

# INCOME STATEMENT

For the years ended December 31

in 1 000 CHF	Notes	2019	2018
<b>Income</b>			
Income from investments	1	23 510	21 661
Income from licenses		24 597	22 476
Interest income	2	3 424	3 398
Other income		16	22
Other financial income	3	0	180
<b>Total income</b>		<b>51 547</b>	<b>47 737</b>
<b>Expenses</b>			
Staff costs		- 3 728	- 3 531
Administration expenses		- 6 370	- 6 133
Interest expenses	4	- 393	- 446
Other financial expenses	5	- 1 791	- 43
Depreciation and amortization		- 14	- 12
<b>Total expenses</b>		<b>- 12 296</b>	<b>- 10 165</b>
<b>Ordinary net income before taxes</b>		<b>39 251</b>	<b>37 572</b>
Taxes		- 1 592	- 1 595
<b>Net income for the year</b>		<b>37 659</b>	<b>35 977</b>

# BALANCE SHEET

At December 31, 2019 and 2018

in 1000 CHF	Notes	Dec. 31, 2019	Dec. 31, 2018
<b>Assets</b>			
Cash and cash equivalents		490	7 421
Other receivables from third parties		515	763
Other receivables from group companies		5 009	6 913
Prepaid expenses and accrued income from third parties		49	3
Prepaid expenses and accrued income from group companies	1	20 000	18 000
<b>Total current assets</b>		<b>26 063</b>	<b>33 100</b>
Loans to group companies		245 574	233 458
Investments	6	115 397	115 397
Property, plant and equipment		4	7
Intangible assets		37	47
<b>Total non-current assets</b>		<b>361 012</b>	<b>348 909</b>
<b>Total assets</b>		<b>387 075</b>	<b>382 009</b>
<b>Liabilities and equity</b>			
Current interest-bearing liabilities	7	46 800	150 000
Other current liabilities to third parties		238	151
Other current liabilities to group companies		1 215	1 097
Deferred income and accrued expenses		2 661	3 217
<b>Total current liabilities</b>		<b>50 914</b>	<b>154 465</b>
Non-current interest-bearing liabilities	7	60 000	0
<b>Total non-current liabilities</b>		<b>60 000</b>	<b>0</b>
<b>Total liabilities</b>		<b>110 914</b>	<b>154 465</b>
Share capital	11	700	680
Statutory capital reserves			
Reserves from capital contribution	11	50 059	1 745
Other capital reserves		6 334	6 334
Statutory retained earnings		136	136
Voluntary retained earnings		102 669	102 669
Available earnings			
Net income brought forward		78 604	80 004
Net income for the year		37 659	35 977
Own shares	10	0	- 1
<b>Total equity</b>		<b>276 161</b>	<b>227 544</b>
<b>Total liabilities and equity</b>		<b>387 075</b>	<b>382 009</b>

# NOTES TO THE FINANCIAL STATEMENTS OF BACHEM HOLDING AG

## Accounting policies

### General information

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

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

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

### Valuation principles

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

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

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

### Income from investments

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

### Investments

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

### Own shares

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

### Share-based payments

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

### 1 Income from investments

in 1 000 CHF	2019	2018
Dividend income	20 000	18 229
Other income from investments	3 510	3 432
<b>Total income from investments</b>	<b>23 510</b>	<b>21 661</b>

On February 7, 2020, the ordinary Annual General Meeting from Bachem AG has decided to distribute a dividend in the amount of 20 000 kCHF for the business year 2019 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 2019 simultaneous to the disclosure of the profit in the books of the 100% subsidiary Bachem AG. The corresponding income is shown in the line dividend income and the corresponding accrual in the line prepaid expenses and accrued income from group companies.

### 2 Interest income

in 1 000 CHF	2019	2018
Interest income group companies	3 424	3 397
Interest income third parties	0	1
<b>Total interest income</b>	<b>3 424</b>	<b>3 398</b>

### 3 Other financial income

in 1 000 CHF	2019	2018
Foreign exchange result	0	180
<b>Total other financial income</b>	<b>0</b>	<b>180</b>

### 4 Interest expenses

in 1 000 CHF	2019	2018
Interest expenses third parties	-373	-412
Interest expenses shareholders	-20	-34
<b>Total interest expenses</b>	<b>-393</b>	<b>-446</b>

## 5 Other financial expenses

in 1 000 CHF	2019	2018
Bank service charges	- 13	- 43
Transaction costs capital increase	- 897	0
Foreign exchange result	- 881	0
<b>Total other financial expenses</b>	<b>- 1 791</b>	<b>- 43</b>

Further details related to the capital increase are disclosed in note 11.

## 6 Investments

Company	Location	Capital and voting share Dec. 31, 2019	Capital and voting share Dec. 31, 2018
Bachem AG	Bubendorf, Switzerland	100%	100%
Bachem Distribution Services GmbH	Weil am Rhein, Germany	100%	100%
Bachem (UK) Ltd.	St. Helens, England	100%	100%
Bachem Americas, Inc.	Torrance, USA	100%	100%
Peninsula Laboratories, LLC	San Carlos, USA	100%	100%
Bachem Japan K.K.	Tokyo, Japan	100%	100%

All companies are directly or indirectly held with 100%.

## 7 Interest-bearing liabilities

in 1 000 CHF	Dec. 31, 2019	Dec. 31, 2018
Bank loans	106 800	140 000
Loans from shareholders	0	10 000
<b>Total interest-bearing liabilities</b>	<b>106 800</b>	<b>150 000</b>
Thereof current bank loans	46 800	150 000
Thereof non-current bank loans	60 000	0

## 8 Important shareholders

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

Percentage of total share capital	Dec. 31, 2019	Dec. 31, 2018
P. Grogg (via Ingro Finanz AG) <sup>1</sup>	55.7	55.5
Family of P. Grogg	5.9	6.1
<b>Total important shareholders</b>	<b>61.6</b>	<b>61.6</b>

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

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

	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
<b>December 31, 2019</b>				
Kuno Sommer (Chairman)	7 500		7 500	300
Nicole Grogg Hötzer (Vice-Chairwoman)	87 800		87 800	300
Jürgen Brokatzky-Geiger (Member)	3 000		3 000	300
Thomas Burckhardt (Secretary)	1 000		1 000	300
Rolf Nyfeler (Member)	48 700		48 700	300
Helma Wennemers (Member)	1 650		1 650	300
<b>Total Board of Directors</b>	<b>149 650</b>	<b>0</b>	<b>149 650</b>	<b>1 800</b>
Thomas Früh (CEO) <sup>1</sup>	6 009	1 680	7 689	449
Günther Loidl (CTO)	1 197	1 142	2 339	305
Thomas Meier (COO)	1 565	659	2 224	232
Stephan Schindler (CFO)	4 120	1 180	5 300	314
Anne-Kathrin Stoller (CMO)	1 154	650	1 804	300
<b>Total Corporate Executive Committee</b>	<b>14 045</b>	<b>5 311</b>	<b>19 356</b>	<b>1 600</b>
<b>Total</b>	<b>163 695</b>	<b>5 311</b>	<b>169 006</b>	<b>3 400</b>
	Number of free shares	Number of blocked shares	Number of shares total	Shares allocated in reporting period
<b>December 31, 2018</b>				
Kuno Sommer (Chairman)	7 000		7 000	300
Nicole Grogg Hötzer (Vice-Chairwoman)	87 500		87 500	300
Jürgen Brokatzky-Geiger (Member)	2 700		2 700	300
Thomas Burckhardt (Secretary)	20		20	300
Rolf Nyfeler (Member)	51 600		51 600	300
Helma Wennemers (Member)	1 350		1 350	300
<b>Total Board of Directors</b>	<b>150 170</b>	<b>0</b>	<b>150 170</b>	<b>1 800</b>
Thomas Früh (CEO) <sup>1</sup>	4 767	2 473	7 240	466
Alex Fässler (COO) <sup>1</sup>	5 549	1 946	7 495	391
Günther Loidl (CTO)	349	1 685	2 034	317
Stephan Schindler (CFO)	3 097	1 739	4 836	328
Anne-Kathrin Stoller (CMO)	751	702	1 453	128
<b>Total Corporate Executive Committee</b>	<b>14 513</b>	<b>8 545</b>	<b>23 058</b>	<b>1 630</b>
<b>Total</b>	<b>164 683</b>	<b>8 545</b>	<b>173 228</b>	<b>3 430</b>

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

The shares of the Board of Directors have no blocking period.

#### **10 Own shares**

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

#### **11 Capital increase**

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

#### **12 Full-time positions**

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

#### **13 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.

#### **14 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	78 604 243.19
Net income for the year 2019	CHF	37 658 874.19
Available to the Annual General Meeting	CHF	116 263 117.38
Allocation to the statutory retained earnings	CHF	4 000.00
Dividend payment of 1.50 CHF per registered share for the business year 2019 on 13 991 750 registered shares entitled to dividend	CHF	20 987 625.00
Net income to be carried forward	CHF	95 271 492.38

### Appropriation of reserves from capital contribution

Balance before appropriation of reserves from capital contribution	CHF	50 059 346.88
Transfer to free reserves for dividend payment of 1.50 CHF per registered share for the business year 2019 on 13 991 750 registered shares entitled to dividend	CHF	20 987 625.00
Reserves from capital contribution to be carried forward	CHF	29 071 721.88

The total amount of dividend mentioned in the proposal of the Board of Directors has been calculated on the basis of numbers of shares entitled to dividend on the day of the Board meeting. The number of shares entitled to dividend can still change up to the Annual General Meeting on April 22, 2020, depending on the distribution of shares to employees or purchase/sale of own shares.



## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Bachem Holding AG, which comprise the balance sheet as at December 31, 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 98 to 104) as at December 31, 2019 comply with Swiss law and the company's articles of incorporation.

### Basis for Opinion

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

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

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

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

- Valuation of investments and loans to group companies

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

## VALUATION OF INVESTMENTS AND LOANS TO GROUP COMPANIES

### KEY AUDIT MATTER

As of December 31, 2019, the Company reports investments of CHF 115.4 million and loans to group companies of CHF 245.6 million. We consider the valuation of these balance sheet items as key audit matter for the following reasons:

- These items are significant and represent 93% of the total assets.
- The valuation of investments and loans to group companies depends on the financial substance and profitability of the subsidiaries. The impairment test of the investments and loans includes judgement in determining the assumptions on the future performance of the business.

Please refer to page 100 (Accounting policies) and page 102 (6 Investments) in the annual report.

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have performed the following audit procedures:

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

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

### Other Matter

The financial statements of Bachem Holding AG for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 20, 2019.

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

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

Zurich, February 19, 2020

MAZARS AG

Cyprian Bumann  
Licensed Audit Expert  
Auditor in Charge

Roger Leu  
Licensed Audit Expert