Press Release

Bachem posts sharp rise in profits in the first half of 2006

- Sales growth of 16.3% in CHF and 14.4% in local currencies
- Operating profit and net profit up 40%
- Business in Europe enjoys new impetus
- Sales expectations for the second half of 2006 above the record performance of the previous year

Bubendorf, Switzerland, August 18, 2006 - In the first half of 2006, the sales of the Bachem Group (SWX: BANB) grew by 16.3% in CHF and by 14.4% in local currencies to reach CHF 82.1 million (1st half of 2005: CHF 70.6 million). Operating profit and net income boosted by over 40%.

Dr. Rolf Nyfeler, CEO of Bachem Holding AG, commented: “This gratifying rise of sales and results in the first half of 2006 confirms the dynamic development of our business. This is the result of our efforts to strengthen our leading market position by continuously expanding our project portfolio. Also the next step in following this path, the completion of additional production capacity in the USA, will further contribute to the sustainable growth of Bachem.”

In geographic terms, the marked growth of 20.2% in CHF or 20.0% in local currencies in Europe indicates that this market is also reviving. By contrast, a growth of only 8.2% in CHF or 3.2% in local currencies was posted in the USA. Bachem is operating at the limits of its capacity there, but with the startup of the new production unit in the second half of 2006 it will begin to exploit new market opportunities.

**Trends in the most important business areas**

The active ingredients business again proved to be the growth driver. With a sales growth of 19.4% in CHF or 17.9% in local currencies, half-year sales reached CHF 63.4 million. The main contribution to the increase in the active ingredients business came from new chemical entities (NCEs), whose growth at 81.0% in CHF or 74.2% in local currencies was substantially above average. This significant increase was achieved thanks to various approval decisions for products from the company’s customers, new contractual agreements and other positive influences. A sustained increase in demand was also reported for the range of finished dosage forms, sterile formulations of NCEs for clinical trial supplies.

In the case of generics, the peptides continued their dynamic development with a marked sales increase, whereas the non-peptidic generics showed a slight decline in sales. Overall, the growth of generics amounted to 7.7% in CHF or 7.1% in local currencies.

Sales of research chemicals likewise showed a very gratifying development in the first half of 2006 and rose by 6.8% in CHF or 4.1% in local currencies. While the catalogue business remained stable, Bachem was very successful with its custom synthesis business. Reinforced efforts in the market helped to boost the market position of the company in this field.

**Marked improvement in performance**

The operating profit for the first six months of 2006 was significantly increased as compared to the same period last year, growing by CHF 8.4 million or 40.2% to CHF 29.2 million. The operating margin improved by 6.1 percentage points from 29.5% to 35.6%. This development was supported by changes in the product mix in favor of higher margin products and increased sales volumes.
of higher-value specialties. To ensure delivery capability for the anticipated increase in demand during the second half of 2006 and in 2007, substantial production was carried out in advance, so that the change in the inventory of semi-finished and finished products amounted to CHF 9.1 million. This relates almost entirely to work in progress in the areas of NCEs and generics. Material costs fell in relation to sales from 22.0% to 16.1% and amounted to CHF 13.2 million.

The number of employees was increased by 33 full-time positions to a total of 573. Twenty-three of the newly created positions were in the USA, while the head count in Switzerland was increased by 10 full-time positions. Staff cost amounted to CHF 30.8 million and herewith decreased as a percentage of sales from 38.6% to 37.6%. Bachem continues to focus on its proven sites and is expanding these further in line with the growth in demand.

A disproportionate increase in other operating expenses from 14.7% to 16.2% of sales was reported. A particular factor in this disproportionate increase was the greater expenditure in the areas of administration, supplies and utilities, as well as safety and waste disposal. But these higher costs are also related to the advance production carried out for the expected sales in the second half of the year and the coming year.

Strong investment activity led to an increase in depreciation by CHF 0.7 million. But depreciation developed almost in proportion to sales and amounts to 5.8% of sales. The EBITDA margin likewise increased significantly to 41.4% in view of the gratifying developments. The EBITDA amounted to CHF 34.0 million compared with CHF 24.9 million in the same period last year.

In keeping with the marked improvement in the operating profit, net profit rose by 40.7% to CHF 22.9 million. The net profit margin thus amounted to 27.9%. The net profit includes the net financial performance of CHF 1.2 million. At 23.7%, the tax rate is slightly lower than in the same period last year. Tax expenditure thus amounted to CHF 7.1 million.

**Expansion of production capacity in the USA completed**

Investments in tangible assets amounted to CHF 13.0 million in the first six months. Bachem completed the expansion of production capacity in the USA by the middle of the year. Total investment amounted to USD 10 million (CHF 12.5 million), of which USD 5.3 million (CHF 6.6 million) occurred in the first six months of 2006. With the new production unit, production capacity at this site for pharmaceutical peptide active substances is increased by 40 percent. This should cover the growing demand in North America. The new production unit meets all the requirements of the American regulatory authorities (FDA) for manufacture according to cGMP principles. The other investments in tangible assets primarily relate to the site at Bubendorf as part of the ongoing expansion of capacity.

**Outlook**

For the second half of 2006, Bachem expects a sustained and lively growth in the business, which is also likely to continue in 2007. The additional production capacity available in the USA as from July and the prospects for stronger expansion in the European market indicate that, along with the continuing high level of purchase orders, the record performance from the second half of 2005 will be surpassed in the second half of 2006. Subject to unforeseen developments, Bachem assumes markedly higher sales growth and a disproportionate increase in the EBIT for the year as a whole compared with the previous year.

**About Bachem**

Bachem is an independent, technology-based company specializing in the production of innovative biochemicals for research purposes and pharmaceutical compounds for pharma and biotech industries as well as in the development of optimized manufacturing processes. With headquarters in Switzerland and affiliates in Europe and the US, Bachem works on a global scale and holds a leading position in its field.

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