

BACHEM

ANNUAL REPORT

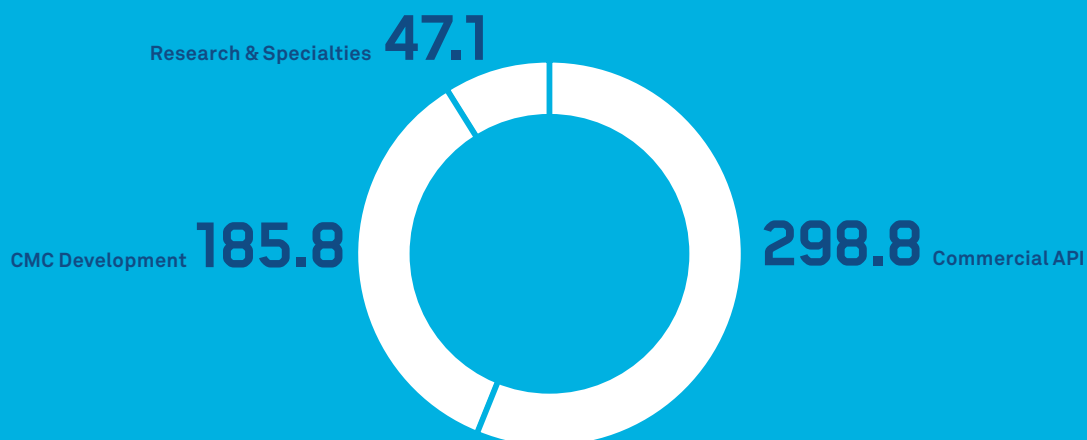
20
22

HIGHLIGHTS

2022

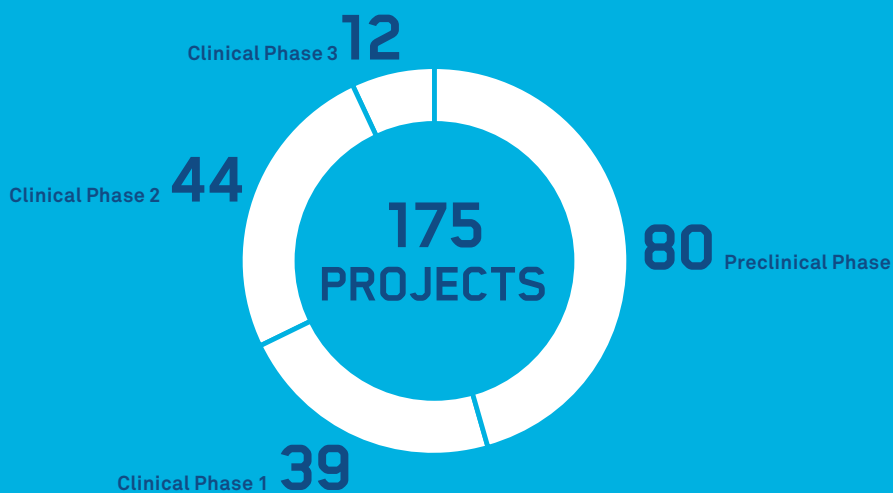
STRONG PERFORMANCE IN ALL CATEGORIES

in CHF million



ROBUST PROJECT PIPELINE

Projects with New Chemical Entities – NCE



SETTING THE STAGE FOR THE FUTURE

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

www.bachem.com

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WALKTHROUGH 2022

JANUARY 6

CHANGES TO THE CORPORATE EXECUTIVE COMMITTEE

Torsten Wöhr joins the CEC as Chief Marketing Officer (CMO) Anne-Kathrin Stoller takes on a new role as Chief Operating Officer Bachem Americas, reporting directly to the CEO.



APRIL 26

STRATEGIC COLLABORATION WITH LILLY IN OLIGONUCLEOTIDES

The annual order volume has the potential to achieve around CHF 100 million, depending on Bachem reaching certain milestones and definite volumes ordered by Lilly.



MARCH 18

SALES OF HALF A BILLION SWISS FRANCS FOR THE FIRST TIME

Group sales increase to CHF 503.2 million, up 25.2% year-on-year.



APRIL 27

ANNUAL GENERAL MEETING 2022

All proposals of the Board of Directors approved. Dividend of CHF 3.50 per share. Subsequent share split in the ratio 1:5.



AUGUST 25

SLIGHT DECLINE IN SALES IN THE FIRST HALF OF 2022

SEPTEMBER 20

CAPITAL MARKETS DAY

Bachem hosts investors and analysts in Zurich for a long-term perspective on opening a new chapter in TIDES.



SEPTEMBER 20

LARGE VOLUME CONTRACTS FOR PEPTIDES

Two contracts signed with order volumes of CHF 25 million in 2023 and CHF 150 million in 2024.



OCTOBER 5

NEW PRODUCTION SITE IN SİSSLERFELD

Land acquired offers space for further expansion steps to increase the production capacity of the Bachem Group from end of the decade onward.



DECEMBER

ECOVADIS RATING FOR SUSTAINABILITY

Platinum Rating applies to the entire Bachem Group, including its GMP-manufacturing sites.



DECEMBER 16

BACHEM SIGNS LONG-TERM FOLLOW-ON CONTRACT FOR PEPTIDES

Contract signed with a total minimum order volume of CHF 1 billion over a five-year period from 2025–2029.

DEAR SHAREHOLDERS

The year 2022 was good for Bachem. We were able to increase sales to CHF 531.7 million and, at the same time, achieve profitability of 30.2% EBITDA. This result is in line with our medium-term targeted profit level. The Board of Directors proposes to the Annual General Meeting to increase the dividend by CHF 0.05 to CHF 0.75 per share.

Bachem is in a challenging phase of change and growth: We are creating new qualified jobs and pursuing an extensive investment program to expand our global capacities in all product categories and locations.

In 2022, we took important steps for the future of our company.

Bachem announced significant orders for peptides for the years 2023 to 2029. We also concluded a strategic partnership for developing and producing oligonucleotides with the pharmaceutical company Eli Lilly and Company.

Our investments in modern chemical processes and sustainable business practices were awarded a "platinum" ranking by the sustainability rating agency EcoVadis.

Bachem's expertise in peptides and oligonucleotides is increasingly in demand. A new generation of drugs for diabetes and obesity is currently conquering the market, based on chemically produced complex peptides. Peptide-based applications also show potential in new disease areas such as eye disorders. In addition, chemically manufactured peptides are becoming more widespread as a means of production for generic drugs. Pharmaceutical and biotechnology development pipelines with oligonucleotides continue to grow, especially for rare diseases.

At Bachem, we anticipated these developments and are expanding our capacities accordingly. Production in the new Building K in Bubendorf is scheduled to start in 2024, and production capacity at this site will double from 2026. At the end of the decade, we intend to commission a further production facility in Eiken on the Sisslerfeld site as the first step of a new production site. We also invest consistently in our other production sites in the USA and England. Expanding the highly qualified teams at Bachem is also a priority: On the one hand, this involves training our new employees quickly and effectively; on the other hand, we are taking all current employees with us on the path of change.

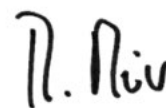
Because of the growing demand for peptides and oligonucleotides, we expect sales growth in 2023 to be significantly above the previous year's levels. The EBITDA margin is expected to remain at approximately 30% in 2023 compared to last year.

A special thank you goes to our more than 1800 employees worldwide: they dedicate themselves to these challenging tasks with outstanding daily commitment.

As co-owners of the company, we would like to thank you all for enabling us to continue on this path together.



Dr. Kuno Sommer
Chairman
of the Board of Directors



Thomas Meier
CEO and Chairman of the
Group Executive Board

CORPORATE EXECUTIVE COMMITTEE



Dr. Torsten Wöhr
Chief Marketing Officer (CMO)

Thomas Meier
Chief Executive Officer (CEO)

Dr. Günther Loidl
Chief Technology Officer (CTO)

Roland Schürmann
Chief Operations Officer (COO)

Alain Schaffter
Chief Financial Officer (CFO)

VISION, MISSION AND STRATEGIC FOUNDATIONS

Our vision at Bachem is to be the world's leading company in developing and producing peptides and oligonucleotides. We provide the chemical basis for developing innovative drugs – with the hope of creating new treatment options for patients, including those with previously incurable diseases. We are a reliable partner for pharmaceutical and biotechnology companies.

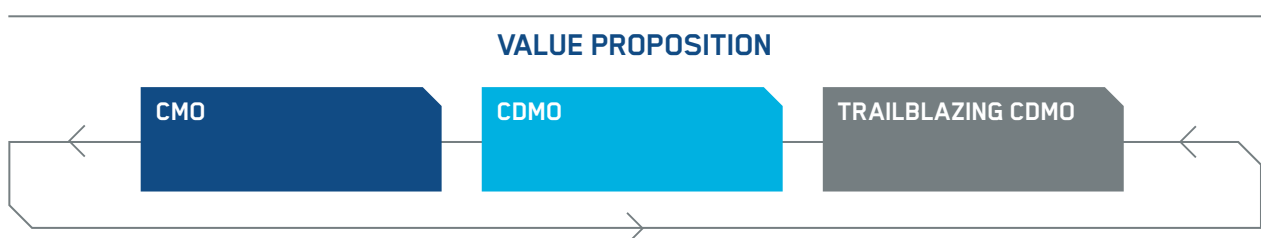
Our mission follows this aspiration

Our mission is to develop our company into the world's leading specialist for peptides and oligonucleotides. We are working towards sales of more than one billion Swiss francs and high profitability, and we want to maintain an unrivaled position in our market.

We are a leader in our segment of the pharmaceutical supply chain. We see this as a mandate to continue to grow. The increasing demand for peptides and

oligonucleotides as active drug ingredients offers excellent opportunities for Bachem. We are constantly advancing technologies to develop and manufacture these complex molecules. This development strengthens us as market leader, and it is an incentive for us to be entrepreneurial, innovative, and efficient. At the same time, this creates a challenging competitive environment.

Bachem's service offering reflects the diverse needs of our customers. We cover the entire spectrum of contract development and manufacturing (CDMO) for peptides and oligonucleotides. At one end of the spectrum are products and services focused on contract manufacturing: We manufacture large quantities of standardized active pharmaceutical ingredients (API) on a TIDES basis, according to the customer's exact process specifications (**CMO**). Similarly, we offer a wide range of services to customers in clinical trials before regulatory approval (**CDMO**). Furthermore, we take a pioneering role in developing new compounds: We provide cutting-edge expertise and technologies to meet the complex challenges faced by each new generation in our industry (**Trailblazing CDMO**). By addressing these complementary requirements in an integrated way, we remain the leading supplier for TIDES.



STRATEGIC FOUNDATIONS

**Strategic fundamentals**

Bachem identified five strategic fundamentals that set us apart from competitors. As strategic KPIs, they set the direction in which we are developing. These principles determine how we supply our customers, how we grow, and how we invest. Our goal is to balance increasing sustainability with striving for market leadership.

People and Culture

The production of peptides and oligonucleotides thrives on the expertise within the company. Bachem has the world's largest team of specialists in TIDES (PepTIDES and OligonucleoTIDES). We retain top talent and continuously recruit new talent to maintain this competitive advantage.

Innovation and technology

Bachem is a technology leader in the production of TIDES. We combine our expertise in chemical synthesis with modern process technology. We are increasingly relying on automation, making production steps more efficient and thus setting new standards throughout the industry. In doing so, we build on a culture that is open to change.

Sustainability

Together with our customers, we enable medical progress: Our products and services make an important contribution to society. Responsibility for employees, society, and the environment are deeply rooted at Bachem: As an employer and through vocational training, we assume corporate responsibility at our sites. In addition, we have set ourselves climate protection targets and strive for diversity in our workforce. For us, ethical conduct is the essential prerequisite for entrepreneurial action.

Customer focus and service

We want our customers to have a consistently positive experience with Bachem, whether they are large corporations or specialized companies and regardless of where they are in the world. Customers value our expertise, from developing and producing peptides and oligonucleotides to handling complex regulatory dossiers. We stand for trusting, long-term partnerships.

Operational excellence and quality

Bachem stands for efficiency and quality. When expanding our capacities, we balance long-term plans against efficiency and profitability. The pharmaceutical and biotechnology industries demand high production and quality standards – our top priorities.

2022 IN BRIEF

SALES GROWTH
in CHF million

+ 28.5

EBITDA MARGIN
in percent

30.2

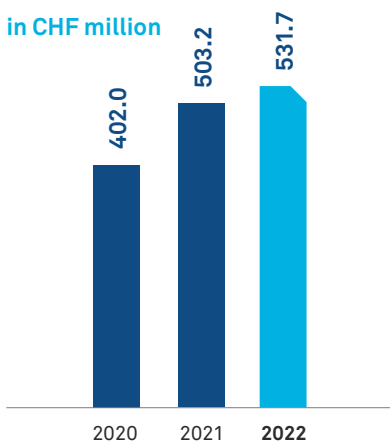
**EARNINGS
PER SHARE**
in CHF

1.37

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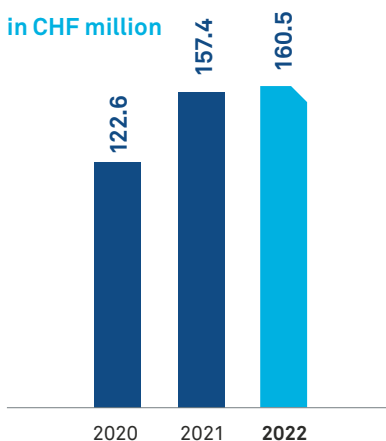
SALES

in CHF million



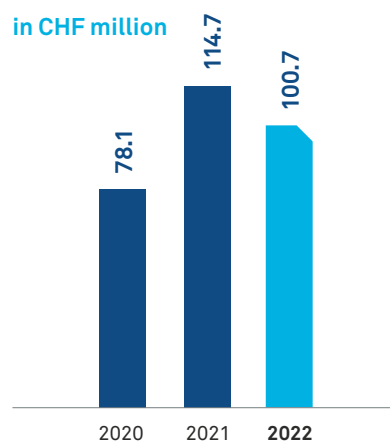
EBITDA

in CHF million



NET INCOME

in CHF million



	2022	2021	Changes in	
			CHF	LC
Sales (in CHF million)	531.7	503.2	+ 5.7%	+ 4.3%
EBITDA (in CHF million)	160.5	157.4	+ 2.0%	+ 0.1%
EBITDA margin	30.2%	31.3%		
EBIT (in CHF million)	127.2	128.9	- 1.3%	- 3.6%
EBIT margin	23.9%	25.6%		
Net income (in CHF million)	100.7	114.7	- 12.2%	
Net income margin	18.9%	22.8%		
Earnings per share (in CHF)	1.37	1.62	- 15.6%	
Cash flow from operating activities (in CHF million)	92.6	97.6	- 5.0%	
Return on equity	8.8%	14.4%		
Number of employees (in full-time equivalents)	1 776	1 639		
Sales per employee ¹ (in CHF)	319 000	332 000		

¹ Basis: average full-time equivalents excluding apprentices.

SITES

1
TORRANCE
USA

Acquired 1996
API development
and production
GMP-site
255 employees

2
VISTA
USA

Acquired 2015
API development
and production
GMP-site
141 employees

3
BUBENDORF
CH

Founded 1971
Bachem
Headquarters
GMP-site
1 261 employees

4
VIONNAZ
CH

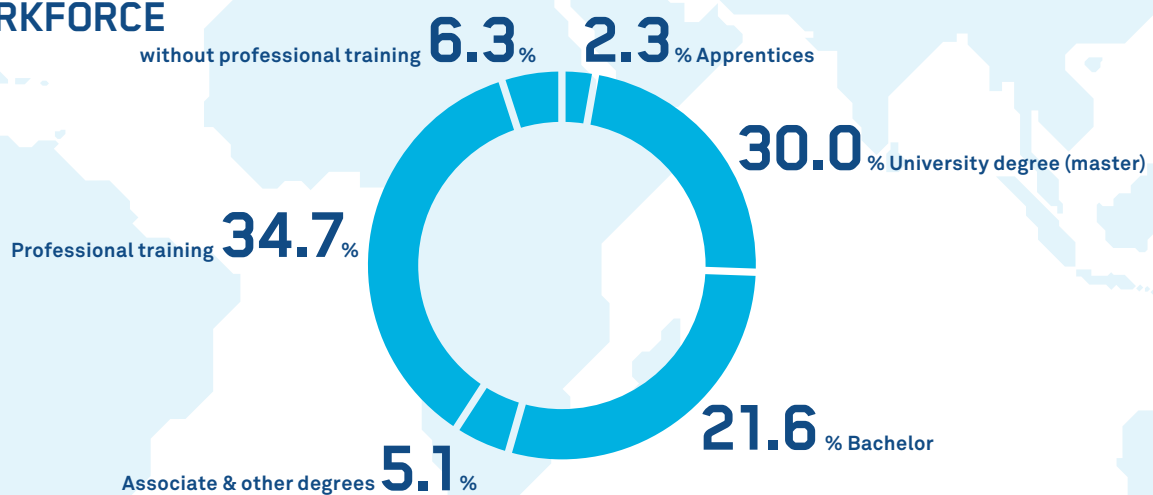
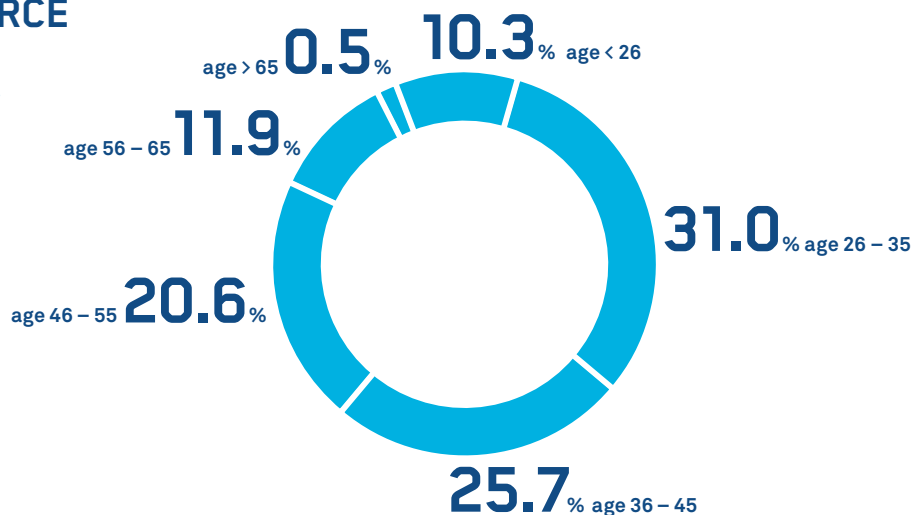
Acquired 2001
Small Molecule
API
GMP-site
126 employees

5
ST. HELENS
UK

Acquired 1999
Center of Excellence
Research &
Specialties
ISO13485
certified
49 employees

6
TOKYO
Japan

Founded 2018
Sales for Asia
4 employees

EDUCATION OF
WORKFORCEAGE OF
WORKFORCE

GROUP RESULTS

Bachem is well on track. Thanks to a strong performance in the year's second half, Bachem 2022 was able to increase sales compared to the previous year and report good profitability. The company was also able to conclude long-term contracts with customers for the coming years and set an essential course for expanding its production network.

Sales

The Bachem Group (SIX: BANB) increased sales in Swiss francs by 5.7% to CHF 531.7 million in 2022. In local currencies, sales increased by 4.3%. All product categories contributed to the sales growth. As expected, sales in the second half of the year increased by 12.4% compared to the second half of last year, from CHF 264.1 million to CHF 296.9 million.

STRONG SECOND HALF

Profit development

Sales growth in 2022 also had to absorb higher costs due to continued inflationary pressure on raw materials and intermediates and a more costly product mix. Also impacting the result were the ongoing costs of projects to adapt the organization to the growth of recent years. As a result, operating income before depreciation and amortization (EBITDA) increased by 2.0% to CHF 160.5 million (local currencies: +0.1%) and is thus with an EBITDA margin of 30.2%

(2021: 31.3%) within the medium-term target range of over 30%.

Operating income (EBIT) was strongly impacted by increased depreciation and amortization due to the commissioning of investments and decreased by 1.3% to CHF 127.2 million (local currencies: -3.6%). The EBIT margin is 23.9% (2021: 25.6%).

Net income is CHF 100.7 million (-12.2%) with a margin of 18.9% (2021: 22.8%).

Cost structure

Gross profit increased to CHF 171.3 million in the reporting year (2021: CHF 166.7 million) and amounts to 32.2% of sales (2021: 33.1%). Due to the more costly product mix and higher input costs, the company could not benefit from economies of scale in the reporting period.

Marketing and sales costs amounted to CHF 18.8 million (2021: CHF 18.0 million) and decreased from 3.6% to 3.5% of sales. The increased costs are due a rise in

participation at trade events and exhibitions after the pandemic and related travel expenses.

EBITDA MARGIN ON TRACK

General administrative costs of CHF 19.0 million (2021: CHF 16.9 million) increased as a percentage of sales from 3.4% to 3.6% and are also due to increased travel activities and costs related to the growth of the Group.

Research and development costs increased to CHF 7.2 million (2021: CHF 3.8 million), representing 1.4% of sales (2021: 0.8%). Investments in this area will continue to be disproportionate to strengthen Bachem's technology leadership further.

Overall, cost development in the future will continue to follow the needs of long-term corporate growth.

Negative contribution from the financial result

The financial result in the reporting year of CHF -15.2 million (2021: CHF +2.5 million) was significantly impacted by the net loss from securities of CHF 13.2 million (2021: net gain CHF 1.2 million). Transactions with foreign currencies resulted in a net result of CHF -1.3 million (2021: CHF +2.1 million).

Further reduction in tax rate

Income tax expense amounted to CHF 11.4 million, resulting in a Group-wide tax rate of 10.2% (2021: CHF 16.7 million or 12.7%). In the reporting period, the tax authorities made the final assessment of the tax treatment of new

tax instruments related to the Swiss tax reform, which were claimed for the years 2020 and 2021. This led to a reduction in tax liabilities of CHF 1.9 million, which was recorded affecting net income.

STRONG EQUITY BASE

Equity and liabilities

On May 5, 2022, all non-listed shares of the type "Bachem A" were converted into listed shares of the type "Bachem B" and subsequently, a share split in the ratio of 1:5 was carried out for all Bachem shares so that the par value per share is now CHF 0.01 (previously CHF 0.05).

The equity ratio as of December 31, 2022, is 84.5% (previous year: 86.3%). In the reporting year, all outstanding loans were repaid, and there are no corresponding liabilities as of December 31, 2022 (December 31, 2021: CHF 20.0 million).

Cash flow

In 2022, cash flow from operating activities before changes in net working capital amounted to CHF 160.6 million, an increase of around 14% (2021: CHF 141.0 million). In the reporting year, payments to the tax authorities were significantly lower than in 2021, when prepayments of around CHF 9.8 million were made to optimize cash and cash equivalents following the capital increase.

In the reporting year, operating cash flow resulted in CHF 92.6 million (2021: CHF 97.6 million). Thereby, net working capital had increased by CHF 67.9 million (2021: increase

CHF 43.5 million). This change was mainly influenced by the increase in trade receivables of CHF 66.2 million, primarily due to the very high sales in December 2022 and the growth-related inventory build-up of CHF 35.2 million, which is intended to ensure future production and timely deliveries to customers. As an offsetting effect and as a positive contribution to net working capital, prepayments from customers increased by CHF 23.2 million in the reporting year. In the course of capacity expansion and for current investments, cash and cash equivalents of CHF 142.3 million were used in the reporting period (2021: CHF 116.8 million).

The acquisition of Inagro Immobilien AG, including both the acquired site and previously rented office buildings in Bubendorf, resulted in a net cash outflow of CHF 21.9 million.

To finance the investments and the repayment of loans, Bachem sold securities in the amount of CHF 101.0 million during the year under review. A gross total of CHF 51.6 million was distributed as dividends.

The decrease in cash and cash equivalents in the financial year amounted to CHF 57.7 million (2021: increase CHF 65.7 million); thus, the balance as of December 31, 2022 amounts to CHF 31.5 million (December 31, 2021: CHF 89.2 million).

Planned dividend increase

In 2022, earnings per share (EPS) decreased from CHF 1.62 to CHF 1.37. The Board of Directors will propose to the Annual General

Meeting in April 2023 to increase the dividend to CHF 0.75 per share (previous year: CHF 0.70). Half of the distribution is to be made from reserves from capital contributions.

2023 GROWTH AHEAD OF PRIOR YEAR

Outlook

Bachem expects sales growth in 2023 to be significantly higher than in the previous year. The EBITDA margin is expected to remain stable at around 30% in 2023 compared to the previous year. Bachem is pursuing an extensive investment program across all sites and product categories to expand capacities. The commissioning of the new large-scale peptide and oligonucleotide production plant in Bubendorf is planned for 2024. By the end of the decade, a further production site is to be built at the new site in Eiken, Switzerland (Canton Aargau).

PEOPLE AND CULTURE



Peptides and oligonucleotides are complex molecules whose production requires a great deal of skill.

The development and production of peptides and oligonucleotides requires world-leading expertise. That is why Bachem has the world's largest team of qualified specialists in TIDES (PepTIDES and OligonucleoTIDES). Talented employees are a long-term competitive advantage. Accordingly, Bachem needs to retain and recruit talent on an on-going basis.

Workforce and diversity

Bachem is committed to a diverse team: in 2022, people from 51 nations worked at Bachem, and 30.1 percent of the workforce last year were women. We have a decidedly young workforce: 390 of 1836 employees are under thirty. By 2026, Bachem aims to increase the proportion of women in the workforce, but especially in senior management and regional management committees, by 10%. To this end, we are making efforts to attract women to scientific professions and management positions. Furthermore, we aim to ensure that our sites' local communities are represented in the workforce.

Bachem aims to offer employees equal opportunities and working conditions regardless of age, gender, religion, ethnic origin, or nationality. Our company does not tolerate harassment, discrimination, or otherwise disrespectful behavior. The relevant principles are set out in our Articles of Association. Our workforce is regularly trained on these principles. Our hiring and compensation practices and training and promotion policies reflect these values, as well.

Personal development of employees

The growing complexity of the products and services we offer and the increasing demands of customers and authorities on production and regulatory processes require a highly qualified workforce. In the Bachem

Group, 30.0% of employees have a university degree, and another 21.6% have a technical college degree. Worldwide, over 34.7% of Bachem employees have completed a vocational apprenticeship, and the figure is as high as 43.1% among employees in Switzerland.

Bachem attaches great importance to apprenticeship training. We see it as part of a responsibility to society to consciously promote non-academic vocational training. At Bachem's Swiss sites, we employed 41 young people in three- or four-year vocational apprenticeships as of the end of 2022; this corresponds to 2.3% of the workforce (3.1% in Switzerland).

Bachem Americas offers a medium- and long-term vocational training program and participates in the Bio-Flex Apprenticeship Program (www.sbwib.org/bioflex). Bachem UK is committed to vocational training with special summer internships for students.

In addition to the qualification of employees through vocational training or university studies, the company attaches great importance to permanent training and further education. The share of internal promotions was 24.4% (2021: 27.0%). Bachem offers employees opportunities for continuous training through internal programs or external training.

Workforce development

In 2022, Bachem's workforce continued to grow from 1 695 to 1 836 (equivalent to 1 776.3 full-time positions). A total of 141 jobs were created, particularly in engineering, R&D, production, and quality. The turnover rate increased in 2022 in a challenging labor market environment following the pandemic to 18.0% (2021: 13.0%), with average industry levels in Europe and above-average levels in the USA. In order to reduce staff turnover, Bachem is committed to a working environment with plenty of room for maneuver. We attach great importance to the further development of employees, and employee benefits are continuously reviewed on an ongoing basis and in some cases expanded.

Human resources strategy

In August 2022, a global human resources management function was introduced for the entire company. The Executive Committee and Board of Directors approved a multi-year human resources strategy, implementation of which has commenced. Areas of focus include

strengthening recruitment, technical onboarding of new employees, compensation function & data analytics, and business partnering.

Talent Management

Regular target meetings serve as a dialog between employees and their superiors: Mutual expectations and performance are agreed upon, as well as opportunities for personal and professional development. A succession planning program identifies management talent and nominates and develops them specifically to take on new positions. Parallel to the management career path, there is a program to promote specialist career paths for specialists with career opportunities that do not involve personnel management tasks.

OUR EMPLOYEES ARE THE FOUNDATION OF OUR SUCCESS

Corporate culture

A healthy corporate culture is a prerequisite for remaining attractive as an employer. Leaders play a vital role in this. In 2022, 37 training sessions were held for managers in Bubendorf to embed key values and behaviors. At Bachem Americas, a program titled "Connections" is underway to intensify the exchange between managers and the workforce.

To maintain a sense of community within the company, employees at the various sites get together at shared events: The annual party in Bubendorf, for example, was attended by 1 100 employees.

Bachem also takes responsibility outside the company. The company supports programs such as SimplyNano to encourage young people's interest in science, participates in Switzerland's National Future Day, and supports various cultural and sports events and clubs near the respective sites.

INNOVATION AND TECHNOLOGY

Chemical manufacturing of TIDES has made significant progress in recent years: Bachem's chemical or synthetic manufacturing processes are becoming increasingly competitive and are used for a growing number of complex molecules.

Bachem's expertise and innovative strength in chemical synthesis and advanced process technologies set industry-wide standards. Bachem builds on a culture that is open to new ideas. The resulting technological edge serves as a long-term competitive advantage for Bachem.

TIDES Technology and Process Research at Bachem

Bachem conducts research projects, both with its own resources and together with external partners, with a focus on improving various elements of peptide and oligonucleotide production. In this context, patent protection for technology is becoming increasingly important.

In 2022, Bachem invested around CHF 6 million in its in-house research activities across 38 projects and in collaboration with ten partners and turned over around CHF 20 million on research projects with customers.

Three recent examples demonstrate how research at Bachem plays out in practice:

Continuous chromatography

Based on a technology developed by a start-up at ETH Zurich, Bachem is the first company in the world to use continuous chromatography on a production scale. This allows for the purification of peptides and oligonucleotides using a fully automated system without costly and time-consuming manual process steps. The process reduces drug purification costs by up to 30% and significantly reduces solvent consumption while delivering higher product yields. The technol-

ogy is available for clinical development projects and the production of approved active ingredients.

Molecular Hiving

Molecular Hiving is a liquid-phase peptide synthesis method developed by Bachem in collaboration with the Japanese company Jitsubo. It is particularly suitable for short peptide chains in minimum quantities of 10 kg and can also be applied excellently to larger quantities. The process makes it possible to avoid using otherwise environmentally harmful solvents, which require costly disposal, thus contributing to greener chemistry. Bachem holds proprietary know-how and is investigating extending the process from peptides to oligonucleotides.

TECHNOLOGY LEADERSHIP SECURES BACHEM'S COMPETITIVENESS

Automated peptide production

In 2022, the first robot in Bachem production started operation and was christened BALU (Bachem Amino-acid Loading Unit) by the Bachem staff. BALU accelerates peptide production with solid phase synthesis (SPPS) on a commercial scale and shortens delivery time to customers. BALU handles containers of starting materials and is capable of performing powder transfer into activator vessels for 150-liter SPPS reactors. BALU also performs other essential tasks, such as cleaning the amino acid transfer port to prevent cross-contamination. A barcode scanner that reads the labels on the amino acid containers ensures precise and correct transfer at all times. The automated production system, including BALU, has been audited by the relevant regulatory authorities and is available for GMP production.

Innovation management at Bachem

Innovation management at Bachem encompasses all business units. A corporate culture willing to change is the most important basis for innovation. All Bachem



Bachem continuously improves production technology at all stages of the value chain.

employees are allowed and encouraged to be innovative and develop new ideas that add value to the company and Bachem's customers. The innovation management system has three pillars. A strategy team continuously collects ideas for improvements in production technology. The focus is on chemical know-how, automation of production processes, and the development and improvement of machinery and equipment. At the same time, Bachem is running analyses of business processes and implementing targeted digital solutions along the entire value chain. The third pillar consists of a broad-based continuous improvement initiative across all business units and hierarchical levels. The best innovations are awarded prizes at Bachem every year.

OPERATIONS AND CAPACITY EXPANSION

Bachem stands for efficiency and quality and balances long-term expansion plans to secure manufacturing capacity with efficiency and profitability. A dynamic market requires Bachem, as the market leader, to clearly commit to investment in capacity expansion. In addition, the pharmaceutical and biotechnology industry requires adherence to strict production standards and impeccable quality, and Bachem is committed to this throughout its entire production chain.



The right mix of people, processes and technology leads to outstanding performance for customers.

Investment in capacity expansion

Bachem is expanding the world's leading center of excellence in TIDES in Bubendorf. The site's largest production building, and most modern to date, is scheduled to come on stream in 2024 and will be expanded further by 2026, doubling production capacity in Bubendorf at the final build-out. In addition, Bachem is investing throughout its GMP production network. The Vionnaz site secures capabilities for the back-integration of starting materials and smaller peptides.

In Vista, capacity expansion focuses on medium and larger production volumes, while in Torrance the focus lies on modernizing the facilities. In Sisslerfeld (municipality of Eiken, canton of Aargau), a new production site is to come on stream by the end of the decade. With an area of up to 155 000 m², the overall site offers space for further expansion of the Bachem Group's production capacity.

Organizational alignment to the growing demand for TIDES

2022, Bachem adapted structures to respond to market growth. For example, a startup-like unit on oligonu-

cleotides, able to act flexibly, was established. In the USA, several functions are now under shared management across sites. In Bubendorf, Bachem has set up production along upstream and downstream competencies, and the global sales organization has become more strongly focused on customer segments.

High-quality production

Quality is a top priority at Bachem. In 2022, a total of ten standard regulatory inspections were carried out at Bachem GMP production sites by health authorities, as were a large number of customer audits, with no critical observations.

Challenging supply chain management

Despite a tense global supply situation, Bachem 2022 managed to keep its supply chain stable. The company benefited from the fact that Bachem could produce necessary starting materials at the Vionnaz plant. As a market leader, Bachem maintains long-term relationships with suppliers and can respond to bottleneck risks promptly and secure inventory for essential precursors and raw materials.

MARKETS AND CUSTOMERS

The pharmaceutical and biotechnology industries' global demand for peptides and oligonucleotides (TIDES) continues to grow. The focus is on the increasing use of chemical synthesis to create active ingredients for drugs for patients worldwide.

A growing market for complex "TIDES" molecules

Supplier companies to pharmaceutical and biotechnology companies, so-called CDMOs (Contract Development & Manufacturing Organizations), are becoming more critical. In particular, the complex production of peptides and oligonucleotides favors specialized companies such as Bachem, which build customer relationships in early clinical development phases and accompany and support customers in all aspects of the development and approval process.

The demand for synthetically (i.e., chemically) produced peptides continues to grow strongly. Several factors significantly shape the market:

- Newly complex molecules are being used in indications with high patient populations, such as diabetes and obesity, and can only be chemically produced.
- The trend towards larger manufacturing volumes is fueled by oral dosage forms that require more active ingredient quantities.
- Cost-effective chemical manufacturing is now available for molecules that could previously only be made recombinantly. Among these are several generics that promise improved access to peptide-based medicines.
- Peptides are being used in new indication areas. Likewise, the potential application areas for oligonucleotides are growing, both in their use against rare diseases and common diseases.

GROWTH TRENDS FOR TIDES

**MORE COMPLEX
MOLECULES**

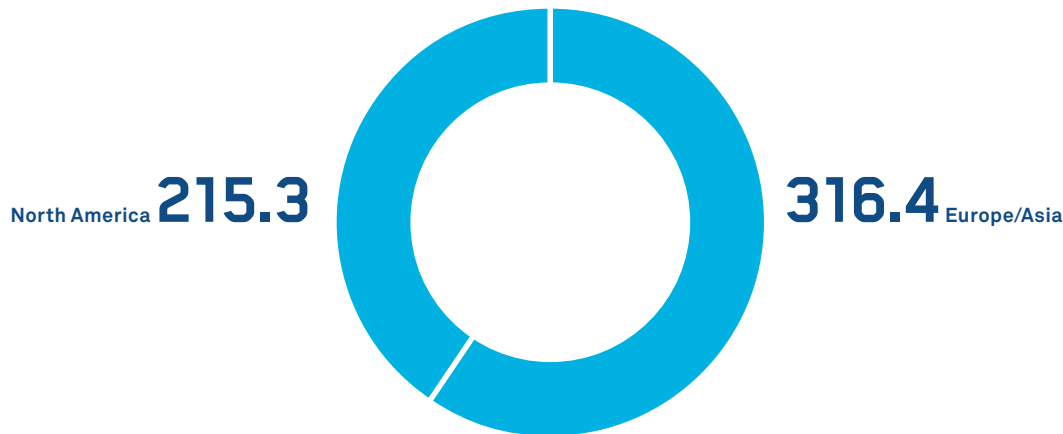
**LARGER
PRODUCTION
VOLUMES**

**INNOVATIONS
IN CHEMICAL
SYNTHESIS**

**NEW MEDICAL
APPLICATIONS**

BREAKDOWN BY REGIONS

in CHF Mio.



Bachem recognized these long-term trends early on and offers a wide range of products and services related to TIDES.

Research & Specialties:

“Research” includes the catalog business and the custom synthesis business. Customers are typically universities or research departments of pharmaceutical companies. Bachem maintains an intensive and regular exchange with leading researchers and is thus able to support cutting-edge research worldwide with the right products and services. “Specialties” are products for specific applications, including cosmetics, diagnostics, and excipients in formulations or process aids.

CMC Development:

The category “CMC Development” includes products that are in clinical development. Customers are mainly pharmaceutical and biotech companies. Bachem offers a great deal of experience in dealing with the approval process for active ingredients and a high degree of flexibility and willingness to provide services, as well as intensive project management with experienced project managers. Close collaboration with customers is the order of the day in order to accompany the development of the active pharmaceutical ingredient jointly.

Commercial API:

After successful clinical development, customers apply for marketing authorization and submit to health authorities. The approval also marks the transition from “CMC development” to “commercial API.” For products with marketing authorization, the focus is on cost-effective, volume-based, and reliable manufacturing. The transition requires careful and long-term planning. Long-term supply contracts usually govern purchase volumes, prices, and other commitments. In addition to approved and patent-protected NCEs, this category also includes generic active ingredients without patent protection. Some of these have been successfully on the market for decades.

Note on the classification of business figures: In the event of successful approval, the products are removed from the CMC Development category and assigned to the Commercial API category. Active ingredients approved in 2022 are added to the CMC Development category and reported as Commercial API in 2023. Combined, Commercial API and CMC Development represent sales from projects for active medical ingredients.

2022 growth by product category

Bachem achieved sales of CHF 298.8 million (2021: CHF 285.3 million, +4.7%) with commercial active ingredients (Commercial API), thus reversing the still declining

sales trend at the half-year point into the positive. In the Clinical Medicines category (CMC Development), sales increased to CHF 185.8 million (2021: CHF 173.1 million, +7.4%) based on a growing project pipeline with peptide- and oligonucleotide-based compounds. The research chemicals and specialties business (Research & Specialties) contributed CHF 47.1 million (2021: CHF 22.6 million, +5.2%) to total sales.

Growth by region

Broken down by sales region, the Europe/Asia region generated CHF 316.4 million. (2021: CHF 270.4 million, +17.0%). The North America region accounted for CHF 215.3 million in sales (2021: CHF 232.8 million, -7.5%).

Long-term supply contracts

In 2022, Bachem was able to announce supply agreements on peptides for the period 2023–29 with a sales potential of at least CHF 1.2 billion. In 2022, Bachem signed a strategic collaboration with the pharmaceutical company Eli Lilly and Company to develop and manufacture medical agents based on chemically

produced oligonucleotides. The cooperation with Eli Lilly and Company provides an annually increasing sales potential and could reach approximately CHF 100 million annually within seven years.

Customer mix and products pipeline

Bachem's customer strategy aims at a solid mix of long-term customer relationships and new customers. Around two-thirds of the 20 largest pharmaceutical and biotech companies work with Bachem. Pharmaceutical companies represent by far the largest group. Biotech companies complement the portfolio. Bachem is therefore well protected against any default risks, particularly in the biotech market.

Portfolio development aims to partner with customers for active ingredients with good prospects of success and attractive commercial potential. In addition, Bachem seeks to work with customers early in the development process to accompany the years-long process up to approval optimally. The portfolio of NCE development projects comprises 175 projects at the end of the year.

BACHEM PRODUCT CATEGORIES

RESEARCH & SPECIALTIES

Amino Acid Derivatives
Catalog Peptides
Cosmetic
Custom Peptide Synthesis
Diagnostics

CMC DEVELOPMENT

Oligonucleotide NCEs
Peptides NCEs

COMMERCIAL API

Commercial Generics
Commercial NCEs


Bachem took major steps in 2022 toward becoming an even more sustainable operating company. The company planned and implemented measures at all sites to achieve its global targets in occupational safety, diversity, energy and greenhouse gases. In addition, Bachem published greenhouse gas emissions for the first time via the Carbon Disclosure Project (CDP) and started efforts to record and manage greenhouse gas emissions in the company’s value chain (Scope 3).

Values, Goals and Progress

Bachem assumes responsibility towards its customers, employees, society, and the environment. The company continuously monitors and improves its social, economic, and environmental performance. We believe that ethically correct behavior and integrity are essential for long-term business success, which is why sustainability is one of our five strategic priorities.


In the third Group-wide assessment of our Corporate Social Responsibility (CSR) Management System by EcoVadis, we received a platinum award in 2022, placing us in the top 1% of all audited companies in the industry worldwide.

As an additional commitment to sustainability, Bachem 2022 joined the United Nations Global Compact, the world’s largest corporate sustainability initiative.



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

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



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

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



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

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



SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

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

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

MATERIAL TOPICS

AMBITION



BEING AN ATTRACTIVE EMPLOYER

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

SAFEGUARDING THE ENVIRONMENT

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

ACTING ETHICALLY

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

GUARANTEEING HIGHEST QUALITY IN PRODUCTS AND SERVICES

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

Our CSR Bachem Management System is based on an in-depth materiality analysis conducted in 2019, which is aligned with the United Nations Sustainable Development Goals (SDGs) most relevant to our business. In 2022, this materiality analysis was reviewed in light of the new standard “GRI 3: Material Topics 2021.” Activities and business relationships were analyzed and actual and potential impacts on the economy, the environment and people, including impacts on their human rights, were identified, taking into account their significance. The views of customers, shareholders, employees and auditors were taken into account in the review of key issues.

In 2022, the Bachem sites planned and implemented further measures to achieve the global long-term goals:

- Reducing energy consumption per FTE by 20% by 2026
- Reducing the accident rate to ≤ 1.0 by 2026
- Halving greenhouse gas emissions per FTE by 2026 and becoming climate neutral by 2030
- Increasing the proportion of women in the workforce and in management by 10% by 2026 and taking account of the local communities to which we belong in the workforce

In the remaining sustainability topics that are considered to be essential, Bachem continues to monitor and improve its performance on an ongoing basis, in order not only to do justice to our own understanding of what exemplary management entails, but also to satisfy stakeholder demands. To this end, the Executive Committee approves an annual “CSR Improvement Plan”, which is based on the one hand on the long-term targets set by the Board of Directors and on the other hand on proposals from the sites.

Being an Attractive Employer

Bachem is a market leader and needs the best employees to maintain this position. The workforce must be willing and able to be innovative and to meet future customer requirements. The company therefore offers an attractive working environment and remuneration model, and adheres to the principles of fairness and honesty.

Workforce developments and information on diversity and talent management are described in the “People & Culture” section.

Occupational Health and Safety

At all Bachem sites, appropriate equipment and regular training for all employees ensure a high standard of occupational health and safety. New and changing workflows are assessed with regard to their risks for health and safety. The focus here is on measures for safe handling of hazardous substances. Health and safety committees are also used, and health checks are carried out on employees depending on the risks to which they are exposed.

Bachem aims to prevent all accidents and injuries as part of its health and safety policy. In order to come closer to this maximum target, the LTIR (Lost Time Incident Rate) is to be reduced to a maximum of 1.0 by 2026. To this end, G&S initiatives are being intensified to eliminate the causes of incidents wherever possible and prevent future recurrences. In the reporting year, a significantly lower LTIR than in 2021 was achieved at 1.1.

Safeguarding the Environment

Bachem assumes responsibility for future generations by conserving resources, avoiding environmental risks and reducing the emission of environmentally harmful gases. We are therefore constantly improving our environmental performance, helping to reduce or prevent global warming, and developing and implementing new approaches for boosting our employees' environmental awareness.

Energy Consumption and GHG Emissions

Energy consumption per FTE could also be reduced in 2022. In the coming years, space will be created for additional personnel and production capacities, which will increase absolute energy consumption. However, measures are planned to achieve the target of keeping energy consumption per FTE 20% below the 2020 level by 2026. Relative Scope 1 and Scope 2 greenhouse gas (GHG) emissions were also reduced in the reporting year. At the UK site, emission reduction certificates were purchased for around 60% of the reported physical Scope 1 and 2 emissions in 2022. By 2026, Scope 1 and 2 GHG emissions are to be halved compared to 2020 and Bachem is to become climate neutral by 2030.

In 2022, Bachem started to record its Scope 3 GHG emissions. All 15 categories according to the GHG Protocol were considered and emission values for the Bubendorf site were calculated for the eight assessed as significant. The category “processing of products sold” was also assessed as significant, but its calculation was postponed until 2023 due to a lack of data on the customer side. In the coming years, Bachem will continuously work on improving the data situation and on ways to also reduce Scope 3 GHG emissions.

The data on Scope 3 GHG emissions are based on a sales-based extrapolation of the values calculated for the Bubendorf and Vionnaz sites. However, it is apparent that more than 80% of Bachem’s greenhouse gas emissions are generated in its value chain (Scope 3) and around half of these are attributable to the category “Purchased goods and services”.

Bachem publishes its greenhouse gas emissions via the Carbon Disclosure Project (CDP) and achieved a “B” rating in 2022, which certifies that we have good environmental management.

PERSONNEL		2022		2021	
		FTE	%	FTE	%
EMPLOYEE DISTRIBUTION BY JOB CATEGORY					
MARKETING AND SALES		103.0	5.8	105.7	6.5
ADMINISTRATION		139.0	7.8	130.0	7.9
SUPPLY CHAIN		73.8	4.2	70.8	4.3
ENGINEERING AND SERVICES		255.0	14.4	223.8	13.7
QUALITY ASSURANCE AND REGULATORY AFFAIRS		444.7	25.0	416.8	25.4
RESEARCH/DEVELOPMENT AND PRODUCTION		760.8	42.8	692.3	42.2
GEOGRAPHIC DISTRIBUTION					
EUROPE		1 376.9	77.5	1 220.5	74.5
USA		395.4	22.3	414.9	25.3
ASIA		4.0	0.2	4.0	0.2
EMPLOYEE DISTRIBUTION BY GENDER					
WORKFORCE (TOTAL)	WOMEN	534.2	30.1	509.7	31.1
	MEN	1 242.1	69.9	1 129.7	68.9
UPPER MANAGEMENT	WOMEN	22.7	20.2	23.7	21.8
	MEN	89.4	79.8	84.8	78.2
REGIONAL EXECUTIVE COMMITTEES	WOMEN	10.0	22.8	6.0	15.4
	MEN	33.9	77.2	33.0	84.6
CORPORATE EXECUTIVE COMMITTEE	WOMEN	0.0	0.0	1.0	20.0
	MEN	5.0	100.0	4.0	80.0
BOARD OF DIRECTORS	WOMEN	2.0	40.0	2.0	40.0
	MEN	3.0	60.0	3.0	60.0
EMPLOYEE DISTRIBUTION BY AGE					
AGE < 26		181.9	10.3	171.7	10.5
AGE 26-35		550.8	31.0	519.1	31.6
AGE 36-45		456.6	25.7	409.2	25.0
AGE 46-55		366.2	20.6	343.2	20.9
AGE 56-65		211.8	11.9	188.5	11.5
AGE 65		9.0	0.5	7.7	0.5

Water, Waste and Emissions

Water is a vital natural resource. Water consumption is systematically monitored and corrective measures are taken depending on the results. In addition, employees are encouraged to use water responsibly. In this way, total water consumption per employee has been further reduced.

With regard to the transport and disposal of wastewater and waste, Bachem strives to organize this as efficiently and effectively as possible, thereby maximizing safety and minimizing environmental impact. The company works closely with the relevant local authorities. Wastewater is pretreated in accordance with regulatory requirements and discharged for final treatment into public wastewater treatment plants that meet all state and federal requirements. In addition, Bachem strives to reduce waste from its facilities through efficient collection, disposal and recycling processes. As a result, the amount of hazardous waste disposed of was again reduced.

All other recorded emissions, with the exception of NO_x, were kept constant or reduced in relative values during the reporting period.

Green Chemistry

Bachem is evaluating and developing more environmentally friendly alternatives to established peptide manufacturing technologies to complement and expand Bachem's technology platform. For part of this work, Bachem is partnering with other companies in the industry to join forces and collaborate in this important area. These activities enable Bachem to support customers in developing efficient and more sustainable manufacturing processes. One focus to date has been the systematic evaluation of alternative solvents for SPPS. The results were published in peer-reviewed journals in 2021 and 2022.

Bachem is an associate member of the American Chemical Society Green Chemistry Institute Pharmaceutical Roundtable to share information and ideas with other companies involved in green chemistry and to contribute to the goals of the American Chemical Society Green Chemistry Institute.

RESPONSIBLE CARE KEY FIGURES

	2022	2021	2020	2019	2018
PERSON ACCIDENTS, NUMBER/100 EMPLOYEES			1.1	1.3	1.7
LTIR ¹	1.1	1.6			
LOST WORKING DAYS, NUMBER/EMPLOYEE	0.07	0.07	0.1	0.1	0.1
HEALTH SAFETY ENVIRONMENT STAFF, NUMBER	16.0	16.5	15.0	10.5	9.5
ENVIRONMENT KEY FIGURES					
TOTAL ENERGY CONSUMPTION, GJ/EMPLOYEE	91	96	113	126	135
CO ₂ , T/EMPLOYEE ²			3	4	4
SCOPE 1 GHG EMISSIONS, T CO ₂ eq/EMPLOYEE	2.6	3.0			
SCOPE 2 GHG EMISSIONS, T CO ₂ eq/EMPLOYEE	0.9	1.0			
SCOPE 3 GHG EMISSIONS, T CO ₂ eq/FTE	19.9				
NO _x , KG/EMPLOYEE	2.6	2.5	3	4	4
SO ₂ , KG/EMPLOYEE	0.19	0.22	0.2	0.4	0.4
VOC, KG/EMPLOYEE	12.7	17.8	16	16	18
TOC, KG/EMPLOYEE	1.5	2.2	3	3	2
HAZARDOUS WASTE DISPOSED OF, KG/EMPLOYEE	7 802	8 810	9 270	7 470	9 965
TOTAL WATER CONSUMPTION, M ³ /EMPLOYEE	81	85	106	106	93

¹ As from 2021 on we report the Lost Time Incident Ratio (LTIR) in relation to 200 000 working hours.

² As from 2021 on we report GHG emissions according to the GHG protocol.

The 2021 values have been clarified compared to the Annual Report 2021.

Acting Ethically

For Bachem, ethically correct behavior and integrity are essential for sustainable business success. The professional and personal integrity of employees is a key prerequisite for meeting the high quality standards of all stakeholders. Bachem's principles for ethically correct conduct and integrity are binding for all employees, set out in writing and applied without exception.

Sustainable Procurement

It is generally acknowledged that most business' social and environmental impacts occur in their supply chain, elevating it to the forefront of a company's sustainability efforts. Thus, we want to take responsibility for our entire supply chain, and we have set up our initiatives accordingly. Bachem's initiatives directed at making our supply chain more sustainable and resilient, are planned, prioritized, and implemented based on periodically performed Risk Assessments, human rights due diligence processes, the group's targets and external stakeholder expectations.

It is one of our main sustainability ambitions to realize opportunities for sustainable development through our procurement activities. Our supplying partners are essential companions on the journey towards fulfilling this mission. Bachem's Sustainable Procurement approach is based on collaborative partnerships that create sustainable value for all stakeholders. It is governed by the Bachem Global Code of Conduct (CoC) for Supplying Partners. The code is based on international standards and encompasses fundamental commitments and the minimum set of ethical standards we follow in our business practices, and Bachem expects its partners to meet. The guidelines and principles stated in our Sustainable Procurement Commitment aim to enhance sustainability in procurement by adopting and incorporating Corporate Social Responsibility (CSR) principles into our procurement processes and decisions while ensuring that the requirements of our organization and our stakeholders are met.

Supplier Sustainability Assessments

To assure that our suppliers are adhering to our standards of ethical and responsible behavior we assess the sustainability performance of selected partners with EcoVadis. In the reporting year we have approached all our suppliers that, based on our risk assessment in 2022, were associated with a high or medium sustainability risk. We have asked the selected partners to join

our sustainable procurement initiative. So far, 65% have taken the EcoVadis sustainability assessment to create the needed transparency for corrective actions. In 2023 these will be addressed with our suppliers while we extend our sustainability assessments to further parts of our supplier base.

Responsible Sourcing of Palm Oil

Bachem is aware that the cultivation and production of palm oil and palm kernel oil poses environmental and social risks. We see demanding and supporting environmentally friendly and socially responsible palm (kernel) oil production as an inherent part of a CSR-complying economy. Thus, Bachem is a member of the Roundtable on Sustainable Palm Oil (RSPO) as we are taking our responsibility for supporting environmentally friendly and socially responsible palm (kernel) oil production seriously. Our manufacturing site in Bubendorf (CH) is certified against the RSPO Supply Chain Certification Standard (supply chain model Mass Balance). This allows Bachem to handle sustainable palm (kernel) oil derivatives via physical supply chains.

Corruption and Fair Competition

To preclude bribery and corruption, and to ensure that we, as a company, compete fairly as well as act responsibly and with integrity, Bachem employees receive training on conduct when they are appointed and each year thereafter.

Through this training, Bachem intends to ensure that employees do not demand or solicit gifts or personal benefits of any type from third parties, that they avoid situations in which their personal interests could conflict with Bachem's interests and that they inform their line manager if a conflict of interest does arise.

As a company, Bachem does not grant any benefits or make any concessions if this is not in accordance with local laws or practices, or is not entered in its books properly. Bachem does not grant, demand or accept any illegal discounts, kickback payments, "unofficial" payments or any type of unauthorized gifts or favors.

No confirmed cases of corruption were registered in 2022, and no legal proceedings were pending or concluded due to anti-competitive conduct or conventions against antitrust or monopolies legislation.

Legal Compliance and Respect for Human Rights

Bachem requires all employees to comply with all laws and regulations applicable to their activities, including internal policies. To this end, all employees receive training upon hire and annually thereafter, with training covering topics such as information security, discrimination and harassment, and whistleblowing.

Bachem adheres to the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council in 2021. On this basis, a human rights due diligence (HRDD) process has been implemented, following the OECD Due Diligence Guidance for Responsible Business Conduct, to proactively manage potential and actual negative human rights impacts along our entire value chain. The HRDD is revised at regular intervals and is available at www.bachem.com/about-bachem/sustainability/acting-ethically.

In 2022, no significant fines or non-monetary penalties were issued for non-compliance with laws and regulations in social, economic or environmental matters.

Stakeholder Dialog

Maintaining a dialog with people and groups who have an interest in Bachem and who are or could be affected by the Group's business activities is in the company's own interests. But this dialog is also an indication that it appreciates its responsibility towards society. Bachem looks and acts beyond its corporate boundaries, and involves its key stakeholders in an ongoing, transparent, open and honest dialog.

Guaranteeing the Highest Quality in Products and Services

Bachem offers and supplies its customers products and services of the highest quality. As part of its business model, the Group supports the development of new medicinal products from the early stages of design and development, via clinical trials and market approval, right through to the later stages of their life cycle as mature products or generic medicines. Bachem ensures absolute quality and safety by extensive surveillance of the manufacturing process.

Bachem seeks to be a leader in its business and to maintain profitability. The company intends to grow steadily with an innovative and efficient organizational structure, and aims to be a dependable supplier.

Bachem respects all data security provisions and confidentiality obligations, and manages these in an information security system.

Product Safety and Quality

Bachem adheres to standards that ensure its products and services meet customer needs in full and satisfy regulatory requirements. Processes have been introduced at all sites to make sure that the substances produced and supplied meet internal, customer and regulatory requirements, thereby ensuring that manufacturing risks to the health and safety of its employees and customers are reduced to a minimum. Data relating to product nonconformities and customer feedback are used for ongoing improvements.

For all the GMP-compliant active substances that Bachem supplies, it is the customer's responsibility, during their subsequent use, to ensure patient health and safety, e.g. in clinical studies. For those products that are not subject to GMP regulations, Bachem provides material safety data sheets (MSDS).

The performance of our pharmaceutical quality system is monitored via customer audits, official inspections and our own inspections. There were no critical observations, and the audit findings confirmed that the sites' quality systems are in a good condition and meet expectations. Where appropriate, corrective and preventive actions (CAPA) were implemented.

Workplace hygiene is a basic requirement for the safe handling of active substances, and forms an integral part of employee health and safety at Bachem. The company's strategy for achieving optimal workplace hygiene is built on personal hygiene, a basic hygiene strategy and a control banding procedure. This approach is based on systematic principles of personal hygiene, such as employee clothing and personal care. The hygiene strategy is also intended to prevent the release of active substances and their dissemination by applying technical and organizational measures, with the latter involving the analysis and optimization of personnel and material flows, guidelines for cleaning procedures and waste disposal. The control banding procedure serves to monitor the concentrations of active substances in the production environment and keep them low enough to safely prevent an effective dose being absorbed during work processes.

Delivery Reliability as a Supplier

As a contract manufacturer, the outstanding quality of our products and services, together with total compliance with GMP guidelines, form the basis for our commercial success. This is ensured by means of targeted investment, well trained and qualified staff and our existing quality system. Our current track record with customers and public authorities shows that we are well positioned.

We are part of our customers' supply chain. As their supplier and partner, one of our most important contributions to sustainability is enabling our customers to improve health and promote society's wellbeing. This is crucially dependent on the continuity of Bachem's supply chain, which we want to maintain by proactively reducing risks based on our Supply Chain Risk Management (SCRM) framework.

Constant monitoring and improvement are achieved by means of external and internal audits, the CAPA system and regular reviews of the quality system. Quality incidents such as rejected batches, customer complaints and deviations are reported monthly to facilitate monitoring by management. No withdrawal from the market of prescription or over-the-counter (OTC) drug batches due to Bachem's failure to meet quality standards was reported in 2022.

Information Security

Bachem concludes confidential disclosure agreements with all key customers and suppliers. Internal and external confidentiality are ensured by a framework of corporate and local regulations. These include the Code of Conduct, the Information Security Management Policy, the IT Security Guidelines and the Information Security User Guidelines. Further SOPs and guidelines govern the implementation and maintenance of the IT infrastructure, hardware, software and electronic data, as well as the handling and retention of paper documentation. Systems exist to identify, track and correct discrepancies and information security breaches.

All employees are trained to an appropriate level in the relevant regulations, and at some sites, every employee must sign to say they have received and understand the employee handbook in which the corporate policy relating to confidentiality is set out.

These efforts led to the gratifying outcome that, in 2022 once again, no justified complaints were received concerning violations of customer data protection.

About the Sustainability Reporting

For Bachem, taking its responsibility for society and the environment just as seriously as for its products and financial figures is self-evident. By doing so, the company is playing an active role in making the world more sustainable.

This is the third Bachem sustainability report that follows the principles of the Global Reporting Initiative (GRI). The Group intends to publish its sustainability report annually. The GRI content index can be found at www.bachem.com/about-bachem/sustainability.

Bachem has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022. It has not been externally audited.

CORPORATE GOVERNANCE

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

1 Group structure and shareholders

BACHEM HOLDING AG	
BOARD OF DIRECTORS	
CORPORATE EXECUTIVE COMMITTEE	
BACHEM AG	BACHEM AMERICAS, INC.
BACHEM DISTRIBUTION SERVICES GMBH	PENINSULA LABORATORIES, LLC
BACHEM (UK) LTD	BACHEM JAPAN K.K.

1.1 Group structure

Bachem Holding AG, headquartered in Bubendorf, Switzerland, is listed at the SIX Swiss Exchange in Zurich (valor number: 117649372; ISIN: CH1176493729; SIX: BANB; Reuters: BANB.S; Bloomberg: BANB:SW). Market capitalization at December 31, 2022, was CHF 5.9 billion. No other Bachem companies are listed.

All consolidated companies are listed in note 24 on page 68 of the notes to the consolidated financial statements including company name, location, registered capital, and participation.

1.2 Significant shareholders

Shareholders with more than 3% of voting rights on December 31, 2022, are disclosed in note 10 on page 80 of the notes to the financial statements of Bachem Holding AG. The disclosure is based on the shareholder disclosure notifications pursuant to Article 120 of the Swiss Financial Market Infrastructure Act (FMIA). The detailed disclosure notifications pursuant to Article 120 FMIA can be found under: [https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/. There are no shareholders' agreements.](https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2 Capital structure

2.1 Capital

At December 31, 2022, the nominal share capital of Bachem Holding AG was CHF 737 500. The Company's by-laws provide for authorized capital and no conditional capital (see item 2.2).

2.2 Authorized and conditional capital in particular

Authorized capital of a maximum of CHF 12 500 (1 250 000 registered shares with a nominal value of CHF 0.01) exists until September 30, 2023, which is around 2% of the existing share capital. Further details on the authorized capital are regulated under §3a of the Company's by-laws (<https://www.bachem.com/about-bachem/investors-and-media/>). There is no conditional capital outstanding.

2.3 Changes in capital

In the year 2022, a share split took place, and in 2021, the share capital was increased. Details are disclosed in the notes to the consolidated financial statements in note 21 on page 67. All changes in equity for the years 2022 and 2021 are listed on page 47 of the consolidated financial statements. Changes for 2020 are listed on page 47 of the Annual Report 2021 (<https://www.bachem.com/about-bachem/investors-and-media/reports-and-presentations/>).

2.4 Shares and participation certificates

At December 31, 2022, Bachem Holding AG had 73 750 000 registered shares at a nominal value of CHF 0.01 issued, all fully paid-in. Each registered share carries one vote at the Annual General Meeting of the Company, provided the shareholder has been recorded in the Company's share register (see item 2.6). All shares are fully entitled to dividends. There are no participation certificates.

2.5 Dividend-right certificates

Bachem has not issued any dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

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

2.7 Convertible bonds and options

The Company has not issued any convertible bonds or options.

3 Board of Directors

3.1 Members of the Board of Directors

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

Kuno Sommer (1956)¹, Ph.D. in Business Administration, Chairman, Swiss. Since 2012, elected until 2023.



Dr. Kuno Sommer worked for Roche from 1986 to 1999 in various functions, including four years in the USA. He was ultimately a member of the Executive Committee of Roche, responsible

for the Flavors and Fragrances division, today Givaudan. From 2000 to 2006, he was CEO of Berna Biotech. Kuno Sommer is Chairman of the Board of Sunstar-Holding AG, of Kenta Biotech AG, of TargImmune Therapeutics AG and of Infors AG as well as member of the Board of Directors of Spexis AG.

Nicole Grogg Hötzer (1973)^{1,2}, Graduate Biologist, Vice-Chairwoman, Swiss. Since 2011, elected until 2023.



Nicole Grogg Hötzer graduated in biology at Basel University in 1999. Afterwards, she worked in various positions in the field of regulatory affairs until 2009. In 2002, she began her postgraduate

studies in business administration at the University of Applied Sciences Basel, which she completed successfully in 2004. Nicole Grogg Hötzer is Chairwoman of the Board of Directors of MFC Beteiligungs AG as well as Vice-Chairwoman of the Board of Directors of Ingro Finanz AG, of Hotel Bad Schauenburg AG and of Sunstar-Holding AG.

Alex Fässler (1955)^{1,2}, Dr. sc. nat. ETH, Member, Swiss/American. Since 2021, elected until 2023.



Dr. Alex Fässler began his industrial career at Ciba-Geigy, later Novartis, where he held various positions in preclinical Research in Basel, New Jersey and England. He joined Bachem AG

in 1998, and thereafter served as Head of Production in the US subsidiary, site manager and finally as regional COO for the Americas. After his return to Switzerland in 2013 he was appointed COO of Bachem Europe, and from 2017 to 2018 he held the function of COO of the Bachem Group, and was a member of the Corporate Executive Committee.

Steffen Lang (1967)², Ph.D., Member, German/Swiss. Since 2020, elected until 2023.



Dr. Steffen Lang has been President Operations, Novartis since 2022. He is a member of the Executive Committee of Novartis. Prior to his current appointment, Mr. Lang served as Global

Head Novartis Technical Operations from 2017 to 2022. He joined Novartis in 1994 as Head of Laboratory in Research, and over the years has held various positions within Pharmaceuticals Development and Technical Operations. Mr. Lang holds a doctorate in pharmaceutical technology from the Swiss Federal Institute of Technology (ETHZ), and a degree in pharmaceutical sciences from the University of Heidelberg in Germany.

Helma Wennemers (1969), Prof., Member, German. Since 2014, elected until 2023.



Helma Wennemers graduated with a diploma degree in chemistry from Johann Wolfgang Goethe-University in Frankfurt in 1993. Three years later, she earned a doctorate degree from

Columbia University, New York. She then pursued post-doctoral studies at Nagoya University before accepting the “Bachem-Stiftungs-Assistenzprofessur” at the University of Basel in 1999, where she became Associate Professor in 2003. Since 2011, she is Professor at the Laboratory of Organic Chemistry at ETH Zurich. Helma Wennemers’ research has been recognized by several awards, including the Leonidas Zervas Award from the European Peptide Society (2010), the Inhoffen Medal from the Helmholtz Center (2017), the Pedler Award from the Royal Society of Chemistry (2016), the Netherlands Scholar Award for Supramolecular Chemistry (2019), an Arthur C. Cope Scholar Award from the American Chemical Society (2021), and the Scoffone Prize from the Italian Peptide Society (2022).

3.2 Other activities and vested interests

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

3.3 Number of permitted activities

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

- Mandates in companies that are controlled by the Company or that control the Company
- Mandates held at the request of the Company or a company controlled by it

¹ Member of the Compensation Committee

² Member of the Investment Committee

- Mandates in associations, charitable foundations, family foundations and trusts, and employee assistance foundations

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

3.4 Elections and terms of office

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

3.5 Internal organizational structure

During 2022, the Board of Directors held four full-day meetings as well as one full-day strategy conference. The Corporate Executive Committee attends generally the Board meetings (see item 3.7). All meetings were attended by all members of the Board of Directors and all members of the Corporate Executive Committee. If necessary, additional persons will attend Board meetings as guests to discuss specific items on the agenda. During 2022, the four Board meetings and the strategy conference were attended by a total of 15 guests. In 2022, no external consultants were called in.

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

The Board of Directors has established a Compensation Committee (committee members are listed in section 3.1). The Compensation Committee assists the Board of Directors in formulating and periodically reviewing Bachem's compensation strategy and guidelines as well as the performance criteria used to determine the total compensation paid to each member of the Corporate Executive Committee and helps to prepare the propos-

als of the Board of Directors to the Annual General Meeting regarding the compensation paid to members of the Board of Directors and of the Corporate Executive Committee. The committee also files motions asking the Board of Directors to establish or change the variable compensation and employee stock ownership plans based on personal performance and/or Company earnings. All proposals put forth by the Compensation Committee shall be subject to approval by the full Board of Directors. The Compensation Committee held five one-hour meetings during the year under review.

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

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

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

3.6 Definition of areas of responsibility

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

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

Per definition, in its organization regulations the Board has delegated the management of ongoing operations to the Corporate Executive Committee under the leadership of the CEO. The Corporate Executive Committee is composed of the CEO, the CFO, the CTO, the CMO, and the COO (see item 4.1). The CEO in particular is responsible for the overall operational leadership. Based on the proposal of the Compensation Committee, the Board defines compensation for members of the Corporate Executive Committee and for the regional COOs (see item 3.5). Furthermore, the Board is in charge of the consolidated financial statements of the Bachem Group, as well as the financial statements of Bachem

Holding AG, including reports of the external auditors. It also assesses whether recommendations of the auditors have been implemented. The detailed tasks of the Board of Directors are described in the organization regulations.

3.7 Information and control instruments vis-à-vis the Corporate Executive Committee

The Corporate Executive Committee attends generally the meetings of the Board in order to provide updates about the ongoing business, important events within the Group and about the execution of tasks delegated to the Corporate Executive Committee. Furthermore, the Board is informed about the most important key figures. The management information system (MIS) at Bachem is structured as follows: Each individual Group company prepares a monthly report including balance sheets, income statements and other operating key figures, as well as comments. On a monthly basis, balance sheets, income statements, cash flow statements and statements of changes in equity, as well as various key figures of the Group and the subsidiaries, are prepared and consolidated.

Budgets are controlled several times a year and compared to latest estimates per subsidiary and for the consolidated results. On the occasion of the Board meetings, financial reports are discussed with the Corporate Executive Committee. Extraordinary events and important decisions are immediately brought to the attention of all Board members. In addition, the Chairman regularly meets members of the Corporate Executive Committee for discussions of business development, status of projects and important events. He receives all minutes of Corporate Executive Committee meetings, which are also available to the other members of the Board, if required.

Additional aspects of the information and control instruments are the internal control system (ICS) and the risk management system, which is described on page 53 under the title risk assessment. Due to its size, the Bachem Group does not carry out its own internal audit.

4 Corporate Executive Committee

4.1 Members of the Corporate Executive Committee

Thomas Meier (1968), degree in Chemistry and as Industrial Engineer, CEO, Swiss. Since 2020.



Thomas Meier joined Bachem AG in 1993. From 2001 to 2004, he headed up peptide manufacturing at Peninsula Laboratories, Inc., in San Carlos, California. Since January 1, 2020

Thomas Meier is CEO of the Bachem Group and Chairman of the Corporate Executive Committee. After an apprenticeship as chemical laboratory technician at the ETH in Zurich, Thomas Meier obtained a degree in chemistry from the ZHAW School of Engineering. Parallel to working, he obtained a degree as Industrial Engineer STA (Swiss Technical Association) and completed the Advanced Management Program at INSEAD Business School, Fontainebleau/Paris.

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



Günther Loidl joined Bachem in 2000. He held several functions in Research and Development (R&D) and Active Pharmaceutical Ingredient Manufacturing and became Vice President R&D in 2012. Since 2015, he is CTO of the Bachem

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

Alain Schaffter (1977), Swiss certified public accountant, CFO, Swiss. Since 2021.



Alain Schaffter joined Bachem in 2021 as CFO. He started his career as an auditor at PricewaterhouseCoopers. In 2010, he moved into the pharmaceutical industry and became Head

Group Finance of the listed Acino Group before joining Polyphor, a Basel-based biotech company, as CFO in 2016. In early 2018, he started to work as a consultant for several companies in the Life Science Industry. From mid-2018 he served as Head Special Finance Projects at Solvias AG and from 2020 on, in addition as Head Finance M&A and CFO of the Solvias Group on an ad interim basis. Alain Schaffter holds a degree as a Swiss certified public accountant as well as a Federal certificate of higher vocational education and training for fiduciaries.

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



Since 2020.

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

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

Torsten Wöhr (1968), Dr. sc., CMO, German. Since 2022.



Torsten Wöhr joined Bachem in 2017 as Sales Director for the company's generic API business. Two years later, together with a small team of dedicated professionals, he launched Bachem's oligonucleotide program which has since

developed into a new core business for Bachem. Prior to joining Bachem, he has spent 12 years in the United States where he held commercial leadership roles in pharmaceutical manufacturing and life sciences companies including Genzyme, Corden Pharma, and Abcam. He brings over 20 years of industry experience to Bachem's leadership team. Torsten Wöhr studied biochemistry & molecular biology at the Swiss Federal Institute of Technology (ETH) Zurich and holds a doctorate in bioorganic chemistry from the University of Lausanne/EPFL and a postgraduate degree in Industrial Engineering and Management, ETH Zurich.

4.2 Other activities and vested interests

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

4.3 Number of permitted activities

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

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

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

4.4 Management contracts

Bachem has not entered into any management contracts.

5 Compensation, shareholdings and loans

For details of the remuneration of the Board of Directors and the Corporate Executive Committee as well as the employee share plans of the Bachem Group, please refer to the compensation report starting on page 36 of this Annual Report.

Details of the shares held by the Board of Directors and the Corporate Executive Committee can be found in the notes to the financial statements of Bachem Holding AG on page 79.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

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

regarding participation in and representation at General Meetings of shareholders.

6.2 Quorums required by the Articles of Incorporation

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

6.3 Convocation of the General Meetings of shareholders

An ordinary Annual General Meeting is held within six months after the end of the Company's business year. Extraordinary General Meetings may be convened by the Board of Directors, the statutory auditors or one or more individual shareholders representing a minimum of 10% of share capital.

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

6.4 Inclusion of items on the agenda

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

6.5 Entries in the share register

The share register is usually closed ten days before the Annual General Meeting. The Board of Directors approves on request exceptions for late permission. The effective date of closure is published in time in the financial calendar on the Company's website: <https://www.bachem.com/about-bachem/investors-and-media/financial-events/>.

7 Changes of control and defense measures

7.1 Duty to make an offer

The Articles of Incorporation of Bachem Holding AG do not envisage a duty to submit a public purchase offer according to article 135 and 163 of the Federal Financial Markets Infrastructure Act (FinfraG) (Opting Out).

7.2 Clauses on changes of control

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

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Mazars AG, Zurich, has been statutory auditor of the Bachem Group and the Bachem Holding AG since 2019. Cyprian Bumann has been lead auditor since the business year 2019. The rotation period of the lead auditor is based on the maximum statutory length for Swiss companies of seven years (Swiss Code of Obligations, article 730a, paragraph 2). Auditors are elected by the Annual General Meeting on an annual basis.

8.2 Auditing fees

Auditing fees of Mazars for the Bachem Group amounted to CHF 180 thousand for the business year 2022. Fees for audit services on Bachem companies by other auditors totaled CHF 12 thousand.

8.3 Additional fees

Apart from the audit services, Mazars did not provide any additional services during the reporting year. Additional services, mainly in the area of tax consulting, conducted by other auditors amounted to CHF 1 thousand.

8.4 Information instruments pertaining to the external audit

The Board of Directors is responsible for the evaluation of the external auditors and determines the audit scope and plan on an annual basis. For this purpose, the external auditors prepare a report for the attention of the Board of Directors. The external auditors meet with the Board of Directors at least once a year. During this meeting, the management letters concerning the individual companies and the consolidated financial statements that are summarized in the audit report are discussed. Further, the external auditors provide an overview on all audits conducted as well as on current trends in Swiss GAAP FER and other relevant laws and standards. In 2022, the external auditors attended two Board of Directors meetings. The performance assessment of the external auditor and the audit fees is made based on the independency and objectivity of the external auditors, the presented reports, the shown technical and operational competences, the involved

resources, as well as the open and effective communication and coordination with internal staff.

9 Information policy

The Bachem Group has an open and up-to-date information policy that treats all target groups of the capital investment market equally. The most important information tools are the annual report and the half-year report, the website (www.bachem.com), press releases, the presentation of the financial statements for media and analysts, as well as the Annual General Meeting. Shareholders are in addition informed on important matters by letter. As a company listed on the SIX Swiss Exchange, Bachem is obliged to publish information that is relevant to its share price (obligation to disclose price-sensitive facts (ad hoc publicity), art. 53 of the "Listing Rules"). These rules can be viewed under: <https://www.ser-ag.com/dam/downloads/regulation/listing/listing-rules/lr-en.pdf>. For specific questions regarding Bachem, contact our investor relations responsible, Dr. Daniel Grotzky, phone +41 58 595 2021, ir@bachem.com.

10 Quiet periods

For the Honorary Chairman, the members of the Board of Directors, the members of the Corporate Executive Committee, the regional executive managers, the executive managers of larger Group companies and other persons, whose official duties gives them access to reporting numbers, including their related parties, the quiet period in connection with the semi-annual and the annual report begins on the last calendar day of the respective reporting period. The quiet period ends on the day of the corresponding publication. All the details, also covering further quiet periods in relation to potentially price-relevant projects, are regulated in a corresponding internal directive.

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

Basic compensation policy

The steadfast focus on peptides, adherence to the most stringent of quality standards and a distinctive capacity for innovation attest to the skills and many years of experience that Bachem employees possess. In acknowledgment thereof, the central objectives of Bachem's compensation policy are to recruit and retain the best specialists. The compensation system is rooted in the principles of transparency, performance-oriented pay, and lasting value creation. It is aimed to attract, incentivize and retain employees committed to the successful development of the company by offering comprehensive pay packages competitive with peer market practice. In addition to external benchmarking, one of Bachem's central concerns is to ensure internal fairness and an appropriate ratio between the highest and lowest compensation. For this reason, the remuneration of the CEO should generally not be more than 12 times the lowest wage for a qualified specialist employee.

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

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

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

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

Management and control of compensation

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

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

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

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

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

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

The Compensation Committee meets as often as necessary to carry out its responsibilities, but at least once every year. It held five one-hour meetings in 2022. No external specialists were called in during the period under review.

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

Compensation of the Board of Directors

Compensation paid to the (non-executive) members of the Board of Directors consists of a fixed base fee set independently of the operating results and meeting fees.

The amount of the base fee is determined by the given roles and responsibilities and the associated requirements in terms of time and tasks assigned. The gross remuneration per quarter is CHF 48 000 for the Chairman and CHF 22 500 for the other members of the Board of Directors. Meeting fees are at CHF 600 per half a day and per meeting participant.

The company may assign individual members additional tasks that go beyond the nature and scope of their given mandate. Compensation of such work shall be paid separately as invoiced. In the year under review, no such payments were made.

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

Compensation of the Corporate Executive Committee

Compensation of members of the Corporate Executive Committee consists of fixed and variable elements. The variable compensation elements are based on performance values that take into account the annual result in relation to the budget approved by the Board of Directors. Variable compensation is paid both in cash and as blocked company shares. The shares are blocked for different lengths of time, they have full voting and dividend rights commencing on the transfer date, but they may not be sold during the blocking period. By imposing a share blocking period, Bachem

adds a long-term perspective to the variable compensation component in order to direct the actions and behavior of Corporate Executive Committee members toward sustainable corporate development.

Total compensation (TC) paid to members of the Corporate Executive Committee consists of a guaranteed base salary (BS) specified by contract, of a short-term variable component (IP) as detailed in the "Bachem Incentive Plan," which is applicable throughout the Group, and since the 2021 financial year of an additional long-term variable component in the form of blocked shares (FS).

OVERVIEW OF DUTIES AND RESPONSIBILITIES

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

Total compensation:	$TC = BS + IP + FS$
Short-term	
variable compensation:	$IP = BS \times 0.69 \times TF$
Factor:	$TF = PTI \times 0.2 + GTI \times 0.8$
Long-term	
variable compensation:	$FS = \text{Fixed number of shares}$

The short-term variable compensation is calculated by multiplying 69% of the base salary by a factor derived from the weighted achievement scores for the Bachem Group financial targets (Group Target Incentives/GTI), which are typically based on sales and profits, and with respect to three to five individual objectives (Personal Target Incentives/PTI). The Board of Directors assesses the overall achievement scores with respect to Group-wide and individual targets based on a proposal by the Compensation Committee. The achievement of individual objectives is divided into five achievement levels: 0%, 80%, 100%, 120% and 150%. 30% of the short-term variable compensation will be paid out as company shares. These shares will be blocked for three years after the transfer date and disclosed in the compensation report at discounted value in accordance with applicable tax laws. The aforementioned proportion of variable compensation is converted into a specific number of awarded shares using the average daily closing price for the corresponding fiscal year.

As part of the long-term variable compensation, the CEO is allocated 375 shares and the other members of the Corporate Executive Committee 250 shares each per

financial year. The number can be increased at the discretion of the Board of Directors. The shares allocated in accordance with the long-term variable compensation are blocked for five years after the transfer date and disclosed in the compensation report at discounted value in accordance with applicable tax laws.

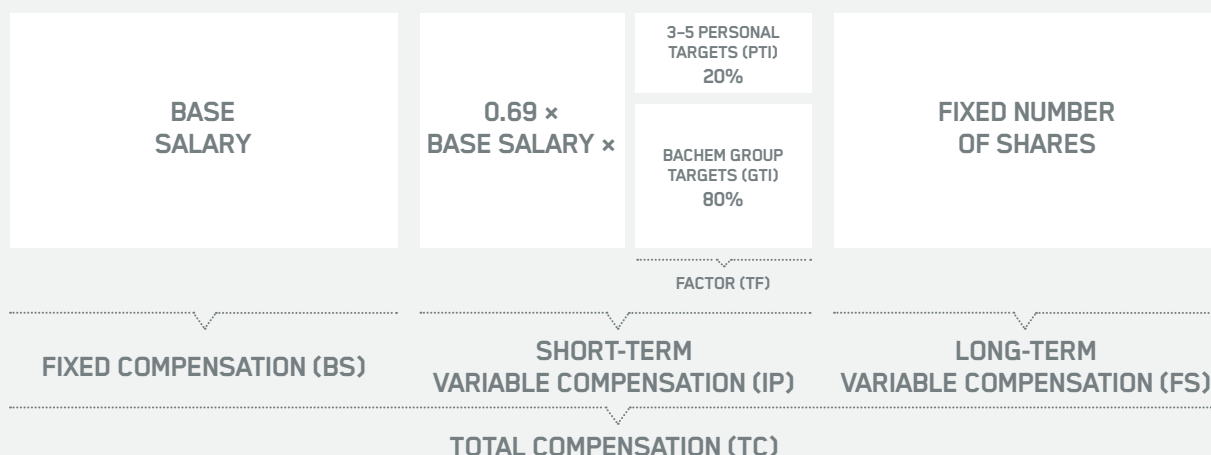
Most of the Group targets set for the 2022 fiscal year were achieved. In view of the assessment of the total performance, the Board of Directors has set the Group Target Incentive rate at 90% as proposed by the Compensation Committee. In the year under review, the variable compensation of the Corporate Executive Committee members based on tax values therefore corresponded in total to approximately 66% of base salary.

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

The shares held by the Board of Directors and the Corporate Executive Board are detailed in note 9 on page 79 of the notes to the financial statements of Bachem Holding AG.

Further information on Bachem Group's share plans is given in the notes to the consolidated financial statements on pages 52, 53 and 68.

COMPENSATION MODEL



Compensations to the Board of Directors and the Corporate Executive Committee

The compensations to the Board of Directors and the Corporate Executive Committee are based on tax values and are composed of as follows:

2022 in CHF 1 000	Fix salaries, fees	Variable salaries	Share-based payments	Pension plan contribution	Other social security expenses	Total
Kuno Sommer (Chairman)	198				12	210
Nicole Grogg Hötzer (Vice-Chairwoman)	98				8	106
Alex Fässler (Member)	98				5	103
Steffen Lang (Member)	98				8	106
Helma Wennemers (Member)	96				7	103
Total Board of Directors	588	0	0	0	40	628
Thomas Meier (CEO)	298	126	69	68	43	604
Rest of the Corporate Executive Committee	903	392	203	201	139	1 838
Total Corporate Executive Committee	1 201	518	272	269	182	2 442
Total	1 789	518	272	269	222	3 070

2021 in CHF 1 000	Fix salaries, fees	Variable salaries	Share-based payments	Pension plan contribution	Other social security expenses	Total
Kuno Sommer (Chairman)	197				14	211
Nicole Grogg Hötzer (Vice-Chairwoman)	97				7	104
Jürgen Brokatzky-Geiger (Member until April 28, 2021)	25				1	26
Alex Fässler (Member since April 28, 2021)	65				4	69
Thomas Früh (Secretary until April 28, 2021) ¹	23				2	25
Steffen Lang (Member)	96				7	103
Helma Wennemers (Member)	95				7	102
Total Board of Directors	598	0	0	0	42	640
Thomas Meier (CEO)	278	161	89	58	41	627
Rest of the Corporate Executive Committee	856	496	259	167	115	1 893
Total Corporate Executive Committee	1 134	657	348	225	156	2 520
Total	1 732	657	348	225	198	3 160

¹ In addition to his work as a member of the Board of Directors, Thomas Früh was employed in a staff position of the CEO without executive functions until the end of April 2021. For this activity, fix salaries in the amount of CHF 41 thousand, variable salaries of CHF 2 thousand, contributions to the pension plan of CHF 5 thousand and other social security expenses of CHF 8 thousand were posted. These compensations are not included in the values shown above.

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

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Bachem Holding AG (the Company) for the year ended December 31, 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14–16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) on page 40 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the accompanying Compensation Report complies with Swiss law and Art. 14–16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables on page 40 in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14–16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, February 17, 2023

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
(Auditor in Charge)

Roger Leu
Licensed Audit Expert

FINANCIAL REPORT 2022

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CONSOLIDATED INCOME STATEMENT

For the years ended December 31

in CHF 1 000	Notes	2022	2021
Net sales	1/2	531 741	503 234
Cost of goods sold		-360 462	-336 506
Gross profit		171 279	166 728
Other income		911	884
Marketing and sales costs		-18 783	-17 994
Research and development costs		-7 203	-3 816
General administrative costs		-18 980	-16 875
Operating income (EBIT)	2	127 224	128 927
Financial income	5	2 062	3 674
Financial expenses	6	-17 212	-1 215
Ordinary income before taxes		112 074	131 386
Income taxes	7	-11 390	-16 704
Net income¹		100 684	114 682
Earnings per share (CHF)	8	1.37	1.62

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

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At December 31, 2022 and 2021

in CHF 1 000	Notes	Dec. 31, 2022	Dec. 31, 2021
Assets			
Cash and cash equivalents		31 451	89 191
Securities	9	236 976	353 165
Trade receivables	10	171 042	106 492
Other current receivables	11	5 069	3 994
Prepaid expenses and accrued income	12	4 688	4 144
Current income tax asset		3 148	4 335
Inventories	13	308 046	272 350
Total current assets		760 420	833 671
Property, plant and equipment	14	599 790	445 718
Intangible assets	15	13 819	13 403
Assets from employer contribution reserve	4	320	320
Deferred tax assets		9 520	5 384
Total non-current assets		623 449	464 825
Total assets		1 383 869	1 298 496
Liabilities and equity			
Trade payables	16	32 071	25 030
Other current liabilities	17	83 483	52 332
Accrued expenses and deferred income	18	37 753	34 624
Current income tax liabilities		11 134	2 210
Current financial liabilities	19	339	20 364
Total current liabilities		164 780	134 560
Non-current financial liabilities	19	352	499
Deferred tax liabilities	7	49 076	42 439
Total non-current liabilities		49 428	42 938
Total liabilities		214 208	177 498
Share capital	21	738	738
Retained earnings		626 957	552 135
Share premium		583 887	609 597
Own shares		- 1 959	- 1 169
Cumulative translation differences		- 39 962	- 40 303
Total capital and reserves attributable to the equity holders of the company		1 169 661	1 120 998
Total liabilities and equity		1 383 869	1 298 496

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the years ended December 31

in CHF 1 000	Notes	2022	2021
Cash flow from operating activities			
Net income		100 684	114 682
Adjustments for:			
Income taxes	7	11 390	16 704
Depreciation and amortization	2/14/15	33 318	28 423
Financial income	5	- 2 062	- 3 674
Financial expenses	6	17 212	1 215
Share-based payments	22	752	971
Loss on sale/scraping of property, plant and equipment		299	252
Income taxes paid		- 1 027	- 17 527
Cash flow from operating activities before changes in net working capital		160 566	141 046
Change in trade receivables		- 66 227	- 28 494
Change in other current receivables, prepaid expenses and accrued income		623	- 828
Change in inventories		- 35 171	- 25 669
Change in trade payables		6 931	- 431
Change in other current liabilities, accrued expenses and deferred income		25 926	11 931
Cash flow from operating activities		92 648	97 555
Cash flow from investing activities			
Investments in property, plant and equipment		- 138 458	- 114 554
Investments in intangible assets		- 3 886	- 2 272
Acquisitions	26	- 21 866	0
Investments in securities		0	- 352 000
Sales of securities		101 000	0
Interest received		15	6
Other financial payments and proceeds		44	- 304
Cash flow from investing activities		- 63 151	- 469 124
Cash flow from financing activities			
Capital increase	21	0	571 611
Dividends paid	23	- 51 620	- 20 490
Increase in financial liabilities		0	59 000
Repayment of financial liabilities		- 33 870	- 171 642
Additions of own shares	21	- 1 442	- 898
Interest paid		- 74	- 398
Cash flow from financing activities		- 87 006	437 183
Net effect of currency translation on cash and cash equivalents		- 231	81
Net change in cash and cash equivalents		- 57 740	65 695
Cash and cash equivalents at the beginning of the year		89 191	23 496
Cash and cash equivalents at the end of the year		31 451	89 191
Net change in cash and cash equivalents		- 57 740	65 695

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

2022 in CHF 1 000	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		738	552 135	609 597	- 1 169	- 40 303	1 120 998
Net income according to income statement			100 684				100 684
Dividends	23		- 25 810	- 25 810			- 51 620
Offset goodwill	26		- 52				- 52
Transactions with own shares (net of tax)				210	- 1 652		- 1 442
Share-based payments	22			- 110	862		752
Cumulative translation differences						341	341
Balance at December 31		738	626 957	583 887	- 1 959	- 39 962	1 169 661

2021 in CHF 1 000	Notes	Share capital	Retained earnings	Share premium	Own shares	Cumulative translation differences	Total
Balance at January 1		700	460 268	59 312	- 1 002	- 43 564	475 714
Capital increase	21	38		583 462			583 500
Transaction costs of the capital increase (net of tax)	21			- 10 740			- 10 740
Net income according to income statement			114 682				114 682
Dividends	23		- 22 815	- 22 675			- 45 490
Transactions with own shares (net of tax)				- 35	- 865		- 900
Share-based payments	22			273	698		971
Cumulative translation differences						3 261	3 261
Balance at December 31		738	552 135	609 597	- 1 169	- 40 303	1 120 998

As of December 31, 2022, goodwill in the amount of CHF 1 404 thousand is offset in retained earnings (previous year: CHF 1 352 thousand).

As of December 31, 2022, the accumulated non-distributable reserves amount to CHF 12 648 thousand (previous year: CHF 12 648 thousand).

The notes on pages 48 to 70 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Business activities

Bachem is a leading, innovation-driven company specializing in the development and manufacture of peptides and oligonucleotides. The company, which has 50 years of experience and expertise, provides products for research, clinical development, and commercial application to pharmaceutical and biotechnology companies worldwide and offers a comprehensive range of services. Bachem operates internationally with headquarters in Switzerland and locations in Europe, the US and Asia. The company is listed on the SIX Swiss Exchange.

Approval of the consolidated financial statements

The consolidated financial statements have been accepted by the Board of Directors of Bachem Holding AG on February 17, 2023, to be presented for approval by the Annual General Meeting on April 19, 2023.

Accounting policies

Principles of consolidation

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

The financial statements of the companies on which the consolidated accounts are based are drawn up in accordance with standard principles applied throughout the Group in the preparation of financial statements. The annual reporting period for the individual companies of the Group ends on December 31.

All material cost and income items are recognized on an accrual basis. All internal transactions within the Group such as expenses and income, receivables and liabilities and unrealized profits are eliminated in the process of consolidation.

Acquired companies are consolidated according to the purchase method. Companies which are acquired or sold during the financial year are included in the consolidated accounts from the date of acquisition or up to the date of sale. Unless otherwise indicated, all figures included in these financial statements and in the notes thereto are rounded to the nearest CHF 1000.

Changes in accounting policies

For the reporting year 2022, no changes in accounting policies became effective.

Scope of consolidation

The consolidated financial statements of Bachem comprise the financial statements of Bachem Holding AG and all companies in Switzerland and abroad that are controlled by Bachem Holding AG (with over 50% of the voting rights being held). The full list of the consolidated companies is to be found under note 24.

Investments in subsidiaries

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

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

Investments in associates

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

Currency translation

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

The consolidated financial statements are drawn up in Swiss francs. The translation into Swiss francs of the assets and liabilities as set out in the local balance sheets is performed at the exchange rate on the period-end date.

The translation of the income statement and the cash flow statement is undertaken at the weighted average exchange rate for the reporting year. The currency-related translation differences arising from the translation of the balance sheet and income statement are allocated directly to equity. In the event of the sale of a foreign business unit, these exchange rate differences are recorded in the income statement as part of the profit or loss arising from the sale.

The following exchange rates were used for foreign currency translation:

	Income statement average rates		Balance sheet year-end rates	
	2022	2021	2022	2021
in CHF				
USD	0.95	0.91	0.92	0.91
EUR	1.00	1.08	0.99	1.04
GBP	1.18	1.26	1.12	1.23
JPY (100)	0.73	0.83	0.71	0.79

Revenue recognition

Sale of products

The reported net sales correspond to the invoiced product deliveries to third parties after deducting sales tax, discounts and other sales deductions. Sales are recorded after the ownership-related transfer of the risks and rewards to the buyer took place. Inter-company sales are eliminated.

Sale of services

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

Interest and dividend income

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

Segment information

Segment information is based on the information used by the Corporate Executive Committee for managing the business. The business segments have been derived from the organizational structure and the internal reporting.

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

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

For the two segments "Europe/Asia" and "North America," products and services of the product categories Commercial API, CMC Development and Research & Specialties form the basis for sales.

Cash and cash equivalents

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

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

Financial assets

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

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

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

Derivative financial instruments and hedging transactions

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

Trade and other receivables

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

Inventories

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

Property, plant and equipment and depreciation

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

The estimated useful lives of the main types of property, plant and equipment to be depreciated are given below:

Buildings	20 to 40 years
Installations	10 to 20 years
Laboratory equipment	5 to 15 years
Others	3 to 10 years

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

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

Leases

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

Intangible assets

Goodwill

The difference between the price paid for an acquired company and the fair value of the net identifiable assets acquired (goodwill) on the date of acquisition is offset against retained earnings. The effects on the income statement of a theoretical capitalization and ordinary amortization as well as any impairment over a useful life of five years are disclosed in the notes.

In the event of the sale of a subsidiary, any goodwill acquired at an earlier date and offset against equity is accounted for at initial cost in order to determine the gain or loss in the income statement.

Patents and licenses

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

Brands

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

Software

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

Research and development costs

Research costs are taken directly to the income statement when incurred. Development costs are capitalized as intangible assets only if an intangible asset can be identified and completed which will provide a future economic benefit over several years, and if the cost of this asset can be reliably determined. Capitalized development costs are amortized on a straight-line basis over an estimated useful life of 5 to 8 years. The corresponding amortization is recognized in the income statement as research and development costs. In addition, capitalized development costs are tested for impairment on a regular basis and an impairment loss will be recognized if there are indications of impairment. In particular, development costs in connection with the process development of new generics are capitalized according to the progress made in the project in question, since all cumulative criteria for capitalization are met.

Financial liabilities

Financial liabilities comprise loans, borrowings and finance lease liabilities.

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

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

Taxes

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

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

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

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

Pension benefit obligations

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

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

Employee compensation (share-based payments)

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

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

The members of the Corporate Executive Committee also receive a fixed number of shares per financial year (CEO: 375 shares, other members of the Corporate Executive Committee: 250 shares). The number can be increased at the discretion of the Board of Directors.

The shares are blocked for a period of five years, but are not subject to any further vesting conditions. At year-end, the expense is measured at the estimated fair value at the grant date, accrued and booked as an increase in equity (share premium). Any differences between the accrued and actual amounts are corrected in the income statement for the following year.

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

Borrowing costs

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

Provisions

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

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

Own shares

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

Dividend distribution

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

Risk assessment

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

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

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

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

Financial risk factors

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

Foreign exchange risk

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

Interest rate risk

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

Price risk

The Group purchases equities, bonds and options for capital management purposes. In accordance with internal investment regulations, both direct and indirect investments are permitted. Investment guidelines are defined for each asset class.

Investment decisions are taken by an investment committee.

Credit risk

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

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

Liquidity risk

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

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

In note 20, the contractual maturities of financial liabilities are disclosed.

Capital management

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

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

Related parties

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

Critical accounting estimates and assumptions

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

Income taxes

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

Provision for slow-moving inventory items

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

Capitalized development costs

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

1 Net sales

The reported net sales consist of the following:

in CHF 1 000	2022	2021
Products	488 149	472 744
Services	43 592	30 490
Total net sales	531 741	503 234

in CHF 1 000	2022	2021
Commercial API	298 794	285 347
CMC Development	185 848	173 113
Research & Specialties	47 099	44 774
Total net sales	531 741	503 234

2 Segment information

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

in CHF 1 000	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2022					
Net sales third parties	316 442	215 299	531 741	0	531 741
Net sales intersegment	98 746	7 754	106 500	- 106 500	0
Total net sales	415 188	223 053	638 241	- 106 500	531 741
Income information 2022					
Operating income (EBIT)	114 899	19 344	134 243	- 7 019 ¹	127 224
Other information 2022					
Additions in property, plant and equipment and intangible assets	122 853	9 672	132 525	10 230	142 755
Depreciation and amortization	- 27 237	- 6 070	- 33 307	- 11	- 33 318
Total assets	942 426	220 560	1 162 986	220 883 ²	1 383 869
Total liabilities	671 201	96 685	767 886	- 553 678 ³	214 208

¹ The amount consists of the operating income from corporate activities of CHF - 7.2 million and of eliminations in the value of CHF 0.2 million.

² The amount consists of corporate assets as for example cash and cash equivalents, securities and loans to Group companies in the total of CHF 783.8 million and of eliminations in the value of CHF - 562.9 million.

³ The amount consists of corporate liabilities of CHF 6.5 million and of eliminations in the value of CHF - 560.2 million.

in CHF 1 000	Europe/ Asia	North America	Total segments	Corporate and eliminations	Consolidated values
Sales information 2021					
Net sales third parties	270 384	232 850	503 234	0	503 234
Net sales intersegment	117 075	6 310	123 385	– 123 385	0
Total net sales	387 459	239 160	626 619	– 123 385	503 234
Income information 2021					
Operating income (EBIT)	108 898	26 867	135 765	– 6 838 ¹	128 927
Other information 2021					
Additions in property, plant and equipment and intangible assets	116 776	14 907	131 683	0	131 683
Depreciation and amortization	– 23 609	– 4 803	– 28 412	– 11	– 28 423
Total assets	715 554	185 200	900 754	– 397 742 ²	1 298 496
Total liabilities	470 211	72 981	543 192	– 365 694 ³	177 498

¹ The amount consists of the operating income from corporate activities of CHF – 7.2 million and of eliminations in the value of CHF 0.4 million.

² The amount consists of corporate assets as for example cash and cash equivalents and loans to Group companies in the total of CHF 789.2 million and of eliminations in the value of CHF – 391.5 million.

³ The amount consists of corporate liabilities of CHF 22.9 million and of eliminations in the value of CHF – 388.6 million.

Information about geographical areas – net sales third parties		
in CHF 1 000	2022	2021
Switzerland	56 495	44 057
USA	210 559	228 626
Denmark	41 221	22 626
Belgium	35 323	30 865
Great Britain	32 502	25 616
Japan	31 005	33 220
Rest of the world	124 636	118 224
Total	531 741	503 234

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

3 Staff costs

in CHF 1 000	2022	2021
Salaries and wages	– 175 272	– 160 772
Pension expenses	– 11 409	– 9 999
Other social security expenses	– 26 269	– 23 391
Share-based payments	– 752	– 971
External staff costs	– 5 314	– 4 856
Other personnel-related costs	– 8 707	– 7 505
Total staff costs	– 227 723	– 207 494

4 Post-employment benefits

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

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

Economical benefit/economical obligation and pension expenses in CHF 1 000	Surplus/ deficit	Economical share of the Bachem Group		Change with effect on income statement	Contri- butions	Pension expenses in staff costs	
	Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2021	2022	2022	2022	2021
Patronage funds	0	0	0	0	0	0	0
Plans without surplus/deficit	0	0	0	0	1 171	1 171	1 224
Plans with surplus	0	0	0	0	10 238	10 238	8 775
Plans with deficit	0	0	0	0	0	0	0
Plans without own assets	0	0	0	0	0	0	0
Total	0	0	0	0	11 409	11 409	9 999

Employer contribution reserves in CHF 1 000	Nominal value	Renounced use	Asset according to balance sheet		Change	Result from employer contribution reserves in staff costs	
	Dec. 31, 2022	Dec. 31, 2022	2022	2021	2022	2022	2021
Patronage funds	0	0	0	0	0	0	0
Pension institution	320	0	320	320	0	0	0
Total	320	0	320	320	0	0	0

5 Financial income

in CHF 1 000	2022	2021
Interest income	15	6
Gains on securities	2 037	1 582
Other financial income	10	8
Foreign exchange result	0	2 078
Total financial income	2 062	3 674

6 Financial expenses

in CHF 1 000	2022	2021
Interest expenses	-74	-365
Losses on securities	-15 189	-417
Other financial expenses	-645	-433
Foreign exchange result	-1 304	0
Total financial expenses	-17 212	-1 215

Other financial expenses mainly include bank charges.

7 Income taxes

in CHF 1 000	2022	2021
Current taxes	- 11 103	- 12 979
Deferred taxes	- 287	- 3 725
Total income taxes	- 11 390	- 16 704

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

Tax rate reconciliation in %	2022	2021
Expected tax rate	18.8	19.2
Change in tax loss carry-forwards	0.0	0.0
Revaluation of deferred taxes	- 0.9	- 0.6
Tax credits and allowances	- 6.0	- 5.5
Non tax deductible expenditures	0.0	0.1
Adjustments for prior periods	- 1.7	- 0.5
Effective tax rate	10.2	12.7

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

In Switzerland, new regulations on corporate taxation came into force on January 1, 2020. Since the tax rates in the cantons relevant for Bachem are being adjusted gradually, there will be annual revaluations of deferred tax positions up to 2024, which are recognized in the income statement. This fact is shown in the above presentation in the line revaluation of deferred taxes. The impact from the assertion of tax instruments related to this tax reform is included in the line tax credits and allowances. In the reporting period, the tax authorities made the final assessment of the tax treatment of new tax instruments related to the Swiss tax reform, which were claimed for the years 2020 and 2021. This led to a reduction in tax liabilities of CHF 1.9 million, which was recorded affecting net income and which is shown in the above presentation in the line adjustments for prior periods.

At the end of the year, there were deferred tax assets for unused tax loss carry-forwards in the amount of CHF 0.2 million (2021: CHF 0.3 million).

Movement of deferred tax liabilities in CHF 1 000	2022	2021
Deferred tax liabilities at January 1	42 439	37 539
Change in scope of consolidation	2 252	0
Recognized in income statement	4 451	4 768
Currency translation differences	- 66	132
Deferred tax liabilities at December 31	49 076	42 439

8 Earnings per share

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

Earnings per share	2022	2021
Net income (in CHF 1 000)	100 684	114 682
Average number of shares outstanding	73 734 613	70 846 745
Earnings per share (in CHF)	1.37	1.62

Earnings per share are calculated based on the shares outstanding after the split. In order to ensure comparability, the previous year's figure has been adjusted accordingly. There are no options, convertible bonds or similar that have a dilutive effect.

9 Securities

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Money market	26 637	101 965
Bonds	166 973	199 618
Shares	43 366	51 582
Total securities	236 976	353 165

The securities consist of direct and indirect investments in marketable, easily realizable securities. They are valued at market values, stock exchange prices, on the balance sheet date.

10 Trade receivables

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Trade receivables	172 381	106 571
Provision for impairment of trade receivables	- 1 339	- 79
Total trade receivables	171 042	106 492

Trade receivables are generally free of interest and due within 30 to 90 days.

The movements on the provision for impairment of trade receivables are as follows:

Movement of provision for impairment of trade receivables	2022	2021
in CHF 1 000		
Provision for impairment of trade receivables at January 1	- 79	- 115
Provision for receivables impairment	- 1 277	- 105
Receivables written off during the year as uncollectable	16	97
Unused amounts reversed	0	47
Currency translation differences	1	- 3
Provision for impairment of trade receivables at December 31	- 1 339	- 79

The aging analysis of trade receivables is as follows:

Aging analysis in CHF 1 000	Total	Not due	< 31 days	31–60 days	61–90 days	Overdue and not impaired	Overdue and partially impaired	
						91–180 days	1–180 days	> 180 days
December 31, 2022	172 381	150 257	16 009	3 408	1 057	199	0	1 451
December 31, 2021	106 571	93 284	11 128	1 064	142	800	0	153

11 Other current receivables

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Other receivables	5 069	3 994
Total other current receivables	5 069	3 994

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

12 Prepaid expenses and accrued income

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses and accrued income	4 688	4 144
Total prepaid expenses and accrued income	4 688	4 144

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

13 Inventories

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Raw materials	79 934	68 412
Work in progress	36 582	40 659
Semi-finished and finished goods	191 530	163 279
Total inventories	308 046	272 350

The valuation provision in the total amount of CHF 39.8 million (2021: CHF 43.7 million) is included in the above line items. The change as well as the utilization of the provision are included in the cost of goods sold.

14 Property, plant and equipment

2022 in CHF 1 000	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	244 709	383 147	25 293	103 034	756 183
Change in scope of consolidation	32 918	0	0	11 988	44 906
Additions	10 230	0	0	128 742	138 972
Disposals	-56	-7 312	-1 350	0	-8 718
Reclassifications	8 126	39 993	2 078	-50 274	-77
Currency translation differences	337	112	43	-107	385
Cost at December 31	296 264	415 940	26 064	193 383	931 651
Accumulated at January 1	-86 066	-209 901	-14 498	0	-310 465
Depreciation	-6 699	-20 765	-2 390	0	-29 854
Disposals	38	7 032	1 349	0	8 419
Currency translation differences	-32	77	-6	0	39
Accumulated depreciation at December 31	-92 759	-223 557	-15 545	0	-331 861
Net book value at December 31	203 505	192 383	10 519	193 383	599 790

2021 in CHF 1 000	Land and buildings	Installations and laboratory equipment	Other property, plant and equipment	Assets under construction	Total
Cost at January 1	210 496	339 667	24 690	56 740	631 593
Additions	0	0	0	128 631	128 631
Disposals	-307	-3 261	-4 278	0	-7 846
Reclassifications	32 965	44 833	4 710	-82 631	-123
Currency translation differences	1 555	1 908	171	294	3 928
Cost at December 31	244 709	383 147	25 293	103 034	756 183
Accumulated depreciation at January 1	-80 768	-193 970	-16 563	0	-291 301
Depreciation	-5 161	-17 966	-2 115	0	-25 242
Disposals	289	3 028	4 277	0	7 594
Currency translation differences	-426	-993	-97	0	-1 516
Accumulated depreciation at December 31	-86 066	-209 901	-14 498	0	-310 465
Net book value at December 31	158 643	173 246	10 795	103 034	445 718

As of December 31, 2022, Bachem had undeveloped land in the amount of CHF 10.2 million (previous year: none).

The carrying amount of fixed assets under finance lease contracts at year-end 2022 amounted to CHF 0.7 million (2021: CHF 0.8 million). Depreciation relating to fixed assets under finance lease amounted to CHF 0.4 million (2021: CHF 0.4 million).

No assets were pledged for security of own liabilities in 2022 and 2021. The Group's obligation under finance leases is secured by the lessors' title to the leased assets.

Present value of finance lease liabilities in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Within 1 year	339	364
Between 1 and 5 years	352	499
More than 5 years	0	0
Present value of finance lease liabilities	691	863

Currently, there are finance lease contracts related to office, IT and inventory equipment. The remaining life of the contracts is between 1 and 5 years.

Operating lease liabilities – minimum lease payments in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Within 1 year	801	1 562
Between 1 and 5 years	1 566	2 707
More than 5 years	350	449
Total future minimum operating lease payments	2 717	4 718

Currently, there are operating leases for office facilities, vehicles, parking spaces and buildings. The remaining life of the contracts is between 1 and 8 years.

The recognized expenses for operating leases in the consolidated income statement 2022 was CHF 1.2 million (2021: CHF 1.5 million).

15 Intangible assets

2022 in CHF 1 000	Software	Capitalized development costs	Other intangible assets	Total
Cost at January 1	28 606	2 660	0	31 266
Additions	3 783	0	0	3 783
Disposals	- 3 260	- 1 743	0	- 5 003
Reclassifications	77	0	0	77
Currency translation differences	149	0	0	149
Cost at December 31	29 355	917	0	30 272
Accumulated amortization at January 1	- 15 203	- 2 660	0	- 17 863
Amortization	- 3 464	0	0	- 3 464
Disposals	3 260	1 743	0	5 003
Currency translation differences	- 129	0	0	- 129
Accumulated amortization at December 31	- 15 536	- 917	0	- 16 453
Net book value at December 31	13 819	0	0	13 819

2021 in CHF 1 000	Software	Capitalized development costs	Other intangible assets	Total
Cost at January 1	45 690	2 660	46	48 396
Additions	3 052	0	0	3 052
Disposals	- 20 367	0	- 46	- 20 413
Reclassifications	123	0	0	123
Currency translation differences	108	0	0	108
Cost at December 31	28 606	2 660	0	31 266
Accumulated amortization at January 1	- 32 373	- 2 593	- 46	- 35 012
Amortization	- 3 114	- 67	0	- 3 181
Disposals	20 367	0	46	20 413
Currency translation differences	- 83	0	0	- 83
Accumulated amortization at December 31	- 15 203	- 2 660	0	- 17 863
Net book value at December 31	13 403	0	0	13 403

16 Trade payables

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Trade payables	32 071	25 030
Total trade payables	32 071	25 030

In general, trade payables are free of interest and paid within the given payment terms. The majority of the outstanding trade payables is due within the first 30 days after the balance sheet date.

17 Other current liabilities

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Other liabilities	45 313	37 352
Prepayments	38 170	14 980
Total other current liabilities	83 483	52 332

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

18 Accrued expenses and deferred income

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Accrued expenses and deferred income	37 753	34 624
Total accrued expenses and deferred income	37 753	34 624

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

19 Financial liabilities

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Bank loans	0	20 000
Finance lease liabilities	691	863
Total financial liabilities	691	20 863
Thereof current financial liabilities	339	20 364
Thereof non-current financial liabilities	352	499

In the reporting year, bank loans brought forward from last year of CHF 20.0 million and loans from the related party Ingro Finanz AG in the amount of CHF 13.5 million, which were taken over in connection with the acquisition of Ingro Immobilien AG (see note 26), were repaid.

Details concerning finance leases are disclosed in note 14.

20 Maturities of financial liabilities

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

December 31, 2022 in CHF 1 000	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	24 452	7 619	0			32 071
Other current liabilities	43 714	8 652	31 117			83 483
Accrued expenses and deferred income	10 702	3 473	23 578			37 753
Current income tax liabilities	0	0	11 134			11 134
Current financial liabilities	42	62	235			339
Non-current financial liabilities				352	0	352

December 31, 2021 in CHF 1 000	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables	18 095	6 935	0			25 030
Other current liabilities	32 468	8 558	11 306			52 332
Accrued expenses and deferred income	6 466	1 855	26 303			34 624
Current income tax liabilities	0	0	2 210			2 210
Current financial liabilities	31	64	20 269			20 364
Non-current financial liabilities				499	0	499

21 Share capital

The shares of Bachem Holding AG are traded at the SIX Swiss Exchange in Zurich under valor number 117 649 372. All shares are registered shares which are eligible to vote and entitled to dividend. The important shareholders are listed in the notes to the financial statements of Bachem Holding AG in note 10 on page 80.

Shares Bachem A	Dec. 31, 2022	Dec. 31, 2021
Number of shares	n/a	7 002 059
Number of fully paid-in shares	n/a	7 002 059
Par value per share (in CHF)	n/a	0.05
Shares Bachem B		
Number of shares	73 750 000	7 747 941
Number of fully paid-in shares	73 750 000	7 747 941
Par value per share (in CHF)	0.01	0.05
Total number of shares	73 750 000	14 750 000
Total share capital (in CHF)	737 500	737 500

On May 5, 2022, all non-listed shares of the type "Bachem A" were converted into listed shares of the type "Bachem B", and subsequently the par value of all Bachem shares was split in the ratio of 1:5. The par value per share is now CHF 0.01 (previously CHF 0.05).

On October 19, 2021, the share capital was increased by 750 000 registered shares B with a nominal value of CHF 0.05 per share. The placement price per share was CHF 778.00. The transaction costs of the capital increase amounted to CHF 11.9 million (before taxes).

Authorized capital of a maximum of CHF 12 500 exists until September 30, 2023.

Own shares are reserved for distribution under the employee participation plans. The following two tables show values after the share split. In order to ensure comparability, the previous year's figures have been adjusted accordingly.

Own shares	Dec. 31, 2021	Purchases	Transfer to employees	Dec. 31, 2022
Number				
Employee participation plans at the price of CHF 68.04	16 275	21 600 ¹	- 9 075	28 800
Total own shares	16 275	21 600	- 9 075	28 800

¹ The shares were acquired on the market at an average price of CHF 66.76.

Outstanding shares	Dec. 31, 2022	Dec. 31, 2021
Total number of shares	73 750 000	73 750 000
Number of own shares	- 28 800	- 16 275
Total shares outstanding	73 721 200	73 733 725

22 Share-based payment

The employee and management participation plans are described in the accounting policies on pages 52 and 53. The recognized expenses for share-based payments in the reporting period amounted to CHF 0.8 million (2021: CHF 1.0 million).

The following table shows values after the share split (see note 21). In order to ensure comparability, the previous year's figures have been adjusted accordingly.

Shares granted Number/CHF	2022	2021
Number of granted shares	9 075	14 415
Average fair value per share at grant date in CHF	113.00	68.40

Bachem holds own shares in order to meet its obligations under the employee participation plans. For the change in the number of Bachem shares outstanding, please refer to note 21.

23 Dividend distribution

On May 3, 2022, a dividend of CHF 51.6 million, respectively CHF 0.70 per share was distributed for the year 2021 (previous year: CHF 45.5 million, respectively CHF 0.65 per share). In the previous year, part of the dividend initially remained as a loan (see note 25). Dividend values per share are based on the number of shares after the share split in the ratio of 1:5 (see note 21).

The Board of Directors will propose a dividend of CHF 0.75 per share or a total of CHF 55.3 million on 73 721 200 shares entitled to dividend, to the Annual General Meeting for the year 2022. The number of shares entitled to dividend may change up to the Annual General Meeting on April 19, 2023, due to the granting of shares to employees or the purchase/sale of own shares.

24 Consolidated companies

Consolidated company	Country	Currency	Registered capital	Equity share Dec. 31, 2022	Equity share Dec. 31, 2021
Bachem Holding AG, Bubendorf	Switzerland	CHF	737 500	100%	100%
Bachem AG, Bubendorf	Switzerland	CHF	25 000 000	100%	100%
Bachem Distribution Services GmbH, Weil am Rhein	Germany	EUR	128 000	100%	100%
Bachem (UK) Ltd., St. Helens	England	GBP	2 500	100%	100%
Bachem Americas, Inc., Torrance	USA	USD	3 000	100%	100%
Peninsula Laboratories, LLC, San Carlos	USA	USD	32 000	100%	100%
Bachem Japan K.K., Tokyo	Japan	JPY	10 000 000	100%	100%

25 Related party transactions

Breiten Immobilien AG (until April 24, 2022, see note 26), Chemoforma AG, Hotel Bad Schauenburg AG, Ingro Finanz AG, MFC Beteiligungs AG, Peninsula Laboratories International, Inc., the pension fund of the Swiss Group Companies, Sunstar Group as well as the Board of Directors, and the Corporate Executive Committee of Bachem Holding AG are considered related parties. The following tables show an overview of the transactions and balances with related parties:

Transactions in CHF 1 000	2022	2021
Breiten Immobilien AG (lease of business premises and parking spaces)	-321	-964
Breiten Immobilien AG (rendering of services)	5	16
Chemoforma AG (sale of goods)	6	2
Hotel Bad Schauenburg AG (seminars)	-43	-37
Ingro Finanz AG (acquisition Ingro Immobilien AG)	-23 800	0
Ingro Finanz AG (repayment loan from acquisition)	-13 500	0
Ingro Finanz AG (dividend paid out)	-27 270	-322
Ingro Finanz AG (dividend converted into loan)	0	-25 000
Ingro Finanz AG (loan received)	0	10 000
Ingro Finanz AG (interest paid on loan)	0	-85
Pension fund in Switzerland (employer's contribution)	-10 238	-8 775
Sunstar Group (seminars)	-32	-2
Total transactions with related parties	-75 193	-25 167

Balances in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Hotel Bad Schauenburg AG (seminars)	-5	-6
Total balances with related parties	-5	-6

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

26 Acquisitions

As of April 25, 2022, Bachem AG has taken over all shares of Ingro Immobilien AG in Hergiswil (NW), Switzerland, including the 100% investment in Breiten Immobilien AG in Bubendorf (BL), Switzerland, from the related party Ingro Finanz AG. Neither Ingro Immobilien AG nor Breiten Immobilien AG had any employees. Before the takeover, Bachem AG rented various properties on the site of Breiten Immobilien AG. Both acquired companies were merged into Bachem AG after the takeover was completed.

The purchase price paid was CHF 23.8 million and the fair value of the net assets acquired amounted to CHF 23.7 million. The main balance sheet items at the time of acquisition are: cash of CHF 1.9 million, receivables of CHF 1.1 million, property, plant and equipment including assets under construction of CHF 44.9 million, current liabilities of CHF 8.4 million, loans from the related party Ingro Finanz AG in the amount of CHF 13.5 million and deferred tax liabilities of CHF 2.3 million.

The goodwill from this transaction in the amount of CHF 0.1 million was offset against equity.

The impact of the acquisition on the net income for the reporting period is not material.

The disclosed values are currently provisional and are subject to change.

27 Theoretical goodwill

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

Theoretical goodwill in CHF 1 000	2022	2021
Theoretical cost at January 1	1 352	1 352
Additions from acquisitions	52	0
Theoretical cost at December 31	1 404	1 352
Theoretical accumulated amortization at January 1	- 1 352	- 1 352
Theoretical amortization	-10	0
Theoretical accumulated amortization at December 31	- 1 362	- 1 352
Theoretical net book value of goodwill at December 31	42	0

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

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

in CHF 1 000	2022	2021
Net income according to income statement	100 684	114 682
Theoretical amortization of goodwill	-10	0
Theoretical net income after amortization of goodwill	100 674	114 682

28 Contingent liabilities and other commitments

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

29 Events after the balance sheet date

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bachem Holding AG and its subsidiaries (the Group), consisting of the consolidated balance sheet as of December 31, 2022, the consolidated income statement, the consolidated cash flow statement, and the consolidated statement of changes in equity for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 44 to 70) give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and the Swiss Standards on Auditing (SA-CH). Our responsibilities under these rules and standards are described in more detail in the section "Statutory Auditor's Responsibilities for Auditing the Consolidated Financial Statements" of our report. We are independent of the Group in accordance with Swiss law and the requirements of the profession, and we have fulfilled our other professional conduct obligations in accordance with these requirements.

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

Key Audit Matters

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

Inventory Provision

Key audit matter

Inventories amounted to CHF 308.0 million as of December 31, 2022, after deduction of the impairment of CHF 39.8 million. This represents 22% of total assets.

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

How our audit addressed the key audit matter

We performed the following procedures in relation to inventory provision:

- Assessment of the existence and effectiveness of the key controls applied in the determination of system-based value adjustments and specific valuation allowances.
- We discussed and assessed with Bachem the assumptions underlying the system-based determination of the impairment charge for slow moving inventories.

Key audit matter

The calculation of the inventory provision is carried out system-based at the level of individual articles according to historical consumption as well as a range analysis for certain products. In addition, individual value adjustments for articles are made on a case-by-case basis.

Please refer to page 50 (Accounting policies), page 55 (Critical estimates and accounting assumptions) and page 61 (Note 13 Inventories) of the Annual Report.

How our audit addressed the key audit matter

- We tested the system-based calculation of the inventory provision and the completeness and accuracy of the slow moving report on a sample basis.
- We discussed the requirement for inventory provisions recorded on a case-by-case basis with Bachem and tested supporting documentation on a sample basis.
- In addition, we assessed Bachem's net realizable value analysis comparing the production costs with the estimated selling price less cost to sell and tested the estimated selling price with sales invoices on a sample basis.

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

Other Information

The Board of Directors is responsible for the other information. Other information includes the information contained in the Annual Report, but does not include the consolidated financial statements and our related reports.

Our opinion on the consolidated financial statements does not extend to the other information and we do not express any form of audit conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and to assess whether the other information is materially inconsistent with the consolidated financial statements or our knowledge gained during the audit, or otherwise appears to be materially misrepresented.

If, on the basis of the work we have carried out, we determine that there is a material misrepresentation of this other information, we are obliged to report that fact. We have nothing to report in this context.

Board of Directors' Responsibilities for the Consolidated Financial Statements

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

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

Statutory Auditor's Responsibilities for Auditing the Consolidated Financial Statements

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

A more detailed description of our responsibilities for auditing the consolidated financial statements can be found on the EXPERTsuisse website: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description is part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item. 3 CO and PS-CH 890, we confirm that an internal control system for the preparation of the consolidated financial statements exists in accordance with the requirements of the Board of Directors.

We recommend that you approve these consolidated financial statements.

Zurich, February 17, 2023

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
(Auditor in Charge)

Roger Leu
Licensed Audit Expert

INCOME STATEMENT

For the years ended December 31

in CHF 1 000	Notes	2022	2021
Income			
Income from investments	1	44 426	43 775
Income from licenses		43 750	41 493
Interest income	2	4 700	3 181
Other financial income	3	2 352	1 582
Other income		5	16
Total income		95 233	90 047
Expenses			
Staff costs		- 4 088	- 4 870
Administration expenses		- 9 707	- 8 729
Interest expenses	4	- 41	- 332
Other financial expenses	5	- 15 709	- 12 726
Depreciation and amortization		- 11	- 11
Total expenses		- 29 556	- 26 668
Ordinary net income before taxes		65 677	63 379
Income taxes		- 2 478	- 2 293
Net income for the year		63 199	61 086

BALANCE SHEET

At December 31, 2022 and 2021

in CHF 1 000	Notes	Dec. 31, 2022	Dec. 31, 2021
Assets			
Cash and cash equivalents		4 403	61 116
Securities	6	236 976	353 165
Other receivables from third parties		3 240	1 159
Other receivables from group companies		9 628	6 047
Prepaid expenses and accrued income from third parties		1 898	1 612
Prepaid expenses and accrued income from group companies	1	40 025	40 026
Total current assets		296 170	463 125
Loans to group companies		477 040	325 804
Investments	7	115 397	115 397
Property, plant and equipment	8	10 232	2
Intangible assets		5	16
Total non-current assets		602 674	441 219
Total assets		898 844	904 344
Liabilities and equity			
Bank loans		0	20 000
Other current liabilities to third parties		241	140
Other current liabilities to group companies		2 692	1 984
Deferred income and accrued expenses		4 429	1 737
Total current liabilities		7 362	23 861
Total liabilities		7 362	23 861
Share capital	12	738	738
Statutory capital reserves			
Reserves from capital contribution	12	564 607	590 417
Other capital reserves		6 511	6 301
Statutory retained earnings		147	140
Voluntary retained earnings		102 669	102 669
Available earnings			
Net income brought forward		155 570	120 301
Net income for the year		63 199	61 086
Own shares	11	- 1 959	- 1 169
Total equity		891 482	880 483
Total liabilities and equity		898 844	904 344

NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

Accounting policies

General information

These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Significant valuation principles that have been applied in the preparation of these financial statements which are not prescribed by law are described below.

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

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

Valuation principles

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

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

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

Income from investments

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

Securities

Securities classified as current assets are carried at actual values. In the case of listed securities, this corresponds to the stock exchange price on the balance sheet date. Changes in the carrying amount are recognized in the income statement.

Investments

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

Own shares

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

Share-based payments

Part of the variable compensation paid to members of the Corporate Executive Committee and part of the compensation paid to members of the Board of Directors is in the form of Company shares. The acquisition cost of the shares is recorded under personnel expense.

1 Income from investments

in CHF 1 000	2022	2021
Dividend income	40 000	40 000
Other income from investments	4 426	3 775
Total income from investments	44 426	43 775

On February 3, 2023, the ordinary Annual General Meeting from Bachem AG has decided to distribute a dividend in the amount of CHF 40.0 million for the business year 2022 to its sole shareholder, Bachem Holding AG. Following an economical approach, this entitlement to profits, respectively income from investment has already been recorded by Bachem Holding AG in this year's financial statements 2022 simultaneous to the disclosure of the profit in the books of the 100% subsidiary Bachem AG. The corresponding income is shown in the line dividend income and the corresponding accrual in the line prepaid expenses and accrued income from group companies.

2 Interest income

in CHF 1 000	2022	2021
Interest income group companies	4 699	3 181
Interest income third parties	1	0
Total interest income	4 700	3 181

3 Other financial income

in CHF 1 000	2022	2021
Gains on securities	2 037	1 582
Foreign exchange result	315	0
Total interest expenses	2 352	1 582

4 Interest expenses

in CHF 1 000	2022	2021
Interest expenses third parties	- 41	- 247
Interest expenses shareholders	0	- 85
Total interest expenses	- 41	- 332

5 Other financial expenses

in CHF 1 000	2022	2021
Bank service charges	- 520	- 332
Transaction costs capital increase	0	- 11 889
Losses on securities	- 15 189	- 417
Foreign exchange result	0	- 88
Total other financial expenses	- 15 709	- 12 726

Further details related to the capital increase are disclosed in note 12.

6 Securities

in CHF 1 000	Dec. 31, 2022	Dec. 31, 2021
Money market	26 637	101 965
Bonds	166 973	199 618
Shares	43 366	51 582
Total securities	236 976	353 165

The securities consist of direct and indirect investments in marketable, easily realizable securities. They are valued at market values, stock exchange prices, on the balance sheet date.

7 Investments

Company	Location	Capital and voting share Dec. 31, 2022	Capital and voting share Dec. 31, 2021
Bachem AG	Bubendorf, Switzerland	100%	100%
Bachem Distribution Services GmbH	Weil am Rhein, Germany	100%	100%
Bachem (UK) Ltd.	St. Helens, England	100%	100%
Bachem Americas, Inc.	Torrance, USA	100%	100%
Peninsula Laboratories, LLC	San Carlos, USA	100%	100%
Bachem Japan K.K.	Tokyo, Japan	100%	100%

All companies are directly or indirectly held with 100%.

8 Property, plant and equipment

As of December 31, 2022, Bachem Holding AG had undeveloped land in the amount of CHF 10.2 million (previous year: none).

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

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
December 31, 2022				
Kuno Sommer (Chairman)	48 000		48 000	
Nicole Grogg Hötzer (Vice-Chairwoman)	13 500		13 500	
Alex Fässler (Member) ¹	32 940	640	33 580	
Steffen Lang (Member)	2 250		2 250	
Helma Wennemers (Member)	9 750		9 750	
Total Board of Directors	106 440	640	107 080	
Thomas Meier (CEO)	11 120	3 900	15 020	1 000
Günther Loidl (CTO)	11 695	3 300	14 995	730
Alain Schaffter (CFO)	0	650	650	650
Roland Schürmann (COO)	995	1 700	2 695	745
Torsten Wöhr (CMO)	0	900	900	165
Total Corporate Executive Committee	23 810	10 450	34 260	3 290
Total	130 250	11 090	141 340	3 290

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
December 31, 2021²				
Kuno Sommer (Chairman)	48 000		48 000	
Nicole Grogg Hötzer (Vice-Chairwoman)	13 500		13 500	
Alex Fässler (Member) ¹	31 125	2 455	33 580	
Steffen Lang (Member)	2 250		2 250	
Helma Wennemers (Member)	9 750		9 750	
Total Board of Directors	104 625	2 455	107 080	
Thomas Meier (CEO)	9 960	4 060	14 020	1 190
Günther Loidl (CTO)	10 170	4 095	14 265	910
Alain Schaffter (CFO)	0	0	0	0
Roland Schürmann (COO)	530	1 420	1 950	470
Anne-Kathrin Stoller (CMO)	7 520	4 065	11 585	910
Total Corporate Executive Committee	28 180	13 640	41 820	3 480
Total	132 805	16 095	148 900	3 480

¹ Ownership of shares incl. related parties.

² The table shows values after the share split (see note 12). In order to ensure comparability, the previous year's figures have been adjusted accordingly.

10 Important shareholders

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

Percentage of total share capital	Dec. 31, 2022	Dec. 31, 2021
P. Grogg (via Ingro Finanz AG)	52.8	52.8
Family of P. Grogg	5.6	5.6
The Capital Group Companies, Inc.	< 5.0	< 5.0
BlackRock, Inc.	< 5.0	n/a

11 Own shares

Details to the holding and the changes in own shares are disclosed in the notes 21 and 22 of the consolidated financial statements.

12 Share split and capital increase

On May 5, 2022, all non-listed shares of the type "Bachem A" (47.47% of share capital) were converted into listed shares of the type "Bachem B", and subsequently the nominal value of all Bachem shares was split in the ratio of 1:5. The par value per share is now CHF 0.01 (previously CHF 0.05).

On October 19, 2021, the share capital was increased by 750 000 registered shares B with a nominal value of CHF 0.05 per share. The placement price per share was CHF 778.00. The transaction costs of the capital increase in the amount of CHF 11.9 million were recognized in the line other financial expenses in the income statement.

13 Full-time positions

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

14 Value-added tax group

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

15 Events after the balance sheet date

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

APPROPRIATION OF AVAILABLE EARNINGS

Proposal of the Board of Directors for the appropriation of available earnings and for the appropriation of reserves from capital contribution

Appropriation of available earnings

Net income brought forward at January 1	CHF	155 569 994.90
Net income for the year 2022	CHF	63 199 279.44
Available to the Annual General Meeting	CHF	218 769 274.34
Dividend payment of CHF 0.38 per registered share for the business year 2022 on 73 721 200 registered shares entitled to dividend	CHF	28 014 056.00
Net income to be carried forward	CHF	190 755 218.34

Appropriation of reserves from capital contribution

Balance before appropriation of reserves from capital contribution	CHF	564 606 910.13
Transfer to free reserves for dividend payment of CHF 0.37 per registered share from reserves from capital contribution for the business year 2022 on 73 721 200 registered shares entitled to dividend	CHF	27 276 844.00
Reserves from capital contribution to be carried forward	CHF	537 330 066.13

The total amount of dividend mentioned in the proposal of the Board of Directors has been calculated on the basis of numbers of shares entitled to dividend on the day of the Board meeting. The number of shares entitled to dividend may change up to the Annual General Meeting on April 19, 2023, due to the granting of shares to employees or the purchase/sale of own shares.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bachem Holding AG (the Company), consisting of the balance sheet as of December 31, 2022, the income statement for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements as of December 31, 2022 (pages 74 to 80) comply with Swiss law and the Articles of Incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and the Swiss Standards on Auditing (SA-CH). Our responsibilities under these rules and standards are described in more detail in the section "Statutory Auditor's Responsibilities for Auditing the Financial Statements" of our report. We are independent of the Company in accordance with Swiss law and the requirements of the profession, and we have fulfilled our other professional conduct obligations in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters which, in our professional judgment, were most significant to our audit of the financial statements for the reporting period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Valuation of Investments and Loans to Group Companies

Key audit matter

As of December 31, 2022, the company reports investments of CHF 115.4 million and loans to Group companies of CHF 477.0 million. We consider the valuation of these balance sheet items as a key audit matter for the following reasons:

- The two items represent 66% of total assets and thus represent a significant proportion of assets.

How our audit addressed the key audit matter

We performed the following procedures in relation to the valuation of investments and loans to group companies:

- For each investment, we reviewed the carrying value of the investments on the basis of local equity in accordance with Swiss GAAP FER, the annual result and the budget.

Key audit matter

- The valuation of investments and loans to Group companies depends on the financial substance and profitability of the subsidiaries. The impairment test of the investments and loans includes judgement in determining the assumptions on the future performance of the business.

Please refer to page 76 (accounting policies) and page 78 (item 7 Investments) in the Annual Report.

How our audit addressed the key audit matter

- In the case of loans to Group companies, we tested the recoverability of the amounts recognized on the basis of net assets, based on the Swiss GAAP FER values of the debtors.
- We evaluated the underlying budget process as well as the approval by the Board of Directors.
- On the basis of the current stock market price of Bachem Holding AG, we also compared the market capitalization with the carrying value of the investments and loans to group companies, as these represent the value of the Bachem Group.

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

Other Information

The Board of Directors is responsible for the other information. Other information includes the information contained in the Annual Report, but does not include the consolidated financial statements, the financial statements and our related reports.

Our opinion on the financial statements does not extend to the other information and we do not express any form of audit conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and to assess whether the other information is materially inconsistent with the financial statements or our knowledge gained during the audit, or otherwise appears to be materially misrepresented.

If, on the basis of the work we have carried out, we determine that there is a material misrepresentation of this other information, we are obliged to report that fact. We have nothing to report in this context.

Board of Directors' Responsibilities for the Financial Statements

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

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

Statutory Auditor's Responsibilities for Auditing the Financial Statements

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

A more detailed description of our responsibilities for auditing the financial statements can be found on the EXPERTsuisse website: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description is part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item. 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

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

Zurich, February 17, 2023

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
(Auditor in Charge)

Roger Leu
Licensed Audit Expert

SHAREHOLDER INFORMATION

The following tables show values after the share split (see note 21 of the consolidated financial statements). In order to ensure comparability, the previous year's figures have been adjusted accordingly.

		2022	2021	2020	2019	2018
Number of registered shares, nom. CHF 0.01		73 750 000	73 750 000	70 000 000	70 000 000	68 000 000
Average number of shares outstanding		73 734 613	70 846 745	69 986 140	69 181 895	67 918 185
Dividend per share	CHF	0.75 ¹	0.70	0.65	0.60	0.55
Share price	High	CHF 135.60	167.60	81.70	31.72	32.16
	Low	CHF 50.70	64.20	30.20	21.44	21.64
	Year-end	CHF 79.85	143.20	79.10	30.96	22.72
Dividend yield per share	%	0.9	0.5	0.8	1.9	2.4
Earnings per share (EPS)	CHF	1.37	1.62	1.12	0.78	0.69
Cash flow from operating activities per share	CHF	1.26	1.38	1.64	0.93	0.38
Group equity per share	CHF	15.86	15.82	6.80	6.47	5.66
Price/earnings ratio (year-end)		58.48	88.46	70.92	39.54	33.08
Market capitalization at year-end	CHF million	5 889	10 561	5 537	2 167	1 545

¹ Proposal to the Annual General Meeting of April 19, 2023.

Bachem registered shares are traded at the SIX Swiss Exchange.

Valor number: 117649372; ISIN: CH1176493729; SIX: BANB; Reuters: BANB.S;

Bloomberg: BANB:SW.

Distribution of shares

Number of shares per shareholder	Dec. 31, 2022	Dec. 31, 2021
0–100	2 734	2 065
101–1 000	4 657	3 633
1 001–10 000	1 119	1 025
10 001–100 000	140	146
100 001–1 000 000	28	20
1 000 001–10 000 000	4	2
10 000 001 and more	1	1
Total	8 683	6 892

Shareholdings

in %	Dec. 31, 2022	Dec. 31, 2021
Institutional shareholders	70.4	70.5
Private individuals	13.9	13.2
Dispo	15.7	16.3
Total	100.0	100.0

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING (BUSINESS YEAR 2022)

April 19, 2023

PAYOUT DATE FOR DIVIDEND

April 25, 2023

HALF-YEAR REPORT 2023

July 27, 2023

ANNUAL REPORT 2023

March 7, 2024

ANNUAL GENERAL MEETING (BUSINESS YEAR 2023)

April 2024

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Forward-looking statements

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

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