

BACHEM ANNUAL REPORT 2015

PROVIDING
GROWTH

PROVIDING
GROWTH

BACHEM

Bachem is a listed technology-based company focused on peptide chemistry. The company provides a full range of services to the pharma and biotech industries. It specializes in the development of innovative, efficient manufacturing processes and the reliable production of peptide-based active pharmaceutical ingredients. A comprehensive catalog of biochemicals and exclusive custom syntheses for research labs complete the service portfolio. Headquartered in Switzerland with subsidiaries in Europe and the US, the group has a global reach with more experience and know-how than any other company in the industry. Towards its customers, Bachem shows total commitment to quality, innovation and partnership.

Bachem. Pioneering Partner for Peptides

PROVIDING GROWTH

Bachem's corporate ambition is to solidify and extend its undisputed role as a pioneer and market leader in the peptides business. With this in mind, the Group has formulated a well-defined expansion strategy under which it aims to achieve better-than-average organic growth. At the same time, as the declared "Pioneering Partner for Peptides" with a 360° integral business model focused on the needs of biotech and pharma companies, research centers and industry, Bachem is helping to fuel growth for its customers.

In order to meet exacting demands, Bachem is firmly committed to quality, close partnerships with customers, and operational excellence at every stage of the value chain. At the root of the Company's success is its core business philosophy and mindset of consistently offering the customer the best solutions possible with the greatest value added. As a preferred partner in the "Research" community, Bachem provides crucial inputs towards the development of efficient and effective compounds. In the "Production" space, Bachem has long operated in the technology vanguard. Bachem continuously invests in the modernization and improvement of its production processes to ensure its utmost reliability as a business partner and to maintain unsurpassed product quality. Bachem also stands apart from the competition in the "Services" arena, where it diligently aligns its support services with the needs of its customers.

The theme of this Annual Report is "Providing Growth" and the four key growth drivers of "Mindset", "Research", "Production" and "Services" presented on pages 30 to 41 illustrate how Bachem generates growth for its customers.

HIGHLIGHT STORY USA: ACQUISITION OF APC

Bachem strengthened its market position in North America and expanded its global production capacity with the acquisition of American Peptide Company (APC) in California.
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INTERVIEW: INVESTMENTS FOR GROWTH

Bachem invests specifically in growth but not at all costs. Top priority is given to securing highest possible quality levels and sustainable added value for customers.
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MARKETS & CUSTOMERS

Bachem continued to expand its project portfolio in 2015: The number of development projects rose to 241 (previous year 199).
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BACHEM'S STRATEGY

As the "Pioneering Partner for Peptides", Bachem focuses unerringly on innovation, close collaboration with customers and superior quality.
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SCIENTIFIC ARTICLE: PEPTIDES ON THE RISE

Peptides are gaining in significance: New peptide-based therapeutics and drug delivery methods that promise to improve treatment efficacy are being researched and developed.
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ONLINE REPORT

<http://annualreport.bachem.com>



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THE WORLD OF PEPTIDES

WHAT ARE PEPTIDES?

Peptides are chains of 2 to about 100 amino acids. Longer chains are called proteins. Peptides are organic compounds made up of natural amino acids in living organisms. Originally isolated from biological sources, they are synthesized chemically today. The biological properties of peptides depend on the number of amino acids involved and their position in the chain. The 20 natural α -amino acids are sufficient to form the basis for an unimaginably large number of peptides, each with their own distinctive physical, chemical and biological properties.

WHAT ARE PEPTIDES USED FOR?

Peptides are mainly used as highly active and highly specific drug substances. In keeping with the diversity of their biological functions, they are used in an extensive range of therapeutic areas. Oncology, diabetes and obesity are three prominent examples of therapeutic areas in which peptides generate billions of dollars in revenues. Peptides are much in demand in the treatment of cardiovascular and neurodegenerative diseases, renal failure, as antibiotics, in vaccines and in drugs for rare diseases (orphan drugs).

AVAILABLE DOSAGE FORMS

Peptides taken orally would undergo rapid breakdown in the digestive system and would therefore be unlikely to reach their target organs. Peptide-based drugs are usually administered by the parenteral route for that reason. In addition to conventional injections, implants with durations of action ranging from a matter of days to months and nasally delivered drugs are increasingly becoming available. Research and development activities are ongoing on sublingual and transdermal dosage forms and drug delivery using nanoparticles for transport.

OTHER APPLICATION AREAS

COSMETICS



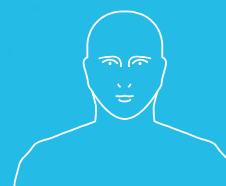
Peptide-based agents are used in top-end personal care products, for example as ingredients in anti-aging products that promise to reduce wrinkles.

NUTRITION PRODUCTS



The artificial sweetener aspartame is a dipeptide that is 200 times sweeter than table sugar. It is an important agent in diabetology.

CANCER THERAPIES



Peptides are useful in oncology both in diagnostic imaging procedures and for treatment purposes.

3NYJ, PDB ID 3NYJ: Crystal Structure Analysis of APP E2 domain <http://www.rcsb.org/pdb/explore.do?structureId=3NYJ> Lee, S., Xue, Y., Hu, J., Wang, Y., Liu, X., Demeler, B., Ha, Y. (2011) The E2 Domains of APP and APLP1 Share a Conserved Mode of Dimerization. *Biochemistry* 50: 5453-5464 (PubMed ID 21574595)

BACHEM SPRING SYMPOSIUM "DESIGNED FOR SUCCESS: MODIFIED PEPTIDES"

The Importance of Protein Chirality was highlighted at this year's Spring Symposium, where peptide specialists from industry and academia met to share current trends in peptide R&D. The folded structure of a protein defines its interactions with other molecules. Selective binding ligands could be, e.g., other proteins or peptides. A natural protein consists predominantly of L-amino acids and glycine, and its folded structure is chiral. The folded structure of a protein composed of D-amino acids is the mirror image of the all-L-amino acid protein molecule. Hence, for developing an all-D-protein ligand for a natural protein, the L-protein ligand has to be mirrored a second time.

The all-D-amino acid enantiomer of the target protein is prepared by total chemical synthesis and used as the target for phage display of a library of L-protein ligands. An L-protein, which binds to the all-D target with high affinity, is selected. Then, the corresponding all-D-protein is synthesized, which will bind to the native all-L-amino acid target protein.

Professor Stephen Kent from the University of Chicago, a pioneer in the chemical synthesis of proteins, evaluated this concept for its potential in drug development in collaboration with Reflexion Pharmaceuticals, a company he co-founded. Peptides and proteins consisting of D-amino acids resist degradation by proteases. Used as thera-

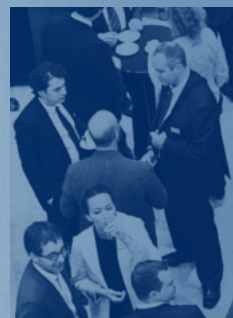
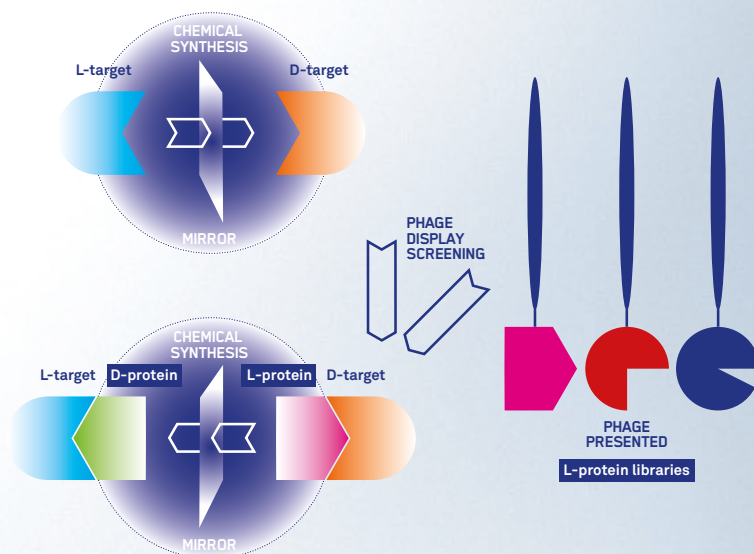
peutics, they combine an increased half-life with non-immunogenicity. As an example for engineering a D-protein ligand to recognize an L-protein target, vascular endothelial growth factor Type A (VEGF-A), an angiogenesis-inducing protein overexpressed in tumors, was chosen as the natural protein target. All-D VEGF-A was produced by total chemical synthesis using native chemical ligation.

Then, the laboratory of Professor Sachdev Sidhu at the University of Toronto used the all-D VEGF-A as the target for phage display of a library of small protein ligands, and the L-protein binding to all-D VEGF-A most efficiently was selected. The corresponding D-protein of the same amino acid sequence was prepared by total chemical synthesis and shown to bind to native VEGF-A and act as an antagonist preventing receptor binding.

Professor John Robinson's group from the University of Zurich is working on synthetic protein epitope mimetics. The group has developed a type of macrocyclic peptides acting as β -hairpin mimetics. An L-Pro-D-Pro scaffold stabilizes the conformation of the loops. A β -hairpin-mimetic tetradecapeptide derives from the antimicrobial peptide protegrin I and shows a vast increase in activity.

It acts specifically against Pseudomonas species. Pseudomonas bacteria such as *P. aeruginosa* pose a grave problem, as they are often detected in hospitals and have acquired multi-antibiotic resistance. The peptide antibiotic POL7080 developed by Polyphor is the result of further optimization of Robinson's protegrin mimetic.

THE PRINCIPLE OF MIRROR IMAGE PROTEIN PHAGE DISPLAY.



LETTER TO SHAREHOLDERS

Dear Shareholders,

Bachem stayed sharply focused on its core peptides business during the past year, in line with its strategy announced three years ago. The Group stands resolute in its drive to be the partner of choice for customers, ensuring the successful implementation of peptide projects of whatever kind by virtue of its unique expertise and innovative spirit. Thanks to steady progress in the formulation of peptides and greater efficiency in peptide production, the peptide market remains highly attractive. Besides delivering on its targeted organic growth, Bachem expanded its market leadership in the global peptides business in 2015 by acquiring the American Peptide Company (APC). This acquisition strengthens Bachem's position in the US, the world's largest peptides market, enables on-demand access to additional production capacity for its internationally growing project portfolio, and reduces the CHF portion of its cost base. As part of the APC acquisition agreement with ILS Inc., a subsidiary of Otsuka Chemical Co Ltd., which has been a good business partner of ours for a number of years, Bachem can also strengthen its position in the particularly challenging Japanese market. In addition to organic growth, we will continue to seek other opportunities in the form of targeted alliances or acquisitions as a means of extending our leadership position in our core business in the coming years.

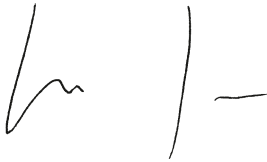
Bachem completely achieved its sales and profit targets for fiscal 2015 despite the persisting market and currency headwinds. The growth momentum observed in the US and European markets during the preceding two years was sustained, leading to record sales – even when excluding the effect of the APC acquisition – and allowing Bachem to pass the CHF 200 million mark for the very first time. The negative impact of the weak euro was largely offset by lower sourcing costs and by the positive impact of a stronger dollar. Business with active peptide agents stayed on a growth trajectory. The portfolio of New Chemical Entities (NCE) projects, which is a key driver of future sales trends, grew significantly once again and now boasts 241 projects at different stages of development. Sales of established peptide generics and research grade peptides both increased by more than 20%.



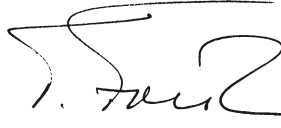
As expected, Bachem again achieved a significant increase in profits in 2015. Operating profit advanced by 7.3% versus the previous year and amounted to 38.5 million CHF. This number includes the previously expected loss from APC. Factoring out the extraordinary gain on the divestment of the immunology product line in the 2014 fiscal year, operating profit for 2015 increased by 13.5%.

With its unfailing commitment to quality and reliability in all dealings with customers, Bachem continues to diligently work towards extending its leadership position in the peptides market. Despite the volatile exchange rate environment, we are confident we will be able to maintain our sales growth within the long-term target range of 6% to 10% p.a. in local currency. Profit growth will take priority over sales growth.

In view of the results achieved in the past fiscal year, the continued positive outlook and the company's financial stability, the Board of Directors will propose an increase in the dividend from 2.00 CHF to 2.25 CHF at the upcoming General Meeting.



Dr. Kuno Sommer
Chairman of the
Board of Directors



Dr. Thomas Früh
CEO and Chairman of the
Corporate Executive Committee



CORPORATE EXECUTIVE COMMITTEE



Dr. Thomas Früh, CEO

“Acquiring APC expanded Bachem’s market leadership in the global peptides business and allowed it to quickly access additional production capacity for its internationally growing project portfolio.”

Stephan Schindler, CFO

“Bachem is the market leader. It is solidly financed and adept at optimizing the organization and its operating processes. Acting from this position of strength, we are investing in the future and in the Group’s growth at every location.”



Dr. Günther Loidl, CTO

“We stand by our commitment to superior quality products and services and view growth as an impetus for ongoing progress and development. Continual evaluation and implementation of new technology enhances process efficiency in all of our business areas.”

Dr. José de Chastonay, CMO

“Providing growth is challenging because the mindset must be geared towards satisfying customer expectations under pressure. Our sales and project management efforts are constantly put to the test. I am proud of the dedication of the entire team.”

2015 IN BRIEF

CASH FLOW (IN MCHF)

61.4

Cash flow from operating activities increased more than 30%.

NET INCOME

+9.5%

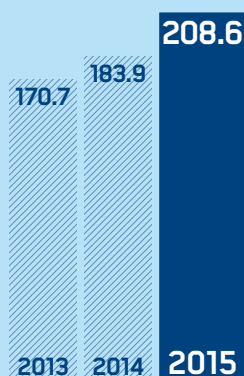
Significant, operationally driven increase in net income to 31.8 million CHF.

DIVIDEND (IN CHF)

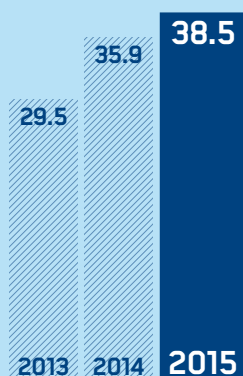
2.25

Proposed dividend 12.5% higher than in the previous year.

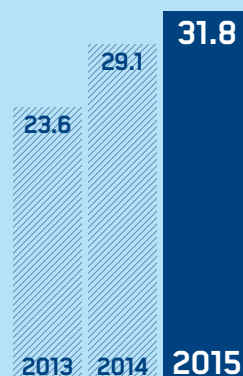
SALES (IN MCHF)



EBIT (IN MCHF)



NET INCOME (IN MCHF)



	2015	2014	CHANGES IN %	
			CHF	LC
SALES (IN MCHF)	208.6	183.9	+13.4	+13.8
EBITDA (IN MCHF)	56.8	55.1	+3.2	+6.0
EBITDA IN % OF SALES	27.2	29.9		
EBIT (IN MCHF)	38.5	35.9	+7.3	+12.0
EBIT IN % OF SALES	18.5	19.5		
NET INCOME (IN MCHF)	31.8	29.1	+9.5	
NET INCOME IN % OF SALES	15.3	15.8		
EARNINGS PER SHARE (EPS - IN CHF)	2.35	2.15	+9.3	
CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF)	61.4	47.2	+30.1	
RETURN ON EQUITY (IN %)	9.1	8.5		
NUMBER OF EMPLOYEES (IN FULL-TIME EQUIVALENTS)	859	711		
SALES PER EMPLOYEE ¹ (IN CHF)	277 000	283 000		

¹ Basis: average full-time equivalents excluding apprentices.

RECORD SALES AND HIGHER PROFITS

After reporting a good start in 2015, the high expectations for the second half of the year were met in full, if not surpassed. Profitability and net profit at core business operations increased substantially. Acquisition and integration of American Peptide Company (APC) completed. Negative currency translation effect more than offset by the strong business momentum.

SALES > 200 MILLION CHF

For the first time in the company's history, Bachem recorded annual sales of more than 200 million CHF. Organic sales growth of approximately 10% was achieved even before consolidation of sales from American Peptide Company (APC), acquired at the end of March 2015. Both market regions displayed significant growth. Total sales grew by 13.8% in local currency and reached a new record high of 208.6 million CHF.

HIGH CAPACITY UTILIZATION

Bachem produced higher quantities of therapeutic compounds during the year under review, which raised capacity utilization rates and necessitated an increase in expenditure for capacity expansion and staff recruitment. Despite the higher personnel costs, Bachem again succeeded in increasing gross profit by 7.3 million CHF (+11.5%).

OPERATING PROFIT INCREASED SIGNIFICANTLY

EBIT for fiscal 2015 amounted to 38.5 million CHF, which is 13.5% higher than in the previous year (33.9 million CHF excluding non-recurring effect of the divestment of the immunology product line). The reported EBIT margin is 18.5%.

ANOTHER SURGE IN BOTTOM-LINE PROFIT

Despite a clearly negative currency translation effect of 1.7 million CHF at the EBIT line, the negative earnings contribution from APC, and the non-recurring divestment gain of 2.0 million CHF in the previous year on the sale of the immunology product line, Bachem achieved another strong increase in bottom-line profit. Net income advanced by 9.5% from the previous year and amounted to 31.8 million CHF.

AMERICAN PEPTIDE COMPANY

ACQUISITION IN THE US

A clear focus on the core business of peptides and active participation in the consolidation in the industry are the key principles underpinning Bachem's strategy. Bachem already identified American Peptide Company (APC) based in California as a potential acquisition target several years ago.

The acquisition of American Peptide Company (APC) in March 2015 is an important milestone in Bachem's drive to extend its global leadership. Briskly growing demand for the Company's products and services necessitated the expansion of production capacity, and the new site in Vista provided that opportunity. With its full order books, Bachem could benefit from the existing underutilization of the new cGMP plant. The Vista site is the only ISO-certified site in the Bachem Group, making it ideal for the production of peptides for cosmetics and diagnostic products and for capturing additional market share in these sectors. Furthermore, APC's product pipeline and customer base have boosted the Group's growth. Following the successful integration of APC in the Bachem Americas organization during the past fiscal year, the first phase in ramping up the production capacity in Vista is set for completion in the first quarter of 2016.

APC's Sunnyvale site focusing on research and development projects was shut down at the end of 2015. APC produced research chemicals to customer specifications at the Sunnyvale site. Bachem has now transferred these projects to its St. Helens, UK site, which has been designated a Center of Excellence for custom synthesis and the production of catalog products as part of Bachem's drive to concentrate its activities in this business area. Bachem expanded capacity at the St. Helens site accordingly. Project transfer proceeded smoothly thanks to the close and very effective teamwork of staff at both facilities. In addition, management reached out to customers at an early stage in the process to familiarize them with the strategy



and optimize conditions so as to maximize the likelihood of retaining the relocated customer projects for Bachem in the future.



55
employees
7
MUSD sales
8
projects

Growth was the distinguishing feature of the 2015 fiscal year. Sales rose for the fifth year in a row, and both regions showed very pleasing trends. This led to an increasing rate of capacity utilization and necessitated further job growth and investments in capacity expansion projects at all sites. In addition to the successful integration of APC, the abandonment of the minimum EUR/CHF exchange rate by the Swiss National Bank put the entire organization under increased pressure.

36
MCHF
investments
for the future



PARTNER OF CHOICE

Bachem performed well amid persisting market challenges. As market leader with more than 40 years of experience in peptide synthesis and a steadfast focus on quality, Bachem serves its customers as a reliable and trusted partner.

HIGH DEMAND

Demand for peptide-based compounds continued to grow during the year under review and pushed both sales and the order backlog to record highs. Management consequently created more jobs and invested additional capital in production capacity.

EXPANDED PROJECT PIPELINE

Bachem's project portfolio grew significantly during the past year. At year-end Group companies in Europe and North America were working on a total of 241 development projects for customers (previous year 199). Several projects, including some generic peptides, are on the verge of receiving regulatory approval.

QUALITY MATTERS

Bachem made specific investments in compliance and replacements to ensure unfailing compliance with the company's high standards. Bachem's commitment to quality and reliability in all dealings with customers is a key factor for its success.

EUR/CHF CURRENCY EFFECT SUCCESSFULLY OFFSET

Fluctuations in various foreign exchange rates had a negative effect of 1.7 million CHF on EBIT. The negative effect of the much weaker EUR to CHF was diminished somewhat by the stronger USD. Bachem managed to compensate for much of the remaining negative currency effect by stepping up its sourcing in EUR and capturing further cost savings and efficiency gains. Thanks to the excellent sales momentum, the remaining gap was completely bridged and operating profit in CHF increased considerably.

PROVIDING HIGH PERFORMANCE

Bachem is an internationally unique team of experts who collaborate in an interdisciplinary manner to create sound and sustainable solutions. Under the motto of "Providing High Performance", Bachem is constantly strengthening its professionalism and performance level in the areas of finance, IT and human resources.

INTEGRATION OF AMERICAN PEPTIDE COMPANY

After the acquisition of American Peptide Company (APC) in March 2015, Bachem integrated the firm into the Group and merged it with Bachem Americas, Inc. headquartered in Torrance, California by year-end. APC's production site in Vista, California, already made a positive contribution to Group sales in the first year of consolidation. APC's second production site in Sunnyvale, California, was closed and its activities and customer relationships were successfully transferred to Bachem's Center of Excellence for custom synthesis in England.





SHAPING THE FUTURE TOGETHER

INVESTMENT AND GROWTH

Bachem endeavors to extend its leading market position. The company is investing in additional production capacity at all of its sites, hiring more staff and continuously optimizing its organizational structure and processes. Growing demand from customers and the sizeable order backlog provide a sound platform for future, self-powered organic growth. Management is also examining potential alliances in emerging Asian markets to supplement that growth.

MARKET LEADERSHIP

Bachem is recognized around the world as the leader in the peptide market. This perception is built on a foundation of superior quality, reliability, know-how and experience. With its vast expertise, Bachem can and will continue to offer its customers and business partners groundbreaking, sustainable solutions.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

As a result of the company's growing size and to further the optimization of group-wide processes, Bachem will modernize its ERP system and ensure that it meets increasing demands. The integration and harmonization of internal workflows significantly reduces complexity across a wide range of business operations and enables Bachem to enhance operational efficiency.

AUTOMATION

As the degree of automation steadily increases, business processes are becoming even more secure, quality and production efficiency are being improved further, and the costs associated with manual interventions are on the decline. Automation has been achieved, for example, by establishing a direct connection to systems for the addition and removal of solvents in the production process, by introducing electronic process control systems and by fully automating the synthesis of peptides.

COLLABORATION

Close collaboration with customers is crucial for Bachem's success. It is rooted in quality, innovation and partnership.



6-10%
sales growth
p.a.

"INVESTMENTS FOR GROWTH"

INTERVIEW WITH DR. THOMAS FRÜH, CEO, AND STEPHAN SCHINDLER, CFO

Growth brings prosperity, provided it is tenable and benefits all stakeholders. That's why entrepreneurial farsightedness and corporate social responsibility are so important when it comes to growth. Bachem's strong commitment to a sustainable growth strategy will always be subordinated to its own values and guiding principles. A pioneering spirit, customer benefit, quality, and a willingness to accept new challenges without bias are therefore fundamental, inalterable aspects of Bachem's corporate culture.

Thomas Früh

"Our commitment to growth is deliberately subordinated to our objectives of a sustainable corporate development and reliable partnership, also in social and environmental matters."



What does growth mean to you?

Thomas Früh: Growth is often used synonymously for success. But we can find many examples in nature and the world of business that show that growth at all cost might be rewarding in the short term but will actually pose existential risks in the long term. At Bachem we therefore decide in a very deliberate manner where we want to grow, what the envisioned optimal size would be, and what time frame we want to set for achieving that growth.

Stephan Schindler: Moreover, growth per se as a measure of success is always relative. More and more growth is needed to reach whatever goals are set. Like with a drug addiction, companies can become increasingly ruthless in the pursuit of growth and seek success over the competition at





Stephan Schindler
"In view of the high demand for our products and services, our investment spending is primarily going towards capacity expansion and ensuring compliance with our quality and service standards."

the expense of other stakeholders. We deliberately foster a culture in which nature and our corporate social responsibility are not subordinated to the achievement of commercial success. This means, for example, that long-term profitability comes before short-term growth.

The project portfolio grew significantly last year, like in the previous year. Wouldn't a sharper focus be better for profits?

Thomas Früh: In the short term, sure, that could be true, but having a large and broad project portfolio will fuel Bachem Group's success and growth in the medium to long term. As the "Pioneering Partner for Peptides", we give each and every project entrusted to us our full attention. We support customers at every stage of a project and do our best to ensure that therapeutic agents are developed quickly and efficiently, approved by regulatory authorities and then produced in a consistently reliable process that ensures top quality.

Bachem's capital expenditure is higher now than it has been in years. Are investment needs really so high?

Stephan Schindler: Amortization has exceeded capital expenditure for the past few years. That is not viable for any company in the long run. It was only possible because we were able to utilize more and more of our existing capacity and thus absorbed additional volumes from a growing market. Since demand is still firm, but our capacity is now fully utilized, we do not want to lose these growth opportunities to the competition.

Where or what are the primary targets of your investments?

Thomas Früh: As Stephan Schindler mentioned, we are primarily investing in capacity expansion projects. The acquisition of American Peptide Company (APC) in March of last year can be seen in this light. APC gave us additional production capacity that we are now utilizing with success. Another investment priority is our plant in Buben-

dorf, Switzerland. A new building under construction there will provide the additional capacity we need to meet growing demand for NCE development projects. At the same time we are optimizing the availability of high-volume manufacturing assets at the other facilities. Other important objectives are expanding our center of excellence for custom synthesis in England and meeting the increasingly demanding requirements with regard to quality assurance, regulatory affairs and control banding.

Stephan Schindler: Growth on the production side is creating more challenges for internal operations such as the accounting, IT and human resource departments. We are therefore investing in the ongoing professionalization of these units. Investments are also being made in infrastructure. One example here is the new Enterprise Resource Planning (ERP) system.

What will the future bring?

Thomas Früh: (laughs) Nobody knows that. But I do believe the action we take can determine to some extent what our future will look like. Bachem offers its customers the full range of peptide services from a single source – from research chemicals and custom synthesis to compound development and production. We do so with the expertise and experience of the acknowledged sector leader and, thanks to our steady investment in the business, with ultra-modern plant and equipment, reliable quality assurance and control, and cost-optimized processes. For the long-term benefit of all stakeholders.

The peptide market remains a growth market. Pharmaceutical companies and biotech firms are testing many newly discovered and optimized peptides as well as generic peptides in their clinical development programs. In addition to the substances themselves, optimized drug delivery solutions offer the hope of more effective and efficient treatment for many diseases in the near future.

The significance of customer relationships

Customers have specific requirements and it is vital that they are understood correctly. As a manufacturer of research grade chemicals and therapeutic compounds, Bachem operates in a challenging field where customer needs and wants go far beyond having a certain product that meets certain requirements delivered on a certain date.

Demanding requirements must be met in particular with regard to quality assurance systems. Regulatory authorities issue stringent rules and guidelines that must be complied with. Customers follow those rules and guidelines and verify that manufacturers are able to meet them to their satisfaction.

Protection of the workforce and the environment is a paramount concern. All substances are therefore protected from any cross-contamination with foreign substances or microbes during the production process. The associated measures cost a lot to implement. Nevertheless, they are a basic prerequisite for long-term customer loyalty and for retaining the company's market leadership. Bachem takes great care in collaboration with the customer to meet the applicable regulatory requirements. This is an ongoing process that demands unceasing effort. It is not a static condition but a continuous process of adaptation to the latest standards and regulations.

Conversations with customers, the protocolling of such conversations, and the process for implementing agreed actions must adhere to global guidelines within the Bachem Group. Internationally active pharmaceutical and biotech companies expect their key suppliers to meet the same high standards no matter from what site they are served.

To satisfy these requirements, Bachem uses innovative communication solutions supported by cutting-edge software applications. These modernization efforts take place alongside the daily business to secure the organization's competitiveness.

Bachem was involved in 241 projects at year-end 2015. A year earlier, this number was 199. The figure does not include drugs that have been approved for marketing. The increase in the number of active projects is all the more impressive considering that many of the projects from the previous year either received marketing

approval or were discontinued during the year under review.

Project management is handled by the marketing organization. In consultation with customers, steps are taken to ensure that all Bachem units involved in a project meet the complex requirements and scheduling deadlines. As customer demands and government regulations are steadily increasing, satisfying all these requirements is a big challenge for Bachem. Many measures have been initiated and implemented to ensure that Bachem consistently meets all requirements and can highlight this strength with confidence.

Bachem Group's operating results

Bachem Group generated sales of 208.6 million CHF in 2015, which represents an increase of 13.4% from the previous year. The reported growth rate lies above the target range of 6% to 10% p.a. and clearly exceeded the market's overall growth rate for last year. Sales in the North America region rose by 18.2% and by 11.0% in the rest of the world.

All product categories showed pleasing trends. Sales in the research reagents business amounted to 32.8 million CHF, which represents an increase of 23.2% from the previous year. Sales of generic peptides climbed by 25.0% from the previous year to 110.3 million CHF. NCE sales declined by 6.0% to 52.2 million CHF but, on the positive side, the number of active projects in this business increased from 199 to 241, of which 7 projects are in Phase III of clinical testing and 43 are in Phase II. These projects should generate sustained growth in the future.

Total sales surpassed the 200 million CHF mark for the first time in the company's history, even after factoring out the sales contribution from American Peptide Company. The American Peptide Company was consolidated as of the second quarter of 2015.

This result is all the more gratifying considering last year's exchange rate situation.

Major events

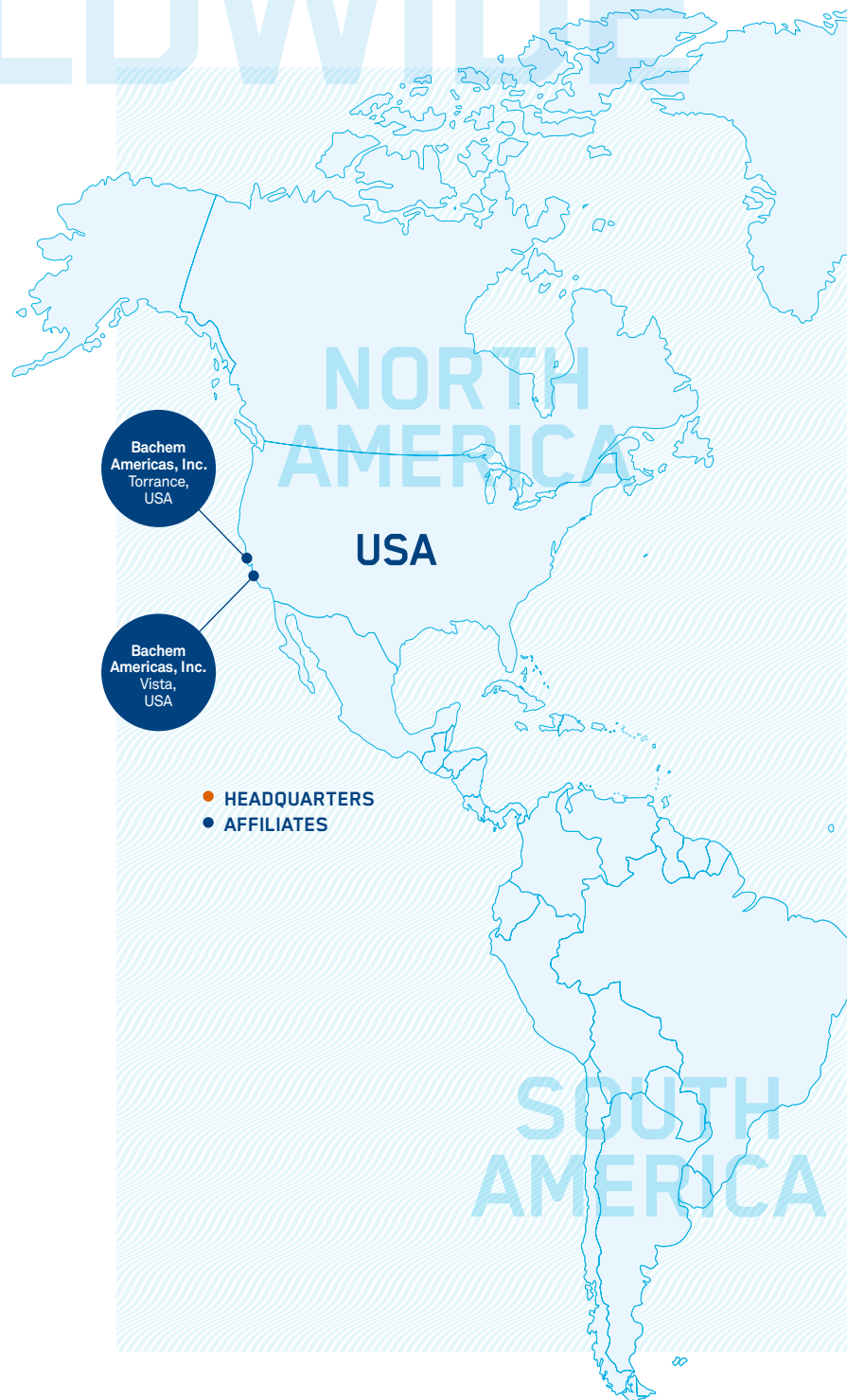
The annual Spring Symposium in Basel is a major event for Bachem. The main theme of the 2015 symposium was modified peptides. Modifying specific peptide structures can improve peptide stability or activity or other properties.

PIONEERING PARTNER FOR PEPTIDES

BACHEM HAS BEEN A PIONEER IN THE FIELD OF PEPTIDES FOR MORE THAN 40 YEARS. IT HAS BUILT LONG-TERM CUSTOMER RELATIONSHIPS THAT ARE IMBUED WITH A STRONG SENSE OF TRUST. BACHEM IS RECEPTIVE TO INDIVIDUAL NEEDS AND IS A COMPETENT, RELIABLE PARTNER.

Bachem sells its products around the world. Company sales in Swiss francs hit a record high in 2015, passing the 200 million CHF mark for the first time ever. Year-on-year sales growth of 13.4% was driven by a 18.2% increase in sales in North and South America and an 11.0% increase in Eurasian sales. Sales of therapeutic compounds advanced 11.8% and research chemicals grew 23.2%.

Never before had Bachem produced so many different products in a single year. Sales of generic peptides increased 25%. One product sold very well in the marketplace, another received regulatory approval. Sales of new compounds for clinical testing purposes were still at low levels, but the number of these investigational compounds in the project pipeline grew by more than 20%. Furthermore, several compounds are on the verge of receiving regulatory approval. It is assumed that several of these drug candidates will soon become new sources of growth. Bachem management views its long-term growth prospects with confidence. To remain competitive, Bachem is continuously optimizing its processes and realizing automation opportunities.



MARKETS & CUSTOMERS

Bachem operates six centers of excellence in Switzerland, the UK, Germany and the USA that are focused on the production of active pharmaceutical ingredients, custom synthesis products and catalog peptides.

BACHEM AG
Bubendorf,
Switzerland

BACHEM SA
Succursale Vionnaz
Vionnaz, Switzerland

BACHEM HOLDING AG
Bubendorf, Switzerland

**BACHEM DISTRIBUTION
SERVICES GMBH**
Weil am Rhein,
Germany

BACHEM (UK) LTD.
St. Helens,
Great Britain

BACHEM AMERICAS, INC.
Torrance,
USA

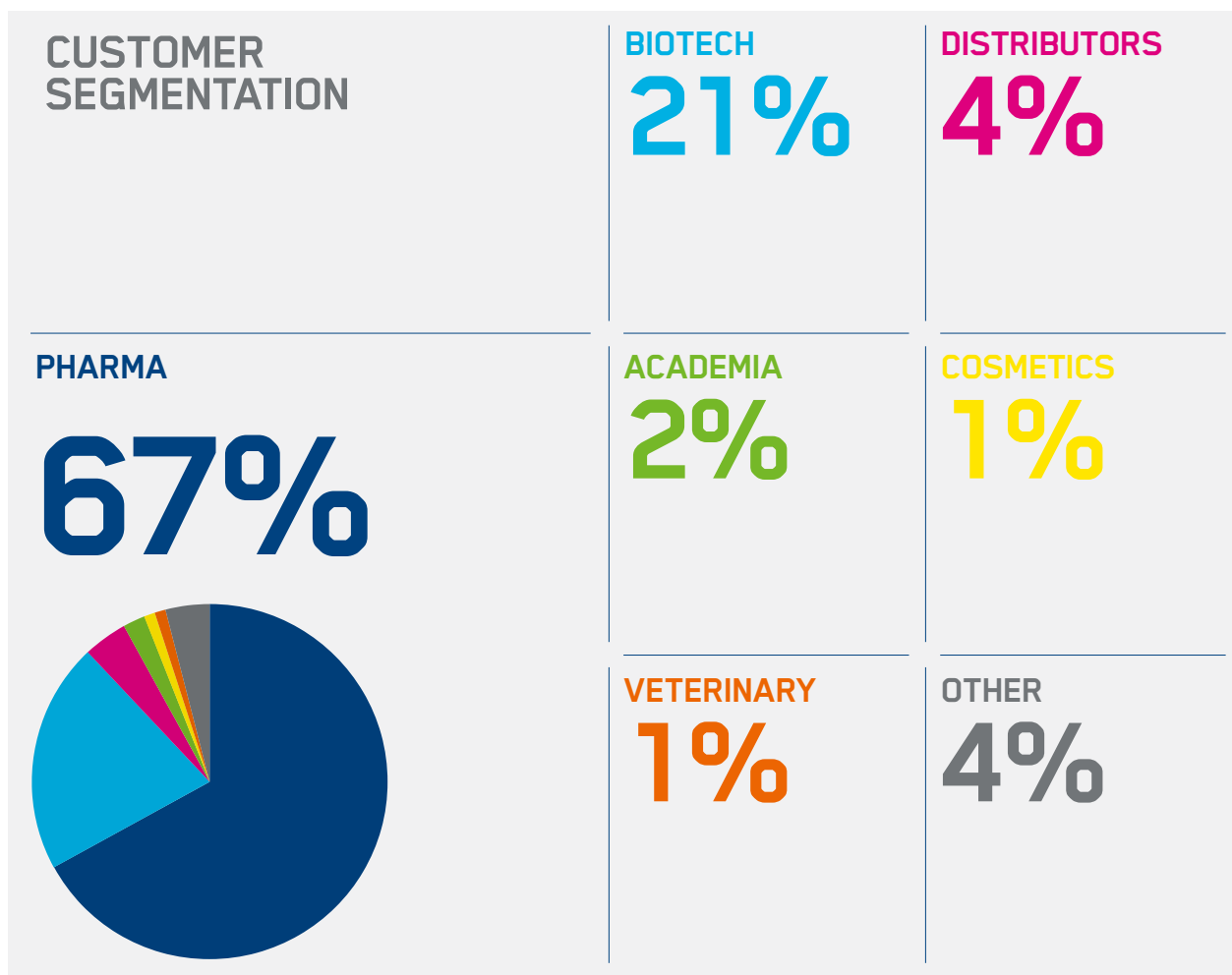
BACHEM AMERICAS, INC.
Vista,
USA



Another important event for Bachem is the DCAT Meeting in New York. Bachem used the platform to hold more than 100 meetings with customers. Many of the talks focused on generic active pharmaceutical ingredients recently developed by Bachem. Bachem also uses the meeting to gauge its position in relation to overall market trends.

An additional highlight of 2015 was Bachem's presence at the CPhI meeting in Madrid. Again, the event focused mainly on generics. Bachem's presentation on glycosylated peptides received considerable attention. At its exhibit, Bachem presented its new app that gives users access to a wealth of scientific data as well as information on Bachem's product range and the company itself.

Bachem is stepping up its efforts to remain innovative in the Research Chemicals product line. Through its intense collaboration with leading researchers in the field of peptides and biomedical sciences, Bachem is steadily updating and expanding the range of molecules it offers. A new catalog was published in January 2016 that for the first time included prices in renminbi for Chinese customers.



Peptides remain a very relevant and exciting topic as active pharmaceutical ingredients, in related fields of application, and in areas of basic research. As a specialist in the development and manufacturing of peptides, Bachem plays an active role in shaping the ongoing process of change within this specialty field and makes an important contribution to the research and treatment of serious diseases in the process.

Bachem product lines

Research Chemicals

Bachem's Research Chemicals are mainly used to make peptides and to advance biochemical knowledge. The new online catalog provides enhanced search functionality and a unique shopping experience. The catalog is being continually updated with new and innovative products.

New Chemical Entities (NCEs)

There are a large number of peptide drug candidates in clinical development. Furthermore, over 70 peptides have already been approved as a treatment for various diseases. Bachem is pursuing the largest number of peptide projects worldwide.

Generics

After a drug loses its patent protection, generic copies are produced. Peptide-based pharmaceuticals are somewhat different in this regard because a generic peptide will usually not have the same formulation as the innovator product. It must therefore be navigated through a demanding approval pathway and generic drug makers turn to Bachem for support during this process.

Peptide drug products and services

The peptide business involves the supply of products as ordered and the improvement of synthesis methods both in terms of efficiency and reproducibility. Characterization of method-relevant impurities is another service increasingly requested by customers. Customers investigate the substance along with any impurities in toxicity studies to demonstrate their harmlessness. These processes must not result in any new unknown impurities in the manufacture of new batches.

That is why validation campaigns are important. These involve reproducing the production methods and developing and improving methods for analyzing peptides and impurities that are reproducible, sensitive and specific. Bachem views this business of optimizing processes and analysis methods as a service that customers are billed for separately. Since Bachem's range of products is constantly growing, these related services are likewise growing in significance and accounting for an ever greater proportion of total Group sales. Another service provided by Bachem is sterile fill-finishing of active pharmaceutical ingredients in the production of ready-to-use injectable solutions. This service is mainly requested by smaller biotech firms that do not have the necessary equipment and expertise at their disposal.

Products and services in related areas

Customers who order peptide or amino acid derivatives that are not intended for use as medicinal products generally display a wide variety of specific needs and wants. This is because the regulatory requirements differ from the procedures that apply in the manufacture of substances intended for use in medicinal products. These customers nonetheless have expectations regarding the quality attributes and reproducibility of their substances. Bachem invests the time it takes to accommodate the wishes of its customers in these areas, and they in turn appreciate the professional expertise and flexibility of Bachem employees.

These efforts have played no small part in Bachem's success in attracting a number of prestigious customers in the cosmetics industry. Bachem is also seeing increasing demand from peptide-manufacturing companies for peptide components in defined grades. Reproducibility tends to be more important than price in these instances.

Products and services in basic research

Bachem also offers new products and services for use in basic research. For example, Bachem is constantly adding innovative products to its range of peptides for research and development. Together with GlyTech as a specialist partner, Bachem is also producing glycosylated peptides that offer improved properties to meet specific customer requirements. This service promises to spur peptide chemistry on to greater heights.

EXAMPLES OF GENERIC APIS PRODUCED BY BACHEM AND COMMON APPLICATION

Generic Active Ingredient	Examples of Related Trade Names	Treatment and Indications
Aprotinin	Tisseel®, Trasylol®	Wound treatment, control of surgical bleeding
Calcitonin	CalciHexal®, Forcaltonin®, Karil®	Osteoporosis, Paget's disease, Sudeck's disease
Carbidopa	Sinemet®	Parkinson's disease
Goserelin	Zoladex®	Advanced prostate cancer, uterine myoma
Glucagon	Hypokit®	Diabetes
Leuprolide	Eligard®, Lupron®	Advanced prostate cancer, uterine myoma
Octreotide	OctreotidHexal®, Octreolin®	Acromegaly, carcinoid syndrome, VIPomas
Ornithin Oxoglutarate	Cetornan®	Hyperammonaemia, hepatic encephalopathy
Propofol	Diprivan®	Anesthetic
Triptorelin Pamoate/Acetate	Trelstar®, Decapeptyl®	Advanced prostate cancer, precocious puberty

BACHEM'S 360° BUSINESS MODEL

is the expression of a business philosophy that is totally focused on client needs. Through vertical integration and full utilization of synergies, Bachem is best able to offer its unique expertise and experience in peptide chemistry to benefit client projects in all stages of development. **Bachem. Pioneering Partner for Peptides**



RESEARCH

Bachem offers the world's largest collection of amino acid derivatives which are used by customers interested in manufacturing peptides. Also solid phase supports for peptide synthesis are available. Other essential product lines are bioactive peptides, enzyme substrates and inhibitors as well as some organic molecules. New products are added to maintain an innovative touch. Strong emphasis is placed on quality.

PRECLINICAL DEVELOPMENT

During preclinical development, lead finding and lead optimization require large panels of peptides. These are generated as custom synthesized molecules for customers around the world. Frequent consultation with Bachem experts allows further refining of target compounds. As such, a clear partnering aspect is required to come up with pioneering concepts and molecules to bring into clinical development

CLINICAL DEVELOPMENT

When clients have selected their lead compound, they commence clinical trials. It is a decade-long process to approval of the drug. During this time, there is a close collaboration to learn more about the product. Each production step is scrutinized and manufacturing reproducibility strived for. Scale-up and full control of the process is targeted. Validation and control of the process is the end result of an intense partnership.

PEPTIDE DRUGS

The responsibility to manufacture sufficient drug substance rests on the shoulders of the Contract Manufacturing Organization. This can only be done by being extremely reliable and also by coordinating activities closely with our partners. Forecasting the quantity needed is extremely difficult, especially for new drugs where the commercial success has not been proven. Hence, responsiveness to customer needs becomes paramount.

As the “Pioneering Partner for Peptides”, Bachem focuses unerringly on know-how and innovation, quality, close collaboration with customers and continuous employee training and development. Bachem's stated goal is to be the partner of choice for successful implementation of peptide projects of whatever kind.

Know-how and innovation

Know-how and innovation form the cornerstones of Bachem's success. Building on this foundation, Bachem offers its customers optimal support in the pursuit of groundbreaking discoveries that further scientific advances, particularly in the field of medicine. It is therefore important for Bachem to attract top scientists across all relevant disciplines. It does so by fostering a corporate culture and work environment that inspire and motivate employees to contribute knowledge and ideas to decision-making processes and thereby actively shape and steer the projects they are working on.

Quality

Bachem's commitment to quality is a key factor for its success. Adherence to high quality standards lays the groundwork for top performance and new developments. This commitment to quality is a basic business principle at Bachem, deeply rooted in its drive to always offer customers the best. Diligence, flexibility, creativity and reliability are expressions of Bachem's appreciation of its customers and their needs.

“Bachem's consistent focus on the needs of customers lays the groundwork for sustainable, profitable growth.”

Collaboration with customers

Collaboration based on mutual trust and the forthright sharing of information enable knowledge, experience and resources to be pooled in the quest to achieve a new goal together. Of utmost importance for Bachem is knowing exactly what the customer needs and wants. Close contact with customers and a sound awareness of their challenges allow Bachem to create customized solutions. They are also the wellspring for superior efficiency and true value for both sides of this collaboration.

Employee training and development

Highly qualified employees at all levels of the organization who are specialists in their respective fields are another key factor for success at Bachem. Their willingness to take advantage of training opportunities and accept new challenges secures the company's knowledge advantage and bolsters its market leadership in peptides.

“Bachem's vision is to be the undisputed leader in the peptides business. Adherence to the most demanding of quality standards and a high level of innovation help the company to stay ahead of the competition.”

Key strategic growth drivers are:

- Focus on strengths in the core business of peptides
- Generate strong organic growth through a consistent focus on customer needs
- Seize opportunities arising from industry consolidation

Bachem's strengths

- Global market leader in peptides
- Excellent reputation for quality and reliability
- Superior know-how and unrivalled experience in peptides
- Extensive range of services with a high degree of vertical integration
- Strong product and project pipeline
- Largest portfolio of peptide generics in the industry

TEXT: HELMA WENNEMERS, ZURICH

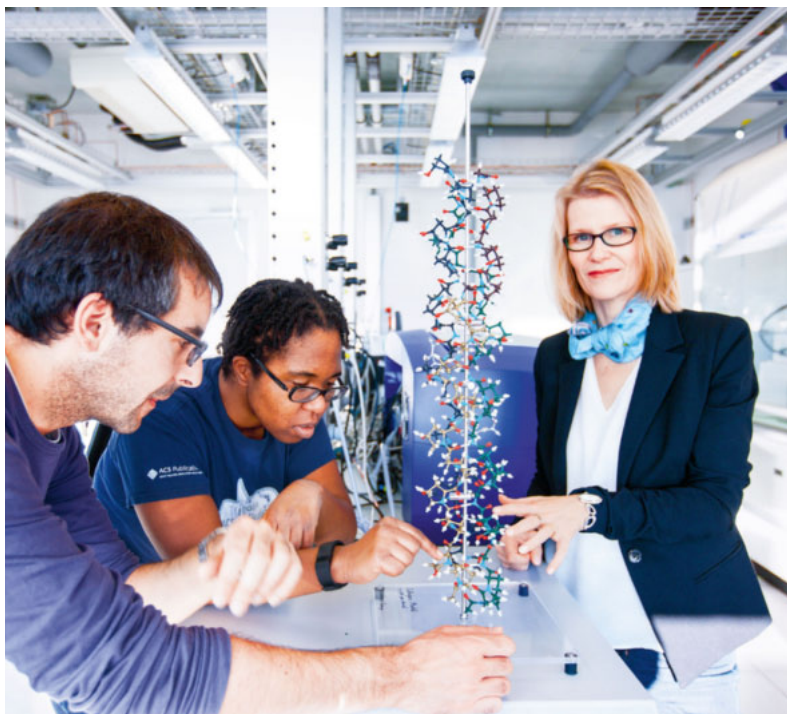
PEPTIDES ON THE RISE

In nature and our everyday life, peptides fulfill many different roles. Natural and synthetic peptides serve as hormones, neurotransmitters, snake and frog toxins, artificial sweeteners, anti-wrinkle additives, and drugs against major diseases. This wide palette of different functions is based in the large structural and functional diversity of peptides that can be accessed easily by linking different amino acids with each other. For example, a diversity of 20^6 or 64 million different hexapeptides can be generated by combining 20 different amino acids randomly in any possible combination.

The resulting opportunities for drug development are evident and resulted decades ago in the development of numerous peptide-based therapeutics that are still important drugs (e.g., cyclosporine, octreotide, and glucagon). In comparison to small-molecule-based drugs, peptides often feature extremely high potency, which in turn requires the administration of only low doses. In addition, the structural and functional features of peptides allow for highly specific targeting, which can be achieved otherwise only with “biologics” such as antibodies. Thus, the intermediate size of peptides combines highly desirable features of small molecules with those of large “biologics”. Caveats such as the proteolytic degradation of peptides composed of natural α -amino acids and a lack of conformational control have become well-understood, and several effective remedies (e.g., cyclization, implementation of unnatural amino acids and/or peptidomimetics, and grafting of active peptides onto stable scaffolds) have been developed. As a result, the pipeline of peptides in clinical trials is rich, and the number of approved peptide-based drugs is likely to increase steadily in coming years.

The increased interest in peptides for drug discovery coincided with the development of numerous enabling tools for more and more effective peptide synthesis. Modern ligation methods have increased the synthetic accessibility far beyond the long-standing limit of about 50 amino acids and allow for the chemical synthesis of polypeptides that contain more than 300 amino acids. In comparison to biotechnological synthesis, these synthetic tools are not limited to proteinogenic amino acids and entail less effort in the purification of the target peptide. Combinatorial methods allow for the effective synthesis of millions of linear and cyclic peptides consisting of essentially any desired amino acid building block. Such compound libraries present, in combination with smart screening methods, enabling tools for the discovery of peptides with desirable properties. In addition, the uptake of peptides and peptide-conjugates into cells and their use as shuttles to bring cargo to desired locations is under intense study. This research could ultimately pave the way to a general method for drug delivery and enhance the oral availability of drugs, which is a major challenge. These advances in synthetic and screening tools coincided with major developments in analytical tools. Modern mass spectrometric tools, in particular, make the analysis of natural and synthetic peptides much easier than a few years ago.

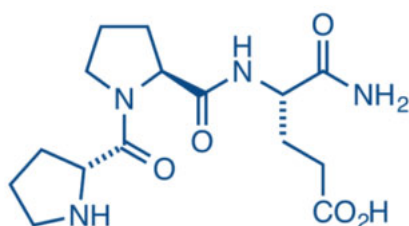
The rise of peptides is not limited to drug development. Numerous other disciplines are recognizing the opportunities offered by the large structural and functional diversity of peptides, combined with their comparative ease of synthesis. Peptides have, for example, expanded the fields of materials science and asymmetric catalysis. In materials science,



not only yielded practical catalysts but also showed that the catalytic activity of amino acid-based compounds is not limited to enzymes, which in turn suggests that peptides might have played a crucial role in the evolution of enzymes.

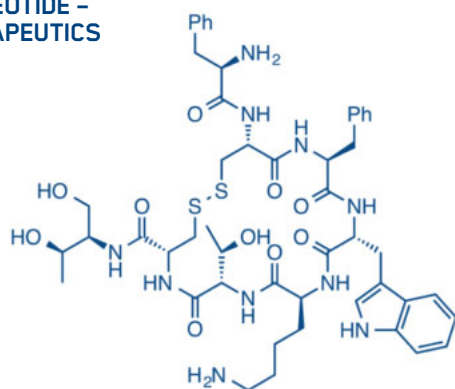
The examples above highlight the broad spectrum of science that is being explored with peptides and provide evidence that the traditional borders of peptide chemistry have expanded considerably. Nowadays, conferences on peptides are populated by scientists from different backgrounds, including chemistry, biology, engineering, and medicine. The ensuing crosstalk between scientists from diverse fields is broadening the field of peptide science even further and opening up additional exciting avenues. Clearly, the future of peptides is bright and an exciting arena for practitioners!

CATALYST – "MINIENZYMES"



the unique self-assembly properties of certain peptides are utilized for the development of biocompatible materials and electronic devices. For example, functionalized synthetic collagen peptides are attractive for applications in wound healing as alternatives to collagen isolated from natural sources that often suffer from immunological responses. Conjugates between peptides and chromophores are promising to solve the challenge of ordered self-assembly of electron-rich moieties, which is key to the development of effective field-effect transistors and solar cells. In asymmetric catalysis, peptides have established themselves as alternatives to enzymes and low-molecular-weight catalysts with properties that combine the best features of these two traditional types of catalysts. For example, peptidic catalysts can be tailored to function both in water and in organic solvents, and they can be highly chemo- and regioselective but also have a broad substrate scope. Research in this field has

OCTREOTIDE – THERAPEUTICS





MINDSET

B

Bachem's mindset is focused on solidifying and extending its market leadership. A cornerstone of Bachem's corporate culture is its determination to be the best partner customers can turn to and to generate maximum value for the customer.

PROVIDING GROWTH



Picture sequence as short clip online at:
<http://annualreport.bachem.com/en/#mindset>



MEDICINE

ATOSIBAN

**GONADORELIN
CETATE**

SERIF







RESEARCH

B

Bachem leads the way in the development of peptide-based compounds thanks to the tremendous expertise and many years of experience of its employees. Biotech and pharma companies clearly profit from Bachem's leadership position in peptides. Many of the world's top universities and research institutes also maintain close collaboration with the Company.

PROVIDING GROWTH

Picture sequence as short clip online at:
<http://annualreport.bachem.com/en/#research>







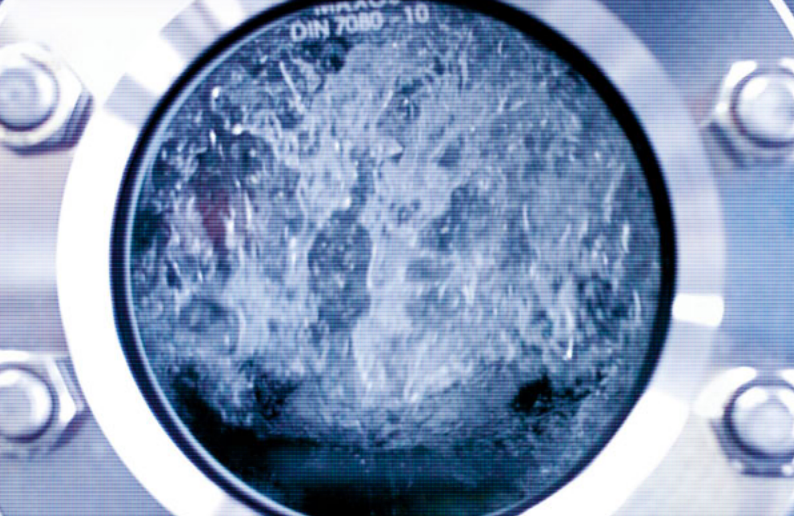
PRODUCTION

The utilization and integration of innovative technologies and processes guarantee quality and efficiency for the customer. Ultra-modern infrastructure and ultra-high reliability give Bachem a tremendous competitive advantage and make it a valued partner for peptide projects.

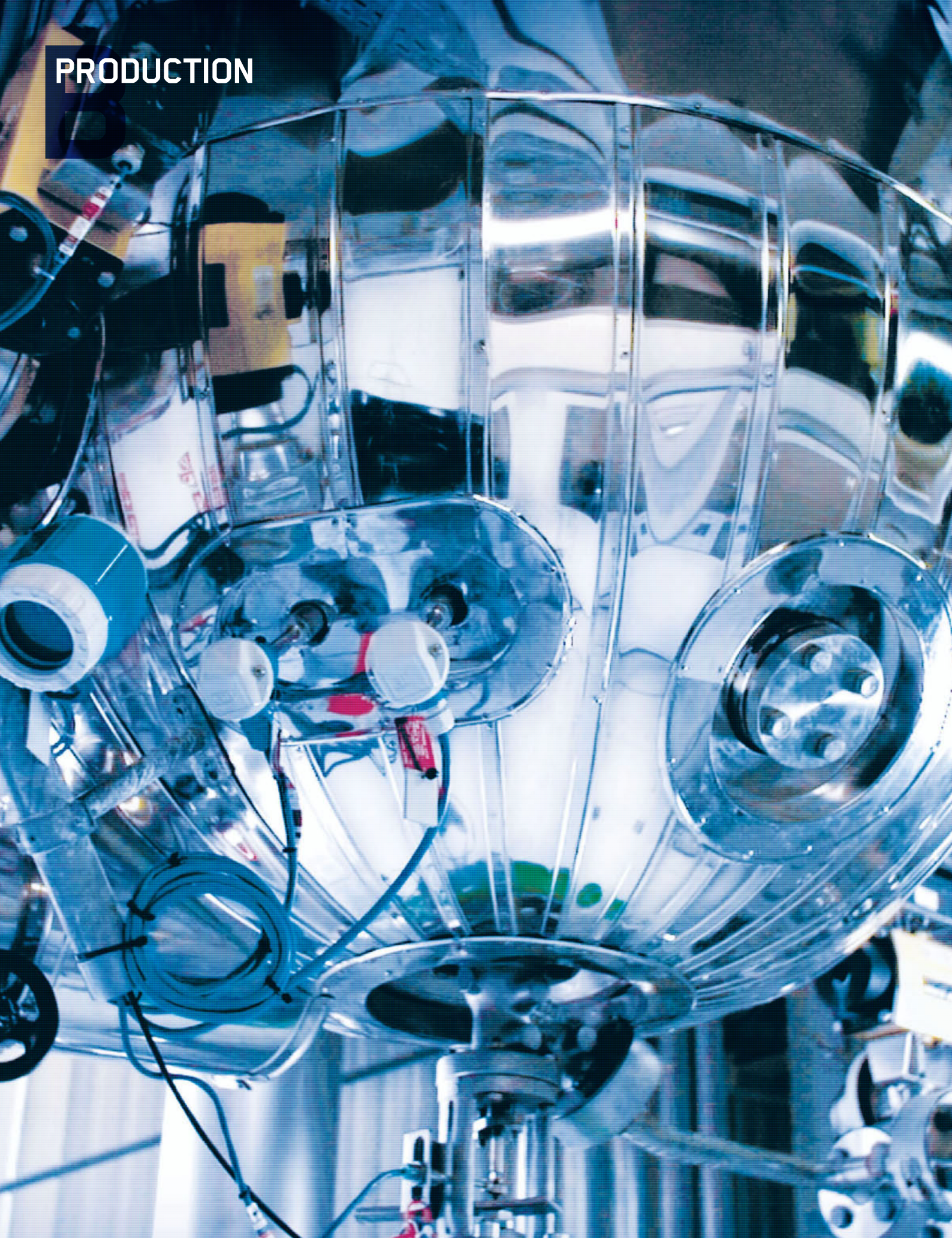
PROVIDING GROWTH

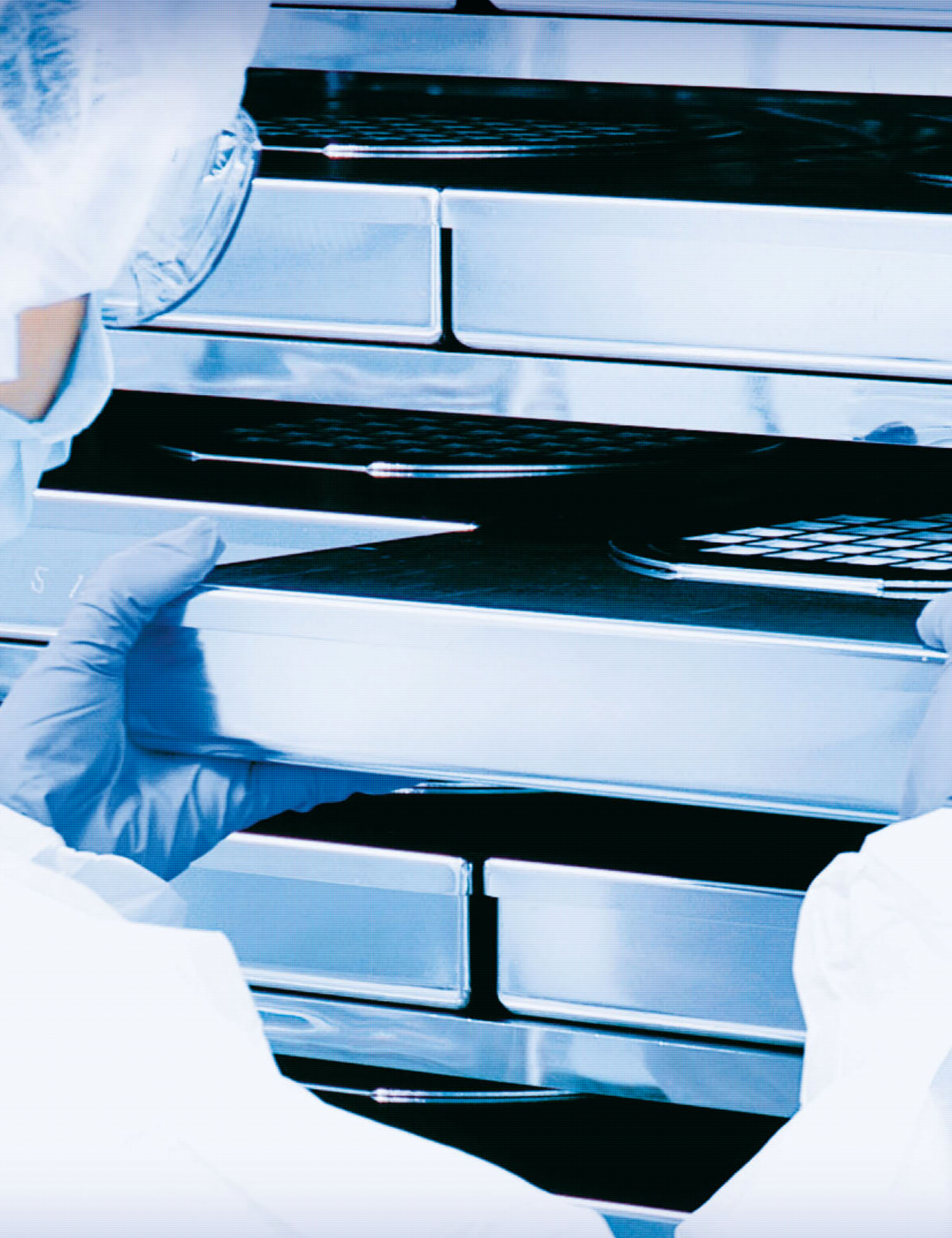
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<http://annualreport.bachem.com/en/#production>





PRODUCTION







SERVICES

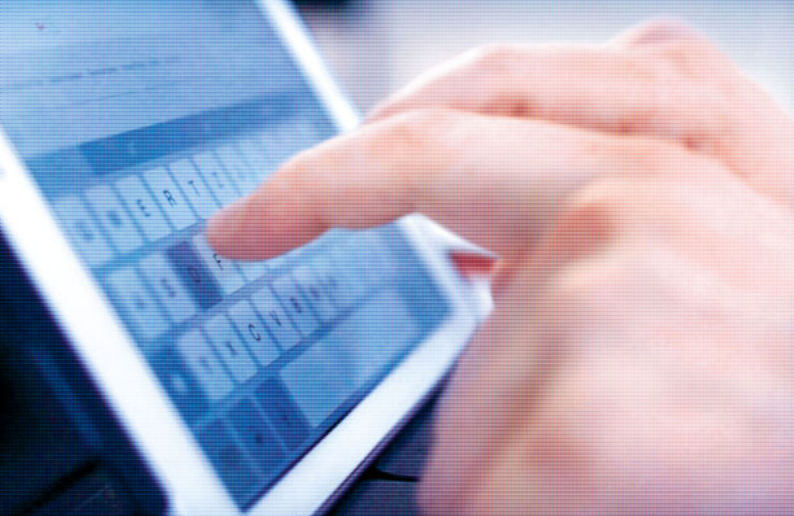
Bachem's priorities are always closely aligned with customer needs. Its top priorities are close and productive collaboration with customers and, increasingly, providing a full range of support services in regulatory matters.

PROVIDING GROWTH



Picture sequence as short clip online at:
<http://annualreport.bachem.com/en/#services>







Dr. Martina Diekmann
Head of Global Marketing

Bachem has a flair for research and innovation. We uphold our values internally and externally and will always seek to build long-lasting relationships.



Beat Sax
Site Manager
Bachem Bubendorf

Both during and after production, our highly qualified staff perform meticulous controls to ensure the superb product quality that Bachem stands for and that customers have come to expect.



Dr. Ralph Schönleber
VP of R&D

We support our customers in the pursuit of groundbreaking discoveries that contribute to scientific advances, particularly in the field of medicine. Partnerships with successful enterprises are a way for us to develop pioneering products that have a resounding positive impact on people's lives.



Dr. Christian Stähelin
Director Human Resources

Partnership thrives in the presence of mutual respect, straightforward communication and a sense of appreciation. We live and uphold these values throughout the company and when interacting with customers.



Dr. Anne-Kathrin Stoller
VP of BD & Sales

Excellent quality and reliable service are fundamental for Bachem's steady progress in the projects business. We impress our customers every day with our outstanding level of services.

A highly qualified and motivated workforce is the backbone of a successful organization. Bachem Group boasts the world's largest workforce of qualified specialists devoted to the field of peptide chemistry.

Our employees

A highly qualified and motivated workforce is the backbone of a successful organization. Bachem Group boasts the world's largest workforce of qualified specialists devoted to the field of peptide chemistry. The organization employed 902 people at the end of the year (previous year: 754) in 858.7 full-time equivalent positions (previous year: 711.3). Of these, 664 (corresponding to 623.4 full-time equivalent positions) were working in Europe at Bachem AG sites in Bubendorf and Vionnaz, 3 at Bachem Distribution Services GmbH in Weil am Rhein (Germany) and 32 for Bachem (UK) Ltd in St. Helens (UK). Bachem Americas Inc. employed 193 people, most of whom worked at the sites in Torrance and Vista, California. Bachem Holding AG employed 10 people. Employee turnover at Group level was 13.1% (previous year: 11.6%).

The Bachem Group is fully committed to ensuring equality of opportunity for all staff irrespective of age, sex, religion, ethnic background or nationality. In particular, this equality of opportunity applies unconditionally with regard to the terms of employment, the principle of equal pay for equal work, performance incentives and the Group's professional development and promotion policies.

High level of education

Bachem Group is the world leader in its core business of manufacturing peptides as research chemicals and active pharmaceutical ingredients. Its claim to be a "Pioneering Partner for Peptides" is predicated on very high educational attainment of workforce members at every level and high subject area specialization. The growing complexity of the products the company manufactures and the services it is expected to provide, and, more so, the increasing requirements of customers and official bodies in terms of production and regulatory processes, call for a highly qualified workforce throughout the organization. At Bachem Group, 26.7% of the employees have earned a degree from a university and another 22.0% have earned a degree from a university of applied science. 43.5% of Bachem employees worldwide have completed a vocational apprenticeship, as have 54.6% of its employees in Switzerland.

Vocational training

Vocational apprenticeship training has a high priority at Bachem AG's Swiss sites in Bubendorf and Vionnaz. Our dual system of education provides young school leavers with an excellent opportunity to gain specific vocational training once they finish their compulsory schooling and strive to enter the working population. Apprentices acquire theoretical knowledge and general education at a vocational school and gain practical experience working at the company. In providing these apprenticeships, Bachem is both discharging part of its social responsibility towards society and also making an important contribution to the maintenance of non-academic professional training in Switzerland.

At the Bubendorf site, Bachem operates a teaching laboratory with two full-time instructors specifically for the practical instruction and training of qualified chemical lab technicians. At the two Swiss locations operated by Bachem AG, 31 young people were enrolled in three- or four-year vocational apprenticeship programs as of the end of the year; this represented 4.7% of the workforce. The apprentices were pursuing qualifications as chemical lab technicians (25), office administration staff (3), IT technicians (2), and logistics specialists (1). In the year under review, 10 apprentices successfully completed their vocational training, and 8 were offered permanent employment contracts.

PERSONNEL

EMPLOYEE DISTRIBUTION BY JOB CATEGORY

	2015		2014	
	FTE	%	FTE	%
FINANCE AND ADMINISTRATION	70.4	8.2	63.7	9.0
LOGISTICS	74.6	8.7	58.3	8.2
QUALITY ASSURANCE AND REGULATORY AFFAIRS	221.3	25.8	182.4	25.6
ENGINEERING AND MAINTENANCE	65.7	7.6	53.6	7.5
RESEARCH/DEVELOPMENT AND PRODUCTION	354.3	41.3	290.0	40.8
MARKETING AND SALES	72.4	8.4	63.3	8.9

GEOGRAPHIC DISTRIBUTION

EUROPE	667.0	77.7	585.9	82.4
USA	191.7	22.3	125.4	17.6

EMPLOYEE DISTRIBUTION BY GENDER

WORKFORCE (TOTAL)	WOMEN	268.1	31.2	209.2	29.4
	MEN	590.6	68.8	502.1	70.6
UPPER MANAGEMENT	WOMEN	7.8	15.1	8.0	20.5
	MEN	43.8	84.9	31.0	79.5
REGIONAL EXECUTIVE COMMITTEES	WOMEN	4.0	19.0	3.0	15.8
	MEN	17.0	81.0	16.0	84.2
CORPORATE EXECUTIVE COMMITTEE	WOMEN	0.0	0.0	0.0	0.0
	MEN	4.0	100.0	4.0	100.0
BOARD OF DIRECTORS	WOMEN	2.0	33.3	2.0	33.3
	MEN	4.0	66.7	4.0	66.7

EMPLOYEE DISTRIBUTION BY AGE

AGE < 26	117.7	13.7	108.7	15.3
AGE 26-35	231.6	26.9	194.6	27.3
AGE 36-45	214.3	25.0	171.2	24.1
AGE 46-55	192.4	22.4	150.1	21.1
AGE 56-65	95.3	11.1	77.7	10.9
AGE 65	7.4	0.9	9.0	1.3

Employee education

In addition to the professional qualifications of its workforce acquired through a vocational apprenticeship or university degree program, the company attaches great importance to providing employees with training and continuing education. The high level of specialization and increasingly tough requirements pertaining to quality and operating procedures call for additional specialist expertise. Bachem provides opportunities for continual professional development to employees as appropriate through internal programs and external providers. Bachem Group specialists meet periodically for international seminars or to share information. Seminar topics cover the entire spectrum of Group activities, including research and development, production, quality assurance and regulatory affairs, finance, marketing and sales. In addition to technical know-how, special attention is accorded to continual management training. Level-specific courses on topics including self-development and leadership were provided in the period under review.

Ethics and integrity

For the Bachem Group, ethically correct behavior and integrity are essential prerequisites for lasting business success. The professional and personal integrity of our employees is a prerequisite for meeting the high quality standards of all stakeholders. Our principles of ethical behavior and integrity are binding on all staff, are set down in writing, and are applied without exception. This applies in particular to staff with customer- or supplier-facing roles, such as sales and procurement staff.

Responsible Care

Bachem is constantly working toward lasting improvement with regard to environmental, health, safety and security issues (EHS). Therefore, it is continuously developing and implementing, on its own and in collaboration with external partners, new concepts to promote employee awareness of safety and environmental issues. To ensure that sufficient resources are available in-house to achieve these goals, the number of staff assigned to EHS was increased at a significantly higher rate than the overall headcount.

RESPONSIBLE CARE KEY FIGURES

	2015	2014	2013	2012	2011
PERSON ACCIDENTS, NUMBER/100 EMPLOYEES	1.5	0.8	0.7	1.5	1.4
LOST WORKING DAYS, NUMBER/EMPLOYEE	0.1	0.0	0.1	0.1	0.2
HEALTH SAFETY ENVIRONMENT STAFF, NUMBER	8	6	6	6	5
TOTAL STAFF, NUMBER	750	660	579	601	587
ENVIRONMENT KEY FIGURES					
TOTAL ENERGY CONSUMPTION, GJ/EMPLOYEE	148	161	191	195	192
CO ₂ , T/EMPLOYEE	4	5	6	6	6
NO _x , KG/EMPLOYEE	4	5	6	5	5
SO ₂ , KG/EMPLOYEE	1	1	1	1	1
VOC, KG/EMPLOYEE	31	29	37	37	51
TOC, KG/EMPLOYEE	4	6	6	6	6
HAZARDOUS WASTE DISPOSED OF, KG/EMPLOYEE	6 544	4 991	6 946	7 967	9 932
TOTAL WATER CONSUMPTION, M ³ /EMPLOYEE	126	132	175	179	184

Protection of human health and the environment and upholding the safety of employees and the surrounding communities are fundamental concerns in the chemical industry. To meet its social responsibility, Bachem has been committed to the objectives of the Responsible Care program for more than two decades. This unique global initiative drives continuous improvement in the health, safety and environmental performance of globally operating chemical companies, and the extent of its commitment frequently goes beyond what the law requires. Responsible Care promotes responsible handling of resources and risks and provides a major contribution in achieving sustainable development.

Right from the planning stages of new plants and production processes, issues relevant to safety and the environment are addressed with the involvement of the employees concerned. Annual statistics measure company performance and development and are used by management as a tool to identify and implement improvements. Bachem collects relevant data at its three largest sites – Bachem AG in Bubendorf and Vionnaz and at Bachem Americas Inc. in Torrance, California – and evaluates the results compared with other years and relative to the pertinent industry benchmarks.

Workplace hygiene

Workplace hygiene is a basic requirement for safe handling of active substances and hence an integral part of efficient employee health and safety protection at Bachem. Bachem's strategy to provide optimum workplace hygiene is based on three main interlinked components: personnel hygiene, a basic hygiene concept and control banding.

The approach is based on universal principles of personnel hygiene, for instance in relation to employee clothing and personal care. The basic hygiene concept also seeks to prevent active substance release and subsequent carryover. Technical solutions implemented to this end include the use of closed transfer systems and physical separation of individual production plants. Organizational measures include analysis and optimization of personnel and material flows and specifications for surface cleaning procedures – including non-product-contact surfaces – and waste disposal. Bachem provides suitable personal protective equipment for this purpose, hosts periodic training in its use and enforces application in line with requirements.

The purpose of control banding is to monitor active substance concentrations in the manufacturing environment and contain them to levels low enough to reliably prevent absorption of an effective dose during the performance of work tasks. Active substances are divided into control bands based on what is known about their physiochemical properties and biological mechanisms of action. Depending on the consistency of the active substance, the manufacturing process and the quantity to be produced, measures are set forth based on the risk level of the respective control band to ensure compliance with concentration limits. Control banding techniques are also used in the planning of structural investment projects.

Environmental parameters

As a result of the very pleasing order intake, the workforce at the production sites where Responsible Care statistics are collected increased by 14% versus the previous year from 660 to 750 employees. Despite this substantial expansion of capacity and increased production output, Bachem nonetheless succeeded once again in improving its performance in the vast majority of the environmental parameters investigated.

With a total energy consumption of 148 GJ per employee, Bachem reduced the figure by 8% versus the previous year and was once more well below the reference value of the Swiss chemical industry of 516 GJ per employee. Total water consumption was reduced by 5% from the previous year to 126 m³ (Swiss chemical industry: 6 420 m³ per employee). Special waste disposal volume and volatile organic carbon emissions increased compared to the previous year, but were less than the levels recorded in 2013. Bachem's environmental stewardship efforts led to a reduction in the emissions of CO₂, NO_x and TOC (total organic carbon) per employee. In a cross-comparison with the Swiss chemical industry, Bachem Group has very good environmental statistics to show. Its environmental impact is comparatively low and its resource consumption figures relative to economic output are well below the industry average.

Occupational safety

Statistical data on work-related injuries and the resulting lost workdays were within the range reported for the years 2011 to 2014. The number of occupational injuries rose to 1.5 per 100 employees, but the lost workday rate remained at an exceptionally low level of 0.1 per employee. All of the workplace incidents during

the year under review were minor. They resulted in only inconsequential and reversible injuries.

Once again, non-occupational accidents are significantly more common than occupational accidents and are associated with significantly higher rates of absence from the workplace. As for non-work-related injuries, the number of cases per 100 employees declined by 27% from the previous year. The reduction in the resulting number of lost workdays was even more pleasing, having declined by 35%. The main hazards resulting in non-occupational accidents are slips and falls and sporting injuries. Bachem pursues a holistic approach to safety training for employees in the knowledge that risk awareness on the part of employees during their leisure time has been proven to reduce the frequency of accidents at the workplace.

Health management

The Corporate Health Management (CHM) strategy promoting employee health was again given high priority in the year under review. CHM involves the development of corporate structures and processes specifically designed to promote employee health, performance and motivation. Bachem's corporate health management goes beyond the minimum requirements for healthcare applicable by law. CHM at Bachem encompasses topics including people in organizations and work-life balance.

Ethics and integrity

Bachem does not grant any advantage or concession if it is

- not in line with local law or custom
- not properly accounted for and financially registered

Bachem does not give nor request nor accept

- any illegal rebate
- any kickback payments
- any "unofficial" payments
- any form of improper gift or favor

Bachem employees

- do not encourage or solicit gifts or personal advantages of any kind from any third party
- avoid situations where their personal interests may conflict with the interests of Bachem
- will inform the responsible line manager if any unsolicited conflict of interest arises

Corporate governance encompasses all of the principles aimed at safeguarding sustainable company interests. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and control.



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: BANB.S, Bloomberg: BANB SW). Market capitalization at December 31, 2015 was 706 000 kCHF. No other Bachem companies are listed.

All consolidated companies are listed in note 23 on page 96 of the notes to the consolidated financial statements including company name, location, registered capital, and participation.

1.2 Significant shareholders

Shareholders with more than 3% of voting rights on December 31, 2015, are listed in note 8 on page 104 of the notes to the financial statements of Bachem Holding AG. There were no new disclosure notifications made in the reporting year. 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, 2015, 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 2013, 2014 and 2015, share capital remained unchanged. Changes in equity for the years 2015 and 2014 are listed on page 73 of the consolidated financial statements. Changes for 2013 are reported on page 71 of the Annual Report 2014.

2.4 Shares and participation certificates

At December 31, 2015, Bachem Holding AG had 6 802 000 registered shares A and 6 798 000 registered shares B at a nominal value of CHF 0.05 issued, all fully paid-in. Registered shares B, but not registered shares A, are considered for trade at the stock exchange. Otherwise, both types of shares have the same rights, and there are particularly no differences regarding rights to dividends and voting rights. Each registered share carries one vote at the Annual General Meeting of the Company, provided the shareholder has been recorded in the Company's share register (see item 2.6). All shares are fully entitled to dividends. There are no participation certificates.

2.5 Dividend-right certificates

Bachem has not issued any dividend-right certificates.

2.6 Limitations on 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 there any other exceptions to entering the share register been granted by the Board.

2.7 Convertible bonds and 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 79 and 80 as well as in note 21 of the consolidated financial statements on page 95.

3 Board of Directors

3.1 Members of the Board of Directors

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

Kuno Sommer¹ (1956), Ph.D. in Business Administration, Chairman, Swiss. Since 2012, elected until 2016.



Dr. Kuno Sommer worked for Roche from 1986 to 1999 in various functions, including four

years in the USA. He was ultimately a member of the Executive Committee of Roche, responsible for the Flavors and Fragrances division, today Givaudan. From 2000 to 2006, he was CEO of Berna Biotech. Kuno Sommer is Vice-Chairman of the Board of Polyphor AG, Chairman of the Board of PDS Pathology Data Systems AG and Chairman of the Board of Kenta Biotech AG.

Nicole Grogg Hötzer (1973), Graduate Biologist, Vice-Chairwoman, Swiss. Since 2011, elected until 2016.



Nicole Grogg Hötzer graduated in biology at Basel University in 1999. Afterwards, she worked in various positions in the field of regulatory

affairs until 2009. In 2002, Nicole Grogg Hötzer began her postgraduate studies in business administration at the University of Applied Sciences Basel which she completed successfully in 2004. Nicole Grogg Hötzer is Vice-Chairwoman of the Board of Directors of Ingro Finanz AG and member of the Board of Directors of MFC Beteiligungs AG.

Jürgen Brokatzky-Geiger¹ (1952), Dr. rer. nat., Member, German. Since 2009, elected until 2016.



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, 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. From September 2003 to February 2014, he was appointed as Global Head of Human Resources. On February 26, 2014, Dr. Jürgen Brokatzky-Geiger took over responsibility as Global Head of Corporate Responsibility of Novartis.

Thomas Burckhardt (1950), Dr. iur., LL.M., Secretary, Swiss.



Since 1997, elected until 2016.

Thomas Burckhardt studied at the universities of Basel, Geneva and Munich and was awarded his doctorate in 1978 in Basel. Since 1975,

he is admitted to the bar and in 1979, he received the degree of a Master of Laws (LL.M.) at Harvard Law School (Cambridge, Massachusetts, USA). Since 1980, he is practicing law in Zurich and Basel and since 1987, he is a partner at Simonius Pfrommer & Partner in Basel. Thomas Burckhardt further is Honorary Consul-General of the Kingdom of Thailand in Basel. Other important Board memberships: MFC Beteiligungs AG and Stiftung FOCUS Basel.

Rolf Nyfeler¹ (1950), Dr. phil. II, Member, Swiss. Since 2012, elected until 2016.



Rolf Nyfeler studied chemistry at Basel University and was awarded his doctorate in 1979. Afterwards, he deepened his knowledge

with postdoc stays at the Max-Planck-Institute in Martinsried and at the University of California in San Diego. Rolf Nyfeler joined Bachem in 1982. For many years, he was responsible for Research and Development in Bubendorf. Then, after spending some time as Head of Production in the subsidiary in California, he became COO of the parent company in 1998. From 2002 to 2012, he was CEO of the Bachem Group and Chairman of the Corporate Executive Committee.

Helma Wennemers (1969), Prof. Dr., Member, German.



Since 2014, elected until 2016.

Helma Wennemers graduated with a diploma degree in chemistry from Johann Wolfgang Goethe-University in Frankfurt in 1993.

Three years later, she earned a doctorate degree from Columbia University, New York. She then pursued post-doctoral studies at Nagoya University before accepting the "Bachem-Stiftungs-Assistenzprofessur" at the University of Basel in 1999, where she became Associate Professor in 2003. Since 2011, she is Professor at the Laboratory of Organic Chemistry at ETH Zurich. Helma Wennemers' research has been recognized by several awards including the "Leonidas Zervas Award" (2010) and the "Goering Visiting Professorship of the University of Wisconsin, Madison" (2004). She has also been awarded with numerous honorary lectureships such as the "David Ginsburg Lectureship" at the Technion in Haifa (2010) and she was named "Fellow of the Royal Society of Chemistry" (2013).

¹ Member of the Compensation Committee

3.2 Other activities and vested interests

Other activities of the members of the Board of Directors are described in the paragraph above.

3.3 Number of permitted activities

No member of the Board of Directors may hold more than ten other mandates, of which no more than three may be board memberships in other listed corporations. A mandate as chair of the Board of Directors counts as two mandates. The following mandates are not subject to the aforementioned limitations:

- Mandates in companies that are controlled by the Company or that control the Company
- Mandates held at the request of the Company or a company controlled by it
- Mandates in associations, charitable foundations, family foundations and trusts, and employee assistance foundations

Mandates are defined as roles and responsibilities in the supreme governing body of a legal entity that is required to be entered in an official commercial register or a comparable foreign register. Mandates in different legal entities controlled by the same body or entity or that have the same beneficial owners are deemed to be a single mandate.

3.4 Elections and terms of office

The members of the Board of Directors and its chair and the members of the Compensation Committee and the committee chair are elected by shareholders at the Annual General Meeting for a one-year term of office. Reelection is permitted. Elections are individual. All elections and motions at the Annual General Meeting are taken by open vote unless requested otherwise by the majority of votes. For information concerning first election and remaining term of office, see item 3.1.

3.5 Internal organizational structure

During 2015, the Board of Directors held four full-day meetings as well as one two-day strategy conference. The Corporate Executive Committee attends generally the Board meetings (see item 3.7). All meetings were attended by all Board and Corporate Executive Committee members. If necessary, additional persons will attend board meetings as guests to discuss specific items on the agenda. During 2015, two Board meetings

were attended by a total of two guest persons.

In addition, the two regional Chief Operating Officers (COOs) took part in the two-day strategy conference. In 2015, 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.

A Compensation Committee will be established by the Board of Directors (committee members are named in section 3.1). The Compensation Committee assists the Board of Directors in formulating and periodically reviewing Bachem's compensation strategy and guidelines as well as the performance criteria used to determine the total compensation paid to each member of the Corporate Executive Committee and helps to prepare the proposals of the Board of Directors to the Annual General Meeting regarding the compensation paid to members of the Board of Directors and of the Corporate Executive Committee. The committee also files motions asking the Board of Directors to establish or change the variable compensation and employee stock ownership plans based on personal performance and/or Company earnings. All proposals put forth by the Compensation Committee shall be subject to approval by the full Board of Directors. The Compensation Committee held one one-hour meeting during the period under review.

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. Furthermore, 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 performed by the full Board since considering the size of the Board with its six members, the Board of Directors has renounced the formation of additional firm committees.

Since 2012, Dr. h.c. Peter Grogg, the founder, majority shareholder, CEO and Chairman of the Bachem Group for many years, is Honorary Chairman of the Bachem Holding AG. According to the bylaws, the Honorary Chairman does not execute any institutional function, but is allowed to take part at the Board meetings as an advisory guest with no voting rights.

3.6 Definition of areas of responsibility

Pursuant to the 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:

- Overall management of the Company and the issuing of all necessary directives
- Determining the Company's organization in the Organization Regulations
- Establishing the Company's policies and procedures regarding accounting, financial controls and financial planning
- Appointment and dismissal of the persons entrusted with managing and representing the Company
- Overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, the Articles of Incorporation, operational regulations and the directives or instructions that have been issued
- Compilation of an annual report, consisting of the annual financial statements and, if necessary, consolidated annual financial statements, a compensation report and a financial review, in full compliance with all applicable legal requirements
- Preparations for the Annual General Meeting and the implementation of its resolutions
- Determination of details regarding the payment of dividends
- Establishment and closure of business offices and subsidiaries
- Notification of the court in the event the Company becomes over-indebted

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 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 the regional COOs (see item 3.5). Furthermore, 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 generally 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. Furthermore, 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.

Additional aspects of the information and control instruments are the internal control system (ICS) and the risk management system, which is described on page 80 under the title risk assessment. Due to its size, the Bachem Group does not carry out its own internal audit.

4 Corporate Executive Committee

4.1 Members of the Corporate Executive Committee

Thomas Früh (1957), Dr. chem. ETH, CEO, Swiss. Since 2012.



Thomas Früh joined Bachem in 1997. He was first COO of the Bachem Group Company in Pennsylvania and became COO of Bachem AG in 2001. Since April 1, 2012, he is CEO of Bachem

Holding AG and Chairman of the Corporate Executive Committee. He completed his education as a chemist at the Swiss Federal Institute of Technology in Zurich (ETHZ) and then was a research fellow at Harvard University in Cambridge. Before he joined Bachem, he held various research and development positions at Ciba-Geigy and Novartis. Thomas Früh is member of the Board of Directors of Dottikon ES Holding AG and Board member of the business association scienceindustries.

José de Chastonay (1954), Dr. phil. nat. & MBA, CMO, Swiss/American. Since 2012.



José de Chastonay joined Bachem AG in 1991 as International Marketing Manager. As of 1992, he relocated to the USA, first as President and

COO of Bachem Bioscience, Inc., and subsequently of Bachem, Inc. and ultimately as President of Bachem Americas. In 2007, he left Bachem to become CEO of Irvine Scientific Inc. and Managing Director of Wombat Capital Ltd. in Los Angeles, before rejoining Bachem as Chief Marketing Officer in 2012. José de Chastonay started his industrial career with Ares-Serono as Assistant Director of Biotechnology and joined Roche Diagnostics as International Product Lines Manager several years later. He served on the Board of Directors of Viroblock SA as well as on the Strategic Advisory Board of Rapid Pharmaceuticals and serves as Treasurer of the European University Foundation as well as on the Board of Directors of Protein Technologies Inc. José de Chastonay earned his Ph.D. in medical microbiology from the University of Bern and his MBA from the European University in Montreux.

Günther Loidl (1970), Dr. rer. nat., CTO, German. Since 2015.



Günther Loidl joined Bachem in 2000. He held several functions in Research and Development (R&D) and Active Pharmaceutical Ingredient Manufacturing and became Vice President R&D

in 2012. Since 2015, he is CTO of the Bachem Group and a member of the Corporate Executive Committee. He studied chemistry in Regensburg (Germany) and Leeds (UK) and obtained his doctorate under the supervision of Prof. Dr. Luis Moroder at the Max Planck Institute of Biochemistry in Martinsried (Germany).

Stephan Schindler (1964), business economist HWV, EMBA, CFO, Swiss. Since 2009.



Stephan Schindler joined Bachem Holding AG as CFO and Member of the Corporate Executive Committee in 2009. In 1991, he assumed a

first management position in informatics as Head of Information Center at Patria Insurances in Basel. In parallel, he persistently pursued his extraoccupational studies in business economics, finance and control. After his graduation, he joined the Corporate Finance Department at F. Hoffmann-La Roche Ltd in Basel. From 1995 to 2001, he assumed various positions, e.g. Head of Credit Management. With the unbundling of the division in 2001, he took over the accounting & reporting department at Roche Vitamins Ltd. Until 2009, he was Head Finance & Control Switzerland at DSM Nutritional Products Ltd, Kaiseraugst. In addition, Stephan Schindler holds a degree of International Executive MBA Zurich/ Boston.

4.2 Other activities and vested interests

Other activities of the members of the Executive Committee are described in the paragraph above.

4.3 Number of permitted activities

A member of the Corporate Executive Committee cannot hold more than five other mandates, barring approval by the Board of Directors. No member of the Corporate Executive Committee may chair the Board of Directors of a listed company. The following mandates are not subject to the aforementioned limitations:

- Mandates in companies that are controlled by the Company or that control the Company
- Mandates held at the request of the Company or a company controlled by it
- Mandates in associations, charitable foundations, family foundations and trusts, and employee assistance foundations

Mandates are defined as roles and responsibilities in the supreme governing body of a legal entity that is required to be entered in an official commercial register or a comparable foreign register. Mandates in different legal entities controlled by the same body or entity or that have the same beneficial owners are deemed to be a single mandate.

4.4 Management contracts

Bachem has not entered into any management contracts.

5 Compensation, shareholdings and loans

For details of the remuneration of the Board of Directors and the Corporate Executive Committee as well as the employee share plans of the Bachem Group, please refer to the compensation report starting on page 56 of this Annual Report.

Details of shares and options held by the Board of Directors and the Corporate Executive Committee can be found in the notes to the financial statements of Bachem Holding AG on page 105 to 106.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

Shareholders duly registered with voting rights in the share register on the day the invitations to a general meeting are sent out are entitled to vote, as are any proxies appointed in writing by said shareholders. Legal representatives require no such written authorization. Proxies must be shareholders of the Company, unless they are serving in the capacity of legal representative. Representation by Company proxy or by a custodian bank is no longer permitted. Every shareholder duly registered in the share register can be represented at a general meeting by the independent proxy or by another shareholder. Shareholders can participate in the proposals and elections at a General Meeting by transmitting powers of attorney and specific instructions to the independent proxy in advance electronically. The Board of Directors can adopt and publish rules regarding participation in and representation at general meetings of shareholders.

6.2 Quorums required by the Articles of Incorporation

The Annual General Meeting passes resolutions and holds 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 Convocation 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 10% 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 Inclusion of items on the 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 Entries in 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: www.bachem.com/financial_calendar

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 article 135 and 163 of the Federal Financial Markets Infrastructure Act (FinfraG) (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. Dr. Rodolfo Gerber has been lead auditor since the business year 2011. 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

Auditing fees of PricewaterhouseCoopers for the Bachem Group amounted to 180 kCHF for the business year 2015. Fees for audit services on Bachem companies by other auditors totaled 28 kCHF.

8.3 Additional fees

During 2015, PricewaterhouseCoopers charged additional fees of 282 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 8 kCHF.

8.4 Information instruments pertaining to the external audit

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 conducted as well as on current trends in Swiss GAAP FER and other relevant laws and standards. In 2015, 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 website (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 (obligation to disclose potentially price-sensitive facts, art.53 of the "Listing Rules"). These rules can be viewed under: www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/listing-rules/03_01-LR_en.pdf. For specific questions regarding Bachem, contact our investor relations responsible, Stephan Schindler, CFO, phone +41 58 595 2021, ir@bachem.com.

The compensation report contains information on the compensation of the members of the Board of Directors and the Corporate Executive Committee. It substantially adheres to the provisions set forth in Bachem's Articles of Incorporation, the transparency requirements of the Swiss Code of Obligations as specified in Art. 663b^{bis} and Art. 663c OR, and the Ordinance Against Excessive Compensation in Listed Companies (OAEC) Articles 14–16 and 20.

Basic compensation policy

The steadfast focus on peptides, adherence to the most stringent of quality standards and a distinctive capacity for innovation attest to the skills and many years of experience that Bachem employees possess. In acknowledgment thereof, the central objectives of Bachem's compensation policy are to ensure a sustainable, positive business development and to recruit and retain the best specialists. The compensation system is rooted in the principles of transparency, performance-oriented pay, and lasting value creation. It is aimed to attract, incentivize and retain employees committed to the successful development of the company by offering comprehensive pay packages competitive with peer market practice. Besides the requisite skills and knowledge, a high level of motivation and strong commitment are expected in return.

The foundation for Bachem's compensation model is provided by the binding, Group-wide Bachem Incentive Plan. It sets the overall compensation mechanisms for all employees at Bachem Group, including the members of the Corporate Executive Committee.

The basic principles underlying the system of compensation described in the Bachem Incentive Plan are:

- Total compensation is understood as compensation for total performance
- Total compensation and total performance are focused on sustainable corporate success and therefore further the long-term interests of all stakeholders
- Targets and objectives pertinent to the expected total performance are assigned and/or agreed upon
- The subsequent assessment of total performance takes into consideration internal and individual factors as well as general and external forces and factors of consequence
- All employees have a stake in the company's success within the scope of their roles and responsibilities
- All employees are assigned individual, mutually agreed upon objectives that have a positive impact on the company
- Senior management receives part of its total compensation in the form of blocked company shares

The Bachem Incentive Plan is not utilized to determine the compensation paid to the (non-executive) members of the Board of Directors. To ensure true independence, neither performance-oriented nor individual objectives are applied in setting the overall compensation of the members of the Board of Directors.

Management and control of compensation

The remuneration and share-based payment plans offered to the Board of Directors and the Corporate Executive Committee are determined annually by the Board of Directors acting on a proposal by the Compensation Committee, which shall consist of three members of the Board of Directors. Compensation shall be determined in compliance with all applicable legal, statutory and contractual requirements and, at the Board's own discretion, subject to subsequent approval by the General Meeting.

The General Meeting shall cast a prospective vote on and set with binding force the aggregate compensation of the Board of Directors for the period extending to the close of the next Annual General Meeting.

The resolutions of the Board of Directors on the maximum aggregate amount of fixed and variable compensation of the Corporate Executive Committee for the next fiscal year will also be submitted for approval at the Annual General Meeting. If a new individual is appointed to the Corporate Executive Committee or an existing Corporate Executive Committee member is promoted after the aggregate amount of compensation for the period has been approved, the Board of Directors shall be entitled to provide an additional amount of compensation should the approved amount of aggregate compensation not be sufficient. The additional compensation provided per member of the Corporate Executive Committee shall not exceed 25% of the aggregate amount approved by the General Meeting.

The Compensation Committee supports the Board of Directors in determining and periodically reviewing the compensation strategy and guidelines as well as in formulating the resolutions to be submitted for approval at the General Meeting. Furthermore, the Compensation Committee submits proposals to the Board of Directors regarding key performance criteria to be used in setting individual total compensation for the members of the Corporate Executive Committee. The Committee shall also submit proposals to the Board of Directors for

establishing or revising individual performance- and/or profit-based variable compensation and stock award plans.

Based on the guidelines approved by the full Board of Directors, the Compensation Committee measures the extent to which the financial and non-financial targets of the members of the Corporate Executive Committee have been achieved and makes specific recommendations regarding compensation. These recommendations and the proposals for the compensation of the members of the Board of Directors are presented to the Board of Directors for review and approval.

The Compensation Committee meets as often as necessary to carry out its responsibilities, but at least once every year. It held one one-hour meeting in 2014. No external specialists were called in during the period under review.

The Board of Directors discloses the actual compensation paid to members of the Board of Directors and the Corporate Executive Committee in the compensation report. This report is audited annually by the auditors.

Compensation of the Board of Directors

Compensation paid to the (non-executive) members of the Board of Directors consists of a fixed base fee set independently of the operating results, meeting fees, and an appropriate amount of unrestricted company shares.

The amount of the base fee is determined by the given roles and responsibilities and the associated requirements in terms of time and tasks assigned. In 2015, a gross amount of 30 kCHF per quarter was set for the Chairman and 9 kCHF per quarter for the other members of the Board of Directors. For the year under review, every member of the Board of Directors was awarded 300 BANB shares. Meeting fees amounted to 1200 CHF per day and per meeting participant.

The company may assign individual members additional tasks that go beyond the nature and scope of their given mandate. Compensation of such work shall be paid separately as invoiced. Legal counsel obtained by Thomas Burckhardt, Secretary and member of the Board of Directors, is cited in this regard, for which an invoice of 42 kCHF was issued by law firm and notary office Simonius Pfrommer & Partner.

In congruence with the company's compensation philosophy, there are no agreements between Bachem and the members of the Board of Directors granting entitlement to severance payments, any other benefits on separation from service or loans and borrowings.

Compensation of the Corporate Executive Committee

Compensation of members of the Corporate Executive Committee consists of fixed and variable elements. The short-term variable compensation elements are based on performance metrics that primarily reflect

the company's bottom-line results. Variable compensation is paid both in cash and as blocked company shares. During the first three years after grant, the shares have full voting and dividend rights commencing on the date of grant, but they may not be sold during this time. By imposing a minimum holding period, Bachem adds a long-term perspective to the variable compensation component so as to direct the actions and behavior of Corporate Executive Committee members toward sustainable corporate development.

OVERVIEW OF DUTIES AND RESPONSIBILITIES

BODY / FUNCTION	DUTIES AND RESPONSIBILITIES
ANNUAL GENERAL MEETING	<ul style="list-style-type: none"> – Elect and remove the members of the Board of Directors and the Compensation Committee – Prospectively set the aggregate amount of annual compensation of the Board of Directors – Prospectively approve the maximum aggregate amount of fixed and variable compensation of the Corporate Executive Committee
BOARD OF DIRECTORS	<ul style="list-style-type: none"> – Determine and periodically review Bachem's compensation policy and guidelines – Submit proposals at the General Meeting regarding compensation of members of the Board of Directors and Corporate Executive Committee – Set performance targets and objectives for short- and long-term variable compensation components within the overall compensation of the Corporate Executive Committee members and determine target achievement levels – Establish performance-based variable compensation and stock award plans – Prepare the compensation report
COMPENSATION COMMITTEE	<ul style="list-style-type: none"> – Support the Board of Directors in setting and periodically reviewing Bachem's compensation policy and guidelines – Submit proposals to the Board of Directors on the compensation of the members of the Board of Directors – Support the Board of Directors in determining the key financial and non-financial performance criteria used to set the individual total compensation of the members of the Corporate Executive Committee – Submit proposals to the Board of Directors for establishing or revising performance- and/or profit-based variable compensation and stock award plans – Preparing proposals put to the General Meeting regarding compensation of members of the Board of Directors and Corporate Executive Committee
AUDITORS	<ul style="list-style-type: none"> – Audit of quantitative information on compensations, loans and borrowings in the compensation report (acc. to Art. 17 OAEC)

Total compensation (TC) paid to members of the Corporate Executive Committee consists of a guaranteed base salary (BS) specified by contract and a variable component (IP) as detailed in the “Bachem Incentive Plan,” which is applicable throughout the Group. The achievement scores are weighted with a factor (TF) in the compensation equation.

Total compensation: $TC = BS + IP$

Variable compensation: $IP = BS \times 0.67 \times TF$

Factor: $TF = PTI \times 0.2 + GTI \times 0.8$

Variable compensation is calculated by multiplying 67% of the base salary by a factor derived from the weighted achievement scores for the Bachem Group financial targets (Group Target Incentives/GTI), which are typically based on sales and profits, and with respect to three to five individual objectives (Personal Target Incentives/PTI). The Board of Directors assesses the overall achievement scores with respect to Group-wide and individual targets based on a proposal by the Compensation Committee. The achievement of individual objectives is divided into four achievement levels: 0%, 80%, 100% and 120%.

30% of variable compensation will be paid out as company shares. These shares will be blocked for three years after grant and disclosed in the compensation report at discounted value in accordance with applicable tax laws. The aforementioned proportion of variable

compensation is converted into a specific number of awarded shares using the average daily closing price for the corresponding fiscal year.

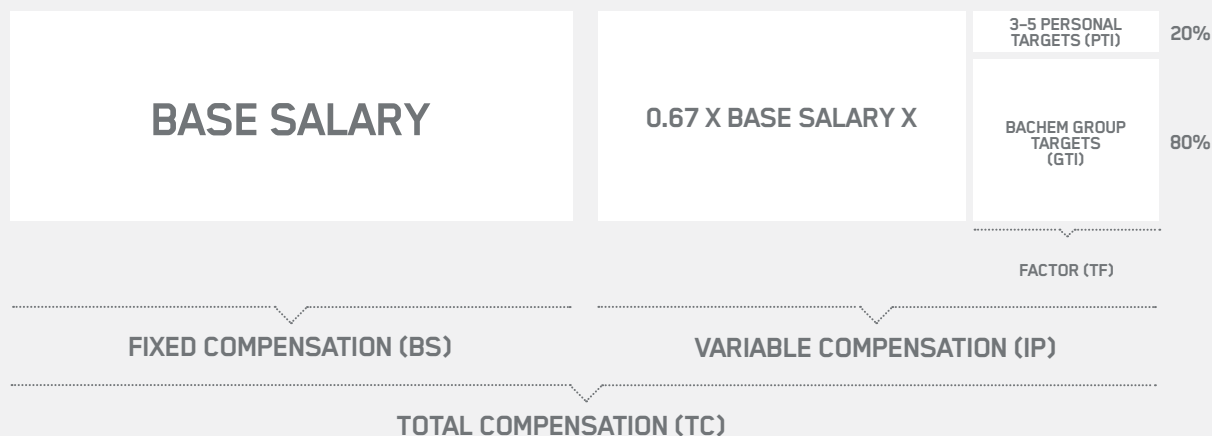
The Group targets set for the 2015 fiscal year were achieved in full and in some cases exceeded. In view of the assessment of the highly positive total performance, the Board of Directors has slightly increased the corresponding variable compensation paid to the Corporate Executive Committee as proposed by the Compensation Committee. In the year under review, the variable compensation of individual Corporate Executive Committee members therefore corresponded in total to approximately 73% of base salary.

In congruence with the company's compensation philosophy, there are no agreements between Bachem and the members of the Corporate Executive Committee granting entitlement to severance payments, any other benefits on separation from service or loans and borrowings.

The shares and options held by the Board of Directors and the Corporate Executive Board are detailed in note 9 beginning on page 105 of the notes to the consolidated financial statements of Bachem Holding AG.

Further information on Bachem Group's share and option plans is given in the notes to the consolidated financial statements on pages 79 and 80 and on page 95.

COMPENSATION MODEL



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 tax values and are composed of as follows:

2015 in 1 000 CHF	Fix salaries, fees	Variable salaries	Share- based payments	Pension plan contri- bution	Other social security expenses	Total
Kuno Sommer (Chairman)	126		15		12	153
Nicole Grogg Hötzer (Vice-Chairwoman)	43		15		4	62
Jürgen Brokatzky-Geiger (Member)	43		15		4	62
Thomas Burckhardt (Secretary)	42		15		3	60
Rolf Nyfeler (Member)	44		15		3	62
Helma Wennemers (Member)	42		15		4	61
Total Board of Directors (BoD)	340	0	90	0	30	460
Thomas Früh (CEO)	268	145	52	62	37	564
Rest of the Corporate Executive Committee	555	296	107	109	65	1 132
Total Corporate Executive Committee (CEC)	823	441	159	171	102	1 696
Total	1 163	441	249	171	132	2 156

2014 in 1 000 CHF	Fix salaries, fees	Variable salaries	Share- based payments	Pension plan contri- bution	Other social security expenses	Total
Kuno Sommer (Chairman)	126		15		12	153
Nicole Grogg Hötzer (Vice-Chairwoman)	42		15		4	61
Jürgen Brokatzky-Geiger (Member)	42		15		4	61
Thomas Burckhardt (Secretary)	42		15		4	61
Hans Hengartner (Member until April 28, 2014)	14		0		2	16
Rolf Nyfeler (Member)	43		15		4	62
Helma Wennemers (Member since April 28, 2014)	29		15		2	46
Total Board of Directors (BoD)	338	0	90	0	32	460
Thomas Früh (CEO)	263	133	48	59	35	538
Rest of the Corporate Executive Committee	573	287	103	120	80	1 163
Total Corporate Executive Committee (CEC)	836	420	151	179	115	1 701
Total	1 174	420	241	179	147	2 161

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



Report of the statutory auditor to the General Meeting of Bachem Holding AG, Bubendorf

We have audited page 60 of the compensation report of Bachem Holding AG for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Bachem Holding AG for the year ended December 31, 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Dr. Rodolfo Gerber
Audit expert
Auditor in charge

Raphael Rutishauser
Audit expert

Basel, February 24, 2016

BACHEM FINANCIAL REPORT 2015

A large, light blue, stylized number '8' serves as a background graphic, spanning most of the page. It has a textured, wavy appearance. The text 'BACHEM FINANCIAL REPORT 2015' is positioned in the top left corner in a bold, dark blue, sans-serif font.

Quality Strategy

The quest for the perfect solution. Continuous improvement thanks to creativity and the ability to adapt. Always seeing what has been achieved and the current challenge as a starting point and incentive for the next development.

Doing this requires a specific mindset: namely, that of an entrepreneur who always wants to offer his partners the best possible quality. With 100% reliability, no exceptions. Steadfastly convinced of doing the right thing.

We at Bachem have lived this commitment to quality from the very outset. Embedded as a strategy, established as a Company-wide initiative, it shapes our day-to-day activities over the long term. Our well-established position as market leader in the production of active ingredients is a result of this consistent focus and, of course, the requirements and appreciation of our customers: **Quality Matters.**



REASON 1

BACHEM IS THE MOST ROBUST AND SUSTAINED SUPPLIER IN THE INDUSTRY SINCE 40 YEARS.

REASON 2

ALL STAGES OF DRUG DEVELOPMENT (PRECLINICAL RESEARCH, CLINICAL PHASES I-III AND AFTER COMMERCIAL LAUNCH) ARE SUPPORTED BY BACHEM'S API PRODUCTION AND SERVICES

REASON 3

CAPABILITY TO PRODUCE LONG AND COMPLEX PEPTIDES AT LARGE VOLUME COMMERCIAL SCALES IS SPECIAL.

REASON 4

HIGHEST INDUSTRY STANDARDS FOR QUALITY ASSURANCE, CONTROL AND REGULATORY COMPLIANCE ARE PART OF BACHEM'S "QUALITY MATTERS" COMMITMENT.

REASON 5

EXCELLENT PROJECT MANAGEMENT RECORD WITH THE WORLD'S BEST PHARMACEUTICAL AND BIOTECHNOLOGY COMPANIES - THE BEST WORK WITH THE BEST.

FIVE REASONS TO INVEST

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Stephan Schindler, CFO



Record sales generated

Bachem maintained its outstanding performance from the first half of 2015 throughout the remainder of the year. Operating results for the second half showed a significant improvement over the first-half results. Bachem has now increased its annual sales five years in a row, and last year's total of more than 200 million CHF marked a new record high for the company.

American Peptide Company integrated

The guidance given for the 2015 financial year was met in full. Bachem increased its sales by 24.7 million CHF from the previous year to 208.6 million CHF. This number includes sales of approximately 7 million USD from American Peptide Company (APC), which Bachem acquired at the end of March 2015. The sales growth rate amounted to 13.4% in CHF and 13.8% in local currency (LC). Consequently, the Group's organic sales growth, as already announced with the first-half results, was at the top end of the targeted range of 6–10% (excluding APC).

Turnaround at research ingredients confirmed

Sales in the research ingredients business were buoyant. Catalog product and custom synthesis sales showed renewed growth in a highly competitive market. The measures implemented in preceding years were effective while the activities acquired from APC have created additional, promising business opportunities and strengthened Bachem's strong position in the

global market. The Group is seeking to reinforce the turnaround momentum by modernizing its online shop, introducing lean processes and making further investments in the Center of Excellence for custom synthesis in England. Bachem is also examining potential alliances in the emerging Asian market.

Sound platform for New Chemical Entities

In the New Chemical Entities (NCEs) business, the impressive sales growth of more than 22% in local currency announced for the first half of 2015 set the stage for a highly successful year overall. The clinical progress of NCE projects does not correlate with the calendar year so not all of the initially expected sales had been realized as of the reporting date of December 31, 2015. Due primarily to the push-forward of project sales into the 2016 fiscal year, the sales of NCEs and related services were 4.8% below the figure from the previous year in CHF. Management sees no reason to take any special measures in response to this temporary deviation from the targeted pathway. Meanwhile it has upgraded its 2016 forecast for both the Europe and North America regions. Both have built up an extensive, top-quality project portfolio and offer an attractive range of services for NCEs.

Project portfolio expanded

Bachem managed once again to expand its NCE project portfolio significantly during the past year. At year-end, Group companies in Europe and North America were working on a total of 241 development projects for customers. Attention is drawn to the large number of projects in Phase II and III clinical trials. They provide Bachem with an outstanding platform for a successful future.

Sales of generic peptides surge

Bachem achieved strong growth in generics despite conflicting currency movements. Generics sales reached 110.3 million CHF and both market regions – Europe and North America – showed very pleasing trends with sales rising by nearly 26% in local currency. Thanks to the visibility regarding prospective sales, which is much better than in the NCE business, generics sales were again an important counterweight to the temporary effects from other product categories in the year under review. The effect of NCE project delays on sales and operating results was therefore offset by higher generics sales, allowing the company to meet its overall targets.

Sales breakdown by product category

Both product categories delivered fast growth in 2015 and included sales from the APC acquisition for the first time.

in million CHF	2015	Change in local currency	Change in CHF	As % of total sales
API Products	175.8	+ 11.9%	+ 11.8%	84.3%
Research Ingredients	32.8	+ 25.3%	+ 23.2%	15.7%
Total sales	208.6	+ 13.8%	+ 13.4%	100.0%

Geographic breakdown

From a geographic perspective, sales trends in Europe and the US were very pleasing. There was a slight shift in the sales mix towards North America due in part to the acquisition of APC.

in million CHF	2015	Change in local currency	Change in CHF	As % of total sales
Europe	135.7	+ 14.6%	+ 11.0%	65.0%
North America	72.9	+ 13.3%	+ 18.2%	35.0%
Total sales	208.6	+ 13.8%	+ 13.4%	100.0%

Market leadership extended

Bachem managed to strengthen its leading market position in an ongoing challenging market. Demand for peptide-based therapeutic agents remained firm, and the order backlog is at an outstanding level. Thanks to the availability of underutilized resources arising from the smooth integration of APC and the additional investments that are being made to expand existing production capacity, Bachem is well positioned to capture the expected market growth and overcome all related challenges along the way.

Operating profit +13.5%

Excluding last year's extraordinary gain of 2.0 million CHF on the divestment of the immunology product line, Bachem increased its operating profit (EBIT) for fiscal 2015 by about 13.5% to 38.5 million CHF. This figure includes a negative amount of 0.9 million USD in connection with the business activities acquired from APC. Despite this one-time effect, Bachem was able to raise its EBIT margin to the slightly higher level of 18.5% (previous year: 18.4% excluding immunology product line divestment proceeds). Operating profit before depreciation and amortization (EBITDA) amounted to 56.8 million CHF (previous year: 55.1 million CHF), which corresponds to an EBITDA margin of 27.2%.

Negative currency effect

Divergent exchange rate movements during the period under review, primarily by the USD and EUR to the Swiss franc, had an overall highly negative impact on the company's results reported in Swiss francs. At the top line, the effect of currency translation was virtually neutral, but at the EBIT line the appreciation of the USD in particular led to a higher cost base for the North American operations after translation into CHF. The negative currency translation effect of 0.9 million CHF reported at the half-year mark rose during the course of the year to a negative 1.7 million CHF.

Gross profit +11.5%

Bachem's production volumes of active ingredients were again significantly higher in 2015 compared to previous years and capacity utilization rates continued to climb, with some production lines operating at full capacity. Staffing levels were increased at all production-related units to meet the growing demand. Sustainable cost savings in procurement, process improvements, and a high rate of capacity utilization were unable to completely offset the higher personnel costs and, in particular, the higher level of operating costs in the US after translation into CHF. The cost of goods sold therefore edged slightly higher to 66.2% of sales (previous year: 65.6%). Bachem nevertheless managed to increase its gross profit by 7.3 million CHF (+11.5%) in nominal terms during the year under review. This marks a continuation of the pleasing trend from previous reporting periods.

Employees a key factor for success

The success of Bachem Group rests upon the know-how and experience of its workforce. Against the background of increasing project complexity and growing regulatory requirements, both Bachem and its customers can rely on highly skilled and experienced specialists to get the job done. Bachem employees go to great lengths to ensure that "Quality Matters" is embraced in every aspect of the business.

New jobs created

Thanks to the good business momentum and high capacity utilization, Bachem was able to create 93 new jobs last year. Together with the 55 APC employees who were retained by Bachem, the total headcount rose by 148 compared to the previous year. As of December 31, 2015, the Bachem Group employed a total of 902 people in 859 full-time-equivalent positions. In view of the good order situation, the company plans to create more jobs at all of its locations over the coming year. As the "Pioneering Partner for Peptides" and market leader, Bachem offers its employees unique opportunities to work on exciting, groundbreaking projects in interdisciplinary teams and together with customers. This gives Bachem employees a chance to play an active role in advancing the development of new therapeutic agents for more effective treatment of diseases and other products.

Staff costs

As before, staff costs were the Group's largest single cost item in 2015. When comparing costs on a year-on-year basis, attention is drawn to the organic growth fueled by the pleasing order intake as well as the wages for the retained APC employees. Total personnel expenses for the period amounted to 95.1 million CHF (previous year: 78.5 million CHF).

Marketing & sales

The company was present at all major trade fairs and received positive feedback on its new "Pioneering Partner for Peptides" concept. Together with the activities and employees acquired from APC, costs for marketing and sales operations rose as expected by 1.6 million CHF from the previous year to 14.2 million CHF.

Research & development

Research and development costs amounted to 2.1 million CHF in 2015, which is within the given guidance of some 2 million CHF a year. The reported sum includes amortization of previously capitalized development costs for new generics in the amount of 0.6 million CHF. Bachem recognized the costs incurred at production units for process optimization or scale-ups as well as development costs for new generic samples directly in cost of goods sold in 2015, as in previous reporting periods.

General administration

General administrative costs amounted to 16.7 million CHF. Compared to the previous year, this represents an increase of 1.6 million CHF (+10.8%). The difference to the previous year is largely attributable to the acquisition and integration of APC. General administrative costs also included expenditure for the necessary buildup and ongoing professionalization of support functions in finance, IT, human resources and other areas in response to the company's growing size. Non-recurring advisory costs were also incurred in 2015 in connection with the evaluation of a new Enterprise Resource Planning (ERP) system and the clarification of legal and tax issues.

Lower level of depreciation and amortization

Depreciation and amortization amounted to 18.3 million CHF, approximately 0.9 million CHF less than in the previous year. This can primarily be traced to the 0.8 million CHF decrease in amortization of capitalized development costs compared to 2014. No impairments were recognized during the period under review.

Significant increase in net income

Net income for fiscal 2015 was likewise well above the figure reported in the previous year. Bachem's net income of 31.8 million CHF exceeded the bottom-line figure from 2014 by 2.8 million CHF (+9.5%). Excluding the extraordinary income from the previous reporting period on the divestment of the immunology product line, net income increased by about 14%, despite unfavorable currency effects and APC's negative contribution to consolidated results.

Negative effect from foreign exchange result

The Swiss National Bank's historic decision announced on January 15, 2015 led to a negative foreign exchange result of 2.2 million CHF by mid-year. Thanks to the euro's subsequent recovery and the dollar's appreciation, there was an improvement, but at year-end the foreign exchange result still had a negative effect of 1.0 million CHF on net income.

Low interest rates

Due to the low level of interest rates and reduced borrowing requirements, interest expense declined to 0.1 million CHF (previous year: 0.3 million CHF).

Tax rate

The Group's tax rate was a low 14.6%. This can largely be attributed to the negative result of APC and the ensuing reduction in US earnings at the consolidated level. Tax expense for fiscal 2015 amounted to 5.4 million CHF. Bachem continues to anticipate a Group tax rate of about 20% in the coming years.

Cash flow from operating activities +30.1%

Cash flow from operating activities before changes in net current assets amounted to 52.0 million CHF in 2015, which corresponds to an increase of 5.5 million CHF from the previous fiscal year (+11.8%). Cash-flow-relevant capital held in net current assets declined by 9.5 million CHF. The cash-flow-relevant decrease of 5.0 million CHF in trade receivables and a 4.9 million CHF increase in trade payables had the greatest positive impact on net current assets. A renewed reduction in working capital held as inventory of 1.5 million CHF also had a positive impact. The change in other receivables against third parties and corresponding accruals of 1.9 million CHF diminished cash flow, resulting in a cash flow from operating activities of 61.4 million CHF, or 29.5% of sales. This corresponds to an increase of 14.2 million CHF from the previous fiscal year (+30.1%).

Investments in sustainable growth

Bachem made continual investments in compliance and replacements to ensure full adherence to the company's high standards regarding corporate social responsibility, quality, workplace safety and the environment. Sustainable growth was also a major target of the company's investment activities in 2015. For the first time in several years, capital expenditure exceeded reported depreciation and amortization. Significant investments amounting to more than 25 million CHF were made to secure the Group's sustainable growth. In addition, roughly 11 million CHF was expended on the acquisition of American Peptide Company. Total cash outflow from investing activities amounted to 36.1 million CHF in 2015. This figure is expected to be exceeded by a wide margin in the current year.

Cash flow from financing activities

As a result of the increase in the dividend to CHF 2.00 per share, the dividend distribution of 27.1 million CHF was once again higher than in the previous year (23.7 million CHF). In the first half, Bachem also repaid a total of 21.1 million CHF of the financial liabilities reported in the previous year and borrowed a total of 19.0 million CHF from one Swiss bank. The company had repaid 12.0 million CHF of this loan by year-end and had received an operating loan of 10.0 million CHF from Inagro Finanz AG, resulting in total borrowings of 17.0 million CHF as of December 31, 2015. Cash flow from financing activities amounted to -31.3 million CHF.

Cash and cash equivalents of 23.2 million CHF

Cash and cash equivalents in the consolidated cash flow statement decreased by 6.2 million CHF. Total cash holdings as defined in the cash flow statement amounted to 23.2 million CHF at year-end.

Solid capital base

With an equity ratio of 79.6%, Bachem remains solidly financed. This sound capital base is a guarantee of independence and flexibility as the Group pursues its strategic goals while adhering to its own business priorities and values.

Bachem's share price

Over the course of the 2015 fiscal year, the price of Bachem shares (BANB) traded on SIX Swiss Exchange rose by 5.9% from 49.00 CHF to 51.90 CHF. Bachem shares therefore clearly outperformed the SPI (+2.7%) and the SMI (-1.8%). The lowest closing price during the year was 41.80 CHF, recorded during the turbulent period after the Swiss National Bank's announcement on January 15, 2015, and the highest closing price was 53.90 CHF, recorded on April 7, 2015. During the period under review, Bachem increased earnings per share (EPS) by more than 9% from 2.15 CHF to 2.35 CHF and operating cash flow per share by approximately 30% to 4.54 CHF.

Increase in dividend proposed

Having increased earnings per share significantly for the fourth consecutive year, the Board of Directors is proposing a 12.5% increase in the dividend to 2.25 CHF (previous year: 2.00 CHF) at the Annual General Meeting.

CONSOLIDATED INCOME STATEMENT

For the years ended December 31

in 1000 CHF	Notes	2015	2014
Sales	1/2	208 604	183 937
Cost of goods sold		- 138 122	- 120 733
Gross profit		70 482	63 204
Other income	26	969	2 747
Marketing and sales costs		- 14 163	- 12 591
Research and development costs		- 2 092	- 2 426
General administrative costs		- 16 701	- 15 070
Operating income (EBIT)	2	38 495	35 864
Financial income	5	24	836
Financial expenses	6	- 1 243	- 355
Ordinary income before taxes		37 276	36 345
Income taxes	7	- 5 438	- 7 280
Net income¹		31 838	29 065
Basic earnings per share (CHF)	8	2.35	2.15
Diluted earnings per share (CHF)	8	2.35	2.15

¹ The net income is completely attributable to the equity holders of the parent.

The notes on pages 74 to 98 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At December 31, 2015 and 2014

in 1000 CHF	Notes	Dec. 31, 2015	Dec. 31, 2014
Assets			
Cash and cash equivalents		23 249	29 494
Securities and current financial receivables	9	0	0
Trade receivables	10	38 645	43 401
Other current receivables	11	2 324	711
Prepaid expenses and accrued income	12	1 664	1 057
Current income tax asset		1 078	775
Inventories	13	139 664	139 256
Total current assets		206 624	214 694
Property, plant and equipment	14	223 120	208 924
Intangible assets	15	9 325	8 025
Assets from employer contribution reserve	4	320	320
Deferred tax assets		4 443	3 050
Total non-current assets		237 208	220 319
Total assets		443 832	435 013
Liabilities and equity			
Trade payables	16	21 229	15 644
Other current liabilities	17	4 733	4 781
Accrued expenses and deferred income	18	11 459	9 881
Current income tax liabilities		4 272	2 069
Current financial liabilities	19	17 146	21 207
Total current liabilities		58 839	53 582
Non-current financial liabilities	19	277	149
Deferred tax liabilities	7	31 353	32 151
Total non-current liabilities		31 630	32 300
Total liabilities		90 469	85 882
Share capital	20	680	680
Retained earnings		358 588	339 471
Share premium		26 689	41 568
Own shares		-959	-957
Cumulative translation differences		-31 635	-31 631
Total capital and reserves attributable to the equity holders of the company		353 363	349 131
Total liabilities and equity		443 832	435 013

The notes on pages 74 to 98 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31

in 1000 CHF	Notes	2015	2014
Cash flow from operating activities			
Net income		31 838	29 065
Adjustments for:			
Income taxes	7	5 438	7 280
Depreciation and amortization	2/14/15	18 345	19 224
Financial income	5	- 24	- 836
Financial expenses	6	1 243	355
Share based payments	21	746	706
Loss/gain on sale of property, plant and equipment		3	- 116
Gain on sale of product line	26	0	- 1 996
Income taxes paid		- 5 327	- 7 566
Other non-cash items		- 296	349
Cash flow from operating activities before changes in net current assets		51 966	46 465
Change in trade receivables		5 003	- 9 534
Change in other current receivables, prepaid expenses and accrued income		- 1 882	333
Change in inventories		1 516	2 956
Change in trade payables		4 863	5 161
Change in other current liabilities, accrued expenses and deferred income		- 32	1 837
Cash flow from operating activities		61 434	47 218
Cash flow from investing activities			
Investments in property, plant and equipment		- 21 467	- 13 806
Sales of property, plant and equipment		41	116
Investments in intangible assets		- 3 913	- 1 968
Acquisitions	25	- 10 693	0
Sale of product line	26	0	3 905
Repayment of financial receivables		0	1 732
Interest received		23	36
Other financial payments and proceeds		- 138	- 62
Cash flow from investing activities		- 36 147	- 10 047
Cash flow from financing activities			
Additions of own shares		- 3	0
Disposals of own shares		76	398
Dividends paid	22	- 17 069	- 23 651
Increase in financial liabilities		19 000	33 000
Repayment of financial liabilities		- 33 209	- 56 725
Interest paid		- 140	- 369
Cash flow from financing activities		- 31 345	- 47 347
Net effect of currency translation on cash and cash equivalents		- 187	949
Net change in cash and cash equivalents		- 6 245	- 9 227
Cash and cash equivalents at the beginning of the year		29 494	38 721
Cash and cash equivalents at the end of the year		23 249	29 494
Net change in cash and cash equivalents		- 6 245	- 9 227

The notes on pages 74 to 98 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

2015 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		680	339 471	41 568	- 957	- 31 631	349 131
Net income according to income statement			31 838				31 838
Dividends	22		- 11 369	- 15 700			- 27 069
Offset goodwill	25/27		- 1 352				- 1 352
Transactions with own shares (net of tax)				75	- 2		73
Share based payments	21			746			746
Cumulative translation differences						- 4	- 4
Balance at December 31		680	358 588	26 689	- 959	- 31 635	353 363

2014 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		680	310 406	64 469	- 1 311	- 37 806	336 438
Net income according to income statement			29 065				29 065
Dividends	22			- 23 651			- 23 651
Transactions with own shares (net of tax)				44	354		398
Share based payments	21			706			706
Cumulative translation differences						6 175	6 175
Balance at December 31		680	339 471	41 568	- 957	- 31 631	349 131

As of December 31, 2015, the accumulated non-distributable reserves amount to 12 636 kCHF (previous year: 12 636 kCHF).

The notes on pages 74 to 98 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Business activities

Bachem is a listed technology-based company focused on peptide chemistry. The company provides a full range of services to the pharma and biotech industries. It specializes in the development of innovative, efficient manufacturing processes and the reliable production of peptide-based active pharmaceutical ingredients. A comprehensive catalog of biochemicals and exclusive custom syntheses for research labs complete the service portfolio. Headquartered in Switzerland with subsidiaries in Europe and the US, the Group has a global reach with more experience and know-how than any other company in the industry. Towards its customers, Bachem shows total commitment to quality, innovation and partnership.

Approval of the consolidated financial statements

The consolidated financial statements have been accepted by the Board of Directors of Bachem Holding AG on February 24, 2016 to be presented for approval by the Annual General Meeting on April 18, 2016.

Accounting policies

Principles of consolidation

The financial reporting of the Bachem Group is in accordance with all Swiss Accounting and Reporting Recommendations (Swiss GAAP FER), the accounting and valuation policies as set out below, and the provisions of Swiss law. The consolidated financial statements are based on historical costs, except for the revaluation of financial assets and liabilities at fair value.

The financial statements of the companies on which the consolidated accounts are based are drawn up in accordance with standard principles applied throughout the Group in the preparation of financial statements. The annual reporting period for the individual companies of the Group ends on December 31. All essential cost and income items are recognized on an accrual basis. All internal transactions within the Group such as expenses and income, receivables and liabilities and unrealized profits are eliminated in the process of consolidation.

Acquired companies are consolidated according to the purchase method. Companies which are acquired or sold during the financial year are included in the consolidated accounts from the date of acquisition or up to the date of sale. Unless otherwise indicated, all figures included in these financial statements and in the notes thereto are rounded to the nearest CHF 1 000.

Changes in accounting policies

At January 1, 2013, the Bachem Group voluntarily early adopted the Swiss GAAP FER 31 “Complementary recommendation for listed public companies” standard, which has got effective for reporting periods beginning on or after January 1, 2015. Swiss GAAP FER 31 is applicable for listed companies only and addresses the issues of first time adoption, share based payment, earnings per ownership right, income taxes, financial liabilities, segment reporting and interim reporting. As these particular topics were largely included in the International Financial Reporting Standards (IFRS) which the Bachem Group applied until the year-end 2012, the adoption of this standard lead to only minor adjustments for Bachem.

The Swiss GAAP FER Commission has undertaken revisions concerning revenue recognition and its disclosure, which will be effective for reporting periods beginning on or after January 1, 2016. Specifically small adjustments have been made to the Swiss GAAP FER Framework, to Swiss GAAP FER 3 “Presentation and Format” and to Swiss GAAP FER 6 “Notes”. These revisions will have no effect on the results of the Bachem Group. Only minor impacts on the disclosure are expected.

Scope of consolidation

The consolidated financial statements of Bachem comprise the financial statements of Bachem Holding AG and all companies in Switzerland and abroad that are controlled by Bachem Holding AG (with over 50% of the voting rights being held). The full list of the consolidated companies is to be found under note 23.

Investments in subsidiaries

If the Bachem Group directly or indirectly has a voting majority in a company, or if it directly or indirectly controls a company in any other way, then the full amount of the assets and liabilities, expenses and income of the company in question is included in the consolidated financial statements. Minority interests in the income of companies that do not form part of the Group, and minority interests in the equity of subsidiaries, are shown separately.

Internal transactions and balances between Group companies are eliminated. Goods and services provided between Group companies are charged at market prices. Inter-company profits from inventories and deliveries within Group companies that have not yet been realized through sales to third parties are eliminated.

Investments in associates

Investments in associated companies where the possibility of significant influence on business policy exists are reported according to the equity method and initially recognized at acquisition value. Following acquisition, changes in the level of participation and any value impairments are taken into account. The share in the profit and the dilutive effect of these associated companies are recognized in the income statement.

Currency translation

The individual companies of the Group draw up their financial statements in local currencies. Transactions in other currencies are recorded by the companies using the exchange rate applicable on the transaction date. Foreign currency profits and losses arising from the processing of such transactions and from the translation of financial assets or liabilities into foreign currencies are recognized in the income statement, except in the case of long-term loans provided to companies of the Group as equity loans, for which foreign currency gains are recorded directly in equity.

The consolidated financial statements are drawn up in Swiss francs. The translation into Swiss francs of the assets and liabilities as set out in the local balance sheets is performed at the exchange rate on the relevant date. The translation of the income statement and the cash flow statement is undertaken at the weighted average exchange rate for the reporting year. The currency-related translation differences arising from the translation of the balance sheet and income statement are allocated directly to equity. In the event of the sale of a foreign business unit, these exchange rate differences are recorded in the income statement as part of the profit or loss arising from the sale.

The following exchange rates were used for foreign currency translation:

in CHF	Income statement average rates		Balance sheet year-end rates	
	2015	2014	2015	2014
USD	0.97	0.93	1.00	0.99
EUR	1.07	1.21	1.09	1.20
GBP	1.47	1.51	1.48	1.55

Revenue recognition

Sale of products

The reported sales correspond to the invoiced product deliveries to third parties after deduction of sales tax and discounts. Sales are generally recorded on the delivery date, although to some extent the ownership-related transfer of the risks and rewards to the buyer does not take place until after that date. This simplified procedure has no material effect on the consolidated financial statements. Intercompany sales are eliminated.

Sale of services

Revenue from the sale of services is booked in the accounting period in which the services were rendered.

Interest and dividend income

Interest income is recorded on a pro rata basis. Dividend income is booked on the date on which the legal entitlement to payment arises.

Segment information

Segment information is based on the information used by the Corporate Executive Committee for managing the business. The business segments have been derived from the organizational structure and the internal reporting, without aggregating segments.

In addition to the Europe and North America business segments, which are identified on the basis of geographical territory, a column entitled "Corporate and eliminations" is provided in the segment reporting. This column does not represent a separate business segment, and in addition to the corporate activities includes the eliminations necessary for the reporting of the consolidated amounts.

The Group management measures the performance of the segments on the basis of the operating profit (EBIT).

For the two segments "Europe" and "North America," products and services in the fields of active pharmaceutical ingredients (APIs) and research chemicals (incl. custom synthesis) form the basis for sales.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, credit balances at banks and financial investments with a residual term of not more than three months after the balance sheet date.

The cash flow statement is based on the sum of cash and cash equivalents as defined above.

Financial assets

Securities classified as current assets are carried at market value. In the case of listed securities, this corresponds to the stock exchange price on the balance sheet date. Unlisted securities classified as current assets are carried at acquisition cost less any value adjustments.

Financial assets classified as non-current assets are generally carried at cost less impairment, if any.

Changes in the carrying amount are recognized in the income statement.

Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognized on the date of conclusion of the contract at fair value, and the transaction costs are expensed in the income statement. Subsequent measurement is also based on fair value. Bachem uses derivative financial instruments primarily to hedge exchange rate risks. However, it does not apply hedge accounting in this context. Instead, gains and losses arising from changes in the carrying amount are taken directly to the income statement.

Trade and other receivables

Trade receivables and other receivables are recognized at the nominal value less an allowance for impaired receivables. A provision is formed when there is objective evidence that not all amounts due will be collected. The impairment loss corresponds to the difference between the carrying amount of the receivable in question and the estimated net payment from customers and is recorded as a deduction in sales.

Inventories

The inventories comprise raw materials (including supplies and consumables), work in progress as well as semi-finished and finished goods, and are measured at acquisition cost or Group production cost or (if lower) at net realizable value. Production cost comprises all production costs and an appropriate proportion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the variable costs necessary to make the sale. Inventories are basically accounted for using the first-in-first-out-(FIFO-)method, except for supplies and consumables, which are measured at weighted average cost.

Property, plant and equipment and depreciation

Property, plant and equipment are shown at net book value less accumulated depreciation. They are measured at acquisition or manufacturing cost and depreciated on a straight-line basis over the estimated useful life of the asset, except for land, which is not depreciated. Government grants effect a reduction in acquisition or production costs. Property, plant and equipment that is withdrawn from use or sold is derecognized from the property, plant and equipment at the corresponding acquisition or production cost less accumulated depreciation. The gain or loss on disposal of property, plant and equipment is recognized in the income statement. The estimated useful lives of the main types of property, plant and equipment to be depreciated are given below:

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 expected economic useful life of the asset in question. Maintenance costs are charged to expense as incurred. Additional costs which extend the estimated useful life of an asset and lead to future economic benefit are capitalized, provided that a reliable determination of these costs is possible. All other costs for repair and maintenance are recorded as expenses in the income statement.

An asset is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In this case, Bachem estimates the future projected cash flows that will result from the use of the asset and its possible disposal. If the total amount of these projected cash flows is less than the carrying amount of the asset, an impairment loss in the amount of the difference between the carrying amount and the net realizable value is recognized.

Leases

Finance leases which, from a business point of view, are purchases of assets through long-term financing agreements, are capitalized as fixed assets at the purchase price and depreciated over the useful life of the asset if the leased asset is transferred to the lessee at the end of the lease term. If there is no reasonable certainty that the leased assets will be transferred into the ownership of the lessee at the end of the lease term, they are valued at the present value of the future lease payments or at the lower of acquisition cost or net fair value and depreciated over the term of the lease agreement or over the economic useful life if shorter. The corresponding liabilities are included in current or non-current financial liabilities depending on the lease term. With finance leases, depreciation expenses as well as financial expenses are recognized in the income statement in each accounting period. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

Intangible assets*Goodwill*

The difference between the price paid for an acquired company and the fair value of the net identifiable assets acquired (goodwill) on the date of acquisition is offset against retained earnings. The effects on the income statement of a theoretical capitalization and ordinary amortization as well as any impairment over a useful life of five years are disclosed in the notes. In the event of the sale of a subsidiary, any goodwill acquired at an earlier date and offset against equity is accounted for at initial cost in order to determine the gain or loss in the income statement.

Patents and licenses

Patents and licenses that have been acquired are shown at their historical acquisition cost less accumulated amortization and impairment, if any. Amortization is on a straight-line basis over 3 to 5 years, based on their useful lives. Costs for patents and licenses are expensed in the income statement as incurred. Patents and licenses are tested for impairment whenever there are indications of impairment.

Brands

Acquired brands are carried at historical cost less impairment, if any. The amortization period is 20 years.

Software

Software is shown at acquisition or production cost plus the software implementation costs, less accumulated amortization and impairment, if any, and is amortized on a straight-line basis over the estimated useful life of 3 to 5 years. Software is tested for impairment whenever there are indications of impairment. Costs related to the development or maintenance of IT systems are expensed in the income statement. Costs related to IT projects will be capitalized only if an intangible asset can be identified and produced which will provide a future economic benefit over several years; capitalized software development costs are amortized on a straight-line basis over an estimated useful life of 3 to 5 years.

Research and development costs

Research costs are taken directly to the income statement when incurred. Development costs are capitalized as intangible assets only if an intangible asset can be identified and produced which will provide a future economic benefit over several years, and if the cost of this asset can be reliably determined. Capitalized development costs are amortized on a straight-line basis over an estimated useful life of 5 to 8 years. The corresponding amortization is recognized in the income statement as research and development costs. In addition, capitalized development costs are tested for impairment on a regular basis and an impairment loss will be recognized if there are indications of impairment.

In particular, development costs in connection with the process development of new generics are capitalized according to the progress made in the project in question, since all cumulative criteria for capitalization are met.

Financial liabilities

Financial liabilities comprise loans, borrowings and finance lease liabilities.

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.

The total or partial amount of a financial liability which is due or scheduled for repayment in the following 12 months is shown under current liabilities.

Taxes

Income taxes include both current and deferred taxes. Income taxes are shown in the income statement, except to the extent that they relate to items recognized directly in equity. Current taxes comprise the income tax expected to be paid for the current reporting year and the balancing adjustment in respect of income tax assets and liabilities from previous years. If no distribution of profits is planned, withholding taxes and other taxes on possible subsequent distributions are not taken into account, as retained profits are ordinarily reinvested.

Deferred taxes are determined on the basis of temporary differences between the tax basis of assets and liabilities and their carrying amounts in the balance sheets of the Group companies prepared for consolidation purposes (comprehensive liability method). Deferred tax assets and liabilities at Group level, calculated on the basis of the applicable local tax rates, are reported as non-current assets and non-current liabilities, respectively.

Deferred tax assets for tax loss carry-forwards have only been recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Changes to tax laws or tax rates that have been enacted at the balance sheet date are considered when determining the applicable tax rates, insofar as they are likely to be applicable when the deferred tax assets or liabilities are realized.

Pension benefit obligations

The pension and retirement benefits for employees are based on the regulations and practices in the respective countries in which Bachem is represented.

The actual economic effects of employee pension plans on the Group are calculated at the balance sheet date. An economic obligation is recognized as a liability if the conditions for the formation of a provision are met. An economic benefit is capitalized if it can be utilized for the future Group contributions to employee pension plans. Disposable employer contribution reserves are capitalized. The economic effects of pension plan funding surpluses and shortfalls, and changes in employer contribution reserves, if any, are recognized in the income statement together with the accrued contributions for the same period.

Employee compensation (share based payments)

The Board of Directors passes, depending on the course of business, a resolution to grant all employees a variable share of company profits as part of their annual compensation. The amount of this variable pay depends on the level of fulfilment of individual personal objectives and on the attainment of financial targets by the local Group companies and the Bachem Group. The aggregate amount of variable pay awarded is recognized as accrued staff costs at the end of the year and paid out after the beginning of the following year.

Members of the Corporate Executive Committee, the regional executive managers and the executive managers of larger Group companies receive 25% to 30% of the variable pay in the form of shares. The number of shares that can be granted is calculated on the basis of the average closing prices for the financial year in question. The shares are blocked for a period of three years, but are not subject to any further vesting conditions. The expense is measured at the estimated fair value at the grant date, accrued and booked as an increase in equity (capital reserves). Any differences between the accrued and actual amounts are corrected in the income statement for the following year.

Some managers were awarded free shares upon recruitment or promotion which are blocked for a period of 5 years. These shares are recognized as staff costs over the vesting period at the share price applicable at grant date. In addition, some managers of Bachem Group were granted between 150 and 500 free options every year. One option entitles the holder to purchase one share at a specified exercise price. The options have a term of 3 to 5 years and are blocked for a period of 1 to 3 years. The value of the options corresponds to the market value on the grant date and is determined by an independent expert using the trinomial tree method. The benefits in respect of share options are recognized as staff costs over the vesting period.

The members of the Board of Directors receive 300 shares for each completed year of service. The expense is accrued at the end of the year and booked as an increase in equity (capital reserves).

Bachem holds own shares to fulfill its obligations under its share and stock option plans.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

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 shown at acquisition cost and deducted from equity. Gains or losses on the sale of own shares are recognized in capital reserves.

Dividend distribution

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

Risk assessment

Risks are assessed at Bachem Group during the course of the ordinary board meetings. The Corporate Executive Committee normally takes part in all meetings of the Board of Directors, and is thus fully involved in the risk assessment process. The strategic, operational and financial risks in the various business areas and at the various levels are discussed and, if necessary, measures are defined to minimize risk.

The Corporate Executive Committee meets with the Chief Operating Officers of the individual companies of the Group several times a year in the context of local board meetings, and risks for the respective business units are assessed. The results of these discussions are included in the risk assessment process at Group level.

At the local board meetings, Group-wide risks and their impact on the local entities are also discussed.

For each business area, international meetings take place at least once a year, at which the members of the management discuss area-specific issues and current risks. The Corporate Executive Committee is represented at these international meetings and raises the relevant points in the Group-wide risk assessment process.

Financial risk factors

As a result of its worldwide activities, Bachem is exposed to various financial risks such as currency risks, interest rate risks and liquidity risks. Bachem's general risk management focuses on the unpredictability of developments in the financial markets, and is aimed at reducing the potentially negative effects on its financial performance to a minimum. This includes the occasional use of derivative financial instruments as an economic hedge against financial risks, without applying hedge accounting as such. Bachem works exclusively with first-class financial institutions in this context.

Foreign exchange risk

Bachem is internationally active and is therefore exposed to the foreign exchange risk arising from the fluctuations in the exchange rates of foreign currencies, primarily the US dollar and the euro. The risks relate to expected future transactions, assets and liabilities shown in the balance sheet, and net investments in foreign business operations. If material exchange rate fluctuations are expected, Group Treasury assesses the risks arising from exchange rate fluctuations and if necessary hedges these risks using derivative financial instruments.

Interest rate risk

Interest-bearing securities and cash holdings are exposed to changes in the market interest rates. Changes in market interest rates have an influence on cash flows (cash flow risk) and on the fair value of interest-bearing securities (fair value risk). Interest rate risk is currently not hedged. However, Bachem has the possibility of using financial instruments such as interest rate swaps to hedge some of this exposure.

Price risk

The Group purchases equities, bonds and options for capital management purposes. In accordance with internal investment regulations, only non-operating assets are invested in such securities. Investment guidelines are defined for each asset class.

Investment decisions are taken by an investment committee. Potential investments are carefully screened and analyzed.

Credit risk

Credit risks arise when customers or financial institutions are not able to settle their obligations as agreed. Credit risks can apply to cash and cash equivalents, deposits at financial institutions, and customer receivables. Any financial institution with which Bachem does business must have a minimum rating of "A" from independent rating agency.

Because of the different customer structures in the various business areas, there are no general credit limits that apply across the Group, but the creditworthiness of each business area's customers is systematically evaluated. In this context, the financial situation, previous experience and/or other factors are taken into consideration and if necessary the customers are required to make prepayments.

Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. Bachem monitors its liquidity by careful liquidity management and maintains an adequate level of liquidity that exceeds its daily and monthly operating funds requirement. This includes maintaining a sufficient reserve of liquid funds and marketable securities. Bachem can also obtain loans under favorable conditions at any time through various framework agreements.

A rolling liquidity plan is drawn up on the basis of expected cash flows and is regularly updated. To ensure that it is able to meet its short-term liabilities, Bachem holds a minimum amount of liquid funds which is continually reviewed and adjusted if necessary.

The following tables show the contractual maturities of financial liabilities as per balance sheet date (discounted cash flows):

December 31, 2015 in 1 000 CHF	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	19 237	1 194	798			21 229
Other current liabilities	4 437	0	296			4 733
Accrued expenses and deferred income	884	2 105	8 470			11 459
Current income tax liabilities	518	1 401	2 353			4 272
Current financial liabilities	16	4 048	13 082			17 146
Non-current financial liabilities				277	0	277

December 31, 2014 in 1 000 CHF	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	13 138	2 025	481			15 644
Other current liabilities	4 422	0	359			4 781
Accrued expenses and deferred income	1 921	1 992	5 968			9 881
Current income tax liabilities	0	1 152	917			2 069
Current financial liabilities	18	10 053	11 136			21 207
Non-current financial liabilities				149	0	149

Capital management

In the context of capital management, Bachem ensures that the continuation of the operational activity of the Group is guaranteed and an appropriate return on investment for the shareholders can be achieved. In order to achieve these objectives, Bachem can adjust the dividend payments, repay capital to shareholders, and issue new shares.

Bachem monitors its capital structure on the basis of the equity ratio.

Related parties

Companies and persons are regarded as being related if one of the entities directly or indirectly controls the other entity, is controlled by it, or is subject to joint control with the other entity, if it has an interest in the other entity which gives it a significant influence on the entity, if it has joint control over the entity with another person or if it is an associated company or a joint venture of the entity. The most senior managers of the Group and their close family members are also regarded as related persons, as are providers of pension plans for the benefit of Group employees.

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with Swiss GAAP FER requires the use of certain critical accounting estimates. In addition, the Corporate Executive Committee is required to exercise its judgment in the application of the Group accounting policies. The estimates and assumptions seldom correspond exactly to the actual results and developments. Explanatory notes are provided in the following, concerning those areas that involve a higher level of judgment and complexity, and the areas in which assumptions and estimates are of particular importance for the consolidated financial statements:

Income taxes

Bachem has to pay income taxes in several countries. Significant judgments are required in accounting for income tax provisions. The definitive amount of tax due is uncertain. The Group measures the amount of the tax assets and liabilities in respect of adjustments to tax assessments and in respect of expected tax audits on the basis of estimates as to whether and in what amount additional taxes will become payable.

Provision for slow-movers on inventories

Bachem's work in progress and finished goods are characterized by an extremely long shelf life. Nevertheless, on the basis of commercial considerations, a calculated provision is taken into account, based on various assumptions. This provision reflects the saleability of the products in question.

Capitalized development costs

Development costs for own products are capitalized if the capitalization criteria pursuant to Swiss GAAP FER are fulfilled. Management regularly reviews capitalized development costs for impairment. To this end, discounted cash flow analyses are drawn up that are based on assumptions such as the discount rate and forecasts of future income, costs and capital investments in connection with individual projects. As a result of changes in the economic environment and market conditions, the assumptions used in the calculations may deviate from the actual results. These deviations can have a significant influence on the capitalized development costs in future periods.

1 Sales

The reported sales consist of the following:

in 1 000 CHF	2015	2014
Products	196 968	172 401
Services	11 636	11 536
Total sales	208 604	183 937

in 1 000 CHF	2015	2014
Active pharmaceutical ingredients (APIs)	175 783	157 295
Research chemicals (incl. custom synthesis)	32 821	26 642
Total sales	208 604	183 937

2 Segment information

The presented values are based on the same valuation principles according to Swiss GAAP FER as used for the whole consolidated financial statements.

in 1 000 CHF	Europe	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2015					
Sales third parties	135 692	72 912	208 604	0	208 604
Sales intersegment	36 261	4 055	40 316	- 40 316	0
Total sales	171 953	76 967	248 920	- 40 316	208 604
Income information 2015					
Operating income (EBIT)	38 865	4 212	43 077	- 4 582 ¹	38 495
Other information 2015					
Additions in property, plant and equipment and intangible assets	19 347	6 001	25 348	32	25 380
Depreciation, amortization and reversal of impairment	- 15 649	- 2 661	- 18 310	- 35	- 18 345
Total assets	353 871	96 666	450 537	- 6 705 ²	443 832
Total liabilities	174 287	33 170	207 457	- 116 988 ³	90 469

¹ The amount consists of the operating income from corporate activities of -4 670 kCHF and of eliminations in the value of 88 kCHF.

² The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 136 772 kCHF and of eliminations in the value of -143 477 kCHF.

³ The amount consists of corporate liabilities of 24 296 kCHF and of eliminations in the value of -141 284 kCHF.

in 1 000 CHF	Europe	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2014					
Sales third parties	122 247	61 690	183 937	0	183 937
Sales intersegment	33 086	8 886	41 972	- 41 972	0
Total sales	155 333	70 576	225 909	- 41 972	183 937

Income information 2014					
Operating income (EBIT)	27 997	12 148	40 145	- 4 281 ¹	35 864

Other information 2014					
Additions in property, plant and equipment and intangible assets	14 528	1 246	15 774	0	15 774
Depreciation and amortization	- 16 939	- 2 256	- 19 195	- 29	- 19 224
Total assets	364 651	84 910	449 561	- 14 548 ²	435 013
Total liabilities	186 655	22 426	209 081	- 123 199 ³	85 882

¹ The amount consists of the operating income from corporate activities of -4 365 kCHF and of eliminations in the value of 84 kCHF.

² The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 138 387 kCHF and of eliminations in the value of -152 935 kCHF.

³ The amount consists of corporate liabilities of 27 470 kCHF and of eliminations in the value of -150 669 kCHF.

Information about geographical areas – sales third parties		
in 1 000 CHF	2015	2014
Switzerland	31 364	26 430
USA	56 052	53 032
Austria	24 305	16 056
Great Britain	22 916	21 198
Germany	17 143	19 292
Rest of the world	56 824	47 929
Total	208 604	183 937

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

3 Staff costs

in 1 000 CHF	2015	2014
Salaries and wages	- 75 738	- 61 978
Pension expenses	- 4 705	- 3 859
Other social security expenses	- 9 084	- 7 492
Share-based payments	- 746	- 706
Other personnel-related costs	- 4 789	- 4 454
Total staff costs	- 95 062	- 78 489

4 Post-employment benefits

Post-employment benefits are based on the regulations and circumstances in each country where Bachem is represented.

The following figures give an overview of the financial position of the pension plans.

Economical benefit/economical obligation and pension expenses in 1 000 CHF	Surplus/deficit	Economical share of the Bachem Group		Change with effect on income statement	Contributions	Pension expenses in staff costs	
	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2014	2015	2015	2015	2014
Plans without surplus/deficit	0	0	0	0	491	491	240
Plans with surplus	582	320	320	0	4 214	4 214	3 619
Plans with deficit	0	0	0	0	0	0	0
Plans without own assets	0	0	0	0	0	0	0
Total	582	320	320	0	4 705	4 705	3 859

Employer contribution reserves in 1 000 CHF	Nominal value	Renounced use	Asset according to balance sheet		Change	Result from employer contribution reserves in staff costs	
	Dec. 31, 2015	Dec. 31, 2015	2015	2014	2015	2015	2014
Patronage funds	0	0	0	0	0	0	0
Pension institution	320	0	320	320	0	0	0
Total	320	0	320	320	0	0	0

5 Financial income

in 1 000 CHF	2015	2014
Interest income	24	36
Gain on sale of securities	0	3
Foreign exchange result	0	797
Total financial income	24	836

6 Financial expenses

in 1 000 CHF	2015	2014
Interest expenses	-140	-290
Other financial expenses	-138	-65
Foreign exchange result	-965	0
Total financial expenses	-1 243	-355

Other financial expenses mainly include bank charges.

7 Income taxes

in 1 000 CHF	2015	2014
Current taxes	- 7 182	- 7 866
Deferred taxes	1 744	586
Total income taxes	- 5 438	- 7 280

The following table shows the difference between the expected Group tax rate (the weighted average tax rate is based on the earnings before taxes of each Group company) and the effective tax rate:

Tax rate reconciliation in %	2015	2014
Expected tax rate	15.6	20.1
Impact from change in tax loss carry-forwards	0.0	0.0
Other impacts (mainly from tax credits and allowances)	- 1.0	- 0.1
Effective tax rate	14.6	20.0

The expected tax rate has decreased compared to the prior year as a consequence of higher profits in countries with lower tax rates.

At the end of the years 2015 and 2014, no Group company had any tax loss carry-forwards.

Movement of deferred tax liabilities in 1 000 CHF	2015	2014
Deferred tax liabilities at January 1	32 151	32 426
Change in scope of consolidation	168	0
Recognized in income statement	- 940	- 345
Currency translation differences	- 26	70
Deferred tax liabilities at December 31	31 353	32 151

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	2015	2014
Net income (in 1 000 CHF)	31 838	29 065
Average number of shares outstanding	13 532 178	13 512 994
Basic earnings per share (CHF)	2.35	2.15

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	2015	2014
Net income (in 1 000 CHF)	31 838	29 065
Average number of shares outstanding	13 532 178	13 512 994
Adjustment for dilutive share options	504	970
Average number of shares outstanding for diluted earnings per share	13 532 682	13 513 964
Diluted earnings per share (CHF)	2.35	2.15

In 2014, 812 outstanding options were excluded from the calculation of diluted earnings per share as they were not dilutive. In the reporting year, all outstanding options were dilutive.

9 Securities and current financial receivables

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Securities	0	0
Current financial receivables	0	0
Total securities and financial receivables	0	0

The shares in Pevion Biotech AG, which were valued at 0 kCHF, have been sold in the prior year.

A remaining receivable over 1 734 TCHF, from the sell of an operations building in the USA which was no longer needed, was paid as agreed in the first half of 2014.

10 Trade receivables

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Trade receivables	38 947	43 474
Provision for impairment of trade receivables	- 302	- 73
Total trade receivables	38 645	43 401

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 of provision for impairment of trade receivables in 1 000 CHF	2015	2014
Provision for impairment of trade receivables at January 1	- 73	- 134
Change in scope of consolidation	- 257	0
Provision for receivables impairment	- 128	- 19
Receivables written off during the year as uncollectable	162	12
Unused amounts reversed	0	69
Currency translation differences	- 6	- 1
Provision for impairment of trade receivables at December 31	- 302	- 73

The ageing analysis of trade receivables is as follows:

Ageing analysis in 1 000 CHF	Total	Not due	< 31 days	Overdue and not impaired			Overdue and impaired	
				31–60 days	61–90 days	91–180 days	1–180 days	> 180 days
December 31, 2015	38 947	25 878	8 919	2 608	566	648	0	328
December 31, 2014	43 474	37 012	4 425	1 032	500	405	0	100

11 Other current receivables

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Other receivables	2 324	711
Total other current receivables	2 324	711

Other receivables contain VAT and withholding tax receivables and other receivables against third parties.

12 Prepaid expenses and deferred income

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Prepaid expenses and accrued income	1 664	1 057
Total prepaid expenses and accrued income	1 664	1 057

Prepaid expenses and accrued income comprise prepayments for not yet received goods and services as well as accrued income.

13 Inventories

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Raw materials	17 672	16 525
Work in progress	27 458	15 989
Semi-finished and finished goods	94 534	106 742
Total inventories	139 664	139 256

The provision for slow-movers in the total amount of 41 470 kCHF (2014: 38 011 kCHF) is included in the above line items. The change as well as the utilization of the provision are included in the cost of goods sold.

14 Property, plant and equipment

2015 in 1 000 CHF	Land and Buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	146 769	232 363	16 020	12 422	407 574
Change in scope of consolidation	6 963	843	47	0	7 853
Additions	0	494	570	20 730	21 794
Disposals	0	- 87	- 382	0	- 469
Reclassifications	7 176	4 125	525	- 11 826	0
Currency translation differences	383	44	- 20	76	483
Cost at December 31	161 291	237 782	16 760	21 402	437 235
Accumulated at January 1	- 50 505	- 135 638	- 12 507	0	- 198 650
Depreciation	- 3 172	- 11 612	- 942	0	- 15 726
Disposals	0	42	341	0	383
Currency translation differences	- 73	- 67	18	0	- 122
Accumulated depreciation at December 31	- 53 750	- 147 275	- 13 090	0	- 214 115
Net book value at December 31	107 541	90 507	3 670	21 402	223 120

2014 in 1 000 CHF	Land and Buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	143 360	233 212	15 171	7 333	399 076
Additions	1 076	5 634	880	6 250	13 840
Disposals	- 826	- 10 021	- 320	0	- 11 167
Reclassifications	179	991	77	- 1 247	0
Currency translation differences	2 980	2 547	212	86	5 825
Cost at December 31	146 769	232 363	16 020	12 422	407 574
Accumulated depreciation at January 1	- 46 871	- 132 260	- 11 599	0	- 190 730
Depreciation	- 3 098	- 11 498	- 1 062	0	- 15 658
Disposals	310	9 928	318	0	10 556
Currency translation differences	- 846	- 1 808	- 164	0	- 2 818
Accumulated depreciation at December 31	- 50 505	- 135 638	- 12 507	0	- 198 650
Net book value at December 31	96 264	96 725	3 513	12 422	208 924

Bachem does not have any undeveloped land.

The carrying amount of fixed assets under finance lease contracts at year-end 2015 amounted to 405 kCHF (2014: 326 kCHF). Depreciation relating to fixed assets under finance lease amounted to 206 kCHF (2014: 219 kCHF).

No assets were pledged for security of own liabilities in 2015. The Group's obligation under finance leases is secured by the lessors' title to the leased assets.

Present value of finance lease liabilities in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	146	207
Between 1 and 5 years	277	149
More than 5 years	0	0
Present value of finance lease liabilities	423	356

The existing finance lease contracts have been concluded in Switzerland and in the USA in the last 5 years. Their remaining durations are between 1 and 5 years. In all cases, the finance lease contracts are related to office and IT equipment.

Operating lease liabilities – minimum lease payments in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	509	360
Between 1 and 5 years	986	177
More than 5 years	929	0
Total future minimum operating lease payments	2 424	537

There are operating leases for office facilities, vehicles and buildings at the moment. The remaining life of the different contracts is between 1 and 10 years. There are renewal options for the leases of the buildings.

The recognized expenses for operating leases in the consolidated income statement 2015 was 495 kCHF (2014: 381 kCHF).

15 Intangible assets

2015 in 1 000 CHF	Capitalized development costs	Other intangible assets	Total
Cost at January 1	3 274	27 173	30 447
Additions	0	3 913	3 913
Disposals	0	0	0
Currency translation differences	0	19	19
Cost at December 31	3 274	31 105	34 379
Accumulated amortization at January 1	- 2 292	- 20 130	- 22 422
Amortization	- 559	- 2 060	- 2 619
Disposals	0	0	0
Currency translation differences	0	- 13	- 13
Accumulated amortization at December 31	- 2 851	- 22 203	- 25 054
Net book value at December 31	423	8 902	9 325

2014 in 1 000 CHF	Capitalized development costs	Other intangible assets	Total
Cost at January 1	3 274	24 971	28 245
Additions	0	1 968	1 968
Disposals	0	- 68	- 68
Currency translation differences	0	302	302
Cost at December 31	3 274	27 173	30 447
Accumulated amortization at January 1	- 927	- 17 883	- 18 810
Amortization	- 1 365	- 2 201	- 3 566
Disposals	0	68	68
Currency translation differences	0	- 114	- 114
Accumulated amortization at December 31	- 2 292	- 20 130	- 22 422
Net book value at December 31	982	7 043	8 025

16 Trade payables

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Trade payables	14 866	11 513
Prepayments	6 363	4 131
Total trade payables	21 229	15 644

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.

17 Other current liabilities

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Other liabilities	4 733	4 781
Total other current liabilities	4 733	4 781

Other current liabilities mainly contain of value added tax liabilities, owed social security charges and other liabilities to third parties.

18 Accrued expenses and deferred income

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Accrued expenses and deferred income	11 459	9 881
Total accrued expenses and deferred income	11 459	9 881

Accrued expenses and deferred income mainly consist of accruals for staff costs.

19 Financial liabilities

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Loans from related parties	10 000	0
Bank loans	7 000	21 000
Finance lease liabilities	423	356
Total financial liabilities	17 423	21 356
Thereof current financial liabilities	17 146	21 207
Thereof non-current financial liabilities	277	149

The loans from related parties (see note 24) and the bank loans were provided as unsecured business loans in CHF and bear an average interest of 0.6% p.a. The maturity of the bank loans is less than 6 months and the other loans have an open-ended maturity.

Since Bachem has the intention to repay the loans from related parties during the calendar year 2016 in full, they are presented as part of the current liabilities.

Details concerning finance leases are disclosed in note 14.

20 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 8 on page 104.

Shares Bachem -A-	Dec. 31, 2015	Dec. 31, 2014
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, 2015, Bachem Holding AG held 64 085 own shares, of which 20 106 are reserved for trading and 43 979 for distribution under the employee participation plans.

Own shares		Purchases/ backslide of blocked shares	Sales/transfer to employees	Dec. 31, 2015
Number	Dec. 31, 2014			
Employee participation plans at the price of 0.05 CHF	56 964	0	- 12 985	43 979
Treasury stock at the price of 47.58 CHF	20 055	70 ¹	- 19 ²	20 106
Total own shares	77 019	70	- 13 004	64 085

¹ The shares were acquired on the market at an average price of 43.42 CHF.

² The shares were sold on the market at an average price of 41.92 CHF.

Outstanding shares	Dec. 31, 2015	Dec. 31, 2014
Total number of shares	13 600 000	13 600 000
Number of own shares Bachem -B-	- 64 085	- 77 019
Total shares outstanding	13 535 915	13 522 981

21 Share-based payment

The employee and management participation plans are described in the accounting policies on pages 79 and 80. The recognized expenses for share-based payments in the reporting period amounted to 746 kCHF (2014: 706 kCHF).

In 2015 and 2014, the following number of shares was granted:

Shares granted Number/CHF	2015	2014
Number of granted shares	12 985	12 797
Average fair value per share at grant date in CHF	48.92	49.69

The option plan developed as follows:

	2015		2014	
	Number of options	Weighted average exercise price in CHF	Number of options	Weighted average exercise price in CHF
Share options outstanding				
At January 1	5 075	40.40	7 777	44.62
Granted options	0	0.00	0	0.00
Cancelled options	0	0.00	0	0.00
Expired options	- 1 013	50.76	- 1 632	59.95
Exercised options	- 1 970	38.52	- 1 070	41.25
At December 31	2 092	37.15	5 075	40.40
Exercisable options	1 098	39.09	2 250	44.24

In 2013, the share option plan was terminated and the last options were issued.

Options by expiry date Number	Exercise price	2015	2014
Year 2015	35.00	0	769
Year 2015	43.00	0	669
Year 2015	54.00	0	812
Year 2016	35.00	536	1 003
Year 2016	43.00	562	828
Year 2017	35.00	994	994
Total		2 092	5 075

Bachem holds own shares in order to meet its obligations under the employee participation plans. For the change in the number of Bachem shares outstanding, please refer to note 20.

22 Dividend distribution

On May 5, 2015, a dividend of 27 069 kCHF respectively 2.00 per share was distributed for the year 2014 (previous year: 23 651 kCHF respectively 1.75 CHF per share). Of the total dividend in the amount of 27 069 kCHF, 17 069 kCHF were paid out and 10 000 kCHF remained as a loan (see note 24).

The Board of Directors will propose a dividend of 2.25 CHF per share or a total of 30 456 kCHF on 13 535 965 shares entitled to dividend, to the Annual General Meeting for the year 2015. The number of shares entitled to dividend may change until the Annual General Meeting on April 18, 2016 due to the granting of shares to employees or the purchase/sale of own shares.

23 Consolidated companies

Consolidated company	Country	Currency	Registered capital	Equity share Dec. 31, 2015	Equity share Dec. 31, 2014
Bachem Holding AG, Bubendorf	Switzerland	CHF	680 000	100%	100%
Bachem AG, Bubendorf	Switzerland	CHF	25 000 000	100%	100%
Bachem Distribution Services GmbH, Weil am Rhein	Germany	EUR	128 000	100%	100%
Bachem (UK) Ltd., St. Helens	England	GBP	2 500	100%	100%
Bachem Americas, Inc., Torrance ¹	USA	USD	3 000	100%	100%
Peninsula Laboratories, LLC, San Carlos	USA	USD	32 000	100%	100%
American Peptide Company, Inc., Vista ¹	USA	USD	13 790 112	100%	n/a

¹ American Peptide Company, Inc., Vista, was merged with Bachem Americas, Inc., Torrance, as per December 31, 2015.

24 Related party transactions

Chemoforma AG, Hotel Bad Schauenburg AG, Ingro Finanz AG, MFC Beteiligungs AG, Peninsula Laboratories International, Inc., the pension fund of the Swiss Group Companies, the Sunstar Group 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 in 1 000 CHF	2015	2014
Chemoforma AG (purchase of goods)	0	- 1
Hotel Bad Schauenburg AG (seminar)	- 11	n/a
Ingro Finanz AG (dividend paid out)	- 5 093	- 12 180
Ingro Finanz AG (dividend converted into loan)	- 10 000	0
Ingro Finanz AG (interest paid)	- 33	0
Ingro Finanz AG (sale of 5 798 own shares for CHF 48.00 per share)	0	278
MFC Beteiligungs AG (sale of product line; see note 26)	0	3 905
Peninsula Laboratories International, Inc. (rendering of services)	7	82
Pension fund (employer's contribution)	- 4 214	- 3 619
Sunstar Group (seminar)	0	- 7
Total transactions with related parties	- 19 344	- 11 542

Balances in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Ingro Finanz AG	- 10 000	0
Total balances with related parties	- 10 000	0

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

25 Acquisitions

As of March 27, 2015, Bachem has taken over all shares of the American Peptide Company, Inc., in California, USA. The American Peptide Company provides a wide range of services from small-scale catalog business and custom synthesis to large-scale manufacturing under cGMP.

In addition to the symbolic purchase price of 1 USD paid in cash, loans in the amount of 13.2 million CHF were settled. The acquired net assets at fair values amounted to 12.3 million CHF. The main balance sheet items at time of acquisition are: cash of 3.2 million CHF, inventories of 1.8 million CHF and property, plant & equipment of 7.9 million CHF.

Since the acquisition costs were slightly higher than the acquired net assets at fair values, the acquisition results in a goodwill. The goodwill in the amount of 1.4 million CHF, including transaction costs of 0.5 million CHF, was offset against equity.

The values of net assets disclosed per half-year 2015 were provisional and have been further analyzed and adjusted in the meantime.

26 Sale of product line

As of January 1, 2014, Bachem has divested its immunology product line which was qualified as non-core business. This product line located in the USA was sold to the MFC Beteiligungs AG, a company of the majority shareholder of Bachem Holding AG. The selling price amounted to 4.3 million USD (3.9 million CHF) and was based on an independent expertise.

In the context of that sale, Bachem transferred inventories, fixed assets, the existing customer base, the staff consisting of nine employees and technical know-how.

The gain on sale of this product line in the amount of 2.0 million CHF is included in the line "other income" of the consolidated income statement.

Immunology product sales amounted to 2.2 million CHF in the year 2013.

27 Theoretical goodwill

Goodwill is offset against retained earnings at the time of purchase of a subsidiary. The theoretical capitalization of goodwill, based on a useful life of 5 years, would have the following impact on the consolidated balance sheet:

Theoretical goodwill in 1 000 CHF	2015	2014
Theoretical cost at January 1	0	0
Additions from acquisitions	1 352	0
Theoretical cost at December 31	1 352	0
Theoretical accumulated amortization at January 1	0	0
Theoretical amortization	- 203	0
Theoretical accumulated amortization at December 31	- 203	0
Theoretical net book value of goodwill at December 31	1 149	0

Acquisitions are translated into CHF with the exchange rate applicable on their respective transaction dates. As a result of this procedure, no currency adjustments are necessary in the above statement of changes in goodwill.

Had goodwill been capitalized and amortized, the theoretical effect on net income would have been as follows.

in 1 000 CHF	2015	2014
Net income according to income statement	31 838	0
Theoretical amortization of goodwill	- 203	0
Theoretical net income after amortization of goodwill	31 635	0

28 Contingent liabilities and other commitments

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

29 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 income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 70 to 98), for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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

A handwritten signature in black ink, appearing to read 'R. Gerber'.

Dr. Rodolfo Gerber
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'R. Rutishauser'.

Raphael Rutishauser
Audit expert

Basel, February 24, 2016

INCOME STATEMENT

For the years ended December 31

in 1 000 CHF	Notes	2015	2014
Income			
Income from investments	1	15 334	15 986
Income from licenses		18 197	15 875
Interest income	2	3 928	4 169
Other income		0	2
Other financial income		498	0
Total income		37 957	36 032
Expenses			
Staff costs		- 2 963	- 2 802
Administration expenses		- 5 144	- 5 423
Interest expenses	3	- 116	- 261
Other financial expenses		- 33	- 740
Depreciation and amortization		- 11	- 5
Total expenses		- 8 267	- 9 231
Ordinary net income before taxes		29 690	26 801
Taxes		- 1 442	- 1 235
Net income for the year		28 248	25 566

BALANCE SHEET

At December 31, 2015 and 2014

in 1 000 CHF	Notes	Dec. 31, 2015	Dec. 31, 2014
Assets			
Cash and cash equivalents		5 614	6 258
Other receivables from third parties		732	1
Other receivables from group companies	1	31 518	29 263
Prepaid expenses and accrued income		27	0
Total current assets		37 891	35 522
Loans to group companies		98 251	102 232
Investments	4	115 305	115 305
Property, plant and equipment		34	13
Total non-current assets		213 590	217 550
Total assets		251 481	253 072
Liabilities and equity			
Current interest-bearing liabilities	5	17 000	21 000
Other current liabilities to third parties		313	260
Other current liabilities to group companies		4 644	4 338
Deferred income and accrued expenses		2 563	2 033
Total current liabilities		24 520	27 631
Share capital		680	680
Statutory capital reserves			
Reserves from capital contribution		423	15 780
Other capital reserves		6 334	6 334
Statutory retained earnings		4 217	4 217
Voluntary retained earnings		98 589	98 589
Available earnings			
Net income brought forward		89 429	75 232
Net income for the year		28 248	25 566
Own shares	6	- 959	- 957
Total equity		226 961	225 441
Total liabilities and equity		251 481	253 072

NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

Accounting policies

General information

These financial statements were prepared for the first time in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). For the sake of comparability, the previous year's data in the balance sheet and income statement have been adjusted to comply with the new presentation requirements. Significant valuation principles that have been applied in the preparation of these financial statements which are not prescribed by law are described below.

Presentation of cash flow statement and additional disclosures in the notes dispensed with

As Bachem Holding AG has prepared consolidated financial statements under a recognized accounting standard (Swiss GAAP FER), it has decided, in accordance with the law, to dispense with the presentation of information on interest-bearing liabilities and audit fees in the notes, a cash flow statement, and an annual review.

Valuation principles

Assets are valued at no more than cost. Liabilities are carried at nominal value.

All assets and liabilities in foreign currencies are translated by applying the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in profit and loss.

Earnings and expenses originating in foreign currencies are translated at the exchange rate prevailing on the respective transaction dates.

Income from investments

Income from investments comprises dividends from Group companies and other income from investments as well as management fees from Group companies.

Own shares

Own shares are recognized in equity as a negative item at cost as per the date of acquisition. Upon subsequent sale on the market, any gain or loss is recognized in the income statement as other financial income or expenses.

Share-based payments

Part of the variable compensation paid to members of the Corporate Executive Committee and part of the compensation paid to members of the Board of Directors is in the form of Company shares. These shares are distributed at no cost to the recipients. The acquisition cost of the shares is recorded under personnel expense.

1 Income from investments

in 1 000 CHF	2015	2014
Dividend income	12 419	12 210
Other income from investments	2 915	3 776
Total income from investments	15 334	15 986

On February 8, 2016, the ordinary Annual General Meeting from Bachem AG has decided to distribute a dividend in the amount of 11 000 kCHF for the business year 2015 to its sole shareholder, Bachem Holding AG. Following an economical approach, this entitlement to profits, respectively, income from investment has already been recorded by Bachem Holding AG in this year's financial statements 2015 simultaneous to the disclosure of the profit in the books of the 100% subsidiary Bachem AG. The corresponding income is shown in the line dividend income and the corresponding receivable in the line other receivables from group companies.

2 Interest income

in 1 000 CHF	2015	2014
Interest income group companies	3 928	4 168
Interest income third parties	0	1
Total interest income	3 928	4 169

3 Interest expenses

in 1 000 CHF	2015	2014
Interest expenses third parties	- 83	- 261
Interest expenses shareholders	- 33	0
Total interest expenses	- 116	- 261

4 Investments

Company	Location	Capital and voting share Dec. 31, 2015	Capital and voting share Dec. 31, 2014
Bachem AG	Bubendorf, CH	100%	100%
Bachem Distribution Services GmbH	Weil am Rhein, D	100%	100%
Bachem (UK) Ltd.	St. Helens, GB	100%	100%
Bachem Americas, Inc. ¹	Torrance, USA	100%	100%
Peninsula Laboratories, LLC	San Carlos, USA	100%	100%
American Peptide Company, Inc. ¹	Vista, USA	100%	n/a

¹ American Peptide Company, Inc., Vista, was merged with Bachem Americas, Inc., Torrance, as per December 31, 2015.

All companies are directly or indirectly held with 100%.

5 Current interest-bearing liabilities

in 1 000 CHF	Dec. 31, 2015	Dec. 31, 2014
Bank loans	7 000	21 000
Loans from shareholders	10 000	0
Total current interest-bearing liabilities	17 000	21 000

6 Own shares

Details to the holding and the changes in own shares are disclosed in the notes 20 and 21 of the consolidated financial statements.

7 Full-time positions

The average number of full-time positions during the reporting year was below 10.

8 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, 2015	Dec. 31, 2014
P. Grogg (via Ingro Finanz AG) ¹	55.5	55.5
G. Knoch	8.1	8.6
Family of P. Grogg	6.1	6.0
Sarasin Investmentfonds AG	3.4	4.0
Total important shareholders	73.1	74.1

¹ In this position, all shares -A- are included.

9 Ownership of shares and options of the Board of Directors (BoD) and the Corporate Executive Committee (CEC)

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period	Number of free options	Number of blocked options	Number of options total	Options allocated in reporting period
December 31, 2015								
Kuno Sommer (Chairman)	5 000		5 000	300				
Nicole Grogg Hötzer (Vice-Chairwoman)	86 600		86 600	300				
Jürgen Brokatzky-Geiger (Member)	1 800		1 800	300				
Thomas Burckhardt (Secretary)	200		200	300				
Rolf Nyfeler (Member) ¹	53 710		53 710	300				
Helma Wennemers (Member)	450		450	300				
Total BoD	147 760	0	147 760	1 800				
Thomas Früh (CEO) ¹	3 109	2 592	5 701	1 165	66	166	232	0
José de Chastonay (CMO)	233	1 810	2 043	803	0	0	0	0
Günther Loidl (CTO)	80	1 760	1 840	349	67	66	133	0
Stephan Schindler (CFO)	4 760	1 817	6 577	818	333	166	499	0
Total CEC	8 182	7 979	16 161	3 135	466	398	864	0
Total	155 942	7 979	163 921	4 935	466	398	864	0

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period	Number of free options	Number of blocked options	Number of options total	Options allocated in reporting period
December 31, 2014								
Kuno Sommer (Chairman)	4 000		4 000	300				
Nicole Grogg Hötzer (Vice-Chairwoman)	86 300		86 300	300				
Jürgen Brokatzky-Geiger (Member)	1 500		1 500	300				
Thomas Burckhardt (Secretary)	320		320	300				
Rolf Nyfeler (Member) ¹	53 410		53 410	300				
Helma Wennemers (Member)	150		150	0				
Total BoD	145 680	0	145 680	1 500				
Thomas Früh (CEO) ¹	2 875	1 427	4 302	1 427	300	399	699	0
José de Chastonay (CMO)	233	1 007	1 240	1 007	0	0	0	0
Daniel Erne (CTO)	41 742	1 122	42 864	1 122	500	499	999	0
Stephan Schindler (CFO)	593	4 999	5 592	999	333	499	832	0
Total CEC	45 443	8 555	53 998	4 555	1 133	1 397	2 530	0
Total	191 123	8 555	199 678	6 055	1 133	1 397	2 530	0

¹ Ownership of shares and options incl. related parties.

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.

10 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 and Bachem Holding AG. The entity is solidly liable for all taxes relating to value added tax inclusive interests, during the taxation as a group.

11 Events after the balance sheet date

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

APPROPRIATION OF AVAILABLE EARNINGS

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

Appropriation of available earnings

Net income brought forward at January 1	CHF	89 428 668.30
Net income for the year 2015	CHF	28 248 611.07
Available to the Annual General Meeting	CHF	117 677 279.37
Dividend payment of 2.25 CHF per registered share for the business year 2015 on 13 535 965 registered shares entitled to dividend	CHF	30 455 921.25
Net income to be carried forward	CHF	87 221 358.12

Transfer of statutory retained earnings

Opening balance of statutory retained earnings	CHF	4 217 085.05
Transfer to voluntary retained earnings	CHF	4 081 085.05
Statutory retained earnings to be carried forward	CHF	136 000.00

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 18, 2016, depending on the distribution of shares to employees or purchase/sale of own shares.

REPORT OF THE STATUTORY AUDITOR



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 income statement, balance sheet and notes (pages 100 to 106), for the year ended December 31, 2015.

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, 2015 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

A handwritten signature in black ink, appearing to read 'R. Gerber'.

Dr. Rodolfo Gerber
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'R. Rutishauser'.

Raphael Rutishauser
Audit expert

Basel, February 24, 2016

SHAREHOLDER INFORMATION

		2015 ¹	2014 ¹	2013 ¹	2012 ¹	2011 ¹
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		13 532 178	13 512 994	13 500 625	13 488 349	13 471 331
Dividend per share	CHF	2.25 ²	2.00	1.75	1.50	1.50
Share price	High	CHF 53.90	51.80	52.00	39.30	59.00
	Low	CHF 41.80	44.75	35.20	33.00	32.00
	Year-end	CHF 51.90	49.00	48.50	36.40	32.50
Dividend yield per share	%	4.3	4.1	3.6	4.1	4.6
Earnings per share (EPS)	CHF	2.35	2.15	1.75	1.15	0.70
Cash flow from operating activities per share	CHF	4.54	3.49	3.65	2.73	1.83
Group equity per share	CHF	26.11	25.84	24.92	24.73	24.79
Price/earnings ratio (year-end)		22.09	22.79	27.71	31.65	46.43
Market capitalization at year-end	MCHF	706	666	660	495	442

¹ 2011 based on IFRS values and 2012–2015
based on Swiss GAAP FER values

² Proposal to the Annual General Meeting of April 18, 2016

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, 2015	Dec. 31, 2014
0–100	969	993
101–1 000	1 579	1 520
1 001–10 000	233	227
10 001–100 000	44	41
100 001–1 000 000	5	5
1 000 001 and more	2	2
Total	2 832	2 788

Shareholdings

in %	Dec. 31, 2015	Dec. 31, 2014
Major shareholders	73.1	74.1
Institutional shareholders	10.5	9.8
Private individuals	11.5	11.2
Dispo	4.9	4.9
Total	100.0	100.0

Events

Annual General Meeting

(business year 2015)

April 18, 2016

Payout Date for Dividend

April 22, 2016

Half-Year Report 2016

August 26, 2016

Annual Report 2016

March 2017

Annual General Meeting

(business year 2016)

April 2017

This Annual Report
is published in German
and English.

Publisher

Bachem Holding AG,
Bubendorf, Switzerland

Conception/Design

hilda design matters, Zurich

Photos

Keystone AG, Zurich
Jos Schmid, Zurich

Prepress/Print

Linkgroup, Zurich

This Annual Report
is printed on
FSC-certified paper.



Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety and are of only limited validity. Investors are cautioned that all forward-looking statements involve risks and uncertainty. There are certain factors that could cause results to differ materially from those anticipated. This includes as well the timing and strength of new product offerings, pricing strategies of competitors, the Group's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs, and changes in the political, social and regulatory framework in which the Group operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis.

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