



“ QUALITY BY BACHEM –  
WE OFFER MORE THAN PEPTIDES ”

## BACHEM AT A GLANCE

### WHO WE ARE

Bachem is an independent, technology-based company, specialized in the production of innovative biochemicals for research purposes and pharmaceutical compounds for the pharma and biotech industries, as well as in the development of optimal manufacturing processes. Complementary services are geared to support customers from dedicated syntheses of defined target structures up to the registration of new compounds. With headquarters in Bubendorf, Switzerland, and affiliates in Europe and the US, Bachem works on a global scale and holds a leading position in its field. Facilities in Switzerland and in the US, approved by international regulatory authorities and suitable also for the large scale production of active ingredients, make Bachem a partner for all major pharmaceutical companies. Based on its dedication to research, Bachem also offers opportunities to innovative technology partners for collaborations on future active substances. The company employs approximately 540 motivated and qualified people worldwide. In its activities, Bachem is committed to its customers, employees and shareholders, as well as to the environment and society as a whole. Bachem's contribution to the development and production of pharmaceutical compounds benefits these constituencies and contributes to secure the long-term future of the company.

### 2004 – KEY FIGURES

#### SALES (IN CHF M)

2000	111.4
2001	141.4
2002	149.9
2003	144.6
<b>2004</b>	<b>147.8</b>

#### EBIT<sup>2</sup> (IN CHF M)

2000	45.7
2001	49.1
2002	48.3
2003	48.4
<b>2004</b>	<b>42.2</b>

#### NET INCOME (IN CHF M)

2000	47.8
2001	37.6
2002	33.5
2003	37.3
<b>2004</b>	<b>32.3</b>

	2004	2003	2002	2001	2000
Net cash flow from operating activities (in CHF m)	<b>49.8</b>	35.5	37.6	31.4	31.7
EBITDA <sup>1</sup> (in CHF m)	<b>54.5</b>	60.9	61.6	62.4	55.2
EBITDA <sup>1</sup> in % of sales	<b>36.9%</b>	42.1%	41.1%	44.2%	49.5%
EBIT <sup>2</sup> in % of sales	<b>28.6%</b>	33.5%	32.2%	34.7%	41.0%
Return on equity (ROE)	<b>9.6%</b>	11.5%	10.8%	12.4%	17.2%
Number of employees (in full-time equivalents)	<b>508</b>	495	479	468	376
Sales per employee (in CHF)	<b>291 000</b>	292 196	312 919	302 032	296 335

<sup>1</sup> Operating income before depreciation and amortization

<sup>2</sup> Operating income

### 2004 – IN BRIEF

- I 5.0 percent sales growth in local markets driven by the continuously dynamic development in the US.
- I Significant increase in sales growth for Generics due to strong performance of peptide active ingredients while New Chemical Entities suffer some loss.
- I Upturn in business for Research Ingredients, largely due to contribution from Custom Synthesis.
- I Dividend increase to be proposed to shareholders, despite a reduction in operating and net income.
- I First stage of capacity expansion completed at Sochinaz – Center of Excellence for custom synthesis at Bachem UK started operations.
- I Project portfolio maintained at a high level; marketing approval for promising active ingredients pending.

# “EXPANDING AT SOCHINAZ AND NEW FACILITIES AT BACHEM UK PROVIDE US NEW GROWTH OPPORTUNITIES”



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## PREFACE



**Dr. h.c. Peter Grogg**

Chairman of the Board

**Dr. Rolf Nyfeler**

CEO and Chairman of the  
Corporate Executive Committee



### DEAR SHAREHOLDERS

During the past year there were increasing signs of a long-anticipated trend shift towards revitalization in our industry. However, we have not seen a breakthrough towards renewed growth dynamics. While the pharmaceuticals market, a key driver for our business, shows stronger growth again, conditions in the equally important biotech industry have not significantly improved so far. In addition, developments in Europe continue to clearly lag behind the United States. Given these indicators, we can be quite satisfied with sales growth of 5.0 percent in local markets. Considering business development in detail, the highly gratifying sales plus of 13.9 percent in North America and stable sales in Europe fully reflect general market conditions. In view of the continuously weak US dollar, sales in Swiss francs increased only slightly, by 2.2 percent from CHF 144.6 million to CHF 147.8 million, despite the strengthened Euro and British pound.

### OPERATING RESULTS, NET PROFIT AND DIVIDEND

As anticipated already in our interim statement, full year operating income at CHF 42.2 million was down by 8.4 percent in local currencies as compared to 2003, a decrease of 12.8 percent in Swiss francs. In line with expectations, the EBIT margin was lower at 28.6 percent as compared to 33.5 percent in 2003.

Various developments contributed to these results. Margins in our core peptide business, including peptide generics, were essentially maintained despite the generally unfavorable currency impact; however, margins of the non-peptide business fell under pressure. Changes in product mix, up-front investments for the now-completed expansion of production capacity, price pressure for an important product and higher raw material costs resulted in a margin reduction for non-peptidic generics produced by Sochinaz. Still, the overall result can be considered outstanding, given the structure of our business portfolio.

Net income for 2004 was at CHF 32.3 million, a decrease of 13.4 percent as compared to 2003. This is the combined result of operating income development as described above, a positive financial result and higher expenses for Pevion Biotech, our joint venture for peptide vaccines with Berna Biotech.

Notwithstanding this reduction, the Board proposes to the Annual General Meeting to increase the dividend from CHF 1.10 to CHF 1.20. The proposed increase is an expression of our confidence in the sustainable profitability of Bachem and our intent to have shareholders participate increasingly in the success of our company.

# “WE ARE CONFIDENT THAT WE WILL ACHIEVE IMPROVEMENTS IN ALL KEY FINANCIAL INDICATORS”

## IMPORTANT ACHIEVEMENTS 2004

In keeping with our mid- to long-term strategy, we made further important steps in 2004 to continuously build our business:

- | The strategy to increase readiness for delivering important peptide generics off the shelf was implemented and has already resulted in additional business. We saw particularly dynamic developments for some off-patent active ingredients that are being used in new application forms today.
- | The substantial number of projects with new chemical entities at various stages of clinical development was maintained. Although early stage projects only modestly contribute to sales, they are a foundation for future sales and profit.
- | In the UK we completed our new laboratories in St. Helens and recently started operations. With a team of 20 scientists and administrative staff, this unit is our center of excellence for custom synthesis in Europe.
- | At Sochinaz we completed the first phase of capacity expansion, which resulted in a 15 percent increase in production capacity. Thanks to the new high-pressure reactor, some products can now be produced at significantly lower cost thus helping us remain competitive despite price pressures. In addition, we started the installation of a laboratory for cytotoxic compounds where, as of autumn 2005, we will manufacture new products to broaden our offer.

| Pevion successfully completed a Phase I clinical trial with a malaria vaccine, its most advanced pipeline project. Results will be published in the coming months. According to the milestone progress made in this project, cost to Bachem increased from CHF 1.5 million to CHF 2.1 million in 2004.

| The number of employees increased to 543 at the end of 2004, primarily as a result of staff required for the additional production unit at Sochinaz.

## APPRECIATION

Last year posed many new challenges for Bachem employees. Market developments in the various business segments and regions, new customer needs and increasing demands by authorities result in increased workload and require agility and readiness. Meanwhile, we strive to remain at the cutting edge of technology, which necessitates continuous learning on all levels and in all areas. With their enormous dedication, all employees rallied to successfully meet the challenges posed in 2004. Their dedication has also contributed to strengthening relations with our clients and to further the reputation of Bachem. For all of their efforts, we would like to thank our employees. At the same time we would like to extend our thanks to our customers, many of whom are our longstanding partners.

## OUTLOOK 2005

For the business year 2005 we expect further growth. Although we do not assume market dynamics in Europe to rise at the same momentum as in the US, we are confident that we will achieve improvements in all key financial indicators. Our strong presence in the US, increased production capacities at Sochinaz, expansion of our custom synthesis business through the new center of excellence in the UK and new opportunities opening with upcoming product approvals for our customers put us in a good position. Market approval for an important product of Amylin Pharmaceuticals in the US in March 2005 demonstrates that our strategic direction is on track. With further improved results in 2005, we would like to secure sustainable income for you, our shareholders. We thank you for your trust in Bachem.



**Dr. h.c. Peter Grogg**  
Chairman of the Board



**Dr. Rolf Nyfeler**  
CEO and Chairman of the Executive Committee

## BUILDING ON TECHNOLOGY AND KNOW-HOW

In a market equally oriented towards cost and quality it is of paramount importance to implement efficient production processes. Following completion of the latest stage in the expansion of production capacity in February 2005, Sochinaz now has an additional two state of the art enamel reactors at its disposal. A new high pressure reactor will enable Sochinaz to enter new areas of production. In the field of highly potent active pharmaceutical ingredients, Sochinaz will also be in a position, in the course of the year, to start production of cytotoxic compounds in a special unit that meets the highest safety standards.

The work of Sochinaz, a member of the Bachem Group since 2001, has enabled the company to access a completely new market, that of non-peptide generics. In recent years, Sochinaz has successfully established a strong position in this competitive area by focussing on the manufacture of active ingredients and the development of selected niche products that give the company a leading edge, given its own production capacity. It has also been very effective in the development of suitable products for early market entry following patent expiry, and in its readiness to deliver on demand.

Sochinaz has built up an excellent reputation, and now has many important and long-standing clients and partners in the pharmaceutical industry. It regularly achieves the top scores in supplier surveys on quality performance and regulatory authorities have endorsed its high standards of operations during auditing procedures.

In order to secure future growth, Sochinaz continually works on the development of new products and aims to launch one to two new generics into the marketplace each year. In terms of development, this means that the focus is on delivering compound candidates of substances that are due to run out of patent in 2010. Highly potent ingredients that are active in minimal dosages are of particular interest to Sochinaz, which has the expertise to manufacture such products. Through its collaboration with Bachem, Sochinaz has

also gained effective synergies with regard to the development of amino acid derivatives and intermediates for peptide synthesis. There are further opportunities to work jointly in the field of cytotoxics, an area that is being developed in 2005. Starting with Bachem peptides, Sochinaz will take over the final synthesis steps for these compounds. Such new products will contribute to further strengthening the position of Sochinaz as a specialty manufacturer.



“ WITH THE NEW PRODUCTION UNIT  
WE HAVE INCREASED PRODUCTION  
CAPACITY BY 15% AND ADDED  
NEW JOBS ”



“ IN OUR NEW LABS WE HAVE ALL WE NEED TO DO A GREAT JOB FOR OUR CUSTOMERS IN THE UK AND ABROAD ”





## STRENGTHENING THE BASE – NEW CENTER OF EXCELLENCE FOR CUSTOM SYNTHESIS

In the UK, the new St. Helens facility is run with a small, highly motivated and efficient workforce. Specially designed state of the art laboratories and modern equipment provide the opportunity to offer cost-effective and efficient quality services. Synthesis and purification labs are two times larger than the previous facilities

and pose no more limitations on capacity for the mid-term. Having established a sound business base in the UK and Ireland, it is planned to expand the company's custom synthesis services into continental Europe.

Even the most successful pharmaceutical products have started with the synthesis of small quantities of their active ingredients. Whether products are still in pre-clinical research or entering the initial phases of clinical development, a number of companies look for a reliable partner with whom they can develop quality products. This is one area in which Bachem offers its custom synthesis services – both for peptide or non-peptide molecules.

In September 2004, the new laboratories housing the Bachem Center of Excellence for Custom Synthesis started operating in St. Helens, England. A team of 20 people, comprising administrative, laboratory and management staff, work together to provide the appropriate scientific and infrastructure services for customers in the biotech and pharmaceuticals industries. State of the art equipment enables the highly trained staff to produce up to 20 different peptide compounds almost every day in quantities of between 10 milligrams and 20 grams. The experience and expertise offered by this group not only facilitates the production of complex molecules but also allows the center to enter new areas of development, such as structurally modified or phosphorylated peptides.

Similarly to the operations in St. Helens, the Bachem laboratories in Philadelphia – working with comparable equipment as well as a uniform quality control system – offer non-peptide custom synthesis as well as custom peptide synthesis.

For Bachem, custom synthesis is not a stand-alone business. In many instances it is a starting point for building a partnership with the client – contributing to research ideas and to progressing a compound through research and development, finally offering the potential for bulk production once a product is registered and commercially available in the market.





“ WITH OUR BUSINESS UNITS  
WE SERVE THE PHARMACEUTICAL  
AND BIOTECH INDUSTRIES  
WORLDWIDE ”



## BUSINESS REVIEW 2004

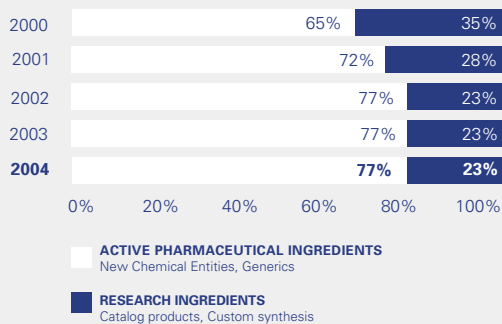
Sales development was characterized by rather different trends in the various business segments. As far as the active pharmaceutical ingredients business is concerned, generics recorded substantial growth while New Chemical Entities (NCEs) reported decreasing sales. Following two weak years, research ingredients delivered modest growth.

Research ingredients accounted for 23 percent of total sales – a similar figure to recent years. However, in view of the higher growth potential for active pharmaceutical ingredients as compared to research ingredients that are more volatile and dependent on economic developments, the signs are that the balance in sales share will rather shift towards active ingredients in the future.

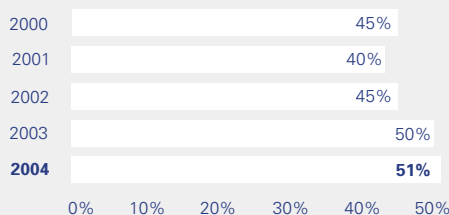
The top 20 selling products consist exclusively of active ingredients, about two thirds of which are generics. From year to year, some changes take place within the top products, however, with a sales share of 51 percent representing the top ten products, the risk distribution remains fairly constant.

As far as NCEs are concerned, by continuously improving our marketing efforts, we have managed to consistently increase the number of projects in which we are involved as a manufacturer. The majority of projects relate to products in clinical development, some are already registered. These projects form the basis for sustainable future growth and as they progress towards registration, they become increasingly promising in terms of near future business success.

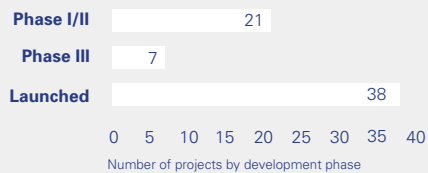
### SALES SHARE BY BUSINESS SEGMENT



### SALES SHARE OF TOP 10 PRODUCTS



### MOST IMPORTANT ACTIVE PHARMACEUTICAL INGREDIENTS



## BUSINESS REVIEW

### NEW CHEMICAL ENTITIES

New Chemical Entities (NCEs) are patent-protected pharmaceutical active ingredients that can only be manufactured and used by the patent holder, or a partner authorized to do so by the patent holder. Bachem produces such NCEs on behalf of the patent holder respectively his licensee. Depending on the development stage of a new product, the quantity produced can amount to anything from a few grams up to several kilos. For registered and approved products, quantities might even reach some hundred kilos.

During the reporting period we recorded a sales decrease for NCEs of 15.5 percent in local currencies. This was caused primarily by variations in demand that are typical for this business as it depends heavily on progress in clinical development. Some projects were delayed, others were discontinued by our clients, in some cases because of unsatisfactory clinical results. At the same time, however, we managed to acquire a number of new projects that

enabled us to keep the overall project number at a consistently high level. For example, we signed cooperation agreements with Mondobiotech for aviptadil (against pulmonary arterial hypertension) and with Jerini for icatibant (against hereditary angioedema and refractory ascites related to hepatocirrhosis). Approval decisions are expected shortly for some Phase III projects. One of the two diabetes products from the American company Amylin Pharmaceuticals has already achieved market approval in the US in March 2005. Given this favorable decision, we expect a substantial increase in sales for this compound. Further approvals will provide potential for additional growth for the NCE business.

The interest of the pharmaceutical industry in peptide-based medicines continues to remain on a high level. The approval of an HIV-drug was a positive signal for the industry as were the further advances made in applying peptide pharmaceuticals in new delivery forms.

Thanks to more than 30 years of experience in working with peptides as well as the additional in depth knowledge built up through our catalog and custom synthesis businesses, Bachem is well prepared to meet the future challenges of improving the production efficiency of complex molecules as well as bulk output.



## GENERICIS

In the field of generics, Bachem offers both peptides used for the manufacture of pharmaceuticals as well as organic active ingredients that have run out of patent, through Sochinaz, a member of the Bachem Group. With a sales growth of 22.5% in local currencies, generic active ingredients recorded a very positive result once again, despite a significant loss of turnover for an important product due to de-stocking by the client. Generics currently account for about two thirds of the sales in active ingredients.

Peptide generics have been major contributors to this favorable increase in sales growth. Innovative applications such as long-term depot formulations or nasal sprays provide clients with renewed patent protection even when the original patent on the compound has expired. Peptide generics are specialty products subject only to modest price pressure and despite the sales shift from NCEs to peptide generics, overall margins of our peptide business have been maintained in local markets. Goserelin, triptorelin and leuprolide, which act against prostate and breast cancer, currently command strong sales positions within the active ingredients business that could be successfully reinforced with histrelin from Valera Pharmaceuticals, now approved in the US.

In terms of organic generics, produced by Sochinaz, a further increase in sales was achieved, despite working at capacity limits and although this resulted in additional production costs. An unfavorable shift within the product mix and a significant reduction in market price for one of our important products also resulted in pressure on margins. Counter measures, already initiated in the course of last year, should, however, contribute to improved performance. Following the installation of a high-pressure reactor we will be in a position to reduce production costs for the product. In addition, we will further diversify our product franchise by adding interesting new generics.



## RESEARCH INGREDIENTS

Our range of research ingredients covers the catalog business as well as custom synthesis. During 2004, a further 180 new products were added to our catalog. This now includes more than 8 900 items, which customers use for biochemical and medical research projects. In addition to the breadth of our franchise, delivery processes and efficient logistics are of paramount importance.

Following two years of weak performance, sales of research chemicals climbed by a healthy 4.5 percent in local currencies. Custom syntheses contributed particularly to this result thanks partly to the inclusion of organically modified peptides. However, in line with the flat economic trend, catalog products could not sustain the dynamic growth observed during the first six months of the year.

In the field of custom synthesis we offer products that are manufactured exclusively and under absolute confidentiality. Due to our experience and success in producing complex molecules, as well as our expertise in meeting quality standards and production deadlines, we are in a very strong competitive position. In addition, ongoing dialogue with our clients continues to facilitate new business prospects.

Collaboration also results in ideas for new catalog products, while custom synthesis offers opportunities for bigger projects in cGMP production of active ingredients. In view of the importance and expansion of these services we started operations at our new site in England, the center of excellence for custom synthesis, in the course of last year.



“ CHALLENGING JOBS AND THE  
ATMOSPHERE OF A MID-SIZE  
COMPANY MAKE BACHEM A  
GREAT PLACE TO WORK ”



## HUMAN RESOURCES

At the end of 2004, a total of 543 people were employed by the Bachem Group. This number represents 508 full-time equivalent jobs, 13 more than in 2003. The new jobs were created mainly in Europe – at Bachem AG and at Sochinaz SA in Switzerland as well as at Bachem (UK) Ltd. in England. In contrast, the number of US employees decreased slightly. Around 60 percent of employees worldwide work in the laboratories and in production, which is an indication of the high technological orientation of activities throughout the Bachem Group.

### NUMBER OF FULL-TIME EQUIVALENT JOBS

USA	120
VIONNAZ	94
BUBENDORF	275
OTHER EUROPE	19
<b>TOTAL</b>	<b>508</b>

Production, quality assurance, registration and sales of complex molecules for the biotech and pharmaceutical industries require a high level of technical expertise as well as scientific understanding. This is reflected in the fact that more than a quarter of our total workforce hold university degrees.

Access to highly qualified staff is an important factor for continuous success at each production site. In Bubendorf, Switzerland, our largest site, we trained a total of 22 apprentices last year, most of them for future work as lab assistants but also as administrative, information technology or logistics staff.

Recognizing the need to provide consistent development and further education for employees, we continued our management and leadership training programs during 2004. We also conduct regular training courses at all our production sites to reinforce the importance of workplace safety.

## SAFETY AND ENVIRONMENT

For more than 10 years, Bachem at its largest production site in Bubendorf, Switzerland, has been committed to the chemical industry's voluntary Responsible Care program. The objective of this worldwide initiative is to continuously improve performance in the areas of safety, health and environmental protection. The key indicators documented as part of this program serve as a management leadership tool and enable the company to evaluate its own performance on a consistent basis and to compare it to industry averages.

In the area of environmental performance, the indicators show a slight upward trend compared to the previous year, largely as a result of increased production. Emissions of carbon dioxide, sulphur dioxide and nitrogen oxide, in addition to total energy consumption, rose slightly as a consequence of increased fuel oil usage. While total organic carbon (TOC), a measure for waste-water loading, remained virtually unchanged, total water consumption increased due to the higher consumption of cooling water. The growth in production also resulted in higher usage of solvents and, accordingly, in higher air emissions of volatile organic compounds (VOC) as well as more hazardous waste disposal.

Consumption and emission indicators, relative to the number of employees are far below the average of the Swiss chemical industry, with the exception of VOC. Overall, the key figures indicate that Bachem achieves its economic performance in accordance with good environmental practices and at above average industry levels.

Employee safety and occupational health is taken very seriously at all production sites through the implementation of appropriate technical measures as well as systematic training. At Bubendorf, for example, the number of occupational accidents in 2004 amounted to 4.5 per 100 employees and 0.55 lost days per employee and year – slightly higher than the Swiss national average. Accidents recorded in 2004 were relatively minor and the people affected have continued to work without long-term consequences.





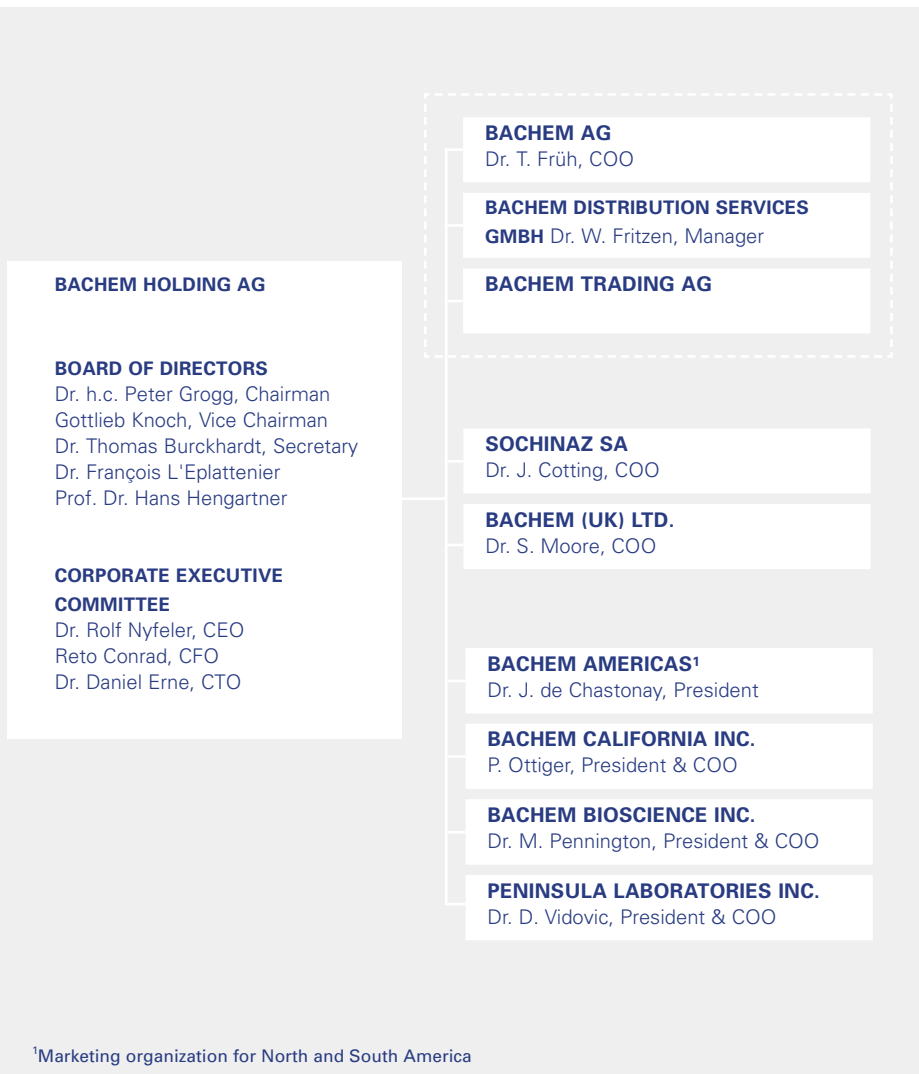


“ IN OUR INDUSTRY WE HAVE VERY STRINGENT SAFETY STANDARDS AND CONTROLS – AND REGARDING ENVIRONMENTAL IMPACT WE ARE CLEARLY DOING BETTER THAN THE AVERAGE ”

# CORPORATE GOVERNANCE

## 1. GROUP STRUCTURE AND SHAREHOLDERS

### 2.1. GROUP STRUCTURE



All participations are listed on page 39 including company, location and participation.

During 2003, the Group structure was changed by the creation of a holding company. For this purpose the existing Bachem AG has been transferred into Bachem Holding AG. At the same time, the operating units of the company have been separated and, as a noncash contribution, brought into the newly founded Bachem AG, a 100% affiliate of Bachem Holding AG. The new structure has several advantages, such as: improved ability to measure and compare operating performance of different Bachem companies; adjusted legal and management structure; and, consequently, increased transparency and – on a long-term – tax optimization.

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SWX Swiss Exchange in Zurich (valor number: 1 253 020, ISIN: CH0012530207). Market capitalization at December 31, 2004 was CHF 890 120 000. No other Bachem companies are listed.

### 1.2. SIGNIFICANT SHAREHOLDERS

Shareholders with more than five percent of voting rights (December 31, 2004) are listed on page 44. 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, 2003, the nominal share capital of Bachem Holding AG was CHF 680 000.

### 2.2. AUTHORIZED AND CONDITIONAL SHARE CAPITAL IN PARTICULAR

Bachem does not have any conditional and authorized capital outstanding.

### 2.3. CHANGES IN CAPITAL

In 2004, share capital remained unchanged. In 2003, nominal share capital was reduced by means of a nominal value reduction (from CHF 0.50 to CHF 0.05 per share) from CHF 6 800 000 to CHF 680 000. In 2002, nominal share capital had remained unchanged. Changes

for other items listed under equity for the years 2004 and 2003 are listed on page 27. Changes for 2002 are reported on page 27 of the annual report 2003.

#### 2.4. SHARES AND PARTICIPATION CERTIFICATES

At December 31, 2003, Bachem Holding AG had issued 6 802 000 registered shares A and 6 798 000 registered shares B at a nominal value of CHF 0.05, all fully paid in. Registered shares B, but not registered shares A, are considered for trade at the stock exchange. Otherwise both types of shares have the same rights, and there are particularly no differences regarding rights to dividends and voting rights. Each registered share carries one vote at the Annual General Meeting of the company, provided the shareholder has been recorded in the company's share register (see item 2.6). All shares are fully entitled to dividends. There are no participation certificates.

#### 2.5. PROFIT SHARING CERTIFICATES

Bachem has not issued any profit sharing certificates.

#### 2.6. LIMITATIONS OF TRANSFERABILITY AND NOMINEE REGISTRATIONS

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

#### 2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

The company has not issued any convertible bonds. The only options the company has issued are for its employee compensation plan as described in note 22 to the consolidated financial statements on page 39.



from left to right: François L'Eplattenier, Gottlieb Knoch, Hans Hengartner, Peter Grogg, Thomas Burckhardt

### 3. BOARD OF DIRECTORS

#### 3.1 MEMBERS OF THE BOARD OF DIRECTORS

	SINCE	ELECTED UNTIL
<p><b>Peter Grogg (1942)*</b>  <b>Dr. h.c., Chairman, Swiss</b>            In 1957 Peter Grogg started his career with an apprenticeship as lab assistant at Ciba AG in Basel. In 1964 he moved to the University of Washington where he pursued research projects for two years. Subsequently he stayed in the US for another five years. Initially he was head of a peptide group at Cyclo Chemical Corporation, Los Angeles, later he became employee and partner of Fox Chemical Corporation, Los Angeles. In 1971 he returned to Switzerland and founded Bachem AG. Until April 2002, he successfully led the Bachem Group as its CEO. Peter Grogg is member of the management board of the Swiss Association of the Chemical Industry and of the Basel Chamber of Commerce.            Other important board memberships: Berna Biotech AG</p>	1971	2006
<p><b>Gottlieb Knoch (1942)*</b>  <b>Graduate Chemist ETH, MBA, Vice-Chairman, Swiss</b>            Gottlieb Knoch holds a diploma of chemistry of ETH Zurich and an MBA of Stanford University. Among other assignments he worked for McKinsey &amp; Co in Zurich, Saurer AG in Arbon and Tecan AG in Männedorf. In addition, he has assumed the function of a "business angel" helping innovative start-ups with advice and support.            Other important board memberships: Rothschild Bank AG</p>	1985	2006
<p><b>Thomas Burckhardt (1950)</b>  <b>Dr. iur., LL.M., Secretary of the Board, Swiss</b>            Thomas Burckhardt studied at the Universities of Basel, Geneva and Munich and was awarded his doctorate in 1978 in Basel. Since 1975 he is licensed attorney and in 1979 received a Master of Law (LL.M.) at Harvard Law School (Cambridge, Massachusetts, US). Since 1980 he practices as lawyer in Zurich and Basel and since 1987 is an associate at Holliger Simonius &amp; Partner. Thomas Burckhardt further is deputy judge at the appeal court of Basel city, honorary consul of the Kingdom of Thailand in Basel as well as president of a charitable association for the young ("Jugendfürsorge").            Other important board memberships: CMA CGM Agency AG, KD Triton AG, Viking River Cruises AG</p>	1997	2006
<p><b>François L'Eplattenier (1939)*</b>  <b>Dr. sc. techn. ETH, Dr. h.c., Member, Swiss</b>            François L'Eplattenier holds a doctorate in chemistry of ETH Zurich. He held various research positions at former Ciba-Geigy AG before he became head of central research and later head of research and development of the plastics, pigments and additives division. In 1988 he became member of the executive committee of Ciba-Geigy AG responsible for research and development. Since 1996 he is President of the Novartis Venture Fund. François L'Eplattenier is member of the Scientific Advisory Boards of Lombard Odier Darier Hentsch &amp; Cie. and of Aravis Venture Associates AG.            Other important board memberships: Centre Suisse d'Electronique et Microtechnique, Cytos Biotechnology AG, Gene Data AG, NovImmune SA, Schweizerhall Holding AG</p>	1997	2006
<p><b>Hans Hengartner (1944)</b>  <b>Prof. Dr. sc. nat. ETH, Member, Swiss</b>            Hans Hengartner holds a doctorate in molecular biology of ETH Zurich. Since 1990 he is Co-Director of the Institute for Experimental Immunology at the University of Zurich. Since 1994 he also is ordinary professor for immunology at the medical faculty of the University of Zurich and at the department of Biology of ETH Zurich. Since 2000 he in addition is in charge of the department of biology at ETH Zurich.</p>	2003	2006

\* Member of the Compensation Committees

## CORPORATE GOVERNANCE

### 3. BOARD OF DIRECTORS

#### 3.1 MEMBERS OF THE BOARD OF DIRECTORS (CONTINUED)

The Board of Directors is comprised of non-executive members only. The only member of the Board of Directors who held an executive position in the Bachem Group during the past three years was Peter Grogg.

#### 3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Other activities are listed in above table.

#### 3.3 CROSS INVOLVEMENTS

There are no cross involvements among the members of the Board of Directors and Boards of other listed companies.

#### 3.4 ELECTIONS AND TERMS OF OFFICE

Members of the Board are elected by the shareholders' meeting for a period of three years. Re-election is permitted. Elections are conducted as total renewal unless individual votes are requested by at least one shareholder. 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 2004, the Board of Directors held five half-day and one full day meeting. The Corporate Executive Committee attends all Board meetings (see item 3.6). Meetings are prepared by the Chairman and by committees of various compositions. Decisions are taken by the full Board. The Board can decide when more

than half of its members are present. It decides by majority of votes. In case of a tie, the vote of the Chairman decides.

The Board constitutes a Compensation Committee (see item 3.1) that annually submits proposals regarding annual compensation of its members, the individual members of the Corporate Executive Committee as well as of Chief Operating Officers (COOs) of group companies. The Compensation Committee also proposes employee participation schemes. In the frame of approved programs, it also submits proposals concerning allocation of shares and share options to members of the Board, members of the Corporate Executive Committee as well as Chief Operating Officers (COOs) of group companies. Approvals of proposals of the Compensation Committee are granted by the full Board. In 2004, the Compensation Committee met once.

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 consolidated annual results. Further the Audit Committee on behalf of the Board receives, analyzes and evaluates the audit reports of the Group and statutory auditors. The tasks of the Audit Committee as described in the organization regulations currently are looked after by the full Board since considering the size of the Board with its five members the Board of Directors has renounced the formation of additional, firm committees.

#### 3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors exercises its responsibilities as set out by law or in the Articles of Incorporation. These include the ultimate directing of the company, determining the Group's guidelines, strategic planning of corporate and business policies for the Bachem Group, as well as setting necessary directives for corporate management. 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 Management Committee is composed of the CEO, the CTO and the CFO (see item 4.1). The CEO in particular is responsible for the overall operational leadership.

Based on the proposal of the Compensation Committee, the Board defines compensation for members of the Corporate Executive Committee and for COOs of operating group companies. Further, the Board is in charge of the consolidated financial statements of the Bachem Group, as well as the financial statements of Bachem Holding AG, including reports of the external auditors. It also assesses whether recommendations of the auditors have been implemented. The detailed tasks of the Board of Directors are described in the organization regulations.

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

The Corporate Executive Committee attends the meetings of the Board in order to provide updates about the ongoing business, important events within the Group and about the execution of tasks delegated to the Corporate Executive Committee. Further, the Board is informed about the most important key figures. The management information system (MIS) at Bachem is structured as follows: Balance sheets and income statements of the individual group companies are prepared on a monthly basis. On a quarterly basis, balance sheets, income statements, cash flow statements and statements of shareholders' equity as well as various key figures of the affiliates are prepared and consolidated. Budgets are controlled on a quarterly basis and compared to latest estimates per affiliate 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.



from left to right: Rolf Nyfeler, Reto Conrad, Daniel Erne

## 4. CORPORATE EXECUTIVE COMMITTEE

### 4.1. MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

	SINCE
<b>Rolf Nyfeler (1950)</b> <b>Dr. phil. II, CEO, Swiss</b>	<b>2000</b>
<p>Rolf Nyfeler joined Bachem in 1982. He was responsible for Research and Development for some time and became COO of the Parent Company in 1998, after a commitment as Head of Production in the subsidiary in California. Since May 1, 2002, he is CEO of the Bachem Group and Chairman of the Corporate Executive Committee. He completed his education as a chemist at the Universities of Basel and San Diego and at the Max-Planck-Institute in Martinsried.</p>	
<b>Reto Conrad (1966)</b> <b>lic. oec. HSG, CFO, Swiss</b>	<b>2001</b>
<p>Reto Conrad joined Bachem in 2001 as Chief Financial Officer and Member of the Corporate Executive Committee. He is responsible for all finance activities of the Bachem Group. He is a Swiss Certified Public Accountant and has a Master degree in Business Administration from the University of St. Gallen (HSG). Prior to joining Bachem, he worked nine years in various functions of the business assurance sector at PricewaterhouseCoopers in Basel and San Francisco, after first working two years as a Controller at UBS in Basel.</p>	
<b>Daniel Erne (1952)</b> <b>Dr. sc. nat. ETH, CTO, Swiss</b>	<b>1997</b>
<p>Daniel Erne joined Bachem AG in 1987 as Head Quality Control. Since 1997 he is a Member of the Corporate Executive Committee of the Bachem Group responsible for Quality Assurance and Regulatory Affairs. He received his education as a chemist at the Swiss Federal Institute of Technology in Zurich (ETHZ), then became a research fellow at the University of Utah, Salt Lake City, and at ETHZ before joining Bachem AG.</p>	

### 4.2 OTHER ACTIVITIES AND VESTED INTERESTS

No member of the Corporate Executive Committee exercises any other activity or has any vested interests.

### 4.3 MANAGEMENT CONTRACTS

Bachem has not entered into any management contracts.

## CORPORATE GOVERNANCE

### 5. COMPENSATION, SHAREHOLDINGS AND LOANS

#### 5.1 CONTENT AND METHOD OF THE COMPENSATION AND THE SHAREHOLDING PROGRAMS

Compensation and shareholding programs are defined by the Board of Directors based on a proposal of the Compensation Committee. Members of the Board of Directors receive a base compensation, meeting fees and free shares. The members of the Corporate Executive Committee receive, in addition to their base salary, free shares and options. The additional variable part of compensation is subject to business success as well as to meeting personal objectives.

#### 5.2 COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

Total compensation for the five non-executive members of the Board amounted to CHF 298 000 in 2004. Compensation for the three members of the Corporate Executive Committee for the business year totaled CHF 804 590. No severance payments were made.

#### 5.3 COMPENSATION FOR FORMER MEMBERS OF THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

No payments were made to any former members of the Board of Directors or of the Corporate Executive Committee.

#### 5.4 SHARE AND OPTION ALLOTMENT IN THE YEAR UNDER REVIEW

The five members of the Board of Directors in 2004 were allotted a total of 1 500 shares. The three members of the Corporate Executive Committee during the reporting year received a total of 6 800 shares, 6 500 of which with a holding period of between one and five years, and 400 options.

#### 5.5 SHARE OWNERSHIP

For the number of shares held by the members of the Board and of the Corporate Executive Committee at December 31, 2004, see table below.

#### 5.6 OPTIONS

For the number of options held by the members of the Corporate Executive Committee at December 31, 2004, see table below. Members of the Board did not hold any options.

#### 5.7 ADDITIONAL FEES AND REMUNERATION

One Board member received fees of CHF 22 206 as a compensation for legal services.

#### 5.8 LOANS TO MEMBERS OF GOVERNING BODIES

There were no loans granted to members of the Board of Directors or of the Corporate Executive Committee.

#### 5.9 HIGHEST TOTAL COMPENSATION

The highest total compensation paid to a member of the Board of Directors during the year under review was CHF 201 835 (including 300 shares).

## 6. SHAREHOLDERS' PARTICIPATION

### 6.1 VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

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

	NUMBER OF SHARES	NUMBER OF OPTIONS	YEAR OF ALLOCATION	EXERCISE PRICE	VESTING DATE OF OPTIONS	EXPIRY DATES
Board of Directors (5 members)	8 798 553	0				
Corporate Executive Committee (3 members)	98 742	800	2001	80.00	30.09.04	30.09.05
		800	2001	80.00	30.09.05	30.09.06
		800	2001	80.00	30.09.06	30.09.07
		400	2002	80.00	20.10.05	20.10.06
		400	2002	80.00	20.10.06	20.10.07
		1 200	2002	80.00	20.10.07	20.10.08
		1 200	2003	60.30	30.11.08	30.11.09
400	2004	65.33	30.11.09	30.11.10		
Total	8 897 295	6 000				

One option entitles to purchase one Bachem Holding AG share at the respective exercise price upon vesting.

## 6.2 STATUTORY QUORUMS

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

## 6.3 CONVOCAION OF THE GENERAL MEETINGS OF SHAREHOLDERS

An ordinary Annual General Meeting is held within six months after the end of the company's business year. Extraordinary general meetings may be convened by the Board of Directors, by the statutory auditors or by one or more individual shareholders representing a minimum of ten percent of share capital. The convocation of the Annual General Meeting is due at least 20 days prior to the meeting by publication in the Swiss Commercial Gazette and a minimum of one daily newspaper with national circulation. The meeting can also be convened by letter to all registered shareholders.

## 6.4 AGENDA

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

## 6.5 INSCRIPTIONS INTO THE SHARE REGISTER

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

## 7. CHANGES OF CONTROL AND DEFENSE MEASURES

### 7.1 DUTY TO MAKE AN OFFER

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

### 7.2 CLAUSES ON CHANGES OF CONTROL

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

## 8. AUDITORS

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

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

### 8.2 AUDITING FEES

Auditing fees of PricewaterhouseCoopers for the Bachem Group amounted to CHF 145 000 for the business year 2004. Fees for audit services on other Bachem companies by other auditors totaled CHF 82 000.

### 8.3 ADDITIONAL FEES

During 2004, PricewaterhouseCoopers charged additional fees of CHF 73 000 for various projects. Additional projects conducted by other auditors amounted to fees of CHF 35 000.

## 8.4 SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS

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

## 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-yearly report, the web site ([www.bachem.com](http://www.bachem.com)), press releases, 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 quoted on the SWX Swiss Exchange, Bachem is obliged to publish information that is relevant to its share price (ad hoc publicity, art. 72 of rules governing quoted companies "Kotierungsreglement"). These rules can be viewed under [www.swx.com](http://www.swx.com). For specific questions regarding Bachem, contact our investor relations responsible, Reto Conrad, CFO, phone +41 61 935 2333, [reto.conrad@bachem.com](mailto:reto.conrad@bachem.com).

## FINANCIAL REPORT

### SALES

The Bachem Group increased sales in 2004 by 5.0 percent in local currencies, despite continued difficult market conditions. In view of the strong negative currency impact through the weakening of the US dollar by 7.6 percent (as compared to 13.6 percent in 2003), sales in Swiss francs increased only slightly from CHF 144.6 million to CHF 147.8 million (up 2.2 percent) despite a stronger Euro and British pound against the Swiss franc. The two business segments active pharmaceutical ingredients and research ingredients developed as follows:

IN CHF MILLION	2004	CHANGE IN LOCAL CURRENCIES	CHANGE IN CHF	SALES SHARE
Active pharmaceutical ingredients	<b>114.3</b>	+5.2%	+2.4%	77.3%
Research ingredients	<b>33.5</b>	+4.5%	+1.4%	22.7%
Total	<b>147.8</b>	+5.0%	+2.2%	100.0%

Allocation of sales of some intermediate products has been adjusted for figures reported in 2003. Change rates presented here refer to the adjusted 2003 figures. The implications of this restatement are described in Note 4 to the consolidated financial statements. Sales development of the individual business segments are commented in the business review section of this report.

Geographically, sales developed as follows:

IN CHF MILLION	2004	CHANGE IN LOCAL CURRENCIES	CHANGE IN CHF	SALES SHARE
Europe	<b>93.7</b>	+0.1%	+0.5%	63.4%
USA	<b>54.1</b>	+13.9%	+5.3%	36.6%
Total	<b>147.8</b>	+5.0%	+2.2%	100%

In 2004, sales development in America was particularly encouraging, with an increase of 13.9 percent in local currencies, while sales in Europe remained unchanged. This resulted in US sales share increasing from 35.5 percent to 36.6 percent. Peptide generics contributed most to the success in the US, and an especially strong performance was recorded for some compounds that are already off patent but are now being used in new and patented application forms.

### OPERATING INCOME

Following the trend seen in the first half of 2004, the operating income also decreased for the full year. EBIT fell by CHF 6.2 million, or 12.8 percent, to CHF 42.2 million. This is the result of various factors. The continued depreciation of the US dollar resulted in margin pressures as sales growth was primarily achieved with products manufactured in Switzerland and sold in the US. The depreciation of the US dollar could not be compensated by a corresponding price increase in the local market. Given these developments, both the net flow of goods from Switzerland into the US and the currency exposure of the group increased during the reporting period. Regulatory requirements and organizational structure preclude short-term changes in the allocation of the production site of specific products. Depending on the success of individual products, the net flow of goods from Switzerland into the US can decrease again.

Also contributing to the decline of Group operating income during the reporting year was margin development of non-peptide generics manufactured by Sochinaz, which came under significant pressure more quickly than had been anticipated mainly due to a major shift in the product mix. Sales of one high margin product almost stopped and this had to be replaced by products with lower margins. This sales decline was due to a change in the competitive environment for the finished pharmaceutical, rather than any competitive pressures among the manufacturers of the active ingredient. Also, the sudden price erosion for another important generic further contributed to margin pressure. In addition, bottlenecks in the production of some generics required implementing a third shift, which resulted in higher unit cost. Peptide generics, on the other hand, were not faced with margin pressures other than the currency effects described above.

Staff cost, the chief expense item in the consolidated income statement, increased by 2.8 percent as compared to 2003, as a consequence of the general increase in salaries as well as a staff increase from 495 to 508 full-time equivalent jobs. Sales per employee only slightly decreased from CHF 292 196 to CHF 291 000.



## FINANCIAL RESULTS

As a result of further containing translation effects during the reporting period, financial results modestly grew by CHF 0.3 million to CHF 1.9 million in 2004. Despite another strong devaluation of the US dollar, strict risk management resulted in further reducing the translation loss, from CHF -0.8 million in 2003, to CHF -0.5 million in 2004. During the reporting year Pevion Biotech AG conducted a clinical trial for their malaria vaccine. As expected, this contributed to higher cost and therefore to an increase in shared loss from CHF 1.5 million to CHF 2.1 million.

## TAX RATE

Tax rate remained almost unchanged at 23.3 percent as compared to a rate of 23.2 percent in 2003. A slight improvement of the tax rate in Switzerland was offset by the increased share of operating income for the US.

## INVESTMENTS

In the reporting year investments in fixed assets were particularly high at CHF 24.7 million, following a historically rather low prior year (CHF 9.0 million). Some expansion projects had been delayed from 2003 into 2004 in view of late approvals. Investments are divided as follows:

IN CHF MILLION	2004	2003
Land	0.7	0.1
Buildings	3.8	2.9
Assets under constructions	13.6	1.7
Installations	1.7	1.4
Laboratory equipment	3.6	2.2
Other	1.3	0.7
<b>Investments in tangible fixed assets</b>	<b>24.7</b>	<b>9.0</b>
Intangible assets (without Goodwill)	1.9	1.1
<b>Total investments</b>	<b>26.6</b>	<b>10.1</b>

The most significant investment project during 2004 was the expansion of production capacity at Sochinaz. The project includes an extension of an existing building with two enamel reactors, space for further installations as well as a new high-pressure reactor. Total investments for this project, completed in February 2005, amounted to CHF 12.5 million. Another major project was the construction of a laboratory building in St. Helens, England, at an investment of CHF 2.4 million. With the completion of this building in June 2004, leased space was no longer needed for operations. Bachem UK will take advantage of the new building as the center of excellence for custom synthesis for the European market. A number of other projects were also realized in 2004, including updating some installations to latest cGMP requirements.

## CASH FLOW

Cash flow from operating activities significantly improved during the business year from CHF 35.5 million to CHF 49.8 million. This increase is primarily due to a reduction of net current assets that had seen a significant increase still in 2003, as well as to a reduction of tax paid by taking advantage of tax relief relating to the various expansion projects. These changes resulted in part from the high amount of trade and other receivables at the end of 2003 and a reduction of this item during the reporting year. Cash flow used for investing activities significantly increased as a consequence of the above-mentioned expansion projects. However, cash flow used for financing activities declined as the last financial debts were paid off in 2003, and the group has remained debt free since then. In addition, trading of own shares has been continued at a comparatively much lower level in 2004. The consolidated cash flows resulted in an increase of cash and cash equivalents of CHF 9.6 million.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENTS

for the years ended December 31

	NOTES	2004 000 CHF	2003 000 CHF
<b>Sales</b>	3/4	<b>147 828</b>	144 637
Other income		<b>30</b>	240
Cost of materials		<b>-26 342</b>	-24 878
Changes in inventories		<b>4 784</b>	8 409
Staff cost		<b>-49 874</b>	-48 498
Depreciation and amortization	3/5/6	<b>-12 298</b>	-12 432
General administration and other operating expenses		<b>-21 883</b>	-19 057
<b>Operating income</b>	3	<b>42 245</b>	48 421
<b>Result from associated companies</b>	3/7	<b>-2 077</b>	-1 546
<b>Financial income, net</b>	3/8	<b>1 945</b>	1 666
<b>Income before taxes</b>		<b>42 113</b>	48 541
Income taxes	3/9	<b>-9 808</b>	-11 236
<b>Net income</b>	3	<b>32 305</b>	37 305
<b>Basic earnings per share (CHF)</b>	10	<b>2.45</b>	2.82
<b>Diluted earnings per share (CHF)</b>	10	<b>2.45</b>	2.81

## CONSOLIDATED BALANCE SHEETS

at December 31, 2004 and 2003

ASSETS	NOTES	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Cash and cash equivalents		93 281	83 717
Marketable securities	11	40 742	45 156
Trade and other receivables	12	28 355	34 614
Inventories	13	61 613	56 136
<b>Total short-term assets</b>		<b>223 991</b>	219 623
Tangible fixed assets	5	125 399	109 729
Intangible assets	6	15 159	18 550
Associated companies	7	1 662	739
Prepaid pension fund contributions	14	530	537
Deferred tax assets	18	1 654	1 370
Other financial assets	15	6 620	5 442
<b>Total long-term assets</b>		<b>151 024</b>	136 367
<b>Total assets</b>	3	<b>375 015</b>	355 990
<b>LIABILITIES AND EQUITY</b>			
Trade payables		12 925	7 020
Other short-term liabilities	16	3 950	5 690
Provisions	17	909	1 396
<b>Total short-term liabilities</b>		<b>17 784</b>	14 106
Deferred tax liabilities	18	19 981	17 467
Provisions	17	136	0
Defined benefit plan liabilities	14	0	324
<b>Total long-term liabilities</b>		<b>20 117</b>	17 791
<b>Total liabilities</b>	3	<b>37 901</b>	31 897
Share capital		680	680
Retained earnings		284 383	265 797
Share premium		85 839	85 839
Own shares		-14 814	-12 588
Fair value reserves		-1 084	-1 667
Cumulative translation differences		-17 890	-13 968
<b>Total equity</b>		<b>337 114</b>	324 093
<b>Total liabilities and equity</b>		<b>375 015</b>	355 990

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31

	NOTES	2004 000 CHF	2003 000 CHF
<b>Cash flow from operating activities</b>			
Net income		32 305	37 305
Reversal of non-cash items:			
Income taxes	9	9 808	11 236
Depreciation and amortization	3/5/6	12 298	12 432
Financial income, net	3/8	-1 945	-1 666
Gain/Loss on sale of tangible fixed assets		0	6
Result from associated companies	3/7	2 077	1 546
Income taxes paid		-8 173	-11 707
Change in net current assets		2 692	-13 469
Other non-cash items		756	-177
<b>Cash flow from operating activities</b>		<b>49 818</b>	<b>35 506</b>
<b>Cash flow provided by/(used for) investing activities</b>			
Investment in tangible fixed assets	5	-24 676	-9 039
Investment in intangible assets	6	-1 903	-1 043
Proceeds from sales of tangible fixed assets		0	39
Investment in financial assets/associated companies	7/15	-4 181	-1 125
Change in marketable securities		5 835	-4 975
Interest and other financial receipts		1 762	2 101
<b>Cash flow provided by/(used for) investing activities</b>		<b>-23 163</b>	<b>-14 042</b>
<b>Cash flow provided by/(used for) financing activities</b>			
Change in own shares		-1 370	-7 571
Change in financial debts		0	-2'164
Interest and other financial payments		-462	-486
Nominal value reduction		0	-6 120
Dividends paid		-14 575	-7 252
<b>Cash flow provided by/(used for) financing activities</b>		<b>-16 407</b>	<b>-23 593</b>
Net effect of currency translation on cash and cash equivalents		-684	-539
<b>Net change in cash and cash equivalents</b>		<b>9 564</b>	<b>-2 668</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>83 717</b>	<b>86 385</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>93 281</b>	<b>83 717</b>
<b>Net change in cash and cash equivalents</b>		<b>9 564</b>	<b>-2 668</b>

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

for the years ended December 31

	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 2004 000 CHF
<b>Balance January 1, 2004</b>	<b>680</b>	<b>265 797</b>	<b>85 839</b>	<b>-12 588</b>	<b>-1 827</b>	<b>160</b>	<b>-13 968</b>	<b>324 093</b>
Net income	0	32 305	0	0	0	0	0	<b>32 305</b>
Dividends paid	0	-14 575	0	0	0	0	0	<b>-14 575</b>
Transactions with own shares	0	856	0	-2 226	0	0	0	<b>-1 370</b>
Cumulative translation differences	0	0	0	0	0	0	-3 922	<b>-3 922</b>
Change of fair value reserves	0	0	0	0	634	-51	0	<b>583</b>
<b>Balance December 31, 2004</b>	<b>680</b>	<b>284 383</b>	<b>85 839</b>	<b>-14 814</b>	<b>-1 193</b>	<b>109</b>	<b>-17 890</b>	<b>337 114</b>

	SHARE CAPITAL 000 CHF	RETAINED EARNINGS 000 CHF	SHARE PREMIUM 000 CHF	OWN SHARES 000 CHF	FAIR VALUE RESERVES 000 CHF	DEFERRED TAXES ON FAIR VALUE RESERVES 000 CHF	CUMULATIVE TRANSLATION DIFFERENCES 000 CHF	TOTAL 2003 000 CHF
Balance January 1, 2003	6 800	235 548	85 839	-4 821	-5 959	1 339	-7 980	310 766
Net income	0	37 305	0	0	0	0	0	37 305
Dividends paid	0	-7 252	0	0	0	0	0	-7 252
Transactions with own shares	0	196	0	-7 767	0	0	0	-7 571
Nominal value reduction	-6 120	0	0	0	0	0	0	-6 120
Cumulative translation differences	0	0	0	0	0	0	-5 988	-5 988
Change of fair value reserves	0	0	0	0	4 132	-1 179	0	2 953
Balance December 31, 2003	680	265 797	85 839	-12 588	-1 827	160	-13 968	324 093

For transactions with own shares, see page 44, Notes to the Financial Statements of Bachem Holding AG. In 2003 the share capital was reduced to CHF 680 000. The nominal value per share is CHF 0.05 since the share capital is divided into 6 802 000 shares Bachem A (50.01% of share capital) and 6 798 000 shares B (49.99% of share capital). The shares Bachem B are traded at the Swiss Exchange (SWX) under valor number 1 253 020. All shares are registered shares. Except for the registration of Bachem B shares, there are no further differences between the two share categories. The shares A are wholly owned by Inagro Finanz AG (see Notes to the Financial Statements of Bachem Holding AG).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### BUSINESS ACTIVITY

Bachem is an independent, technology-based Group with a total of 508 full-time equivalent employees, specialized in the development of manufacturing processes for the production of innovative biochemical and pharmaceutical compounds. With its headquarters in Bubendorf (Switzerland) and affiliates in Europe and the US, the Group works on a global scale and holds a leading position in its field.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Bachem Group are based on historic cost with exception of certain financial assets and liabilities that are measured at market value. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) including additionally released standards and interpretations as well as the following valuation and accounting policies. They are in line with Swiss law and with the accounting rules as defined in the listing regulations of the SWX Swiss Exchange.

The financial statements of the companies included in the consolidation are prepared using uniform accounting policies. The annual closing date of the individual financial statements is December, 31. Intercompany income and expenses, including unrealized gross profits from internal Group transactions and intercompany receivables and payables, are eliminated. Acquired companies are consolidated according to the purchase method. Companies acquired or divested in the course of the year are included in the consolidated financial statements as of the date of purchase respectively up to the date of sale.

The consolidated financial statements have been approved for issue by the Board of Directors of Bachem Holding AG on March 15, 2005.

#### SCOPE OF CONSOLIDATION

The consolidated financial statements include Bachem Holding AG and all companies in Switzerland and abroad which Bachem Holding AG directly or indirectly controls (over 50% of voting interest). The companies included in the consolidation are listed in Note 21.

Minority interests in associated companies and joint ventures (with a share of between 20 and 50 percent of voting capital) are accounted for using the equity method. The Group includes its share of the net income and equity of associated companies. Participations in associated companies are listed in Note 7.

#### EXCHANGE RATE DIFFERENCES

The consolidated financial statements of the Group are expressed in Swiss francs. In the local accounts, transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date and the resulting foreign exchange transaction gains and losses are recognized in the local income statements. Assets and liabilities of the consolidated group companies are translated using the year end exchange rates that prevailed at the balance sheet date. Income, expenses and cash flows are translated into Swiss francs using the respective yearly average exchange rate. Translation differences arising from movements in the exchange rates used to translate the financial statements of the consolidated group companies are allocated to equity.

#### REVENUE RECOGNITION

Sales are recognized on delivery or on providing services and are reported net of sales taxes and rebates.

#### REGIONAL SEGMENT INFORMATION

The primary segments are based on the geographical information by the location of the assets and are separated in the two segments Europe/Rest of World and North/South America.

#### BUSINESS SEGMENT INFORMATION

The secondary segments are based on the two business segments active pharmaceutical ingredients and research ingredients. Investments and assets cannot be allocated to the business segments since we are using multipurpose equipment which can be used to produce all products.

#### CASH AND CASH EQUIVALENTS

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

#### MARKETABLE SECURITIES

Marketable securities are classified as either "held-for-trading" (mainly derivatives) or "available-for-sale" (mainly shares and bonds). All investments are initially recorded at cost, including

transaction cost. All purchases and sales are recognized on the settlement date. Held-for-trading investments are subsequently carried at fair value, with all changes in fair value recorded as financial income (expense) in the period in which they arise. Available-for-sale investments are subsequently carried at fair value, with all changes in fair value recorded in equity (fair value reserves). When the available-for-sale investments are sold or otherwise disposed of, the cumulative gains and losses previously recognized in equity are included in financial income (expense) for the current period.

#### TRADE RECEIVABLES

Accounts receivable are carried at the original invoice amount less allowance made for doubtful accounts. An allowance is recorded for the difference between the carrying amount and the recoverable amount where there is objective evidence that the Group will not be able to collect all amounts due.

#### OTHER RECEIVABLES

This position includes other receivables from third parties, loans to employees, other loans with a maturity of less than 12 months, prepaid expenses for goods and services not yet received as well as income from the current year that will not be received until the following year.

#### INVENTORIES

Inventories include raw materials, spare parts, work-in-progress and finished goods. They are stated at the lower of acquisition or manufacturing cost and net realizable value. Manufacturing cost includes all related production cost and proportionate production overhead cost. Provisions are made for inventories which are slow moving.

#### TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets (property, plant and equipment) are valued at cost of acquisition or production cost and depreciated on a straight-line basis to the income statement, over the following estimated useful lives (see table below). Land is not depreciated. Government grants are deducted from acquisition or production cost.

Buildings	20	to	50	years
Installations	10	to	20	years
Laboratory equipment	10	to	20	years
Computer hardware	3	to	5	years
Vehicles	5	to	7	years

The useful lives reflect the expected economic useful life of the respective assets. Maintenance expense is recognized in the income statement. Expenses that extend the estimated useful life of tangible fixed assets are capitalized. Financing expenses for assets under construction are not capitalized.

#### INTANGIBLE ASSETS

Intangible assets such as patents and licenses are charged directly to the income statement. In the case of business combinations, the excess of the purchase price over the fair value of net identifiable assets acquired is recorded as goodwill in the balance sheet. Goodwill is amortized to income on a straight-line basis over its useful life. The amortization period is determined at the time of the acquisition, based upon the particular circumstances, and ranges from 5 to 20 years. Other intangible assets (e.g. software) are amortized on a straight-line basis over their expected useful life, usually between 3 and 5 years.

#### FINANCIAL ASSETS

Financial assets are valued at fair market values. Financial assets which are not traded regularly at a stock exchange are valued at acquisition cost, less any valuation reserves. If parts of those financial assets that are not regularly traded at stock exchanges are sold to independent third parties, the sales price is used as a reference price for the valuation of the remaining financial assets.

#### IMPAIRMENT OF LONG-TERM ASSETS

Long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events or changes in circumstances indicate the asset may not be recoverable, the Group estimates the recoverable amount based on the expected future cash flows. If the sum of such expected discounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized as expense.

#### SHORT-TERM LIABILITIES

Short-term liabilities include all liabilities that are due within 12 months.

#### LONG-TERM LIABILITIES

Long-term liabilities include all known liabilities as per year end, which can reliably be quantified with a due date of at least one year after the date of the balance sheet. All financing costs are included in the income statement of the relevant period.

#### RESEARCH AND DEVELOPMENT

Laboratory buildings and inventories for research and development are capitalized and depreciated according to the respective

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

accounting policies (see tangible fixed assets and depreciation). All expenses for research and development are fully charged to the income statement as these expenses cannot be directly attributed to any future or product related benefit.

### TAXES

Taxes on income are accrued in the same period as the revenues and expenses to which they relate. Deferred taxes have been calculated using the comprehensive liability method. They are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of the Group companies prepared for consolidation purposes, except for those differences related to investments in subsidiaries and associated companies, where their reversal will not take place in the foreseeable future. Furthermore, withholding or other taxes on eventual distribution of retained earnings of Group companies are only taken into account where a dividend has been planned since generally the retained earnings are reinvested. Deferred tax assets or liabilities, calculated using applicable subsidiary tax rates, are included in the consolidated balance sheet as either a long-term asset or liability. Deferred tax benefits are only fully capitalized when it is probable that a benefit will be realized in the foreseeable future.

### PENSION PLANS

Pension and benefit plans in favor of employees are governed by regulations and practice of the individual countries in which Bachem is represented. In Switzerland pension and benefit plans according to IAS19 (employee benefits) follow the rules of a defined benefit plan. The defined benefit obligation of the material defined benefit pension plans are calculated regularly, at least every two years by an independent actuary using the projected unit credit method. The defined benefit obligation is equal to the present value of all estimated future cash flows. Plan assets are valued at fair market values. Actuarial gains and losses are charged or credited to income over the remaining service lives

of the related employees if they exceed the corridor of +/- 10%. The expenses for such pension plans, representing the net periodic pension cost less employee contributions, are included in the staff costs in the income statement.

In the other countries pension and benefit plans are provided by institutions under the defined contribution scheme.

### PROVISIONS

Provisions are recognized where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reliably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, 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.

### EMPLOYEE PARTICIPATIONS PLANS

The shares and options granted within the employee participations plans are recorded in equity and not in the staff cost of the consolidated financial statements.

### OWN SHARES

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

### FINANCIAL RISK MANAGEMENT

Financial risk management is governed by the Corporate Executive Committee. It monitors foreign exchange risks, interest rate risks, market risks, credit risks and liquidity risks on an ongoing basis and approves the use of financial instruments to reduce certain risks, if necessary. The Corporate Executive Committee believes that, in order to create the optimum value for the Group, it is not desirable to eliminate or mitigate all possible market fluctuations.



## 2. EXCHANGE RATES

	INCOME STATEMENT AVERAGE RATES		BALANCE SHEET YEAR END RATES	
	2004 CHF	2003 CHF	2004 CHF	2003 CHF
1 US Dollar	<b>1.2430</b>	1.3451	<b>1.1321</b>	1.2423
1 English Pound	<b>2.2760</b>	2.1973	<b>2.1830</b>	2.2087
1 Euro	<b>1.5441</b>	1.5206	<b>1.5438</b>	1.5593

## 3. SEGMENT INFORMATION (REGIONS)

	EUROPE/REST OF WORLD		NORTH/SOUTH AMERICA		ELIMINATIONS		CONSOLIDATED VALUES	
	2004 000 CHF	2003 000 CHF	2004 000 CHF	2003 000 CHF	2004 000 CHF	2003 000 CHF	2004 000 CHF	2003 000 CHF
Sales third parties	<b>93 721</b>	93 234	<b>54 107</b>	51 403				
Sales intercompany	<b>39 225</b>	29 296	<b>4 210</b>	3 942	<b>-43 435</b>	-33 238		
<b>Total sales</b>	<b>132 946</b>	122 530	<b>58 317</b>	55 345	<b>-43 435</b>	-33 238	<b>147 828</b>	144 637
<b>Operating income</b>	<b>35 626</b>	40 066	<b>10 495</b>	12 955	<b>-3 876</b>	-4 600	<b>42 245</b>	48 421
Result from associated companies	<b>-2 077</b>	-1 546	<b>0</b>	0	<b>0</b>	0	<b>-2 077</b>	-1 546
Financial income, net	<b>30 767</b>	5 302	<b>-838</b>	-1 480	<b>-27 984</b>	-2 156	<b>1 945</b>	1 666
Income taxes	<b>-4 900</b>	-7 013	<b>-4 097</b>	-4 182	<b>-811</b>	-41	<b>-9 808</b>	-11 236
<b>Net income</b>	<b>59 416</b>	36 809	<b>5 560</b>	7 293	<b>-32 671</b>	-6 797	<b>32 305</b>	37 305
<b>OTHER INFORMATION</b>								
Assets	<b>569 978</b>	514 815	<b>53 282</b>	70 633	<b>-248 245</b>	-229 458	<b>375 015</b>	355 990
Liabilities	<b>57 118</b>	33 166	<b>11 462</b>	14 117	<b>-30 679</b>	-15 386	<b>37 901</b>	31 897
Investments	<b>25 548</b>	8 802	<b>1 031</b>	1 280			<b>26 579</b>	10 082
Depreciation and amortization	<b>10 755</b>	10 615	<b>1 543</b>	1 817			<b>12 298</b>	12 432

The primary segment information is based on the location of assets. Segment information based on the location of customers would not result in material changes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. SEGMENT INFORMATION (BUSINESS SEGMENTS)

	2004 IN %	2003 IN %	2003 RESTATED IN %	2004 000 CHF	2003 000 CHF	2003 RESTATED 000 CHF
Active pharmaceutical ingredients	<b>77.3%</b>	79.3%	77.2%	<b>114 310</b>	114 704	111 596
Research ingredients (incl. custom synthesis)	<b>22.7%</b>	20.7%	22.8%	<b>33 518</b>	29 933	33 041
<b>Total sales</b>	<b>100.0%</b>	100.0%	100.0%	<b>147 828</b>	144 637	144 637

During the reporting period the allocation of sales for some intermediary products has been adjusted. For comparative reasons, 2003 sales have been restated.

### 5. TANGIBLE FIXED ASSETS

	LAND 000 CHF	BUILDINGS 000 CHF	ASSETS UNDER CON- STRUCTION 000 CHF	INSTALLA- TIONS 000 CHF	LABORATORY EQUIPMENT 000 CHF	OTHER 000 CHF	TOTAL 2004 000 CHF	TOTAL 2003 000 CHF
<b>Cost at January 1</b>	<b>10 786</b>	<b>85 100</b>	<b>1 655</b>	<b>41 310</b>	<b>45 409</b>	<b>9 213</b>	<b>193 473</b>	<b>202 959</b>
Additions*	655	3 793	13 586	1 689	3 615	1 338	<b>24 676</b>	9 039
Disposals	0	-725	0	-54	-709	-270	<b>-1 758</b>	-13 535
Transfers	0	0	-97	50	47	-170	<b>-170</b>	0
Translation effects	-490	-1 491	-44	-262	-1 063	-205	<b>-3 555</b>	-4 990
<b>Cost at December 31</b>	<b>10 951</b>	<b>86 677</b>	<b>15 100</b>	<b>42 733</b>	<b>47 299</b>	<b>9 906</b>	<b>212 666</b>	<b>193 473</b>
<b>Accumulated depreciation at January 1</b>	<b>0</b>	<b>-17 624</b>	<b>0</b>	<b>-31 780</b>	<b>-26 996</b>	<b>-7 344</b>	<b>-83 744</b>	<b>-92 371</b>
Depreciation	0	-2 362	0	-1 437	-2 416	-659	<b>-6 874</b>	-7 281
Disposals	0	725	0	54	709	270	<b>1 758</b>	13 490
Transfers	0	0	0	0	0	30	<b>30</b>	0
Translation effects	0	377	0	153	870	163	<b>1 563</b>	2 418
<b>Accumulated depreciation at December 31</b>	<b>0</b>	<b>-18 884</b>	<b>0</b>	<b>-33 010</b>	<b>-27 833</b>	<b>-7 540</b>	<b>-87 267</b>	<b>-83 744</b>
<b>Net book value at December 31</b>	<b>10 951</b>	<b>67 793</b>	<b>15 100</b>	<b>9 723</b>	<b>19 466</b>	<b>2 366</b>	<b>125 399</b>	<b>109 729</b>

\*In 2004, Bachem (UK) Ltd. received government grants for the construction of a new production site of GBP 90 000 respectively CHF 204 840 (2003: 0), that were directly deducted from cost.

At December 31, 2004, no buildings were held under operating lease.

## 6. INTANGIBLE ASSETS

	GOODWILL 000 CHF	OTHER IN- TANGIBLE ASSETS 000 CHF	TOTAL 2004 000 CHF	TOTAL 2003 000 CHF
<b>Cost at January 1</b>	<b>41 886</b>	<b>5 799</b>	<b>47 685</b>	<b>46 685</b>
Additions	0	1 903	<b>1 903</b>	1 043
Disposals	0	-5	<b>-5</b>	0
Transfers	0	170	<b>170</b>	0
Translation effects	0	-45	<b>-45</b>	-43
<b>Cost at December 31</b>	<b>41 886</b>	<b>7 822</b>	<b>49 708</b>	<b>47 685</b>
<b>Accumulated depreciation at January 1</b>	<b>-25 837</b>	<b>-3 298</b>	<b>-29 135</b>	<b>-24 022</b>
Depreciation	-4 196	-1 228	<b>-5 424</b>	-5 151
Transfers	0	-30	<b>-30</b>	0
Translation effects	0	40	<b>40</b>	38
<b>Accumulated depreciation at December 31</b>	<b>-30 033</b>	<b>-4 516</b>	<b>-34 549</b>	<b>-29 135</b>
<b>Net book value at December 31</b>	<b>11 853</b>	<b>3 306</b>	<b>15 159</b>	<b>18 550</b>

## 7. INVESTMENT IN ASSOCIATED COMPANIES

On January 7, 2002, Bachem Holding AG and Berna Biotech AG founded Pevion Biotech AG in Bern, each with a 50% stake. The new company develops innovative therapeutic and prophylactic vaccines against Malaria, Hepatitis C, Melanoma und Alzheimer, which are based on the combination of peptides and the virosome technology. Up to now, both partners together

invested CHF 12 million. It is foreseen to increase the capital up to CHF 20 million.

Pevion Biotech AG is accounted for by using the equity method. Valuation as of December 31, 2004: CHF 1.66 million (Investments up to now of CHF 6 million less proportional loss of CHF 4.34 million).

## FINANCIAL STATEMENTS OF PEVION BIOTECH AG

INCOME STATEMENTS	2004 000 CHF	2003 000 CHF	BALANCE SHEETS	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
<b>Sales</b>	<b>61</b>	197	Current assets	<b>3 554</b>	1 609
Staff cost	<b>-1 596</b>	-1 228	Long-term assets	<b>436</b>	450
Administration cost	<b>-656</b>	-468	<b>Assets</b>	<b>3 990</b>	2 059
Research and development cost	<b>-1 916</b>	-1 564	Short-term liabilities	<b>619</b>	552
Depreciation	<b>-56</b>	-43	Long-term liabilities	<b>46</b>	29
<b>Operating income</b>	<b>-4 163</b>	-3 106	Equity	<b>3 325</b>	1 478
<b>Financial income</b>	<b>10</b>	14	<b>Liabilities and equity</b>	<b>3 990</b>	2 059
<b>Net loss</b>	<b>-4 153</b>	-3 092			

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. FINANCIAL INCOME, NET

	2004 000 CHF	2003 000 CHF
<b>Financial income</b>		
Interest income	806	1 050
Dividend income	716	1 114
Gains on disposal of securities	1 667	1 148
Other	240	80
<b>Total</b>	<b>3 429</b>	<b>3 392</b>
<b>Financial expense</b>		
Interest expense	-22	-67
Loss on disposal of securities	-312	-432
Other	-645	-417
<b>Total</b>	<b>-979</b>	<b>-916</b>
<b>Currency result, net</b>	<b>-505</b>	<b>-810</b>
<b>Financial income, net</b>	<b>1 945</b>	<b>1 666</b>

### 9. INCOME TAXES

	2004 000 CHF	2003 000 CHF
Current taxes	7 757	9 399
Deferred taxes	2 051	1 837
<b>Total income taxes</b>	<b>9 808</b>	<b>11 236</b>

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

<b>TAX RATE ANALYSIS 2004/2003</b>	2004 %	2003 %
Expected tax rate	24.4	26.1
Effect of income taxed at reduced rates	-1.1	-2.2
Effect of disallowed expenditures	1.1	0.6
Effect of tax losses of current year not recognized	1.0	0.0
Effect of utilization of tax losses brought forward from prior periods	0.0	-0.6
Prior year and other items	-1.8	-0.8
<b>Effective tax rate</b>	<b>23.6</b>	<b>23.1</b>

No deferred tax assets have been capitalized for tax loss carry-forwards, as the future use is not assured.

#### NOT CAPITALIZED TAX LOSS CARRY-FORWARDS BY EXPIRY DATE:

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Up to five years	46	47
More than five years	4 133	3 848
<b>Total</b>	<b>4 179</b>	<b>3 895</b>

## 10. EARNINGS PER SHARE

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

	2004	2003
Net income (000 CHF)	<b>32 305</b>	37 305
Weighted average number of ordinary shares outstanding	<b>13 204 587</b>	13 249 707
<b>Basic earnings per share (CHF)</b>	<b>2.45</b>	2.82

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

	2004	2003
Net income (000 CHF)	<b>32 305</b>	37 305
Weighted average number of ordinary shares outstanding	<b>13 204 587</b>	13 249 707
Adjustment for dilutive share options	<b>498</b>	156
Weighted average number of ordinary shares for diluted earnings per share	<b>13 205 085</b>	13 249 863
<b>Diluted earnings per share (CHF)</b>	<b>2.45</b>	2.81

16 500 options (2003: 16 300) were excluded from the calculation of diluted earnings per share as they were not dilutive.

## 11. MARKETABLE SECURITIES

		DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Shares	Market/book value	<b>24 831</b>	25 790
Derivatives	Market/book value	<b>304</b>	1
	Contract value	<b>1 383</b>	1 312
Bonds	Market/book value	<b>15 607</b>	19 365
<b>Total</b>	<b>Market/book value</b>	<b>40 742</b>	45 156

This position comprises marketable securities which are traded in liquid markets.

## 12. TRADE AND OTHER RECEIVABLES

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Trade receivables	<b>20 819</b>	28 012
Provisions for doubtful trade receivables	<b>-686</b>	-1 123
<b>Total trade receivables</b>	<b>20 133</b>	26 889
Prepaid expenses and accrued income	<b>3 423</b>	3 009
Tax receivables	<b>3 261</b>	2 373
Other receivables	<b>1 538</b>	2 343
<b>Total other receivables</b>	<b>8 222</b>	7 725
<b>Total</b>	<b>28 355</b>	34 614

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. INVENTORIES

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Raw materials	9 570	8 895
Finished products	52 043	47 241
<b>Total</b>	<b>61 613</b>	<b>56 136</b>

### 14. PENSION FUNDS

Employee benefits and pension plans are based on the regulations and situations of each country where Bachem is represented. In countries with defined contribution plans, the related costs in 2004 amounted to CHF 622 743 and CHF 847 166 in 2003.

In Switzerland, Bachem AG and Sochinaz SA are members of so called "BVG Sammelstiftungen". These funds are considered defined benefit plans. The following is a summary status of these defined benefit plans at December 31, 2004 and 2003:

#### PROOF OF THE NET ASSET IN THE BALANCE SHEET:

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Fair value of plan assets	30 651	26 622
Defined benefit obligations	-34 773	-30 388
<b>Funded status</b>	<b>-4 122</b>	<b>-3 766</b>
Unrecognized actuarial loss	4 652	3 979
<b>Net asset in balance sheet</b>	<b>530</b>	<b>213</b>

#### ANNUAL COST FOR PENSION FUNDS:

	2004 000 CHF	2003 000 CHF
Current service cost	2 952	2 499
Interest cost	1 140	1 068
Expected return on assets	-1 065	-1 000
Employee contributions	-1 427	-1 123
Recognized actuarial loss	127	127
<b>Annual cost for pension funds</b>	<b>1 727</b>	<b>1 571</b>

#### MOVEMENT OF THE NET ASSET IN THE BALANCE SHEET:

	2004 000 CHF	2003 000 CHF
<b>Net asset in the balance sheet at January 1</b>	<b>213</b>	<b>159</b>
Annual cost for pension funds	-1 727	-1 571
Employer contributions	2 044	1 625
<b>Net asset in the balance sheet at December 31</b>	<b>530</b>	<b>213</b>

**COMPOSITION OF THE NET ASSET IN THE BALANCE SHEET:**

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Prepaid pension fund contributions	530	537
Defined benefit plan liabilities	0	-324
<b>Net asset in the balance sheet</b>	<b>530</b>	<b>213</b>

The actual return on assets for 2004 was CHF 1 493 338. In the previous year the actual return on assets was CHF 1 148 669.

**THE FOLLOWING ASSUMPTIONS ARE UNDERLYING THE ACTUARIAL CALCULATIONS:**

	2004	2003
Discount rate	3.75%	3.75%
Expected return on assets	4.00%	4.00%
Expected future increase in salaries	1.50%	1.50%

**15. OTHER FINANCIAL ASSETS**

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Polyphor AG	6 500	5 375
Other	120	67
<b>Total</b>	<b>6 620</b>	<b>5 442</b>

		DECEMBER 31, 2004	DECEMBER 31, 2003
<b>Polyphor AG, Allschwil (Switzerland)</b>	Share capital nom. (CHF)	3 815 000	3 415 000
	Equity interest	28.31%	28.33%
	Voting rights	28.31%	28.33%

Polyphor is a start-up company with substantial potential for the future. Polyphor is specialized on the synthesis of focused libraries of single compounds of high purity and is involved in research in the field of protein-protein interaction. For 2004, the company has been treated in line with accounting standards for financial

assets as equity interest will fall under 20% in the near future.

In 2004 share capital was increased from CHF 3 415 000 to CHF 3 815 000. Bachem Holding AG subscribed 1 125 registered shares with a nominal value of CHF 100 per share.

**16. OTHER SHORT-TERM LIABILITIES**

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Deferred income and accrued expenses	3 586	4 758
Other short-term liabilities	364	932
<b>Total</b>	<b>3 950</b>	<b>5 690</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. PROVISIONS

	PROVISIONS FOR RESTRUCTURING 000 CHF	PROVISIONS FOR WARRANTIES 000 CHF	TOTAL 2004 000 CHF	TOTAL 2003 000 CHF
<b>At January 1</b>	<b>773</b>	<b>623</b>	<b>1 396</b>	1 117
Additions	1 119	0	<b>1 119</b>	504
Dissolved provisions	-98	-623	<b>-721</b>	-28
Provisions used during the year	-647	0	<b>-647</b>	-147
Translation effects	-102	0	<b>-102</b>	-50
<b>At December 31</b>	<b>1 045</b>	<b>0</b>	<b>1 045</b>	1 396
Current portion	909	0	<b>909</b>	1 396

Provisions for restructuring are recognised for planned restructuring projects. These provisions include only expenses coming out of the restructuring projects and no expenses which are connected to the daily activities of the Group. The new provisions are mainly

in connection with the restructuring of Peninsula Laboratories Inc. The provision for warranties has been dissolved in view of rare contingency events. Warranty cost in the future will be accrued project specifically and as needed.

### 18. DEFERRED TAXES

		DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
Assets associated with	- inventories	<b>888</b>	543
	- tangible fixed assets	<b>0</b>	0
	- provisions	<b>407</b>	249
	- other accruals	<b>359</b>	578
<b>Total</b>		<b>1 654</b>	1 370
Liabilities associated with	- inventories	<b>7 873</b>	6 825
	- tangible fixed and intangible assets	<b>9 972</b>	8 392
	- provisions	<b>1 520</b>	1 681
	- other accruals	<b>616</b>	569
<b>Total</b>		<b>19 981</b>	17 467

### 19. CONTINGENT LIABILITIES

There were no material contingent liabilities as per December 31, 2004 as well as per December 31, 2003.

### 20. COMMITMENTS

All commitments, including buy- and sell-commitments of goods, are not above their market value and comply with the normal business terms.



## 21. CONSOLIDATED COMPANIES

	COUNTRY	EQUITY SHARE <sup>1</sup> DECEMBER 31, 2004	EQUITY SHARE <sup>1</sup> DECEMBER 31, 2003
Bachem Holding AG, Bubendorf	Switzerland	<b>Parent Company</b>	Parent Company
Bachem AG, Bubendorf	Switzerland	<b>100%</b>	100%
Bachem Trading AG, Bubendorf	Switzerland	<b>100%</b>	100%
Labortec AG, Bubendorf <sup>2</sup>	Switzerland	–	100%
Sochinaz SA, Vionnaz	Switzerland	<b>100%</b>	100%
Bachem Biochimie SARL, Mulhouse (inactive)	France	<b>100%</b>	100%
Bachem Distribution Services GmbH, Weil am Rhein	Germany	<b>100%</b>	100%
Bachem (UK) Ltd., St. Helens	England	<b>100%</b>	100%
Peninsula Laboratories Europe Ltd., St. Helens (inactive)	England	<b>100%</b>	100%
Peninsula Laboratories Inc., San Carlos	USA	<b>100%</b>	100%
Bachem Bioscience Inc., King of Prussia	USA	<b>100%</b>	100%
Bachem California Inc., Torrance	USA	<b>100%</b>	100%

<sup>1</sup>direct or indirect

<sup>2</sup>Labortec AG, Bubendorf, was merged into Bachem AG, Bubendorf, in 2004.

## 22. EMPLOYEE PARTICIPATION PLANS

The following employee participation plans exist:

### A) EMPLOYEE PARTICIPATION SCHEME 1

All employees of the Bachem Group subsidiaries are periodically granted gratis shares after three whole years of service. The quantity depends on the status and ranges from 20 to 200. The shares are disposable.

### B) EMPLOYEE PARTICIPATION SCHEME 2

Certain key management employees receive at the time of their promotion gratis shares. These shares are blocked for five years.

### C) SHARE OPTION PLAN

Certain key management employees of the Bachem Group receive gratis options. The options granted entitle recipients to acquire one Bachem share each with unlimited voting and dividend rights.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SHARE OPTIONS OUTSTANDING

	2004 NUMBER	2003 NUMBER
<b>At January 1</b>	<b>20 200</b>	16 900
Granted options	<b>1 300</b>	3 700
Cancelled options	<b>0</b>	-400
Exercised options	<b>0</b>	0
<b>At December 31</b>	<b>21 500</b>	20 200
Exercisable options	<b>2 900</b>	0

### VESTING DATES OF OUTSTANDING OPTIONS ARE AS FOLLOWS:

	EXERCISE PRICE		
Year 2004	80.00	<b>0</b>	2 900
Year 2005	80.00	<b>4 200</b>	4 200
Year 2006	80.00	<b>5 200</b>	5 200
Year 2007	80.00	<b>4 200</b>	4 200
Year 2008	60.30	<b>3 900</b>	3 700
Year 2009	65.33	<b>1 100</b>	0
<b>Total</b>		<b>18 600</b>	20 200

The options expire one year after they become exercisable. Share capital under the option plans amounts to CHF 1 075. The Group holds own shares in order to meet its obligations under the employee participation plans. These own shares are deducted from equity. The book value is based on either cost, for those shares which have been purchased, or on the nominal value for those

shares that have been reserved for these purposes at the last capital increase.

For the change in stock of Bachem shares, please refer to Note 2 to the Financial Statements of Bachem Holding AG.

### 23. TRANSACTIONS WITH RELATED PARTIES

The Bachem Group has commercial relations with two groups of related parties. The first group comprises companies which are controlled by the Bachem Group or by a member of the Bachem Holding AG Board of Directors. This group includes primarily Pevion Biotech AG as an associated company (see Note 7) and Polyphor AG accounted for as financial asset (see Note 15). During the reporting period, sales to this group of companies amounted to CHF 248 000 (2003: CHF 329 900) and purchases totaled CHF 173 000 (2003: CHF 175 000). At December 31, 2004, receivables from these companies amounted to CHF 9 000 (December 31, 2003: CHF 13 500) and accounts payable amounted to CHF 13 000 (December 31, 2003: CHF 22 000).

The second group of related parties comprises the Board of Directors and the Corporate Executive Committee. During the reporting period the members of the Board received a total compensation (excluding shares) of CHF 298 000 (2003: CHF 301 050) and 1 500 shares (2003: 1 500 shares). The members of the Corporate Executive Committee were paid a salary (including bonus, however except shares and options) of CHF 804 590 (2003: CHF 853 400) and allotted a total of 6 800 shares (2003: 300 shares), 6 500 of which with a holding period of between one and five years, and 400 options (2003: 1 200 options). Further details concerning compensation of the Board of Directors and the Corporate Executive Committee are contained in the Corporate Governance section of this annual report.

## REPORT OF THE GROUP AUDITORS



### REPORT OF THE GROUP AUDITORS TO THE GENERAL MEETING OF BACHEM HOLDING AG, BUBENDORF

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of shareholder's equity and notes/pages 24 to 40) of Bachem Holding AG for the year ended December 31, 2004.

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

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

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

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

BASEL, MARCH 15, 2005

PricewaterhouseCoopers AG

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

G. Tritschler

A handwritten signature in blue ink, appearing to read 'P. Seiler'.

P. Seiler

## FINANCIAL STATEMENTS OF BACHEM HOLDING AG

### INCOME STATEMENTS 2004 AND 2003

	2004 000 CHF	2003 000 CHF
Income from licenses	9 585	8 708
<b>Total</b>	<b>9 585</b>	<b>8 708</b>
Staff cost	-1 965	-1 875
Depreciation and amortization	-5 045	-7 008
Other operating expenses	-2 826	-3 321
<b>Operating income before interest and taxes</b>	<b>-251</b>	<b>-3 496</b>
Financial income	33 714	9 324
Financial expense	-1 409	-688
Currency gain	1 205	3 417
Currency loss	-1 270	-3 842
<b>Income before taxes</b>	<b>31 989</b>	<b>4 715</b>
Taxes	-765	-519
<b>Net income</b>	<b>31 224</b>	<b>4 196</b>

In 2003, the formerly existing Bachem AG has been renamed into Bachem Holding AG. At the same time, the operating activities of the company have been separated and, as a non-cash contribution, brought into the newly founded Bachem AG.

## BALANCE SHEETS AT DECEMBER 31, 2004 AND 2003

	DECEMBER 31, 2004 000 CHF	DECEMBER 31, 2003 000 CHF
<b>ASSETS</b>		
Cash and cash equivalents	43 307	50 514
Marketable securities	54 202	48 469
Other receivables, third parties	1 266	212
Other receivables, intercompany	12 201	1 914
Prepaid expenses and accrued income	168	160
<b>Short-term assets</b>	<b>111 144</b>	<b>101 269</b>
Investments	124 237	123 089
Loans to associated companies	9 431	0
Tangible fixed assets	9	13
Intangible assets	79	2 067
<b>Long-term assets</b>	<b>133 756</b>	<b>125 169</b>
<b>Total assets</b>	<b>244 900</b>	<b>226 438</b>
<b>LIABILITIES AND EQUITY</b>		
Trade payables, third parties	52	0
Other short-term liabilities, third parties	23	925
Other short-term liabilities, intercompany	4 101	1 131
Deferred income and accrued expenses	503	810
<b>Short-term liabilities</b>	<b>4 679</b>	<b>2 866</b>
Share capital	680	680
Legal reserves		
General reserves	89 897	89 897
Reserves for own shares	14 814	12 588
Free reserves	97 775	111 082
Retained earnings	2004 000 CHF	2003 000 CHF
Retained earnings at January 1	5 831	5 129
Net income	31 224	4 196
<b>Equity</b>	<b>240 221</b>	<b>223 572</b>
<b>Total liabilities and equity</b>	<b>244 900</b>	<b>226 438</b>

In 2003, the formerly existing Bachem AG has been renamed into Bachem Holding AG. At the same time, the operating activities of the company have been separated and, as a non-cash contribution, brought into the newly founded Bachem AG.

## NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

### 1. INVESTMENTS

COMPANY	LOCATION	BRANCH		SHARE CAPITAL	SHARE CAPITAL
				DECEMBER 31, 2004	DECEMBER 31, 2003
Bachem AG	Bubendorf, CH	Production, Sales	CHF	<b>25 000 000</b>	25 000 000
Bachem Trading AG	Bubendorf, CH	Sales	CHF	<b>100 000</b>	100 000
Bachem Biochimie SARL (inactive)	Mulhouse, F	Sales	EUR	<b>75 000</b>	75 000
Bachem Distribution Services GmbH	Weil am Rhein, D	Sales	EUR	<b>128 000</b>	128 000
Bachem (UK) Ltd.	St. Helens, GB	Production, Sales	GBP	<b>2 500</b>	2 500
Peninsula Laboratories Inc.	San Carlos CA, USA	Production, Sales	USD	<b>32 000</b>	32 000
Bachem Bioscience Inc.	King of Prussia PA, USA	Production, Sales	USD	<b>3 000 000</b>	3 000 000
Bachem California Inc.	Torrance CA, USA	Production, Sales	USD	<b>3 000</b>	3 000
Pevion Biotech AG	Bern, CH	Production, Sales	CHF	<b>4 000 000</b>	2 000 000
Polyphor AG	Allschwil, CH	Production, Sales	CHF	<b>3 815 000</b>	3 415 000

With the exception of Pevion Biotech AG (held at 50%) and Polyphor AG (held as financial asset) all companies are controlled with 100% of the voting rights.

### 2. OWN SHARES

On December 31, 2004 Bachem Holding AG held 426 289 own shares, 227 652 are reserved for trading and 198 637 are reserved for distribution under the employee participation plans.

#### TRANSACTIONS OF OWN SHARES:

	STOCK DECEMBER 31, 2004 [PIECES]	SALES [PIECES]	PURCHASES [PIECES]	STOCK DECEMBER 31, 2003 [PIECES]
Employee participation scheme at the price of CHF 1.22	<b>98 637</b>	11 880	0	110 517
Option plan at the price of CHF 0.05	<b>100 000</b>	0	0	100 000
Treasury Stock at the price of CHF 64.52	<b>227 652</b>	60 000	86 870	200 782

### 3. IMPORTANT SHAREHOLDERS

	PERCENTAGE OF TOTAL SHARE CAPITAL DECEMBER 31, 2004	PERCENTAGE OF TOTAL SHARE CAPITAL DECEMBER 31, 2003
--	--	--

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

P. Grogg (via Ingro Finanz AG)*	<b>50.8</b>	50.5
G. Knoch	<b>8.6</b>	8.6
Family of P. Grogg	<b>6.0</b>	6.0

\*In this position all shares A are included

## APPROPRIATION OF AVAILABLE EARNINGS

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

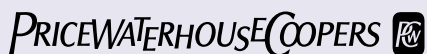
The Board of Directors of Bachem Holding AG proposes to appropriate the available earnings as follows:

	CHF
Net income	31 224 076
Retained earnings at January 1	5 831 523
<b>Available for the Annual General Meeting</b>	<b>37 055 599</b>

Payment of a dividend of CHF 1.20 per registered share for the business year 2004 on 13 172 751 registered shares entitled to a dividend	15 807 301
Transfer to free reserves	21 000 000
<b>Retained earnings to be carried forward</b>	<b>248 298</b>

The total amount of dividend mentioned in the proposal of the Board of Directors has been calculated on the basis of numbers of shares eligible to a dividend on the day of the Board meeting. The number of shares eligible to a dividend can still change up to the Annual General Meeting on May 11, 2005 depending on the distribution of shares to employees or purchase/sale of own shares. For this reason, dividends paid last year totaled CHF 14 574 902.

## REPORT OF THE STATUTORY AUDITORS



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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 42 to 44) of Bachem Holding AG for the year ended December 31, 2004.

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

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

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

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

BASEL, MARCH 15, 2005

PricewaterhouseCoopers AG

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

G. Tritschler

A handwritten signature in blue ink, appearing to read 'D. Baumann'.

D. Baumann



## SHAREHOLDER INFORMATION

SHARE INFORMATION		2004	2003	2002	2001	2000	1999	1998
Registered shares, nominal value CHF 0.05		<b>13 600 000</b>	13 600 000	13 600 000	13 600 000	13 600 000	13 600 000	13 600 000
Average number of outstanding shares		<b>13 204 587</b>	13 249 707	13 324 757	13 347 000	13 345 340	13 311 520	12 706 520
Dividend per share	CHF	<b>1.20</b>	1.10	1.00 <sup>1</sup>	0.75	0.75	0.65	0.50
Share price nominal share	high	CHF <b>74.95</b>	75.00	105	145	200	130	114
	low	CHF <b>63.50</b>	50.10	59	58	119	98	68
	year end	CHF <b>65.45</b>	63.45	65	95	140	128	100
Dividend yield	high	<b>1.9%</b>	2.2%	1.7% <sup>1</sup>	1.3%	0.6%	0.7%	0.7%
	low	<b>1.6%</b>	1.5%	1.0% <sup>1</sup>	0.5%	0.4%	0.5%	0.4%
Group income per share	CHF	<b>2.45</b>	2.82	2.51	2.82	3.59	3.01	2.55
Net cash flow from operating activities per share	CHF	<b>3.77</b>	2.68	2.83	2.35	2.38	3.37	2.93
Group equity per share	CHF	<b>25.53</b>	24.46	23.32	22.79	20.82	17.89	15.57
Price / earning ratio (year end)		<b>26.71</b>	22.50	25.90	33.69	39.00	42.52	39.22
Market capitalization at year end	CHF m	<b>890</b>	863	884	1 292	1 904	1 741	1 360

<sup>1</sup>including nominal value reduction of CHF 0.45 per share

<sup>2</sup>Trading of Bachem shares started on June 18, 1998. Issue price: CHF 56.75, Opening price: CHF 67.55

Bachem registered shares are traded at the Swiss Exchange (SWX).

Valor number: 1 253 020 SWX: BANB Reuters: BAMZn

The shares of Bachem Holding AG were split 1:20 as of June 29, 2001.

In 2003, share capital was reduced from CHF 6 800 000 to CHF 680 000 by means of nominal value reduction.

## FINANCIAL CALENDAR 2005/2006

Annual General Meeting (business year 2004)	<b>May 11, 2005</b>
Payout date for dividend	<b>May 17, 2005</b>
Half year results 2005	<b>August 2005</b>
Full year sales 2005	<b>January 2006</b>
Full year results 2005	<b>April 2006</b>
Annual General Meeting (business year 2005)	<b>May 10, 2006</b>

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THIS ANNUAL REPORT IS PUBLISHED IN GERMAN AND ENGLISH



**PUBLISHED BY:** BACHEM HOLDING AG, BUBENDORF, SWITZERLAND  
**DESIGN, PROJECT MANAGEMENT AND PRODUCTION:** COM.FACTORY AG, BASEL, SWITZERLAND  
**PRINT:** BIRKHÄUSER+GBC AG, REINACH BL, SWITZERLAND  
**PHOTOGRAPHY:** PETER SCHÖNENBERGER, WINTERTHUR, SWITZERLAND

