
| NET INCOME | | 46 057 | 58 709 |
| ADJUSTMENTS FOR: | | | |
| INCOME TAXES | 7 | 194 | 8 934 |
| DEPRECIATION AND AMORTIZATION | 2/14/15 | 15 274 | 13 094 |
| FINANCIAL RESULT | 6 | 1 310 | - 1 211 |
| RESULT FROM ASSOCIATES | 2/5 | 3 320 | 3 245 |
| SHARE-BASED PAYMENTS | 22 | 1 092 | 1 230 |
| INCOME TAXES PAID | | - 4 807 | - 4 418 |
| OTHER NON-CASH ITEMS | | - 172 | 418 |
| CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET CURRENT ASSETS | | 62 268 | 80 001 |
| CHANGE IN TRADE RECEIVABLES | | - 3 303 | - 11 039 |
| CHANGE IN INVENTORIES | | - 22 187 | - 27 767 |
| CHANGE IN TRADE PAYABLES | | 456 | 1 652 |
| CHANGE IN OTHER NET CURRENT ASSETS | | 5 613 | - 3 570 |
| CASH FLOW FROM OPERATING ACTIVITIES | | 42 847 | 39 277 |
| CASH FLOW USED FOR INVESTING ACTIVITIES | | | |
| INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT | | - 38 184 | - 53 587 |
| INVESTMENTS IN INTANGIBLE ASSETS | | - 2 213 | - 420 |
| PURCHASE PRICE REDUCTION ON BUSINESS COMBINATIONS | | 0 | 400 |
| SALES OF MARKETABLE SECURITIES | | 2 713 | 9 681 |
| INTEREST RECEIVED | | 95 | 921 |
| DIVIDENDS RECEIVED | 6 | 88 | 79 |
| OTHER FINANCIAL INCOME | 6 | 92 | 144 |
| OTHER FINANCIAL EXPENSES | 6 | - 144 | - 284 |
| CASH FLOW USED FOR INVESTING ACTIVITIES | | - 37 553 | - 43 066 |
| CASH FLOW USED FOR FINANCING ACTIVITIES | | | |
| ADDITIONS OWN SHARES | | - 1 | - 876 |
| DISPOSALS OWN SHARES | | 134 | 10 275 |
| DIVIDENDS PAID | 23 | - 21 261 | - 40 324 |
| REPAYMENT OF FINANCIAL LIABILITIES | 25 | - 6 766 | 0 |
| INTEREST PAID | | - 189 | 0 |
| CASH FLOW USED FOR FINANCING ACTIVITIES | | - 28 083 | - 30 925 |
| NET EFFECT OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS | | - 118 | - 1 534 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | - 22 907 | - 36 248 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 9 | 35 377 | 71 625 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9 | 12 470 | 35 377 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | - 22 907 | - 36 248 |

The notes on pages 29 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

| | NOTES | 2009 000 CHF | 2008 000 CHF |
|-------------------------------------------------|-----------|-----------------|-----------------|
| NET INCOME ACCORDING TO INCOME STATEMENT | | 46 057 | 58 709 |
| CHANGE IN FAIR VALUE RESERVES AND | | - 242 | - 269 |
| DEFERRED TAXES THEREON | 20 | 20 | 23 |
| ACTUARIAL LOSSES ON DEFINED BENEFIT PLANS AND | 4 | - 1 590 | - 8 507 |
| DEFERRED TAXES THEREON | 20 | 318 | 1 701 |
| CUMULATIVE TRANSLATION DIFFERENCES | | - 1 811 | - 5 922 |
| TOTAL COMPREHENSIVE INCOME* | | 42 752 | 45 735 |

* completely attributable to the equity holders of the parent

The notes on pages 29 to 55 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31

| 2009 | NOTES | SHARE CAPITAL 000 CHF | RETAINED EARNINGS 000 CHF | SHARE PREMIUM 000 CHF | OWN SHARES 000 CHF | FAIR VALUE RESERVES 000 CHF | DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF | CUMULATIVE TRANSLATION DIFFERENCES 000 CHF | TOTAL 000 CHF |
|-------------------------------------------------|-------|-----------------------------|---------------------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------------------------------------|-----------------------------------------------------|------------------|
| BALANCE AT JANUARY 1 | | 680 | 313 223 | 91 425 | - 1 998 | 242 | - 20 | - 28 397 | 375 155 |
| TOTAL COMPREHENSIVE INCOME | | | 44 785 | | | - 242 | 20 | - 1 811 | 42 752 |
| DIVIDENDS | 23 | | - 43 027 | | | | | | - 43 027 |
| TRANSACTIONS WITH OWN SHARES (NET OF TAX) | | | 123 | | 10 | | | | 133 |
| SHARE-BASED PAYMENTS | 22 | | | 1 092 | | | | | 1 092 |
| BALANCE AT DECEMBER 31 | | 680 | 315 104 | 92 517 | - 1 988 | 0 | 0 | - 30 208 | 376 105 |

| 2008 | NOTES | SHARE CAPITAL 000 CHF | RETAINED EARNINGS 000 CHF | SHARE PREMIUM 000 CHF | OWN SHARES 000 CHF | FAIR VALUE RESERVES 000 CHF | DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF | CUMULATIVE TRANSLATION DIFFERENCES 000 CHF | TOTAL 000 CHF |
|-------------------------------------------------|-------|-----------------------------|---------------------------------|-----------------------------|--------------------------|-----------------------------------|-----------------------------------------------------------|-----------------------------------------------------|------------------|
| BALANCE AT JANUARY 1 | | 680 | 298 340 | 90 195 | - 7 831 | 511 | - 43 | - 22 475 | 359 377 |
| TOTAL COMPREHENSIVE INCOME | | | 51 903 | | | - 269 | 23 | - 5 922 | 45 735 |
| DIVIDENDS | 23 | | - 40 324 | | | | | | - 40 324 |
| TRANSACTIONS WITH OWN SHARES (NET OF TAX) | | | 3 304 | | 5 833 | | | | 9 137 |
| SHARE-BASED PAYMENTS | 22 | | | 1 230 | | | | | 1 230 |
| BALANCE AT DECEMBER 31 | | 680 | 313 223 | 91 425 | - 1 998 | 242 | - 20 | - 28 397 | 375 155 |

The notes on pages 29 to 55 are an integral part of the consolidated financial statements.

GENERAL INFORMATION

BUSINESS ACTIVITIES

Bachem, based in Bubendorf in the Canton of Basel-Land, Switzerland, is an independent, technology-based, public biochemicals company providing full service to the pharma and biotech industry. Bachem employs 730 people (FTEs) 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 March 3, 2010 to be presented for approval by the Annual General Meeting on April 28, 2010.

ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

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

STANDARDS AND INTERPRETATIONS TO PUBLISHED STANDARDS EFFECTIVE IN 2009 AND RELEVANT FOR BACHEM

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES (AMENDMENT)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk.

Bachem applies the amendment to this standard since January 1, 2009. The application of this amendment had an influence on disclosure only.

IFRS 8 OPERATING SEGMENTS

IFRS 8 requires the disclosure of segment information, which is used by the Chief Operating Decision Maker (CODM) as the basis for running the business. There is no longer a distinction between primary and secondary segment information as it used to be required by IAS 14 Segment Reporting.

Bachem applies this standard since January 1, 2009. The application of this new standard had an influence on disclosure only. The prior year figures were amended accordingly. Further details are described in the paragraph segment information on page 31 and in note 2 on pages 36 and 37.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AMENDMENT)

The amendment requires a new presentation of the comprehensive income, which consists of the net income according to the income statement and income and expense recognized directly in equity. Entities can choose whether to combine this presentation with the income statement or to show it separately in an individual statement.

Bachem applies the amendment to this standard since January 1, 2009. As Bachem has already disclosed such a presentation as an individual statement since 2006, the amendment of IAS 1 had no material impacts. The title was renamed from "Statement of Recognized Income and Expenses" into "Consolidated Statement of Comprehensive Income" and its structuring was slightly adjusted. Furthermore, the previous note "Changes in Equity" was moved from the notes to the front section and renamed as "Consolidated Statement of Changes in Equity", building a new fifth primary statement in addition to the "Consolidated Income Statement", the "Consolidated Balance Sheet", the "Consolidated Cash Flow Statement" and the "Consolidated Statement of Comprehensive Income".

IAS 23 BORROWING COSTS (AMENDMENT)

The amended standard requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Up to now all borrowing costs were recognized as an expense according to the benchmark treatment of the old standard.

Bachem applies the amendment to this standard since January 1, 2009. Since Bachem didn't have any interest bearing liabilities in the past years this standard wasn't relevant so far. In the reporting year the portion of borrowing costs which was directly attributable to a qualifying asset was capitalized (see note 14).

AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS EFFECTIVE IN 2009 BUT NOT RELEVANT FOR BACHEM

- | | |
|--------|--------------------------------------------------------------------------------|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards (Amendment) |
| IFRS 2 | Share-based Payment (Amendment) |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendment) |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors (Amendment) |

| | |
|----------|--------------------------------------------------------------------------------------|
| IAS 10 | Events after the Reporting Period (Amendment) |
| IAS 16 | Property, Plant and Equipment (Amendment) |
| IAS 18 | Revenue (Amendment) |
| IAS 19 | Employee Benefits (Amendment) |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance (Amendment) |
| IAS 28 | Investment in Associates (Amendment) |
| IAS 29 | Financial Reporting in Hyperinflationary Economies (Amendment) |
| IAS 31 | Interests in Joint Ventures (Amendment) |
| IAS 32 | Financial Instruments: Presentation (Amendment) |
| IAS 34 | Interim Financial Reporting (Amendment) |
| IAS 36 | Impairment of Assets (Amendment) |
| IAS 38 | Intangible Assets (Amendment) |
| IAS 39 | Financial Instruments: Recognition and Measurement (Amendment) |
| IAS 40 | Investment Property (Amendment) |
| IAS 41 | Agriculture (Amendment) |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 15 | Agreements for Construction of Real Estate |

AMENDMENTS AND INTERPRETATIONS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations to existing standards have been published. They are mandatory for the accounting periods beginning on or after July 1, 2009 or later. A lot of the amendments relate to the annual improvements projects of the IASB and aim to remove inconsistencies and clarify wording. They have not been early adopted by the Group. At the moment Bachem expects no or only no material impacts from these amendments and interpretations.

| | |
|----------|--------------------------------------------------------------------------|
| IFRS 2 | Share-based Payment (Amendment) |
| IFRS 3 | Business Combinations (Amendment) |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendment) |
| IFRS 8 | Operating Segments (Amendment) |
| IAS 1 | Presentation of Financial Statements (Amendment) |
| IAS 7 | Statement of Cash Flows (Amendment) |
| IAS 17 | Leases (Amendment) |
| IAS 27 | Consolidated and Separate Financial Statements (Amendment) |
| IAS 36 | Impairment of Assets (Amendment) |
| IAS 38 | Intangible Assets (Amendment) |
| IAS 39 | Financial Instruments: Recognition and Measurement (Amendment) |
| IFRIC 9 | Reassessment of Embedded Derivatives (Amendment) |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers |

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of Bachem Holding AG and all companies in Switzerland and abroad, which Bachem Holding AG controls (over 50% of voting rights). The companies included in the consolidation are listed in note 24.

INVESTMENTS IN SUBSIDIARIES

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

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

INVESTMENTS IN ASSOCIATES

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

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

CURRENCY TRANSLATION

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

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

The following exchange rates were used for foreign currencies:

| | INCOME STATEMENT AVERAGE RATES | | BALANCE SHEET YEAR END RATES | |
|-----|-----------------------------------|-------------|---------------------------------|-------------|
| | 2009 CHF | 2008 CHF | 2009 CHF | 2008 CHF |
| USD | 1.08 | 1.10 | 1.03 | 1.06 |
| GBP | 1.69 | 2.01 | 1.67 | 1.53 |
| EUR | 1.51 | 1.58 | 1.48 | 1.48 |

REVENUE RECOGNITION

SALE OF PRODUCTS

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

SALE OF SERVICES

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

INTEREST AND DIVIDEND INCOME

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

SEGMENT INFORMATION

The segment information is based on the information, which is used by the Chief Operating Decision Maker (CODM) for running the business. The Corporate Executive Committee executes the function of the CODM at Bachem. The operating segments were derived from the organizational structure and the internal reporting.

The identification of the reportable segments based on geographical areas results in the segmentation Europe and North America. This segmentation is very similar to the primary segment reporting of the prior year. New however is the transfer of the corporate activities from the European segment to the column corporate and eliminations. This column is not considered as an operating segment and contains besides the corporate activities the eliminations required for the reconciliation of the consolidated values.

The CODM measures the performance of the segments on the basis of the operating income (EBIT). Besides corporate activities and eliminations, within the income statement the result from associates, the financial result and the income taxes and within the balance sheet defined benefit plan liabilities and specific tax assets/liabilities from Group adjustments are not allocated to the reportable segments.

Both reportable segments, Europe and North America, derive their revenues from products and services within the areas active pharmaceutical ingredients (APIs) and research chemicals (incl. custom synthesis).

CASH AND CASH EQUIVALENTS

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

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

FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

LOANS AND RECEIVABLES

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Purchases and sales of financial assets are recognized at the settlement date, i.e. the day on which the assets are transferred. The initial recording of all assets that do not belong to the "Financial assets at fair value through profit or loss" category is carried out at fair value including transaction costs. "Financial assets at fair value through profit or loss" are also initially recorded at fair value, but the transaction costs are booked to the income statement. The assets are derecognized as soon as the rights to receive cash flows from the assets expire or are transferred, and Bachem has ceded all risks and opportunities arising from their ownership. Available-for-sale assets and assets recognized at fair value through profit or loss are subsequently valued at fair value. Loans and receivables, as well as held-to-maturity assets are accounted for at amortized cost using the effective interest method. Realized and unrealized gains and losses resulting from changes in the fair

value of assets "at fair value through profit or loss" are booked to the income statement in the period during which they occur. Unrealized gains and losses resulting from the changes in fair value of available-for-sale financial assets are recorded in equity. If available-for-sale assets are sold or affected by impairment, the market value adjustments accumulated in equity are included in the income statement as gains and losses from securities.

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

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

TRADE AND OTHER RECEIVABLES

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

INTANGIBLE ASSETS

GOODWILL

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

OTHER INTANGIBLE ASSETS

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

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

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

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

FINANCIAL LIABILITIES

Financial liabilities comprise loans and grants.

Initially, financial liabilities are measured at fair value net of transaction costs incurred, and subsequently, they are stated at amortized costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the liability using the effective yield method.

Financial liabilities are classified as current unless Bachem has an unconditional right to defer the settlement of the liability for at least 12 months. Planned repayments within 12 months after the balance sheet date are also classified as current.

TAXES

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

Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of the Group companies prepared for consolidation purposes (comprehensive liability method), with the exception of differences where Bachem is able to control the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future. The Group's deferred tax assets and tax liabilities, calculated using applicable local tax rates, are included in the consolidated balance sheet as non-current assets and non-current liabilities respectively.

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

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

PENSION OBLIGATIONS

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

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

EMPLOYEE PARTICIPATION (SHARE-BASED PAYMENTS)

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

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

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

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

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

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

PROVISIONS

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

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

OWN SHARES

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

DIVIDEND DISTRIBUTION

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

RISK ASSESSMENT

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

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

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

FINANCIAL RISK FACTORS

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

FOREIGN EXCHANGE RISK

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

At December 31, 2009, 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 297 kCHF (2008: 292 kCHF) lower and equity would not have been affected directly. In the opposite case profit would have been higher by the same amount.

At December 31, 2009, 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 13 kCHF (2008: 903 kCHF) lower and equity would not have been affected directly. In the opposite case profit would have been higher by the same amount.

Main reasons for this would be foreign exchange gains/losses on translation of cash, receivables and payables. Compared to the prior year the pre-tax profit is less sensitive to currency fluctuations in USD since in the reporting year, the translation effect on receivables is almost neutralized by the one on payables.

INTEREST RATE RISK

Interest-bearing securities and revenue from cash and cash equivalents are exposed to changes in market interest rates. On one hand a change in market interest rate has an impact on cash flows (cash flow risk) and on the other hand it also influences the fair value of interest-bearing securities with fixed interest rates (fair value risk). A 1% rise in market interest rate would have led to an increase of 218 kCHF (2008: 429 kCHF) in cash flow and in pre-tax profit. If market interest rate had declined by 1%, cash flow and profit would have decreased by the same amounts. Interest rate risk is not being hedged by the Group. There were no interest-bearing securities with fixed interest rates held at the balance sheet date and therefore a shift in market interest rate would not have influenced profit nor equity.

A shift in the rate of interest payable would have no impact on profit or equity since Bachem has no interest-bearing liabilities apart from the current fixed-interest financial liabilities.

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. As of December 31, 2009 Bachem holds no shares anymore. At December 31, 2008 100% of the shares invested were subject to the SPI. A 10% fluctuation of the SPI would have led to a change in equity of 301 kCHF.

CREDIT RISK

Credit risks arise when customers or financial institutions are not able to meet their obligations as agreed. Credit risk may arise from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers. Banks and financial institutions need an independently evaluated minimum rating of "A" in order that Bachem does business with them. Cash and cash equivalents of Bachem on December 31, 2009 were held with 69% at one financial institution in Switzerland and with 16% at one financial institution in the USA. The remaining 15 % were split over several financial institutions in Switzerland and abroad (2008: 3 financial institutions in Switzerland, portions: 29%, 27% and 23% and abroad, portion: 21%).

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. In context of the cash pooling agreement Bachem has therefore required credit lines at its disposal. Given Bachem's solid financial situation, credits could be negotiated quickly at good conditions if necessary.

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 5% – 10% of Group sales. This target is monitored continuously and readjusted if required.

CAPITAL RISK

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 2009 was 376 million CHF (2008: 375 million CHF). The equity ratio at December 31, 2009 amounted to 79% (2008: 82%).

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.

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 (see note 16).

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.

PROVISION FOR SLOW-MOVERS ON INVENTORIES

Work in progress and finished goods of Bachem are characterized by a very long shelf life. Nevertheless, driven by commercial considerations and based on several assumptions a calculatory provision is accounted for. This provision reflects the ageing of the corresponding products.

1. SALES

The reported sales consist of the following:

| | 2009 000 CHF | 2008 000 CHF |
|--------------------|-----------------|-----------------|
| PRODUCTS | 174 764 | 189 363 |
| SERVICES | 7 084 | 5 634 |
| TOTAL SALES | 181 848 | 194 997 |

| | 2009 000 CHF | 2008 000 CHF |
|---------------------------------------------|-----------------|-----------------|
| ACTIVE PHARMACEUTICAL INGREDIENTS (APIS) | 150 304 | 156 838 |
| RESEARCH CHEMICALS (INCL. CUSTOM SYNTHESIS) | 31 544 | 38 159 |
| TOTAL SALES | 181 848 | 194 997 |

2. SEGMENT INFORMATION

The presented values are based on the same valuation principles according to IFRS as used for the whole consolidated financial statements. Transactions between the segments are performed at arms length, i.e. based on prices as they are charged to third parties.

| SALES INFORMATION 2009 | EUROPE 000 CHF | NORTH AMERICA 000 CHF | TOTAL SEGMENTS 000 CHF | CORPORATE AND ELIMINATIONS 000 CHF | CONSOLIDATED VALUES 000 CHF |
|------------------------|-------------------|--------------------------|------------------------------|------------------------------------------|-----------------------------------|
| SALES THIRD PARTIES | 131 545 | 50 303 | 181 848 | 0 | 181 848 |
| SALES INTERSEGMENT | 19 448 | 5 795 | 25 243 | - 25 243 | 0 |
| TOTAL SALES | 150 993 | 56 098 | 207 091 | - 25 243 | 181 848 |

| INCOME INFORMATION 2009 | | | | | |
|------------------------------|--------|-------|--------|---------|---------------|
| OPERATING INCOME | 50 324 | 6 006 | 56 330 | - 5 449 | 50 881 |
| RESULT FROM ASSOCIATES | | | | | - 3 320 |
| FINANCIAL RESULT | | | | | - 1 310 |
| EARNINGS BEFORE TAXES | | | | | 46 251 |

| OTHER INFORMATION 2009 | | | | | |
|------------------------------------------------------------------|----------|---------|----------|----------|----------|
| ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS | 38 952 | 1 372 | 40 324 | 111 | 40 435 |
| DEPRECIATION AND AMORTIZATION | - 12 396 | - 2 752 | - 15 148 | - 126 | - 15 274 |
| TOTAL ASSETS | 391 465 | 85 671 | 477 136 | - 2 704 | 474 432 |
| TOTAL LIABILITIES | 168 158 | 26 653 | 194 811 | - 96 484 | 98 327 |
| ASSOCIATES | | | | | 3 948 |

The amount of -5 449 kCHF in the column "corporate and eliminations" consists of the operating income from corporate activities of -5 018 kCHF and of eliminations in the value of -431 kCHF.

The amount of -2 704 kCHF in the column "corporate and eliminations" consists of corporate assets as for example cash and cash equivalents, associates and loans to Group companies in the total of 130 368 kCHF, of eliminations in the value of -136 332 kCHF and of specific tax assets from Group adjustments of 3 260 kCHF.

The amount of -96 484 kCHF in the column "corporate and eliminations" consists of corporate liabilities of 21 183 kCHF, of eliminations in the value of -133 701 kCHF and of defined benefit plan liabilities of 16 034 kCHF.

| SALES INFORMATION 2008 | EUROPE 000 CHF | NORTH AMERICA 000 CHF | TOTAL SEGMENTS 000 CHF | CORPORATE AND ELIMINATIONS 000 CHF | CONSOLIDATED VALUES 000 CHF |
|-------------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------------------------------------|--------------------------------------------|
| SALES THIRD PARTIES | 129 201 | 65 796 | 194 997 | 0 | 194 997 |
| SALES INTERSEGMENT | 25 804 | 3 471 | 29 275 | - 29 275 | 0 |
| TOTAL SALES | 155 005 | 69 267 | 224 272 | - 29 275 | 194 997 |

| INCOME INFORMATION 2008 | | | | | |
|--------------------------------|--------|--------|--------|---------|----------------|
| OPERATING INCOME | 62 232 | 10 112 | 72 344 | - 2 667 | 69 677 |
| RESULT FROM ASSOCIATES | | | | | - 3 245 |
| FINANCIAL RESULT | | | | | 1 211 |
| EARNINGS BEFORE TAXES | | | | | 67 643 |

| OTHER INFORMATION 2008 | | | | | |
|------------------------------------------------------------------|----------|---------|----------|-----------|-----------------|
| ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS | 50 465 | 3 507 | 53 972 | 35 | 54 007 |
| DEPRECIATION AND AMORTIZATION | - 10 237 | - 2 735 | - 12 972 | - 122 | - 13 094 |
| TOTAL ASSETS | 340 088 | 107 383 | 447 471 | 9 848 | 457 319 |
| TOTAL LIABILITIES | 133 748 | 48 818 | 182 566 | - 100 402 | 82 164 |
| ASSOCIATES | | | | | 7 268 |

The amount of 9 848 kCHF in the column "corporate and eliminations" consists of corporate assets as for example cash and cash equivalents, marketable securities, associates and loans to Group companies in the total of 138 352 kCHF, of eliminations in the value of - 130 378 kCHF and of specific tax assets from Group adjustments of 1 874 kCHF.

The amount of - 100 402 kCHF in the column "corporate and eliminations" consists of corporate liabilities of 7 650 kCHF, of eliminations in the value of - 128 051 kCHF, of defined benefit plan liabilities of 13 995 kCHF and of specific tax liabilities from Group adjustments of 6 004 kCHF.

In the reporting year sales with a single customer amounted to 22 351 kCHF or 12.3% of group sales. In the previous year sales with a single customer amounted to 19 811 kCHF or 10.2% of group sales. The respective sales for both years are mainly reported in the segment Europe.

INFORMATION ABOUT GEOGRAPHICAL AREAS – SALES THIRD PARTIES

| | 2009 000 CHF | 2008 000 CHF |
|-------------------|-------------------------|-------------------------|
| SWITZERLAND | 13 604 | 18 801 |
| USA | 41 133 | 59 307 |
| GREAT BRITAIN | 24 778 | 25 161 |
| GERMANY | 22 377 | 17 446 |
| FRANCE | 18 435 | 19 932 |
| REST OF THE WORLD | 61 521 | 54 350 |
| TOTAL | 181 848 | 194 997 |

Sales are attributed to the individual countries based on the invoice address of the respective customer.

INFORMATION ABOUT GEOGRAPHICAL AREAS – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-------------------|----------------------------------|----------------------------------|
| SWITZERLAND | 210 121 | 185 590 |
| USA | 42 201 | 44 814 |
| REST OF THE WORLD | 4 819 | 2 646 |
| TOTAL | 257 141 | 233 050 |

3. STAFF COST

| | 2009 000 CHF | 2008 000 CHF |
|----------------------------------------------|-----------------|-----------------|
| SALARIES AND WAGES | - 61 366 | - 56 673 |
| PENSION COSTS FOR DEFINED BENEFIT PLANS | - 3 800 | - 1 983 |
| PENSION COSTS FOR DEFINED CONTRIBUTION PLANS | - 643 | - 586 |
| OTHER SOCIAL SECURITY EXPENSES | - 7 981 | - 8 104 |
| SHARE-BASED PAYMENTS | - 1 092 | - 1 230 |
| OTHER PERSONNEL RELATED COSTS | - 3 799 | - 4 497 |
| TOTAL STAFF COSTS | - 78 681 | - 73 073 |

4. 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 2009 amounted to 643 kCHF and in 2008 to 586 kCHF.

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, 2009 and 2008:

| DEFINED BENEFIT PLAN LIABILITY | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|---------------------------------------------------------------|----------------------------------|----------------------------------|
| FAIR VALUE OF PLAN ASSETS | 55 536 | 46 117 |
| PRESENT VALUE OF DEFINED BENEFIT OBLIGATION | - 71 570 | - 60 112 |
| DEFICIT RECOGNIZED AS A LIABILITY IN THE BALANCE SHEET | - 16 034 | - 13 995 |

| COMPOSITION OF THE ANNUAL PENSION COST | 2009 000 CHF | 2008 000 CHF |
|-----------------------------------------------|-------------------------|-------------------------|
| SERVICE COST | - 5 155 | - 4 084 |
| INTEREST COST | - 2 284 | - 1 906 |
| EXPECTED RETURN ON PLAN ASSETS | 1 845 | 1 927 |
| PLAN AMENDMENT COST | - 624 | 0 |
| EMPLOYEES' CONTRIBUTIONS | 2 418 | 2 080 |
| ANNUAL PENSION COST | - 3 800 | - 1 983 |

Of the total annual pension cost, 2 531 kCHF (2008: 1 309 kCHF) were included in cost of goods sold, 358 kCHF (2008: 200 kCHF) in marketing and sales costs, 267 kCHF (2008: 127 kCHF) in research and development costs and 644 kCHF (2008: 347 kCHF) in general administrative costs.

| MOVEMENT IN THE DEFINED BENEFIT OBLIGATION | 2009 000 CHF | 2008 000 CHF |
|-------------------------------------------------------------------|-------------------------|-------------------------|
| PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1 | - 60 112 | - 54 576 |
| SERVICE COST | - 5 155 | - 4 084 |
| INTEREST COST | - 2 284 | - 1 906 |
| PLAN AMENDMENT COST | - 624 | 0 |
| ACTUARIAL LOSS/PROFIT ON DEFINED BENEFIT OBLIGATION | - 3 310 | 1 249 |
| BENEFITS PAID | - 85 | - 795 |
| PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31 | - 71 570 | - 60 112 |

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

| | 2009 000 CHF | 2008 000 CHF |
|-------------------------------------------------|-----------------|-----------------|
| FAIR VALUE OF PLAN ASSETS AT JANUARY 1 | 46 117 | 48 183 |
| EXPECTED RETURN ON PLAN ASSETS | 1 845 | 1 927 |
| ACTUARIAL PROFIT/LOSS ON PLAN ASSETS | 1 720 | - 9 756 |
| EMPLOYEES' CONTRIBUTION | 2 418 | 2 080 |
| EMPLOYER'S CONTRIBUTION | 3 351 | 2 888 |
| BENEFITS PAID | 85 | 795 |
| FAIR VALUE OF PLAN ASSETS AT DECEMBER 31 | 55 536 | 46 117 |

The actual return on plan assets in the reporting year was 3 565 kCHF (2008: loss of - 7 829 kCHF).

STATEMENT OF RECOGNIZED ACTUARIAL LOSSES

| | 2009 000 CHF | 2008 000 CHF |
|-------------------------------------------------------------|-----------------|-----------------|
| ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT JANUARY 1 | - 16 980 | - 8 473 |
| ACTUARIAL LOSSES RECOGNIZED IN EQUITY IN THE CURRENT YEAR | - 1 590 | - 8 507 |
| ACTUARIAL LOSSES RECOGNIZED IN EQUITY AT DECEMBER 31 | - 18 570 | - 16 980 |

MAJOR CATEGORIES OF PLAN ASSETS**(FAIR VALUE AS A PERCENTAGE OF TOTAL PLAN ASSETS)**

| | DEC. 31, 2009 | DEC. 31, 2008 |
|--------------|-----------------|---------------|
| MONEY MARKET | 3.83 % | 7.41 % |
| BONDS | 42.46 % | 50.27 % |
| SHARES | 36.63 % | 33.76 % |
| REAL ESTATE | 17.08 % | 8.56 % |
| TOTAL | 100.00 % | 100.00 % |

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

ASSUMPTIONS FOR THE ACTUARIAL CALCULATIONS

| | 2009 | 2008 |
|-----------------------------------------|-----------|-----------|
| DISCOUNT RATE | 3.00 % | 3.50 % |
| EXPECTED RETURN ON PLAN ASSETS | 4.00 % | 4.00 % |
| EXPECTED FUTURE SALARY INCREASE | 2.00 % | 2.00 % |
| EXPECTED PENSION REVALUATION | 0.50 % | 0.50 % |
| RETIREMENT AGE (F/M) | 64/65 | 64/65 |
| LIFE EXPECTANCY AT RETIREMENT AGE (F/M) | 21.9/17.9 | 21.9/17.9 |

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

| | 2009 000 CHF | 2008 000 CHF | 2007 000 CHF | 2006 000 CHF | 2005 000 CHF |
|------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PLAN ASSETS | 55 536 | 46 117 | 48 183 | 43 195 | 39 889 |
| DEFINED BENEFIT OBLIGATION | - 71 570 | - 60 112 | - 54 576 | - 49 535 | - 46 027 |
| DEFICIT | - 16 034 | - 13 995 | - 6 393 | - 6 340 | - 6 138 |
| EXPERIENCE ADJUSTMENTS ON PLAN ASSETS | 1 720 | - 9 756 | - 2 405 | - 50 | 994 |
| EXPERIENCE ADJUSTMENTS ON DEFINED BENEFIT OBLIGATION | - 206 | - 209 | - 376 | - 834 | - 3 148 |
| ADJUSTMENT ON DEFINED BENEFIT OBLIGATION DUE TO CHANGES IN ASSUMPTIONS | - 3 104 | 1 458 | 1 998 | 0 | 0 |

Bachem expects an employer's contribution to the pension plans of about 3 400 kCHF in 2010.

5. ASSOCIATES

ACCORDING TO INCOME STATEMENT

| | 2009 000 CHF | 2008 000 CHF |
|------------------------|-----------------|-----------------|
| RESULT FROM ASSOCIATES | - 3 320 | - 3 245 |

ACCORDING TO BALANCE SHEET

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|------------|--------------------------|--------------------------|
| ASSOCIATES | 3 948 | 7 268 |

POLYPHOR AG, ALLSCHWIL

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

In the reporting year the interest of Bachem in Polyphor AG declined from 18.0% at December 31, 2008 to 17.0% at December 31, 2009 due to an increase in share capital in which Bachem did not participate.

Since Bachem is represented in the Board of Directors of Polyphor AG, there is a significant influence and the equity method is applied as in the previous years.

Bachem has invested 6 500 kCHF in Polyphor AG so far. The valuation of the proportional equity as per December 31, 2009 amounts to 824 kCHF (2008: 2 251 kCHF).

PEVION BIOTECH AG, ITTIGEN

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

The interest of Bachem in Pevion Biotech AG decreased from 38.9% at December 31, 2008 to 38.5% at December 31, 2009. The accounting treatment remains unchanged using the equity method.

Bachem has invested 12 000 kCHF in Pevion Biotech AG so far. The valuation of the proportional equity as per December 31, 2009 amounts to 3 124 kCHF (2008: 5 017 kCHF).

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

ACCUMULATED FINANCIAL STATEMENTS OF PEVION BIOTECH AG & POLYPHOR AG

INCOME STATEMENT

| | 2009 000 CHF | 2008 000 CHF |
|----------|-----------------|-----------------|
| INCOME | 10 983 | 17 979 |
| EXPENSES | - 30 274 | - 31 095 |
| RESULT | - 19 291 | - 13 116 |

BALANCE SHEET

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|------------------------|--------------------------|--------------------------|
| CURRENT ASSETS | 15 125 | 28 628 |
| NON-CURRENT ASSETS | 11 308 | 12 273 |
| ASSETS | 26 433 | 40 901 |
| LIABILITIES | 13 411 | 15 503 |
| EQUITY | 13 022 | 25 398 |
| LIABILITIES AND EQUITY | 26 433 | 40 901 |

6. FINANCIAL RESULT

| FINANCIAL INCOME | 2009 000 CHF | 2008 000 CHF |
|-----------------------------------------------------------|-----------------|-----------------|
| INTEREST INCOME | 97 | 920 |
| DIVIDEND INCOME | 88 | 79 |
| GAINS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS | 42 | 513 |
| OTHER FINANCIAL INCOME | 92 | 144 |
| TOTAL FINANCIAL INCOME | 319 | 1 656 |
| FINANCIAL EXPENSES | | |
| INTEREST EXPENSES | - 151 | 0 |
| LOSS ON SALE OF AVAILABLE FOR SALE FINANCIAL INSTRUMENTS | - 95 | 0 |
| IMPAIRMENT ON SECURITIES | 0 | - 625 |
| OTHER FINANCIAL EXPENSES | - 144 | - 284 |
| TOTAL FINANCIAL EXPENSES | - 390 | - 909 |
| FOREIGN EXCHANGE RESULT | - 1 239 | 464 |
| TOTAL FINANCIAL RESULT | - 1 310 | 1 211 |

Other financial expenses mainly include bank charges.

7. INCOME TAXES

| | 2009 000 CHF | 2008 000 CHF |
|---------------------------|-----------------|-----------------|
| CURRENT TAXES | 4 287 | - 6 474 |
| DEFERRED TAXES | - 4 481 | - 2 460 |
| TOTAL INCOME TAXES | - 194 | - 8 934 |

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 | 2009 % | 2008 % |
|-----------------------------------------------------------------|-------------|-------------|
| EXPECTED TAX RATE | 19.5 | 20.6 |
| EFFECT OF INCOME TAXED AT REDUCED RATES | - 2.5 | - 2.7 |
| EFFECT OF NON TAX DEDUCTIBLE EXPENDITURES | 0.1 | 0.0 |
| RECOGNIZED TAX LOSS CARRY-FORWARDS FROM PRIOR PERIODS | - 0.1 | 0.0 |
| UNRECOGNIZED TAX LOSS CARRY-FORWARDS | 0.0 | 0.2 |
| ADJUSTMENTS FROM PRIOR PERIODS RECOGNIZED IN THE CURRENT PERIOD | - 16.7 | 0.3 |
| EFFECT OF TAX RATE CHANGES | - 0.1 | - 5.1 |
| OTHER ITEMS | 0.2 | - 0.1 |
| EFFECTIVE TAX RATE | 0.4 | 13.2 |

The expected tax rate has decreased as a consequence of higher profits in countries with lower tax rates.

In 2009 the final judgment concerning the taxable treatment of royalties was effected by the relevant tax authorities. This led to a reduction of current tax liabilities in the amount of 7 520 kCHF, which was recorded affecting net income. This circumstance had a positive effect of 16.3 percentage points on the effective tax rate and is disclosed besides other items in the line "adjustments from prior periods recognized in the current period".

8. 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.

| BASIC | 2009 | 2008 |
|---------------------------------------|-------------------|-------------|
| NET INCOME (000 CHF) | 46 057 | 58 709 |
| AVERAGE NUMBER OF SHARES OUTSTANDING | 13 444 683 | 13 406 601 |
| BASIC EARNINGS PER SHARE (CHF) | 3.43 | 4.38 |

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.

| DILUTED | 2009 | 2008 |
|---------------------------------------------------------------------|-------------------|-------------|
| NET INCOME (000 CHF) | 46 057 | 58 709 |
| AVERAGE NUMBER OF SHARES OUTSTANDING | 13 444 683 | 13 406 601 |
| ADJUSTMENT FOR DILUTIVE SHARE OPTIONS | 27 | 1 385 |
| AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE | 13 444 710 | 13 407 986 |
| DILUTED EARNINGS PER SHARE (CHF) | 3.43 | 4.38 |

In the reporting year 9 060 options were excluded from the calculation of diluted earnings per share as they were not dilutive (2008: 3 300 options).

9. CASH AND CASH EQUIVALENTS

| CASH AND CASH EQUIVALENTS BY CURRENCY | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|----------------------------------------------|----------------------------------|----------------------------------|
| CHF | 4 520 | 20 584 |
| USD | 2 913 | 7 382 |
| EUR | 4 520 | 5 325 |
| GBP | 517 | 2 086 |
| TOTAL CASH AND CASH EQUIVALENTS | 12 470 | 35 377 |
| THEREOF CASH AND BANK BALANCES | 12 169 | 24 486 |
| THEREOF SHORT-TERM DEPOSITS | 301 | 10 891 |

10. MARKETABLE SECURITIES

| AVAILABLE FOR SALE | | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|----------------------------------------------------------|------------|----------------------------------|----------------------------------|
| SHARES | FAIR VALUE | 0 | 3 008 |
| TOTAL AVAILABLE FOR SALE | | 0 | 3 008 |
| AT FAIR VALUE THROUGH PROFIT OR LOSS | | | |
| DERIVATIVES – FORWARD FOREIGN EXCHANGE CONTRACTS | FAIR VALUE | 10 | 2 058 |
| TOTAL AT FAIR VALUE THROUGH PROFIT OR LOSS | | 10 | 2 058 |
| TOTAL MARKETABLE SECURITIES INCL. DERIVATIVES | | 10 | 5 066 |
| THEREOF RECOGNIZED IN THE POSITION MARKETABLE SECURITIES | | 0 | 3 008 |
| THEREOF RECOGNIZED IN THE POSITION OTHER RECEIVABLES | | 10 | 2 058 |

The fair value of the shares was determined based on the stock exchange prices at year-end (level 1 of the three-step fair value hierarchy according to IFRS 7). The fair value of the forward foreign exchange contracts was deviated from the available market data (level 2 of the three-step fair value hierarchy according to IFRS 7).

In the reporting year all shares available at year-end 2008 were divested.

There is no credit risk at year-end on the marketable securities.

| MARKETABLE SECURITIES INCL. DERIVATIVES BY CURRENCY | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-----------------------------------------------------|--------------------------|--------------------------|
| CHF | 0 | 3 008 |
| USD | 10 | 1 540 |
| EUR | 0 | 518 |
| TOTAL | 10 | 5 066 |

11. TRADE RECEIVABLES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-----------------------------------------------|--------------------------|--------------------------|
| TRADE RECEIVABLES | 35 971 | 32 042 |
| PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES | - 155 | - 104 |
| TOTAL TRADE RECEIVABLES | 35 816 | 31 938 |

There are considerable receivables with one customer which equal 11.5% of total trade receivables. In the prior year there were considerable receivables with one customer which came up to 10.7%. 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:

| MOVEMENT PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES | 2009 000 CHF | 2008 000 CHF |
|---------------------------------------------------------------------|-----------------|-----------------|
| PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT JANUARY 1 | - 104 | - 235 |
| PROVISION FOR RECEIVABLES IMPAIRMENT | - 279 | - 85 |
| RECEIVABLES WRITTEN OFF DURING THE YEAR AS UNCOLLECTABLE | 212 | 5 |
| UNUSED AMOUNTS REVERSED | 17 | 199 |
| TRANSLATION EFFECTS | - 1 | 12 |
| PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES AT DECEMBER 31 | - 155 | - 104 |

The ageing analysis of trade receivables is as follows:

| AGEING ANALYSIS | TOTAL 000 CHF | NOT DUE 000 CHF | OVERDUE AND NOT IMPAIRED | | | | OVERDUE AND IMPAIRED | |
|--------------------------|------------------|--------------------|--------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|
| | | | < 31 DAYS 000 CHF | 31-60 DAYS 000 CHF | 61-90 DAYS 000 CHF | 91-180 DAYS 000 CHF | 91-180 DAYS 000 CHF | > 180 DAYS 000 CHF |
| DECEMBER 31, 2009 | 35 971 | 25 591 | 8 825 | 927 | 319 | 142 | 90 | 77 |
| DECEMBER 31, 2008 | 32 042 | 20 751 | 9 377 | 1 119 | 444 | 151 | 0 | 200 |

| TRADE RECEIVABLES BY CURRENCY | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|--------------------------------|--------------------------|--------------------------|
| CHF | 13 198 | 5 709 |
| USD | 15 103 | 17 244 |
| EUR | 6 742 | 7 948 |
| GBP | 158 | 279 |
| JPY | 615 | 758 |
| TOTAL TRADE RECEIVABLES | 35 816 | 31 938 |

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

12. OTHER RECEIVABLES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-------------------------------------|--------------------------|--------------------------|
| PREPAID EXPENSES AND ACCRUED INCOME | 1 654 | 3 399 |
| DERIVATIVES | 10 | 2 058 |
| OTHER RECEIVABLES | 1 938 | 3 758 |
| TOTAL OTHER RECEIVABLES | 3 602 | 9 215 |

Prepaid expenses and accrued income comprise prepayments for not yet received goods and services as well as accrued income. The derivatives consist of the hedge of foreign exchange risks (see note 10). Other receivables contain VAT and withholding tax receivables and other receivables against third parties.

13. INVENTORIES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|---------------------------------|--------------------------|--------------------------|
| RAW MATERIAL | 19 602 | 19 472 |
| WORK IN PROGRESS/FINISHED GOODS | 158 822 | 136 766 |
| PROVISION FOR SLOW-MOVERS | - 24 783 | - 23 799 |
| TOTAL INVENTORIES | 153 641 | 132 439 |

The increase in inventories is mainly due to the increase in work in progress and finished goods. Main factors for the development of inventories are the increasing complexity respectively duration of production processes and the safeguarding of the required intermediates for important finished goods as well as the higher inventory availability demanded by the market, especially for peptide and non-peptide generics.

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.

14. PROPERTY, PLANT AND EQUIPMENT

| 2009 | LAND 000 CHF | BUILDINGS 000 CHF | ASSETS UNDER CON- STRUCTION 000 CHF | INSTAL- LATIONS 000 CHF | LABORATORY EQUIPMENT 000 CHF | OTHER 000 CHF | TOTAL 000 CHF |
|----------------------------------------------------|-----------------|----------------------|----------------------------------------------|-------------------------------|------------------------------------|------------------|------------------|
| COST AT JANUARY 1 | 19 122 | 115 485 | 30 111 | 81 997 | 81 709 | 11 173 | 339 597 |
| ADDITIONS | 18 | 2 673 | 28 207 | 4 742 | 1 849 | 733 | 38 222 |
| DISPOSALS | 0 | - 311 | 0 | - 393 | - 1 346 | - 68 | - 2 118 |
| RECLASSIFICATIONS | 0 | 8 969 | - 37 260 | 23 050 | 3 122 | 2 119 | 0 |
| TRANSLATION DIFFERENCES | - 209 | - 692 | - 5 | - 209 | - 312 | - 52 | - 1 479 |
| COST AT DECEMBER 31 | 18 931 | 126 124 | 21 053 | 109 187 | 85 022 | 13 905 | 374 222 |
| ACCUMULATED DEPRECIATION AT JANUARY 1 | 0 | - 33 888 | 0 | - 38 217 | - 42 985 | - 7 832 | - 122 922 |
| DEPRECIATION | 0 | - 3 317 | 0 | - 4 714 | - 4 703 | - 1 062 | - 13 796 |
| DISPOSALS | 0 | 311 | 0 | 393 | 1 346 | 68 | 2 118 |
| TRANSLATION DIFFERENCES | 0 | 205 | 0 | 77 | 219 | 37 | 538 |
| ACCUMULATED DEPRECIATION AT DECEMBER 31 | 0 | - 36 689 | 0 | - 42 461 | - 46 123 | - 8 789 | - 134 062 |
| NET BOOK VALUE AT DECEMBER 31 | 18 931 | 89 435 | 21 053 | 66 726 | 38 899 | 5 116 | 240 160 |

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

In the reporting year borrowing costs totalling 38 kCHF using an interest rate of 1.1% were capitalized as property, plant and equipment.

| FIRE INSURANCE VALUES | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-------------------------------------|----------------------------------|----------------------------------|
| LAND/BUILDINGS | 108 070 | 106 946 |
| OTHER PROPERTY, PLANT AND EQUIPMENT | 228 396 | 205 170 |

15. INTANGIBLE ASSETS

| 2009 | GOODWILL 000 CHF | OTHER INTANGIBLE ASSETS 000 CHF | TOTAL 000 CHF |
|------------------------------------------------|---------------------|------------------------------------------|------------------|
| COST AT JANUARY 1 | 10 937 | 14 629 | 25 566 |
| ADDITIONS | 0 | 2 213 | 2 213 |
| DISPOSALS | 0 | - 55 | - 55 |
| TRANSLATION EFFECTS | - 122 | - 19 | - 141 |
| COST AT DECEMBER 31 | 10 815 | 16 768 | 27 583 |
| ACCUMULATED AMORTIZATION AT JANUARY 1 | 0 | - 9 191 | - 9 191 |
| AMORTIZATION | 0 | - 1 478 | - 1 478 |
| DISPOSALS | 0 | 55 | 55 |
| TRANSLATION EFFECTS | 0 | 12 | 12 |
| ACCUMULATED AMORTIZATION AT DECEMBER 31 | 0 | - 10 602 | - 10 602 |
| NET BOOK VALUE AT DECEMBER 31 | 10 815 | 6 166 | 16 981 |

| 2008 | GOODWILL 000 CHF | OTHER INTANGIBLE ASSETS 000 CHF | TOTAL 000 CHF |
|--------------------------------------------------|---------------------|------------------------------------------|------------------|
| COST AT JANUARY 1 | 11 584 | 13 243 | 24 827 |
| ADDITIONS | 0 | 420 | 420 |
| DISPOSALS | 0 | - 305 | - 305 |
| PURCHASE PRICE REDUCTION ON BUSINESS COMBINATION | - 400 | 0 | - 400 |
| RECLASSIFICATIONS | 0 | 1 307 | 1 307 |
| TRANSLATION EFFECTS | - 247 | - 36 | - 283 |
| COST AT DECEMBER 31 | 10 937 | 14 629 | 25 566 |
| ACCUMULATED AMORTIZATION AT JANUARY 1 | 0 | - 8 050 | - 8 050 |
| AMORTIZATION | 0 | - 1 468 | - 1 468 |
| DISPOSALS | 0 | 305 | 305 |
| TRANSLATION EFFECTS | 0 | 22 | 22 |
| ACCUMULATED AMORTIZATION AT DECEMBER 31 | 0 | - 9 191 | - 9 191 |
| NET BOOK VALUE AT DECEMBER 31 | 10 937 | 5 438 | 16 375 |

In the previous year 1 307 kCHF were reclassified from the category "assets under construction" of property, plant and equipment (see note 14) to the category "other intangible assets".

Other intangible assets mainly comprise software. Furthermore this position contains the Clinalfa® brand at cost of 480 kCHF, which represents an intangible asset with an indefinite useful life. The brand is tested for impairment as required, but at least annually (see note 16).

Amortization of intangible assets of 1 139 kCHF (2008: 1 127 kCHF) is included in cost of goods sold, recognized in the income statement, 17 kCHF (2008: 26 kCHF) in marketing and sales costs, 96 kCHF (2008: 64 kCHF) in research and development costs and 226 kCHF (2008: 251 kCHF) in general administrative costs.

16. IMPAIRMENT TEST OF INTANGIBLE ASSETS

According to IFRS 3 Business Combinations and IAS 38 Intangible Assets goodwill and intangible assets with indefinite useful lives are not amortized. Instead they have to be tested for impairment at least annually on the cash-generating unit level. The relevant cash-generating units to test for impairment of goodwill and the Clinalfa® brand (intangible asset with an indefinite useful life) are the segment North America with a goodwill of 4 112 kCHF (2008: 4 234 kCHF), the Sochinaz SA with a goodwill of 6 383 kCHF (2008: 6 383 kCHF) and the Clinalfa® business with a goodwill of 320 kCHF (2008: 320 kCHF) and the Clinalfa® brand of 480 kCHF (2008: 480 kCHF).

The impairment respectively the value of the above mentioned cash-generating units North America, Sochinaz SA 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 15.6% (2008: 16.5%), for Sochinaz 9.0% (2008: 9.2%) and for the Clinalfa® business 9.0% (2008: 9.2%). An organic growth for the Group between 8% and 12% per year over the next five years is expected. No growth of the cash flows and no further improvement in efficiency were considered beyond this five-year period. For the cash-generating units North America and Sochinaz SA an average growth is assumed, as well as an improvement in the operating margin of about 1 to 1.5 percentage points per year. For the cash-generating unit Clinalfa®, which sales are still on a low level, a considerable above-average growth and a further improvement in the operating margin are assumed.

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

17. TRADE PAYABLES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-----------------------------|--------------------------|--------------------------|
| TRADE PAYABLES | 15 080 | 15 939 |
| PREPAYMENTS | 3 046 | 1 770 |
| TOTAL TRADE PAYABLES | 18 126 | 17 709 |

| TRADE PAYABLES BY CURRENCY | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|-----------------------------|--------------------------|--------------------------|
| CHF | 8 005 | 13 289 |
| USD | 7 877 | 2 501 |
| EUR | 2 107 | 1 705 |
| GBP | 137 | 214 |
| TOTAL TRADE PAYABLES | 18 126 | 17 709 |

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

18. OTHER CURRENT LIABILITIES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|----------------------------------------|--------------------------|--------------------------|
| DEFERRED INCOME AND ACCRUED EXPENSES | 7 501 | 8 309 |
| OTHER CURRENT LIABILITIES | 2 260 | 1 441 |
| TOTAL OTHER CURRENT LIABILITIES | 9 761 | 9 750 |

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

19. FINANCIAL LIABILITIES

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|------------------------------------|--------------------------|--------------------------|
| LOANS | 15 000 | 0 |
| TOTAL FINANCIAL LIABILITIES | 15 000 | 0 |

The loan was provided as a unsecured business loan in CHF by a related party (see note 25). It bears interest at 1.1% p.a. with a generally open-ended maturity. Since Bachem has the intention to repay the loan during the calendar year 2010 in full, it is presented as part of the current liabilities.

20. DEFERRED TAXES

The changes in deferred taxes were as follows:

| DEFERRED TAX ASSETS | RECEIVABLES 000 CHF | INVENTORIES 000 CHF | PROPERTY, PLANT AND EQUIPMENT 000 CHF | LIABILITIES 000 CHF | TAX LOSS CARRY- FORWARDS 000 CHF | DEFINED BENEFIT PLAN LIABILITY 000 CHF | TOTAL 000 CHF |
|-------------------------------------|------------------------|------------------------|------------------------------------------------|------------------------|-------------------------------------------|-------------------------------------------------|------------------|
| BALANCE AT JANUARY 1, 2008 | 430 | 695 | 0 | 182 | 286 | 1 279 | 2 872 |
| RECOGNIZED IN PROFIT AND LOSS | - 70 | 425 | 0 | - 180 | 306 | - 181 | 300 |
| RECOGNIZED IN EQUITY | 0 | 0 | 0 | 0 | 0 | 1 701 | 1 701 |
| TRANSLATION EFFECTS | - 9 | - 2 | 0 | - 2 | - 16 | 0 | - 29 |
| BALANCE AT DECEMBER 31, 2008 | 351 | 1 118 | 0 | 0 | 576 | 2 799 | 4 844 |
| RECOGNIZED IN PROFIT AND LOSS | - 191 | 648 | 0 | 941 | - 404 | 90 | 1 084 |
| RECOGNIZED IN EQUITY | 0 | 0 | 0 | 0 | 0 | 318 | 318 |
| TRANSLATION EFFECTS | - 10 | - 1 | 0 | 3 | - 17 | 0 | - 25 |
| BALANCE AT DECEMBER 31, 2009 | 150 | 1 765 | 0 | 944 | 155 | 3 207 | 6 221 |

| DEFERRED TAX LIABILITIES | SECURITIES 000 CHF | RECEIVABLES 000 CHF | INVENTORIES 000 CHF | PROPERTY, PLANT AND EQUIPMENT 000 CHF | INTANGIBLE ASSETS 000 CHF | LIABILITIES 000 CHF | TOTAL 000 CHF |
|-------------------------------------|-----------------------|------------------------|------------------------|------------------------------------------------|---------------------------------|------------------------|------------------|
| BALANCE AT JANUARY 1, 2008 | 40 | 345 | 13 442 | 13 998 | 379 | 1 901 | 30 105 |
| RECOGNIZED IN PROFIT AND LOSS | 3 | 224 | 1 546 | 1 510 | - 108 | - 415 | 2 760 |
| RECOGNIZED IN EQUITY | - 23 | 0 | 0 | 0 | 0 | 0 | - 23 |
| TRANSLATION EFFECTS | 0 | 0 | 0 | - 235 | 0 | 0 | - 235 |
| BALANCE AT DECEMBER 31, 2008 | 20 | 569 | 14 988 | 15 273 | 271 | 1 486 | 32 607 |
| RECOGNIZED IN PROFIT AND LOSS | 0 | - 140 | 2 414 | 3 143 | 415 | - 267 | 5 565 |
| RECOGNIZED IN EQUITY | - 20 | 0 | 0 | 0 | 0 | 0 | - 20 |
| TRANSLATION EFFECTS | 0 | 0 | 0 | - 47 | 0 | 0 | - 47 |
| BALANCE AT DECEMBER 31, 2009 | 0 | 429 | 17 402 | 18 369 | 686 | 1 219 | 38 105 |

| TAX LOSS CARRY-FORWARDS BY EXPIRY DATE | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|----------------------------------------|--------------------------|--------------------------|
| UP TO FIVE YEARS | 0 | 0 |
| MORE THAN FIVE YEARS | 456 | 2 165 |
| TOTAL TAX LOSS CARRY-FORWARDS | 456 | 2 165 |

On the entire 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, 2009, on which no deferred tax assets were recognized.

At December 31, 2009 there were temporary differences on investments in subsidiaries of 73 349 kCHF on which no deferred taxes were recognized.

21. SHARE CAPITAL

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

| SHARES BACHEM -A- | DEC. 31, 2009 | DEC. 31, 2008 |
|-------------------------------------|----------------------|----------------------|
| 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, 2009 Bachem Holding AG held 153 304 own shares, of which 27 695 are reserved for trading and 125 609 for distribution under the employee participation plans.

| OWN SHARES | DEC. 31, 2008 NUMBER | PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER | SALES/ TRANSFER TO EMPLOYEES NUMBER | DEC. 31, 2009 NUMBER |
|--------------------------------------------------------|---------------------------------|------------------------------------------------------------------|--------------------------------------------------------|---------------------------------|
| EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF 1.22 CHF | 44 307 | 3 960 | - 13 170 | 35 097 |
| OPTION PLAN AT THE PRICE OF 0.05 CHF | 92 752 | 0 | - 2 240 | 90 512 |
| TREASURY STOCK AT THE PRICE OF 70.06 CHF | 27 682 | 13 | 0 | 27 695 |
| TOTAL OWN SHARES | 164 741 | 3 973 | - 15 410 | 153 304 |

| OUTSTANDING SHARES | DEC. 31, 2009 | DEC. 31, 2008 |
|---------------------------------|----------------------|----------------------|
| TOTAL NUMBER OF SHARES | 13 600 000 | 13 600 000 |
| NUMBER OF OWN SHARES BACHEM -B- | - 153 304 | - 164 741 |
| TOTAL SHARES OUTSTANDING | 13 446 696 | 13 435 259 |

22. SHARE-BASED PAYMENT

The employee and management participation plans are described in the accounting policies on pages 33 and 34. The recognized expenses for share-based payments in the reporting period amounted to 1 092 kCHF (2008: 1 230 kCHF).

In 2009 and 2008 the following number of shares was granted:

| SHARES GRANTED | 2009 NUMBER/CHF | 2008 NUMBER/CHF |
|---------------------------------------------------|----------------------------|----------------------------|
| NUMBER OF GRANTED SHARES | 13 170 | 10 360 |
| AVERAGE FAIR VALUE PER SHARE AT GRANT DATE IN CHF | 72.21 | 88.88 |

The option plan developed as follows:

| SHARE OPTIONS OUTSTANDING | 2009 NUMBER | 2008 NUMBER |
|----------------------------------|------------------------|------------------------|
| AT JANUARY 1 | 11 513 | 12 612 |
| GRANTED OPTIONS | 4 100 | 3 300 |
| CANCELED OPTIONS | - 1 666 | - 200 |
| EXPIRED OPTIONS | - 2 147 | - 1 349 |
| EXERCISED OPTIONS | - 2 240 | - 2 850 |
| AT DECEMBER 31 | 9 560 | 11 513 |
| EXERCISABLE OPTIONS | 3 168 | 4 554 |

The fair values at grant date of the options granted in 2009 are 8.89 CHF for options DA, 9.37 CHF for options DB and 11.41 CHF for options DC (2008: 10.03 CHF for options CA, 12.89 CHF for options CB and 17.33 CHF for options CC).

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 2009:

| PARAMETERS 2009 | OPTIONS DA | OPTIONS DB | OPTIONS DC |
|----------------------------------------|-------------------|-------------------|-------------------|
| SHARE PRICE AT GRANT DATE IN CHF | 80.50 | 80.50 | 80.50 |
| STRIKE OF A SHARE IN CHF | 80.00 | 80.00 | 80.00 |
| RISK-FREE INTEREST RATE IN % | 1.37% | 1.61% | 1.83% |
| VOLATILITY IN % | 17.40% | 15.80% | 16.80% |
| DIVIDEND YIELD IN % | 2.40% | 2.40% | 2.40% |
| 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 2008:

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

| OPTIONS BY EXPIRY DATE | EXERCISE PRICE | 2009 NUMBER | 2008 NUMBER |
|------------------------|----------------|----------------|----------------|
| YEAR 2009 | 60.30 | 0 | 3 100 |
| YEAR 2009 | 76.00 | 0 | 468 |
| YEAR 2009 | 89.00 | 0 | 986 |
| YEAR 2010 | 65.33 | 500 | 500 |
| YEAR 2010 | 76.00 | 796 | 962 |
| YEAR 2010 | 89.00 | 936 | 1 103 |
| YEAR 2010 | 96.00 | 936 | 1 103 |
| YEAR 2011 | 80.00 | 1 203 | 0 |
| YEAR 2011 | 89.00 | 928 | 1 094 |
| YEAR 2011 | 96.00 | 936 | 1 103 |
| YEAR 2012 | 80.00 | 1 203 | 0 |
| YEAR 2012 | 96.00 | 928 | 1 094 |
| YEAR 2013 | 80.00 | 1 194 | 0 |
| TOTAL | | 9 560 | 11 513 |

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 21.

23. DIVIDEND DISTRIBUTION

In 2009 a dividend of 43 027 kCHF respectively 3.20 CHF per share was distributed for the year 2008 (previous year: 40 324 kCHF respectively 3.00 CHF per share). Of the total dividend in the amount of 43 027 kCHF, 21 261 kCHF were paid out and 21 766 kCHF remained as a loan (see note 25).

The Board of Directors will propose a dividend of 3.00 CHF per share or a total of 40 380 kCHF on 13 459 956 shares entitled to dividend, to the Annual General Meeting for the year 2009. The number of shares entitled to dividend may change until the Annual General Meeting on April 28, 2010 due to the granting of shares to employees or the purchase/sale of own shares.

24. CONSOLIDATED COMPANIES

| COMPANY | COUNTRY | EQUITY SHARE* DEC. 31, 2009 | EQUITY SHARE* DEC. 31, 2008 |
|-----------------------------------------------------|-------------|--------------------------------|--------------------------------|
| BACHEM HOLDING AG, BUBENDORF | SWITZERLAND | PARENT COMPANY | PARENT COMPANY |
| BACHEM 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% |
| BACHEM AMERICAS, INC., TORRANCE | USA | 100% | 100% |
| BACHEM, INC., TORRANCE | USA | 100% | 100% |
| BACHEM BIOSCIENCE, INC., KING OF PRUSSIA | USA | 100% | 100% |
| PENINSULA LABORATORIES, LLC, SAN CARLOS | USA | 100% | 100% |

* directly or indirectly

25. RELATED PARTY TRANSACTIONS

Cerecon AG, 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 the Corporate Executive Committee of Bachem Holding AG are considered related parties. The following tables show an overview of the transactions and balances with related parties:

| TRANSACTIONS | 2009 000 CHF | 2008 000 CHF |
|-------------------------------------------------------------------|-------------------------|-------------------------|
| CERECON AG (DELIVERY OF GOODS) | 3 | 0 |
| CHEMOFORMA AG (PURCHASE OF GOODS) | - 89 | - 183 |
| INGRO FINANZ AG (DIVIDEND / INTEREST PAYMENTS / FURTHER CHARGING) | - 22 468 | - 20 856 |
| PEVION BIOTECH AG (DELIVERY OF GOODS) | 97 | 93 |
| POLYPHOR AG (DELIVERY OF GOODS) | 553 | 1 021 |
| PENSION FUND (EMPLOYER'S CONTRIBUTION) | - 3 351 | - 2 888 |
| TOTAL TRANSACTIONS WITH RELATED PARTIES | - 25 255 | - 22 813 |

| BALANCES | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|--------------------------------------------|----------------------------------|----------------------------------|
| CHEMOFORMA AG | - 7 | - 14 |
| INGRO FINANZ AG | - 14 986 | 13 |
| PEVION BIOTECH AG | 0 | 1 |
| POLYPHOR AG | 92 | 29 |
| TOTAL BALANCES WITH RELATED PARTIES | - 14 901 | 29 |

The transactions with Ingro Finanz AG in 2009 of - 22 468 kCHF consist of the dividend distribution in the amount of - 22 336 kCHF (2008: - 20 880 kCHF), interest payments of - 162 kCHF and further charging for administrative services of 30 kCHF (2008: 24 kCHF). Of the dividend in the amount of 22 336 kCHF, 570 kCHF were paid out and 21 766 kCHF were converted into a loan. In the meantime 6 766 kCHF of the loan were repaid, hence 15 000 kCHF remain outstanding as of December 31, 2009 (see note 19).

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

Compensations to the Board of Directors and the Corporate Executive Committee are shown in note 26.

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

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

| 2009 | FIX SALARIES, FEES 000 CHF | VARIABLE SALARIES 000 CHF | SOCIAL SECURITY EXPENSES 000 CHF | SHARE- BASED PAYMENTS 000 CHF | TOTAL 000 CHF |
|-------------------------------------------------------|----------------------------------|---------------------------------|-------------------------------------------|----------------------------------------|------------------|
| PETER GROGG (CHAIRMAN) | 143 | | 13 | 23 | 179 |
| GOTTLIEB KNOCH (VICE-CHAIRMAN) | 41 | | 3 | 23 | 67 |
| JÜRGEN BROKATZKY-GEIGER (MEMBER SINCE APRIL 22, 2009) | 31 | | 2 | 0 | 33 |
| THOMAS BURCKHARDT (SECRETARY) * | 54 | | 5 | 23 | 82 |
| FRANÇOIS L'EPLATTENIER (MEMBER UNTIL APRIL 22, 2009) | 20 | | 2 | 23 | 45 |
| HANS HENGARTNER (MEMBER) | 41 | | 3 | 23 | 67 |
| TOTAL BOARD OF DIRECTORS | 330 | 0 | 28 | 115 | 473 |
| ROLF NYFELER (CEO) | 241 | 164 | 66 | 21 | 492 |
| REST OF THE CORPORATE EXECUTIVE COMMITTEE | 488 | 205 | 132 | 44 | 869 |
| TOTAL CORPORATE EXECUTIVE COMMITTEE | 729 | 369 | 198 | 65 | 1 361 |
| TOTAL | 1 059 | 369 | 226 | 180 | 1 834 |

* Fix salaries, fees for 2009 include 13 kCHF for legal services

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

** Fix salaries, fees for 2008 include 14 kCHF for legal services

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

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

| DECEMBER 31, 2009 | NUMBER OF FREE SHARES | NUMBER OF BLOCKED SHARES | NUMBER OF SHARES TOTAL | SHARES ALLOCATED IN REPORTING PERIOD | NUMBER OF FREE OPTIONS | NUMBER OF BLOCKED OPTIONS | NUMBER OF OPTIONS TOTAL | OPTIONS ALLOCATED IN REPORTING PERIOD |
|----------------------------------------------------------|-----------------------------|--------------------------------|------------------------------|-----------------------------------------------|---------------------------|---------------------------------|-------------------------------|------------------------------------------------|
| PETER GROGG (CHAIRMAN) | 7 606 953 | | 7 606 953 | 300 | | | | |
| GOTTLIEB KNOCH (VICE-CHAIRMAN) | 1 170 900 | | 1 170 900 | 300 | | | | |
| JÜRGEN BROKATZKY-GEIGER (MEMBER SINCE APRIL 22, 2009) | 0 | | 0 | 0 | | | | |
| THOMAS BURCKHARDT (SECRETARY) | 50 | | 50 | 300 | | | | |
| FRANÇOIS L'EPLATTENIER (MEMBER UNTIL APRIL 22, 2009) | N/A | | N/A | 300 | | | | |
| HANS HENGARTNER (MEMBER) | 1 800 | | 1 800 | 300 | | | | |
| TOTAL BOARD OF DIRECTORS | 8 779 703 | 0 | 8 779 703 | 1 500 | | | | |
| ROLF NYFELER (CEO) | 51 150 | 500 | 51 650 | 100 | 500 | 999 | 1 499 | 500 |
| DANIEL ERNE (CTO) | 40 142 | 400 | 40 542 | 100 | 500 | 999 | 1 499 | 500 |
| LESTER MILLS (CMO) | 0 | 2 000 | 2 000 | 2 000 | 0 | 500 | 500 | 500 |
| STEPHAN SCHINDLER (CFO SINCE SEPTEMBER 1, 2009) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MICHAEL HÜSLER (CFO UNTIL JUNE 30, 2009)* | N/A | 0 | N/A | 100 | N/A | 0 | N/A | 500 |
| TOTAL CORPORATE EXECUTIVE COMMITTEE | 91 292 | 2 900 | 94 192 | 2 300 | 1 000 | 2 498 | 3 498 | 2 000 |
| TOTAL | 8 870 995 | 2 900 | 8 873 895 | 3 800 | 1 000 | 2 498 | 3 498 | 2 000 |

*The options allocated in the reporting year were still blocked on June 30, 2009 and afterwards canceled.

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

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.

27. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

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

28. EVENTS AFTER THE BALANCE SHEET DATE

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



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

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of BACHEM HOLDING AG, which comprise the balance sheet, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 24 to 55), for the year ended December 31, 2009.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

PricewaterhouseCoopers AG

Gerd Tritschler
Audit expert
Auditor in charge

Raphael Rutishauser
Audit expert

INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31

| | 2009 000 CHF | 2008 000 CHF |
|--------------------------------|-----------------|-----------------|
| INCOME FROM LICENSES | 15 246 | 16 167 |
| TOTAL OPERATING REVENUE | 15 246 | 16 167 |
| STAFF COST | - 2 550 | - 2 393 |
| DEPRECIATION AND AMORTIZATION | - 222 | - 162 |
| OTHER OPERATING EXPENSES | - 4 491 | - 4 216 |
| OPERATING INCOME | 7 983 | 9 396 |
| FINANCIAL INCOME | 20 118 | 24 530 |
| FINANCIAL EXPENSES | - 3 621 | - 4 002 |
| FOREIGN EXCHANGE RESULT | 361 | - 1 882 |
| EARNINGS BEFORE TAXES | 24 841 | 28 042 |
| TAXES | - 1 060 | - 1 394 |
| NET INCOME | 23 781 | 26 648 |

BALANCE SHEET

AT DECEMBER 31, 2009 AND 2008

| | DEC. 31, 2009 000 CHF | DEC. 31, 2008 000 CHF |
|------------------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | 1 218 | 23 145 |
| MARKETABLE SECURITIES | 1 988 | 4 722 |
| OTHER RECEIVABLES, THIRD PARTIES | 90 | 2 602 |
| OTHER RECEIVABLES, INTERCOMPANY | 17 411 | 20 319 |
| PREPAID EXPENSES AND ACCRUED INCOME | 40 | 7 |
| TOTAL CURRENT ASSETS | 20 747 | 50 795 |
| INVESTMENTS | 123 389 | 126 709 |
| LOANS TO GROUP COMPANIES | 107 022 | 79 256 |
| TANGIBLE FIXED ASSETS | 40 | 27 |
| INTANGIBLE ASSETS | 415 | 578 |
| TOTAL NON-CURRENT ASSETS | 230 866 | 206 570 |
| TOTAL ASSETS | 251 613 | 257 365 |
| LIABILITIES AND EQUITY | | |
| OTHER CURRENT LIABILITIES, THIRD PARTIES | 156 | 156 |
| OTHER CURRENT LIABILITIES, INTERCOMPANY | 4 124 | 5 374 |
| SHAREHOLDER LOAN | 15 000 | 0 |
| DEFERRED INCOME AND ACCRUED EXPENSES | 1 621 | 1 877 |
| TOTAL LIABILITIES | 20 901 | 7 407 |
| SHARE CAPITAL | 680 | 680 |
| LEGAL RESERVES | | |
| GENERAL RESERVES | 90 469 | 90 469 |
| RESERVES FOR OWN SHARES | 1 988 | 1 998 |
| FREE RESERVES | 113 601 | 117 591 |
| RETAINED EARNINGS | | |
| RETAINED EARNINGS | 193 | 12 572 |
| NET INCOME | 23 781 | 26 648 |
| TOTAL EQUITY | 230 712 | 249 958 |
| TOTAL LIABILITIES AND EQUITY | 251 613 | 257 365 |

1. SIGNIFICANT INVESTMENTS

| COMPANY | LOCATION | BRANCH | | SHARE CAPITAL DEC. 31, 2009 | SHARE CAPITAL DEC. 31, 2008 |
|--------------------------------------|-------------------------|-------------------|-----|--------------------------------|--------------------------------|
| BACHEM AG | BUBENDORF, CH | PRODUCTION, SALES | CHF | 25 000 000 | 25 000 000 |
| BACHEM DISTRIBUTION SERVICES GMBH | WEIL AM RHEIN, D | SALES | EUR | 128 000 | 128 000 |
| BACHEM (UK) LTD. | ST. HELENS, GB | PRODUCTION, SALES | GBP | 2 500 | 2 500 |
| BACHEM AMERICAS, INC. | TORRANCE CA, USA | SALES | USD | 1 000 | 1 000 |
| BACHEM, INC. | TORRANCE CA, USA | PRODUCTION, SALES | USD | 3 000 | 3 000 |
| BACHEM BIOSCIENCE, INC. | KING OF PRUSSIA PA, USA | PRODUCTION, SALES | USD | 3 000 000 | 3 000 000 |
| PEVION BIOTECH AG | BERN, CH | PRODUCTION, SALES | CHF | 8 333 000 | 8 240 000 |
| POLYPHOR AG | ALLSCHWIL, CH | PRODUCTION, SALES | CHF | 6 363 000 | 6 000 000 |

With the exception of Pevion Biotech AG (38.5%) and Polyphor AG (17.0%) all companies are controlled with 100% of the voting rights.

2. OWN SHARES

On December 31, 2009 Bachem Holding AG held 153 304 own shares, of which 27 695 are reserved for trading and 125 609 for distribution under the employee participation plans.

| OWN SHARES | DEC. 31, 2008 NUMBER | PURCHASES/ BACKSLIDE OF BLOCKED SHARES NUMBER | SALES/ TRANSFER TO EMPLOYEES NUMBER | DEC. 31, 2009 NUMBER |
|--------------------------------------------------------|-------------------------|--------------------------------------------------------|----------------------------------------------|-------------------------|
| EMPLOYEE PARTICIPATION SCHEME AT THE PRICE OF 1.22 CHF | 44 307 | 3 960 | – 13 170 | 35 097 |
| OPTION PLAN AT THE PRICE OF 0.05 CHF | 92 752 | 0 | – 2 240 | 90 512 |
| TREASURY STOCK AT THE PRICE OF 70.06 CHF | 27 682 | 13 | 0 | 27 695 |
| TOTAL OWN SHARES | 164 741 | 3 973 | – 15 410 | 153 304 |

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

The compensations to the Board of Directors and the Corporate Executive Committee are based on the valuation principles used for the consolidated financial statements according to IFRS and are illustrated in note 26 of the consolidated financial statements. In the same note, the share and option holdings of the Board of Directors and the Corporate Executive Committee are listed.

4. IMPORTANT SHAREHOLDERS

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

| | PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2009 | PERCENTAGE OF TOTAL SHARE CAPITAL DEC. 31, 2008 |
|---------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| P. GROGG (VIA INGRO FINANZ AG)* | 51.3 | 51.3 |
| G. KNOCH | 8.6 | 8.6 |
| FAMILY OF P. GROGG | 6.0 | 6.0 |
| SARASIN INVESTMENTFONDS AG | 3.2 | 3.0 |

* in this position all shares -A- are included

5. RISK ASSESSMENT

Bachem Holding AG is fully integrated into the group-wide risk assessment process of the Bachem Group. This Group risk assessment process also addresses the nature and scope of business activities and the specific risks of Bachem Holding AG. The risk assessment process of the whole Bachem Group is disclosed within the consolidated financial statements on page 34 of this annual report.

6. VALUE ADDED TAX GROUP

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

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

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

| | | |
|-----------------------------------------|-----|----------------------|
| NET INCOME 2009 | CHF | 23 780 983.91 |
| RETAINED EARNINGS AT JANUARY 1 | CHF | 193 508.05 |
| RELEASE OF FREE RESERVES | CHF | 17 000 000.00 |
| AVAILABLE TO THE ANNUAL GENERAL MEETING | CHF | 40 974 491.96 |

as follows:

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----|----------------------|
| PAYMENT OF A DIVIDEND OF 3.00 CHF PER REGISTERED SHARE FOR THE BUSINESS YEAR 2009 ON 13 459 956 REGISTERED SHARES ENTITLED TO DIVIDEND | CHF | 40 379 868.00 |
| RETAINED EARNINGS TO BE CARRIED FORWARD | CHF | 594 623.96 |

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 28, 2010 depending on the distribution of shares to employees or purchase/sale of own shares.



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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of BACHEM HOLDING AG, which comprise the balance sheet, income statement and notes (pages 57 to 60), for the year ended December 31, 2009.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

PricewaterhouseCoopers AG

Gerd Tritschler
Audit expert
Auditor in charge

Raphael Rutishauser
Audit expert

SHAREHOLDER INFORMATION

| SHAREHOLDER INFORMATION | | | 2009 | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------------------|--------------------------|------|------------|------------|------------|------------|------------|
| NUMBER OF REGISTERED SHARES, NOM. 0.05 CHF | | | 13 600 000 | 13 600 000 | 13 600 000 | 13 600 000 | 13 600 000 |
| AVERAGE NUMBER OF SHARES OUTSTANDING | | | 13 444 683 | 13 406 601 | 13 280 323 | 13 188 597 | 13 183 554 |
| DIVIDEND PER SHARE * | | CHF | 3.00 | 3.20 | 3.00 | 2.00 | 1.50 |
| SPECIAL DIVIDEND | | CHF | | | | 5.00 | |
| SHARE PRICE | BEGINNING OF THE YEAR | CHF | 80.50 | 95.70 | 92.00 | 75.50 | 66.00 |
| | HIGH | CHF | 80.50 | 98.00 | 105.50 | 92.45 | 78.00 |
| | LOW | CHF | 57.00 | 74.75 | 89.40 | 66.30 | 65.75 |
| | YEAR END | CHF | 66.35 | 80.50 | 95.70 | 92.00 | 75.50 |
| DIVIDEND YIELD PER SHARE | | % | 4.5 | 4.0 | 3.1 | 7.6 | 2.0 |
| EARNINGS PER SHARE (EPS) | | CHF | 3.43 | 4.38 | 4.81 | 3.54 | 2.99 |
| CASH FLOW FROM OPERATING ACTIVITIES PER SHARE | | CHF | 3.19 | 2.93 | 5.88 | 3.04 | 2.08 |
| GROUP EQUITY PER SHARE | | CHF | 27.97 | 27.98 | 27.06 | 29.51 | 27.68 |
| PRICE/EARNINGS RATIO (YEAR END) | | | 19.34 | 18.38 | 19.90 | 25.99 | 25.25 |
| MARKET CAPITALIZATION AT YEAR END | | MCHF | 902 | 1 095 | 1 302 | 1 251 | 1 027 |

* for 2009, proposal to the Annual General Meeting of April 28, 2010

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

DISTRIBUTION OF SHARES
NUMBER OF SHARES PER SHAREHOLDER

| | DEC. 31, 2009 | DEC. 31, 2008 |
|---------------------|---------------|---------------|
| 0 – 100 | 1 301 | 1 252 |
| 101 – 1 000 | 1 611 | 1 460 |
| 1 001 – 10 000 | 281 | 267 |
| 10 001 – 100 000 | 42 | 50 |
| 100 001 – 1 000 000 | 8 | 8 |
| 1 000 001 AND MORE | 2 | 2 |
| TOTAL | 3 245 | 3 039 |

SHAREHOLDINGS
IN %

| | DEC. 31, 2009 | DEC. 31, 2008 |
|----------------------------|---------------|---------------|
| MAJOR SHAREHOLDERS | 69.1 | 68.9 |
| INSTITUTIONAL SHAREHOLDERS | 13.5 | 13.2 |
| PRIVATE INDIVIDUALS | 12.1 | 11.5 |
| DISPO | 5.3 | 6.4 |
| TOTAL | 100.0 | 100.0 |

| EVENT | DATE |
|---------------------------------------------|-----------------|
| ANNUAL GENERAL MEETING (BUSINESS YEAR 2009) | APRIL 28, 2010 |
| PAYOUT DATE FOR DIVIDEND | MAY 4, 2010 |
| HALF YEAR RESULTS 2010 | AUGUST 20, 2010 |
| FULL YEAR RESULTS 2010 | MARCH 2011 |
| ANNUAL GENERAL MEETING (BUSINESS YEAR 2010) | APRIL 2011 |

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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.



Bachem. Leading beyond peptides