

# **BACHEM ANNUAL REPORT 2020**

LEADING  
PARTNER  
IN TIDES

# IN TIDES PARTNER LEADING

# BACHEM


Bachem is a leading, innovation-driven company specializing in the development and manufacture of peptides and oligonucleotides. With 50 years of experience and expertise Bachem provides products for research, clinical development and commercial application to pharmaceutical and biotechnology companies worldwide and offers a comprehensive range of services. Bachem operates internationally with headquarters in Switzerland and locations in Europe, the US and Asia. The company is listed on the SIX Swiss Exchange. For further information, see [www.bachem.com](http://www.bachem.com).

Bachem celebrates fifty years of company history in 2021. From Peter Grogg's business idea in the 1970s to the world's leading company in the development and production of peptides and oligonucleotides. A success story based on courage, innovation, quality, partnership and unique people.

**50 Years Bachem**

# LEADING PARTNER IN TIDES





At Bachem, we will continue to expand our strong market position in the business of developing and manufacturing peptides and oligonucleotides. We have clear and ambitious goals, which we pursue and successfully implement together as a team. We are creating new jobs and constantly expanding our capacity to be well prepared for all growth opportunities.

## WHAT ARE OLIGO-NUCLEOTIDES

Higher organisms store their genetic information in genes in the form of long deoxyribonucleic acid (DNA) chains. This information is translated into proteins using shorter ribonucleic acid (RNA) chains, for example mRNA.

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## PROGRESS REPORTS

Both Swiss sites in Bubendorf and Vionnaz have shown an outstanding performance throughout the year and further increased the utilization and output significantly.

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## VOCATIONAL APPRENTICESHIP TRAINING

The long tradition of vocational apprenticeship training at Bachem benefits the apprentices, Bachem and society alike.

Each year Bachem trains young people in various occupations and welcomes them into the workforce.

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# LETTER TO SHAREHOLDERS

Dear Shareholders,

For many people and companies around the world, the biggest challenge over the past fiscal year has been the COVID-19 pandemic with its often drastic social and economic impacts; and it still is today. At Bachem, we adapted very quickly to the current situation at all sites, implemented protective measures, and adapted and optimized operating processes. In this way, we were not only able to secure the system-relevant supply of active ingredients, but even to increase it in critical areas. Our workforce can take well-deserved pride in what they have accomplished.

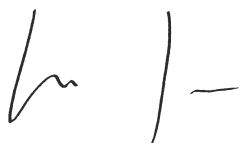
Overall, 2020 was an excellent year for Bachem. Despite the major challenges, we achieved significant progress in a highly demanding market environment. Both in product and in geographic terms, our growth is broad-based. Successful product launches generated strong demand, and thanks to our long-term planned investments in modern production equipment we achieved large economies of scale in the production of peptides. We also significantly advanced the digitalization of business and manufacturing processes, improving not only the quality of our work but also our profitability. With our consistent entry into the development and production of small interfering RNA (siRNA) and antisense oligonucleotides (ASO) we have expanded our product range. Production according to GMP conditions was already achieved in the first year, and business development in this product line continues to be better than expected. We are also pleased to have attracted 272 new outstanding colleagues to Bachem in the past year.

The announced investments are proceeding according to plan, and as of today we expect a global investment volume of more than 400 million CHF in the next five years. New production capacities are being built and new jobs are being created at all our sites.

For the first time, Bachem was able to increase Group sales to over 400 million CHF, increasing the total by 28.1% to 402.0 million CHF. The high level of value creation and innovative strength is also reflected in net profit, with the EBITDA margin rising from 27.8% to 30.5%. Operating profit increased again significantly by 55.0% to 96.7 million CHF, with the EBIT margin rising from 19.9% to 24.0%. Due to the Group's strong business performance, we will propose an increase in the dividend from 3.00 CHF to 3.25 CHF per share at the Annual General Meeting on April 28, 2021.

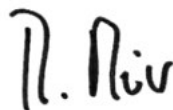
The continued strong demand for our products and innovations in the peptides business, as well as the successful development of our oligonucleotides business, make us confident that Bachem will remain on its current profitable growth trajectory. Our goal is to further expand our market leadership in peptides based on innovation and quality, while also assuming a leading position in oligonucleotides.

We would like to thank our partners for the trusting cooperation and, above all, our 1529 employees throughout the Group for their tireless and outstanding commitment and dedication. And we would like to thank you, our esteemed shareholders, for the trust you have placed in us and for your loyalty to our company.



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Dr. Kuno Sommer, Chairman  
of the Board of Directors



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Thomas Meier, CEO and Chairman  
of the Corporate Executive Committee





Dr. Kuno Sommer



Thomas Meier

## CORPORATE EXECUTIVE COMMITTEE

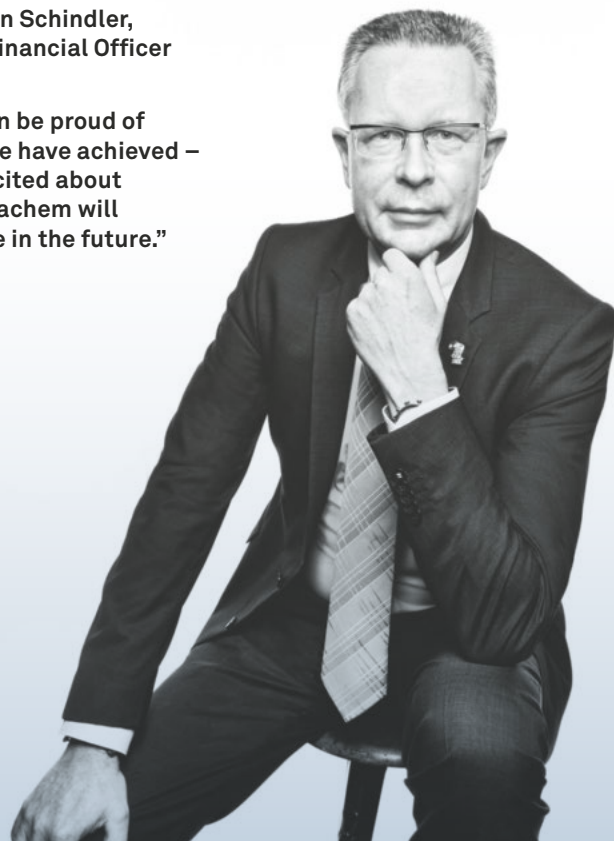


**Thomas Meier,**  
Chief Executive Officer  
(CEO)

“With a high level of personal commitment from our entire workforce, we succeeded not only in securing the systemically important supply of active ingredients despite the COVID-19 pandemic, but even in increasing it in critical areas.”

**Stephan Schindler,**  
Chief Financial Officer  
(CFO)

“We can be proud of what we have achieved – and excited about what Bachem will achieve in the future.”



**Roland Schürmann,**  
Chief Operations Officer  
(COO)

“Operational excellence and innovative strength combined with customer focus and employee appreciation are the key factors for our success.”





**Dr. Anne-Kathrin Stoller,  
Chief Marketing Officer  
(CMO)**

**“The year 2020 was characterized by digital communication and virtual meetings. However, this has not changed the fact that the customer is at the center at Bachem.”**



**Dr. Günther Loidl,  
Chief Technology Officer  
(CTO)**

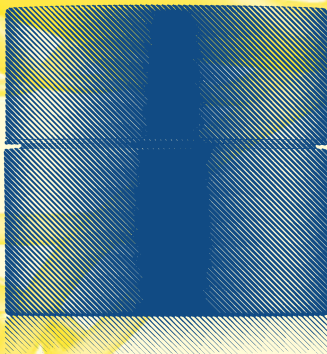
**“We consciously accept our social responsibility and continuously improve our sustainability in social, ecological and economic terms.”**



# PEPTIDES

## WHAT ARE PEPTIDES?

Peptides are chains of 2 to about 100 amino acids. Longer chains are called proteins and occur in all living organisms. Originally isolated from biological sources, nowadays peptides are synthesized chemically. The biological properties of peptides depend on the number of amino acids and their position in the chain. Just 20 natural amino acids are sufficient to produce an unimaginably large number of peptides, each with their own distinctive physical, chemical, and biological properties.



## COSMETICS

Peptides are used in high-quality cosmetic products, for example to counteract age-related wrinkles.

## WHAT DOSAGE FORMS ARE AVAILABLE?

By providing the first oral dosage forms – for diabetes, for example – peptide applications have opened up new opportunities to maximize patient comfort in recent years. This has been possible thanks to targeted optimization of the peptide structure and of the formulation in the drug to prevent the active substances from undergoing the natural digestion process in the human body. In the past, peptide-based drugs had usually been administered by the parenteral route. In addition to conventional injections, depot formulations with durations of action ranging from a few days to several months and nasally administered drugs are increasingly being used.

## CANCER THERAPIES

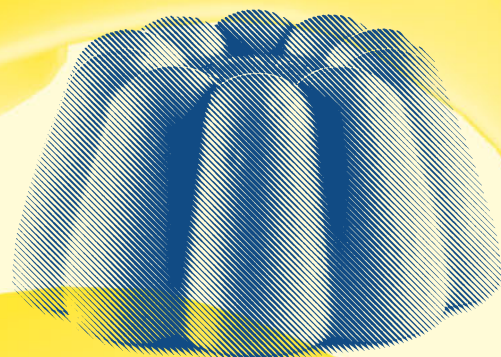
Peptides are used in oncology for imaging and cancer treatments.

## WHAT ARE PEPTIDES USED FOR?

Peptides are mainly used as highly specific active pharmaceutical ingredients in medicines. In line with their diverse biological functions, they are used in a wide variety of applications. Cancer treatments, diabetes and obesity are three prominent pharmaceutical areas. Peptides are active substances that are much in demand for the treatment of cardiovascular and neurodegenerative diseases, renal failure, as antibiotics, in vaccines and in drugs for rare diseases.

## NUTRITION PRODUCTS

The sweetener aspartame is a dipeptide that is 200 times sweeter than table sugar.





# OLIGONUCLEOTIDES



## WHAT ARE OLIGONUCLEOTIDES?

Higher organisms store their genetic information in genes in the form of long deoxyribonucleic acid (DNA) chains. This information is translated into proteins using shorter ribonucleic acid (RNA) chains, for example mRNA. DNA and RNA are each made up of just four different components, which encode the information based on the number and sequence of the monomers. Short oligonucleotides are constructed from up to a 100 or so nucleotides and are manufactured on an industrial scale by chemical synthesis.

## TREATMENT OF GENE DEFECTS

Oligonucleotides can be used to treat Duchenne muscular dystrophy by skipping a defective sequence in precursor mRNA.

## HOW DO OLIGONUCLEOTIDES DIFFER FROM OTHER ACTIVE SUBSTANCES?

Antisense oligonucleotides and siRNA modify the genetic information read at RNA level before it is translated into proteins. Since they do not alter the genetic material, they do not count as gene therapies. Classical medicines and antibodies intervene only at the protein level. Since the siRNAs based on RNA interference can result in dosing intervals of six months, they have huge potential for the treatment of common disorders such as high cholesterol levels.

## GENETIC TESTS

Oligonucleotides can be used in genetic testing to clarify relationships and for diagnostic or forensic purposes.

## WHAT TYPES OF OLIGONUCLEOTIDES ARE USED AS TREATMENTS?

Single-stranded antisense oligonucleotides bind reversibly to mRNA, thereby inhibiting the translation into proteins. RNA interference forms the basis for the new active ingredient class known as siRNA. These double-stranded molecules utilize a natural mechanism to degrade mRNA, which likewise prevents protein synthesis. By contrast, mRNA can be administered so that a protein is specifically produced in the body itself. Longer mRNA sequences for use in vaccines are produced by molecular biological methods.

## METABOLIC DISORDERS

Oligonucleotides act against cardiovascular and metabolic disorders with elevated blood levels.

## 2020 IN BRIEF

EBIT  
(IN MCHF)

# 96.7

Operating result (EBIT) increased by 55.0% in CHF

NET INCOME

# +44.1%

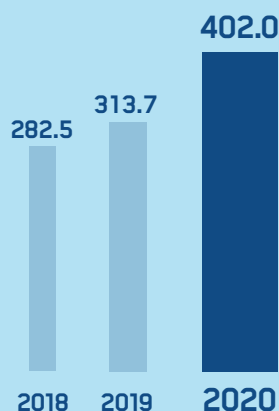
Profit surged to 78.1 million CHF despite negative currency impact

OPERATING CASH FLOW  
(IN MCHF)

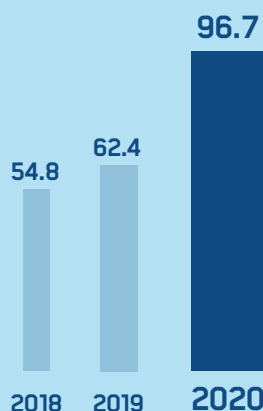
# 115.0

Cash flow from operating activities up 79.0%

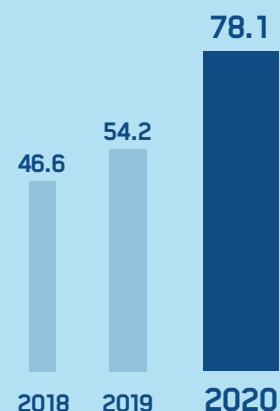
SALES  
(IN MCHF)



EBIT  
(IN MCHF)



NET INCOME  
(IN MCHF)



	2020	2019	CHANGES IN %	
			CHF	LC
SALES (IN MCHF)	402.0	313.7	+28.1	+34.0
EBITDA (IN MCHF)	122.6	87.2	+40.5	+55.3
EBITDA IN % OF SALES	30.5	27.8		
EBIT (IN MCHF)	96.7	62.4	+55.0	+75.3
EBIT IN % OF SALES	24.0	19.9		
NET INCOME (IN MCHF)	78.1	54.2	+44.1	
NET INCOME IN % OF SALES	19.4	17.3		
EARNINGS PER SHARE (EPS - IN CHF)	5.58	3.91	+42.5	
CASH FLOW FROM OPERATING ACTIVITIES (IN MCHF)	115.0	64.3	+79.0	
RETURN ON EQUITY (IN %)	16.9	13.0		
NUMBER OF EMPLOYEES (IN FULL-TIME EQUIVALENTS)	1 475	1 209		
SALES PER EMPLOYEE <sup>1</sup> (IN CHF)	309 000	282 000		

<sup>1</sup> Basis: average full-time equivalents excluding apprentices.

# BACHEM WITH EXCEL- LENT ANNUAL RESULTS

Following a strong first half of 2020, Bachem had already laid the cornerstone for an excellent full-year result. Despite negative currency effects the company outpaced the previous year's results in the second half as well. Group sales exceeded the 400 million CHF mark for the first time and increased by 28.1% to 402.0 million CHF. Profitability increased disproportionately and the EBITDA margin targeted for 2021 of 30% was already slightly exceeded.

## SALES UP OVER 400 MILLION CHF

In the second half, the company surpassed both its own expectations and the year-back period despite negative exchange rate impacts. At 224.9 million CHF, Bachem recorded a new high in half-year sales, boosting the full-year figure to a new record at 402.0 million CHF. Compared to the previous year's figure, this represents an increase of 28.1%.

## INCREASED PROFITABILITY

Bachem's operating profit (EBIT) rose by 55.0% to 96.7 million CHF during the period under review, while the EBIT margin expanded to 24.0% (previous year: 19.9%). Operating profit before depreciation and amortization (EBITDA) amounted to 122.6 million CHF (previous year: 87.2 million CHF). This corresponds to an EBITDA margin of 30.5% (previous year: 27.8%).

## SURGE IN NET INCOME

In spite of significant negative currency translation effects, the company recorded a surge in profit – which, at 78.1 million CHF, surpassed the previous year's result by 23.9 million CHF (+44.1%).

## NEW JOBS

Bachem created 272 new jobs worldwide by the end of 2020, 201 of them in Switzerland. As of December 31, 2020, the Bachem Group employed a total of 1529 people in 1475 full-time equivalent positions.

## HIGHER DIVIDEND

The Board of Directors will propose an increased dividend of 3.25 CHF per share to the Annual General Meeting in April 2021 (previous year: 3.00 CHF). Half of the distribution will come from capital contribution reserves.



# STRENGTH AND DEPENDABILITY ON A GROWTH TRAJECTORY

## HEALTHCARE DELIVERY ROLE DURING THE PANDEMIC

In a period dominated by the COVID-19 pandemic, Bachem again displayed strength and dependability in fiscal year 2020. Without interruption, every production unit worked tirelessly under difficult circumstances to manufacture urgently needed pharmaceutical ingredients and deliver them to customers. Working in shifts, facing personal restrictions in their private lives and with enormous dedication, everyone involved played an extremely important part in supplying patients with lifesaving drugs. This performance was supported by a well-organized and resilient supply chain management team responsible for planning, procurement of materials, and distribution. Work at construction sites on projects needed to expand capacity also continued uninterrupted. Further, by working from home, over 300 employees helped prevent potential infections at production centers and the work stoppages and supply failures these might have caused. With the dedication of every employee and in compliance with strict protective measures, the Group fully lived up to its responsibilities as a supplier of essential goods. Bachem reaffirmed its position as “Leading

Partner in Tides”; in fact it expanded this leadership in an extremely challenging environment. With excellent results, the company held steady on its growth trajectory.

## OLIGONUCLEOTIDES ON THE PATH TO SUCCESS

In 2020 Bachem successfully launched the planned addition of oligonucleotides to its portfolio. Initial facilities for small and medium-scale production were installed, qualified and brought online. Together with non-GMP quantities, Bachem also successfully produced a first GMP batch for a clinical study. With a growing project portfolio, highly motivated specialists and commercial-scale production facilities scheduled to come online in 2021,

Bachem is clearly on the road to success and growth.

## NORTH AMERICA WITH NEW RECORD

In North America, sales again saw substantial gains in 2020, following on from 30% growth the previous year. In local currencies, the prior-year result was surpassed by 48.9%. Even with the strongly negative impact of USD/CHF exchange rate movements, the region recorded a 40% gain in the reporting currency. This gratifying development underscores the increasing importance of the US market to corporate results. With sales up some 62 million CHF for a full-year total of 217 million CHF, the North America region turned in its best performance in the company's history. The main reason for these excellent sales figures was once again very good progress in key NCE and generics projects. Bachem was able to successfully support the submission or approval of various projects, and approval of others is expected in the near future. Innovative new dosage forms, such as oral and nasal applications of existing generics, are buoying continuing high demand for peptide-based pharmaceutical ingredients. Concurrently, Bachem also increased sales of existing products that are experiencing heightened demand due to market expansions, demographic changes or direct effects of the COVID-19 pandemic.

# 217 million CHF

new record sales  
for North America





# STRIDING AHEAD AS LEADING PARTNER IN TIDES

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The continued strong demand for our products and innovations in the peptides business, as well as the successful development of our oligonucleotides business, make us confident that Bachem will remain on its current profitable growth trajectory. Our goal is to further expand our market leadership in peptides based on innovation and quality, while also assuming a leading position in oligonucleotides.

## PEP-TIDES

The pace of growth in the established peptides business, driven by market approval of new compounds and dosage forms and by a broad-based project portfolio, continues to accelerate. As the market leader, Bachem has the ability to capture a strong portion of this growth while also serving as a dependable partner for outsourcing projects.

## OLIGONUCLEO-TIDES

Bachem has expanded its product range by consistently entering the development and production of small interfering RNA (siRNA) and antisense oligonucleotides (ASO). Production according to GMP conditions was already achieved in the first year and business development in this product line continues to be better than expected. In the medium term, Bachem is aiming for annual sales of over 100 million CHF in the oligonucleotides business and thus a leading market position among oligonucleotide contract developers and manufacturers (CDMOs).

## OUTLOOK

Bachem is targeting sales of over 500 million CHF in 2022. For profit, a percentage growth above that of sales is targeted. In order to enable consistent and profitable growth of the Group, the company is planning a global investment volume of over CHF 400 million over the next 5 years.

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**500**  
million CHF  
sales in  
2022

As market leader, Bachem offers peptides – and now also oligonucleotides – globally for a whole spectrum of different applications. Its core focus areas are therapeutic applications and clinical development. In addition to their use in basic research, peptides and oligonucleotides are also widely used in diagnostic and cosmetic applications.

### **Bachem's world is becoming even more multi-faceted**

In 2020 Bachem successfully expanded its portfolio, for the first time producing oligonucleotides in addition to peptides. Facilities for small and medium-scale production were acquired, qualified and successfully brought online. Together with initial non-GMP (Good Manufacturing Practice) quantities, the first GMP batch was produced for a clinical study on this equipment. For 2021 the next milestone will be acquiring and qualifying large-capacity oligonucleotide equipment for production at commercial scale. This equipment can then be used to further accelerate the expansion of oligonucleotides at Bachem. New customer relationships have been established, and existing peptide customers have also become customers for oligonucleotides.

Bachem's customers in the field of basic research are mainly universities, institutes, and the research departments of pharma companies. The primary objective in this segment is speed and availability – the new ideas of today should be implemented in the laboratories of tomorrow. With its catalog of products and its online shop in particular, Bachem is ideally positioned to achieve this goal. A substantial proportion of the more than 5 500 products are in stock and can be delivered within one to two days. Every year, Bachem supplements its catalog with new, innovative products emerging from the latest key areas of research.

If, despite this broad portfolio, a product is not included in the catalog, Bachem can rapidly offer this as a custom synthesis option. Every year, Bachem's site in the UK produces several hundred peptides by custom synthesis. Short delivery times and competitive prices are important factors here too. There are many competitors in the field of non-GMP custom synthesis, including increasingly from Asia. Even some universities offer custom synthesis services. In this competitive market environment, Bachem focuses on technically sophisticated high-quality products such as diagnostic and cosmetic peptides.

Active ingredients in drugs constitute the largest area of application at Bachem. As well as producing approved active pharmaceutical ingredients (APIs), Bachem also supports numerous new chemical entity (NCE) customers in their clinical development with products and services. The main customers here are small to large pharma and biotech companies in the US, Europe

and Asia, for whom intensive technical and regulatory exchanges of expertise are of particular importance. Bachem typically works closely with customers over many years with a view to bringing a new drug to market. This requires extensive experience in the development of new drug substances. Globally, only a small number of providers meet these requirements, and the barriers for new market entrants are high.

Bachem has traditionally also manufactured generics, i.e. drug substances whose patent protection has expired. Customers in this sector are typically generics companies. Increasingly appearing on the scene are companies working on new applications for these generics – innovative formulations or additional therapeutic areas, for example. Again in 2020 Bachem supported customers in the approval process for new formulations of established products. Here too, the products are extremely sophisticated and often developed in close partnership with customers. Customers above all value Bachem's regulatory expertise, reliability, and long-standing experience in this area.

#### **Bachem Group's operating results in 2020**

The Bachem Group generated sales of 402.0 million CHF in 2020, representing robust growth of 28.1% in Swiss francs or 34.0% in local currencies. Growth on the American market was again very strong, but Europe and Asia also recorded healthy gains. Sales in the Americas increased by 39.9% to 217.0 million CHF, while in Europe they grew by 16.7% to 185.0 million CHF. Major NCE and generics projects have again shown good progress. For several projects Bachem was able to support a successful submission or approval; for others approval is expected in the near future. In the NCE environment there was evidence of unbroken global momentum. Many further new NCE projects have also been secured in the United States, Europe and Asia.

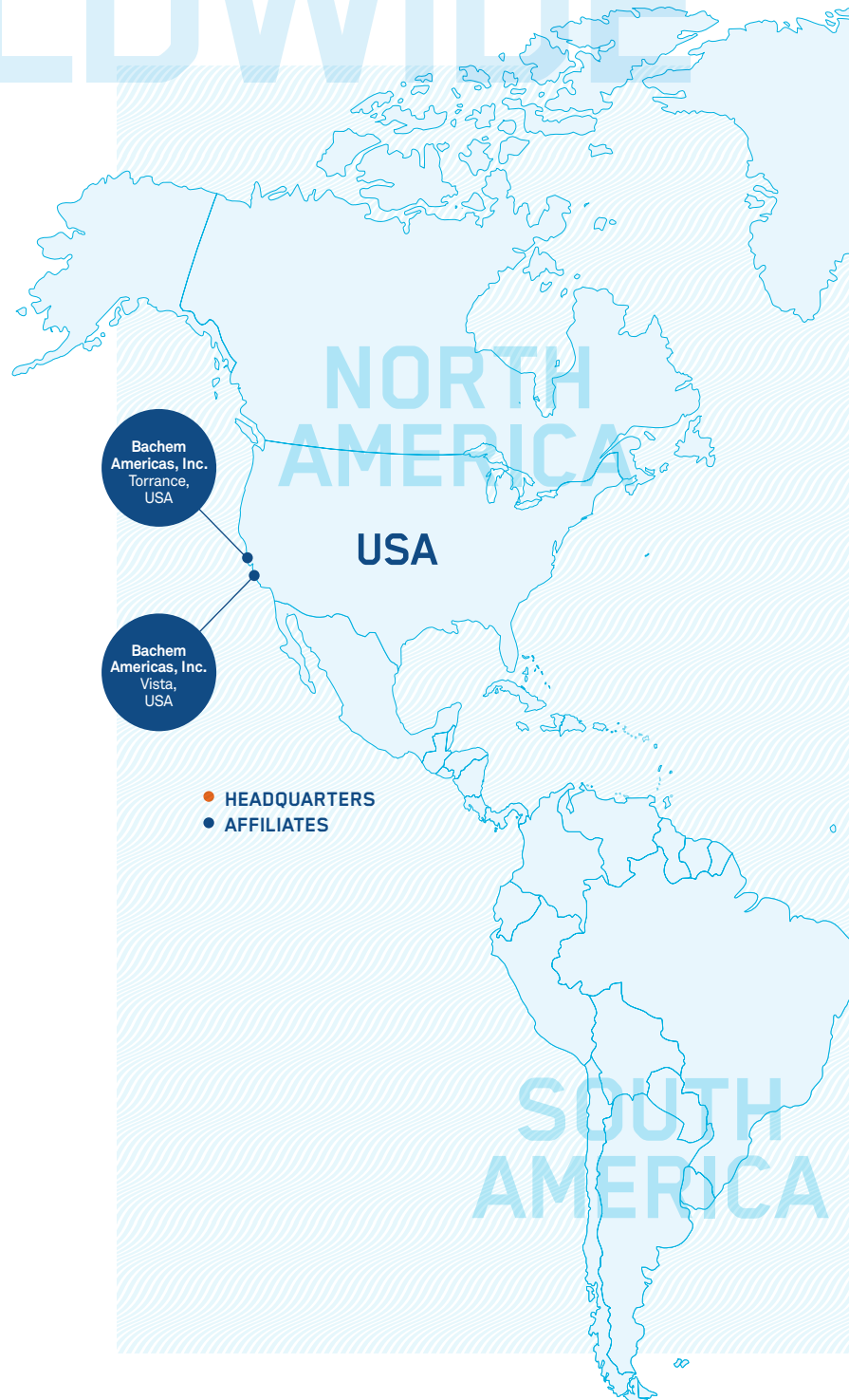
The research chemicals business expanded by 12.2% compared to the prior year. In the area of catalog sales, bulk product orders were a major growth driver, while the packaged products business suffered from the effects of diminished university research activity due to COVID-19. In custom synthesis, the cosmetics business and custom synthesis for NCE development projects were the top performers.

## **LEADING PARTNER IN TIDES**

- **AT BACHEM**, we strive to give our customers an all-round positive experience – no matter who they are or where they are located.
- **AT BACHEM**, technological leadership and innovative strength have been the cornerstones of our success since the very beginning of our company.
- **AT BACHEM**, we will continue to expand our strong market position in the business of developing and manufacturing peptides and oligonucleotides. We have clear and ambitious goals, which we pursue and successfully implement together as a team.
- **AT BACHEM**, we believe that our employees make the difference. Representing our corporate culture of passion and commitment, they are the foundation of our success.
- **AT BACHEM**, we are committed to sustainability by taking responsibility towards our employees, the society, and the environment.

Bachem sells its products worldwide for use in research & development, cosmetics, diagnostics, medicines, and other application areas. As in previous years, drug substances for pharmaceutical and biotechnology companies accounted for the bulk of Bachem Group sales in 2020. From a geographical perspective, the USA, Europe and Japan remained the most important markets.

Bachem addresses the global market through two regional segments, the Americas and Europe, based on sales recorded by the Group's subsidiaries. Sales to customers in North and South America are reported under the Americas segment. Sales to customers in Europe, Asia and the rest of the world are all subsumed under the Europe segment. While Asia's percentage of Group sales was nearly unchanged compared to 2019, in absolute figures sales in the region were up significantly.



**BACHEM OPERATES SIX CENTERS OF EXCELLENCE IN SWITZERLAND, THE UK, THE US AND ASIA THAT ARE FOCUSED ON THE PRODUCTION OF ACTIVE PHARMACEUTICAL INGREDIENTS, CUSTOM SYNTHESIS PRODUCTS AND CATALOG PEPTIDES.**

**BACHEM HOLDING AG**  
Bubendorf, Switzerland

**BACHEM AG**  
Bubendorf,  
Switzerland

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

**BACHEM AMERICAS, INC.**  
Torrance,  
USA

**BACHEM JAPAN K.K.**  
Tokyo,  
Japan

**BACHEM SA**  
Succursale Vionnaz  
Vionnaz, Switzerland

**BACHEM AMERICAS, INC.**  
Vista,  
USA

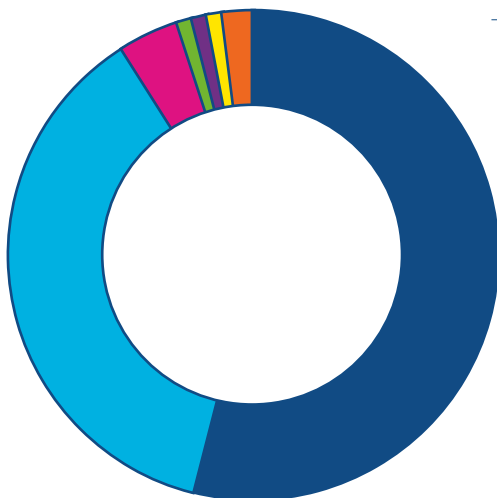


Once again, Bachem generated growth primarily through drug substances (APIs) in 2020, recording a notable 30.3% increase in sales over 2019. Both the NCE business and generics sales saw clear gains over the prior year. NCE sales were buoyed by expansion of the NCE development project pipeline as well as by positive developments in products already approved. In generics too, favorable market conditions contributed to boosting established products and sales of products for which approval is pending.

Sales growth in Asia was encouraging as well. The work of the local team in Tokyo is bearing fruit. New projects were carried out in Japan, South Korea, China and Taiwan, while existing projects are advancing in clinical development.

The outlook remains very promising for fiscal 2021. In addition to a well-filled order book, new NCE and generics projects are appearing on the horizon.

## CUSTOMER SEGMENTATION



PHARMA

54%

BIOTECH

37%

DISTRIBUTORS

4%

ACADEMIA

1%

DIAGNOSTICS

1%

COSMETICS

1%

OTHER

2%



The key to future growth lies in having innovative drug substances approved for new medicines and in opening up new therapy or application areas for existing products. Bachem is committed to driving forward and expanding its development project pipeline. As a partner to its customers, Bachem works together with them on new, successful market authorizations and promotes flexibility and creativity in the project teams.

### **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.

### Catalog

In the catalog business, aside from rapid availability and competitive prices, the product portfolio plays a decisive role. Every year, Bachem supplements its catalog with new, innovative products emerging from the latest areas of research. Intensive regular exchanges with leading researchers and key opinion leaders at various conferences and symposia ensure that Bachem is able to support cutting-edge research all over the world with the right products.

### Custom synthesis

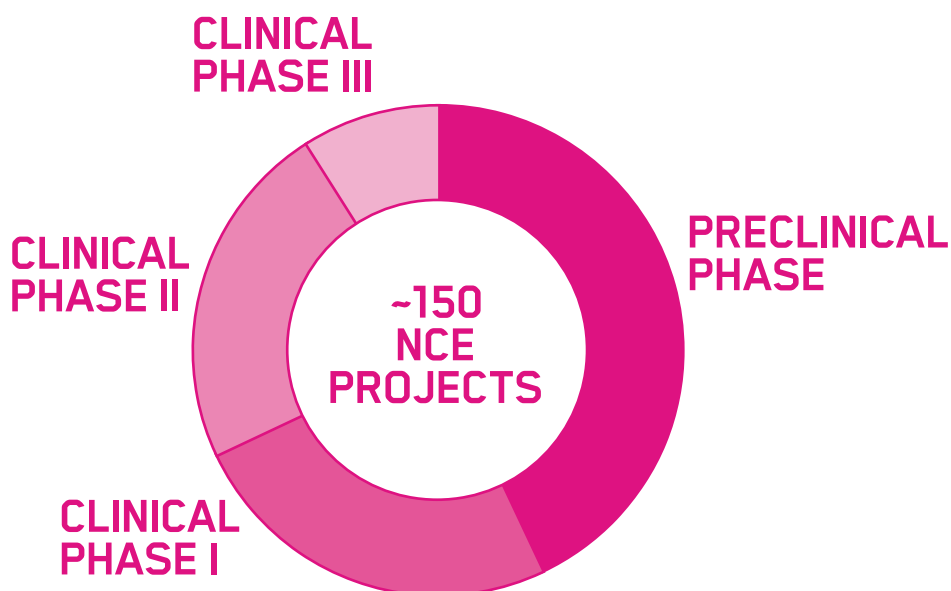
In custom synthesis, the customer defines the product or sequence. What sets Bachem apart from its competitors is its flexibility, technical expertise, and exceptional quality awareness. Focusing on demanding customer segments – diagnostic and cosmetic companies, for example – has proved effective in recent years and will continue to offer further potential for growth in future.

### APIs & Services

Drug substances or APIs (Active Pharmaceutical Ingredients) are the largest application area for peptides at Bachem. These can be products with market approval or products that are still in development. The priority for products with market approval is cost-effective and reliable production. Close coordination with customers' needs and careful long-term planning are crucially important. Long-term supply contracts often regulate prices, purchase volumes and other obligations, thus providing security for both parties.

As well as producing approved drug substances, Bachem also supports numerous new chemical entity (NCE) customers in their clinical development with products and services. Customers, particularly pharmaceutical and biotechnology companies, can have widely differing expectations. Whereas smaller companies prefer to rely on the experience and recommendations

## OUR PIPELINE OF CUSTOMER NCE PROJECTS





of Bachem, large pharmaceutical companies, for example, have very precise ideas about drug development and proceed according to their own internal guidelines. A high degree of flexibility and service readiness is essential for the optimal management of a broad portfolio of projects for a wide variety of customers. Thanks to many years of work in the field of NCE development and the breadth of its project pipeline, Bachem has accumulated a wealth of experience with different customers, development strategies, molecule classes, therapeutic areas, or authorities. Bachem brings this experience to its development projects so that customers, too, can benefit.

Just a few years ago, customers were often only marginally involved in the details of the technical development activities. Today, Bachem cooperates very closely with most of its customers, particularly on development projects. Intensive project management with highly effective and experienced project managers is the key to successful development in Chemistry Manufacturing and Controls (CMC). The teams work together to identify risks and define relevant measures at an early stage. This can typically involve targeted process developments ("work packages") or the development of analytical tests. Nowadays, joint project meetings and regular phone conferences are the rule. On some projects, customers are also represented by technical experts on site when it comes to important steps. A joint Steering Committee that makes important decisions and supports the resolution of conflicts is also appointed on many projects.

The growth in 2020 resulted from the expanding NCE pipeline and new market approvals. A solid and growing NCE pipeline is contributing directly to the increase in sales. At the same time, it is also the prerequisite for achieving further approvals together with our customers.

### OUR VISION

We are the world's leading company in developing and manufacturing peptides and oligonucleotides. Our strong customer focus has enabled us to become the most trusted and reliable partner for pharmaceutical and biotech companies. We support them in the discovery and development of innovative medicines that help to treat, and even cure, patients for a variety of diseases.

## **CUSTOMER CENTRICITY & SERVICE**

At Bachem, we strive to give our customers an all-round positive experience - no matter who they are or where they are located. We offer the highest quality products and services in the industry and we stand for trusting and long-standing partnerships.

## **INNOVATION & TECHNOLOGY**

At Bachem, technological leadership and innovative strength have been the cornerstones of our success since the very beginning of our company. In the field of technology and innovation, Bachem clearly sets industry standards.

## **OPERATIONAL EXCELLENCE & QUALITY**

At Bachem, we will continue to expand our strong market position in the business of developing and manufacturing peptides and oligo-nucleotides. We have clear and ambitious goals, which we pursue and successfully implement together as a team. We are creating new jobs and constantly expanding our capacity to be well prepared for all growth opportunities.

## **PEOPLE & CULTURE**

At Bachem, we believe that our employees make the difference. Representing our corporate culture of passion and commitment, they are the foundation of our success. We therefore strive to attract, retain, and develop highly motivated, well-qualified individuals.

## **SUSTAINABILITY**

At Bachem, we are committed to sustainability by taking responsibility towards our employees, the society, and the environment. We are convinced that ethically correct behavior and integrity are essential for long-term business success.

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. Leading Partner in Tides**

### 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.

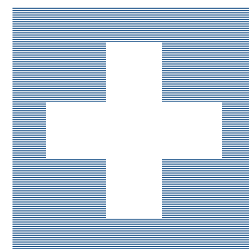
### PEPTIDE DRUGS

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.



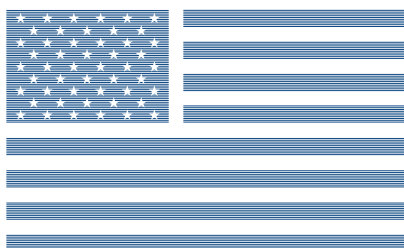


# PROGRESS REPORTS



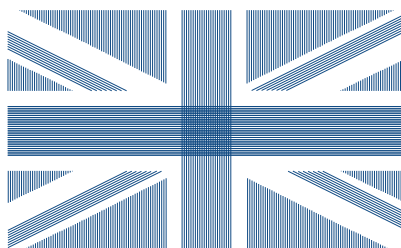
## SYSTEM RELEVANT SUPPLY

Both Swiss sites in Bubendorf and Vionnaz have shown an outstanding performance throughout the year and further increased the utilization and output significantly. An impressive number of capacity and technology-related investment projects were accomplished and demonstrate Bachem's commitment to further growth. The highly skilled employees, their flexibility, efficiency, and great attitude combined with Switzerland's dual education system are the backbone to excel throughout operations. Despite the global pandemic's challenges and uncertainties, the Swiss sites set new benchmarks in the efficient development and production of highly complex peptides, including the new Molecular Hiving Technology, new oligonucleotides, and the large scale production of selected small molecules.



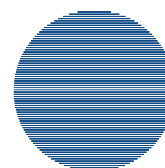
## **RECORD MANUFACTURING OUTPUT**

2020 was a year of notable growth in manufacturing output for both US sites in Torrance and Vista, benefiting from added capacity and automation, and enabled by Operational Excellence initiatives that have provided optimized production planning and utilization of resources. The product portfolio has been further expanded, providing the foundation for future growth opportunities. This portfolio includes several products that are now manufactured as investigational therapeutics in the fight against COVID-19. At both sites, investments have been initiated to achieve debottlenecking, increase automation, and to further expand manufacturing capacity, which will be available in 2021.



## **SUPPORTING THE CUSTOMERS THROUGH THE COVID-19 PANDEMIC**

The year brought many challenges due to the COVID-19 pandemic. Thanks to the agility, hard work and dedication of the entire UK team the site remained operational throughout the year to support the customers' requirements for research chemicals, including almost 100 peptides related to COVID-19. Continued focus on lean manufacturing principles resulted in numerous efficiencies, enabling the rapid manufacture required for such critical projects with strong potential for future commercialization. Successful ISO13485 re-certification, along with expanded service offering, further supports the customers in the IVD sector. The construction of new office space ensured adherence to social distancing requirements to protect staff, and continued investment in manufacturing equipment supported a fast and efficient production process.



## **EXPANSION OF THE ASIAN MARKET**

There were many challenges throughout the year; however the Bachem Japan team humbly served its customers and gained more traction in Asia. Bachem is now starting to see the positive effects from the opening of the Tokyo office in April 2018. The NCE pipeline is growing nicely and so is the Generics business in Japan, South Korea, Taiwan, and China. Based on this new business, Bachem expects the growth seen in 2020 to continue also in the next years. Progress could also be achieved on the regulatory side of the business. Despite the challenging regulatory situation in some Asian countries, Bachem has seen breakthrough approvals as a result of its continuous efforts. In view of these encouraging developments in 2020, Bachem in Asia is looking positively to the future.



APPRENTICESHIP TRAINING  
WITH A FUTURE



OUR TRAINEES  
ARE HIGHLY  
MOTIVATED



Bachem performs vocational training for a number of different occupations. In 2020 twelve new trainees began their apprenticeships for the Swiss Federal Certificate of Proficiency at headquarters in Bubendorf as laboratory technicians, commercial specialists, IT specialists and logistics specialists.

Bachem has been supporting and promoting apprenticeship training since the company's founding. The first apprentice, who completed his training for the Federal Certificate of Proficiency as a chemical laboratory technician in 1979, will celebrate 45 years with the company in 2021. Today he is one of two trainers at the corporate apprenticeship lab. Since his successful completion, over 300 young men and women have trained at Bachem Bubendorf and Vionnaz as chemical/pharmaceutical technologists, chemical lab technicians, IT specialists, commercial specialists, logistics specialists and general mechanics.

The commitment to vocational training is based on fundamental values. The company lives up to its social responsibilities by helping trained specialists launch their

careers. As a training facility, Bachem supports and challenges the workforce and brings together different generations in the same work processes. Giving trainees the opportunity to perform demanding tasks in on-the-job training programs in production enriches their learning experience, promotes diversity and contributes significantly to Bachem's corporate culture.

At headquarters in Bubendorf, Bachem runs an in-house training laboratory with two full-time trainers. Outside of Bachem, chemical lab tech trainees only attend specialized vocational school classes. All other classes are taken alongside peers in the training lab – in close proximity to the production organizations where on-the-job practical training programs are held. Nearness to the

production facilities along with numerous social events and camaraderie among classmates builds a sense of belonging and teamwork.

Bachem looks back with pride on 45 successful years of vocational training – successes both in training career starters and also in hiring them when their training is complete.

A large proportion of trainees who have completed their apprenticeships stay and grow further with Bachem. Many former apprentices who undertake external training such as specialized courses, higher technical college, technical university studies university degrees and even dissertations return to Bachem. After the early years of their successful careers, many former apprentices get involved in vocational training themselves, supporting trainees as line managers during the next generation's apprenticeships. These trainers make up the backbone of the vocational training program.

At the beginning of the vocational training at Bachem, the focus was exclusively on training laboratory occupations. Over the years the training spectrum has grown broader and more diverse. Bachem is following this evolution with full conviction. For the company, in-house training is a key tool for meeting a high, steadily growing need for skilled labor. In apprenticeship vocational training, Bachem can influence the professional and cultural agenda while aligning training content flexibly with future needs.

It is Bachem's ambition to continuously improve its performance as an attractive employer, in safeguarding the environment, in acting ethically and in guaranteeing the highest quality of products and services.

## Values and ambition

Bachem is committed to its responsibility towards employees and customers, the society and environment. Following the principles described in the Code of Conduct, Bachem stands by the values of integrity, honesty and fairness in running a global business. The Company has upheld its commitment to the Responsible Care® program for over two decades, promoting responsible handling of resources and risks, and making a key contribution to sustainability. This initiative, the only one of its kind in the world, drives continual improvement in the health, safety and environmental performance of chemical companies with global operations, often going well beyond legal requirements.

In order to further improve its performance as an attractive employer, safeguard the environment, act ethically and guarantee the highest quality of products and services, Bachem implemented a Corporate Social Responsibility (CSR) Management System in 2020. Initiated by an in-depth materiality analysis conducted



**SDG 3: ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES**

As the Group provides a full range of services to the pharma and biotech industries, specializing in the development of innovative, efficient manufacturing processes and the reliable production of active pharmaceutical ingredients, Bachem enables its customers, in a spirit of partnership, to improve health and increase life expectancy.



**SDG 8: PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL**

Bachem is fully committed to improving its triple bottom line in an accounting framework with social, environmental and economical aspects. However, we are also aware that the economic performance achieved together with the customers is the driving force behind sustainable development. Therefore, the Company puts a strong focus on continuous growth through innovation, creating attractive jobs in a safe and secure working environment, and contributing to the regional economies operated within.



**SDG 4: ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL**

Bachem's performance is predicated on very high educational achievements of the workforce at every level. In addition to the professional qualifications acquired through a vocational apprenticeship or university degree programs, the Company attaches great importance to providing employees with training and continuing education. The Group continuously increases the number of youths and adults who have relevant skills for employment and entrepreneurship.



**SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS**

Bachem aims to contribute to the overall goal of decoupling economic growth from adverse impacts on human health and the environment. The safety of employees and the surrounding communities is consequently of fundamental interest to the Company. This includes a sound management of chemicals, reducing their release to air, water and soil as well as the reduction of waste generated.

The following table provides an overview of the material topics and how they are related to the SDGs.

MATERIAL  
TOPICS

## AMBITION



## BEING AN ATTRACTIVE EMPLOYER

OCCUPATIONAL HEALTH AND SAFETY	Achieve a high level of safety and health for all persons working at Bachem.	●		●
DIVERSITY UND EQUAL OPPORTUNITY	Provide equal terms of employment to all employees.			●
LABOR RIGHTS AND FAIR WORKING CONDITIONS	Prevent adverse social impacts by upholding commonly accepted labor standards and refraining from discrimination.			●
PERSONAL DEVELOPMENT OF EMPLOYEES INCL. VOCATIONAL TRAINING	Promote vocational training and invest in performance and career development.		●	
TALENT MANAGEMENT	Attract, retain and develop talented and committed staff.		●	

## SAFEGUARDING THE ENVIRONMENT

ENERGY CONSUMPTION AND THG EMISSIONS	Monitor and reduce energy consumption and GHG emissions.			●
RESOURCE CONSUMPTION	Monitor and reduce resource consumption.		●	●
ENVIRONMENTAL IMPACT	Monitor and reduce impacts on the environment.		●	●
WASTE AND RECYCLING	Manage the transport and disposal of effluents and waste in order to maximize safety and minimize environmental impacts.			●
GREEN CHEMISTRY	Redesign processes to minimize the use and generation of hazardous substances, and reduce the environmental impact.		●	

## ACTING ETHICALLY

SUSTAINABLE PROCUREMENT	Establish procurement practices that lessen negative economic, social or environmental impacts in the supply chain.			●
CORRUPTION AND FAIR COMPETITION	Omit corrupt practices, compete fairly and adhere to integrity, governance, and responsible business conduct.			●
RESPECT FOR HUMAN RIGHTS	Respect and comply with the principles expressed in the United Nations Declaration of Human Rights.		●	
LEGAL COMPLIANCE	Comply with all laws and regulations in the social, economic or environmental area.			●
STAKEHOLDER DIALOGUE	Maintain the dialogue with people or groups having an interest in Bachem and can either affect or be affected by our business.			●

## GUARANTEEING HIGHEST QUALITY IN PRODUCTS AND SERVICES

PRODUCT SAFETY AND QUALITY	Uphold standards to guarantee that products and services fully satisfy customer's needs and comply with the regulatory requirements.	●		
EFFICIENT ORGANIZATION	Strive for processes or tasks to be carried out using the least resources per output.		●	
INNOVATION A AND CONTINUOUS GROWTH	Continuously expand Bachem's know-how in chemistry and technology, and promote growth through creativity and adaptability.	●	●	
DELIVERY RELIABILITY AS A SUPPLIER	Optimize the number of deliveries made without any error regarding time, place, price, quantity, or quality.	●		
INFORMATION SECURITY	Handle information responsibly and conforming with laws and guidelines to protect customer privacy as well as Bachem's intellectual property.			●

in 2019, involving key stakeholders, and an alignment with the United Nations (UN) Sustainable Development Goals (SDGs) most relevant to its business, the CSR Management System will lead the way for an improved sustainability performance. Bachem understands this as a first step, aiming in 2021 to define further processes, responsibilities and targets in a global Sustainability Strategy.

### Being an attractive employer

Bachem is a market leader and relies on the best employees to maintain this position. The Group engages the world's largest workforce of qualified specialists devoted to the field of peptide chemistry, expanding the number of employees to 1529 (in 1475 full-time equivalent positions) in 2020 from 1257 (in 1,209 full-time equivalent positions) in 2019. This workforce requires being passionate to innovate and meet the future needs of customers. The company consequently offers an attractive working environment and compensation model and adheres to its principles of fairness and honesty.

### Occupational Health and Safety

It is Bachem's ambition to guarantee a high level of safety and health for all persons working at its premises. This is achieved through appropriate training for new employees that is refreshed addressing all employees at intermittent intervals. New and changing operations are assessed concerning employee health and safety risks. Emphasis is placed on measures for safe handling of chemicals and hazardous substances and the provision of appropriate protective equipment.

According to its Health and Safety Policy Bachem strives to avoid all accidents and injuries. With this maximum target in view the 20% decline in the number of work-related injuries, from 1.33 to 1.07 per 100 employees in 2020, was a welcome result. With only 0.03 lost workday per employee (previous year 0.07), Bachem further ameliorated its excellent safety performance. The number of staff assigned to health, safety and environment (HSE) increased from 10.5 to 15 full-time equivalent positions.

### Diversity and Equal Opportunity

Bachem provides equal opportunities and terms of employment to all employees, irrespective of age, sex, religion, ethnic background or nationality. This principle

is not only stated in charters and handbooks but also lived by in hiring and remuneration practices. 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.

### Labor Rights and Fair Working Conditions

Bachem is committed to providing a work environment free of harassment, discrimination, retaliation, and disrespectful or other unprofessional conduct. The corresponding principles are put down in Corporate Guidelines and handbooks, and are trained on a regular basis. For that means and in addition to the instructions provided already, a training video "Conduct@Bachem" was launched in 2020 covering the topics information security, corruption and bribery, discrimination and harassment as well as whistleblowing. The training is a global standard, has to be completed annually by each Bachem employee and is publicly accessible through the corporate website.

In accordance with its zero tolerance policy, Bachem cooperates with the authorities in their investigation of an age discrimination complaint filed in 2020 with the State of California Department of Fair Employment and Housing.

### Personal Development of Employees and Vocational Training

Bachem's claim to be the "Leading Partner in Tides" 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 even more decisive 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 the Bachem Group, 30% of the employees have earned a degree from a university and another 21% have earned a degree from a university of applied science. Over 40% of Bachem's employees worldwide have completed a vocational apprenticeship, while this figure stands at 54% for employees in Switzerland.

Vocational apprenticeship training has a high priority at Bachem. The Swiss dual system of education provides young school graduates at the Group's sites in Bubendorf

and Vionnaz 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, 46 young people were enrolled in three- or

four-year vocational apprenticeship programs as of the end of 2020; this represented 3.1% of the workforce.

Bachem Americas offer a program of mid- and long-term vocational training and participates in the Bio-Flex Apprenticeship program ([www.sbwib.org/bioflex](http://www.sbwib.org/bioflex)) whereas at Bachem UK vocational training is organized in summer internships for undergraduate students.

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

PERSONNEL		2020		2019	
		FTE	%	FTE	%
EMPLOYEE DISTRIBUTION BY JOB CATEGORY					
MARKETING AND SALES		103.6	7.0	91.1	7.5
ADMINISTRATION		117.0	7.9	99.8	8.3
SUPPLY CHAIN		59.4	4.0	56.1	4.6
ENGINEERING AND SERVICES		196.3	13.3	155.4	12.9
QUALITY ASSURANCE AND REGULATORY AFFAIRS		381.2	25.9	298.8	24.7
RESEARCH/DEVELOPMENT AND PRODUCTION		617.6	41.9	507.5	42.0
GEOGRAPHIC DISTRIBUTION					
EUROPE		1 070.6	72.6	872.6	72.2
USA		400.5	27.1	333.1	27.6
ASIA		4.0	0.3	3.0	0.2
EMPLOYEE DISTRIBUTION BY GENDER					
WORKFORCE (TOTAL)	WOMEN	461.9	31.3	367.9	30.4
	MEN	1 013.2	68.7	840.8	69.6
UPPER MANAGEMENT	WOMEN	19.0	22.4	17.0	21.3
	MEN	65.8	77.6	62.8	78.7
REGIONAL EXECUTIVE COMMITTEES	WOMEN	5.0	13.9	5.0	14.7
	MEN	31.0	86.1	29.0	85.3
CORPORATE EXECUTIVE COMMITTEE	WOMEN	1.0	20.0	1.0	20.0
	MEN	4.0	80.0	4.0	80.0
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		174.7	11.8	128.2	10.6
AGE 26-35		462.9	31.4	351.0	29.1
AGE 36-45		361.1	24.5	310.8	25.7
AGE 46-55		299.9	20.3	262.3	21.7
AGE 56-65		168.3	11.4	150.4	12.4
AGE 65		8.2	0.6	6.0	0.5

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.

### Talent Management

Regularly held employee appraisals help to maintain the dialogue between employees and line managers and systematically check mutual expectations, performance and employee's personal and professional development. For succession planning and development a system is in place where talents are identified and nominated as successors to certain positions. A specialist career path running parallel to the concept of the management career path is currently in implementation. It will offer experts and specialists an alternative career opportunity with less or no management tasks.

These efforts help to attract, retain and develop talented and committed staff. Rate of employee turnover in 2020 was kept at a low 11.9% (2019: 11.1%) whereas the proportion of internal promotions was at 23.2% – a key performance indicator tracked in 2020 for the first time and defined as the ratio of vacancies filled internally to the total number of filled vacancies.

## Safeguarding the environment

Bachem takes responsibility for future generations by a careful handling of resources, and avoiding environmental risks. The Group has excellent environmental figures, with a comparatively low environmental impact as well as a level of resource consumption relative to economic output. The Company's goal is to continually improve its ecological performance, and to develop and implement new approaches for enhancing employees' environmental awareness. The environmental parameters are measured at the four largest production sites of the Bachem Group. Here, the company employed 1,469 people in 2020 (compared to 1,200 in the previous year).

### Energy Consumption and GHG Emissions

Representing an important environmental impact, energy consumption and greenhouse gas (GHG) emissions are monitored at all major sites, and Bachem UK is committed to do so in 2021. The tracked energy consumption per employee recorded a substantial 11% year-on-year decline to 113 GJ per employee whereas the CO<sub>2</sub> emissions per employee dropped by 13%.

As Bachem is growing fast, an increase in energy consumption and GHG emissions can be expected in coming years. However, adequate measures shall reduce relative values per employee. In 2020, an ambitious multi-year plan at Bachem's Swiss sites was launched to reduce the increase in annual energy consumption by over 10 000 GJ, and in CO<sub>2</sub> emissions by over 600 tons.

## RESPONSIBLE CARE KEY FIGURES

	2020	2019	2018	2017	2016
PERSON ACCIDENTS, NUMBER/100 EMPLOYEES	1.1	1.3	1.7	2.2	1.3
LOST WORKING DAYS, NUMBER/EMPLOYEE	0.1	0.1	0.1	0.1	0.1
HEALTH SAFETY ENVIRONMENT STAFF, NUMBER	15.0	10.5	9.5	9.5	9
TOTAL STAFF, NUMBER	1 482	1 200	1 056	1 026	939
ENVIRONMENT KEY FIGURES					
TOTAL ENERGY CONSUMPTION, GJ/EMPLOYEE	113	126	135	129	125
CO <sub>2</sub> , T/EMPLOYEE	3	4	4	4	4
NO <sub>x</sub> , KG/EMPLOYEE	3	4	4	4	4
SO <sub>2</sub> , KG/EMPLOYEE	0.2	0.4	0.4	0.6	0.5
VOC, KG/EMPLOYEE	16	16	18	21	26
TOC, KG/EMPLOYEE	3	3	2	2	4
HAZARDOUS WASTE DISPOSED OF, KG/EMPLOYEE	9 270	7 470	9 965	7 080	6 262
TOTAL WATER CONSUMPTION, M <sup>3</sup> /EMPLOYEE	106	106	93	107	121

### Resource Consumption

The focus in monitoring and reducing resource consumption is on water as a vital natural source. Systematic control and analysis of annual water consumption is in place, and corrective actions are taken in function of results. Moreover, employees are trained to use all resources responsibly. By that means total water consumption per employee could be kept constant at 106 m<sup>3</sup> as compared to the previous year's figure.

### Environmental Impact

Bachem focuses to safeguard the environment through regular HSE routine inspections and environmental audits. Except at Bachem UK, where peptides are manufactured at small scale using automated equipment and closed processes, emissions are monitored.

All emissions tracked were reduced in relative terms during the reporting period, from a slight 1% decrease in volatile organic compounds (VOC) emission to a reduction by more than half of the SO<sub>2</sub> emissions to 0.21 kg/employee.

### Waste and Recycling

It is Bachem's ambition to efficiently and effectively manage the transport and disposal of effluents and waste in order to maximize safety and minimize environmental impacts. Bachem works closely with relevant local authorities where the Group's plants are located. Wastewater is pre-treated to meet regulatory standards and discharged to publicly owned treatment facilities for final treatment that meets all state and federal requirements. Moreover, Bachem works diligently to reduce waste from its facility by using efficient capture and disposal or recycling procedures. Still, after a substantial decline last year, the volume of special waste disposed of per employee rose due to the significantly increased production output by 24% to 9 270 kg, close to the 2018 level of 9 965 kg.

### Green Chemistry

Bachem undertakes continuous efforts in redesigning processes to minimize the use and generation of hazardous substances, thereby reducing its environmental impact. The Company develops more environmentally friendly alternatives to established peptide manufacturing technologies to complement and extend its technology platform. In total, 10 processes were under investigation and adjusted in 2020 in order to improve process efficiency and environmental friendliness.

Relevant findings are published and presented at international conferences to support scientific progress. For part of this work, Bachem has partnered with other companies in the industry to join forces. These activities allow Bachem to support customers with the development of efficient and more sustainable manufacturing processes. Further significant progress is expected in the licensing agreement with Jitsubo for a more environmental-friendly technology as an alternative to solid phase peptide synthesis (SPPS, Molecular Hiving TM).

Bachem is an associate member of the American Chemical Society Green Chemistry Institute Pharmaceutical Roundtable ([www.acsgciper.org](http://www.acsgciper.org)) to exchange information and ideas with other companies engaged in Green Chemistry, and to contribute to the goals of the American Chemical Society Green Chemistry Institute.

### Acting ethically

For Bachem, ethically correct behavior and integrity are essential for lasting business success. The professional and personal integrity of the Group's employees is a prerequisite for meeting the high-quality standards of all stakeholders. Bachem's 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.

### Sustainable Procurement

Bachem establishes procurement practices that lessen negative economic, social or environmental impacts in the supply chain. To that end suppliers are classified on the basis of risk, taking into account product related quality aspects as well as CSR issues such as the prevention of child labor, forced labor or human trafficking. This work forms the basis for the risk-based assessment, defining in what form the Company assures that suppliers obey the standards set in the Code of Conduct.

All suppliers of quality critical products are assessed or audited. During these audits the supplier is obliged to sign the Code of Conduct. For all others, the orders refer to the General Terms and Conditions, in which the Code of Conduct is listed as a binding document.



**Corruption and Fair Competition**

In order to omit corrupt practices, to compete fairly as a company, and to adhere to integrity, governance, and responsible business conduct, Bachem employees are trained on employment and regularly in a behavior precluding corruption and bribery.

By that training the Group wants to make sure, that the 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 and will inform the responsible line manager if any unsolicited conflict of interest arises. And as a company, Bachem does not grant any advantage or concession if it is not in line with local law or custom or not properly accounted for and financially registered. Bachem does not give nor request nor accept any illegal rebate, kickback payments, any “unofficial” payments or any form of improper gift or favor.

In 2020, no confirmed incidents of corruption were registered and no legal actions were pending or completed regarding anti-competitive behavior or violations of anti-trust and monopoly legislation.

**Legal Compliance and Respect for Human Rights**

Bachem obliges all employees to obey all laws and regulations applicable to its activities as well as with its internal guidelines. Furthermore, the Company respects and complies with the principles expressed in the United Nations Declaration of Human Rights. To that end all employees are trained on employment and regularly in human rights policies and procedures concerning aspects of human rights that are relevant to the Group's operations. The trainings cover topics like information security, discrimination and harassment as well as whistleblowing.

In 2020, no significant fines and non-monetary sanctions for non-compliance with laws and regulations in the social, economic or environmental area were filed. For environmental laws and regulations and the corresponding training see the according paragraph above.

**Stakeholder Dialogue**

Maintaining a dialogue with people or groups having an interest in Bachem and that can either affect or be affected by the Group's business is in the Company's own

interest, but also a sign of taking responsibility in and for the surrounding community. Bachem looks and acts beyond company boundaries and involve its key stakeholders in an ongoing transparent, accurate, open and honest dialogue.

Bachem's memberships with organizations for mutual benefit are currently evaluated, taking into account the stakeholder analysis carried out in 2019.

**Guaranteeing highest quality in products and services**

Bachem offers and delivers highest quality products and services to its customers. As part of its business model, the Group supports the development of new medicines and drugs all the way from early stage inception and development, through their clinical testing and market approval, and finally in their later life cycle as mature or generic products. Bachem ensures absolute quality and safety by comprehensively controlling its manufacturing processes.

Bachem as a public company maintains the goal of being a leading and profitable player in its business. The Company strives to grow continuously and be a reliable supplier by running an innovative, efficient organization. Bachem respects all privacy rules and confidentiality obligations, managed through an information security system.

**Product Safety and Quality**

Bachem upholds standards to guarantee that products and services fully satisfy customer's needs and comply with the regulatory requirements. At all sites processes are in place ensuring that substances produced and delivered comply with the internal, customer and regulatory requirements specified, thereby also guaranteeing that health and safety impacts for employees and customers are reduced to a minimum. Data generated from product nonconformities and customer feedback are analyzed for trends and reviewed for continuous improvement.

Workplace hygiene is a basic requirement for safe handling of active substances, making it an integral element of employee health and safety protection at Bachem. Bachem's strategy for achieving optimum workplace hygiene consists of three interlinked compo-



nents: personnel hygiene, a basic hygiene concept and control banding. The approach is based on universal principles of personnel hygiene, such as employee apparel and personal care. In addition, the basic hygiene concept seeks to prevent the release of active substances and their subsequent dispersal by deploying technical and organizational measures, the latter addressing analysis and optimization of personnel and material flows, specifications for cleaning procedures as well as waste disposal. The purpose of control banding is to monitor active substance concentrations in the manufacturing environment and hold them to levels low enough to reliably prevent absorption of an effective dose during work processes.

### **Efficient Organization, Innovation and Continuous Growth**

Bachem strives for processes or tasks to be carried out using the least resources per output. For that means, several Bachem sites started initiatives based on 5S principles or continued and expanded such initiatives to include safety, quality and production.

Bachem is a technology-based company that bases its growth largely on innovation and the chemical production of active pharmaceutical ingredients (APIs). Local innovation groups, technology transfer workshops as well as International Chemistry and Technology Meetings (ICTM) lead to a continuous expansion of the Group's know-how in chemistry and technology and promote growth thanks to creativity, openness, trust and courage.

### **Delivery Reliability as a Supplier**

As a contract manufacturer, outstanding quality of its products and services together with full good manufacturing practice (GMP) compliance is the basis for the Group's commercial success. Bachem constantly maximizes the number of deliveries made without any error regarding time, place, price, quantity, or quality. This is ensured by targeted investments, well trained and qualified personnel and supported by the quality system in place. The current track record with customers and authorities indicates excellent standing.

Continuous surveillance and improvement is achieved by external & internal audits, the corrective and preventive action (CAPA) system, and regular quality system management reviews. Quality events like batch rejects,

customer complaints and deviations are reported on a monthly basis to facilitate senior management oversight. No withdrawal of a prescription or over-the-counter (OTC) drug batch from the market due to Bachem's failure to meet quality standards was reported in 2020.

### **Information Security**

In order to handle information responsibly and conforming with laws and guidelines to protect customer privacy as well as Bachem's intellectual property, the Group enters into Confidential Disclosure Agreements (CDA) with all key customers and vendors. Internal and external confidentiality is secured by a framework of corporate and local regulations. These include the Code of Conduct, the Information Security Management Policy, the IT Security Guideline, and the Information Security User Guideline. Further standard operating procedures (SOPs) and guidelines specify implementation and maintenance of IT infrastructure, hardware, software, and electronic data as well as the handling and storage of paper documentation. Systems are in place to recognize, track and correct deviations and breaches to information security. Furthermore, all employees are trained in the respective regulations at the appropriate level.

These efforts have led to the positive result that again no substantiated complaints received concerning breaches of customer privacy were filed in 2020.

### **About the Sustainability Reporting**

For Bachem it is a matter of course to take responsibility for its products and financial figures as well as towards society and the environment with the same graveness. The Company thereby takes an active role in making the world more sustainable.

This is Bachem's first sustainability report following the principles of the GRI. The Group expects to continue to report on an annual basis. The GRI Content Index can be found under [www.bachem.com/company/corporate-social-responsibility](http://www.bachem.com/company/corporate-social-responsibility).

This report has been prepared in accordance with the GRI Standards: Core option. It has not been externally assured.

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, 2020, was 5 537 000 kCHF. No other Bachem companies are listed.

All consolidated companies are listed in note 23 on page 86 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, 2020, are listed in note 8 on page 96 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, 2020, the nominal share capital of Bachem Holding AG was 700 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 the year 2019, the share capital was increased. Details are disclosed in the notes to the consolidated financial statements in note 20 on page 85. In the years 2020 and 2018, the share capital remained unchanged. All changes in equity for the years 2020 and 2019 are listed on page 65 of the consolidated financial statements. Changes for 2018 are reported on page 71 of the Annual Report 2019.

## 2.4 Shares and participation certificates

At December 31, 2020, Bachem Holding AG had 7 002 059 registered shares A and 6 997 941 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 or options.

### 3 Board of Directors

#### 3.1 Members of the Board of Directors

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

**Kuno Sommer (1956)<sup>1</sup>, Ph.D. in Business Administration, Chairman, Swiss. Since 2012, elected until 2021.**



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 Chairman of the Board of Sunstar-Holding AG, of Polyphor AG, of PDS Pathology Data Systems AG, of Kenta Biotech AG and of TargImmune Therapeutics AG.

**Nicole Grogg Hötzer<sup>2</sup> (1973), Graduate Biologist, Vice-Chairwoman, Swiss. Since 2011, elected until 2021.**



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, she 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, of Hotel Bad Schauenburg AG and of Sunstar-Holding AG as well as member of the Board of Directors of MFC Beteiligungs AG and of Breiten Immobilien AG.

**Jürgen Brokatzky-Geiger (1952)<sup>1,2</sup>, Dr. rer. nat., Member, German.**



**Since 2009, elected until 2021.**

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 a number of positions with increasing responsibility in Research and Development (R&D). 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 and member of the Executive Committee of Novartis. Until his retirement at the end of October 2017, Dr. Jürgen Brokatzky-Geiger was Global Head of Corporate Responsibility of Novartis.

<sup>1</sup> Member of the Compensation Committee

<sup>2</sup> Member of the Investment Committee

**Thomas Früh (1957)<sup>1,2</sup>, Dr. chem. ETH, Secretary, Swiss.**



**Since 2020, elected until 2021.**

Dr. Thomas Früh has occupied a number of different positions in the company since 1997; from April 2012 to the end of 2019, he was Chief Executive Officer and Chairman of Bachem's

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 Vice President of the business association scienceindustries, Board member of the Chamber of Commerce of both Basel and President of the Board of the foundation SimplyScience.

**Steffen Lang (1967), Ph.D., Member, German/Swiss.**



**Since 2020, elected until 2021.**

Dr. Steffen Lang has been Global Head of Novartis Technical Operations (NTO) since 2017. He is a member of the Executive Committee of Novartis.

Prior to his current appointment, Mr. Lang served as Global Head of Biologics Technical Development and Manufacturing within NTO from 2015 to 2017. He joined Novartis in 1994 as Head of Laboratory in Research, and over the years has held various positions within Pharmaceuticals Development, including Global Head of Technical Research and Development from 2009 to 2015. Mr. Lang holds a doctorate in pharmaceutical technology from the Swiss Federal Institute of Technology (ETHZ), and a degree in pharmaceutical sciences from the University of Heidelberg in Germany.

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



**Since 2014, elected until 2021.**

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 "Spark Award" of ETH Zurich (2020), the "Inhoffen Medal" (2017), the "Pedler Award" (2016), and the "Leonidas Zervas Award" (2010). She has also been awarded with numerous honorary lectureships such as the "Calvin Lecture" of UC Berkeley (2017) and she was named "Fellow of the Royal Society of Chemistry" (2013).

### 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 2020, the Board of Directors held three full-day and two half-day meetings as well as one full-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 2020, three Board meetings were attended by a total of nine guests. In 2020, no external consultants were called in.

Meetings are prepared by the Chairman and by committees of various compositions. Decisions are taken by the full Board. The Board can decide when more than half of its members are present. It decides by majority of votes. In case of a tie, the vote of the Chairman decides.

The Board of Directors has established a Compensation Committee (committee members are listed 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 year under review.

The Board of Directors has established an Investment Committee (committee members are listed in item 3.1). The Investment Committee supports the Board of Directors in its function as the ultimate supervisory body and in the exercise of its financial powers and duties, particularly with respect to capital expenditure decisions. It examines the annual capital investment budget and the multi-year capital investment plans of the Corporate Executive Committee and the pertinent reports addressed to the Board of Directors. Furthermore, the Investment Committee evaluates and determines the level of detail required for individual capital investment proposals. The Committee held two half-day meetings and two telephone conferences during the year under review. At one meeting, one member was absent.

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, the CMO, and the COO (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 71 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 Meier (1968), degree in Chemistry and as Industrial Engineer, CEO, Swiss. Since 2019.**



Thomas Meier joined Bachem AG in 1993 as Team Head, Active Pharmaceutical Ingredients. From 2001 to 2004, he headed up peptide manufacturing at Peninsula Laboratories, Inc., in San Carlos, California.

On his return to Switzerland, he was in charge of solid-phase peptide manufacturing for Bachem AG in Bubendorf. He assumed overall responsibility for production at the Bubendorf site in 2013, and was appointed COO Europe in August 2017, with responsibility for all production sites in Switzerland, Germany and the UK. He was appointed COO of the Bachem Group and member of the Corporate Executive Committee in 2019. Since January 1, 2020 Thomas Meier is CEO of the Bachem Group and Chairman of the Corporate Executive Committee. After an apprenticeship as chemical laboratory technician at the ETH in Zurich, Thomas Meier obtained a degree in chemistry from the ZHAW School of Engineering. Parallel to working, he obtained a degree as Industrial Engineer STA (Swiss Technical Association) and completed the Advanced Management Program at INSEAD Business School, Fontainebleau/Paris.

**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 extra occupational studies in business economics, finance and control. After his graduation in 1995, he joined F. Hoffmann-La Roche Ltd in Basel where he assumed various positions in Corporate Finance. 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. Stephan Schindler holds a degree of International Executive MBA Zurich/Boston. Furthermore, he is a member of the Board of Directors of Arcondis (Holding) AG and Evolva (Holding) AG as well as a Board member of Columna Collective Foundation – Client Invest, Winterthur.

**Roland Schürmann (1964), degree in Chemistry, COO, Swiss. Since 2020.**



**Since 2020.**

Roland Schürmann joined Bachem Americas, Inc. in Torrance, California in 2016. He was first Vice President Manufacturing and became Site Manager Torrance in May 2017. Roland Schürmann

has been appointed COO of the Bachem Group and member of the Corporate Executive Committee effective July 1, 2020. After completing his education, he worked as a chemical laboratory technician at Ciba-Geigy AG and as a production chemist at F. Hoffmann-La Roche Ltd from 1984 to 1997. After holding various management positions at Siegfried AG in Zofingen, Switzerland, Roland Schürmann became Head of Chemical Production in 2004. Parallel to working, he was a senior lecturer for Chemical Technology from 1999 to 2015 at the vocational college in Aarau. Roland Schürmann has a university of applied sciences degree in chemistry from School of Engineering Burgdorf and is currently completing the Advanced Management Program at INSEAD Business School, Fontainebleau/Paris.

**Anne-Kathrin Stoller (1974), Dr. phil. nat., CMO, German/Swiss. Since 2018.**



**Since 2018.**

Anne-Kathrin Stoller joined Bachem AG in Bubendorf in 2006 and headed the Business Development Unit from 2008 to 2010. Subsequently, she was responsible for the Business

Development & Sales Department, first locally and finally for the entire region Europe. Serving as Vice President and Department Head she was also a member of the local management team in Bubendorf. Since January 1, 2018, she is CMO of the Bachem Group and member of the Corporate Executive Committee. Anne-Kathrin Stoller studied chemistry in Hannover (Germany) and Cambridge (UK). After obtaining her doctorate under the supervision of Prof. Dr. Bernd Giese at the University of Basel (Switzerland), she started her career in the sales team of ExxonMobil Chemical.

## 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 48 of this Annual Report.

Details of the shares 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 97.

## 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](http://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

Mazars AG, Zurich, has been statutory auditor of the Bachem Group and the Bachem Holding AG since 2019. Cyprian Bumann has been lead auditor since the business year 2019. 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 Mazars for the Bachem Group amounted to 158 kCHF for the business year 2020. Fees for audit services on Bachem companies by other auditors totaled 11 kCHF.

### 8.3 Additional fees

Apart from the audit services, Mazars did not provide any additional services during the reporting year. Additional services, mainly in the area of tax consulting, conducted by other auditors amounted to 1 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 2020, 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](http://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](http://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, Alain Schaffter, CFO, phone +41 58 595 2021, [ir@bachem.com](mailto: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<sup>bis</sup> 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 estab-

lishing 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 2020. 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 and meeting fees. In addition, an appropriate amount of unrestricted company shares were allocated until the end of the 2019/20 term of office.

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. Up to and including the first quarter of 2020, a gross amount of 30 000 CHF per quarter was set for the Chairman and 9 000 CHF per quarter for the other members of the Board of Directors. Since from the 2020/21 term of office no more shares are allocated, the quarterly compensation has been adjusted as follows. The gross remuneration per quarter is now 48 000 CHF for the Chairman and 22 500 CHF for the other members of the Board of Directors. Meeting fees remained at 1 200 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. In the year under review, no such payments were made.

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 compen-

sation 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 in order to direct the actions and behavior of Corporate Executive Committee members toward sustainable corporate development.

Total compensation (TC) paid to members of the Corporate Executive Committee consists of a guaranteed base

## OVERVIEW OF DUTIES AND RESPONSIBILITIES

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

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:**  $IP = BS \times 0.69 \times TF$

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

Variable compensation is calculated by multiplying 69% 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%.

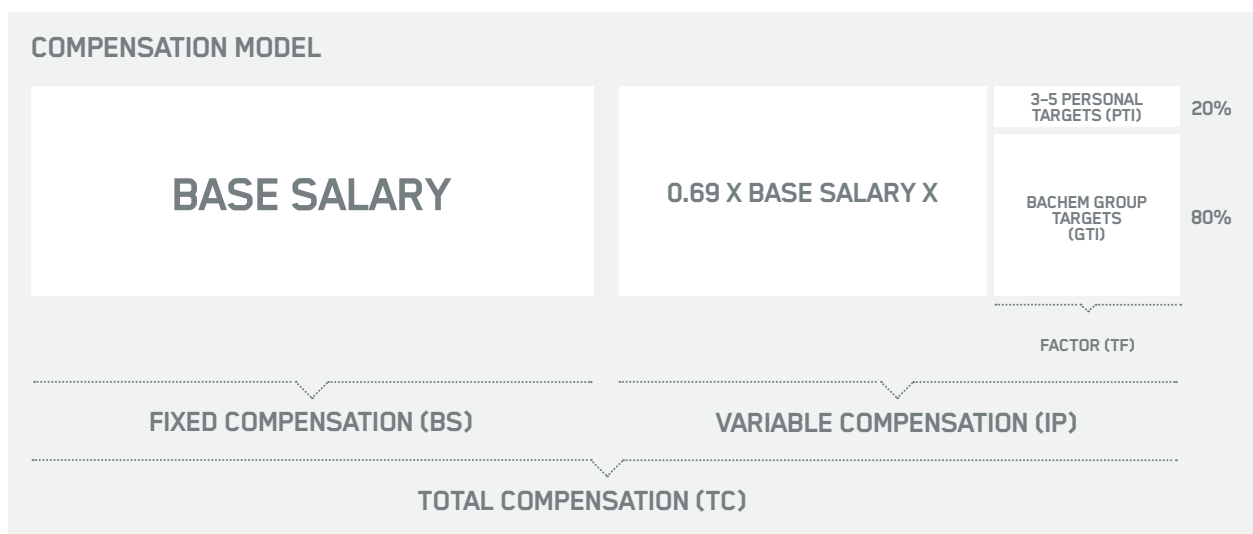
30% of variable compensation will be paid out as company shares. These shares will be blocked for three years after grant and disclosed in the compensation report at discounted value in accordance with applicable tax laws. The aforementioned proportion of variable compensation is converted into a specific number of awarded shares using the average daily closing price for the corresponding fiscal year.

The Group targets set for the 2020 fiscal year were clearly exceeded. In view of the assessment of the total performance, the Board of Directors has set the Group Target Incentive rate at 120% as proposed by the Compensation Committee. In addition, the Board of Directors has decided, in special recognition of the outstanding results achieved in the context of the COVID-19-pandemic, to pay the Corporate Executive Committee a one-time additional variable compensation of 30 000 CHF for the CEO and 20 000 CHF for each additional member of the Corporate Executive Committee. In the year under review, the variable compensation of the Corporate Executive Committee members based on tax values therefore corresponded in total to approximately 85% 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 held by the Board of Directors and the Corporate Executive Board are detailed in note 9 on page 97 of the notes to the consolidated financial statements of Bachem Holding AG.

Further information on Bachem Group's share plans is given in the notes to the consolidated financial statements on pages 70, 71 and 86.





### 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:

2020 in 1 000 CHF	Fix salaries, fees	Variable salaries	Share- based payments	Pension plan contri- bution	Other social security expenses	Total
Kuno Sommer (Chairman)	180		12		17	209
Nicole Grogg Hötzer (Vice-Chairwoman)	84		12		10	106
Jürgen Brokatzky-Geiger (Member)	84		12		8	104
Thomas Burckhardt (Secretary until April 22, 2020)	11		12		4	27
Thomas Früh (Secretary since April 22, 2020) <sup>1</sup>	72		0		6	78
Steffen Lang (Member since April 22, 2020)	72		0		6	78
Rolf Nyfeler (Member until April 22, 2020)	11		12		4	27
Helma Wennemers (Member)	83		12		10	105
<b>Total Board of Directors</b>	<b>597</b>	<b>0</b>	<b>72</b>	<b>0</b>	<b>65</b>	<b>734</b>
Thomas Meier (CEO)	265	184	55	52	33	589
Rest of the Corporate Executive Committee	780	497	150	149	100	1 676
<b>Total Corporate Executive Committee</b>	<b>1 045</b>	<b>681</b>	<b>205</b>	<b>201</b>	<b>133</b>	<b>2 265</b>
<b>Total</b>	<b>1 642</b>	<b>681</b>	<b>277</b>	<b>201</b>	<b>198</b>	<b>2 999</b>

<sup>1</sup> In addition to his work as a member of the Board of Directors, Thomas Früh was employed in a staff position of the CEO without executive functions for the entire financial year 2020. For this activity fix salaries in the amount of 178 kCHF, variable salaries of 58 kCHF, share-based payments of 19 kCHF, contributions to the pension plan of 32 kCHF and other social security expenses of 31 kCHF were posted. These compensations are not included in the values shown above.

2019 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		47		12	185
Nicole Grogg Hötzer (Vice-Chairwoman)	44		47		6	97
Jürgen Brokatzky-Geiger (Member)	44		47		5	96
Thomas Burckhardt (Secretary)	42		47		5	94
Rolf Nyfeler (Member)	44		47		5	96
Helma Wennemers (Member)	41		47		6	94
<b>Total Board of Directors</b>	<b>341</b>	<b>0</b>	<b>282</b>	<b>0</b>	<b>39</b>	<b>662</b>
Thomas Früh (CEO)	289	151	54	65	34	593
Rest of the Corporate Executive Committee	812	416	149	157	107	1 641
<b>Total Corporate Executive Committee</b>	<b>1 101</b>	<b>567</b>	<b>203</b>	<b>222</b>	<b>141</b>	<b>2 234</b>
<b>Total</b>	<b>1 442</b>	<b>567</b>	<b>485</b>	<b>222</b>	<b>180</b>	<b>2 896</b>

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 the compensation report of Bachem Holding AG for the year ended December 31, 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 52 of the compensation report.

**Responsibility of the Board of Directors**

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. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

**Auditor's Responsibilities**

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 for the year ended December 31, 2020 of Bachem Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, March 3, 2021

MAZARS AG

Cyprian Bumann  
Licensed Audit Expert  
Auditor in Charge

Roger Leu  
Licensed Audit Expert



# **BACHEM FINANCIAL REPORT 2020**

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Stephan Schindler, CFO



## With excellent results in the anniversary year

The first six months of 2020 saw Bachem's highest half-year sales performance since the company's founding 50 years ago, laying the cornerstone for an outstanding full year. In the second half, the company surpassed the year-back period despite negative exchange rate impacts. At 224.9 million CHF, Bachem recorded a new high in half-year sales, boosting full-year sales to a new record at 402.0 million CHF. Compared to the previous year's figure, this represents an increase of 88.3 million CHF or 28.1%. In local currencies (LC) sales growth was at 34.0%, although the figure in the reporting currency was somewhat dampened by exchange rate movements, particularly between the US dollar and Swiss franc. This outstanding result in the challenging year of COVID-19 resoundingly reaffirms Bachem's performance capacity as the company continues on a steady growth trajectory. As an essential healthcare supplier, the Group actively supported the fight against the pandemic with a number of development projects and by producing and supplying much-needed pharmaceutical ingredients. Bachem's excellent results for 2020 mark an auspicious start to the company's 50<sup>th</sup> anniversary year of 2021

## Growth boost for generics

Generics sales reached 175.9 million CHF, more than 28% above the prior-year reference figure (137.4 million CHF). Sales growth in local currencies was at 33%. Both regions, Europe/Asia and North America, delivered a strong performance. The Europe/Asia region outpaced

the previous year's figures by roughly 16% in LC while North American sales increased by over 76% in LC. Products made in Switzerland continued to account for a high proportion of sales. The exacting market environment worked in Bachem's favor, with heightened demand for existing generics and market approval of innovative new dosage forms as growth drivers. Through the production and delivery of its products, Bachem also contributed to the treatment of patients infected with COVID-19. This growth was achieved on a foundation of close customer relationships built up over many years, responsive delivery, and the organization's ability to bring additional capacity online rapidly under difficult circumstances. Great credit is due to the crisis team and all the employees, who made these top performances possible with their tireless efforts.

## Gains for research chemicals despite lockdown

Unlike the other business units, Bachem's Competence Center for Custom Synthesis in St. Helens, UK, was affected directly by the pandemic and resulting lockdown measures. The closure of research departments and universities had a negative impact on new orders and deliveries. Mid-year hopes for improvement in the situation were unfortunately dashed. As far as the Group is concerned, however, periodic major catalog bulk product orders and custom synthesis associated with NCE drug substance development projects in particular generated total growth of 4.5 million CHF (+16.5% in LC) compared to the reference period.

## Tailwind for new chemical entities

Compared to the previous year, which had been beset by project delays, the sales generated in new chemical entities (NCEs) were highly gratifying. Both regions contributed strong results to the division's performance. In the Europe/Asia segment LC sales increased by nearly 34%, emphatically confirming the performance upturn already discernible at mid-year. In North America, sales gained a remarkable 56%.

## Healthy project portfolio

Bachem continued successfully developing its project portfolio in fiscal 2020. At year-end, Group companies in Europe, North America and Asia were working with customers on some 150 NCE projects in all stages of development. The large number of projects in clinical stages II and III is important and remains highly promising. These projects will serve as a sound foundation for Bachem's future success. Bachem expects to be able to

continue to support customers in the successful submission and market introduction of new NCEs and generics over the coming years.

### Sales breakdown by product category

The active pharmaceutical ingredients (API) product category, a key growth area for the Group, once again delivered strong gains in 2020. The trend in research chemicals was likewise positive overall despite the negative impacts of the pandemic on UK operations. This was thanks largely to the intermittent occurrence of bulk sales and custom synthesis orders in connection with NCE development projects.

in million CHF	2020	Change in local currency	Change in CHF	As % of total sales
API Products	360.4	+ 36.4%	+ 30.3%	89.6%
Research Chemicals	41.6	+ 16.5%	+ 12.2%	10.4%
Total net sales	402.0	+ 34.0%	+ 28.1%	100.0%

The sales breakdown – 89.6% for APIs and 10.4% for research chemicals – shifted back towards APIs. Given its growth targets in the API product category, Bachem is expecting a steady increase in the percentage of API sales as a portion of total sales in the future.

### Breakdown by regions

In terms of the geographic breakdown, sales performance was again extremely encouraging in North America. This region expanded sales by nearly 62 million CHF in 2020, achieving a new annual sales record of more than 217 million CHF. Thanks to this impressive performance, North America's percentage of total sales rose once again, exceeding that of Europe/Asia for the first time. Despite the strongly negative impact of changes in the USD/CHF exchange rate, the growing importance of the US market on the company's results was confirmed. It should be noted here that the reported percentages do not reflect weighting by the regions where the products sold are produced. Here, the production locations in Switzerland were once again dominant.

in million CHF	2020	Change in local currency	Change in CHF	As % of total sales
Europe/Asia	185.0	+ 19.4%	+ 16.7%	46.0%
North America	217.0	+ 48.9%	+ 39.9%	54.0%
Total net sales	402.0	+ 34.0%	+ 28.1%	100.0%

### Disproportionate increase in EBIT

Bachem's operating profit (EBIT) rose by 55.0% to 96.7 million CHF during the period under review. Moreover, Bachem reported an EBIT margin of 24.0% (previous year: 19.9%). Operating profit before depreciation and amortization (EBITDA) amounted to 122.6 million CHF (previous year: 87.2 million CHF). This corresponds to an EBITDA margin of 30.5% (previous year: 27.8%). Thus, the target EBITDA margin of 30% for 2021 was already met in the year under review.

### Sharply negative currency impact

In the income statement, the exchange rate trends of the US dollar, the euro, the British pound and the Japanese yen against the Swiss franc had a sharply negative aggregate impact on performance in Swiss francs at the EBIT level. For 2020, Bachem recorded negative currency effects of –18.5 million CHF (–4.4%) on sales and –12.6 million CHF (–11.6%) on EBIT.

### Significant rise in gross profit

The costs of goods sold in the year under review totaled 273.1 million CHF, or 67.9% of sales. Markedly improved sales, better capacity utilization and fixed cost absorption, bolstered by an advantageous product mix, resulted in a significantly higher gross profit margin of 32.1% (previous year: 29.5%). In consequence, Bachem was able to record an impressive nominal gain of 36.4 million CHF (+39.4%) in gross profit. Further improvements in capacity planning and cost absorption, together with the ramping-up of "Operational Excellence" and process automation, offer additional opportunities for a further increase in profitability despite the rising personnel costs and the increasing workload to meet the regulatory requirements that growth entails.

### Additional job creation

Our people's know-how and experience are crucial to the Bachem Group's success. Strong demand, an excellent order backlog and very high capacity utilization enabled Bachem to create a total of 272 new jobs by the end of 2020. Thanks to the impressive dedication of everyone involved, the challenges associated with recruiting, hiring, equipping, and onboarding new staff were successfully overcome, even under the challenging circumstances. As of December 31, 2020, the Bachem Group employed a total of 1529 people in 1475 full-time equivalent positions.

### Higher staff costs

In addition to the newly created jobs in the reporting year, pay increases and the expanded headcount in the previous year had the effect of increasing staff costs. Total personnel expenses for the period amounted to 178.0 million CHF (previous year: 145.9 million CHF).

### Marketing & sales

Despite expansion of the new establishment in Tokyo and strategic hiring in the sales organization, marketing and sales expenses of 15.6 million CHF were roughly equal to the previous year's 15.8 million CHF. This was due mainly to the limited opportunities for business travel, customer visits and company presentations at major tradeshow because of measures to combat the COVID-19 pandemic. As a percentage of total sales, these expenses contracted to 3.9% (previous year: 5.0%).

### Research & development

In the area of research and development (R&D), the Group reported higher expenses of 2.9 million CHF compared to the previous year (previous year: 1.7 million CHF). This amount includes amortization of previously capitalized development costs for new generics amounting to 69 kCHF. In connection with the development of the new oligonucleotides product category, management has decided to gradually expand the previous R&D budget of approximately 2 million CHF. As in previous periods, the costs incurred at production units for process optimization and scale-ups along with development costs for new generic samples were not recognized in R&D expenses in 2020, but allocated directly to cost of goods sold.

### General administration costs

General administration costs for 2020 came to 14.6 million CHF (previous year: 13.6 million CHF). This figure, 1.0 million CHF (+7.5%) higher than the year-back period's, included expansion of the Controlling, Intellectual Property and Corporate Social Responsibility departments along with one-time external costs related to tax and legal issues. However, the ratio of costs to sales decreased again to 3.6% (previous year: 4.3%). The growth of the company led to higher requirements in the areas of human resources and information technology and thus to increased expenses. This was charged internally according to the source and reported accordingly.

### Higher depreciation and amortization

At 25.9 million CHF, regular depreciation and amortization was 1.0 million CHF higher than the prior year figure. This was due primarily to the commissioning of new production capacity at all locations in Switzerland, the UK and the US. No impairments were recognized during the period under review.

### Profit surge despite currency effects

Currency translation effects had a significant negative impact on net income in the year under review. The valuation at the balance sheet date of USD loans granted to subsidiaries by the holding company was a main factor here. Overall, exchange rate movements resulted in a consolidated exchange rate result of –5.1 million CHF (previous year: –1.6 million CHF). Nevertheless, net income of 78.1 million CHF significantly exceeded the previous year's result by 23.9 million CHF (+44.1%).

### Interest expense holds steady

With interest rates still low and capital requirements similar to the prior year's, interest expense held steady at 0.4 million CHF.

### Tax rate as anticipated

The net income figure reflects income taxes of 12.9 million CHF (previous year: 6.2 million CHF). Due to tax credits and allowances together with one-time effects, the Group's resulting tax rate was 14.2% (previous year: 10.3%). In contrast to the reference period, the adjustment of the deferred tax rate resulting from the Swiss tax reform had only a minor impact. Bachem is currently anticipating a future Group tax rate of 13–16%.

### Cash flow from operating activities significantly higher

Cash flow from operating activities before changes in net current assets was 117.0 million CHF in fiscal 2020, an increase of 36.2 million CHF (+44.8%) over the previous year. Cash flow-relevant capital held in net current assets increased slightly by a total of 2.0 million CHF. The primary driver of this development was the growth-related increase in inventories of 30.1 million CHF. In addition to stocking up on semi-finished and finished goods as well as work in progress, Bachem also increased its buffer inventories of raw materials essential for production. The other positions related to the cash flow-relevant net decrease in trade receivables along with other current receivables, prepaid expenses and accrued income amounting to 2.6 million CHF, and

the significant increase in trade payables together with other current liabilities, accrued expenses and deferred income of 25.5 million CHF. Cash flow from operating activities thus showed a year-on-year increase of 50.8 million CHF (+79.0%) to 115.0 million CHF.

**Investments enable further growth**

With investment of 73.4 million CHF in property, plant and equipment and of 3.0 million CHF in intangible assets, Bachem set a major cornerstone for the Group's further growth. A 7.3 million CHF increase in investment-related liabilities along with other items totaling -0.5 million CHF resulted in cash flow from investing activities of -69.3 million CHF. In addition to capacity expansion and substitute procurement, the company continues to focus above all on automation, compliance, and safety and environmental protection.

**Solid financing**

In the first half of the year, Bachem repaid loans amounting to 46.8 million CHF that had been taken out the previous year. Long-term loans totaling 60.0 million CHF were carried forward unchanged from the prior year. Also under financing activities, the total for distribution of an increased dividend of 3.00 CHF amounted to 42.0 million CHF. By year-end, the company had raised loans totaling 47.3 million CHF. Consequently, total loan liabilities stood at 107.3 million CHF on the reporting date of December 31, 2020. Own shares amounting to 1.0 million CHF were bought on the market to fund share based variable employee compensation. Cash flow from financing activities totaled -43.1 million CHF (previous year: -34.3 million CHF).

**Cash and cash equivalents of 23.5 million CHF**

Cash and cash equivalents in the consolidated cash flow statement increased by 2.1 million CHF. Total cash holdings as defined in the cash flow statement amounted to 23.5 million CHF at year-end.

**Healthy capital base**

With an equity ratio of 66.9% as per December 31, 2020 (previous year: 69.2%), Bachem continues to possess a healthy capital base. This will serve as a guarantee of independence and flexibility going forward, as the Group pursues its strategic goals while adhering to its own priorities and values.

**Record high share price**

During the 2020 fiscal year, the price of Bachem shares (BANB) traded on SIX Swiss Exchange rose by more than 155%, from 154.80 CHF to 395.50 CHF. The lowest closing price within the year of 151.00 CHF was quoted on January 7, 2020, and the highest share price in the company's history of 408.50 CHF was quoted on October 5, 2020.

**Planned dividend increase**

Bachem's earnings per share (EPS) grew from 3.91 CHF to 5.58 CHF during the fiscal year. The Board of Directors will therefore propose an increased dividend of 3.25 CHF per share to the Annual General Meeting in April 2021 (previous year: 3.00 CHF). Half of the distribution will come from capital contribution reserves.



# CONSOLIDATED INCOME STATEMENT

For the years ended December 31

in 1000 CHF	Notes	2020	2019
Net sales	1/2	401 995	313 715
Cost of goods sold		- 273 087	- 221 238
<b>Gross profit</b>		<b>128 908</b>	<b>92 477</b>
Other income		860	916
Marketing and sales costs		- 15 567	- 15 794
Research and development costs		- 2 940	- 1 655
General administrative costs		- 14 598	- 13 584
<b>Operating income (EBIT)</b>	2	<b>96 663</b>	<b>62 360</b>
Financial income	5	23	98
Financial expenses	6	- 5 725	- 2 088
<b>Ordinary income before taxes</b>		<b>90 961</b>	<b>60 370</b>
Income taxes	7	- 12 899	- 6 206
<b>Net income<sup>1</sup></b>		<b>78 062</b>	<b>54 164</b>
<b>Earnings per share (CHF)</b>	8	<b>5.58</b>	<b>3.91</b>

<sup>1</sup> The net income is completely attributable to the equity holders of the parent.

The notes on pages 66 to 88 are an integral part of the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

At December 31, 2020 and 2019

in 1000 CHF	Notes	Dec. 31, 2020	Dec. 31, 2019
<b>Assets</b>			
Cash and cash equivalents		23 496	21 431
Trade receivables	9	76 337	83 949
Other current receivables	10	4 404	2 782
Prepaid expenses and accrued income	11	2 802	2 979
Current income tax asset		196	844
Inventories	12	245 238	219 174
<b>Total current assets</b>		<b>352 473</b>	<b>331 159</b>
Property, plant and equipment	13	340 292	296 602
Intangible assets	14	13 384	13 458
Assets from employer contribution reserve	4	320	320
Deferred tax assets		4 415	5 605
<b>Total non-current assets</b>		<b>358 411</b>	<b>315 985</b>
<b>Total assets</b>		<b>710 884</b>	<b>647 144</b>
<b>Liabilities and equity</b>			
Trade payables	15	25 526	18 189
Other current liabilities	16	33 877	17 504
Accrued expenses and deferred income	17	26 899	19 395
Current income tax liabilities		3 778	2 345
Current financial liabilities	18	47 409	46 917
<b>Total current liabilities</b>		<b>137 489</b>	<b>104 350</b>
Non-current financial liabilities	18	60 142	60 184
Deferred tax liabilities	7	37 539	34 792
<b>Total non-current liabilities</b>		<b>97 681</b>	<b>94 976</b>
<b>Total liabilities</b>		<b>235 170</b>	<b>199 326</b>
Share capital	20	700	700
Retained earnings		460 268	403 205
Share premium		59 312	79 039
Own shares		- 1 002	- 1
Cumulative translation differences		- 43 564	- 35 125
<b>Total capital and reserves attributable to the equity holders of the company</b>		<b>475 714</b>	<b>447 818</b>
<b>Total liabilities and equity</b>		<b>710 884</b>	<b>647 144</b>

The notes on pages 66 to 88 are an integral part of the consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31

in 1000 CHF	Notes	2020	2019
<b>Cash flow from operating activities</b>			
Net income		78 062	54 164
Adjustments for:			
Income taxes	7	12 899	6 206
Depreciation and amortization	2/13/14	25 919	24 888
Financial income	5	- 23	- 98
Financial expenses	6	5 725	2 088
Share based payments	21	1 283	1 032
Loss on sale/scraping of property, plant and equipment		603	52
Income taxes paid		- 6 487	- 7 074
Other non-cash items		- 953	- 443
<b>Cash flow from operating activities before changes in net current assets</b>		<b>117 028</b>	<b>80 815</b>
Change in trade receivables		4 233	- 3 323
Change in other current receivables, prepaid expenses and accrued income		- 1 647	- 908
Change in inventories		- 30 096	- 24 391
Change in trade payables		7 535	8 289
Change in other current liabilities, accrued expenses and deferred income		17 987	3 785
<b>Cash flow from operating activities</b>		<b>115 040</b>	<b>64 267</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment		- 65 521	- 28 794
Sales of property, plant and equipment		0	24
Investments in intangible assets		- 3 576	- 1 795
Interest received		6	7
Other financial payments and proceeds		- 214	- 87
<b>Cash flow from investing activities</b>		<b>- 69 305</b>	<b>- 30 645</b>
<b>Cash flow from financing activities</b>			
Capital increase	20	0	47 103
Dividends paid	22	- 41 998	- 27 377
Increase in financial liabilities		47 300	106 800
Repayment of financial liabilities		- 46 965	- 160 180
Additions of own shares	20	- 1 002	0
Interest paid		- 418	- 626
<b>Cash flow from financing activities</b>		<b>- 43 083</b>	<b>- 34 280</b>
Net effect of currency translation on cash and cash equivalents		- 587	- 213
<b>Net change in cash and cash equivalents</b>		<b>2 065</b>	<b>- 871</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>21 431</b>	<b>22 302</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>23 496</b>	<b>21 431</b>
<b>Net change in cash and cash equivalents</b>		<b>2 065</b>	<b>- 871</b>

The notes on pages 66 to 88 are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

2020 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
<b>Balance at January 1</b>		<b>700</b>	<b>403 205</b>	<b>79 039</b>	<b>- 1</b>	<b>- 35 125</b>	<b>447 818</b>
Net income according to income statement			78 062				<b>78 062</b>
Dividends	22		- 20 999	- 20 999			<b>- 41 998</b>
Transactions with own shares (net of tax)				- 11	- 1 001		<b>- 1 012</b>
Share based payments	21			1 283			<b>1 283</b>
Cumulative translation differences						- 8 439	<b>- 8 439</b>
<b>Balance at December 31</b>		<b>700</b>	<b>460 268</b>	<b>59 312</b>	<b>- 1 002</b>	<b>- 43 564</b>	<b>475 714</b>

2019 in 1000 CHF	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
<b>Balance at January 1</b>		<b>680</b>	<b>386 418</b>	<b>30 861</b>	<b>- 1</b>	<b>- 33 746</b>	<b>384 212</b>
Capital increase	20	20		47 980			<b>48 000</b>
Transaction costs of the capital increase (net of tax)	20			- 827			<b>- 827</b>
Net income according to income statement			54 164				<b>54 164</b>
Dividends	22		- 37 377				<b>- 37 377</b>
Transactions with own shares (net of tax)				- 7			<b>- 7</b>
Share based payments	21			1 032			<b>1 032</b>
Cumulative translation differences						- 1 379	<b>- 1 379</b>
<b>Balance at December 31</b>		<b>700</b>	<b>403 205</b>	<b>79 039</b>	<b>- 1</b>	<b>- 35 125</b>	<b>447 818</b>

Goodwill in the amount of 1352 kCHF is offset in retained earnings.

As of December 31, 2020, the accumulated non-distributable reserves amount to 12 640 kCHF (previous year: 12 640 kCHF).

The notes on pages 66 to 88 are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## General information

### Business activities

The Swiss-based Bachem Group is a public, innovation-driven company specializing in the development and manufacturing of pepTides and oligonucleoTides. As a full service provider Bachem offers products for clinical development and commercial applications, as well as a comprehensive catalog and exclusive custom synthesis. With 50 years of experience and subsidiaries in Switzerland, the United States, the United Kingdom and Japan, Bachem is the partner of choice for the biotech and pharma industry worldwide.

### Approval of the consolidated financial statements

The consolidated financial statements have been accepted by the Board of Directors of Bachem Holding AG on March 3, 2021, to be presented for approval by the Annual General Meeting on April 28, 2021.

## 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 material 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 1000.

### Changes in accounting policies

For the reporting year 2020, no changes in accounting policies became effective.

### 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. 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 in 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 period-end 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:

	Income statement average rates		Balance sheet year-end rates	
	2020	2019	2020	2019
in CHF				
USD	<b>0.94</b>	0.99	<b>0.88</b>	0.97
EUR	<b>1.07</b>	1.11	<b>1.08</b>	1.09
GBP	<b>1.20</b>	1.27	<b>1.20</b>	1.28
JPY (100)	<b>0.88</b>	0.91	<b>0.86</b>	0.89

### Revenue recognition

#### *Sale of products*

The reported net sales correspond to the invoiced product deliveries to third parties after deducting sales tax, discounts and other sales deductions. 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. Inter-company 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.

In addition to the business segments Europe/Asia and North America, 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/Asia" 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 actual values. 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 value 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 receivables 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 net sales.

**Inventories**

The inventories comprise raw materials (including supplies and consumables), work in progress as well as semi-finished and finished goods. They are measured at acquisition cost or Group production cost or (if lower) at net realizable value. Production costs comprise all production costs and an appropriate proportion of production overheads. Inventories are measured at weighted average cost. For slow-moving inventory items and for inventories with a lower net realizable value, an appropriate valuation provision is made. Net realizable value is the estimated selling price in the ordinary course of business, less the variable costs necessary to make the sale.

**Property, plant and equipment and depreciation**

Property, plant and equipment are shown at net book value, after deduction of 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	5 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. Current 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 completed 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 completed 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 interest 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 (share premium). Any differences between the accrued and actual amounts are corrected in the income statement for the following year.

The members of the Board of Directors received 300 shares per year until the end of the 2019/20 term of office. The expense was accrued at the end of the year and booked as an increase in equity (share premium).

Bachem holds own shares to fulfill its obligations under its share 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.

### **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 share premium.

### **Dividend distribution**

Dividends to shareholders are recorded as liabilities at the time the resolution to pay a dividend is made.

### **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 an 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.

In note 19, the contractual maturities of financial liabilities are disclosed.

#### *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-moving inventory items*

Bachem's inventory items are characterized by an extremely long shelf life. Nevertheless, due to commercial considerations, a valuation provision for slow-moving inventory items is determined, which takes into account the salability of the corresponding products. This system-supported provision is principally based on historical consumption and for certain products additionally on a coverage analysis.

#### *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 Net sales**

The reported net sales consist of the following:

in 1 000 CHF	2020	2019
Products	376 018	287 095
Services	25 977	26 620
<b>Total net sales</b>	<b>401 995</b>	<b>313 715</b>

in 1 000 CHF	2020	2019
Active pharmaceutical ingredients (APIs)	360 351	276 612
Research chemicals (incl. custom synthesis)	41 644	37 103
<b>Total net sales</b>	<b>401 995</b>	<b>313 715</b>

**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/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
<b>Sales information 2020</b>					
Net sales third parties	184 976	217 019	401 995	0	<b>401 995</b>
Net sales intersegment	112 467	9 067	121 534	- 121 534	<b>0</b>
<b>Total net sales</b>	<b>297 443</b>	<b>226 086</b>	<b>523 529</b>	<b>- 121 534</b>	<b>401 995</b>
<b>Income information 2020</b>					
Operating income (EBIT)	74 485	27 809	102 294	- 5 631 <sup>1</sup>	<b>96 663</b>
<b>Other information 2020</b>					
Additions in property, plant and equipment and intangible assets	61 326	15 174	76 500	0	<b>76 500</b>
Depreciation and amortization	- 21 818	- 4 089	- 25 907	- 12	<b>- 25 919</b>
Total assets	555 108	169 972	725 080	- 14 196 <sup>2</sup>	<b>710 884</b>
Total liabilities	335 270	77 992	413 262	- 178 092 <sup>3</sup>	<b>235 170</b>

<sup>1</sup> The amount consists of the operating income from corporate activities of -6 568 kCHF and of eliminations in the value of 937 kCHF.

<sup>2</sup> The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 279 614 kCHF and of eliminations in the value of -293 810 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 112 604 kCHF and of eliminations in the value of -290 696 kCHF.

in 1 000 CHF	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
<b>Sales information 2019</b>					
Net sales third parties	158 564	155 151	313 715	0	<b>313 715</b>
Net sales intersegment	74 208	6 212	80 420	- 80 420	<b>0</b>
<b>Total net sales</b>	<b>232 772</b>	<b>161 363</b>	<b>394 135</b>	<b>- 80 420</b>	<b>313 715</b>
<b>Income information 2019</b>					
Operating income (EBIT)	51 677	17 422	69 099	- 6 739 <sup>1</sup>	<b>62 360</b>
<b>Other information 2019</b>					
Additions in property, plant and equipment and intangible assets	26 158	6 569	32 727	0	<b>32 727</b>
Depreciation and amortization	- 20 625	- 4 249	- 24 874	- 14	<b>- 24 888</b>
Total assets	502 839	171 695	674 534	- 27 390 <sup>2</sup>	<b>647 144</b>
Total liabilities	295 743	88 406	384 149	- 184 823 <sup>3</sup>	<b>199 326</b>

<sup>1</sup> The amount consists of the operating income from corporate activities of -5905 kCHF and of eliminations in the value of -834 kCHF.

<sup>2</sup> The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of 271 999 kCHF and of eliminations in the value of -299 389 kCHF.

<sup>3</sup> The amount consists of corporate liabilities of 110 509 kCHF and of eliminations in the value of -295 332 kCHF.

<b>Information about geographical areas – net sales third parties</b>		
in 1 000 CHF	2020	2019
Switzerland	23 552	23 040
USA	216 654	151 749
Germany	28 547	23 468
Ireland	23 644	10 287
Great Britain	23 568	17 601
Japan	21 263	17 038
Austria	8 482	20 923
Rest of the world	56 285	49 609
<b>Total</b>	<b>401 995</b>	<b>313 715</b>

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

### 3 Staff costs

in 1 000 CHF	2020	2019
Salaries and wages	- 136 595	- 113 615
Pension expenses	- 8 420	- 7 291
Other social security expenses	- 20 956	- 17 224
Share-based payments	- 1 283	- 1 032
External staff costs	- 3 522	- 1 642
Other personnel-related costs	- 7 178	- 5 140
<b>Total staff costs</b>	<b>- 177 954</b>	<b>- 145 944</b>

#### 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	Dec. 31, 2019	Change with effect on income statement	Contributions	Pension expenses in staff costs	
	Dec. 31, 2020	Dec. 31, 2020		2020	2020	2020	2019
Patronage funds	0	0	0	0	0	0	0
Plans without surplus/deficit	0	0	0	0	1 050	1 050	1 095
Plans with surplus	2 433	0	0	0	7 370	7 370	6 196
Plans with deficit	0	0	0	0	0	0	0
Plans without own assets	0	0	0	0	0	0	0
<b>Total</b>	<b>2 433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8 420</b>	<b>8 420</b>	<b>7 291</b>

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, 2020	Dec. 31, 2020	2020	2019	2020	2020	2019
Patronage funds	0	0	0	0	0	0	0
Pension institution	320	0	320	320	0	0	0
<b>Total</b>	<b>320</b>	<b>0</b>	<b>320</b>	<b>320</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 5 Financial income

in 1 000 CHF	2020	2019
Interest income	6	94
Other financial income	17	4
<b>Total financial income</b>	<b>23</b>	<b>98</b>

#### 6 Financial expenses

in 1 000 CHF	2020	2019
Interest expenses	-371	-410
Other financial expenses	-220	-85
Foreign exchange result	-5 134	-1 593
<b>Total financial expenses</b>	<b>-5 725</b>	<b>-2 088</b>

Other financial expenses mainly include bank charges.

## 7 Income taxes

in 1 000 CHF	2020	2019
Current taxes	- 8 758	- 7 173
Deferred taxes	- 4 141	967
<b>Total income taxes</b>	<b>- 12 899</b>	<b>- 6 206</b>

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:

<b>Tax rate reconciliation</b> in %	2020	2019
<b>Expected tax rate</b>	<b>20.2</b>	<b>17.6</b>
Change in tax loss carry-forwards	0.0	0.0
Revaluation of deferred taxes	- 0.8	- 4.4
Tax credits and allowances	- 5.4	- 2.9
Non tax deductible expenditures	0.1	0.1
Adjustments for prior periods	0.1	- 0.1
<b>Effective tax rate</b>	<b>14.2</b>	<b>10.3</b>

The expected tax rate has increased compared to the prior year as a consequence of higher profits in countries with higher tax rates and because the holding privilege no longer exists in Switzerland as a result of the tax reform.

On May 19, 2019, Swiss voters adopted the Federal Law on Tax Reform and AHV Financing (TRAF). The new regulations on corporate taxation came into force on January 1, 2020. Based on the cantonal legislative changes that had already been decided at the end of 2019, Bachem preliminarily revalued its deferred tax positions (positive effect of 2.7 million CHF). In the course of 2020, the reform process was completed in all cantons relevant to Bachem. The revaluation of the deferred tax positions carried out at the end of the year resulted in an additional positive effect of 0.7 million CHF. As in the previous year, this positive effect was recognized in the income statement. The impact of the initial assertion of tax instruments related to this tax reform is shown in the above table in the line tax credits and allowances and amounts to around 2.8 percentage points.

At the end of the year, there were deferred tax assets for unused tax loss carry-forwards in the amount of 355 kCHF (2019: 392 kCHF).

<b>Movement of deferred tax liabilities</b> in 1 000 CHF	2020	2019
<b>Deferred tax liabilities at January 1</b>	<b>34 792</b>	<b>35 861</b>
Recognized in income statement	2 903	- 1 051
Currency translation differences	- 156	- 18
<b>Deferred tax liabilities at December 31</b>	<b>37 539</b>	<b>34 792</b>

## 8 Earnings per share

Earnings per share (EPS) are calculated by dividing net income by the weighted average number of shares outstanding during the reporting period.

<b>Earnings per share</b>	<b>2020</b>	<b>2019</b>
Net income (in 1 000 CHF)	78 062	54 164
Average number of shares outstanding	13 997 228	13 836 379
<b>Earnings per share (in CHF)</b>	<b>5.58</b>	<b>3.91</b>

There are no options, convertible bonds or similar that have a dilutive effect.

## 9 Trade receivables

in 1 000 CHF	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Trade receivables	76 452	84 239
Provision for impairment of trade receivables	- 115	- 290
<b>Total trade receivables</b>	<b>76 337</b>	<b>83 949</b>

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:

<b>Movement of provision for impairment of trade receivables</b> in 1 000 CHF	<b>2020</b>	<b>2019</b>
<b>Provision for impairment of trade receivables at January 1</b>	<b>- 290</b>	<b>- 311</b>
Provision for receivables impairment	- 64	- 342
Receivables written off during the year as uncollectable	181	359
Unused amounts reversed	38	0
Currency translation differences	20	4
<b>Provision for impairment of trade receivables at December 31</b>	<b>- 115</b>	<b>- 290</b>

The aging analysis of trade receivables is as follows:

<b>Aging analysis</b> in 1 000 CHF	Overdue and not impaired						Overdue and partially impaired	
	Total	Not due	< 31 days	31-60 days	61-90 days	91-180 days	1-180 days	> 180 days
December 31, 2020	<b>76 452</b>	62 888	9 562	1 061	1 404	1 372	0	165
December 31, 2019	<b>84 239</b>	63 437	15 305	4 248	690	228	0	331



**10 Other current receivables**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Other receivables	4 404	2 782
<b>Total other current receivables</b>	<b>4 404</b>	<b>2 782</b>

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

**11 Prepaid expenses and deferred income**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Prepaid expenses and accrued income	2 802	2 979
<b>Total prepaid expenses and accrued income</b>	<b>2 802</b>	<b>2 979</b>

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

**12 Inventories**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Raw materials	48 075	39 962
Work in progress	32 375	22 051
Semi-finished and finished goods	164 788	157 161
<b>Total inventories</b>	<b>245 238</b>	<b>219 174</b>

The valuation provision in the total amount of 37 657 kCHF (2019: 32 475 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.

## 13 Property, plant and equipment

<b>2020</b> in 1 000 CHF	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
<b>Cost at January 1</b>	<b>203 737</b>	<b>330 502</b>	<b>23 064</b>	<b>26 663</b>	<b>583 966</b>
Additions	0	0	0	73 490	<b>73 490</b>
Disposals	0	- 14 938	- 485	0	<b>- 15 423</b>
Reclassifications	10 786	29 112	2 512	- 42 452	<b>- 42</b>
Currency translation differences	- 4 027	- 5 009	- 401	- 961	<b>- 10 398</b>
<b>Cost at December 31</b>	<b>210 496</b>	<b>339 667</b>	<b>24 690</b>	<b>56 740</b>	<b>631 593</b>
<b>Accumulated at January 1</b>	<b>- 77 420</b>	<b>- 194 211</b>	<b>- 15 733</b>	<b>0</b>	<b>- 287 364</b>
Depreciation	- 4 509	- 16 816	- 1 539	0	<b>- 22 864</b>
Disposals	0	14 368	452	0	<b>14 820</b>
Currency translation differences	1 161	2 689	257	0	<b>4 107</b>
<b>Accumulated depreciation at December 31</b>	<b>- 80 768</b>	<b>- 193 970</b>	<b>- 16 563</b>	<b>0</b>	<b>- 291 301</b>
<b>Net book value at December 31</b>	<b>129 728</b>	<b>145 697</b>	<b>8 127</b>	<b>56 740</b>	<b>340 292</b>

<b>2019</b> in 1 000 CHF	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
<b>Cost at January 1</b>	<b>198 057</b>	<b>306 363</b>	<b>19 911</b>	<b>31 759</b>	<b>556 090</b>
Additions	0	0	24	30 024	<b>30 048</b>
Disposals	0	- 324	- 167	0	<b>- 491</b>
Reclassifications	6 346	25 277	3 358	- 34 981	<b>0</b>
Currency translation differences	- 666	- 814	- 62	- 139	<b>- 1 681</b>
<b>Cost at December 31</b>	<b>203 737</b>	<b>330 502</b>	<b>23 064</b>	<b>26 663</b>	<b>583 966</b>
<b>Accumulated depreciation at January 1</b>	<b>- 72 986</b>	<b>- 178 920</b>	<b>- 14 389</b>	<b>0</b>	<b>- 266 295</b>
Depreciation	- 4 636	- 16 002	- 1 519	0	<b>- 22 157</b>
Disposals	0	276	138	0	<b>414</b>
Currency translation differences	202	435	37	0	<b>674</b>
<b>Accumulated depreciation at December 31</b>	<b>- 77 420</b>	<b>- 194 211</b>	<b>- 15 733</b>	<b>0</b>	<b>- 287 364</b>
<b>Net book value at December 31</b>	<b>126 317</b>	<b>136 291</b>	<b>7 331</b>	<b>26 663</b>	<b>296 602</b>

Bachem does not have any undeveloped land.

The carrying amount of fixed assets under finance lease contracts at year-end 2020 amounted to 244 kCHF (2019: 287 kCHF). Depreciation relating to fixed assets under finance lease amounted to 140 kCHF (2019: 181 kCHF).

No assets were pledged for security of own liabilities in 2020 and 2019. The Group's obligation under finance leases is secured by the lessors' title to the leased assets.

<b>Present value of finance lease liabilities</b> in 1 000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Within 1 year	109	117
Between 1 and 5 years	142	184
More than 5 years	0	0
<b>Present value of finance lease liabilities</b>	<b>251</b>	<b>301</b>

The existing finance lease contracts have been concluded in Switzerland and in the USA in the last 3 years. Their remaining durations are between 1 and 3 years. In all cases, the finance lease contracts are related to office and IT equipment.

<b>Operating lease liabilities – minimum lease payments</b> in 1 000 CHF	<b>Dec. 31, 2020</b>	Dec. 31, 2019
Within 1 year	1 454	847
Between 1 and 5 years	2 761	1 643
More than 5 years	510	295
<b>Total future minimum operating lease payments</b>	<b>4 725</b>	<b>2 785</b>

Currently, there are operating leases for office facilities, vehicles, parking spaces and buildings. The remaining life of the contracts is between 1 and 10 years.

The recognized expenses for operating leases in the consolidated income statement 2020 was 1 154 kCHF (2019: 1 000 kCHF).

## 14 Intangible assets

2020 in 1 000 CHF	Software	Capitalized development costs	Other intangible assets	Total
<b>Cost at January 1</b>	<b>42 938</b>	<b>2 660</b>	<b>46</b>	<b>45 644</b>
Additions	3 010	0	0	3 010
Disposals	0	0	0	0
Reclassifications	42	0	0	42
Currency translation differences	- 300	0	0	- 300
<b>Cost at December 31</b>	<b>45 690</b>	<b>2 660</b>	<b>46</b>	<b>48 396</b>
<b>Accumulated amortization at January 1</b>	<b>- 29 616</b>	<b>- 2 524</b>	<b>- 46</b>	<b>- 32 186</b>
Amortization	- 2 986	- 69	0	- 3 055
Disposals	0	0	0	0
Currency translation differences	229	0	0	229
<b>Accumulated amortization at December 31</b>	<b>- 32 373</b>	<b>- 2 593</b>	<b>- 46</b>	<b>- 35 012</b>
<b>Net book value at December 31</b>	<b>13 317</b>	<b>67</b>	<b>0</b>	<b>13 384</b>

2019 in 1 000 CHF	Software	Capitalized development costs	Other intangible assets	Total
<b>Cost at January 1</b>	<b>40 449</b>	<b>2 660</b>	<b>526</b>	<b>43 635</b>
Additions	2 679	0	0	2 679
Disposals	- 128	0	- 480	- 608
Currency translation differences	- 62	0	0	- 62
<b>Cost at December 31</b>	<b>42 938</b>	<b>2 660</b>	<b>46</b>	<b>45 644</b>
<b>Accumulated amortization at January 1</b>	<b>- 27 131</b>	<b>- 2 455</b>	<b>- 526</b>	<b>- 30 112</b>
Amortization	- 2 662	- 69	0	- 2 731
Disposals	128	0	480	608
Currency translation differences	49	0	0	49
<b>Accumulated amortization at December 31</b>	<b>- 29 616</b>	<b>- 2 524</b>	<b>- 46</b>	<b>- 32 186</b>
<b>Net book value at December 31</b>	<b>13 322</b>	<b>136</b>	<b>0</b>	<b>13 458</b>

**15 Trade payables**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Trade payables	25 526	18 189
<b>Total trade payables</b>	<b>25 526</b>	<b>18 189</b>

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.

**16 Other current liabilities**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Other liabilities	22 523	14 016
Prepayments	11 354	3 488
<b>Total other current liabilities</b>	<b>33 877</b>	<b>17 504</b>

Other current liabilities mainly consist of value added tax liabilities, owed social security charges, liabilities from investment projects, prepayments from customers and other liabilities to third parties.

**17 Accrued expenses and deferred income**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Accrued expenses and deferred income	26 899	19 395
<b>Total accrued expenses and deferred income</b>	<b>26 899</b>	<b>19 395</b>

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

**18 Financial liabilities**

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Loans from related parties	25 000	0
Bank loans	82 300	106 800
Finance lease liabilities	251	301
<b>Total financial liabilities</b>	<b>107 551</b>	<b>107 101</b>
Thereof current financial liabilities	47 409	46 917
Thereof non-current financial liabilities	60 142	60 184

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 0.3% p.a.

The remaining durations of the bank loans is between 1 and 17 months.

Details concerning finance leases are disclosed in note 13.

**19 Maturities of financial liabilities**

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

December 31, 2020 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	15 846	9 645	35			<b>25 526</b>
Other current liabilities	18 048	5 982	9 847			<b>33 877</b>
Accrued expenses and deferred income	4 506	1 882	20 511			<b>26 899</b>
Current income tax liabilities	0	1 899	1 879			<b>3 778</b>
Current financial liabilities	22 310	25 026	73			<b>47 409</b>
Non-current financial liabilities				60 142	0	<b>60 142</b>

December 31, 2019 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	11 657	6 532				<b>18 189</b>
Other current liabilities	10 475	4 770	2 259			<b>17 504</b>
Accrued expenses and deferred income	4 502	884	14 009			<b>19 395</b>
Current income tax liabilities	43	1 626	676			<b>2 345</b>
Current financial liabilities	46 813	35	69			<b>46 917</b>
Non-current financial liabilities				60 184	0	<b>60 184</b>



## 20 Share capital

The share capital is divided into 7 002 059 shares Bachem A (50.01% of share capital) and 6 997 941 shares Bachem B (49.99% of share capital). The shares Bachem 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 Bachem B shares at the SIX Swiss Exchange. All shares are registered shares which are eligible to vote and entitled to dividend. All Bachem 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 96.

<b>Shares Bachem A</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Number of shares	7 002 059	7 002 059
Number of fully paid-in shares	7 002 059	7 002 059
Par value per share (in CHF)	0.05	0.05
<b>Shares Bachem B</b>		
Number of shares	6 997 941	6 997 941
Number of fully paid-in shares	6 997 941	6 997 941
Par value per share (in CHF)	0.05	0.05
<b>Total number of shares</b>	<b>14 000 000</b>	<b>14 000 000</b>
<b>Total share capital (in CHF)</b>	<b>700 000</b>	<b>700 000</b>

On May 8, 2019, the share capital was increased by 400 000 shares (200 059 registered shares A and 199 941 registered shares B) with a nominal value of 0.05 CHF per share. The placement price per share was 120.00 CHF. The transaction costs of the capital increase amounted to 897 kCHF (before taxes).

On December 31, 2020, Bachem Holding AG held 3 638 own shares, which are reserved for distribution under the employee participation plans.

<b>Own shares</b>	<b>Dec. 31, 2019</b>	<b>Purchases/ backslide of blocked shares</b>	<b>Sales/transfer to employees</b>	<b>Dec. 31, 2020</b>
Number				
Employee participation plans at the price of 0.05 CHF	8 250	0	- 7 400	<b>850</b>
Employee participation plans at the price of 359.23 CHF	0	2 788 <sup>1</sup>	0	<b>2 788</b>
Treasury stock	0	0	0	<b>0</b>
<b>Total own shares</b>	<b>8 250</b>	<b>2 788</b>	<b>- 7 400</b>	<b>3 638</b>

<sup>1</sup> The shares were acquired on the market at an average price of 359.23 CHF.

<b>Outstanding shares</b>	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Total number of shares	14 000 000	14 000 000
Number of own shares Bachem B	- 3 638	- 8 250
<b>Total shares outstanding</b>	<b>13 996 362</b>	<b>13 991 750</b>

**21 Share-based payment**

The employee and management participation plans are described in the accounting policies on pages 70 and 71. The recognized expenses for share-based payments in the reporting period amounted to 1 283 kCHF (2019: 1 032 kCHF).

In 2020 and 2019, the following number of shares was granted:

<b>Shares granted</b> Number/CHF	<b>2020</b>	2019
Number of granted shares	7 400	6 608
Average fair value per share at grant date in CHF	160.20	110.80

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 April 28, 2020, a dividend of 41 998 kCHF respectively 3.00 CHF per share was distributed for the year 2019 (previous year: 37 377 kCHF respectively 2.75 CHF per share). In the year under review, the entire dividend of 41 998 kCHF was paid out. In the previous year, 27 377 kCHF of the dividend was paid out and 10 000 kCHF remained as a loan (see note 24).

The Board of Directors will propose a dividend of 3.25 CHF per share or a total of 45 488 kCHF on 13 996 362 shares entitled to dividend, to the Annual General Meeting for the year 2020. The number of shares entitled to dividend may change up to the Annual General Meeting on April 28, 2021, due to the granting of shares to employees or the purchase/sale of own shares.

**23 Consolidated companies**

<b>Consolidated company</b>	Country	Currency	Registered capital	<b>Equity share Dec. 31, 2020</b>	Equity share Dec. 31, 2019
Bachem Holding AG, Bubendorf	Switzerland	CHF	700 000	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	USA	USD	3 000	100%	100%
Peninsula Laboratories, LLC, San Carlos	USA	USD	32 000	100%	100%
Bachem Japan K.K., Tokyo	Japan	JPY	10 000 000	100%	100%

**24 Related party transactions**

Breiten Immobilien AG, Chemoforma AG, Hotel Bad Schauenburg AG, Ingro Finanz AG, MFC Beteiligungs AG, Peninsula Laboratories International, Inc., the pension fund of the Swiss Group Companies, 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:

<b>Transactions</b> in 1 000 CHF	<b>2020</b>	<b>2019</b>
Breiten Immobilien AG (lease of business premises and parking spaces)	-601	-450
Breiten Immobilien AG (rendering of services)	17	16
Chemoforma AG (purchase of goods)	-1	0
Hotel Bad Schauenburg AG (seminars)	-24	-9
Ingro Finanz AG (loan received)	25 000	0
Ingro Finanz AG (dividend paid out)	-23 374	-10 752
Ingro Finanz AG (dividend converted into loan)	0	-10 000
Ingro Finanz AG (interest paid on loan)	-77	-20
Peninsula Laboratories International, Inc. (purchase/sale of goods)	-5	8
Pension fund in Switzerland (employer's contribution)	-7 370	-6 196
Sunstar Group (seminars)	-3	-45
<b>Total transactions with related parties</b>	<b>-6 438</b>	<b>-27 448</b>

<b>Balances</b> in 1 000 CHF	<b>Dec. 31, 2020</b>	<b>Dec. 31, 2019</b>
Hotel Bad Schauenburg AG (seminars)	-3	0
Ingro Finanz AG	-25 000	0
<b>Total balances with related parties</b>	<b>-25 003</b>	<b>0</b>

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 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	2020	2019
<b>Theoretical cost at January 1</b>	<b>1 352</b>	<b>1 352</b>
Additions from acquisitions	0	0
<b>Theoretical cost at December 31</b>	<b>1 352</b>	<b>1 352</b>
<b>Theoretical accumulated amortization at January 1</b>	<b>- 1 283</b>	<b>- 1 013</b>
Theoretical amortization	- 69	- 270
<b>Theoretical accumulated amortization at December 31</b>	<b>- 1 352</b>	<b>- 1 283</b>
<b>Theoretical net book value of goodwill at December 31</b>	<b>0</b>	<b>69</b>

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	2020	2019
<b>Net income according to income statement</b>	<b>78 062</b>	<b>54 164</b>
Theoretical amortization of goodwill	- 69	- 270
<b>Theoretical net income after amortization of goodwill</b>	<b>77 993</b>	<b>53 894</b>

**26 Contingent liabilities and other commitments**

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

**27 Events after the balance sheet date**

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

## **Report on the audit of the consolidated financial statements**

### **Opinion**

We have audited the consolidated financial statements of Bachem Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 62 to 88) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

### **Basis for Opinion**

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

- Inventory provision

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INVENTORY PROVISION

### KEY AUDIT MATTER

As of December 31, 2020, inventories amount to CHF 245.2 million after the deduction of an inventory provision of CHF 37.7 million representing 35% of the total assets.

We consider the valuation of inventories as key audit matter given the magnitude of this balance sheet position and the judgement involved in determining the required product category based inventory provision for slow movers and products with a lower net realizable value.

The inventory provision is determined system based on an item by item basis on historical consumption and additionally for certain products on a days-of-inventory analysis. Additional inventory provisions are recorded on a case by case basis.

Please refer to page 68 (Accounting policies), page 73 (Critical accounting estimates and assumptions) and page 79 (12 Inventories) in the annual report.

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following audit procedures:

- Assessment of the existence and effectiveness of the key controls applied in relation to the determination of the system based and item by item based inventory provision.
- We discussed and assessed the key assumptions made by Bachem in relation to the system based inventory slow-mover provision calculation.
- We tested the system-based calculation of the inventory provision and the completeness and accuracy of the slow-mover report on a sample basis.
- We discussed the requirement for inventory provisions recorded on a case by case basis with Bachem and tested supporting information on a sample basis.
- Further, we assessed Bachem's net realizable value analysis comparing the production costs with the estimated selling price less cost to sell and tested the estimated selling price with sales invoices on a sample basis.

Based on the audit procedures performed, we have addressed the risk of an incorrect inventory provision. We have no audit findings to report.



**Responsibility of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 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.

Zurich, March 3, 2021

MAZARS AG

Cyprian Bumann  
Licensed Audit Expert  
Auditor in Charge

Roger Leu  
Licensed Audit Expert

# INCOME STATEMENT

For the years ended December 31

in 1 000 CHF	Notes	2020	2019
<b>Income</b>			
Income from investments	1	30 847	23 510
Income from licenses		30 602	24 597
Interest income	2	3 107	3 424
Other income		17	16
<b>Total income</b>		<b>64 573</b>	<b>51 547</b>
<b>Expenses</b>			
Staff costs		- 4 208	- 3 728
Administration expenses		-7 070	-6 370
Interest expenses	3	- 352	- 393
Other financial expenses	4	- 2 688	- 1 791
Depreciation and amortization		- 12	- 14
<b>Total expenses</b>		<b>- 14 330</b>	<b>- 12 296</b>
<b>Ordinary net income before taxes</b>		<b>50 243</b>	<b>39 251</b>
Taxes		- 2 387	- 1 592
<b>Net income for the year</b>		<b>47 856</b>	<b>37 659</b>

# BALANCE SHEET

At December 31, 2020 and 2019

in 1 000 CHF	Notes	Dec. 31, 2020	Dec. 31, 2019
<b>Assets</b>			
Cash and cash equivalents		7 959	490
Other receivables from third parties		1 064	515
Other receivables from group companies		5 275	5 009
Prepaid expenses and accrued income from third parties		121	49
Prepaid expenses and accrued income from group companies	1	27 000	20 000
<b>Total current assets</b>		<b>41 419</b>	<b>26 063</b>
Loans to group companies		237 846	245 574
Investments	6	115 397	115 397
Property, plant and equipment		3	4
Intangible assets		26	37
<b>Total non-current assets</b>		<b>353 272</b>	<b>361 012</b>
<b>Total assets</b>		<b>394 691</b>	<b>387 075</b>
<b>Liabilities and equity</b>			
Current interest-bearing liabilities	7	47 300	46 800
Other current liabilities to third parties		312	238
Other current liabilities to group companies		1 782	1 215
Deferred income and accrued expenses		3 708	2 661
<b>Total current liabilities</b>		<b>53 102</b>	<b>50 914</b>
Non-current interest-bearing liabilities	7	60 000	60 000
<b>Total non-current liabilities</b>		<b>60 000</b>	<b>60 000</b>
<b>Total liabilities</b>		<b>113 102</b>	<b>110 914</b>
Share capital	5	700	700
Statutory capital reserves			
Reserves from capital contribution	5	29 632	50 059
Other capital reserves		6 334	6 334
Statutory retained earnings		140	136
Voluntary retained earnings		102 669	102 669
Available earnings			
Net income brought forward		95 260	78 604
Net income for the year		47 856	37 659
Own shares	10	-1 002	0
<b>Total equity</b>		<b>281 589</b>	<b>276 161</b>
<b>Total liabilities and equity</b>		<b>394 691</b>	<b>387 075</b>

# NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

## Accounting policies

### General information

These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32<sup>nd</sup> title of the Swiss Code of Obligations). 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 the income statement.

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.

### Investments

Investments are shown at historical acquisition costs less impairment, if any. They are usually valued individually unless they are considered to be one economic entity and thus combined into one group.

### Own shares

Own shares are recognized in equity as a negative item at cost as per the date of acquisition. Upon subsequent sale, any gain or loss is recognized in capital reserves in equity.

### 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. The acquisition cost of the shares is recorded under personnel expense.

**1 Income from investments**

in 1 000 CHF	2020	2019
Dividend income	27 000	20 000
Other income from investments	3 847	3 510
<b>Total income from investments</b>	<b>30 847</b>	<b>23 510</b>

On February 12, 2021, the ordinary Annual General Meeting from Bachem AG has decided to distribute a dividend in the amount of 27 000 kCHF for the business year 2020 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 2020 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 accrual in the line prepaid expenses and accrued income from group companies.

**2 Interest income**

in 1 000 CHF	2020	2019
Interest income group companies	3 107	3 424
Interest income third parties	0	0
<b>Total interest income</b>	<b>3 107</b>	<b>3 424</b>

**3 Interest expenses**

in 1 000 CHF	2020	2019
Interest expenses third parties	- 275	- 373
Interest expenses shareholders	- 77	- 20
<b>Total interest expenses</b>	<b>- 352</b>	<b>- 393</b>

**4 Other financial expenses**

in 1 000 CHF	2020	2019
Bank service charges	- 40	- 13
Transaction costs capital increase	0	- 897
Foreign exchange result	- 2 648	- 881
<b>Total other financial expenses</b>	<b>- 2 688</b>	<b>- 1 791</b>

Further details related to the capital increase are disclosed in note 5.

## 5 Capital increase

On May 8, 2019, the share capital was increased by 400 000 shares (200 059 registered shares A and 199 941 registered shares B) with a nominal value of 0.05 CHF per share. The placement price per share was 120.00 CHF. The transaction costs of the capital increase in the amount of 897 kCHF were recognized in the line other financial expenses in the income statement.

## 6 Investments

Company	Location	Capital and voting share Dec. 31, 2020	Capital and voting share Dec. 31, 2019
Bachem AG	Bubendorf, Switzerland	100%	100%
Bachem Distribution Services GmbH	Weil am Rhein, Germany	100%	100%
Bachem (UK) Ltd.	St. Helens, England	100%	100%
Bachem Americas, Inc.	Torrance, USA	100%	100%
Peninsula Laboratories, LLC	San Carlos, USA	100%	100%
Bachem Japan K.K.	Tokyo, Japan	100%	100%

All companies are directly or indirectly held with 100%.

## 7 Interest-bearing liabilities

in 1 000 CHF	Dec. 31, 2020	Dec. 31, 2019
Bank loans	82 300	106 800
Loans from shareholders	25 000	0
<b>Total interest-bearing liabilities</b>	<b>107 300</b>	<b>106 800</b>
Thereof current bank loans	47 300	46 800
Thereof non-current bank loans	60 000	60 000

## 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, 2020	Dec. 31, 2019
P. Grogg (via Ingro Finanz AG) <sup>1</sup>	55.7	55.7
Family of P. Grogg	5.9	5.9
<b>Total important shareholders</b>	<b>61.6</b>	<b>61.6</b>

<sup>1</sup> In this position, all shares A are included.



## 9 Ownership of shares and options of the Board of Directors and the Corporate Executive Committee

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
<b>December 31, 2020</b>				
Kuno Sommer (Chairman)	9 600		9 600	300
Nicole Grogg Hötzer (Vice-Chairwoman)	88 100		88 100	300
Jürgen Brokatzky-Geiger (Member)	3 300		3 300	300
Thomas Früh (Secretary) <sup>1</sup>	4 165	1 404	5 569	489
Steffen Lang (Member)	250		250	0
Helma Wennemers (Member)	1 950		1 950	300
<b>Total Board of Directors</b>	<b>107 365</b>	<b>1 404</b>	<b>108 769</b>	<b>1 689</b>
Thomas Meier (CEO)	1 802	764	2 566	342
Günther Loidl (CTO)	1 717	954	2 671	332
Stephan Schindler (CFO)	1 358	985	2 343	343
Roland Schürmann (COO)	12	284	296	97
Anne-Kathrin Stoller (CMO)	1 376	759	2 135	331
<b>Total Corporate Executive Committee</b>	<b>6 265</b>	<b>3 746</b>	<b>10 011</b>	<b>1 445</b>
<b>Total</b>	<b>113 630</b>	<b>5 150</b>	<b>118 780</b>	<b>3 134</b>
	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
<b>December 31, 2019</b>				
Kuno Sommer (Chairman)	7 500		7 500	300
Nicole Grogg Hötzer (Vice-Chairwoman)	87 800		87 800	300
Jürgen Brokatzky-Geiger (Member)	3 000		3 000	300
Thomas Burckhardt (Secretary)	1 000		1 000	300
Rolf Nyfeler (Member)	48 700		48 700	300
Helma Wennemers (Member)	1 650		1 650	300
<b>Total Board of Directors</b>	<b>149 650</b>	<b>0</b>	<b>149 650</b>	<b>1 800</b>
Thomas Früh (CEO) <sup>1</sup>	6 009	1 680	7 689	449
Günther Loidl (CTO)	1 197	1 142	2 339	305
Thomas Meier (COO)	1 565	659	2 224	232
Stephan Schindler (CFO)	4 120	1 180	5 300	314
Anne-Kathrin Stoller (CMO)	1 154	650	1 804	300
<b>Total Corporate Executive Committee</b>	<b>14 045</b>	<b>5 311</b>	<b>19 356</b>	<b>1 600</b>
<b>Total</b>	<b>163 695</b>	<b>5 311</b>	<b>169 006</b>	<b>3 400</b>

<sup>1</sup> Ownership of shares incl. related parties.

**10 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.

**11 Full-time positions**

The average number of full-time positions during the reporting and the prior year was below 50.

**12 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.

**13 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 and for the appropriation of reserves from capital contribution

### Appropriation of available earnings

Net income brought forward at January 1	CHF	95 260 392.38
Net income for the year 2020	CHF	47 855 709.03
Available to the Annual General Meeting	CHF	143 116 101.41
Dividend payment of 1.63 CHF per registered share for the business year 2020 on 13 996 362 registered shares entitled to dividend	CHF	22 814 070.06
Net income to be carried forward	CHF	120 302 031.35

### Appropriation of reserves from capital contribution

Balance before appropriation of reserves from capital contribution	CHF	29 631 533.23
Transfer to free reserves for dividend payment of 1.62 CHF per registered share for the business year 2020 on 13 996 362 registered shares entitled to dividend	CHF	22 674 106.44
Reserves from capital contribution to be carried forward	CHF	6 957 426.79

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 may change up to the Annual General Meeting on April 28, 2021, due to the granting of shares to employees or the purchase/sale of own shares.

## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of Bachem Holding AG, which comprise the balance sheet as at December 31, 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 92 to 98) as at December 31, 2020 comply with Swiss law and the company's articles of incorporation.

### **Basis for Opinion**

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

- Valuation of investments and loans to group companies

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## VALUATION OF INVESTMENTS AND LOANS TO GROUP COMPANIES

### KEY AUDIT MATTER

As of December 31, 2020, the Company reports investments of CHF 115.4 million and loans to group companies of CHF 237.8 million. We consider the valuation of these balance sheet items as key audit matter for the following reasons:

- These items are significant and represent 89% of the total assets.
- The valuation of investments and loans to group companies depends on the financial substance and profitability of the subsidiaries. The impairment test of the investments and loans includes judgement in determining the assumptions on the future performance of the business.

Please refer to page 94 (Accounting policies) and page 96 (6 Investments) in the annual report.

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have performed the following audit procedures:

- For loans to group companies we tested the recoverability of the recognised amounts by comparing them with the debtor's net assets at Swiss GAAP FER book values.
- We assessed the carrying value of the investments individually item-by-item based on the Swiss GAAP FER net asset value, the net profit of the year and the budget.
- We evaluated the underlying budgeting process and the Board of Director's approval.
- We have compared, based on Bachem Holding AG's share price, the market capitalization of the group with the carrying value of the investments and loans to group companies, as they are considered to represent the relevant value of Bachem group.

Based on the audit procedures performed, we have addressed the risk of incorrect valuation of the investments and loans. We have no audit findings to report.

### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 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.

Zurich, March 3, 2021

MAZARS AG

Cyprian Bumann  
Licensed Audit Expert  
Auditor in Charge

Roger Leu  
Licensed Audit Expert



# SHAREHOLDER INFORMATION

		2020	2019	2018	2017	2016
Number of registered shares, nom. 0.05 CHF		14 000 000	14 000 000	13 600 000	13 600 000	13 600 000
Average number of shares outstanding		13 997 228	13 836 379	13 583 637	13 571 842	13 545 983
Dividend per share	CHF	3.25 <sup>1</sup>	3.00	2.75	2.75	2.50
Share price	High	CHF 408.50	158.60	160.80	154.00	97.95
	Low	CHF 151.00	107.20	108.20	91.80	49.55
	Year-end	CHF 395.50	154.80	113.60	154.00	90.30
Dividend yield per share	%	0.8	1.9	2.4	1.8	2.8
Earnings per share (EPS)	CHF	5.58	3.91	3.43	3.08	3.04
Cash flow from operating activities per share	CHF	8.22	4.64	1.90	2.69	2.98
Group equity per share	CHF	33.99	32.37	28.28	27.57	26.97
Price/earnings ratio (year-end)		70.88	39.59	33.12	50.00	29.70
Market capitalization at year-end	MCHF	5 537	2 167	1 545	2 094	1 228

<sup>1</sup> Proposal to the Annual General Meeting of April 28, 2021.

Bachem registered shares are traded at the SIX Swiss Exchange.

Valor number: 1253 020; SIX: BANB; Reuters: BANB.S; Bloomberg: BANB SW.

## Distribution of shares

Number of shares per shareholder	Dec. 31, 2020	Dec. 31, 2019
0–100	2 722	1 608
101–1 000	1 572	1 873
1 001–10 000	217	267
10 001–100 000	33	37
100 001–1 000 000	10	9
1 000 001 and more	1	1
<b>Total</b>	<b>4 555</b>	<b>3 795</b>

## Shareholdings

in %	Dec. 31, 2020	Dec. 31, 2019
Major shareholders	61.6	61.6
Institutional shareholders	17.8	17.6
Private individuals	8.5	10.3
Dispo	12.1	10.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Events

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### **Annual General Meeting**

(business year 2020)

April 28, 2021

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### **Payout Date for Dividend**

May 4, 2021

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### **Half-Year Report 2021**

August 27, 2021

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### **Annual Report 2021**

March 18, 2022

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### **Annual General Meeting**

(business year 2021)

April 2022

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This Annual Report  
is published in German  
and English.  
The German language  
version is binding.

**Publisher**

Bachem Holding AG,  
Bubendorf, Switzerland

**Conception/Design**

hilda design matters, Zurich

**Photos**

Michael Lio, Winterthur  
Jos Schmid, Zurich

**Prepress/Print**

Linkgroup AG, 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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